



**Annual Report of the Fiduciary Agent
2014 BUSINESS YEAR**

**Issuer:
CEMIG DISTRIBUICAO S.A.**

Second Issue of Non-convertible Debentures

SLW CORRETORA DE VALORES E CÂMBIO LTDA.
SLW SÃO PAULO
DR. RENATO PAES DE BARROS 717 | 6º E 10º ANDAR
04530-001 | ITAIM BIBI | SÃO PAULO | SP
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WWW.SLW.COM.BR

Client service line ('SAC'): 3048 9905
SLW Ombudsman: 0800 724 3004



CHARACTERISTICS OF THE ISSUER

BUSINESS NAME: CEMIG DISTRIBUICAO S.A.

Brazilian Tax Number (CNPJ): 06.981.180/0001-16

CHARACTERISTICS OF THE ISSUE

ISSUE DATE: December 15, 2007

MATURITY DATE: December 15, 2017

FIDUCIARY AGENT: SLW CVC LTDA

MANAGER: BB BCO DE INVESTIMENTO S.A.

MANDATED BANK: BANCO BRADESCO S.A.

REPORTING BANK: BANCO BRADESCO S.A.

TOTAL VALUE (*): R\$ 400,000,000.00

QUANTITY OF DEBENTURES: 40,000

NUMBER OF SERIES: The issue will have one single series.

PUBLICATION: *Minas Gerais* (newspaper of Minas Gerais State); *Valor Econômico* newspaper

USE OF PROCEEDS: As per the Issue Deed, the funds are for partial payment of the outstanding balance remaining on the Notes of the Third Issue of Promissory Notes of Cemig Distribuição S.A.

(*) On the Issue Date

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THE FOLLOWING IS THE OBLIGATORY INFORMATION UNDER §1, SUBCLAUSE 'B' OF ARTICLE 68 OF LAW 6404/76 AND SUB-ITEM XVII OF ARTICLE 12 OF CVM INSTRUCTION 28/83:

12.

a) 'Any omission or inaccuracy, contained in the information disclosed by the company, or any default or non-compliance or arrears in the obligatory presentation of information by the company, of which it is aware':

The issuer is compliant with the commitments assumed under the instrument of issue, and the other pecuniary obligations.

b) Changes in the by-laws in the period

DATE	EVENT
June 3, 2014	Minutes of Extraordinary General Meeting of Stockholders
April 30, 2014	Minutes of Ordinary and Extraordinary General Meeting of Stockholders

All the above acts are filed with the Fiduciary Agent. For further information please contact SLW Corretora de Valores e Câmbio.

c) Comments on the Company's financial statements, focusing on its economic, financial and capital structure indicators

The Company has a financing contract with the Brazilian Development Bank (BNDES), with a Restrictive Covenant (*'the Covenant'*) related to financial indices, calculated annually, based on the December balance sheet of the Guarantor CEMIG, audited by an independent auditing company registered with the CVM, as follows:

Description of Restrictive Clauses	Requirement
Stockholders' equity / Total assets	30% or more
Net debt / Ebitda	4x or less

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If the indices are not met the company will have 30 calendar days from the date of written notice from the bank of non-compliance with any of the indices, in which to constitute real guarantees which in the opinion of the BNDES represent 130% of the debtor balance of the contract, unless in that period the levels referred to above are re-established.

COMPLIANT: On December 31, 2014 all the restrictive covenants were complied with.

THE COMPANY

Cemig Distribuição S.A. ('Cemig D' or 'the Company'), a Brazilian corporation registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, or *CVM*), and with the Brazilian Register of Corporate Taxpayers (*CNPJ*) under No. 06.981.180/0001-16, is a wholly-owned subsidiary of Companhia Energética de Minas Gerais – Cemig. It was incorporated on September 8, 2004, and began operating on January 1, 2005, pursuant to the process of separation of activities ('unbundling') of Cemig. Its shares are not traded on any exchange. It is domiciled in Brazil, with head office at Avenida Barbacena 1200, Belo Horizonte, Minas Gerais.

Its corporate objects are: To study, plan, project, build and commercially operate systems of distribution and sale of electricity and related services for which concessions are granted to it under any form of law.

Cemig D has a concession area of 567,478km², covering approximately 97% of the Brazilian state of Minas Gerais, serving 9,006,920 consumers, as of December 31, 2014 (data not reviewed by external auditors).

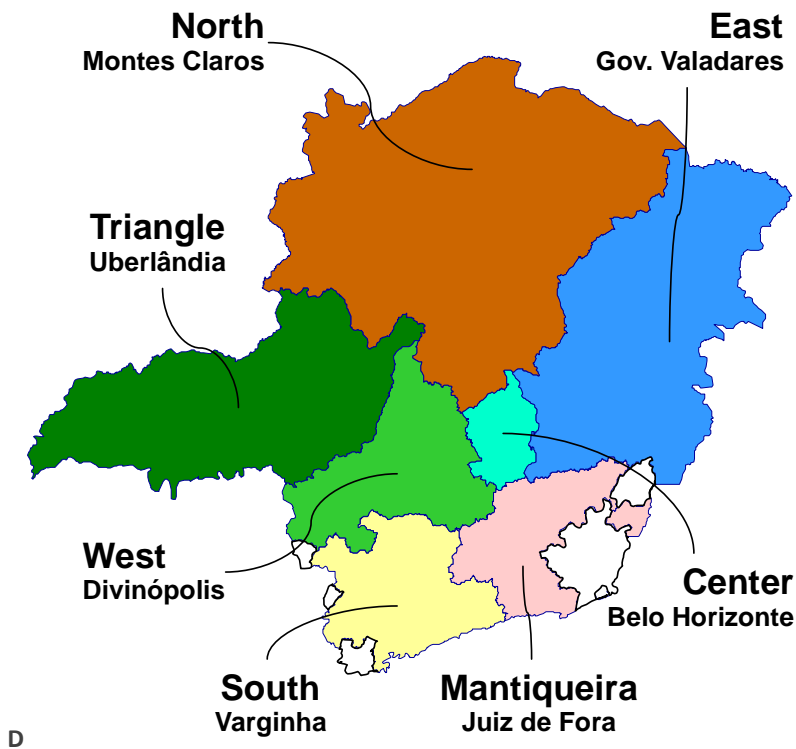
The company holds the concession for commercial operation of its activities for 20 years, up to February 18, 2016, and qualifies as subject to the terms of Provisional Measure 579/2012 (converted into Law 12783 in January 2013). On October 14, 2012 the company requested extension of the related concession contract. On January 17, 2014 the National Electricity Agency, Aneel, sent to the Company Official Circular Letter 01/2014-DR/ANEEL stating that it was analyzing the request for extension of the concession, and that the final decision on the request rested with the Concession-granting power. Up to the date of approval of these financial statements, the terms of the extension are not known to the Company's management. Management expects that the Concession-granting power will grant this request for extension, on conditions similar to the present ones, and for a period of 30 years.

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Area of operation



D

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FINANCIAL SITUATION

Credit rating

	<i>Fitch</i>	<i>Brazilian</i>	<i>Global: not allocated</i>
<i>Investment Grade</i>	AAA		
	AA+		
	AA	Cemig H, D and GT	
	AA-		
	A+		
	A		
	A-		
	BBB+		
	BBB		
	BBB-		
<i>Speculative Grade</i>	BB+		
	BB		
	BB-		
	B+		
	B		
	B-		
	CCC+		
	CCC		
	CCC-		
	CC		
	C		
	D		

Cemig reported net profit of R\$ 3.137 billion for 2014, 1.06% more than its net profit of R\$ 3.104 billion in 2013.



The main variations in elements of the result are as follows:

Profit (loss) for the period

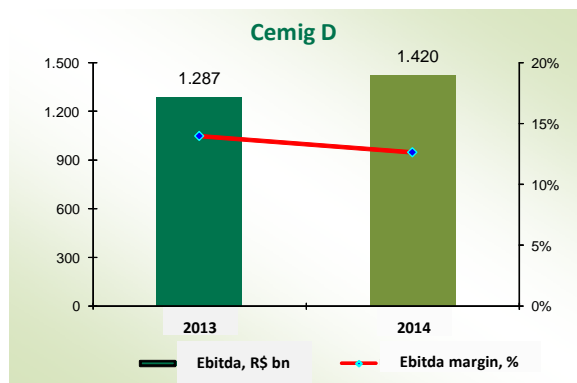
Cemig D reported net profit of R\$ 430 million in 2014, representing a reduction of 12.24% in comparison with its profit of R\$ 490 million for 2013.

This mainly reflected a better result in Financial revenue (expenses) in 2013, when net financial expenses were R\$ 194 million, compared to R\$ 393 million in 2014, reflecting credits of R\$ 162 million in 2013 due to winning of a legal action which challenged the charging of the Pasep and Cofins taxes on financial revenues.

Ebitda (earnings before interest, tax, depreciation and amortization)

Cemig D's Ebitda in 2014 was 10.33% higher than in 2013.

R\$ million	2014	2013	Change, %
Net profit for the year	430	490	(12.24)
+ Income tax and Social Contribution tax	169	187	(9.63)
+ Financial revenue (expenses)	393	194	102.58
+ Amortization	428	416	2.88
= EBITDA	1,420	1,287	10.33



Operational revenue

This is a breakdown of the Company's revenue:

R\$ million	2014	2013
Revenue from supply of electricity and Revenue from use of the network – Free consumers	11,443	9,816
Revenue from use of the network – Free consumers	894	1,047
CVA and Other financial components in tariff increases	1,107	-
Transactions in electricity on the CCEE	-	180
Distribution construction revenue	861	884
Other operational revenues	1,039	814

[revisor1] Comentário:
 Obs: -- repetição ...
 (- sf@miracleread.com)

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Taxes and charges applied to Revenue

(4,103)

(3,535)

11,241

9,206

We recommend a complete reading of the Financial Statements, the Report of Management and the Opinion of the external auditors for the best analysis of the company's economic and financial situation. Further information can be found on the Company's website: <http://cemig.infoinvest.com.br/ptb/s-20-ptb-2014.html>

d) Position on distribution or placement of the debentures in the market;

e) Redemption, amortization, conversion, renegotiation or payment of interest of the debentures taking place in the period, and acquisitions and sales of debentures made by the issuer company:

CHARACTERISTICS OF THE SINGLE SERIES

ISSUE DATE:	December 15, 2007
MATURITY DATE:	December 15, 2017
TOTAL VALUE(*):	R\$ 400,000,000.00
NOMINAL UNIT VALUE(*):	R\$ 10,000.00
UNIT PRICE ON DEC. 31, 2014:	R\$ 14,946.112207
QUANTITY OF DEBENTURES:	40,000
REGISTRY WITH THE CVM:	CVM/SRE/DEB-2007/048
DATE OF CVM REGISTRATION:	December 17, 2007
ASSET CODE:	CMDT12
ISIN CODE:	BRCMGDBS017
TRADING:	Cetip and/or BM&FBovespa
FORM:	Book-entry
GUARANTEE:	Unsecured
CLASS:	Non-convertible

(*) On the Issue Date

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MONETARY UPDATING: IPCA

INTEREST

Start: December 15, 2007

Termination: December 15, 2017

Yield: 7.96 % p.a.

Business days basis: 252

UP (unit price) at start of period: R\$ 10,000.00

Payment Annually, on December 15 of each year, the first payment being on December 15, 2008 and the last on the maturity date, i.e. December 15, 2017.

Document Issue Deed and first amendment to the issue.

PREMIUM: None.

AMORTIZATION OF THE NOMINAL VALUE: The debentures will be amortized in three equal consecutive annual installments, the first on December 16, 2015.

RENEGOTIATION: None.

REDEMPTION: There is no possibility of redemption.

PAYMENTS OF THE DEBENTURES MADE IN THE PERIOD:

Date	Event	Unit Value (R\$)
December 15, 2014	PAYMENT OF INTEREST	1.182,584460

POSITION OF THE ASSET

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Issued:	40,000
Treasury:	0
In circulation:	40,000
Redeemed:	0
Canceled:	0

f) Constitution of, and investments made by, a fund for amortization of the debentures, if applicable:

None.

g) Monitoring of use of the funds raised through the debenture issue, according to data obtained from the managers of the Issuer company

According to the Statement of the Issuer, the proceeds of the debenture Issue were allocated as specified in the Issue Deed.

h) List of assets/amounts delivered for management by the Fiduciary Agent:

No goods or financial assets were delivered to the Fiduciary Agent for management.

i) Compliance with other obligations assumed by the company in the issue deed:

According to the information obtained we have not identified non-compliance with any of the obligations assumed by the Issuer in the Issue Deed.

j) Statement on the sufficiency and enforceability of guarantees of the debentures

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The Debentures will be of the unsecured type, without collateral nor preference.

k) Existence of other issues, public or private, of debentures by the Issuer itself, or by an affiliated company, a subsidiary, a parent company or a member of the same group as the Issuer in which the Fiduciary Agent has acted as fiduciary agent in the period, and the following data about such issues:

- Name of the offering company;
- Amount of the Issue;
- Number of debentures issued;
- Type;
- Maturity of the Debentures;
- Type and value of the goods given in guarantee and name of the guarantors;
- Redemption, amortization, conversion, renegotiation or default events in the period.

We have not acted as Fiduciary Agent in other issues made by the Issuer itself, or by an affiliated company, nor a subsidiary or parent company or a member of the same group as the Issuer.

l) Statement on capacity to continue exercising the function of Fiduciary Agent;

SLW CVC Ltda. declares that it is in full conditions to continue carrying out the function of Fiduciary Agent.



APPENDIX I (Financial statements)

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2014 AND 2013

ASSETS
R\$ '000

R\$ million	Note	2014	2013
CURRENT			
Cash and cash equivalents	5	313,799	685,969
Securities	6	100,819	79,642
Consumers and Traders	7	1,371,126	1,216,412
Concession holders – Transport of electricity	7	219,770	221,977
Recoverable taxes	8	120,843	287,284
Income tax and Social Contribution tax recoverable	9a	185,159	156,443
Inventories		28,950	32,140
Public lighting contribution		88,065	70,475
Tariff subsidies reimbursement	11	344,896	136,026
Low-income client subsidy – reimbursement		35,197	38,857
Funds from the Energy Development Account (CDE)	12	-	-
Financial assets of the concession	13	843,793	196,733
Other		235,247	196,733
TOTAL, CURRENT		3,887,664	3,148,574
NON-CURRENT			
Securities	6	1,726	8,008
Deferred income tax and Social Contribution tax	9b	860,964	897,686
Recoverable taxes	8	302,522	334,849
Escrow deposits in litigation	10	865,556	853,961
Consumers and Traders	7	202,733	180,307
Concession holders – Transport of electricity	7	6,172	8,288
Other credits		46,708	81,563
Financial assets of the concession	13	6,206,564	5,063,802
Intangible assets	14	1,484,231	1,920,898
TOTAL, NON-CURRENT		9,977,176	9,349,362
TOTAL ASSETS		13,864,840	12,497,936

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STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2014 AND 2013

LIABILITIES R\$ '000

R\$ million	Note	2014	2013
CURRENT			
Loans and financings	17	1,912,693	585,601
Debentures	17	324,124	545,767
Suppliers	15	1,119,485	853,825
Taxes	16	378,220	331,217
Interest on Equity, and dividends, payable		214,955	245,127
Payroll and payroll-related payments		132,827	129,469
Regulatory charges	18	57,257	125,534
Profit shares		76,060	81,776
Post-retirement liabilities	19	100,879	99,022
Public lighting contribution		168,191	127,576
Other liabilities		152,688	175,091
TOTAL, CURRENT		4,646,379	3,300,005
NON-CURRENT			
Loans and financings	17	1,061,702	1,335,223
Debentures	17	2,749,731	2,781,328
Provisions	20	303,122	181,705
Post-retirement liabilities	19	1,797,092	1,669,146
Taxes	16	615,485	598,215
Regulatory Charges	18	190,668	109,944
Other		18,434	29,512
TOTAL, NON-CURRENT		6,736,234	6,705,073
TOTAL LIABILITIES		11,382,613	10,005,078
STOCKHOLDERS' EQUITY			
Share capital	21	2,261,998	2,261,998
Capital reserves		453,017	427,805
Adjustments to Stockholders' equity		(232,788)	(196,945)
TOTAL OF STOCKHOLDERS' EQUITY		2,482,227	2,492,858
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		13,864,840	12,497,936

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PROFIT AND LOSS ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

R\$ '000
(except Net profit per share)

R\$ million	Note	2014	2013
REVENUE	22	11,241,118	9,205,932
OPERATIONAL COSTS	23		
COST OF ELECTRICITY			
Electricity purchased for resale		(5,747,681)	(4,089,448)
Charges for the use of the national grid		(573,270)	(410,290)
		<u>(6,320,951)</u>	<u>(4,499,738)</u>
COSTS			
Personnel and managers		(715,512)	(694,365)
Materials		(42,824)	(43,517)
Outsourced services		(577,688)	(550,305)
Amortization		(409,278)	(378,428)
Operational provisions		(178,509)	(157,011)
Distribution infrastructure construction cost		(861,437)	(883,801)
Others		(139,167)	(109,221)
		<u>(2,924,415)</u>	<u>(2,816,648)</u>
TOTAL COST		(9,245,366)	(7,316,386)
GROSS PROFIT		1,995,752	1,889,546
OPERATIONAL EXPENSES	23		
Selling expenses		(121,964)	(117,932)
General and administrative (expenses)		(448,923)	(517,983)
Other operational expenses		(432,701)	(382,221)
		<u>(1,003,588)</u>	<u>(1,018,136)</u>
Profit before Financial revenue (expenses) and taxes			
Taxes		992,164	871,410
Financial revenues	24	358,414	453,099
Financial expenses	24	(751,218)	(646,877)
Pretax profit		599,360	677,632
Current income tax and Social Contribution tax	9	(114,264)	(198,315)
Deferred income tax and Social Contribution tax	9	(55,187)	10,937
NET PROFIT FOR THE PERIOD		<u>429,909</u>	<u>490,254</u>
Basic and diluted profit per preferred share		0.1901	0.2167

Note: We recommend reading of the Financial statements, the Explanatory notes and the Report of the external auditors. Further information can be found at: <http://cemig.foinvest.com.br/ptb/s-20-ptb-2014.html>

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