Brazil's Best Electricity

EARNINGS RELEASE

2009

Cemig GT

Revenue from supply of electricity

	MWh (**)			R$		
	2009	2008	Change, %	2009	2008	Change, %
Industrial	16,418,684	19,561,574	**(16.07)**	1,779,417	1,899,009	**(6.30)**
Commercial	4,722	-	**-**	995	-	**-**
Retail supply not invoiced, net	-	-	**-**	(15,258)	34,846	**(143.79)**
	16,423,406	19,561,574	**(16.04)**	1,765,154	1,933,855	**(8.72)**
Wholesale supply to other concession holders (*)	15,792,446	12,081,809	**30.71**	1,660,416	1,084,005	**53.17**
Transactions in energy on the CCEE	2,031,791	1,173,655	**73.12**	132,544	136,156	**(2.65)**
Sales under the Proinfa program	20,245	-	**-**	4,296	-	**-**
Total	**34,267,888**	**32,817,038**	**4.42**	**3,562,410**	**3,154,016**	**12.95**

(*) Includes Contracts for Sale of Electricity in the Regulated Market (CCEARs), and “Bilateral Contracts” with other agents.
(**) Not reviewed by external auditors

Revenue from electricity sales totaled R$ 3.562 billion in 2009, compared to R$ 3.154 billion in 2008 – an increase of 12.95%.

This result mainly reflects an increase of 30.71% in the volume of electricity sold to other concession holders and “bilateral contracts” – contracted at both the “Adjustment” and the “New Energy” auctions – with tariffs averaging between R$ 125.00 and R$ 145.77. The resulting revenue from the wholesale supply to other concession holders, at R$ 1.660 billion in 2009, was 53.17% higher than in 2008 (R$ 1.084 billion).

At the same time, volume of electricity sold to Free Consumers, at 16,423 GWh in 2009, was 16.04% lower than the total of 19,562 GWh sold in 2008, reflecting the effect of the global financial crisis on electricity demand in 2009. Revenues from these sales in 2009 was R$ 1.765 billion, 8.72% less than in 2008 (R$ 1.934 billion). Part of the effect of this lower level was offset by the annual adjustment in these contracts, most of which are indexed to the IGP-M inflation index.

Operational revenue

	2009	2008	Change, %
Revenue from supply of electricity	3,562	3,154	12.94
Final consumers	1,765	1,934	(8.74)
Supply to other concession holders	1,660	1,084	53.14
Transactions in energy on the CCEE	133	136	(2.21)
Sales under the Proinfa program	4	-	-
Revenue from use of the network	852	617	38.09
Other	25	30	(16.67)
	4,439	**3,801**	**16.79**

Revenue from use of the network

This revenue is primarily for use, by generation and distribution companies that participate in the Brazilian grid system, of the facilities that make up the basic transmission network of **Cemig GT;** the amounts are set by a resolution of the regulator, ANEEL.

The revenue for use of the network was R$ 852 million in 2009, compared to R$ 617 million in 2008 – an increase of 38.09%, resulting from inclusion of an extraordinary item of revenue, of R$ 158 million, arising from the Tariff Review of the company’s transmission activity, in June 2009.

Net income for the period

Cemig Geração e Transmissão (“**Cemig GT**”) reported net income of R$ 1.309 billion for 2009, 32.76% more than its 2008 net income of R$ 986 million.

EBITDA

(method of calculation not reviewed by external auditors)

As this table shows, EBITDA adjusted for non-recurring items was 24.84% higher than in 2008, and, when adjusted for non-recurring items, 16.05% higher.

EBITDA – R$ million	2009	2008	Change, %
Net income	1,309	986	32.76
+ Provision for income tax and Social Contribution tax	566	383	47.78
+ Financial revenues (expenses)	236	245	(3.67)
+ Depreciation and amortization	236	224	5.36
+ Employees’ profit shares	55	86	(36.05)
= EBITDA	**2,402**	**1,924**	**24.84**
Non-recurring adjustments (*)			
- Review of Transmission Revenue – Technical Note 214/2009	(158)	-	-
+ PPD and PDV Voluntary Retirement Programs	41	14	192.86
- + Extraordinary Tariff Recomposition – Normative Resolution 387	(36)	-	-
= ADJUSTED EBITDA (Not audited)	**2,249**	**1,938**	**16.05**

(*) The non-recurring adjustments correspond to the company’s interpretation on events which it deems to be extraordinary, not related to current operations.

As the chart below shows, EBITDA has grown constantly up to 2009.

Deductions from operational revenues

	2009	2008	Change, %
Taxes on revenue			
ICMS tax	322,003	356,121	(9.58)
COFINS tax	316,155	256,307	23.35
PIS and PASEP taxes	73,850	55,479	33.11
ISS value added tax on services	466	678	(31.27)
	712,474	668,585	6.56
Charges to the consumer			
Global Reversion Reserve – RGR	93,489	85,483	9.37
CDE – Energy Development Account	29,058	36,601	(20.61)
Quote for Fuel Consumption Account – CCC	25,575	34,445	(25.75)
Research and Development	13,730	11,381	20.64
National Scientific and Technological Development Fund – FNDCT	13,224	11,381	16.19
Energy System Expansion Research – EPE	6,612	5,068	30.47
Emergency Acquisition Charge	15,649	10,371	50.89
	197,337	194,730	1.34
	909,811	**863,315**	**5.39**

Deductions from operational revenues totaled R$ 910 million in 2009, compared to R$ 863 million in 2008, an increase of 5.39%. The main variations between the two years are as follows:

The Fuel Consumption Account – CCC

The deduction from revenue for the CCC in 2009 was R$ 26 million, 25.75% less than in 2008 (when it was R$ 34 million). This is a contribution for the costs of operation of the thermal plants in the national grid and in the isolated systems. It is shared between electricity concession holders, on a basis set by an ANEEL Resolution. **Cemig GT** merely passes through this cost, to Eletrobrás, after charging it to Free Consumers on their invoices for use of the grid.

CDE – Energy Development Account

The deduction from revenue for the CDE in 2009 was R$ 29 million, 20.61% less than in 2008 (R$ 37 million). These payments are specified by a Resolution issued by the regulator, ANEEL. **Cemig GT** merely passes on this cost, to Eletrobrás, after charging it to Free Consumers on their invoices for use of the grid.

The other deductions from revenue are for taxes that are calculated as a percentage of invoiced revenue – hence their variations are substantially the same in percentage terms as the changes in revenue.

Operational costs and expenses
(excluding Financial revenue (expenses))

Operational costs and expenses	2009	2008	Change, %
Personnel expenses	309	260	18.85
Post-employment obligations	29	48	(39.58)
Materials	16	17	(5.88)
Raw materials and inputs	4	70	(94.29)
Outsourced services	151	114	32.46
Depreciation and amortization	236	224	5.36
Royalties for use of water resources	140	127	10.24
Operational (provisions /) reversals	(16)	1	-
Charges for the use of the basic transmission grid	275	272	1.10
Electricity bought for resale	149	13	1.046.15
Other expenses, net	69	91	(24.18)
	1,362	**1,237**	**10.11**

The main variations in operational expenses were:

Personnel expenses

Personnel expenses in 2009 totaled R$ 309 million, vs. R$ 260 million in 2008, an increase of 18.85%. This result is mainly due to the salary increases of 4.88% and 7.26% given to employees in November 2008 and 2009, respectively; and also the provision, of R$ 41 million, made in 2009 for the PPD Voluntary Retirement Program – partially offset by the effect of the number of employees being 5.77% lower in 2009. At the end of 2009 **Cemig GT** had 2,166 employees, and this was reduced to 2,041 by the end of 2009. For a breakdown of personnel expenses please see Explanatory Note 25 to the Financial Statements.

Outsourced services

The expense on outsourced services in 2009 was R$ 151 million, which compares to R$ 114 million in 2008 – an increase of 32.46%. The main increases were in expenses on the environment, consultancy on contracting of services related to analysis of new projects and acquisitions , and expenses on fees of counsel arising from the success in the case challenging the application of rural land tax to areas that have been flooded.

Post-employment obligations

Expenses on post-employment obligations in 2009 were R$ 29 million, compared to R$ 48 million in 2008, a reduction of 39.58%. This expense basically consists of interest on **Cemig GT**'s actuarial liabilities, net of the expected return on assets held by the pension plans, as estimated by an external actuary. The lower expense in 2009 basically reflects the adjustment made to the actuarial assumptions in December 2008, which resulted in a reduction of the Company's net obligations.

Raw materials and inputs for generation

This expense in 2009 was R$ 4 million, compared to R$ 70 million in 2008, a reduction of 94.29%. This is because in 2008 there were purchases of fuel for the Igarapé thermal plant, which was dispatched due to low reservoir levels – and to serve demand for electricity from Argentina.

Electricity bought for resale

The expense on electricity bought for resale in 2009 was R$ 149 million, 1,046.15% higher than the figure of R$ 13 million for this account in 2006. The difference reflects higher purchases of electricity in 2009, related to sales activity.

Financial revenues (expenses)

	2009	2008	Change, %
FINANCIAL REVENUES			
Revenue from cash investments	149,973	125,276	19.71
Arrears penalty payments on electricity bills	1,790	8,062	(77.80)
Monetary updating on items under the General Agreement for the Electricity Sector	12,803	23,052	(44.46)
FX variations	26,111	6	-
PASEP and COFINS taxes on financial revenues	(295)	(2,777)	(89.38)
Gains on financial instruments (Note 28)	3,420	13,157	(74.01)
Adjustment to present value	2,100	16,263	(87.09)
Other	31,498	52,430	(39.92)
	227,400	**235,469**	(3.43)
FINANCIAL EXPENSES			
Charges on loans and financings	(357,730)	(352,156)	1.58
Monetary updating on loans and financings	(4,857)	(17,379)	(72.05)
FX variations	(105)	(52,614)	(99.80)
Losses on financial instruments (Note 28)	(43,585)	-	-
Provisions for losses on “Free Energy” transactions	7,668	(19,195)	(139.95)
Adjustment to present value	(8,434)	(2,679)	214.82
Other	(56,245)	(36,263)	55.10
	(463,288)	**(480,286)**	(3.54)
NET FINANCIAL EXPENSES	**(235,888)**	**(244,817)**	(3.65)

The company posted net financial *expenses* of R$ 236 million in 2009, 3.65% less than the net financial expenses in 2008, of R$ 245 million. The main factors in this financial result are:

- Revenue from cash investments was 19.71% higher year-on-year, due to a higher volume of cash invested in 2009.

- A reversal of provision, of R$ 8 million, for loss on “Free Energy” receivables, in 2009, compared with a provision of R$ 19 million made in 2008 – reflecting an adjustment made to the estimate for future realization of credits receivable under the RTE.

- Revenue from monetary variation on the General Agreement for the Electricity Sector 44.46% lower – at R$ 13 million in 2009, vs. R$ 23 million in 2008 – reflecting the reduction of the asset as amounts receivable are gradually settled by receipt through clients’ electricity bills.

- Monetary updating on loans and financings 72.05% lower in 2009, at R$ 5 million, compared to R$ 17 million in 2008. This mainly reflects the lower IGP-M and IPCA inflation indices in 2009 than in 2008.

- The *Other financial revenues* line was 39.92% lower, at R$ 31 million, in 2009, than in 2008 (R$ 52 million). The higher revenue in 2008 is mainly due to accounting, in April 2008, of a revenue item of R$ 14 million under the agreement reached with Econ Energia S.A. for reparation of damages due to non-supply of electricity contracted in January through March 2008.

- The *Other financial expenses* line was 55.10% higher, due to penalty payments totaling R$ 31 million accounted in September 2009, due to rescission of a contract with a Free Consumer. The electricity made available will be sold to other consumers.

Income tax and Social Contribution tax

Cemig GT's expense on income tax and the Social Contribution tax in 2009 totaled R$ 566 million, on profit of R$ 1.931 billion before tax effects, a percentage of 29.31%. This compares with 2008, when **Cemig GT**'s expense on income tax and the Social Contribution totaled R$ 383 million, on profit of R$ 1.455 billion before tax, a percentage of 26.32%. These effective rates are reconciled with the nominal rates in Explanatory Note 10 to the Consolidated Financial Statements.

Employees' profit shares

In accordance with the 2009 Collective Labor Agreement, **Cemig GT** allocated profit shares to its employees totaling R$ 55 million (vs. R$ 86 million in 2008). For further information see Explanatory Note 27 to the Consolidated Financial Statements.

LIQUIDITY AND CASH FLOW

Cemig GT's cash position at the end of 2009 was R$ 3.043 billion – this compares with R$ 862 million at the end of 2008.

Cash generated by operations was R$ 1.546 billion in 2009, compared to R$ 1.047 billion in 2008, reflecting the fact that Net income adjusted for revenues and expenses not affecting cash flow was R$ 1.555 billion in 2009, compared to R$ 1.243 billion in 2008.

Financing activities represented net cash outflow of R$ 2.473 billion, arising from loans and financings obtained in the amount of R$ 3.917 billion, vs. amortizations in the amount of R$ 594 million, and payment of Interest on Equity and dividends in the amount of R$ 850 million.

Capital expenditure in 2009 totaled R$ 1.847 billion, compared to R$ 260 million in 2008, related principally to new acquisitions: the transmission company TAESA, the wind farms, and the works on the Santo Antônio and Baguari power plants.

Disclaimer

Some statements and assumptions in this document are projections based on the viewpoint and assumptions of management, and involve risks and uncertainties both known and unknown. Future outcomes may differ materially from those expressed or implicit in such statements.

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CEMIG GT – Tables I to III

Table I

Operating Revenues (consolidated) - CEMIG GT
Values in million of Reais

	4th Q. 2009	3rd Q. 2009	Chge%	4th Q. 2008	Chge%	2009	2008	Chge%
Sales to end consumers	467	455	3	527	(11)	1,765	1,934	(9)
Supply + Transactions in the CCEE	459	437	5	295	56	1,792	1,220	47
Revenues from Trans. Network	216	171	26	155	39	852	617	38
Others	12	6	100	6	100	30	29	3
Subtotal	**1,154**	**1,069**	**8**	**983**	**17**	**4,439**	**3,800**	**17**
Deductions	(249)	(222)	12	(236)	6	(910)	(863)	5
Net Revenues	**905**	**847**	**7**	**747**	**21**	**3,529**	**2,937**	**20**

TABLE II

Operating Expenses (consolidated) - CEMIG GT
Values in millions of reais

	4th Q. 2009	3rd Q. 2009	Chge%	4th Q. 2008	Chge%	2009	2008	Chge%
Personnel/Administrators/Councillors	74	65	14	69	7	309	260	19
Depreciation and Amortization	66	57	16	57	16	236	224	5
Charges for Use of Basic Transmission Network	67	66	2	71	(6)	275	272	1
Contracted Services	63	36	75	45	40	151	114	32
Forluz – Post-Retirement Employee Benefits	7	7	-	12	(42)	29	48	(40)
Materials	6	4	50	6	-	16	17	(6)
Royalties	35	35	-	32	9	140	127	10
Operating Provisions	(17)	-	-	2	-	(16)	1	-
Other Expenses	21	18	17	32	(34)	69	91	(24)
Purchased Energy	32	46	(30)	13	-	149	13	-
Raw material for production	-	-	-	5	(100)	4	70	(94)
Total	**354**	**334**	**6**	**344**	**3**	**1,362**	**1,237**	**10**

TABLE III

Statement of Results (Consolidated) - CEMIG GT
Values in millions of *reais*

	4th Q. 2009	3rd Q. 2009	Chge%	4th Q. 2008	Chge%	2009	2008	Chge%
Net Revenue	905	847	7	747	21	3,529	2,937	20
Operating Expenses	(353)	(334)	6	(344)	3	(1,362)	(1,237)	10
EBIT	**552**	**513**	**8**	**403**	**37**	**2,167**	**1,700**	**27**
EBITDA	**618**	**570**	**8**	**460**	**34**	**2,403**	**1,924**	**25**
Financial Result	(89)	(55)	62	(65)	37	(236)	(245)	(4)
Provision for Income Taxes, Social Cont & Deferred Income Tax	(125)	(133)	(6)	(58)	116	(567)	(383)	48
Employee Participation	(33)	(6)	450	(71)	(54)	(55)	(86)	(36)
Net Income	**305**	**319**	**513**	**209**	**46**	**1,309**	**986**	**33**