

CEMIG DISTRIBUIÇÃO S.A.

SECOND ISSUE OF
BOOK-ENTRY DEBENTURES
NOT CONVERTIBLE INTO SHARES



Annual Report of the Fiduciary Agent
Business Year 2012

**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, 2012, 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 BRCMGDBS017 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	December 15, 2007		
Maturity date	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.		

C. CUSTODY POSITION:

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

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 1. 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 – 2012	
DATE OF EVENT	Dec. 17, 2012
STATUS:	OBLIGATION DISCHARGED
PAYMENT OF AMORTIZATION – 2015	
DATE OF EVENT	Dec. 15, 2015
STATUS:	NOT YET DUE

FULLY PAID in the business year 2012.

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 or 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 <i>Extra-grupo DI over rate</i>	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** (Attributed to the Issuer and other companies of the Group)



Corporates

Electricity
Brazil
Summary report

Companhia Energética de Minas Gerais – Cemig and Subsidiaries

Ratings

Issue / class	Present rating
Cemig	A+(bra)
Cemig Distribuição	A+(bra)
Cemig Distribuição – 1 st Issue	A+(bra)
Cemig Distribuição – 2 nd Issue	A+(bra)
Cemig Geração e Transmissão	A+(bra)
Cemig Geração e Transmissão – 1 st Issue	A+(bra)

Outlook

National Ratings – Long term - Corporate **Stable**

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.

Cemig is a company with mixed public- and private-sector ownership, controlled by the government of the Brazilian state of Minas Gerais. Its shares are traded on the exchanges of São Paulo, New York and Madrid (Latibex). Its market valuation at the end of 2012 was approximately R\$ 19 billion. Its shares have been in the Dow Jones Sustainability World Index for 13 years. In 2012 it was the only company in the sector in Latin America chosen for the DJSI World for its sustainable management practices, continuing to be the only company in the electricity sector in Latin America that has been a part of this select group of companies since the DJSI was created in 1999.

In January 2013, Cemig was voted 43rd in the worldwide ranking for sustainability, in the 9th annual Global 100 ranking, published by the Canadian magazine Corporate Knights. In Utilities – the category including electricity, gas and water services – Cemig was ranked the world’s fourth most sustainable company.

The Cemig Group is made up of 116 companies, and 16 consortia, and is controlled by a holding company, having assets and businesses in 23 states of Brazil, the federal district and in Chile. Cemig also operates in data transmission, through Cemig Telecom, and in providing energy solutions, through Efficientia.

(b) Stockholding structure:



Cemig Distribuição S.A.
CNPJ: 06.981.10/0001-16
State tax No. 062.322136.0087
Avenida Barbacena 1200 – 17th floor
30.190-131 – Belo Horizonte, MG

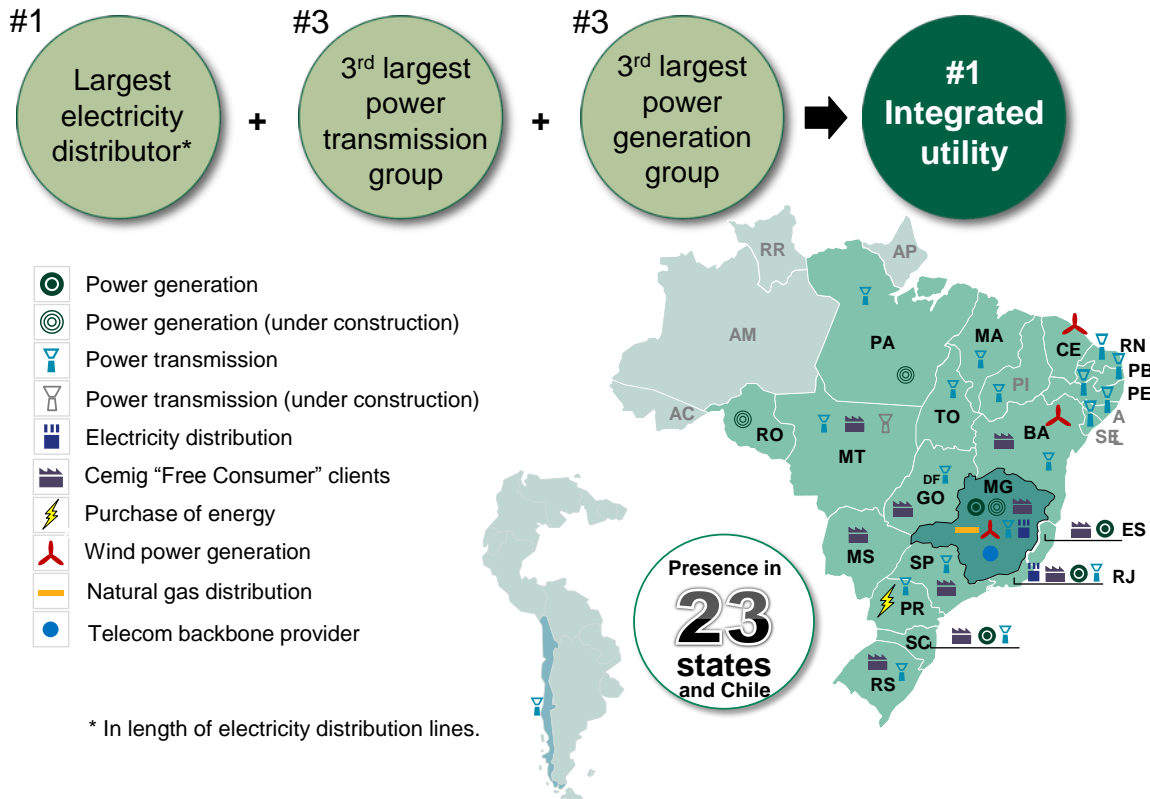
Composition of total capital
Reference: December 2012
R\$ 2,261,997,787.64

Stockholders	No of shares	
	Common	%
Companhia Energética de Minas Gerais - Cemig	2,261,997,787	100.00
TOTAL	2,261,997,787	100.00

Geography of operation

As the map below shows, Cemig operates in various regions of Brazil, concentrated in the Southeast – and in Chile, with the Charrúa – Nueva Temoco transmission line, which began operating in 2010.

Cemig – Largest integrated company in the Brazilian electricity sector



B. CORPORATE EVENTS

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

April 27, 2012 – Annual General Meeting of Stockholders

The stockholders approved: (a) the Report of Management and the Financial Statements for 2011; (b) the proposal by the Board of Directors; (c) proposal by the stockholder Cemig for the Board of Directors.

November 23, 2012 – Meeting of the Board of Directors

The stockholders approved: (a) Change in the composition of the Executive Board.

December 18, 2012 – Extraordinary General Meeting of Stockholders

The stockholders approved: (a) The proposal of the representatives of the stockholder Cemig as to composition of the Board of Directors; (b) the Minutes of this Meeting.

3 – FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION

AT DECEMBER 31, 2012 AND 2011, AND JANUARY 1, 2011

ASSETS

R\$ '000

	Note	Consolidado			Controladora			Jan. 1, 2011 (Reclassified)
		2012	2011 Reclassified	01/01/2011 Reclassified	2012	2011 Reclassified	01/01/2011 Reclassified	
CIRCULANTE								
CURRENT								
Cash and cash equivalents		2,483,810	2,862,490	2,979,693	1,077,122	226,693	302,741	503,409
Securities – Cash investments		1,977,804	358,987	321,858	27,363	180,000	91	
Consumers and traders		2,346,520	2,549,346	2,362,303	-	-	-	
Concession holders – transport of energy		505,436	427,060	400,256	-	-	-	
Financial assets of the concession		1,040,720	1,120,033	625,332	-	-	-	
Taxes recoverable – ICMS		360,064	354,126	374,430	62,100	72,970	5,233	
Deposits		263,392	220,760	489,813	-	-	-	
Dividends to receive		20,753	22,080	29,959	-	-	-	
Funds		-	-	-	511,043	189,196	230,401	273,948
Stocks		132,495	3,386	14,241	233	99	190	
Provision for gains on financial instruments		68,092	54,430	41,080	12	15	16	
Accounts to receive from the Government of Minas Gerais		31,734	-	-	-	-	-	
Other credits		2,422,099	-	-	2,422,099	-	-	
TOTAL DO CIRCULANTE		11,990,079	8,531,649	8,085,576	4,092,494	683,277	552,338	
NÃO CIRCULANTE								
Deposits		-	-	-	-	-	-	228,903
Investments		-	-	-	-	-	-	
Intangible		-	-	-	-	-	-	
TOTAL DO NÃO CIRCULANTE		-	-	-	-	-	-	228,903
TOTAL DO ATIVO		-	-	-	-	-	-	245,258

**Tradutor (- sf@miracleread.com)
avisa:
Deixamos de preencher
numeros pois eles podem ser
inseridos num instante a partir
dos excels em poder da Cemig

(coloquei copia do português
na frente da tabela para
somente para comparacao de
linhas, etc.)**

Income tax and Social Contribution tax recoverable		3,279	14,048
Traders – Transactions in 'free energy'			
Dividends receivable			
Linked Funds		26,671	21,318
Inventories			
Provisions for gains on financial instruments			
Accounts receivable from Minas Gerais state gov't.		62,889	52,258
Other credits		263,107	282,110
TOTAL, CURRENT		2,933,139	3,117,861
NON-CURRENT			
	Erro! Fonte de referê ncia não encon trada.	755,838	637,168
Securities – Cash investments			
Accounts receivable from Minas Gerais state government			
Receivables Investment Fund			
Deferred income tax and Social Contribution tax			
Taxes recoverable			
Income tax and Social Contribution tax recoverable	Erro! Fonte de referê ncia não encon trada.	247,350	98,718
Deposits linked to legal actions	Erro! Fonte de referê ncia não encon trada.	832,466	641,897
Consumers and traders	Erro! Fonte de referê ncia não encon trada.	61,822	18,491
Concession holders – Transport of energy	Erro! Fonte de referê ncia não encon trada.	11,931	-
Other credits		70,171	46,120
Financial Assets of the Concession	Erro! Fonte de	3,118,126	2,387,093



	referência não encontrada.		
Investments			
Property, Plant and Equipment			
	Erro! Fonte de referência não encontrada.		
Intangible		2,703,687	2,652,214
TOTAL, NON-CURRENT		7,801,391	6,481,701
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, 2012 AND 2011, AND JANUARY 1, 2011

LIA

PASSIVO

(R\$)

(Em milhares de Reais)

	Note	Consolidado			Controladora		
		2012	2011 Reclassificado	01/01/2011 Reclassificado	2012	2011 Reclassificado	01/01/2011 Reclassificado
CURRENT							
Suppliers							
Regulatory charges							
Profit shares							
Taxes, charges and contributions							
Income tax and Social Contribution tax							
Fornecedores	17	1.793.462	1.189.848	1.121.009	12.338	12.039	1.687
Encargos Regulatórios	20	412.840	368.229	384.415	-	-	-
Participações nos Lucros		86.256	89.512	116.183	7.776	9.357	5.129
Impostos, Taxas e Contribuições	18a	569.008	516.593	403.333	60.119	33.740	32.836
Imposto de Renda e Contribuição Social	18b	127.187	129.384	137.035	-	-	-
Juros sobre capital próprio e Dividendos a Pagar		3.478.810	1.243.086	1.193.895	3.478.810	1.243.086	1.193.895
Empréstimos e Financiamentos	19	5.158.989	4.354.518	1.546.228	1.102.721	1.011.830	373.599
Debentures	19	1.947.317	3.466.542	656.338	-	-	-
Salários e Contribuições Sociais		260.047	271.891	243.258	11.169	12.987	12.478
Obrigações Pós-emprego							3.703
Provisão para Perdas em Insolvência							6.680
Dívidas com Pessoas Ligadas							14.633
Concessões a Pagar							1.604.669
Outras Obrigações							
TOTAL DO CIRCULANTE							
NÃO CIRCULANTE							
Encargos Regulatórios							
Empréstimos e Financiamentos							36.794
Debentures							
Impostos, Taxas e Contribuições							
Imposto de Renda e Contribuição Social							
Provisões							187.353
Concessões a Pagar							
Obrigações Pós-emprego							92.349
Provisão para Perdas em Insolvência							
Outras Obrigações							71.554
TOTAL DO NÃO CIRCULANTE							388.259
TOTAL DO PASSIVO							1.992.919
PATRIMÔNIO LÍQUIDO							
Capital Social		4.265.091	3.412.073	3.412.073	4.265.091	3.412.073	3.412.073
Reservas de Capital		3.953.830	3.953.830	3.953.830	3.953.830	3.953.830	3.953.830
Reservas de Lucros		2.856.176	3.292.871	2.873.253	2.856.176	3.292.871	2.873.253
Ajustes de Avaliação Patrimonial		968.943	1.086.154	1.209.833	968.943	1.086.154	1.209.833
Recursos Destinados ao Aumento de Capital		-	-	27.124	-	-	27.124
TOTAL DO PATRIMÔNIO LÍQUIDO		12.044.062	11.744.948	11.476.133	12.044.062	11.744.948	11.476.133
TOTAL DO PASSIVO E DO PATRIMÔNIO LÍQUIDO		40.772.961	37.008.883	33.473.963	17.056.346	14.465.005	13.469.052

Tradutor (- sf@miracleread.com) avisa:
Deixamos de preencher numeros pois eles podem ser inseridos num instante a partir dos excels em poder da Cemig (coloquei copia do português na frente da tabela para somente para comparacao de linhas, etc.)

Debt to related parties		59,437	81,641
Concessions payable	Erro! Fonte de referê ncia não encon trada.	53,687	53,579
Other obligations	Erro! Fonte de referê ncia não encon trada.	25,764	69,271
TOTAL, CURRENT		2,604,761	2,404,528
NON-CURRENT			
Regulatory charges			
Loans and financings			
Debentures			
Taxes, charges and contributions			
Income tax and Social Contribution tax	Erro! Fonte de referê ncia não encon trada.	2,032,642	1,831,199
Provisions	Erro! Fonte de referê ncia não encon trada.	852,580	805,053
Concessions payable	Erro! Fonte de referê ncia não encon trada.	103,684	31,749
Post-retirement liabilities	Erro! Fonte de referê ncia não encon trada.	1,339,105	1,316,001
Provisions for losses on financial instruments	Erro! Fonte de	661,326	508,473

	referê ncia não encon trada.		
Other obligations	Erro! Fonte de referê ncia não encon trada.	276,577	196,123
TOTAL, NON-CURRENT		5,473,306	4,818,135
TOTAL LIABILITIES		8,078,067	7,222,663
STOCKHOLDERS' EQUITY			
	Erro! Fonte de referê ncia não encon trada.		
Share capital		2,261,998	2,261,998
Capital reserves			
Profit reserves			
Valuation adjustments to Stockholders' equity			
Funds for capital increase			
TOTAL STOCKHOLDERS' EQUITY		394,465	114,901
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		2,656,463	2,376,899

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

**PROFIT AND LOSS ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(R\$ '000, except Net profit per thousand shares)**

	Note	2011	2010 Reclassified
REVENUES			
OPERATIONAL COSTS			
COST OF ELECTRICITY AND GAS			
Electricity bought for resale			
Charges for the use of the national grid			
Gas bought for resale			
COST			
Personnel and Managers			
Materials			
Outsourced services			
Depreciation and Amortization			
Operational provisions			
Royalties for use of water resources			
Infrastructure construction cost			
Other			
TOTAL COST			
GROSS PROFIT			
OPERATIONAL EXPENSES			
Selling expenses			
General and administrative (expenses)/reversals			
Other operational expenses			
Equity gain (loss) in subsidiaries			
Gain on dilution of holding in jointly-controlled subsidiaries			
Operational profit before Financial revenue and taxes			
Financial revenues			
Financial expenses			
Profit before taxes			
Income tax and Social Contribution tax			
Deferred income tax and Social Contribution tax			
PROFIT (LOSS) FOR THE PERIOD			
Basic and diluted profit per preferred share			
Basic and diluted profit per common share			

**Tradutor (- sf@miracleread.com)
avisa:
Deixamos de preencher
numeros pois eles podem ser
inseridos num instante a partir
dos excels em poder da Cemig**

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.cemig.infoinvest.com.br

A. Report of Management

Dear Stockholders,

Companhia Energética de Minas Gerais – **Cemig** (“Cemig”) submits for your consideration the Report of Management, the Financial Statements, and the Opinions of the Audit Board and its external auditors on the business year ended December 31, 2012.

MESSAGE FROM MANAGEMENT

This has been a year of great changes, complexity and challenges.

Once again, we would like to express our confidence in the Executive Board’s ability to deliver on the commitments which it has made to the shareholders of the company to generate value and growth.

This year, we received clear evidence of the correctness of our decisions, which were reflected in various statements by shareholders and investors when we raised funds, with their full support, and in statements at events in which we took part.

We are confident that our strategic vision of how we should manage the various projects which we are pursuing, based on the principles of sustainability and social responsibility, will deliver an adequate and attractive return on investment to our shareholders.

Today Cemig D serves more than 7 million consumers with a focus on improvement of quality of the services provided, having invested R\$ 1.2bn, one of the largest investments by electricity distribution companies – an unequivocal demonstration of the commitment to the community in which it operates. The number of new consumers connected to the electricity supply exceeded expectations – just under 200,000 new clients were added; and the quality of the service provided was once again recognized in the survey by the Regulator (the National Electricity Agency, Aneel), which rated us in second place among the companies with over 400,000 consumers in the Southeastern Region.

Our result in the year was affected by the higher cost of buying electricity, due to the fall in the level of the reservoirs of the hydroelectric plants, generating higher dispatch of the thermal plants, the cost of which is much higher, and this was reflected in the Company’s expenses. But it is important to point out that this additional cost will be taken into account in the decision on tariffs in the Tariff Review, to be in effect from April 8, 2013.

We are still in discussion with Aneel on the questions related to the process of tariff review, especially aspects related to operational efficiency and prudence in investments. We are aware of the challenges imposed by the need for us to become increasingly efficient, with appropriate management of costs, and management of investments that meets the criteria of prudence established by the Regulator.

The Brazilian capital market once again showed its capacity to finance significant volumes of funding to finance our activities, with a total of more than R\$ 1.5 billion raised by the Company.

On the other hand, another important event in the year was the Brazilian government’s issuance, on September 11, 2012, of Provisional Measure 579, dealing with renewal of the concessions which had expiry dates, under their contracts, in the years 2015 through 2017.

The federal government proposed bringing forward the expiry of these concessions to January 2013, and imposed a timetable for decisions on adherence to this proposal, expiring on December 4, 2012. Most of the companies involved regarded this deadline as very short. The new legislation also altered the nature of the regime of concession agreements: under the new system concession holders acquired the condition of providers of maintenance and operating services, in contrast to the existing agreements, which, in addition to those services, include the sale of the products of the assets. By way of compensation, the federal government would reimburse concession holders whose assets had not yet been depreciated, at replacement value. The objective of the proposal was to transfer the products of the assets to the operators of distribution concessions at operating and maintenance cost, aiming to achieve a significant reduction in the final tariff to consumers, with the additional benefit of controlling inflation.

Convinced of the benefits to its consumers, Cemig D decided to accept the new concession agreements for public electricity transmission and distribution service, believing that by so doing, it would also protect the interests of its shareholders.

We have challenges to face in the coming year and we are confident that our strategic vision will lead us to take the action that is most beneficial to stockholders and clients.

We would like to thank our employees for their strong support for our initiatives to improve operations and introduce new technologies. Our staff is among the most active in the electricity sector and is responsible for the excellent reputation which we enjoy for efficiency and technical skill.

We would re-emphasize that we have only succeeded in achieving these results because of the support of all of our shareholders, and in particular our majority shareholder, represented by the Governor, Antonio Anastasia, of Minas Gerais State, whom we would like to thank for his unquestioning confidence, demonstrated throughout the year.

OUR ANALYSIS OF THE GUARANTOR:

FINANCIAL SITUATION

The Company's "General Liquidity Ratio" (Current assets + Noncurrent assets) / (Current liabilities + Noncurrent liabilities) on December 31, 2012 had increased slightly, to 0.96, from 0.91 at the end of 2011. The Current ratio also increased slightly, to 0.83 at the end of 2012, from 0.70 at the end of the previous year.

CAPITAL STRUCTURE

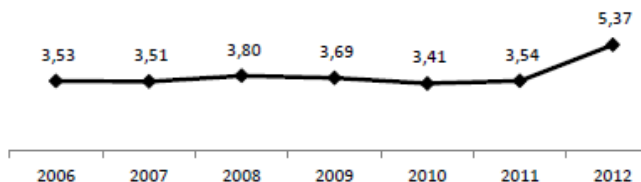
The Company's Financial Leverage (ratio of [Debt to Banks + Short and long-term securities placed] to Stockholders' equity), at 1.34 on December 31, 2012, was unchanged from 1.34 on December 31, 2011. Considering the Company's type of activity, with its need to raise high volumes of capital for its Capex, it is our view that the capital structure – in terms of own and third party capital, with low financial leverage – is appropriate; the greater part of the debt being long-term.

RESULTS

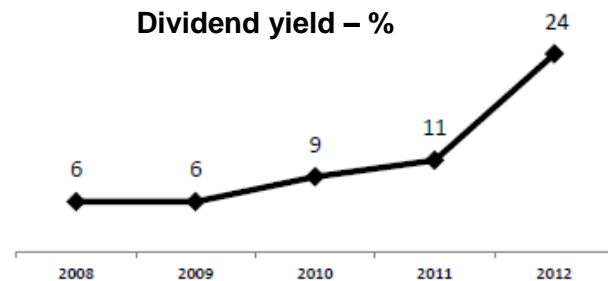
In the business year ended December 31, 2012 Operational margin was 22.11% (as % of Revenue), compared to 27.32% in the previous year. Net revenue also grew, as a percentage of gross revenue, from 15.33% in the previous year to 23.14%. The Company's excellent performance leads to the indicators of Profit per share and Dividend yield below:

HIGHLIGHTS

Profit per share – R\$



Dividend yield – %



We recommend reading the Financial Statements, the Explanatory Notes and Report of the External Auditors – available at: www.ceming.infoinvest.com.br

C. OPINION OF THE EXTERNAL AUDITORS

To the
Stockholders and Board of Directors 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 Statement of financial position (balance sheet) on December 31, 2012 and the related profit and loss account, Statement of comprehensive income, Statement of changes in stockholders’ equity and 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 International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and in accordance with accounting practices adopted in Brazil, 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, issued with qualification.

Basis for qualified opinion

As described in Explanatory Note 12 to the financial statements, as part of the process of tariff review of the electricity distributors, on March 11, 2013 the Financial and Economic Inspection Department (*Superintendência de Fiscalização Econômico Financeira*, or SFF) of Aneel issued Dispatch No. 689, stating the value of the Regulatory Remuneration Base (*Base de Remuneração Regulatória*, or BRR) of the subsidiary Cemig Distribuição S.A., to be R\$ 5,111,837,000. The BRR is used to determine the amount of the financial asset value of electricity distribution concessions, relating to the amount to be reimbursed by the concession-granting power at the termination of the concessions. As stated in the Explanatory Note referred to, it is the understanding of the Company’s management that the amount published by the SFF is provisional and was publicly disclosed at an amount substantially lower than its expectations, and for this reason the Company’s management is in discussion with Aneel about the valuation criteria used for determination of the BRR that is to be homologated. In this context, it is the understanding of the Company’s management that, at the present moment, no adjustment can be decided to the accounting balances recorded on December 31, 2012. Consequently, no adjustment has been recorded arising from this subject in the financial statements and, for as long as the discussions with Aneel are not



concluded, it is not possible to reach a conclusion on the possible impacts on the balances of Financial assets, the Net profit for the year or the Stockholders' equity of the Company on December 31, 2012.

Opinion on the financial statements

In our opinion, except for the possible effects of the subject described in the paragraph "Basis for qualified opinion", the financial statements of Cemig Distribuição S.A. referred to above adequately present, in all material aspects, the equity and financial position of Cemig Distribuição S.A. on December 31, 2012.

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, 2012, 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. This statement has been submitted to the same auditing procedures described above and, in our opinion, except for the possible effects of the subject described in the paragraph "Basis for qualified opinion", is adequately presented, in all material aspects, in relation to the financial statements taken as a whole.

Belo Horizonte, March 27, 2013.

José Ricardo Faria Gomez
Accountant
CRC-SP 218.398/O-1 S/MG

DELOITTE TOUCHE TOHMATSU
Auditores Independentes
CRC-2SP 011.609/O-8 F/MG

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 ability, qualification and 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 29, 2013.

**SLW – Corretora de Valores e Câmbio Ltda.
Fiduciary Agent**