CEMIG DISTRIBUIÇÃO S.A.

**SECOND ISSUE OF
BOOK-ENTRY DEBENTURES
NOT CONVERTIBLE INTO SHARES**

Annual Report of the Fiduciary Agent
Business Year 2011

Rua Dr.Renato Paes de Barros, 717 – 6º e 10º and. CEP 04530-001 – São Paulo
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ANNUAL REPORT OF THE FIDUCIARY AGENT

TO THE HOLDERS OF THE

SECOND ISSUE OF NON-CONVERTIBLE DEBENTURES BY

CEMIG DISTRIBUIÇÃO S.A.

REGISTERED FOR LISTING IN BRAZIL – CNPJ: 06.981.180/0001-16

In compliance with Article 68, Paragraph 1, Sub-clause B, of Law 6404 of December 15, 1976, and Item XVII of Article 12 of CVM Instruction 28 of November 23, 1983, we present to you this Annual Report on CEMIG DISTRIBUIÇÃO S.A., for the business year ended December 31, 2011, in which we highlight the material aspects of interest to yourselves, the Debenture Holders.

1 – THE DEBENTURES:

a. Authorization

Decided by the meetings of the Board of Directors of CEMIG DISTRIBUIÇÃO S.A. held on August 30 and October 30, 2007; registered with the CVM (Brazilian Securities Commission) on December 17, 2007 under numbers CVM/SRE/DEB-2007/048, ISIN BRCMGDDBS017 and Cetip Code Number CMDT12.

b. Characteristics

Amount of the Issue	R$ 400,000,000.00
Number of debentures	40,000
Nominal Unit Value	R$10,000.00
Type	Unsecured.
Collateral	None
Form	Book-entry
Class	Not convertible into shares
Issue Date	At December 15, 2007
Maturity date	At December 15, 2017
Number of series	Single series
Remuneratory Interest	IPCA + 7.96%
Payment of interest	Annual on December 15
Renegotiation:	None
Premium	None
Amortization	1st payment 33.33% December 15, 2015 2nd payment 33.33% December 15, 2016 3rd payment 33.33% December 15, 2017
Mandated Bank	Banco Bradesco
Rating agency:	AA(bra) – Cemig's consolidated position presents a solid financial profile, arising from low net leverage and high cash flow from operations. Cemig's Bylaws impose a ceiling of 2.5x on consolidated net leverage, including acquisitions. This limitation is positive for the Company's ratings. Cemig has succeeded in making significant acquisitions, based on the strategies defined in its strategic plan, and maintains itself compliant with this ceiling.

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C. CUSTODY POSITION:

ALL SERIES	
DEBENTURES ISSUED	40,000
DEBENTURES IN TREASURY	-
DEBENTURES IN CIRCULATION	40,000
DEBENTURES REDEEMED	-
DEBENTURES CANCELED	-

Position on December 31, 2011	**Single series**
Debentures in circulation	**40,000**
Debentures acquired in 2011	**0**
Debentures sold in 2011	**0**
Debentures in Treasury	**0**
Total debentures	**40,000**

D. CHANGES IN THE TERMS OF THE ISSUE:

FIRST AMENDMENT – December 13, 2007

THE PARTIES DECIDE to enter into this amendment to the Deed ("the First Amendment") as follows:

Clause I. All terms beginning with capital letters not expressly defined in this First Amendment shall have the meanings assigned to them in the Deed.

Clause 2. The drafting of Clause 2.1 of the Deed is altered to the following:

"2.1. Filing and Publication of the Minutes of Meetings of the Board of Directors

The minutes of the meetings of the Board of Directors that make any decisions about the Issue, referred to in Item 1.1. above, were filed with the Commercial Board of the State of Minas Gerais ("Jucemg") on November 19 and 20, 2007, under the numbers 3809695 and 3810469, respectively, and summaries of them were published in the newspapers *"Minas Gerais", "Gazeta Mercantil* – National Edition" and *"O Tempo*", on November 22, 2007. The final rate of remuneration interest was approved by the meeting of the Board of Directors of the Issuer, held on December, 13, 2007, the minutes of which were filed with Jucemg and published in the newspapers *"Minas Gerais", "Gazeta Mercantil* – National Edition" and *"O Tempo*".

Clause 3. The drafting of Clause 4.1.9.1 of the Deed is altered to the following:

"4.1.9.1 Monetary updating:

[...] For the purposes of the above definitions, the "anniversary date" is considered to be each 15th day of any month. If that date is not on a business day, the anniversary date shall be the next subsequent day."

Clause 4. The drafting of Clause 4.1.9.2 of the Deed is altered to the following:

"4.1.9.2 The Debentures shall pay remuneratory interest calculated at a rate of 7.96% (seven point nine six per cent) per year as decided in a Bookbuilding Procedure ("the Remuneration Interest", and, together with the Updating, "the Remuneration"), calculated exponentially and cumulatively *pro rata temporis* by business days expired, based on a year of 252 business days, applicable to the Nominal Unit Value of the Debentures plus the Updating, from the Date of Issue, or on the balance of the Nominal Unit Value, from the date of completion of the last Capitalization Period, as the case may be, up to the date of actual payment. Calculation of the Remuneratory Interest shall obey the following formula: [...]"

Clause 5. All the other terms and conditions of the Deed that are not expressly altered by this First Amendment are hereby ratified and remain in full force and effect.

Clause 6. The Parties hereby choose the Courts of the Legal District of Belo Horizonte, Minas Gerais State, to the exclusion of any other, to resolve any dispute or legal action related to this First Amendment.

E. PAYMENTS

Events realized

PAYMENT OF INTEREST – 2011	
DATE OF EVENT	15/12/2011
STATUS:	**NOT YET DUE**
PAYMENT OF AMORTIZATION – 2015	
DATE OF EVENT	15/12/2015
STATUS:	**NOT YET DUE**

FULLY PAID in the business year 2011.

F. CONDITIONS FOR EARLY MATURITY:

- declaration of bankruptcy, dissolution and/or liquidation of the Issuer or application for Judicial Recovery or out-of-Court reorganization of the Issuer of an application for bankruptcy made by the Issuer, or any analogous event that characterizes a state of insolvency of the Issuer, in accordance with the applicable legislation;
- early maturity of any debt of the Issue in an amount of R$ 50,000,000.00 (fifty million Reais) or more, or its equivalent in other currencies, due to any non-compliance, contractual or otherwise;
- termination, for any reason, of any of the concession contracts to which the Issuer is a party representing separately or jointly an amount equal to 30% (thirty per cent) or more of the net operational revenue of the Issuer as stated in its last prior financial statements;
- legitimate protest of securities against the Issuer, in an amount exceeding R$ 50,000,000.00 (fifty million Reais) or its equivalent in other currencies, unless made in error or bad faith of a third party validly proven by the Issuer, as the case may be, or unless suspended or cancelled, or unless a guarantee for the security(ies) is given in Court, under any circumstances, within a maximum of 30 (thirty) calendar days from the date on which the written notice sent by the Fiduciary Agent is received;
- if the Issuer omits to pay by the maturity date, or does not take the legal or judicial measures required for non-payment in relation to, any debt or any other obligation payable by the Issuer under any agreement or contract to which it is a party as a lender, borrower, or guarantor, involving an amount of R$ 50,000,000.00 (fifty million Reais) or more or its equivalent in other currencies; and/or
- privatization, merger, liquidation, dissolution, extinction, split and/or any other form of stockholding reorganization that results in reduction of the Issuer's capital; "privatization" being deemed for the purpose of this subclause to mean an event in which:
  - (i) the present direct controlling stockholder of the Issuer, Cemig, directly or indirectly ceases to hold the equivalent of, at least, 50% (fifty per cent) plus one share of the total of the shares representing the Issuer's voting stock, and/or
  - (ii) in which the entity currently controlling Cemig, the Government of the State of Minas Gerais, directly or indirectly ceases to hold the equivalent of, at least, 50% (fifty per cent) plus one of the total of the shares representing the voting capital of Cemig.

G. USE OF THE PROCEEDS RAISED BY THE ISSUE

The funds obtained from the Offering will be used, in their entirety, for partial payment of the debtor balance of the promissory notes issued under the Third Public Issue of Promissory Notes of Cemig Distribuição S.A., the main features of which are described in the table below:

Remuneration	Issue Date	Use of the proceeds of the promissory notes	Debtor balance on September 30, 2007, R$	Maturity date:
101.6% of the *Extra-Grupo DI over* rate	29/06/2007	Replenishment of the cash used in the payments of the principal of the debt, taking place since January 2007 until the release of the funds, and payment of the debts becoming due until the end of the year	411,319,250.40	26/12/2007

H. UPDATING OF THE RATING

Brazilian Rating of the 2nd issue of debentures, totaling BRL 400 million, maturing 2017, ‘AA(bra)’.
Cemig D – Brazilian Long-Term Rating ‘AA(bra)’

Bases of the Rating

The ratings that Cemig and its subsidiaries have received reflects the positive way in which the Group has preserved its solid financial profile, even after the challenge of making significant acquisitions in recent years. The Group has strong liquidity, high cash flow from its operations and credit scores consistent with the ratings attributed. The analysis also took into account the Group’s consolidated risk, on the basis of the credit quality of Cemig as an integrated energy company, with a strong position in generation, transmission and distribution assets. The Group benefits from the diversification of activities and assets as a way of diluting potential operational risks. The challenges imposed by its aggressive plan of acquisitions, and the existence of political risk, due to its public-sector stockholding control, were also taken into account. Fitch considers that the hydrological risk, inherent to companies of the sector, is not a concern at present, and that the regulatory risk is manageable.

Measures of credit remain robust, in spite of acquisitions

On consolidated bases, Cemig had low to moderate net financial leverage in the period of 12 months ended March 31, 2011. Based on the criteria of Fitch, the leverage, measured as total debt/Ebitda, was 3.3 times, while net debt/Ebitda was 2.1 times, and Ebitda coverage of interest was 4.1 times. These indicators are pressured, in relation to the same indices for 2009 – of 2.9 times, 2.1 times and 5.7 times, as a result of the acquisitions that had been made between the two periods. There was no significant alteration in the financial leverage, even taking into account the actions subsequent to March 2011, in the amount of R$ 1.1 billion, relating to the acquisition of transmission assets of Abengoa Brasil S.A., part of Renova Energia S.A., and an increased stake in Light S.A. On a pro-forma basis, the net debt/Ebitda ratio is 2.8 times.

Cemig’s Bylaws impose a ceiling of 2.5x on consolidated net leverage, based on its own criteria, taking into account the acquisitions. This limitation is positive for the Company’s ratings. Cemig has succeeded in making significant acquisitions, based on the strategies defined in its strategic plan, and maintains itself compliant with this ceiling. However, although the continuous and significant growth of its businesses is necessary, it continues to be an important challenge for the Group, in view of the limitations that exist. Cemig needs to increase its future flow of dividends, for execution of the arrangements arising from the agreement between the Company and the State of Minas Gerais, its controlling stockholder, under which the CRC obligations that the State owes to the Company are being paid by retention of the dividends receivable by the State.

Financial performance continues to be sustained by the robust cash flow from operations

The increase in the volumes of electricity sold, in part arising from the investments and acquisitions made, and also the adjustments to prices, led Cemig to report growing results on a consolidated basis. For the 12 months ended March 31, 2011, net revenue was R$ 13.4 billion, Ebitda was R$ 4.7 billion and cash flow from operations (CFO) was R$ 3.1 billion. The Ebitda margin of 35% remained in its historic range of 30% to 40%. Free cash flow (FCF), negative at R$ 367 million, continued to be pressured by the large-scale investments in property, plant and equipment of R$ 1.6 billion, and by disbursement of R$ 1.8 billion as payment of dividends.

Liquidity position likely to remain satisfactory

Cemig's consolidated balance sheet shows a robust liquidity position. On March 31, 2011 the volume of cash and financial investments totaled R$ 3.6 billion, which translates into a reasonable coverage of 0.9 times it short-term debt.
On the same date, the ratio [(Cash and cash investments + CFO) / Short-term debt], of 1.7 times, was adequate. Fitch expects that part of this liquidity can be used in the acquisitions, but that the Group will continue to manage its liquidity in a conservative fashion, to avoid exposure to scenarios of restriction of credit. Cemig's total consolidated debt was R$ 15.6 billion, with concentration of maturities totaling R$ 3.9 billion in the short term. It is the agency's view that the Group has the full conditions to settle this amount, using its net funds and the operational cash flow, and also by rolling over at least part of it through new debt. Cemig shows a satisfactory track record of raising of funds, even in more challenging scenarios, which indicates considerable financial flexibility.

Outstanding position in the electricity sector, stable and regulated business

Cemig benefits from its position as an integrated energy company, with a diversified and significant base of assets. This reduces the possible effects of volatility in its businesses, which can result from the review of tariffs for the distributing companies.
It is Brazil's third largest generating company and transmission company, and has electricity distribution assets operating in two important States: Minas Gerais and Rio de Janeiro.
In Brazil the distribution sector is regulated, with competition limited and a model that provides for economic-financial balance of the concession holders.
In generation, the Company has high volumes of contracted "assured energy" sold for the coming years, with expectation of higher prices in the future.
The transmission activity is characterized as a natural monopoly, in which the revenue is received for line being made available, not affected by the actual volume of energy carried.

Accelerated growth continues to be a concern

Cemig will likely continue to be active in the development of new projects and in acquisitions of existing assets, in line with its strategy of fast growth of the businesses and strengthening of its position in the sector. It can be said, however, that, to the extent that Cemig grows and becomes more robust, new acquisitions tend to have their impacts more diluted in the Group's consolidated financial statements. Fitch hopes that the Company administers future acquisitions without pressuring its credit quality, limiting its net leverage to 3.0 times.

Factors altering the rating and the outlook

Cemig's ratings may be negatively affected if there is acceleration of its growth, combined with accentuated weakening of its credit and liquidity measures. At the same time, the ratings may be positively affected through greater operational cash flow, which is reflected by reduction of the Group's leverage.

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2- THE COMPANY

A. Operational context

(a) The Company

Cemig Distribuição S.A. ("the Company", "Cemig Distribution" or "**Cemig D**") is a Brazilian corporation registered with the Brazilian Securities Commission (CVM) for listing, and a wholly-owned subsidiary of Companhia Energética de Minas Gerais – Cemig ("**Cemig**"). It was created on September 8, 2004, as a result of the segregation ("unbundling") of Cemig's activities, and started operations on January 1, 2005. Its shares are not traded on any exchange.

Cemig D has a concession area of 567,478km2, approximately 97.00% of the Brazilian State of Minas Gerais, serving 7,336,322 million consumers, on December 31, 2011.

The Company is an entity domiciled in Brazil, with head office at Avenida Barbacena 1200, Belo Horizonte, Minas Gerais.

(b) The Electricity Sector in Brazil

Brazil's electricity sector is regulated by the federal government through the Mining and Energy Ministry ("MME"), which has exclusive authority over the sector. The regulatory policy for the sector is implemented by the Brazilian electricity regulator, Aneel (*Agência Nacional de Energia Elétrica*).

Retail supply of electricity by the Company takes place in accordance with the clauses in its long-term electricity sale concession contracts. Under these concession contracts the Company is authorized to charge its consumers a rate for retail supply of energy that consists of two components:

1) a portion relating to the costs of generation, transmission and distribution that are non-controllable ("Portion A Costs"); and
(2) a portion of operational costs ("Portion B Costs").

Both portions are set as part of the original concession for given initial periods. Subsequently to the initial periods, and at regular intervals, Aneel has the authority to review the Company's costs, to determine inflation adjustments (or other similar adjustment factors), if any, applicable to the Portion B Costs (the "Scalar Adjustment") for the subsequent period. This review may result in a positive, null or negative scalar adjustment.

In addition to the adjustments relating to the Portion A and Portion B Costs mentioned above, concessions for retail supply of electricity have an annual tariff adjustment based on a series of factors, including inflation. Additionally, the Company may now apply for tariff adjustments resulting from significant events that destroy the economic-financial equilibrium of its business. It is also permitted for other normal or recurring events (such as increases in the cost of bought energy, taxes on revenue or even local inflation) to be absorbed through specific tariff increases. When the Company requests a tariff adjustment it is necessary to prove the financial impact resulting from these events on its operations.

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2. BASIS OF PREPARATION

2.1. Statement of Compliance

The financial statements have been prepared in accordance with accounting practices adopted in Brazil (“BRGAAP”), which comprise: the Corporate Law, which incorporates the provisions of Laws 11638/07 and 11941/09; the pronouncements, orientations and interpretations issued by the Accounting Pronouncements Committee (“CPC”); and the rules of the Brazilian Securities Commission (“CVM”), and International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (IASB).

The Company does not have comprehensive income, and for this reason the Statement of Comprehensive Income is not presented.

On March 06, 2012, the Company's Executive Board authorized conclusion of the Financial Statements for the year ended December 31, 2011, and they were approved by the Board of Directors on March 15, 2012.

2.2. Bases of measurement

The financial statements were prepared based on historic costs with the exception of the following material items recognized in the Statement of Financial Position:

- derivative financial instruments measured at fair value;
- non-derivative financial instruments measured at fair value through profit or loss;
- financial assets held to maturity measured at fair value.

2.3. Functional currency and currency of presentation

These financial statements are presented in Reais, the Company’s functional currency. All the financial information is expressed in thousands of Reais, except where otherwise indicated.

2.4. Use of estimates and judgments

Preparation of the financial statements in accordance with the rules of IFRS and the rules of the CPC requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed continuously. Revisions related to accounting estimates are recognized in the period in which the estimates are reviewed, and in any future periods affected.

The principal estimates related to the financial statements refer to the recording of the effects arising under:

Provision for doubtful receivables	– Note 5;
Deferred income tax and Social Contribution tax	– Note 7;
Post-employment obligations	– Note 15;
Provisions	– Note 16;
Uninvoiced supply of electricity	– Note 18;
Amortization	– Note 19; and
Measurement of Financial Instruments and Derivative Financial Instruments	– Note 22.

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B. CORPORATE EVENTS

(Ordinary / Extraordinary General Meetings of Stockholders, and Meetings of the Board of Directors)
lease ask the Fiduciary Agent for full minutes of the corporate events)

April 29, 2011 – AGM (Ordinary and Extraordinary General Meetings of Stockholders):

The stockholders approved:
(i) allocation of profits;
(ii) election of members of the Board of Directors and the Audit Board;
(iii) changes to the by-laws.

January 20, 2011– EGM (Extraordinary General Meeting of Stockholders):

The stockholders approved:
(i) change in the composition of the Board of Directors;
(ii) changes to the by-laws.

May 12, 2011 – EGM:

The stockholders approved alterations to the members of the Board of Directors.

December 21, 2011 – EGM:

The stockholders approved:
(i) changes to the members of the Board of Directors;
(ii) changes to the by-laws.

January 3, 2011 – Meeting of the Board of Directors:

The members of the Board approved:
(i) changes to the Executive Board;
(ii) election of the Chairman and the Vice-Chairman of the Board of Directors.

January 20, 2011 – Meeting of the Board of Directors:

The Board approved:
(i) signature of a contract and agreement letters with the Highways Department of Minas Gerais State (TR/MG);
(ii) contracting of services with COPASA (*Companhia de Saneamento de Minas Gerais*);
(iii) changes to the Committees of the Board of Directors.

February 17, 2011 – Meeting of the Board of Directors:

The Board approved:
(i) contracting of an automated control services and a client service management system;
(ii) delegation of powers to sign documents to the Trading Department;
(iii) revision of the budget proposal for 2011.

March 28, 2011 – Meeting of the Board of Directors:

The Board approved:
(i) A technical feasibility study for accounting of tax credits;
(ii) the Report of Management and the Financial Statements for the 2010 business year;
(iii) a proposal for allocation of the net profit of 2010;
(iv) change to the by-laws to change the names of certain Chief Officers' Department;
(v) convocation of the Ordinary and Extraordinary General Meetings of Stockholders.

March 30, 2011 – Meeting of the Board of Directors:

The Board approved the Budget Proposal for 2011.

April 15, 2011 – Meeting of the Board of Directors:

The Board approved:
1. the annual social and environmental responsibility report;
2. signature of a credit contracting undertaking;

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3. signature of an amendment to the contract fro use of a corporate credit card / re-ratification of a Board Spending Decision (CRCA);
4. convocation of the Extraordinary General Meeting of Stockholders to be held on May 12, 2011, at 4pm, to deal with the alteration in the composition of the Board of Directors
5. other matters.

May 5, 2011 – Meeting of the Board of Directors:

The Board approved:

(i) changes in the Internal Regulations of the Board of Directors, to change the names of certain Chief Officers' Department;
(ii) signature of amendments to contracts for implementation of the third Phase of the Light for Everyone Program;
(iii) election of Mr. Luiz Fernando Rolla as Chief Finance and Investor Relations Officer; and election of Mr. Fernando Henrique Schüffner Neto as Chief Business Development Officer;
(iv) closing of the PDV Voluntary Retirement Program as from May 5, 2011.

June 2, 2011 – Meeting of the Board of Directors:

The Board approved:

(i) changes in the Board of Directors Support Committee;
(ii) signature of an agreement under judicial recovery with Indústria Labortêxtil Ltda.;
(iii) signature of a debt agreement and recognition undertaking with ArcelorMittal Brasil S.A.;
(iv) contracting of management services for the works of the *Light for Everyone* Program III;
(v) filling of a legal action against the State of Minas Gerais for issuance of Authorizing Documents for Environmental Intervention (DAIAs), Environmental Functioning Authorizations (AAFs), and others.

July 7, 2011 – Meeting of the Board of Directors:

The Board approved:

(i) signature of an agreement for assignment of dental treatment equipment with SESI (the Social Service for Industry);
(ii) signature of an amendment to Financing and Subsidy Contract (ECFS) 227/2008, with Eletrobras;
(iii) signature of an amendment to Financing and Subsidy Contract (ECFS) No 94/2010, with Eletrobras;
(iv) signature of amendments to service provision contracts for collection, with: Caixa Econômica Federal-CEF; Lemon Bank Banco Múltiplo S.A.; Banco Cooperativo do Brasil S.A.; and Banco Santander;
(v) signature of an Agreement to Subscribe to the Integrated Pro-health (PSI) Program;
(vi) contracting of corporate credit card implementation and management services / re-ratification of a CRCA;
(vii) Review of Priority 1 Investment Macro-projects of the Distribution and Sales Department.

July 7, 2011 – Meeting of the Board of Directors:

The Board approved:

(i) signature of an amendment to the contract for provision of transmission services with the National System Operation (ONS);
(ii) an incentive-bearing donation to the *Vita Vida* Project;
(iii) an incentive-bearing donation to the *Valores de Minas* Project;
(iv) signature of a contract for assignment of dental treatment equipment with SESI, the Social Service for Industry;
(v) contracting of corporate credit card implementation and administration services / re-ratification of a CRCA;
(vi) signature of a Working Agreement for Subscription to the Integrated Pro-health Program (PSI).

MATERIAL ANNOUNCEMENTS

No Material Announcements were published in 2012.

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3 – FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION

AT DECEMBER 31, 2011 AND 2010

ASSETS

R$ ’000

	Note	2011	2010 Reclassified
CURRENT			
Cash and cash equivalents	Erro! Fonte de referência não encontrada.	527,296	503,409
Consumers and traders	Erro! Fonte de referência não encontrada.	1,602,291	1,496,609
Concession holders – transport of energy	Erro! Fonte de referência não encontrada.	247,049	273,948
Tax recoverable – ICMS	Erro! Fonte de referência não encontrada.	118,960	228,903
Income tax and Social Contribution tax recoverable	Erro! Fonte de referência não encontrada.	81,597	245,258
Linked Funds		3,279	14,048
Inventories		26,671	21,318
Public Illumination Contribution		62,889	52,258

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Others		263,107	282,110
TOTAL, CURRENT		**2,933,139**	**3,117,861**
NON-CURRENT			
Deferred income tax and Social Contribution tax	**Erro! Fonte de referência não encontrada.**	755,838	637,168
Tax recoverable – ICMS	**Erro! Fonte de referência não encontrada.**	247,350	98,718
Deposits linked to legal actions	**Erro! Fonte de referência não encontrada.**	832,466	641,897
Consumers and traders	**Erro! Fonte de referência não encontrada.**	61,822	18,491
Concession holders – Transport of energy	**Erro! Fonte de referência não encontrada.**	11,931	-
Other credits		70,171	46,120
Financial Assets of the Concession	**Erro! Fonte de referência não encontrada.**	3,118,126	2,387,093
Intangible	**Erro! Fonte de referência não encontrada.**	2,703,687	2,652,214
TOTAL, NON-CURRENT		**7,801,391**	**6,481,701**

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TOTAL ASSETS	**10,734,530**	**9,599,562**

The Explanatory Notes are an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AT DECEMBER 31, 2011 AND 2010

LIABILITIES

(R$ ’000)

	Note	2011	2010 Reclassified
CURRENT			
Loans and financings	Erro! Fonte de referência não encontrada.	603,235	388,825
Debentures	Erro! Fonte de referência não encontrada.	22,765	21,918
Suppliers	Erro! Fonte de referência não encontrada.	753,131	770,139
Taxes, charges and contributions	Erro! Fonte de referência não encontrada.	340,956	263,385
Interest on Equity and dividends payable		109,215	50,842
Salaries and mandatory charges on payroll		168,454	156,978
Regulatory charges	Erro! Fonte de referência não encontrada.	210,312	304,124
Profit shares		59,437	81,641
Post-retirement liabilities	Erro! Fonte de referência não encontrada.	53,687	53,579
Provision for losses on financial instruments	Erro! Fonte de referência não encontrada.	25,764	69,271
Public Illumination Contribution		114,586	93,866
Other		143,219	149,960

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TOTAL, CURRENT		**2,604,761**	**2,404,528**
NON-CURRENT			
Loans and financings	**Erro! Fonte de referência não encontrada.**	2,032,642	1,831,199
Debentures	**Erro! Fonte de referência não encontrada.**	852,580	805,053
Provisions	**Erro! Fonte de referência não encontrada.**	103,684	31,749
Post-retirement liabilities	**Erro! Fonte de referência não encontrada.**	1,339,105	1,316,001
Taxes, charges and contributions	**Erro! Fonte de referência não encontrada.**	661,326	508,473
Income tax and Social Contribution tax	**Erro! Fonte de referência não encontrada.**	276,577	196,123
Regulatory charges	**Erro! Fonte de referência não encontrada.**	187,753	109,066
Other		19,639	20,471
TOTAL, NON-CURRENT		**5,473,306**	**4,818,135**
TOTAL LIABILITIES		**8,078,067**	**7,222,663**
STOCKHOLDERS' EQUITY ATTRIBUTED TO THE CONTROLLING STOCKHOLDER	**Erro! Fonte de referência não encontrada.**		
Share capital		2,261,998	2,261,998
Profit reserves		394,465	114,901
TOTAL STOCKHOLDERS' EQUITY		**2,656,463**	**2,376,899**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**10,734,530**	**9,599,562**

The Explanatory Notes are an integral part of the financial statements.

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PROFIT AND LOSS ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(R$ '000, except Net profit per thousand shares)

	Note	2011	2010 Reclassified
REVENUES	**Erro! Fonte de referência não encontrada.**	8,510,128	7,713,003
OPERATIONAL COSTS	**Erro! Fonte de referência não encontrada.**		
COST OF ELECTRICITY AND GAS			
Electricity bought for resale		(2,936,029)	(2,925,045)
Charges for the use of the national transmission grid		(671,651)	(615,584)
		(3,607,680)	(3,540,629)
COST OF OPERATION			
Personnel and managers		(644,169)	(645,716)
Material		(46,344)	(93,046)
Outsourced services		(524,207)	(563,017)
Amortization		(346,458)	(350,464)
Operational provisions		(65,170)	(30,106)
Construction costs		(1,175,319)	(785,881)
Other		(119,388)	(114,744)
		(2,921,055)	(2,582,974)
TOTAL COST		(6,528,735)	(6,123,603)
GROSS PROFIT		1,981,393	1,589,400
OPERATIONAL EXPENSES	**Erro! Fonte de referência não encontrada.**		
Selling expenses		(85,872)	(225,157)
General and administrative expenses		(398,385)	(251,696)
Other operational expenses		(267,550)	(313,090)
		(751,807)	(789,943)
Operational profit before Financial revenue and taxes		1,229,586	799,457
Financial revenues	Erro! Fonte de referência não encontrada.	310,349	293,213
Financial expenses	**20**	(526,462)	(517,508)
Profit before taxes		1,013,473	575,162
Income tax and Social Contribution tax	Erro! Fonte de referência não encontrada.	(354,647)	(188,518)
Deferred income tax and Social Contribution tax	**Erro! Fonte de referência não**	61,145	54,358

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	encontrada.		
PROFIT (LOSS) FOR THE PERIOD		**719,971**	**441,002**
Basic and diluted profit per common share		0.31829	0.19496

The Explanatory Notes are an integral part of the financial statements.

NOTE: We recommend reading of the Financial Statements, Explanatory Notes and Report of the Independent Auditors. This information is available on the Company's website www.ceming.infoinvest.com.br

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A. Report of Management

We complete the year of 2011 with the certainty that we have overcome the major challenges that arose during the year, related to the improvement of our profitability, the significant program of investments, and maintenance of the quality of service in the closing period of the year that was especially marked by strong rains.

Firstly, we should note the significant improvement in our operational performance. We report profit for 2011 of R$ 720 million, compared to profit of R$ 441 million in the previous year, an increase of 63.7%. This same improvement can be seen in the other indicators of performance. As a highlight, our cash flow, measured by Ebitda, was R$ 1.613 billion in 2011, compared to R$ 1.177 billion in 2010, an increase of 37.04%, an important result for ensuring the execution of our program of investments and distribution of dividends to our stockholders.

We have the challenge, in this tariff cycle, the period 2008 to 2013, of executing a significant investment program, close to R$ 4 billion, which will certainly make a significant contribution to improvement of the performance of quality of supply of electricity and reduction of technical and commercial losses.
We cannot forget that we continue to invest in the continuation of the *Light for Everyone* Program, in which more than R$ 462 million was invested in 2011 alone, connecting a further 44,000 new consumers to electricity supply. Since the beginning of the program we have now connected more than 285,000 new consumers, benefiting approximately 1.5 million people.

Our quality indicators showed different performance to that of 2010. The duration of electricity outages was higher than in the previous year, but it should be taken into account that a significant portion of this increase is due to the interruptions that are necessary for execution of our investment program. Also, the rains in the last quarter of 2011 were atypical, much higher than the historic average. In the face of this extraordinary situation, we can consider that our electricity system performed well, supplying electricity with a standard of quality in spite of all the difficulties.

In relation to reduction of costs, due to the new regulatory parameters specified for the coming tariff cycles, the quest for operational efficiency is a vital importance to guarantee the sustainability of our operations. This being so, the Company has been making and continues to make improvements and alterations to its processes that can ensure the greatest operational efficiency.

We are aware of the importance and responsibility of our actions for the development of the State of Minas Gerais, and also for the quality of life of society in the State. We are a company with more than seven million consumers, taking electricity to practically the whole of the State.

As to the sustainability of our actions, our controlling stockholder Cemig (*Companhia Energética de Minas Gerais*) issued a document that lists our 10 Initiatives for the Climate. We are certain that the actions taken by Cemig Distribuição S.A. (“Cemig D” or “the Company”) play a significant role in complying with these initiatives.

The document shows the Company’s preparedness for and commitment to a low-carbon economy, and envisages aligning our businesses based on the assessment of climatic risks and opportunities, informing society and investors of the lines of action adopted by the Company.

It is also important to highlight that the results of Cemig D are possible only due to the technical quality and commitment of our staff, more than 6,000 people directly employed, without including the significant volume of people whose employment is generated indirectly.

It is the capacity of our staff of employees, allied to the quality of our assets, that gives us confidence that in the future we will continue to be the providers of “*Brazil’s Best Energy*”.

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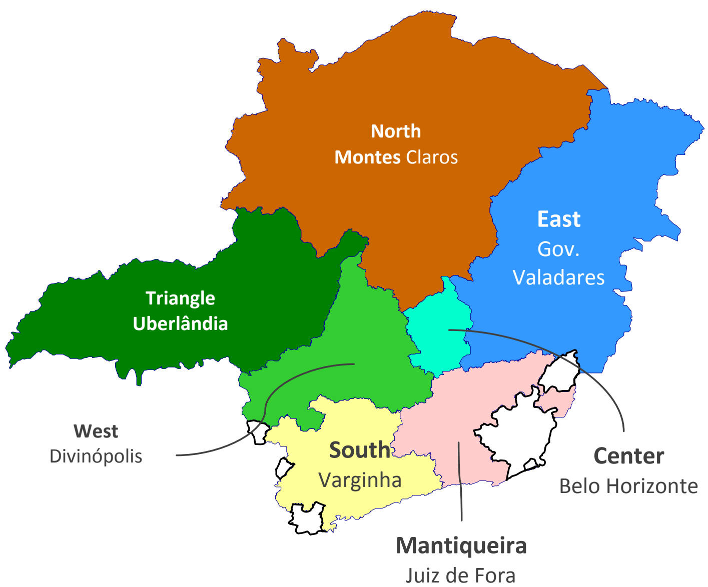
Cemig Distribuição

Cemig Distribuição (**Cemig D**) is the largest distribution company in Latin America, with 467,679km of distribution networks (104,482km in urban areas and 363,197 km of rural networks), and also 17,367km of high- and medium-voltage sub-transmission lines. It serves 7.3 million consumers.

Cemig D has one of the country's highest indices of service to consumers who receive the benefit of the low-income tariff. Of the total of residential consumers invoiced in 2011, 13.3% were classified as low-income, a total of 769,000 consumers.

Area of operation



B. OUR ANALYSIS OF THE GUARANTOR:

FINANCIAL SITUATION

In the business year ended December 31, 2011, the "Acid test ratio" (*Liquidez geral*) increased to 1.33 from 1.0 in the previous year. The Current ratio was reduced, from 1.29 at the end of the previous year, to 1.13 on December 31, 2011.

CAPITAL STRUCTURE

The Company's Financial Leverage (the ratio of [debt to Banks + short and long-term securities placed] to Stockholders' equity) increased slightly, from 1.28 at the end of the previous year to 1.32 on December 31, 2011. On December 31, 2011 its financial debt (debt to Banks + short and long-term securities placed) was 15.26% higher than at the end of the previous period. Considering its type of activity, with a high need for raising of funds for its capital expenditure, we judge the capital structure to be adequate, in relation to the association of own capital with that of third parties, and with a low financial leverage.

RESULTS

In the business year ended December 31, 2011 Operational margin increased by 4.09 percentage points, from 10.35% in the previous year to 14.44% of Revenue. Net revenue also grew, as a percentage of gross revenue, from 5.72% in the previous year to 8.44%.

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.

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C. OPINION OF THE EXTERNAL AUDITORS

To the
Board of Directors and Stockholders of
Cemig Distribuição S.A.
Belo Horizonte, Minas Gerais, Brazil

We have examined the financial statements of Cemig Distribuição S.A ("the Company") which comprise the balance sheet on December 31, 2011 and the related profit and loss account, statement of changes in stockholders' equity and statements of cash flows for the business year ended on that date, and the summary of the principal accounting practices and other explanatory notes.

Management's responsibility for the financial statements

The Company's Management is responsible for the preparation and adequate presentation of the financial statements in accordance with accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and also for the internal controls that it has decided are necessary to make possible the preparation of those financial statements free of material distortion, whether caused by fraud or error.

Responsibility of the external auditors

Our responsibility is to express an opinion on those financial statements based on our audit, conducted in accordance with Brazilian and international auditing rules. These rules require compliance by the auditors with ethical requirements, and that the audit should be planned and executed with the objective of obtaining a reasonable degree of certainty that the financial statements are free of material distortion.

An audit involves execution of selected procedures to obtain evidence on amounts and disclosures presented in the financial statements. The procedures selected depend on the auditor's judgment, including evaluation of the risks of material distortion in the financial statements, whether caused by fraud or error. In this evaluation of risks, the auditor considers the internal controls that are material for the preparation and appropriate presentation of the Company's financial statements, for the purpose of planning the auditing procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the efficacy of those internal controls of the Company. An audit includes, also, evaluation of the appropriateness of the accounting practices used and of the reasonableness of the accounting estimates made by the management, and also evaluation of the presentation of the financial statements taken as a whole.

We believe that the auditing evidence obtained is sufficient and appropriate as grounds for our opinion.

Opinion

In our opinion, the financial statements referred to above adequately present, in all material aspects, the equity and financial position of Cemig Distribuição S.A on December 31, 2011, the performance of its operations, and its cash flows, for the business year ended on that date, in accordance with the accounting practices adopted in Brazil and in accordance with international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB).

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Other matters

Statements of added value

We have also examined the Added Value Statement (DVA), prepared under the responsibility of the Company's Management, for the business year ended December 31, 2011, the presentation of which is required by the Brazilian Corporate Law legislation for listed companies, and which is supplementary information under IFRS, which do not require presentation of the added value statement. These statements have been submitted to the same auditing procedures described above and, in our opinion, are adequately presented, in all material aspects, in relation to the financial statements taken as a whole.

Belo Horizonte, March 26, 2012.
KPMG Auditores Independentes

CRC No.: SP014428/O-6-F-MG
Marco Túlio Fernandes Ferreira
Accountant – CRCMG058176/O-0

4 – STATEMENT BY THE FIDUCIARY AGENT

The Company has kept its information updated with both the CVM and the Fiduciary Agent, and has made available to interested debenture holders personnel with the ability and capacity to provide additional information about the events taking place during the life of the debenture.

We declare that we have the capacity to continue to exercise the function of Fiduciary Agent of the Issue, and also we are at the disposal of Debenture Holders at our offices, at Rua Dr. Renato Paes de Barros 717, 6th Floor, Itaim, São Paulo, SP.

Sao Paulo, April 23, 2012.

SLW – Corretora de Valores e Câmbio Ltda.
Fiduciary Agent

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