



**Relatório Anual**



# **CEMIG GERAÇÃO E TRANSMISSÃO S.A. CEMIG GT**

*1st Issue of Debentures not Convertible into Shares,  
Quirographic Type  
2007*

**Rating Issue: Fitch: A+(bra)  
Moody's: Aa3.br**



**PLANNER**  
Agente Fiduciário

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**CHARACTERISTICS OF THE ISSUER**

<b>Commercial name</b>	CEMIG GERAÇÃO E TRANSMISSÃO S.A.
<b>Head office address:</b>	Av. Barbacena 1200 – Júlio Soares Building, Santo Agostinho, 30190-131 Belo Horizonte, MG, Brazil
<b>Telephone / Fax:</b>	+55-31 3506-5024 / +55-31 3506-5025
<b>Chief Officer for Investor Relations:</b>	Luiz Fernando Rolla
<b>CNPJ:</b>	06.981.176/0001-58
<b>Auditors:</b>	KPMG AUDITORES INDEPENDENTES
<b>Activity:</b>	Electricity

**CHARACTERISTICS OF THE DEBENTURES**

<b>CVM registry N°:</b>	CVM/SRE/DEB/2007/003, on April 17, 2007; CVM/SRE/DEB/2007/004, on April 17, 2007.
<b>Issuer's situation:</b>	Compliant with the pecuniary obligations.
<b>Asset code:</b>	CETIP 1 <sup>st</sup> . Series: CMGT11; and CETIP 2 <sup>st</sup> . Series: CMGT21;
<b>Mandated Bank:</b>	Banco Itaú S.A.
<b>Lead Manager</b>	Unibanco – União dos Bancos Brasileiros S.A.
<b>Issue Date:</b>	For all legal purposes the issue date of the debentures was November 1, 2006.
<b>Maturity date:</b>	The maturity of the debentures of the first series will be on November 1, 2009. The maturity of the debentures of the second series will be on November 1, 2011.
<b>Number of debentures</b>	37,152 (thirty seven thousand, one hundred and fifty two) debentures were issued, of which 22,348 (twenty two thousand, three hundred and forty eight) were for the first Series, and 14,804 (fourteen thousand, eight hundred and four) were for the second series.
<b>Number of series:</b>	2 (two) Series were issued.
<b>Total value of the issue:</b>	The total value of the issue was R\$ 588,371,752.56 (five hundred and eighty eight million, three hundred and seventy one thousand, seven hundred and fifty two Reais and fifty six centavos), on the Issue Date.
<b>Nominal value:</b>	The nominal unit value of the debentures of the 1 <sup>st</sup> Series is R\$ 15,641.490773 (fifteen thousand, six hundred and forty one point four nine zero seven seven three Reais) and the nominal unit value of the debentures of the 2 <sup>nd</sup> Series is R\$ 16,131.837123 (sixteen thousand, one hundred and thirty one point eight three seven one two three Reais), on the Issue Date.

<b>Form</b>	The debentures are of the nominal book-entry type, without issue of deposits or certificates.
<b>Type:</b>	Unsecured: The Debentures are of the unsecured type without guarantee or preference, but have a guarantee from Companhia Energética de Minas Gerais – Cemig.
<b>Convertibility:</b>	The debentures are not convertible into shares.
<b>Exchange:</b>	Not applicable to this issue.
<b>Guarantee in Services:</b>	In the event of non-payment by the Issuer of any amount due in relation to the debentures under the deed on the respective maturity dates, the Debentures may be used as form of payment and shall be accepted by the Issuer for payments of invoices for supply of electricity issued by the Issuer, in accordance with Clause VI of the Issue Deed.
<b>Option:</b>	Not applicable to this issue;
<b>Trading:</b>	The debentures were registered for trading on the Brazilian National Debenture System (SND), administered by Andima and operated by Cetip; and on the BovespaFix trading system of the São Paulo Stock Exchange, with custody by the CBLC.
<b>Updating of Nominal Value – 1st Series:</b>	The nominal value of the debentures of the 1 <sup>st</sup> series will not be updated.
<b>Updating of Nominal Value – 2nd Series:</b>	The nominal value of the debentures of the 2 <sup>nd</sup> series will not be updated.
<b>Payment of updating – 1<sup>st</sup> Series</b>	Not applicable to this issue.
<b>Payment of updating – 2<sup>nd</sup> Series</b>	Not applicable to this issue.
<b>Remuneration – 1<sup>st</sup> Series:</b>	The Debentures of the 1 <sup>st</sup> Series are entitled to interest corresponding to the accumulated variation of 100% of the average daily DI (Interbank Deposit) rate for one day (“Extra Grupo”)(Taxas DI), calculated and published by Cetip, capitalized with a spread of 1.20% per year, on the 252 business days basis, incident upon the balance of the nominal value of the debenture for each period of capitalization.
<b>Remuneration – 2<sup>nd</sup> Series:</b>	The Debentures of the 2 <sup>nd</sup> Series are entitled to interest corresponding to the accumulated variation of 104.0% (one hundred and four per cent) of the average daily DI (Interbank Deposit) rate for one day (“Extra Grupo”), expressed in the form of a percentage per year, on the 252 business days basis, calculated and published daily by Cetip.
<b>Payment of Remuneration – 1st Series:</b>	The remuneration of the debentures of the 1 <sup>st</sup> Series will be paid annually, on November 1 of the years 2007, 2008 and 2009.
<b>Payment of Remuneration – 2nd Series:</b>	Remuneration of the debentures of the 2 <sup>nd</sup> series will be paid annually, on November 1 of the years 2007, 2008, 2009, 2010 and 2011.
<b>Amortization:</b>	Not applicable to this issue.

**Amortization Fund:** Not applicable to this issue.

**Premium:** Not applicable to this issue.

**Renegotiation:** Not applicable to this issue.

**Early Redemption:** Not applicable to this issue.

**Optional acquisition:** The Issuer may, at any time, acquire the debentures in circulation in the market, for a price not greater than their nominal value, updated by monetary adjustment, as applicable, plus remuneration interest, subject to the terms of Article 55 of Law 6404/76. The Debentures that are the subject of such acquisition may be cancelled, remain in the Issuer's Treasury, or be placed on the market again.

**Early maturity:** In any of the following events, the Fiduciary Agent's duty is to declare early maturity of all the obligations that are the subject of the Issue and demand immediate payment by the Issuer of the Nominal Value plus the Remuneration:

- a. non-payment of the principal or interest owed under the Debentures on the respective maturity dates;
- b. legitimate protest of securities against the Issuer, in an amount exceeding R\$ 10,000,000.00 (ten 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) be 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;
- c. application for judicial recovery made by the Issuer, by Cemig or by any one of its subsidiaries;
- d. extinction, dissolution or decree of bankruptcy of the Issuer, or of Cemig or any one of its subsidiaries;
- e. if the Issuer, Cemig, or any one of its subsidiaries without justification omits to pay on the due date, or to take the legal or judicial measures required for the non-payment of, any debts or any other obligation payable by the Issuer (or any one of its subsidiaries) under any agreement to which it is a party as borrower or guarantor involving an amount of R\$ 10,000,000.00 (ten million Reais) or more;
- f. early maturity of any debt of the Issuer or of Cemig or any one of its subsidiaries in an amount of R\$ 10,000,000.00 (ten million Reais) or more, arising from default, contractual or otherwise, the amount of which might in any way prejudice compliance with the pecuniary obligations of the Issuer specified in the Issue Deed;
- g. privatization, liquidation, dissolution, extinction, split and/or any form of stockholding reorganization that results in reduction of the registered capital of the Issuer and/or of Cemig, unless this stockholding reorganization takes place in relation to the following subsidiaries of Cemig: *Companhia de Gás de Minas Gerais – Gasmig*, *Empresa Infovias S.A.* or *Way TV Belo Horizonte S.A.*”;
- h. termination, for any reason, of any of the concession contracts held by the Issuer and/or by anyone of its subsidiaries; or
- i. issuance of any securities and/or the contracting of any obligations which could in any way affect the alternative payment mechanism of settlement by Guarantee in Services (payment of electricity invoices) referred to above.

## USE OF THE FUNDS

Due to the Obligatory Exchange, the Issuer did not receive any funds from this Issue, since the Debentures were paid up using debentures of the 1<sup>st</sup> Issue of Cemig.

The funds obtained from the 1<sup>st</sup> issue by Cemig were allocated to financing of projects in the areas of generation, transmission and distribution of electricity, including for implementation of projects involving partnerships with private-sector companies, in accordance with the generation and transmission works program of Cemig established for the years 2001, 2002 and the first quarter of 2003, under which Cemig invested R\$ 651.84 million.

## MEETING OF DEBENTURE HOLDERS

A General Meeting of Debenture Holders was held on October 9, 2007, where debenture holders representing 90.6780% of the debentures in circulation of the 1<sup>st</sup> and 2<sup>nd</sup> Series decided the following: (i) Debenture holders representing 83.9417% of the debentures in circulation, with the Fundação Vale do Rio Doce de Seguridade Social abstaining, decided to approve the proposal to change sub-clause “h” of item 5.2 – the Early Maturity Clause of the Issue Deed, changing the drafting to the following: - “(h) privatization, merger, liquidation, dissolution, extinction, split and/or any form of stockholding reorganization that results in a reduction of the registered capital of the Issuer and/or of Cemig unless this stockholding reorganization takes place in relation to the following subsidiaries of Cemig: Companhia de Gás de Minas Gerais (Gasmig), Empresa Infovias S.A., or Way TV Belo Horizonte S.A.”. (ii) The alteration of sub-item “i” of item 5.2 – Early Maturity Clause of the Issue Deed, was not approved because the necessary quorum was not achieved, since Debenture holders representing 55.7763% stated themselves to be against the approval and only 34.8945% were in favor; and (iii) the Fiduciary Agent was authorized to sign the Amendment to the Issue Deed and any other instruments necessary for giving effect to the decisions taken at that General Meeting of Debenture Holders.

## POSITION OF THE DEBENTURES

### 1st Series

Date	Nominal value	Interest	Unit price
31/12/2007	R\$ 15,641.490773	R\$ 286.489654	R\$ 15,927.980427

Date	Debentures in circulation	Debentures in Treasury	Total in circulation
31/12/2007	22,348	0	R\$ 355,958,506.58

### 2<sup>nd</sup> Series

Date	Nominal value	Interest	Unit price
31/12/2007	R\$ 16,131.837123	R\$ 275.867320	R\$ 16,407.704443

Date	Debentures in circulation	Debentures in Treasury	Total in circulation
31/12/2007	14,804	0	R\$ 242,899,656.57

## EVENTS CARRIED OUT – 2007

### 1st Series

Date	Event	Unit value
1/11/2007	Remuneration	R\$ 2,112.98

### 2<sup>nd</sup> Series

Date	Event	Unit value
1/11/2007	Remuneration	R\$ 2,047.13

## EVENTS AGENDA – 2008

Date	Event
1/11/2008	Remuneration: 1st and 2nd Series

## ADDITIONAL OBLIGATIONS OF THE ISSUER

During the whole of 2007 the Issuer complied, regularly and within the due dates, with all of the obligations specified in the Issue Deed.

As agreed in the Issue Deed, the following are the amounts of the tax, labor-law and social-security obligations on December 31, 2007:

Tax, labor-law and social-security obligations	
Tax	R\$ 258,287,000
Social security	R\$ 5,905,000
Labor law cases	R\$ 72,862,000

The Issuer has informed this Fiduciary Agent that there are no assets belonging to the subsidiary Cemig GH are the subject of any attachment.

The Issuer further stated that it has no duplicate invoices discounted, nor securities deposited, on December 31, 2007.

## ORGANIZATION DIAGRAM



## MARKET SHARE

Cemig Geração e Transmissão S.A. Cemig Distribuição S.A. (“the Company” or “Cemig Geração e Transmissão”) 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 and started operating on January 1, 2005, following the segregation of Cemig’s business activities.

The objects of Cemig Geração e Transmissão are: (i) to study, plan, project, build and commercially operate systems of generation, transmission and sale of electricity and related services for which concessions are granted, under any form of law, to it or to companies of which it maintains stockholding control; (ii) to operate in the various fields of energy, from whatever source, with a view to economic and commercial operation; (iii) to provide consultancy services within its field of operation to companies in and outside Brazil; and (iv) to carry out activities directly or indirectly related to its objects.

Cemig’s electricity distribution contracts, signed in 1997, established the restructuring of its operations through the segregation of its generation, transmission and distribution operations into wholly-owned subsidiaries.

Provisional Measure 144, of December 11, 2003, later converted into Federal Law 10848 of March 15, 2004, for restructuring the model of the Brazilian electricity sector, also determined the separation of electricity generation, transmission and distribution into different companies.

As a result, the plants, transmission lines and other assets and liabilities related to Cemig’s electricity generation and transmission activities, including the consortia for production of electricity, were transferred, starting on January 1, 2005, to Cemig Geração e Transmissão.

The transfer of the generation concessions of from Cemig to Cemig Geração e Transmissão is in the process of approval by the National Electricity Agency – Aneel.

The company was registered for listing on October 10, 2006, by the CVM (Brazilian Securities Commission) but its shares are not currently traded.

Cemig Geração e Transmissão has 46 power plants, 43 being hydroelectric, one a wind power plant and two thermal plants, and their transmission lines, most of them belonging to the Brazilian national generation and transmission grid system.

The company also has stockholdings in the following subsidiaries that are in development:

- a. Hidrelétrica Cachoeirão S.A. (jointly controlled, 49.00% stake): Production and sale of electricity as an independent power producer, through the Cachoeirão hydroelectric power plant located at Pocrane, in the State of Minas Gerais.
- b. Guanhões Energia S.A. (jointly controlled – 49.00% stake): Production of sale and sale of electricity through building and commercial operation of the following Small Hydro Plants: Dores de Guanhões; Senhora do Porto; and Jacaré, located in the municipality of Dores de Guanhões; and Fortuna II, located in the municipality of Virginópolis, both in Minas Gerais State.
- c. Central Hidrelétrica Pai Joaquim S.A. (subsidiary – 100.00% stake): Production and sale of electricity as an independent producer. Cemig Geração and Transmissão expects to



transfer the assets from the Baguari Consortium to this subsidiary and operation to begin in 2009.

- d. Madeira Energia S.A. (jointly controlled – 10.00% stake): Implementation, construction, operation and commercial operation of the Santo Antônio hydroelectric plant in the Madeira River basin, in the State of Rondônia, with generating capacity of 3,150 MW (information not audited), scheduled for commercial startup in 2012).

The Company operates both in the free market for purchase and sale of electricity, and in the regulated market for provision of transmission services.

In the generation market, the Company is the fifth largest (\*) generating company in Brazil, with installed capacity 46,747.16 MW. Its available energy is sold both in the Regulated Market (ACR) and the Free Market (ACL), primarily the latter, in which Cemig GT serves 20% of the physical market (1) of Brazil's free consumers.

In the regulated transmission activity, Cemig GT has 5,459 km of transmission lines and 15,503 MVA of transformer capacity, which comprises part of the Basic Grid (\*\*). Like the other transmission companies, Cemig GT provides the service of free access to the basic grid through a service contract with the National System Operator (\*\*\*)).

(\*) Data for December 2007.

(\*\*) The Basic Grid: the group of electricity transmission and transforming facilities with voltage of 230 kV or more, responsible for the transmission of major blocks of energy in the Brazilian National Electricity System ("S.I.N.") – the group of electricity generation, transmission and distribution facilities responsible for serving consumption in the regions of Brazil that are electrically linked: the North, Northeast, Southeast/ Center-West, and South. In the Northern region only the States of Maranhão and Pará are part of the national system, and the other States are served by the Isolated Systems.

(\*\*\*) The National System Operator (ONS): An entity under private law responsible for the coordination of the operation of the national grid. Its activities include ordering and coordination of the generation of each plant integrated into the grid, and also exchanges of electricity between the four electricity regions.

(1) Data for 2006. Physical market: Electricity sold directly to final consumers of the Free Market. Excludes self-production and transactions between generators and traders.

## RISK CLASSIFICATION

### Fitch Ratings

Class	Present Rating	Previous Rating	Date of last change
Debentures of 1st Issue	A+(bra)		06/12/2007

### Moody's

Class	Present Rating	Previous Rating	Date of last change
Debentures of 1st Issue	Aa3.br		06/03/2007

## CHANGES IN THE BYLAWS

The Ordinary and Extraordinary General Meetings of Stockholders held on April 27, 2007 decided, among other matters, to change the name of the Office of the Chief Planning, Projects and Construction Officer, to the Office of the Chief New Business Development Officer, maintaining its attributions, and to create the Chief Trading Officer's

Department, with its attributions, consequently changing the content of the head paragraph of Clause 13, and of sub-item VI of Clause 17, including a new sub-item VII and re-numbering sub-item VII to VIII in Clause 17, and altering the drafting of the sole subparagraph of Clause 21.

In the Extraordinary General Meeting of Stockholders begun on August 23, 2007, resumed on September 12 and October 10, 2007 and finalized on October 17, 2007 the following matters among others were decided: change in Clause 6 to improve the drafting; change in the drafting of Clause 12 to define the competencies of the Board of Directors. Change in the name of the Chief Finance, Holdings and Investor Relations Officer's Department to the Department of the Chief Officer for Finance, Investor Relations and Control of Holdings, subsequently changing the drafting of the head paragraph of Clause 13; change to the drafting of the head paragraph and first sub-paragraph of Clause 14, to improve the drafting; change in the drafting of sub-paragraphs 1, 2, 3 and 4 of Clause 16, to improve the drafting and to establish the attributions of the Executive Board; change in the drafting of Clause 17, to establish the attributions of the Chief Officers; change in the head paragraph of Clause 21, so as to provide in the Bylaws for deductions from the results for the period, before any profit share; insertion of new Clauses 25 and 26, to provide in the Bylaws for distribution of profits or results; re-numbering of the previous Clause 25 to Clause 27; and re-numbering of the previous Clause 26 to Clause 28, and change of its drafting, to introduce provision for the possibility of contracting of third party liability insurance for the Company's managers.

## MATERIAL INFORMATION

### OBLIGATORY EXCHANGE

The 1<sup>a</sup> Issue by Cemig GT does not represent raising of new funds, since it is being fully paid up by exchange with the debentures of the 1<sup>st</sup> Issue by Cemig (the holding company). The debentures of the 1<sup>st</sup> Cemig Issue received by Cemig GT for subscription of the debentures have been canceled.

The announcement of the start of distribution was published in the Official Gazette of the State of Minas Gerais on April 26, 2007, and the obligatory exchange was carried out on April 27, 2007.

### PROMISSORY NOTES

On December 21, 2007 Cemig Geração e Transmissão made its 2nd issue of Promissory Notes (known locally as "Commercial Papers"), in the total amount of R\$ 200 million, with maturity at 180 days. Interest accrues on these promissory notes at 101.5% of the variation in the CDI. These Promissory Notes have no guarantee whatsoever from Cemig.

## PRINCIPAL ASPECTS

In 2007, its third year of operation, Cemig Geração e Transmissão reported net profit of R\$ 747 million, 21.7% more than in 2006. Ebitda (Profit before interest, tax, depreciation and amortization), at R\$ 1.696 billion, was 22.4% higher year-on-year.

In the last 3 years more than R\$ 920 million has been invested in generation and trans-

mission. These investments took the form of connection of 7 new consumers in 2007.

## CAPITAL EXPENDITURE

Cemig Geração e Transmissão S.A. has 46 power plants, of which 43 are hydroelectric, one is a wind power plant and two are thermal plants, and their transmission lines, most of them part of the Brazilian national generation and transmission grid system.

In 2007 the Company invested capital expenditure of R\$ 331 million, mainly related to the Baguari plant and refurbishment/modernization of plants.

The main projects which started operation in 2007, or are under construction, are as follows:

Power plant	Capacity	Cemig GT stake	Planned startup
Baguari plant	140 MW	34.00%	2nd half 2009
Cachoeirão Small Hydro Plant ("PCH")	20 MW	49.00%	2nd half 2008
Dores de Guanhões, Senhora do Porto, Fortuna II and Jacaré PCHs	44 MW	49.00%	1st half 2009

A highlight in the year was the participation by Cemig Geração e Transmissão in the auction for the Santo Antônio hydroelectric plant (the Madeira River Hydroelectric complex), in December 2007, as a member of the winning consortium. This 3,150MW plant, in the basin of the Madeira River, will be built in partnership with other companies. Cemig Geração e Transmissão S.A. has 10.0%. Startup is scheduled for the year 2012.

## The Minas Small Hydro Plant (PCH) Program

The aim of the Minas PCH Program is to increase the generation capacity of Cemig Geração e Transmissão through building of small hydro plants ("PCHs") in Minas Gerais state, developing alternative energy sources and also generation from within the locations in the network, contributing to development of regional markets in the state.

Consumers of the energy generated by the PCHs will benefit also from tax and other benefits applicable to consumers of electricity from renewable sources. The projects for generation from these sources are eligible under the Clean Development Mechanism (CDM), which also enables them to obtain carbon credits.

PCHs are built and operated through private-sector special-purpose companies (SPCs) whose stockholders are companies authorized by Aneel, investors, and Cemig Geração e Transmissão (holding a 49% stake). Sales are made through sales contracts signed between the special-purpose company and the consumer.

As well as the projects with construction scheduled for 2007, the Minas PCH Program has 15 PCHs with registration completed – for aggregate installed capacity of 209.4 MW. Of these, Memoranda of Agreement have been signed for projects totaling 68.5 MW, Confidentiality Agreements for 64.9 MW, and analysis of documents has been completed for projects representing 76.0 MW.

MAIN ACCOUNT LINES

BALANCE SHEET – ASSETS, RS'000

ASSETS	2005	AV %	2006	AV %	2007	AV%
<b>CURRENT</b>	-	-	-	-	<b>1,760,987</b>	<b>22.6%</b>
Cash, equivalents, cash investments	-	-	-	-	916,288	11.7%
Accounts receivable	-	-	-	-	773,115	9.9%
Inventories	-	-	-	-	3,794	0.0%
Other credits	-	-	-	-	67,790	0.9%
<b>NON-CURRENT ASSETS</b>	-	-	-	-	<b>119,823</b>	<b>1.5%</b>
Tax credits	-	-	-	-	52,916	0.7%
Deposits linked to legal actions	-	-	-	-	32,304	0.4%
Traders – transactions on the CCEE/MAE	-	-	-	-	13,646	0.2%
Taxes subject to offsetting	-	-	-	-	10,600	0.1%
Receivable from related parties	-	-	-	-	2,675	0.0%
Other credits	-	-	-	-	7,682	0.1%
<b>PROPERTY, PLANT AND EQUIPMENT</b>	-	-	-	-	<b>5,926,334</b>	<b>75.9%</b>
Investments	-	-	-	-	1,004,095	12.9%
Fixed assets	-	-	-	-	4,909,364	62.9%
Intangible	-	-	-	-	11,549	0.1%
Deferred	-	-	-	-	1,326	0.0%
<b>TOTAL FIXED ASSETS</b>	-	-	-	-	<b>7,807,144</b>	<b>100.0%</b>

BALANCE SHEET – LIABILITIES, RS '000

LIABILITIES	2005	AV %	2006	AV %	2007	AV%
<b>CURRENT</b>	-	-	-	-	<b>1,690,499</b>	<b>21.7%</b>
Loans and financings	-	-	-	-	393,804	5.0%
Debentures	-	-	-	-	10,486	0.1%
Suppliers	-	-	-	-	236,313	3.0%
Taxes, charges and contributions	-	-	-	-	211,815	2.7%
Interest on Equity, and dividends, payable	-	-	-	-	541,518	6.9%
Salaries and Social Contributions	-	-	-	-	51,142	0.7%
Regulatory charges	-	-	-	-	78,391	1.0%
Profit shares	-	-	-	-	21,726	0.3%
Debt to related parties	-	-	-	-	2,249	0.0%
Others	-	-	-	-	143,055	1.8%
<b>LONG-TERM LIABILITIES</b>	-	-	-	-	<b>3,128,382</b>	<b>40.1%</b>
Loans and financings	-	-	-	-	1,973,280	25.3%
Debentures	-	-	-	-	734,077	9.4%
Provisions for contingencies	-	-	-	-	7,553	0.1%
Post-employment obligations	-	-	-	-	256,105	3.3%
Taxes, charges and contributions	-	-	-	-	52,377	0.7%
Suppliers	-	-	-	-	25,803	0.3%
Regulatory charges	-	-	-	-	2,034	0.0%
Regulatory liabilities – Review, Transmission	-	-	-	-	7,731	0.1%
Other obligations	-	-	-	-	69,422	0.9%
<b>MINORITY INTEREST</b>	-	-	-	-	-	-
<b>FUTURE EARNINGS</b>	-	-	-	-	-	-
<b>STOCKHOLDERS' EQUITY</b>	-	-	-	-	<b>2,988,263</b>	<b>38.3%</b>
Registered capital	-	-	-	-	2,896,785	37.1%
Capital reserves	-	-	-	-	-	-
Profit reserves	-	-	-	-	91,478	1.2%
Retained earnings	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	-	-	-	-	<b>7,807,144</b>	<b>100.0%</b>

## INCOME STATEMENT – R\$ '000

INCOME STATEMENT	2005	AV%	2006	AV%	2007	AV%
<b>Gross revenue from sales and services</b>	-	-	-	-	<b>3,373,479</b>	<b>126.6%</b>
(+)Gross supply of electricity	-	-	-	-	2,782,445	104.4%
(+)Revenue from use of the grid	-	-	-	-	549,784	20.6%
(+) Other operational revenue	-	-	-	-	41,250	1.5%
(-)Deductions from gross revenue	-	-	-	-	(707,876)	(26.6%)
<b>(=) Net sales revenue</b>	-	-	-	-	<b>2,665,603</b>	<b>100.0%</b>
(-) Charges for use of transmission grid	-	-	-	-	(257,204)	(9.6%)
(-) Electricity purchased for resale	-	-	-	-	(75,448)	(2.8%)
(-) Personnel expenses	-	-	-	-	(205,391)	(7.7%)
(-) Private pension plan entity	-	-	-	-	(20,694)	(0.8%)
(-) Material	-	-	-	-	(76,051)	(2.9%)
(-) Outsourced services	-	-	-	-	(85,059)	(3.2%)
(-) Depreciation and amortization	-	-	-	-	(223,168)	(8.4%)
(-) Operational provisions	-	-	-	-	(7,439)	(0.3%)
(-) Royalties (for use of water resources)	-	-	-	-	(129,828)	(4.9%)
(-) Other	-	-	-	-	(53,736)	(2.0%)
(-) Other operational expenses	-	-	-	-	(12,270)	(0.5%)
Operational expenses (revenue) - Sales	-	-	-	-	1,428	0.1%
Operational expenses (revenue) – General/Adm.	-	-	-	-	(48,149)	(1.8%)
<b>(=)Profit from the activity</b>	-	-	-	-	<b>1,472,594</b>	<b>55.2%</b>
(+) Financial revenues	-	-	-	-	298,421	11.2%
(-)Financial expenses	-	-	-	-	(631,222)	(23.7%)
<b>(=) Operational profit</b>	-	-	-	-	<b>1,139,793</b>	<b>42.8%</b>
(+/-)Non-operational revenue (expenses)	-	-	-	-	(2,522)	(0.1%)
<b>(=)Net profit before income tax and Social Contribution</b>	-	-	-	-	<b>1,137,271</b>	<b>42.7%</b>
(-)Provision for income tax and Social Contribution	-	-	-	-	(334,369)	(12.5%)
Deferred income tax	-	-	-	-	54,098	2.0%
Profit shares under Bylaws	-	-	-	-	(109,976)	(4.1%)
<b>(=)Net profit after income tax and Social Contribution</b>	-	-	-	-	<b>747,024</b>	<b>28.0%</b>
(-) Minority interest	-	-	-	-	-	-
(-) Reversal of interest on Equity	-	-	-	-	-	-
<b>(=)Profit available for the period</b>	-	-	-	-	<b>747,024</b>	<b>28.0%</b>

## ANALYSIS OF THE FINANCIAL STATEMENTS

### Profit in the period

Cemig Geração e Transmissão reported net profit of R\$ 747 million for 2007, 21.66% higher than the 2006 net profit of R\$ 614 million.

### Operational revenue

	2007	2006	Change %
Gross revenue from supply of electricity	2,782	2,327	19.55
Final consumers	1,663	1,457	14.14
Wholesale sales to other concession holders	1,047	743	40.92
Transactions in electricity on the CCEE	72	127	(43.31)
Revenue from use of the grid	550	576	(4.51)
Other	41	10	310.00
	<b>3,373</b>	<b>2,913</b>	<b>15.79</b>

## **Gross revenue from supply of electricity**

Revenue from electricity sold to other concession holders in 2007 was R\$ 1.047 billion, which compares with R\$ 743 million in 2006. This increase is basically the result of an increase in the market.

The electricity market of Cemig Geração e Transmissão in 2007 totaled 31,813 GWh, an increase of 7.60% from the previous year. The increase was due to the expansion of assured energy due to the startup of the Irapé plant, in June 2006, and the large volume of secondary electricity in 2007 (electricity generated in excess of assured energy, which occurs when there are strong water levels in the national grid system) in 2007, and also purchase of electricity for resale.

Sale of electricity in the Free Market (to Traders) showed a significant increase of 55.0% due to our more intense activity in this market segment, and this in counterpart made possible purchase of electricity for future years, and also exportation to Argentina and Uruguay in the months of July through September 2007, generating revenue of R\$ 64 million.

Sales to Free Consumers were 2.3% higher, due to the greater exercise of contractual flexibilities, the migration of clients that took place in 2007, and also the efforts of the company to sign contracts with new clients, including clients outside the concession area. The lines of business that most contributed to this increase were those of pulp/paper/paperboard, mining, chemicals and transport.

## **Revenue from use of the grid**

This revenue is primarily for use, by generating companies and distributing companies that are participants in the Brazilian grid, of the facilities that make up the basic transmission network of Cemig Geração e Transmissão. The payments are according to amounts set by Aneel Resolution, and were 4.51% lower in 2007 than in 2006 (R\$ 550 million in 2007, vs. R\$ 576 million in 2006).

The annual transmission revenue was increased by 3.07%, resulting from application of the IGP-M inflation index up to May, in the amount of 4.40%, and in counterpart, the effects of the first Periodic Review of the Assets of the Basic Network – New Installations (RBNI) were incorporated, resulting in a reduction of 24.58% in the revenue from these assets, backdated to July 2005.

This resulted in calculation of an excess in revenue for the previous periods, giving rise to a liability, in the amount of R\$ 31 million, which is being amortized in two portions, the first in the 2007-8 cycle and the second in the 2008-9 cycle.

For further information see Explanatory Note 16 to the Consolidated Financial Statements.

## **Deductions from operational revenues**

Deductions from operational revenues amounted to R\$ 708 million in 2007, compared to R\$ 670 million in 2006, an increase of 5.67%.

## Operational costs and expenses (excluding financial revenue/expenses)

Operational costs and expenses - R\$ million	2007	2006	Change, %
Personnel expenses	228	249	(8.43)
Post-employment obligations	23	36	(36.11)
Raw materials and inputs	59	37	59.46
Outsourced services	96	89	7.87
Depreciation and amortization	223	208	7.21
Royalties for use of water resources	130	124	4.84
Operational provisions	6	2	200.00
Charges for use of the basic transmission grid	257	232	10.7
Electricity bought for resale	75	-	-
Other expenses, net	78	70	11.43
	<b>1,193</b>	<b>1,064</b>	<b>12.12</b>

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

As this table shows, Ebitda adjusted for non-recurring items was 22.37% higher than in the previous year, or, when adjusted for non-recurring items, 23.89% higher.

R\$ million	2007	2006	Change, %
Net profit	747	614	21.66
+ Provision for income tax and Social Contribution	280	193	45.08
+ Non-operational revenue (expenses)	3	2	50.00
+ Financial revenue (expenses)	333	319	4.39
+ Amortization and depreciation	223	208	7.21
+ Employee profit shares	110	50	120.00
<b>= Ebitda</b>	<b>1,696</b>	<b>1,386</b>	<b>22.37</b>
Non-recurring adjustments ( * )			
+ Costs on energy Efficiency from previous years		4	
+ Review of transmission revenue – Homologating Resolution 496	31	-	-
+ "Anuênio"	-	42	-
- Reversal for provision of the RGR	-	-38	-
<b>= Adjusted Ebitda (Non-audited)</b>	<b>1,727</b>	<b>1,394</b>	<b>23.89</b>

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

## Financial revenue (expenses)

Financial Revenue was 4.39% higher year-on-year (R\$ 333 million in 2007 and R\$ 319 million in 2006). the items in financial revenue (expenses) with the most significant variations are:

- Revenue from monetary variation of amounts under the General Agreement for the Electricity Sector in 2007, in the amount of R\$ 154 million, vs. R\$ 80 million in 2006, an increase of 92.50%. This variation arises principally from accounting in the second quarter of 2007 of financial revenue in the amount of

R\$ 100 million, arising from updating criteria defined by Aneel for the asset in relation to transactions in free energy during the period of rationing. This procedure did not affect financial revenue, due to a corresponding increase in the provision for losses on those transactions in Free Energy (R\$ 146 million in June 2007 vs. R\$ 49 million in 2006).

- Increase in the Pasep and Cofins taxes on financial revenue due to the monetary updating of the General Agreement for the Electricity Sector, as mentioned in the previous item.

- Net gain of R\$ 26 million on currency variations in 2007, compared to a net gain of R\$ 17 million in 2006, basically reflecting effects on foreign currency loans and financings. The appreciation of the Real against the dollar in 2007 was 17.15%, versus appreciation of 8.66% in 2006.

- Net loss on financial instruments in 2007 in the amount of R\$ 74 million, which compares with a net loss of R\$ 15 million in 2006 – mainly due to a higher depreciation of the US dollar against the Real in 2007 than in 2006. This refers to contracts to exchange fixed financing rates in Yen and US dollars for variation in the Brazilian CDI rate.

- Costs of loans and financings totaling R\$ 350 million in 2007, vs. R\$ 397 million in 2006, a reduction of 11.84%. This reduction arises from the lower debtor balance and the lower values of the CDI rate (the main index of the contracts) in 2007.

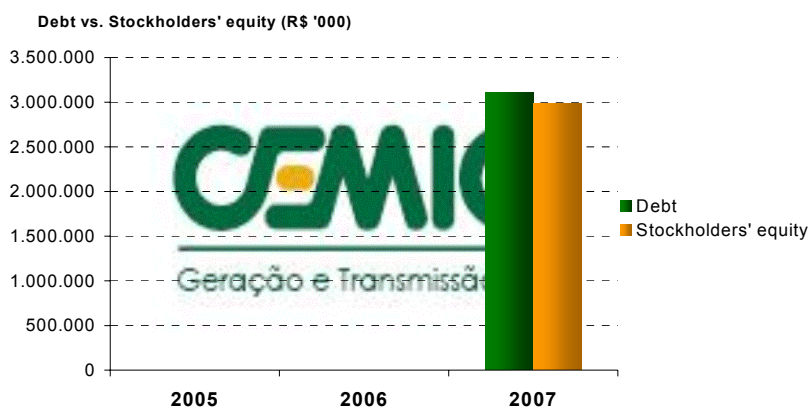
## LIQUIDITY AND CASH FLOW

At the end of 2007 the company held R\$ 916 million in cash, vs. R\$ 709 million in 2006.

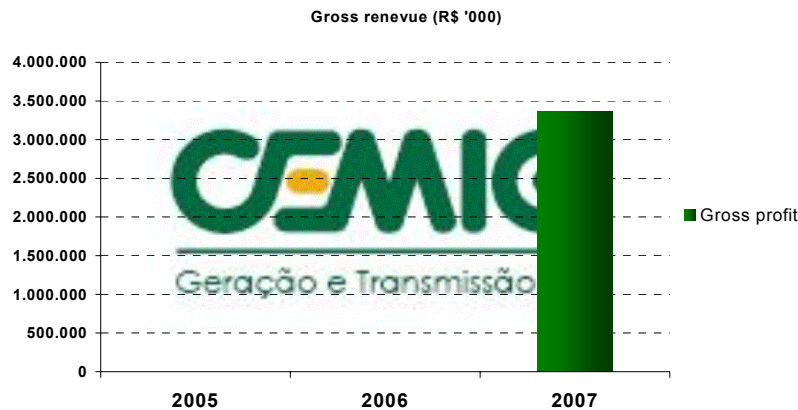
Cash generated by operations was R\$ 1.051 billion (R\$ 660 million in 2006), boosted by Net profit adjusted for revenues and expenses not affecting cash, in the amount of R\$ 1.023 billion (R\$ 843 million in 2006).

Financing activities represented net cash outflow of R\$ 512 million, arising from loans and financings obtained in the amount of R\$ 235 million, vs. amortizations in the amount of R\$ 201 million and payments of Interest on Equity / dividends in the amount of R\$ 547 million.

Capital expenditure in 2007 totaled R\$ 331 million, vs. R\$ 150 million in 2006, related principally to the works on the Baguari and Cachoeirão plants and modernization/refurbishment of existing power plants.







## ANALYSIS OF THE GUARANTEE

This issue does not have a guarantee, since it is of the non-guaranteed or “without preference” type, and it possesses no privileged right whatsoever over the assets of the Issuer. As an additional guarantee of the faithful and punctual payment of the debentures, Companhia Energética de Minas Gerais – Cemig provided a guarantee, undertaking to be joint and principal payer of the debentures. The value of the guarantee corresponds to the total amount of the debt of the Issuer represented by the debentures on the Issue Date, plus the remuneration, and arrears interest, calculated in accordance with the Issue Deed.

## OPINION

We are not aware of any omission or error of fact contained in the information disclosed by the Issuer, which maintained its registry as a listed company with the CVM – Securities Commission – during the whole of the business year of 2007.

After analysis of the financial statements of the Issuer audited by KPMG Auditores Independentes, we state that the opinion does not contain any qualifications, only emphasis in relation to assets and liabilities relating to transactions for purchase and sale of electricity and other transactions carried out in the Electricity Trading Chamber (CCEE – previously named “MAE”) – being recorded on the basis of calculations prepared and published by the CCEE for transactions carried out up to December 31, 2007, and these calculations may be changed as a result of decisions in current legal actions in progress, brought by companies in the sector, in relation to interpretation of the rules of the wholesale energy market that were in force at the time of the said transactions. We point out that the Company is able to honor the commitments arising from this issue.

## DECLARATION

We declare ourselves to be competent and reaffirm our interest in continuing to carry out the function of Fiduciary Agent of the Debenture Holders, in accordance with Clause 68,

sub-item “b” of Law 6404 of December 15, 1976 and Clause 12, sub-item “I”, of CVM Instruction 28 of November 23, 1983.

São Paulo, April 30, 2008.

*PLANNER CORRETORA DE VALORES S.A.*

*This report was prepared for compliance with Clause 68, § 1, sub-clause “b” of Law 6407/76 and Clause 12 of CVM Instruction 28 /83, based on information given by the Issuer Company. The legal documents and technical information on which it was based are available to interested parties for consultation at the head office of this Fiduciary Agent.*