Energisa Minas Gerais – Distribuidora de Energia S/A

Management Report and
2012 Financial Statements

Management Report

The Management of Energisa Minas Gerais – Distribuidora de Energia S/A ("Energisa Minas Gerais" or "Company") hereby presents its headlines for FY 2012, along with the respective Financial Statements, prepared in accordance with International Financial Reporting Standards - IFRS. These statements were reviewed and approved by the Board of Directors and Executive Board on March 05, 2013.

1 – General Considerations

Energisa Minas Gerais is an electricity distribution company that serves approximately 403,000 consumers and a population of roughly 1.0 million in 65 municipalities in Minas Gerais state, and one municipality in Rio de Janeiro state.

Our commitment to the permanent pursuit of operational improvements has enabled the Company to maintain its performance indicators and the quality of its electricity distribution services at among the best levels in Brazil.

In 2012, Energisa Minas Gerais came fourth in a ranking of the 63 electricity providers assessed in a customer satisfaction survey held annually by the National Electricity Regulatory Agency (Aneel). The company was awarded 71.99 points on Aneel's Consumer Satisfaction Index (IASC), 17% above the national average of 61.51 points.

2 – Investment

Energisa Minas Gerais' investments amounted to R$ 40.0 million in 2012, compared with R$ 64.3 million the previous year. This investment was mainly allocated to projects to enhance the quality of services provided, with the following taking place in the year:

- Improvements to the Guarani, Guiricema, Muriae 2, Rio Novo, Sumidouro, Tebas, Tocantins, Uba 2, Alem Paraiba, Astolfo Dutra and Coimbra substations, including replacement of reclosers, breakers and voltage and current transformers;
- Installation of a main breaker on the 22 KV busbar at the Cataguases 2 substation;
- Rearrangement of the Nova Usina Mauricio substation to accommodate a bypass at the 69/22 kV transformer's 22 kV breaker;
- Installation of a revenue metering system at the Padre Fialho substation, at the point of connection to the Basic Grid;
- Replacement of a 2 MVA 22/11.4 KV transformer at the Merces substation with a 3/3.75 MVA unit to increase substation capacity;
- Installation of 27 69 KV lightning arresters along the Leopoldina – Recreio, Recreio – Pirapetinga, Nova Usina Mauricio – São Joao Nepomuceno, Usina Benjamin Batista – Manhuacu and Astolfo Dutra transmission lines;
- Installation of 27 138 KV lightning arresters along the Nova Usina Mauricio – Ivan Botelho 3, Ivan Botelho 3 – Uba 2, Uba 2 – Visconde do Rio Branco 2, Visconde do Rio Branco 2 – Sao Miguel do Anta, Alem Paraiba – Cataguases 2 and Alem Paraíba – Leopoldina transmission lines;
- Numerous medium voltage system reconductoring projects;
- Refurbishment of 130 low-voltage circuits;
- Installation of motor-operated switches on the Cataguases 2 – Muriae 1, Usina Benjamin Batista – Manhuacu, and Uba 1 – Visconde do Rio Branco 2 transmission lines;

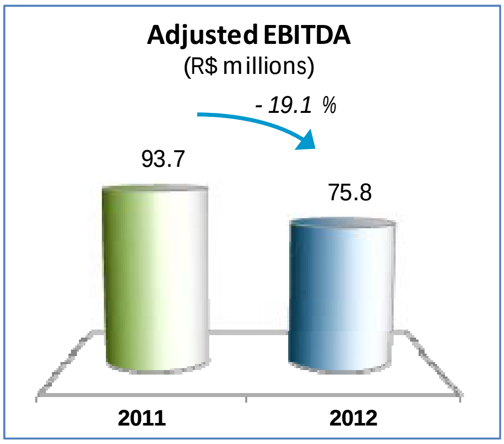
The table below denotes the changes in Energisa Minas Gerais' operating assets in the year:

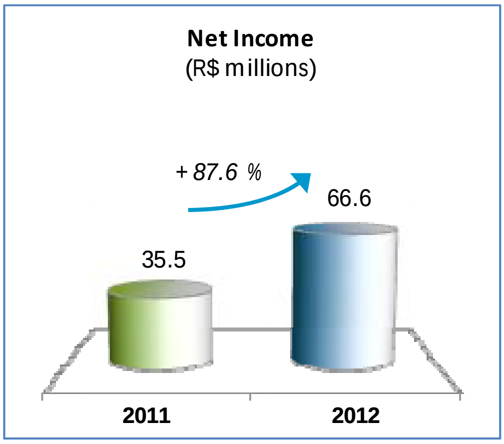
Asset description	Dec / 2012	Dec / 2011	Increase (%) 2012/2011
Substations – Number	44	44	-
Installed capacity at the substations - MVA	878	878	-
Transmission lines - Km	1,069	1,069	-
Distribution grids (company) - Km	25,738	25,469	+ 1.1
Transformers installed in the distribution grids – no.	56,424	55,537	+ 1.6
Installed capacity of the distribution grids (company) - MVA	1,013	1,000	+ 1.3

3 - Economic and financial headlines

The Company's main economic and financial figures for 2012 have been summarized below:

Economic and Financial Figures	2012	2011	Change %
Results - R$ million			
Gross Operating Revenue	654.6	634.9	+ 3.1
Net Operating Revenue	435.6	424.7	+ 2.6
Earnings before interest and tax (EBIT)	54.4	72.4	- 24.9
EBITDA	69.9	87.8	- 20.4
Financial Income/Loss	46.4	(18.6)	-
Income (loss) before taxes	100.8	53.8	+ 87.4





Economic and Financial Figures	2012	2011	Change %
Financial Indicators - R$ million			
Total Assets	538.6	455.0	+ 18.4
Cash / Cash Equivalents / Short-Term Investments	100.8	83.5	+ 20.7
Shareholders' Equity	101.1	68.3	+ 48.0
Net Debt	228.9	200.6	+ 14.1
Operating Indicators			
Number of Captive Consumers (thousand)	404	394	+ 2.5
Total Electricity Distributed (GWh)	1,464	1,434	+ 2.1
Energy Losses (% in past 12 months)	8.70	9.44	- 0.74 p.p
Relative Indicators			
Adjusted EBITDA / Net Revenue (%)	17.4	22.1	- 4.7 p.p
Net Debt / Adjusted EBITDA for 12 months (times)	3.0	2.1	+ 42.9

Note: Adjusted EBITDA: EBITDA plus arrears charges on electricity bills.

3.1 - Net income, cash generation and dividends

Energisa Minas Gerais recorded net income of R$ 66.6 million in 2012 (R$ 147.80 per share), an increase of 87.6% over 2011.

The operating cash generation (Adjusted EBITDA) amounted to R$ 75.8 million, compared with R$ 93.7 million in 2011. See below the breakdown of the Company's cash generation:

Breakdown of cash generation (EBITDA)	Year		
(R$ millions)	2012	2011	Change %
(=) Net Income	**66.6**	**35.5**	**+ 87.6**
(-) Income and social contribution taxes	(34.2)	(18.4)	+ 85.9
(-) Financial result	46.4	(18.6)	-
(-) Depreciation and amortization	(15.5)	(15.4)	+ 0.6
(=) Cash generation (EBITDA)	**69.9**	**87.9**	**- 20.5**
(+) Arrears surcharge revenue	5.9	5.8	+ 1.7
(=) Adjusted cash generation (Adjusted EBITDA)	**75.8**	**93.7**	**- 19.1**
Adjusted EBITDA Margin	17.4	22.1	- 4.7 p.p

From its earnings in 2012, the Company has paid out dividends of R$ 28.1 million commencing: i) August 17, 2012, R$ 13.2 million (R$ 29.18 per share) and ii) December 21, 2012, equal to R$ 14.9 million (R$ 33.13 per share). On top of these dividends, additional dividends will be paid out of R$ 38.5 million (R$ 85.488676404 per share), on a date to be determined. The total dividends for the year amounting to R$ 66.6 million represent 100.0% of the net income earned by the Company.

3.2 - Operating expenses

Operating expenses break down as follows:

Breakdown of operating expenses (R$ million)	2012	2011	Change in R$ million
1 - Controllable expenses	**84.3**	**82.5**	**+ 1.8**
1.1 - Personnel (includes pension fund)	29.3	29.9	- 0.6
1.2 - Material	5.2	5.1	+ 0.1
1.3 - Services	49.8	47.5	+ 2.3
2 - Uncontrollable expenses (acquisition of energy and transmission)	235.6	209.1	+ 26.5
3 - Depreciation and amortization	15.5	15.4	+ 0.1
4 - Allowance for doubtful accounts and contingencies	1.0	(4.2)	+ 5.2
5 - Other expenses / revenue	8.0	4.2	+ 3.8
Subtotal (1+2+3+4+5)	**344.4**	**307.0**	**+ 37.4**
6 – Construction cost	36.8	45.2	- 8.4
Total	**381.2**	**352.2**	**+ 29.0**

4 – Operating performance

The company's performance reflects the high ranking of its operational indicators and customer satisfaction - among the best in Brazil.

4.1 - Management of energy losses: the year saw excellent results in the combating of overall electricity losses, which dropped to 8.70%. This is a decrease of 0.74 percentage points over the previous year.

4.2 - Default management: Consumer default in relation to unpaid electricity bills against sales in the past 12 months was 1.39%, due to a one-off case involving an industrial consumer.

4.3 - DEC and FEC: the continuity indicators (DEC and FEC) remained at levels in 2012 that confirmed the performance improvement witnessed in recent years. The Company exceeded the regulatory DEC and FEC targets for 2012 by 15% and 24% respectively.

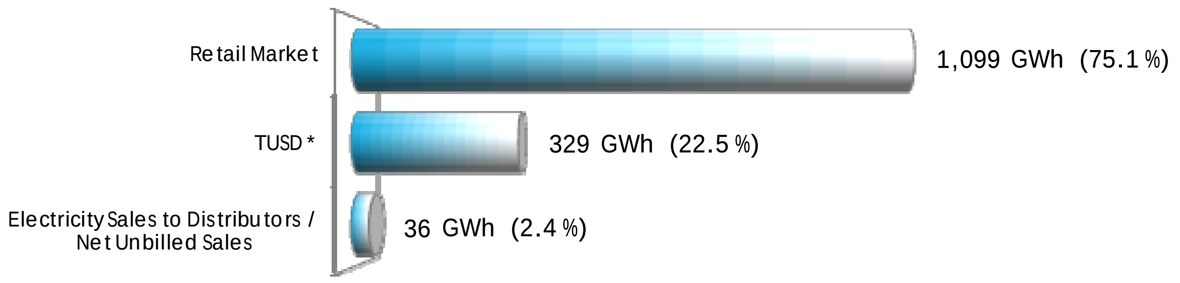
Operating indicators	2012	2011	Change %
Power loss from the company's system (%)	8.70	9.44	- 0.74 p.p
Consumer default over the last 12 months (%)	1.39	1.17	+ 62.4
Outstanding receivables (outstanding monthly invoices) – no.	0.54	0.53	+ 1.9
ISQP (Perceived Quality Satisfaction Index) - Abradee	88.4	83.8	+ 5.5
IASC (Aneel Consumer Satisfaction Index)	71.99	71.29	+ 1.0
DEC (Equivalent Outage Duration per Consumer) – hours	10.16	9.80	+ 3.7
FEC (Equivalent Outage Frequency per Consumer) - times	8.87	8.66	+ 2.4

(*) IASC from 2010, as the survey was not conducted in 2011

4.4 - Electricity sales: the Company distributed total energy of 1,464 GWh in 2012, an increase of 2.01% over 2011. Energy associated with the free market, which accounted for 22.5% of the Company's total sales, rose by 5.4% over the previous year, primarily due to migration of clients from the captive market to the free market.

Captive consumption sectors expanded by 2.1%, with good growth recorded by the: commercial sector, with an increase of 6.2% in the year, and the residential sector, with an increase of 5.7%. The industrial, captive and free sectors jointly experienced a 0.7% decrease in consumption compared.

Total Sales by Segment- In 2012



(*) Energy associated with Free Consumers.

Energisa Minas Gerais closed FY 2012 with 403,680 captive consumer units, or 2.5% more than at the end of 2011. The number of free consumers amounted to 27 at the end of 2012.

5 – People management

Aware of the importance of its 786 staff, including 209 service providers, for performing its mission and strategic goals, Energisa Minas Gerais dedicated some 59,054 man hours of training in 2012. This is an average of 105 hours per employee and entailed investment of over R$ 548,000.

Through the Distance Learning Centre (NEAD), 28,046 man-hours were devoted to distance training. A user of this method of training since 2009, Energisa participated in the Corporate Education Forum organized by the International Quality and Productivity Center (IQPC). Meanwhile, in 2012 Energisa Minas Gerais structured its training and development actions through a Corporate Education Program, guided by the mission, vision and values, its business challenges, competences and strategic principles, and the selection of schools and learning pathways, in order to provide for staff development and support the Company’s strategies.

Energisa Minas Gerais has also placed emphasis on leadership development, by maintaining the Energisa Leadership Portal, acquiring content aligned to its strategies. In 2012, the program comprised 14 courses and provided approximately 18,000 hours of training to all Company managers. To achieve this, a partnership was formed with MindQuest, giving access to content of Harvard Business and Chicago Booth, helping break paradigms in remote education and demonstrating it is possible to reach more people continuously, with higher-quality educational actions, and better integration and alignment to the needs of the organization, with a focus on results.

Energisa Minas Gerais continued to implement the structured Talent Generation program, by selecting two trainees who in 2013 will get familiar with the Company's various departments and its processes and activities.

The successful practices from recent years were maintained and bolstered, especially: Project Bússola, which disclosed the Company's targets and guidelines to all staff; **A Welcome Program**, which involved a meeting between the Officers and recent recruits; Executive Board meetings with accident victims; workplace gymnastics; **Incentives Program** (PIN), which seeks to value ideas and innovation of staff, Projeto Energisa e Filhos is focused on our employees’ children, who visit the department and the company in which their parents work, and the Volunteer Program, established in a partnership with Junior Achievement, focused on primary schools across the region.

Internal recruitment management practices in the company also became visible, with development programs and performance assessment.

Energisa Minas Gerais won the Eloy Chaves Medal, the top recognition for safety in the workplace, awarded by Fundação COGE. This is tangible evidence of the preventive management culture that values human beings as the Company's greatest asset.

Energisa Minas Gerais won second place in the Organizational Culture category of the SESI Workplace Quality Awards, for its practice of communicating the company’s strategy to all of its staff, through Projeto Bússola.

6 - Social and Environmental Responsibility

Energisa Minas Gerais knows the importance of its social role and is increasingly present in the communities it serves, by way of the Ormeo Junqueira Botelho Cultural Institute - an entity dedicated solely to the production and appreciation of Brazilian culture - and direct partnerships with municipal governments and institutions in education, sports, environment and the social and economic development.

August 2012 saw the inauguration of the Energisa Museum and Zona da Mata Heritage Center, by way of the Foundation. With a modern, interactive layout comprising electronic media, the museum traces the Company’s development in the region and the history of electricity, through pictures, photographs and old film footage. The Memory Centre has newspapers, photographs and iconography from the region in digital archives.

The 10th edition of the traditional Viola Festival of Piacatuba between July 25 and 29 was attended by nearly 40,000 people, and has become a fixed event in the mining cultural calendar. In addition to cultural mobilization, the festival is responsible for boosting the economy of the district of Piacatuba - which now boasts bars, restaurants and inns that have opened since the Festival began, in addition to revealing new viola talents.

As part of another cultural incentive, Energisa Minas Gerais brought together over 27 thousand people for frequent concerts and children's theatre extravaganzas by means of the Usina Cultural project, held across different cities in the east part of the Zona da Mata in Minas Gerais. Meanwhile, the third edition of the Circuito Cultural Grande Hotel Muriahe laid on plays, concerts, dance shows, exhibitions, film screenings and workshops for an estimated 50,000 people.

The company also sponsored the production of the feature film "O Menino no Espelho", an adaptation of the work by Fernando Sabino which was filmed in the Cataguases region between June and August, stimulating the local economy and creating jobs. Inauguration of the new museum is scheduled for the second half of 2013. In addition to these initiatives, in 2012 Energisa Minas Gerais continued sponsoring other projects implemented by the Ormeo Junqueira Botelho Foundation, in particular the Lya Maria Müller Botelho Reading Place in the city of Leopoldina (MG) and the social insertion activities of the project Café com Pão Arte Confusão,

The company launched a high-impact project of social interest in 2012: Energisa Library. Located at customer service branches across the eight largest cities in the concession area (Além Paraíba, Cataguases, Leopoldina, Manhuaçu, Muriaé, São João Nepomuceno, Ubá and Visconde do Rio Branco), the library incentivises reading through the exchange of books – customers only need to bring in books in good condition to swap them for others.

Another cultural incentive saw Energisa supporting a project by the Leopoldina Secretary for Culture, Sport, Leisure and Tourism for the creation of "Espaço dos Anjos", a museum in homage to the Paraíba poet Augusto dos Anjos, who lived in the municipality during the last months of his life.

Projeto Nossa Energia (Our Energy Project), associated with Aneel's Energy Efficiency Program, was one of the leading social initiatives. Since it was established in 2011, Energisa Minas Gerais has been present across all the municipalities of the concession area, offering information on the safe and environmental-friendly use of electricity. In two years, the project benefited thousands of families registered for the Low Income Electrical Energy Social Rate scheme and achieved the following results: the donation of 879 meter boxes and the substitution of nearly 80,000 incandescent light bulbs for fluorescent bulbs, distribution of 1,060 low-energy showers 630 refrigerators. Projeto Nossa Energia also introduced educational activities, through the use of interactive video and lectures, to over 13,000 pupils in the municipal and state school system.

Maintaining the volunteer project with non-profit educational foundation Junior Achievement, Energisa Minas Gerais organized courses for 170 students from Cataguases and Visconde do Rio Branco to help stimulate young entrepreneurship.

In the area of sport, Energisa Minas Gerais sponsored Projeto Magia V, which enabled a high-level team to participate, led by brothers Torben and Lars Grael, in the main national and international sailing events of the 2013 season.

Energisa Minas Gerais also sponsored several initiatives of municipal governments in the concession areas and other institutions that foster sport, literature and music, in addition to seminars and fares that promote social, economic and environmental development. For example, the Minas Gerais Furniture Fair (FEMUR), a renowned event in the national furniture sector, and the 1st Architecture, Tourism and Sustainability Congress in Cataguases.

Energisa Minas Gerais also handles the social and environmental impacts caused by its services and facilities through programs and practices that evidence its concern about and responsibility for the environment. These initiatives include procedures for the controlled disposal of sodium vapor lamps, mercury vapor lamps and fluorescent lamps at its own facilities and in the public lighting infrastructure. the development of internal and external educational and environmental awareness campaigns (3Rs – reduction in the consumption of water, appropriate use of electricity, etc.); and to retain suppliers that are proven to have good environmental conduct.

As part of its initiatives to achieve sustainable development, Energisa Minas Gerais participates in several consortia and committees addressing sustainable development and water resources in its concession area. The Company is a member of the State Council for Water Resources of Minas Gerais (CERHMG).

7- Services rendered by the independent auditor

The total remuneration of Deloitte Touche Tohmatsu Auditores Independentes for the services provided to Energisa Minas Gerais in 2012 was R$ 121,000, and consisted of: i) R$ 117,000 for reviewing the financial statements and. ii) R$ 4,000 for procedures previously agreed with ANEEL for the “Energy Efficiency” programs,

The Company's engagement policy complies with the principles that sustain the auditor’s independence, in accordance with existing standards, which mainly determine that the auditor should not audit its own work, perform managerial duties for its client or pursue its interests.

Management.

Balance Sheet

ENERGISA MINAS GERAIS DISTRIBUIDORA DE ENERGIA S/A ANNUAL SOCIAL BALANCE SHEET - 2012 (In thousands of reais)						
1 - Calculation Base	**2012 Amount**			**2011 Amount**		
Net revenue (RL)	435,561			424,681		
Operating income (RO)	100,782			52,122		
Gross payroll (FPB)	24,086			20,696		
2 - Internal Social Indicators	**Amount**	**% of FPB**	**% over RL**	**Amount**	**% of FPB**	**% over RL**
Meals	3,945	16.38%	0.91%	3,365	16.26%	0.79%
Compulsory social charges	5,278	21.91%	1.21%	4,665	22.54%	1.10%
Private pensions	315	1.31%	0.07%	228	1.10%	0.05%
Health insurance	1,280	5.31%	0.29%	969	4.68%	0.23%
Occupational health and safety	494	2.05%	0.11%	497	2.40%	0.12%
Education	53	0.22%	0.01%	62	0.30%	0.01%
Culture	0	0.00%	0.00%	0	0.00%	0.00%
Professional training and development	548	2.28%	0.13%	332	1.60%	0.08%
Crèches or crèche allowance	79	0.33%	0.02%	68	0.33%	0.02%
Profit sharing	2,031	8.43%	0.47%	1,754	8.48%	0.41%
Other	718	2.98%	0.16%	427	2.06%	0.10%
Total - Internal social indicators	14,741	61.20%	3.38%	12,367	59.76%	2.91%
3 - External Social Indicators	**Amount**	**% over RO**	**% over RL**	**Amount**	**% over RO**	**% over RL**
Education	358	0.36%	0.08%	211	0.40%	0.05%
Culture	1,150	1.14%	0.26%	1,066	2.05%	0.25%
Healthcare and sanitation	0	0.00%	0.00%	0	0.00%	0.00%
Sports	26	0.03%	0.01%	45	0.09%	0.01%
Combating hunger and food safety	0	0.00%	0.00%	0	0.00%	0.00%
Other	385	0.38%	0.09%	257	0.49%	0.06%
Total contributions to society	1,919	1.90%	0.44%	1,579	3.03%	0.37%
Taxes (not including social charges)	185,080	183.64%	42.49%	170,806	327.70%	40.22%
Total - External social indicators	186,999	185.55%	42.93%	172,385	330.73%	40.59%
4 - Environmental Indicators	**Amount**	**% over RO**	**% over RL**	**Amount**	**% over RO**	**% over RL**
Investments related to company production / operation	11,282	11.19%	2.59%	11,613	22.28%	2.73%
Investments in external programs and/or projects	0	0.00%	0.00%	0	0.00%	0.00%
Total environmental investment	11,282	11.19%	2.59%	11,613	22.28%	2.73%
As concerns establishment of annual targets to minimize waste, production/operation consumption in general and to use natural resources more efficiently, the company	( ) has no targets ( ) performs 51 to 75% ( ) performs 0 to 50% (X) performs 76 to 100%			( ) has no targets ( ) performs 51 to 75% ( ) performs 0 to 50% (X) performs 76 to 100%		
5 - Workforce Indicators	**2012**			**2011**		
Number of employees at period-end	577			528		
Number of admissions in the period	77			62		
Number of outsourced employees	90			80		
Number of trainees	20			10		
Number of employees over 45	109			105		
Number of women working at the company	87			69		
% management positions held by women	32.61%			30.43%		
Number of black people working at the company	73			70		
% management positions held by black people	0.00%			0.00%		
No of workers with handicaps or special needs	5			6		
6 - Material information regarding corporate citizenship	**2012**			**2013 Targets**		
Ratio between the lowest and highest earners at the company	29.85			29.85		
Total number of occupational accidents	10			9		
The social and environmental projects implemented by the company were defined by:	(X) directors	( ) directors and managers	( ) all employees	(X) directors	( ) directors and managers	( ) all employees
The occupational health and safety standards were defined by:	(X) directors and managers	( ) all employees	( ) all + Cipa	(X) directors and managers	( ) all employees	( ) all + Cipa
In respect of trade union freedom, the right to collective bargaining and internal representation of workers, the company:	( ) does not get involved	(x) follows the OIT rules	( ) promotes and follows OIT	( ) will not get involved	(x) will follow the OIT rules	( ) will promote and follow OIT
The private pension embraces:	( ) directors	( ) directors and managers	(x) all employees	( ) directors	( ) directors and managers	(x) all employees
Profit-sharing embraces:	( ) directors	( ) directors and managers	(x) all employees	( ) directors	( ) directors and managers	(x) all employees
When selecting suppliers the same ethical, social responsibility and environmental standards adopted by the company:	( ) are not considered	( ) are suggested	(x) are demanded	( ) will not be considered	( ) will be suggested	(X) will be demanded
In respect of employee participation in voluntary work programs, the company:	( ) does not get involved	( ) gives support	(X) offers organization and incentives	( ) will not get involved	( ) will give support	(X) will offer organization and incentives
Total number of consumer complaints and criticism:	to the company 3,674	to Procon 252	to the Courts 273	to the company 3,821	to Procon 252	to the Courts 273
% complaints and criticism handled or resolved:	at the company 96.27 %	at Procon 100%	at the Courts 65 %	at the company 96.27%	at Procon 100 %	at the Courts 70%
Added value to be distributed (in R$ thousand):	**In 2012: 350,955**			**In 2011: 313,243**		
Distribution of Added Value (DVA):	66% government 7% employees 19% shareholders 8% third parties 0% withheld			69% government 9% employees 10% shareholders 11% third parties 1% withheld		
7 - Further Information	**2012**			**2011**		
7) Social investments						
7.1. The "Light for All" Program						
7.1.1 - Government Investment	299			2,518		
7.1.2 - State Investment	133			1,121		
7.1.3 - Municipal Investment						
7.1.4 - Concessionaire Investment	76			643		
Total - Light for All program (7.1.1 to 7.1.4)	**508**			**4,282**		
7.2 - Energy efficiency program	2,240			2,770		
7.3 - Research and development program	3,258			1,499		
Total social investment (7.1 to 7.3)	**6,006**			**8,551**		

Financial Statements

1. Balance Sheet - Assets

ENERGISA MINAS GERAIS - DISTRIBUIDORA DE ENERGIA S/A
BALANCE SHEET
YEAR ENDED DECEMBER 31, 2012
(In thousands of reais)

	Note	2012	2011 (reclassified)	1/1/2011 (reclassified)
Assets				
Current				
Cash and cash equivalents	5	25,823	29,082	29,850
Money market and secured funds	5	72,423	49,439	23,417
Consumers and concessionaires	6	80,760	77,079	96,963
Credit receivables	7	1,952	1,957	3,057
Inventory		1,132	1,540	1,193
Recoverable taxes	11	11,338	10,379	13,689
Low income and other debtors	10	21,758	15,979	9,924
Total current		**215,186**	**185,455**	**178,093**
Noncurrent				
Noncurrent Assets				
Money market and secured funds	5	2,568	4,930	4,912
Consumers and concessionaires	6	8,207	8,207	8,207
Credit receivables	7	832	2,893	3,787
Recoverable taxes	11	8,686	12,171	8,331
Derivative Financial Instruments	29	16,738	3,243	-
Tax credits	13	20,501	43,814	51,008
Escrow and secured deposits	21	1,307	1,127	1,016
Accounts receivable from the concession	14	217,739	136,442	94,006
Other		-	2,568	4,427
		276,578	**215,395**	**175,694**
Investments		2,039	2,049	2,057
Intangible assets	15	40,519	52,092	55,002
Property, plant and equipment	15	4,265	-	-
Total noncurrent		**323,401**	**269,536**	**232,753**
Total Assets		**538,587**	**454,991**	**410,846**

See the accompanying notes to the financial statements.

2. Balance Sheet - Liabilities

ENERGISA MINAS GERAIS - DISTRIBUIDORA DE ENERGIA S/A
BALANCE SHEET
YEAR ENDED DECEMBER 31, 2012
(In thousands of reais)

	Note	2012	2011 (reclassified)	1/1/2011 (reclassified)
Liabilities				
Current				
Suppliers payable	16	38,881	32,262	33,842
Debt charges	17	2,726	2,588	2,201
Loans and financing	17	22,978	36,393	40,326
Debentures	18	98	319	313
Taxes and social contributions	19	29,978	29,508	28,960
Tax financing	20	1,407	1,315	1,195
Dividends	24.4	-	-	9,368
Consumer charges payable		3,684	3,659	3,504
Employee benefits - pension plan	30	372	218	276
Estimated obligations		2,190	1,798	1,745
Intrasector Obligations		11,553	12,176	9,723
Other accounts payable		7,779	9,413	6,662
Total current		**121,646**	**129,649**	**138,115**
Noncurrent				
Suppliers payable	16	723	667	578
Loans and financing	17	252,408	179,249	114,181
Debentures	18	46,636	59,691	59,660
Derivative financial instruments	29	-	1,431	-
Taxes and social contributions	19	5,464	990	1,053
Deferred income and social contribution taxes	13	-	2,562	745
Tax financing	20	1,877	3,069	3,983
Provision for labor, civil and tax risks	21	6,200	5,651	10,627
Employee benefits - pension plan	30	1,248	1,184	850
Other accounts payable		1,237	2,527	766
Total noncurrent		**315,793**	**257,021**	**192,443**
Shareholders' equity				
Capital	22.1	44,171	44,171	44,171
Capital reserves	22.1	7,921	7,921	7,921
Profit reserves	22.2	10,525	10,525	8,833
Additional dividends proposed	22.3	38,531	5,704	19,363
		101,148	**68,321**	**80,288**
Total liabilities		**538,587**	**454,991**	**410,846**

See the accompanying notes to the financial statements.

3. Statements of Income

ENERGISA MINAS GERAIS - DISTRIBUIDORA DE ENERGIA S/A
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2012
(In thousands of reais, except for net income per share)

	Note	2012	2011
Net operating revenue	23	435,561	424,681
Cost of services provided to third parties	24	(318,181)	(296,558)
Gross profit		**117,380**	**128,123**
Sales expenses	24	(13,343)	(14,637)
General and administrative expenses	24	(48,584)	(42,767)
Other revenue	25	5,985	4,292
Other expenses	25	(7,060)	(2,567)
Net income before financial revenue (expenses) and tax		**54,378**	**72,444**
Financial revenue	26	71,972	13,222
Financial expense	26	(25,568)	(31,819)
Net financial income (expenses)		**46,404**	**(18,597)**
Income before tax		**100,782**	**53,847**
Current income and social contribution taxes	13	(19,167)	(19,422)
Deferred income and social contribution taxes	13	(15,000)	1,059
Net income for the year		**66,615**	**35,484**
Basic and diluted net income per common and preferred share - R$	27	**147.80**	**78.73**

See the accompanying notes to the financial statements.

4. Comprehensive Statement of Income

ENERGISA MINAS GERAIS - DISTRIBUIDORA DE ENERGIA S/A
COMPREHENSIVE STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2012
(In thousands of reais)

	2012	2011
Net income for the year	66,615	35,484
Total comprehensive income for the year, net of tax	**66,615**	**35,484**

See the accompanying notes to the financial statements.

5. Statements of Cash Flows

ENERGISA MINAS GERAIS - DISTRIBUIDORA DE ENERGIA S/A
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012
(In thousands of reais)

	Note	2012	2011 (adjusted)
Operating activities			
Net income before tax		100,782	53,847
Expenses (revenue) not affecting cash:			
Expenses on interest and monetary and exchange variance - net		23,458	29,776
Financial restatement of accounts receivable from the concession - VNR	14	(57,224)	-
Allowance for doubtful accounts	24	757	549
Amortization and Depreciation	24	15,466	15,405
Loss on the sale of PP&E and intangible assets	25	1,075	372
Tax credits		-	7,194
Provision for contingencies	24	225	(5,438)
Derivative Financial Instruments	26	(4,622)	(3,242)
Mark-to-market of derivatives	26	(6,555)	1,431
Changes in current and noncurrent assets			
(Increase) decrease in consumers and concessionaires		(4,955)	20,269
(Increase) in secured funds		-	-
Decrease (increase) in credit receivables		2,682	(3,890)
Decrease (increase) in inventories		409	(347)
(Increase) decrease in recoverable taxes		2,527	(530)
(Increase) in escrow deposits		(180)	(111)
(Increase) decrease in prepaid expenses		(105)	66
(Increase) in other accounts receivable		(3,522)	(3,755)
Changes in current and noncurrent liabilities			
Increase (decrease) in trade payables		4,134	(1,491)
Decrease in taxes and social contributions		(119)	(11,883)
Income and social contribution taxes paid		(8,353)	(4,176)
(Decrease) increase in tax financing		-	(794)
Increase in estimated obligations		392	53
Increase in consumer charges payable		25	155
(Decrease) increase in private pension funds and others		(3,330)	7,239
Net cash produced by operating activities		**62,967**	**100,699**
Investment activities			
Capital increase and acquisition of shares in subsidiaries		10	-
Short-term investments and secured funds		(107,464)	(28,784)
Discharge of short-term investments		90,169	7,695
Additions to Intangible assets		(33,001)	(55,802)
Sale of PP&E and intangible assets	25	5,985	
Net cash consumed in investment activities		**(44,301)**	**(76,891)**
Financing activities			
New loans and financing		87,423	92,951
Payments of loans - principal		(49,867)	(36,567)
Payments of loans - interest		(20,846)	(24,141)
Settlement of derivative financial instruments		(3,749)	-
Payment of dividends		(33,787)	(56,819)
Payment of tax financing		(1,099)	-
Net cash consumed in financing activities		**(21,925)**	**(24,576)**
Net cash variation		**(3,259)**	**(768)**
Opening cash and cash equivalents		29,082	29,850
Closing cash and cash equivalents		25,823	29,082
Net cash variation		**(3,259)**	**(768)**

See the accompanying notes to the financial statements.

6. Statements of Added Value

ENERGISA MINAS GERAIS - DISTRIBUIDORA DE ENERGIA S/A
STATEMENT OF ADDED VALUE - DVA
YEAR ENDED DECEMBER 31, 2012
(In thousands of reais)

	Note	2012	2011
GENERATION OF ADDED VALUE			
REVENUE			
Revenue from energy sales and services		617,835	589,718
Other revenue	25	5,985	4,292
Revenue relating to construction of company assets	23	36,775	66,078
Allowance for doubtful accounts - (Creation)	24	(757)	(1,197)
(-) CONSUMABLES ACQUIRED FROM THIRD PARTIES			
Cost of electricity sold		258,370	229,641
Materials and outsourced services		57,088	111,742
Other operating costs		49,931	2,082
		365,389	**343,465**
GROSS ADDED VALUE		**294,449**	**315,426**
AMORTIZATION AND DEPRECIATION	24	15,466	15,405
NET ADDED VALUE		**278,983**	**300,021**
TRANSFERRED ADDED VALUE			
Financial revenue	26	71,972	13,222
ADDED VALUE FOR DISTRIBUTION		**350,955**	**313,243**
ADDED VALUE DISTRIBUTED:			
Personnel			
Direct compensation		18,623	21,570
Benefits		5,635	5,146
FGTS		1,169	1,130
Taxes, charges and contributions			
Federal taxes:		70,253	53,452
State taxes:		119,868	121,681
Municipal taxes:		237	338
Intrasector Obligations	23	42,084	40,323
Interest expenses			
Interest		25,568	33,186
Rent		903	933
Interest earnings			
Dividends and additional dividends proposed	22.3	66,615	33,792
Prior-year dividends			-
Adjustment for adoption of international standards			-
Retained earnings/loss for the year			1,692
		350,955	**313,243**

See the accompanying notes to the financial statements.

7. Statements of Changes in Shareholders' Equity

ENERGISA MINAS GERAIS DISTRIBUIDORA DE ENERGIA S/A
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2012
(In thousands of reais)

	Note	Capital	Capital Reserves	Profit Reserves		Additional dividends proposed	Retained earnings	Total
			Investment subsidies	Legal	Profit retention			
Balances at January 01, 2011		**44,171**	**7,921**	**8,833**	**-**	**19,363**	**-**	**80,288**
Payment of additional dividends		-	-	-	-	(19,363)	-	(19,363)
Net income for the year		-	-	-	-	-	35,484	35,484
Proposed allocation of net income for the year:								-
Dividends	22.3	-	-	-	-	-	(28,088)	(28,088)
Additional dividends proposed	22.3	-	-	-	-	5,704	(5,704)	-
Profit Retention		-	-	-	1,692	-	(1,692)	-
Balances at December 31, 2011		**44,171**	**7,921**	**8,833**	**1,692**	**5,704**	**-**	**68,321**
Payment of additional dividends		-	-	-	-	(5,704)	-	(5,704)
Net income for the year		-	-	-	-	-	66,615	66,615
Proposed allocation of net income for the year:								-
Dividends	22.3	-	-	-	-	-	(28,084)	(28,084)
Additional dividends proposed	22.3	-	-	-	-	38,531	(38,531)	-
Balances at December 31, 2012		**44,171**	**7,921**	**8,833**	**1,692**	**38,531**	**-**	**101,148**

See the accompanying notes to the financial statements.

Energisa Minas Gerais Distribuidora de Energia S.A.
Notes to the financial statements
Year ended December 31, 2012
(In thousands of reais, unless stated otherwise)

1 Operations

Energisa Minas Gerais – Distribuidora de Energia S/A ("Company or Energisa MG"), a part of **ENERGISA GROUP**, is an electricity distribution concessionaire which operates in 65 municipalities in the state of Minas Gerais and 1 municipality in the state of Rio de Janeiro, serving approximately 403,707 consumers (information not audited by the independent auditors). The Company's headquarters is in the city of Cataguases, Minas Gerais state.

In September 2012 the Federal Government issued Preliminary Law 579, enacted as Law 12783 on January 11, 2013.

This legislation states the following:

Concession renewal:
Electricity generation, transmission and distribution concessions expiring between 2015 and 2017 can be extended for the term of 30 years in order to ensure the continuity, efficiency of service and minimum price increases.

The Company's concession expires in 2015. In accordance with the legislation, on October 15, 2012 it stated its intention to have its concession extended for 30 years, from July 2015.

The extension terms will only be known when the concession authority discloses the draft amendment to the concession agreement.

Reduction/elimination of regulatory charges:
The following regulatory charges have been eliminated from electricity rates. RGR - Global Reversal Reserve; CCC – fuel consumption cost and the CDE – Energy Development Account has been reduced.

The eliminations and reductions in sector charges payable on electricity will not directly impact earnings, as the revenue drop will be offset by lower charges and taxes.

See below some of the concession operator's obligations stipulated in the concession arrangement:

I - to supply electricity to consumers located in their concession area, at the levels of quality and continuity established in specific legislation

II - to carry out the work necessary to provide the concession services, replace assets and operate the infrastructure so as to ensure the regular, continuous, efficient and safe provision of services and charging of rates, in accordance with the specific technical and legal standards

III – to organize and maintain a record and inventory of the concession assets and strive for the integrity thereof, where concession operator may not sell or submit as collateral such assets without the prior explicit consent of the regulatory agency

IV - to meet all tax, labor, social security and regulatory obligations, including the provision of information to consumers

V - to implement measures to combat energy waste, through energy consumption reduction programs and innovations

VI – to submit to the prior approval of the National Electricity Regulatory Agency (ANEEL) any changes in equity positions that could result in control changing hands. In the event share control is transferred, the new controlling shareholders should sign an agreement accepting the terms of the concession arrangement and the concession legislation and regulations;

VII - the concession may be discontinued by terminating the agreement, expropriation of the service, cessation, rescission, irregularities or bankruptcy of the concession operator, and may be extended by way of an application from the concession operator and at the sole discretion of the concession authority.

The information regarding rate reviews and adjustments, accounts receivable of the concession, concession assets, construction revenue and concession term can be seen in notes 9, 14, 15, 23 and 32 respectively.

2 Presentation of the financial statements

The financial statements have been prepared in accordance with the accounting practices adopted in Brazil, which embrace corporate legislation, the Pronouncements, Guidance and Interpretations issued by the Accounting Pronouncements Committee – CPC, approved by the standards and regulations of the Brazilian Securities Commission – CVM and specific legislation applying to the Public Energy concession operators established by the National Electricity Regulatory Agency – ANEEL.

Authorization for the issuance of these financial statements was given by the Board of Directors on March 05, 2013.

The financial statements have been prepared in accordance with CPCs and IFRS. There are no differences between these practices.

The financial statements are being presented in Brazilian reais, which is the Company's functional currency. The financial statements are presented in thousands of reais, except where specified otherwise.

The financial statements have been prepared based on historic cost, except for the following items:

- Derivative financial instruments measured at fair value, and
- Nonderivative financial instruments stated at fair value through profit or loss

Accounting estimates - Preparing the financial statements in accordance with the accounting practices adopted in Brazil requires management to use estimates to carry certain transactions affecting the assets and liabilities, revenues and expenses, and to disclose information concerning the figures in its financial statements. The final results of such transactions and information when actually realized in subsequent years may differ from these estimates. The main estimates related to the financial statements refer to recording the effects deriving from the purchase and sale of electricity at the Electricity Sale Chamber – CCEE, allowance for doubtful accounts, provision for labor, civil and tax risks, provision for supplementary retirement and pensions plan, tax assets and tax credits. Estimates and assumptions are continually reviewed. Reviews of accounting estimates are recognized in the year in which the estimates are reviewed and any future years affected.

Purchase and sale of electricity at the Electricity Trading Chamber - CCEE - the recording of electric power purchase and sale transactions through the CCEE are recognized on the accrual basis based on calculations prepared and disclosed by the entity or by Management estimate, when this information is not available in time.

Allowance for doubtful accounts - (i) trade accounts receivable, consumers and concession operators is created based on receivables from residential consumers more than 90 days overdue, commercial consumers more than 180 days overdue and industrial, rural, government, public lighting and public service sector consumers more than 360 days overdue; (ii) credits receivables composed at 100% of the debt after 3 contractual payments have fallen overdue.

Provision for labor, civil and tax claims - The Company made provisions, which involves management judgment, for labor, civil and tax claims when it is probable that an outflow of economic benefits will be required to settle the obligation, which has arisen as a result of past events and which can be reliably estimated.

The Company is also subject to several legal, civil and labor claims arising out of the normal course of business. The Company's judgment relies on the opinion of its legal advisers. Provisions are revised and adjusted to reflect changes in circumstances, such as the applicable statute of limitations, the completion of tax inspections or exposure identified as a result of new issues or court decisions.

Retirement and pension supplementation plan - The Company has a benefits plan for employees which includes retirement and pension supplementation plans, retirement premiums and health plans.

The actuarial commitments with respect to the pension and retirement supplementation plans are provisioned for according to actuarial calculations prepared by independent actuaries. Their calculations are based on the projected unit of credit method, net of the assets underlying the plan, when applicable. The corresponding costs are recognized during the employees' vesting period, in accordance with CVM Resolution 600 issued October 07, 2009 and the accounting rules established in CPC Technical Pronouncement 33 issued by the Accounting Pronouncements Committee. Any surpluses on employee benefit plans are not recorded.

The projected unit of credit method considers each term of employment to be an event that generates an additional unit of benefit, which are accrued to calculate the final obligation. Other actuary premises are also used, such as biometric and economic hypotheses and historical data on expenses incurred and on employees contributions.

The actuarial gains and losses generated by adjustments and alterations to the actuarial premises of the pension and retirement benefit plans and the actuarial commitments related to the health coverage plan are recognized in the income statement for the year.

Tax credits - the tax credits are recognized in relation to temporary differences between the book values of assets and liabilities for accounting purposes and the corresponding amounts used for tax purposes. If they are recognized to the extent it is probable that the taxable income in coming years will be able to be used to offset tax credits, based on projected future earnings relying on internal assumptions and future economic scenarios, which are therefore subject to change. The recorded amounts are periodically revised and any effects of realization or settlement are recorded in accordance with the legislation.

3 Adoption of international accounting standards

3.1 New accounting procedures issued by the IASB

The International Accounting Standards Board – IASB issued the following accounting pronouncements, the adoption of which is mandatory from January 01, 2013:

IFRS 1 - Exemptions from the requirement to restate comparative information for IFRS 9;

IFRS 7 - Disclosure – offsetting financial assets and liabilities;

IFRS 9 - Financial instruments - establishes the principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows. This standard is effective from January 01, 2015.

IFRS 13 - Fair value measurement (CPC 46);

IAS 1 – Clarification of the requirements for comparative information;

IAS 16 — Classification of servicing equipment;

IAS 19 – Employee Benefits - Modifying accounting for the recognition of changes in the defined benefit liabilities and plan assets, which require recognition of these changes as and when they arise and therefore eliminate the 'corridor approach' (CPC 33 R1);

IAS 27 - Separate financial statements (CPC 35 R2);

IAS 32 – Tax effects of the distribution to shareholders of equity instruments are effective from January 01, 2013 and Offsetting financial assets and liabilities is effective from January 01, 2014;

IAS 34 – interim financial statements and segment reporting for total assets and liabilities.

The Company is proceeding to analyze the impact of these new pronouncements on its financial statements.

3.2 Description of significant accounting policies

The accounting policies set out below have been applied consistently to all the years reported in these financial statements.

a. Cash and cash equivalents - includes balances of cash and short-term investments that can be redeemed within up to 90 days from acquisition at the contracted rates and are subject to an insignificant risk of impairment, which are used to manage short-term obligations

b. Financial instruments – All financial instruments (assets and liabilities) are recognized in the Company's balance sheets, and are measured at fair value when applicable and after the initial recognition according to classification. The Company's financial instruments have been classified into: (i) marketable securities – stated at fair value through profit or loss. This classification includes derivative transactions. (ii) held to maturity – valued at the effective interest rate and recorded in profit and loss and (iii) loans and receivables – measured at amortized cost, using the effective interest rate method and recorded in the income statement.

There are three classification levels of fair value for financial instruments, as shown below:
Level 1 - Inputs from an active market (quoted price not adjusted), which can be accessed on a daily basis, including at the fair value measurement date.

Level 2 - Inputs other than those from an active market (quoted price not adjusted), included in level 1, taken from a pricing model based on observable market inputs.

Level 3 - Inputs taken from a pricing model not based on observable market inputs.

The classification of financial instruments by determining its fair value is presented in note 29.

The main financial assets recognized by the Company are: cash and banks; money market; secured funds; clients, consumers, and concession operators; accounts receivable from the concession; credit receivables and derivative financial instruments.

The main financial liabilities recognized by the Company are: suppliers payable;' loans, debentures, debt charges and derivative financial instruments.

A financial asset is derecognized when the contractual rights to the asset's cash flows expire or when the Company transfers the rights to receive the contractual cash flows of a financial asset in a transaction where essentially all the risks and rewards of ownership of financial assets are transferred to the buyer. Financial liabilities are measured at amortized cost, using the effective interest rate method and recorded in net income.

c. Consumers and concessionaires - embrace the provision of billed and unbilled electricity (unbilled electricity is an estimate, recognized on the accrual basis of accounting), up to closure of the balance sheet

d. The allowance for doubtful accounts was made to an amount deemed sufficient to cover any losses incurred on the collection of loans in accordance with ANEEL criteria

e. Inventory - inventories are valued at the average acquisition cost not in excess of market value or acquisition cost

f. Accounts receivable from the concession - denotes the portion of the capital invested in the assets, not amortized during the concession period, to be indemnified at the end of the arrangement. In light of the uncertainty surrounding the indemnification value of these assets, until December 31, 2011 Company Management concluded that the best estimate to value the financial asset receivable at the end of the arrangement is the value of the assets in service recorded in the accounting records at historic cost.

Following the publication of Provisional Law 579/2012, enacted as Law 12783/2013, after the year had ended the company confirmed it would use the VNR – New Replacement Value published by the Concession Authority to pay for the indemnification of assets not amortized when the concession expires. For this reason the difference between the VNR and historic book cost was recorded as financial revenue on December 31, 2012. These assets are classified as available-for-sale, the effects of which are explained in detail in note 14.

g. Regulatory assets and liabilities - for the purpose of rates, costs not yet recognized in the rates and/or costs recognized in the rates at amounts in excess of the effective amounts are deferred and only recognized by ANEEL when included in the electricity rates. As international accounting standards (IFRS) and the CPCs do not provide for recording these assets and liabilities, they are recognized in the income statement of the year they are effectively occurred in.

h. Investments - recorded at acquisition cost less a provision for devaluation, when applicable.

i. Financial leases - the assets acquired under a financial commercial lease have been recognized as intangible assets, and are subject to amortization at the rates practiced by the Company, in accordance with the nature of each item. The respective payable balances of these contracts are recognized as financing in the current liabilities or noncurrent liabilities based on the present value of outstanding installments. The difference between the present value and the total value of the installments will be appropriated to the income statement as a financial expense.

j. Intangible assets - concession arrangement: the assets operated by the Company to provide electricity distribution services. The amortization is based on the consumption pattern of the benefits expected during the arrangement term.

k. The interest and financial charges are capitalized to works in progress at the average effective capitalization rate.

l. Decrease in recoverable value - the Company evaluates its intangible assets with defined useful lives if there are signs of impairment. Recoverable taxes and tax credits are tested for impairment annually, regardless of whether there are any signs.

A financial asset not measured at fair value through profit and loss is valued at each reporting date to test for impairment. An asset has incurred impairment if objective evidence indicates impairment has occurred after the initial recognition of the asset and this impairment has had a negative effect on the future projected cash flows that can be estimated reliably.

Objective evidence that the financial assets (including securities) have incurred impairment can include: (i) nonpayment or late payment by the debtor; (ii) restructuring of the amount owed to the Company on terms that it would not accept in other transactions of the same nature (iii) signs that the debtor or issuer is going to enter bankruptcy proceedings and (iv) the disappearance of an active market for a security. Furthermore, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment.

The Company takes into account evidence of impairment for receivables and securities kept to maturity, both individually and collectively. All receivables and securities kept to an individually significant maturity are specifically tested for impairment. All receivables and securities kept to an individually significant maturity found not to have incurred impairment are then tested collectively for any impairment that may have occurred, but not yet been identified. Receivables and securities kept to maturity that are not individually material are tested collectively for impairment by grouping securities posing similar risks.

When testing for impairment collectively the Company uses historic patterns of default probability, recovery terms and the size of losses incurred, adjusted to reflect management's judgment as to whether the current economic credit conditions mean that the actual losses will probably be greater or less than those suggested by historic patterns.

Impairment of a financial asset measured at amortized cost is calculated as the difference between the book value and the present value of future estimated cash flows, discounted at the asset's effective original interest rate. Losses are recognized in the income statement and recorded in a provision against receivables. Interest on the impaired asset is still recognized by reversing the discount. When a subsequent event indicates a reversal of the impairment, the decrease in the impairment is reversed and credited to the income statement.

Impairment of financial assets available for sale is recognized by reclassifying the cumulative loss that was recognized in other comprehensive income in the shareholders' equity to the net income. The cumulative loss that is reclassified from other comprehensive income to the net income is the difference between the acquisition cost, net of any reimbursement and principal amortization, and the current fair value, minus any impairment previously charged to the income statement. Changes in the provisions for impairment, attributable to the effective interest rate, are presented as a constituent of financial revenue.

At the end of each year the Group reviews the book value of its tangible and intangible assets to check for signs of impairment. If there are signs of impairment, the asset's recoverable value is estimated in order to measure the impairment. When an asset's recoverable value cannot be estimated individually, the Group calculates the recoverable value of the cash generating unit the asset belongs to. When a reasonable and consistent allocation basis can be identified, the corporate assets are also allocated to the individual cash generating units or the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Company management did not identify any evidence of impairment other than the provisions already made as of December 31, 2012.

m. Loans, financing and debentures - stated net of transaction costs incurred, and subsequently stated at the amortized cost using the effective interest rate method.

n. Derivatives - The derivatives are initially recognized at fair value; attributable transaction costs are expensed as and when they are incurred. After their initial recognition, the derivatives are appraised at fair value and any changes are recorded in the income statement. Details can be seen in note 29.

o. Income and social contribution taxes - These expenses consist of current and deferred income tax. The deferred tax is recorded in the income statement unless it is related to items recorded in comprehensive income in the shareholders' equity. The Company opted to use the Transitional Taxation Scheme (RTT) to calculate its income and social contribution taxes from FY 2008. The deferred tax is recognized in relation to temporary differences between the values of assets and liabilities for accounting purposes and the corresponding amounts used for tax purposes.

Although current tax assets and liabilities are recognized and measured separately, the offsetting thereof in the balance sheet is subject to similar criteria to those established the financial instruments. The entity is normally legally entitled to offset the current tax asset against a current tax liability when they are related to income taxes charged by the same tax authority and the tax legislation permits the entity to make or receive a single net payment.

Deferred income and social contribution tax assets are reviewed at each closing date and are reduced to the extent that realization is no longer probable.

p. Provisions - a provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recorded considering the best estimates of the risk involved. Liabilities related to court cases are provisioned for to amounts deemed adequate by the legal advisors and directors to cover unfavorable outcomes

q. Restatement - certain receivables have been restated based on specific interest rates, which reflect the nature of these assets in terms of term, risk, currency and receipt terms at the dates of the respective transactions

r. Dividends - Dividends declared in excess of the minimum mandatory dividend after the accounting period reported on by the financial statements are recorded separately in the shareholders' equity, as they do not constitute a present obligation, and the respective liability is not recorded until it has been approved

s. Income statement - revenue and expenses are recognized in the income statement for the year on the accrual basis of accounting. Revenue is not recognized if there are significant uncertainties as to its realization. The Company records revenue and cost during the construction of the assets used to provide the electricity distribution service. The Company outsources its works and Management accordingly believes that this activity generates a very small margin and does not justify additional expenditure to measure and control it; it accordingly attributes a margin of zero to this activity.

t. Employee benefits - defined benefit - The net obligation of the Company under defined-benefit pension plans is calculated by estimating the future benefit the employees are entitled to in return for their work in the current period and previous periods, discounted to present value. Any unrecognized past service costs and the fair values of any of the plan's assets are deducted. The discount rate is the yield at the reporting date for first-rate securities which mature on dates near the obligations of the Company denominated in the same currency in which the benefits are expected to be paid. The calculation is made annually by a qualified actuary using the projected units credit method. When the calculation produces a benefit, the asset to be recognized is limited to the total of any past service costs not recognized and the present value of economic benefits available in the form of future reimbursements under the plan or decrease to the plan's future contributions. To calculate the present value of the economic benefits, any minimum costing requirements applying to any plan are taken into account. An economic benefit is available if it can be realized within the plan's life or upon settlement of the plan's liabilities.

u. Other (current and non-current) assets and liabilities - other assets and liabilities are stated at known or calculable values, plus the corresponding earnings/charges incurred up to the reporting date, when applicable.

3.3 Adjustment and Reclassification:

To facilitate a comparison of the classification adopted in the financial year ended December 31, 2012, the balances as of December 31, 2011 and 1/1/2011 were reclassified in relation to those originally published for:

Statement of cash flows for the previous year

In the year the Company revised the presentation of cash flow statements and reallocated short-term investment and secured fund investments, previously presented under investment activities, to financing activities. Consequently, the cash flow statements for the financial year ended December 2011 and 1/1/2011 are being amended to facilitate a comparison.

Statements of Cash Flow

	2011 Published	2011 Reclassified	1/1/2011 Published	1/1/2011 Reclassified
Changes in current and noncurrent assets				
(Increase) in short-term investments and secured funds	(28,784)	-	(26,470)	-
Total changes in current and noncurrent assets	(17,092)	11,692	(44,864)	(18,394)
Net cash produced by operating activities	**71,915**	**100,699**	**61,275**	**87,745**
Investment activities				
Short-term investments and secured funds	-	(28,784)	-	(26,470)
Net cash produced by (used in) investment activities	**(48,107)**	**(76,891)**	**(10,790)**	**(37,260)**
Net Cash Variation	**(768)**	**(768)**	**(37,015)**	**(37,015)**
Opening cash and cash equivalents	29,850	29,850	66,865	66,865
Closing cash and cash equivalents	29,082	29,082	29,850	29,850
Net cash variation	**(768)**	**(768)**	**(37,015)**	**(37,015)**

4 Segment reporting

An operational segment is a component that develops business activities from which revenue streams can be derived and expenses incurred, including revenue and expenses related to transactions with other Company components. All operational income from segments is reviewed frequently by Management to support decisions about new resources to be allocated to the segment and to evaluate its performance, for which individual financial information is made available.

Segment results reported to Management include items directly attributable to the segment and items that can be reasonably allocated. Items not allocated primarily consist of corporate assets.

The Company only operates in the energy distribution segment in 65 municipalities in Minas Gerais state and 1 in Rio de Janeiro state, and its income statement denotes this activity.

5 Cash and cash equivalents, money market and secured funds

a) Cash and cash equivalents

a.1 Short-term investments appraised at fair value through profit and loss						
Financial institution	**Type**	**Maturity (*)**	**Compensation**	**2012**	**2011**	**1/1/2011**
CEF	CDB	12/29/2014	100,5% of CDI	13,832	7,468	-
Mercantil	CDB	12/18/2014	105,0% of CDI	1,465	1,226	-
Mercantil FID	CDB	11/21/2022	105,0% of CDI	775	952	990
Santander	Debentures (**)	9/12/2014 to 12/18/2014	103.2% to 104.0% of CDI	7,022	-	-
BB Amplo	Investment Fund	-	Benchmark CDI	-	10,004	-
CEF	Investment Fund	-	Benchmark CDI	-	946	2,620
Itaú	Investment Fund	-	Benchmark CDI	-	28	159
Fundo JGP Max FIC FIM	Investment Fund	-	Benchmark CDI	-	-	1,046
Fundo Paineiras Hedge FI	Investment Fund	-	Benchmark CDI	-	-	1,045
Fundo Plural	Investment Fund	-	Benchmark CDI	-	-	17,585
HSBC	Investment Fund	-	Benchmark CDI	-	-	77
Sul América	Investment Fund	-	Benchmark CDI	-	5,002	-
Total				**23,094**	**25,626**	**23,522**
Cash and bank deposits				**2,729**	**3,456**	6,328
Total cash and cash equivalents				**25,823**	**29,082**	**29,850**

b) Money market and secured funds

Financial institution	Type	Maturity	Compensation	2012	2011	1/1/2011
b.1 Short-term investments appraised at fair value through profit and loss						
ABC Brasil	CDB	1/10/2013 to 12/23/2013	106.0% to 107.5% of CDI	15,141	-	-
BES	CDB	10/10/2013	100,0% of CDI	30	28	34
BMG	CDB	12/16/2013	112,0% of CDI	315	1,480	254
Bradesco	CDB	12/30/2013 to 5/22/2014	99.0% to 100.0% of CDI	831	39	-
Bradesco	Debentures (**)	3/25/2013 to 5/13/2013	99,5% of CDI	13,952	15,729	17,092
Bradesco	Investment Fund	-	Benchmark CDI	1,150	-	-
Bradesco	Savings	-	Savings	-	521	503
BTG Pactual	CDB	4/11/2011	106,1% of CDI	-	-	5,386
CEF	Savings	-	Savings	16	1,243	16
Daycoval	CDB	2/26/2013	107,0% of CDI	14,345	-	-
BTG Pactual	Investment Fund	-	Benchmark CDI	7,064	-	-
CEF	Investment Fund	-	Benchmark CDI	77	-	-
HSBC	Investment Fund	-	Benchmark CDI	890	-	-
Santander	Investment Fund	-	Benchmark CDI	10,027	-	-
Sul América	Investment Fund	-	Benchmark CDI	6,019	-	-
BICBanco	Credit receivables investment funds	-	112,0% of CDI	2,323	-	-
Itaú	CDB	12/3/2013	101,8% of CDI	16	15	123
Itaú	Debentures	4/4/2013 to 7/25/2013	100.0% to 103.5% of CDI	171	157	21
Itaú	Investment Fund	-	Benchmark CDI	56	55	52
Pine	CDB	7/2/2012	111,0% of CDI	-	10,005	-
Votorantim	Debentures (**)	6/27/2012	106,0% of CDI	-	20,009	-
				72,423	**49,281**	**23,481**
b.2 Available-for-sale financial securities						
Bradesco	Investment Fund	-	Benchmark CDI	-	679	429
				-	**679**	**429**
b.3 Held-to-maturity securities						
Itaú	Credit Receivables Investment Funds	1/25/2013 to 12/29/2020	100,0% of CDI	2,568	4,409	4,419
				2,568	**4,409**	**4,419**
Total money market and secured funds				**74,991**	**54,369**	**28,329**
Current				72,423	49,439	23,417
Noncurrent				2,568	4,930	4,912

(*)The dates presented denote the maturity of the security underlying the financial investments. These investments can be redeemed within 90 days of the procurement date at the contracted rates, under a contractual clause.

(**) Debentures held under repurchase agreements - Sales of securities subject to a repurchase agreement undertaken by the seller, alongside the resale commitment undertaken by the buyer. These operations have immediately liquidity, yield the CDI rate and underlie the debentures issued by the bank.

6 Consumers and concessionaires

Consumer sector	Overdue (1)	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	over 360 days	2012	2011	1/1/2011
Residential	13,203	5,528	758	239	26	-	19,754	18,067	17,570
Industrial	12,264	1,148	631	22	42	899	15,006	14,066	20,036
Commercial	7,467	1,542	194	99	153	57	9,512	8,330	8,276
Rural	2,613	1,014	248	86	-	9	3,970	3,709	3,645
Government:									
Federal	29	4	2	-	-	-	35	31	29
State	314	38	23	-	-	-	375	326	309
Municipal	1,146	141	83	1	-	-	1,371	1,193	1,126
Public lighting	890	122	21	-	-	-	1,033	926	488
Public utility	1,431	36	21	20	-	-	1,508	1,170	1,142
Subtotal - consumers	39,357	9,573	1,981	467	221	965	**52,564**	**47,818**	**52,621**
Concession operators **(2)**	568	-	-	-	-	9,282	9,850	9,277	9,347
Unbilled sales	14,378	-	-	-	-	-	14,378	15,000	12,480
Other	13,650	-	-	-	-	1,889	15,539	15,282	33,197
(-) Allowance for doubtful accounts				(239)	(179)	(2,946)	(3,364)	(2,091)	(2,475)
Total	**67,953**	**9,573**	**1,981**	**228**	**42**	**9,190**	**88,967**	**85,286**	**105,170**
Current							**80,760**	**77,079**	**96,963**
Noncurrent							**8,207**	**8,207**	**8,207**

(1) Maturities are scheduled for the 5th working day after the bills are delivered, except for government consumers who have 10 working days to pay.

(2) Includes energy sold at the Electricity Commercialization Chamber - CCEE.

The balance of the consumers and concessionaires account as of December 31, 2012 consists of amounts referring to the sale of energy at the Electricity Commercialization Chamber – CCEE to the amount of R$ 9,570 (R$ 9,277 in 2011 and R$ 9,347 as of 1/1/2011), net of the partial payments made up to December 31, 2012. These balances were determined based on calculations prepared and published by the CCEE.

The breakdown of these amounts, including the balances recorded under “suppliers payable” in the current liabilities of R$ 46 in 2011 and R$ 848 as of 1/1/2011 referring to the acquisition of electricity and system service charges of R$ 3,640 (R$ 1,280 in 2011 and R$ 1,601 as of 1/1/2011), are shown below:

Breakdown of CCEE credits	**2012**	**2011**	**1/1/2011**
Outstanding balances	288	193	-
Credits linked to court injunctions up to December 2002	6,873	6,873	6,873
Overdue credits (*)	2,409	2,211	2,474
	9,570	9,277	9,347
(-) Energy acquisitions at CCEE	-	(46)	(848)
(-) System service charges	(3,640)	(1,280)	(1,601)
	5,930	**7,951**	**6,898**

(*) The Company has an allowance for doubtful accounts of R$ 1,350.

Transactions occurring as from July 2003 are being settled 45 days after the accrual month.

Current energy amounts linked to court injunctions are subject to change, depending on the outcome of the judicial proceedings in progress, brought by various companies in the sector relating to the interpretation of existing market rules. Not included in the rationing area, these companies obtained a court injunction which overturned ANEEL Resolution 288 issued May 16, 2002 which aimed to clarify companies operating in the sector about the treatment and means of applying certain MAE (now the CCEE) accounting rules set out in the General Electric Sector Agreement. These companies' claim involves the sale of Itaipu's quota in the southeast/Central Western sub market during the period of rationing between 2001 and 2002, when there was significant discrepancy in short-term energy prices between the submarkets.

The Company did not make an allowance for doubtful accounts referring to the balances linked to these injunctions, as it holds that the amounts will be received in full either from the borrowers legally contesting the loans or from other companies which the CCEE specifies in the future.

7 Credit receivables

Refers to overdue electricity bills, renegotiated with consumers through the Debt Acknowledgment Instruments, restated according to the variation of the IGPM price index. The receivables under certain operations that have been negotiated at rates other than those practiced for this set of accounts receivable have been restated to present value based on the change in the CPI rate.

As of December 31, 2012 the balances were the following:

	2012	2011	1/1/2011
Credit receivables	6,092	8,438	9,350
Adjustment to present value	(780)	(445)	(296)
Allowance for doubtful accounts (*)	(2,528)	(3,143)	(2,210)
	2,784	**4,850**	**6,844**
Current	1,952	1,957	3,057
Noncurrent	832	2,893	3,787

(*) Included in the total presented as a reduction to the current assets.

As of December 31, 2012, the maturities of receivables are scheduled as follows:

Overdue	2,528
2013	1,951
2014	102
2015	103
2016	107
2017	92
2018 onwards	429
Total	**5,312**

8 Allowance for doubtful accounts

Changes in provisions	2012	2011
Balance - opening - 2011 and 1/1/2011	5,234	4,685
Provisions recorded in the year	2,311	814
Reversal of provisions in the year	(1,653)	(265)
Balance - closing - current	**5,892**	**5,234**
Consumers and concessionaires and CCEE	3,364	2,091
Credit receivables	2,528	3,143

The allowance for doubtful accounts was made to an amount deemed sufficient to cover any losses incurred on the realization of loans and in accordance with ANEEL instructions, which have been summarized below:

Customers with material debts:

- Individual analysis of the trade accounts receivable by consumption sector, with little prospect of realization.

For the other cases:

- Residential consumers more than 90 days overdue
- Commercial consumers more than 180 days overdue
- Industrial, rural and government consumers, street lighting, public services and others more than 360 days overdue.
- A provision is made for outstanding and overdue receivables more than 90 days overdue.

9 Rate adjustment and review

As consideration for services rendered the concession operator is entitled to charge consumers the rates determined and ratified by the concession authority. The rates are adjusted annually and the concession operator's revenue is divided into two portions: A Portion (consisting of uncontrollable costs) and B Portion (efficient operating costs and capital costs). The annual rate adjustment aims to pass through uncontrollable costs and to monetarily restate controllable costs.

Rate review:

The periodical rate review occurs every 4 years, and in this process ANEEL recalculates the rates according to the changes in the structure of the concession operator's costs and sales, in order to foster the efficiency and affordability of the rates. The adjustments and reviews are rate restatement mechanisms, both stipulated in the concession agreement. The concession operator may also request an extraordinary review whenever an event causes a significant economic and financial imbalance in the concession.

By way of Resolution 1292 issued June 05, 2012 ANEEL ratified the result of the third periodical rate review of EMG with an adjustment that generated an increase of 1.20% respectively, effective from June 18, 2012.

10 Low income and other receivables

	2012	2011	1/1/2011
Low income	5,976	2,384	3,260
Service orders in progress - PEE and R&D	10,071	8,085	4,487
Service orders in progress - other	363	121	179
Expenses to be reimbursed	2,052	1,877	-
Advances	800	501	422
Other	2,496	3,011	1,576
	21,758	**15,979**	**9,924**

Changes in low income follow:

	2012	2011
Balance - opening current - 2011 and 1/1/2011	2,384	3,260
Low-income Subsidy	20,287	14,571
Eletrobrás Reimbursement	(18,769)	(15,447)
Accounts receivable Eletrobrás	2,074	-
Balance - closing - current	**5,976**	**2,384**

These credits consist of the subsidy for the low-income residential sector with monthly consumption of under 220 kWh, subject to certain requirements being met. This revenue is paid for with funds from the RGR – Global Reversal Reserve and the CDE – Energy Development Account, both administrated by Eletrobrás. Management does not expect to record any losses in the realization of the balance.

11 Recoverable taxes

	2012	2011	1/1/2011
Value added tax on sales and services – ICMS	9,606	11,623	9,026
Income Tax Withheld at Source - IRRF	544	251	28
Corporate Income Tax - IRPJ	169	20	43
Social Contribution on Net Income – CSSL	31	25	26
PIS and COFINS contribution	9,186	10,185	12,454
Other	488	446	443
	20,024	**22,550**	**22,020**
Current	11,338	10,379	13,689
Noncurrent	8,686	12,171	8,331

12 Related-party transactions

The Company is controlled by ENERGISA S/A, (100% of the voting stock), which also holds the share control of Energisa Paraíba – Distribuidora de Energia S/A (EPB), Energisa Sergipe - Distribuidora de Energia S/A (ESE), Energisa Borborema - Distribuidora de Energia S/A (EBO), Energisa Nova Friburgo – Distribuidora de Energia S/A (ENF), Energisa Soluções S/A (ESO), Energisa Comercializadora Ltda (ECOM), Energisa Serviços Aéreos S/A (ESER), Energisa Planejamento e Corretagem de Seguros Ltda (EPLA), Energisa Geração Rio Grande S/A (EGR), Pequena Central Hidrelétrica Zé Tunin S/A, Energisa Geração Usina Mauricio, SPE Cristina Energia S/A, Energisa Geração Centrais Eólicas RN S/A (Holding company that holds the share control of the companies Energisa Geração Central Eólica Renascenças I, II, III, IV e Energisa Geração Central Eólica Ventos de São Miguel S/A), Energisa Bioeletricidade (Holding company that holds an 85% interest in the companies Tonon Bioeletricidade, Energisa Bioeletricidade Vista Alegre I and the entire capital of the companies Companhia Tonon Bioelétrica and Energisa Bioeletricidade Vista Alegre II)(related parties of the Company).

Transactions conducted in the year:

	ENF (a)	ESO (a)	ESA (b)	ESER (a)	2012	2011	1/1/2011
Provision of services	-	(21,694)	(9,916)	(152)	(31,762)	(29,652)	(27,413)
Connection cost and usage	(1,321)	-	-	-	(1,321)	(1,177)	(1,535)
					2012	**2011**	**1/1/2011**
Balance of trade payables	**94**	**1,498**	**762**	**24**	**2,378**	**2,392**	**2,193**

(a) The transactions with related companies refer to services involving the maintenance of lines, substations, engineering and projects.

(b) The administrative services provided by the parent company are supported by contracts that were submitted to the approval of ANEEL. The costs are benchmarked to the benchmark company model used by the ANEEL regulated department for regulatory purposes.

D&O compensation

In the year ended December 31, 2012 the members of the Board of Directors received compensation of R$ 634 (R$ 604 in 2011) and the Executive Board R$ 1,137 (R$ 1,055 in 2011). In addition to this compensation, the Company provides private pension, health insurance and life insurance benefits to its directors, generating an expense of R$ 359 (R$ 302 in 2011). The social charges on the compensation amounted to R$ 269 (R$ 253 in 2011).

In the year ended December 31, 2012 the highest and lowest remuneration attributed to directors for the month of December was R$ 15 and R$ 2 (R$ 14 and R$ 2 in 2011) respectively. The average remuneration in FY 2012 was R$ 8 (R$ 6 in 2011).

The AGM held in April 2012 ratified the overall annual compensation limit of the directors and officers for FY 2012 at R$ 2,827.

13 Tax credits, deferred taxes and current income tax and social contribution expenses

Refers to tax credits deriving from tax loss carryforwards, negative social contribution bases and temporary differences recorded in accordance with CPC 32 and presented in accordance with CPC 26.

Deferred taxes recognized in the balance sheet:

	2012	2011	1/1/2011
Assets			
Tax loss carryforwards	23,391	26,467	29,556
Negative basis of social contribution	9,320	10,410	11,505
Temporary differences (1):			
Income tax	(8,978)	5,101	7,314
Social contribution	(3,232)	1,836	2,633
Total noncurrent	**20,501**	**43,814**	**51,008**
Liabilities			
Income tax	-	1,884	548
Social contribution	-	678	197
Total noncurrent	**-**	**2,562**	**745**

Temporary differences are as follows:

	Calculation basis	Temporary IR and CS
Swap earnings	1,455	495
Provisions made	19,442	6,610
Financial restatement of accounts receivable from the concession - VNR	(57,224)	(19,456)
Other	414	141
Total	**(35,913)**	**(12,210)**

See below the consolidated estimate for the realization of the deferred taxes. The projected results used in the recoverability study of these assets were approved by the Boards of Directors.

Period	Tax credit realizations
2013	6,647
2014	5,547
2015	5,520
2016	873
2017	961
2018 onwards	953
Total current	**20,501**

On October 15, 2012 the Company expressed its intention to extend its concession for the term of 30 years from July 2015.

The income and social contribution amounts which affected the income for the year, in addition to the offsetting of the tax credits recorded, are stated below:

	2012	2011
Income before tax	100,782	53,847
Combined tax bracket	34%	34%
Income and social contribution tax expense calculated at the total tax bracket	(34,266)	(18,308)
Adjustments:		
Other	99	(55)
Income tax and social contribution expense	**(34,167)**	**(18,363)**
Effective rate	**33.90%**	**34.10%**

14 Accounts receivable from the Concession

Preliminary Law 579/2012, enacted as Law 12783/2013, confirmed the concession authority's intention to use the VNR – New replacement value to determine the value of credits receivable at the end of the concession as compensation for investments made and not recovered when providing the concession services.

Company Management believes that this fact changed the contractual terms of the concession regarding the means of compensating the Company for investments made in concession assets, which was recognized at historic cost until FY 2011. On December 31, 2012 the Company began recognizing the VNR – New replacement value, ratified by ANEEL, for assets comprising the concession, restated by the variance of the IGP-M price index, recognizing R$ 57,224 in the net income for the year in financial revenue restatement of concession accounts receivable - VNR.

This right is classified as available-for-sale in the noncurrent assets. As of December 31, 2012 this balance stands at:

Change	
Financial asset - historic cost - 1/1/2011	94,006
Additions in the year	42,436
Financial asset - historic cost - 2011	**136,442**
Additions in the year (*)	24,199
Write-offs in the year	(126)
Financial asset - historic cost - 2012	**160,515**
Restatement of accounts receivable from the concession - VNR	57,224
Financial asset - restated cost - 2012	**217,739**

(*) Includes R$ 1,254 referring to the application of Normative Resolution 474 which established the new useful economic life for concession assets, converted into annual depreciation rates, retrospectively applicable from January 01, 2012.

15 Intangible assets and PPE

Concession agreements

Portion of the assets used in the electricity distribution concession to be recovered through electricity rates during the arrangement term.

INTANGIBLE ASSETS	Opening Balance 2011	Addition	Transfers	Write-offs (*)	Amortization	Closing Balance 2012
Intangible assets in service						
Cost:	325,294		(3,519)	(9,011)	-	312,764
Accumulated Amortization	(231,046)		2,266	3,147	(20,885)	(246,518)
Subtotal	94,248	-	(1,253)	(5,864)	(20,885)	66,246
In Progress	9,439	39,967	(7,167)	(24,795)	-	17,444
Total	103,687	39,967	(8,420)	(30,659)	(20,885)	83,690
Special Obligations						
In Service						
Cost	44,680	-	322	(3,898)	-	41,104
Accumulated Amortization	(20,742)	-	-	-	(5,764)	(26,506)
Subtotal	23,938	-	322	(3,898)	(5,764)	14,598
In Progress	27,657	3,630	(322)	(2,392)	-	28,573
Total special obligations	51,595	3,630	-	(6,290)	(5,764)	43,171
Total Intangible Assets	52,092	36,337	(8,420)	(24,369)	(15,121)	40,519
PROPERTY, PLANT AND EQUIPMENT						
PP&E in service						
Cost:						
Software			-	-		-
Buildings and improvements		-	209	-		209
Machinery and equipment		-	7,022	(4,983)		2,039
Vehicles		-	980	-		980
Furniture and fixtures		-	2,475	-		2,475
Accumulated Depreciation		-	(2,266)	1,173	(345)	(1,438)
Total PP&E in service		-	8,420	(3,810)	(345)	4,265
Total	**52,092**	**36,337**	**-**	**(28,179)**	**(15,466)**	**44,784**

(*) Includes R$ 24,199 transfer to concession accounts receivable (see note 14) and R$ 4,265 transferred to property, plant and equipment.

	Opening Balance 1/1/2011	Addition	Transfers	Write-offs	Amortization	Closing Balance 2011
Intangible assets in service						
Cost	312,066	-	17,808	(4,580)		325,294
Accumulated amortization	(212,497)	-	-	4,208	(22,757)	(231,046)
Subtotal	99,569	-	17,808	(372)	(22,757)	94,248
In progress (*)	14,017	64,288	(17,808)	(51,058)	-	9,439
Total	**113,586**	**64,288**	**-**	**(51,430)**	**(22,757)**	**103,687**
Special Obligations						
In Service						
Cost	41,278	-	2,030	1,372	-	44,680
Accumulated amortization	(13,390)	-	-	-	(7,352)	(20,742)
Subtotal	27,888	-	2,030	1,372	(7,352)	23,938
In Progress (*)	30,696	8,486	(2,030)	(9,495)	-	27,657
Total	58,584	8,486	-	(8,123)	(7,352)	51,595
Grand Total	55,002	55,802	-	(43,307)	(15,405)	52,092

The Company uses the following depreciation rates:

Depreciation rates of property, plant and equipment	Fees
Reservoirs, dams and power tunnels	2.94%
Buildings and improvements	2%
Machinery and equipment	2.91%
Vehicles	20%
Furniture and fixtures	10%

The assets used by the Company in its operations are tied to public energy distribution services, and may not be removed, sold, transferred or pledged under mortgage guarantee without the prior, express consent of the Regulatory Authority. ANEEL Resolution 20/99 regulates the disassociation of assets from the Public Electricity Service concessions, granting prior authorization for the disassociation of assets when destined for disposal, also determining the proceeds of the sale be deposited in a specific bank account and reinvested in concession-related assets.

The amortization is being conducted over the arrangement term based on the economic benefits generated annually. The average weighted amortization rate used is 3.75% (4.69% in 2011) .

The Company began amortizing the obligations linked to the concession (special obligations) after the second periodical rate review, at the average asset amortization rate.

The balance of intangible assets and accounts receivable from the concession consists of:

Obligations linked to the concession:	**2012**	**2011**	**1/1/2011**
Consumer contributions	109,878	106,565	98,211
Government Subsidy – CDE funds	47,816	47,767	47,736
State Government Subsidy	16,558	16,291	16,213
Reversal reserve	1,409	1,409	1,409
(-) Accumulated amortization	(26,507)	(20,743)	(13,390)
Total	**149,154**	**151,289**	**150,179**
Allocation:			
Accounts receivable from the concession	105,983	99,694	91,595
Infrastructure - Intangible assets in service	14,598	23,938	27,888
Infrastructure - Intangible assets in progress	28,573	27,657	30,696
Total	**149,154**	**151,289**	**150,179**

- Consumer contributions refer to third-party participation in construction work to supply electricity to areas not embraced by the electricity concessionaires' expansion projects.

- Government subsidies – CDE funds and Government subsidies derive from the Energy Development Account - CDE and are allocated to the Light for All program.

- The reversal reserve, constituted up until December 31, 1971, represents the amount of proceeds deriving from the reversal fund, which have been invested in the Company's expansion project, charged interest of 5 % per annum paid monthly.

Excess Demand Revenue and Surplus Reactive Energy

By way of REN 463 issued November 22, 2011, ANEEL determined that the amounts deriving from fines for exceeding demand and surplus reactive energy consumption will be recorded as special obligations, as from the rate reviews for the 3rd cycle of rate reviews. Before the 3rd cycle, these amounts used to be recorded as operating revenue. The Company underwent the 3rd rate review cycle in June 2012, and thereafter the invoicing of excess demand has been recorded as Special obligations. As of December 31, 2012 the amount recorded in this item stood at R$ 1,338.

As the representative of electricity distribution companies, ABRADEE (Brazilian Association of Electricity Distributors) filed suit contesting the treatment afforded to this revenue.

During the year ended December 31, 2012 the Company transferred financial charges to the intangible assets in progress, as shown below:

	2012	**2011**
Debt charges - interest	20,992	24,723
(-) Transfer to intangible assets in progress (*)	(792)	(1,367)
Net effect on income	**20,200**	**23,356**

(*) Pursuant to CPC 20, the Company used the average weighted rate to appropriate the costs of loans for assets not directly related and the effective rate for the specific assets.

16 Suppliers payable

	2012	2011	1/1/2011
Supplies (1):			
Furnas	136	136	136
Bilateral Contracts	22,371	21,068	20,170
CCEE	-	46	848
Use of the distribution/transmission system (1)	8,901	6,194	6,132
Materials, services and other (2)	8,196	5,485	7,134
Total	**39,604**	**32,929**	**34,420**
Current	38,881	32,262	33,842
Noncurrent	723	667	578

(1) The acquisition of electricity from generators, use of the high-voltage grid and use of the distribution system, with an average settlement of 25 days.

(2) Acquisitions of materials, services and other items required to implement, conserve and maintain the electricity sale and distribution services, with an average settlement of 40 days.

17 Loans, financing and debt charges

Operations	Debt charges	Principal		Total			
		Current	Noncurrent	2012	2011	1/1/2011	Re.
Local currency							
Credit Receivables Investment Fund - Energisa Group II (*)	-	-	-	-	16,778	33,136	
Credit Receivables Investment Fund - Energisa Group III (*)	76	-	15,000	15,076	15,131	15,135	
Eletrobrás - Light for All – 1st tranche	64	1,511	4,066	5,641	6,776	7,911	
Eletrobrás - Light for All – 1st tranche (RJ)	2	13	37	52	62	71	
Eletrobrás - Light for All – 2nd tranche	301	2,733	17,960	20,994	23,990	27,030	
Eletrobrás- Subtransmission	-	234	1,169	1,403	269	-	
Banco HSBC – BNDES pass-through	-	-	-	-	1,673	4,272	
Banco HSBC – BNDES pass-through	7	694	1,080	1,781	2,274	2,787	
Banco HSBC – BNDES pass-through	4	234	536	774	928	1,012	
Banco HSBC – BNDES pass-through	7	319	740	1,066	1,387	1,708	
Banco ITAU BBA - BNDES pass-through	15	368	3,281	3,664	4,152	-	
Banco ITAU BBA - BNDES pass-through	2	208	860	1,070	1,182	-	
Banco ITAU BBA - BNDES pass-through	5	151	1,370	1,526	1,733	-	
Banco ITAU BBA - BNDES pass-through	1	6	2,404	2,411	622	-	
Banco Itaú BBA – BNDES PER pass-through	205	557	1,443	2,205	2,088	-	
Banco Itaú BBA - FINAME	38	1,074	4,153	5,265	3,507	324	
Caixa Econômica Federal - FINAME	45	-	4,306	4,351	-	-	
Banco Bradesco – CCB	763	12,501	24,999	38,263	51,208	63,882	(3)
Banco ITAU BBA - BNDES FINEM	72	2,446	15,454	17,972	-	-	
Total local currency	**1,607**	**23,049**	**98,858**	**123,514**	**133,760**	**152,268**	
(-) Borrowing costs incurred	(11)	(71)	(274)	(356)	(357)	(560)	
Foreign currency							
Citibank	288	-	33,848	34,136	31,083	-	(3)
Bank of America Merrill Lynch	326	-	58,672	58,998	53,744	-	(3)
Banco Itaú BBA	516	-	61,304	61,820	-	-	(3)
Total foreign currency	**1,130**	**-**	**153,824**	**154,954**	**84,827**	**-**	
Total ENERGISA MINAS GERAIS	**2,726**	**22,978**	**252,408**	**278,112**	**218,230**	**156,708**	

(*) To guarantee payment of the short-term portions, the Company maintains short-term investments of R$ 2,568 (R$ 20,139 in 2011 and R$ 21,511 as of 1/1/2011), recorded under "money market and secured funds" in the current assets.

(1) The contract with Bradesco (CCB) has covenants which in general require the maintenance of certain financial indexes at certain levels. Failure to maintain these levels could result in early maturity of the debts (see note 29 – financial instruments and risk management). All these covenants were being performed as of December 31, 2012.

(2) The financing contracts from Citibank Bank of America Merrill Lynch, Citibank and Banco Itaú BBA are subject to a currency swap and financial derivative instruments (see note 29).

The financing obtained from Finame is secured by the actual equipment financed.

The Company usually allocates the payment of interest on financing to the cash flow statement.

Contractual terms of loans and financing as of December 31, 2012:

	Details of the Operation			Average	Cost of the Debt				
Operation	**Maturity**	**Amortization Frequency**	**Collateral**	**Term months**	**Index**		**Interest rate p.a.**	**TIR (Effective interest rate)**	**Ref**
Credit Receivables Investment Fund - Energisa Group III	Dec-2020	monthly, after Dec.2017	Receivables	78	CDI	+	0.7%	0.83%	
Eletrobrás - Light for All – 1st tranche	Aug-2017	monthly	Receivables	27	RGR	+	5.0%	5.0%	
Eletrobrás - Light for All – 1st tranche (RJ)	Aug-2017	monthly	Receivables	27	RGR	+	5.0%	5.0%	
Eletrobrás - Light for All – 2nd tranche	Dec-2019	monthly	Receivables	42	RGR	+	5.0%	5.0%	
Eletrobrás - subtransmission	Mar-2018	monthly, after Mar.2013	Receivables	32	RGR	+	5.0%	5.0%	
Banco HSBC – BNDES pass-through I	May-2016	monthly	Endorsement of Energisa S.A.	19	TJLP	+	4.3%	4.3%	
Banco HSBC – BNDES pass-through II	May-2016	monthly	Endorsement of Energisa S.A.	21	UMBND	+	4.3% + floating interest	4.3%	
Banco HSBC – BNDES pass-through III	May-2016	monthly	Endorsement of Energisa S.A.	21	TJLP	+	3.9%	3.9%	
Banco ITAU BBA – BNDES pass-through I	Jan-2021	monthly, after Jan.2012	Endorsement of Energisa S.A.	50	TJLP	+	4.75%	4.75%	
Banco ITAU BBA – BNDES pass-through II	Jan-2021	monthly, after Jan.2012	Endorsement of Energisa S.A.	45	UMBND	+	3.75% + floating interest	3.75%	
Banco ITAU BBA – BNDES pass-through III	Jan-2021	monthly, after Jan.2012	Endorsement of Energisa S.A.	50	TJLP	+	5.95%	5.95%	
Banco ITAU BBA – BNDES pass-through IV	Jan-2021	monthly, after Jan.2012	Endorsement of Energisa S.A.	55	Fixed 5.5%			5.5%	
Banco ITAU BBA – BNDES PER pass-through	Mar-2016	monthly, after Mar.2013	Endorsement of Energisa S.A.	19	Fixed 5.5%			5.5%	
Banco Itaú BBA - FINAME	Until May-2021	monthly	Endorsement of Energisa S.A.	50	pre-fixed 4.5% to 10%			4.5% to 10%	
Caixa Econômica Federal - FINAME	Jan-2022	monthly, after Dec.2013	Endorsement of Energisa S.A	60	Fixed		8.7%	8.7%	
Banco Bradesco – CCB	Oct-2015	annual	-	22	CDI	+	1.25%	1.25%	
Banco ITAU BBA – BNDES pass-through Finem	May-2015	Monthly, after Mar.2014	Endorsement of Energisa S.A.	19	TJLP + 2.25% to 4.15%			2.25% to 4.15%	
Citibank	Sep-2014	Final	Endorsement of Energisa S.A	21	Libor + 2.25%			2.25%	
Bank of America Merrill Lynch	Sep-2014	Final	Endorsement of Energisa S.A	22	Libor + 2.0%			2.25%	
Banco Itaú BBA	Sep-2015	Final	Endorsement of Energisa S.A	33	US dollar	+	2.95%	2.95%	

The main indicators used to restate the loans and financing presented the following percentage variations in the year:

Currency/indicators	2012	2011	1/1/2011
USD x R$	8.94%	12.58%	-4.30%
TJLP	5.00%	6.00%	6.00%
SELIC	8.49%	11.62%	9.77%
CDI	7.28%	11.60%	9.74%
IPCA	5.84%	6.50%	5.91%
IGP-M	7.81%	5.10%	11.32%

The maturities of the long-term financing are scheduled as follows:

	2012
2014	124,084
2015	86,622
2016	7,175
2017	6,236
2018	10,199
2018 onwards	18,092
Total	**252,408**

The borrowing costs of the financing to be amortized over subsequent periods is as follows:

Contracts	2013	2014	2015	2015 onwards	Total
Credit Receivables Investment Fund - Energisa Group III (*)	11	-	-	173	**184**
Banco ITAU BBA - BNDES FINEM	71	71	30	-	**172**
	82	**71**	**30**	**173**	**356**

18 Debentures (nonconvertible)

Main features of the debentures:

	7th Issuance
Issue type	Public
Issue date	12/15/2009
Maturity date	12/15/2014
Surety	Ordinary
Yields	CDI + 1.0 % p.a.
TIR (effective interest rate)	CDI + 1.06% p.a.
Number of securities	60,000
Value at issue	60,000
Securities in circulation	60,000
Interest grace period	6 months
Renegotiation date	12/15/2012
Amortizations/installments	Final
Balances in 2012 (*)	46,734
Current	98
Noncurrent	46,636
Balances in 2011 (*)	60,010
Current	319
Noncurrent	59,691
Balances at 1/1/2011 (*)	59,973
Current	313
Noncurrent	59,660

(*) R$ 309 (R$ 340 in 2011 and R$ 370 as of 1/1/2011) deducted as borrowing costs incurred during the contracting.

The debentures have covenants which in general require the maintenance of certain financial indexes at certain levels. Failure to maintain these levels could result in early maturity of the debts. These requirements were being performed as of December 31, 2012.

The balances of debentures of R$ 46,636 is scheduled for maturity in 2014.

The borrowing costs of the debentures to be amortized over subsequent periods is as follows:

	7th Issuance
FY 2014	309
	309

46,915 of the total 60,000 debentures of Energisa Minas Gerais' 7th debentures issuance were renegotiated on 12/15/2012 and 13,085 debentures were bought back by the Company due to the sale right held by the debenture holders for the amount of R$ 13,085.

Renegotiation clauses:

Description	Company	Renegotiation Date/ Optional Early Redemption	Premium	Terms
Debentures 7th issuance	Energisa Minas Gerais	December 15, 2012	N/A	The Board of Directors shall resolve the debenture renegotiation terms, which the Companies shall apprise the debenture holders of.

19 Taxes and Payroll Contributions

	2012	2011	1/1/2011
ICMS	21,565	20,215	18,572
Social Charges	688	587	392
IRPJ	4,138	1,694	2,091
CSSL	2,681	1,915	2,337
PIS/COFINS	5,547	5,233	5,896
IRRF	90	294	276
Other	733	560	449
Total	**35,442**	**30,498**	**30,013**
Current	29,978	29,508	28,960
Noncurrent	5,464	990	1,053

20 Tax financing

Energisa MG elected to finance its debits to the federal tax authorities of R$ 6,201 over 60 monthly installments, restated by the Selic base interest rate. In the year payments were made of R$ 1,422 (R$ 1,326 in 2011) and Selic interest of R$ 322 (R$ 532 in 2011).

In 2012 the balance of the financing is R$ 3,284 (R$ 4,384 in 2011 and R$ 5,178 as of 1/1/2011) and the number of installments to be settled is 27.

In 2012 the balance of the financed taxes is scheduled as follows:

	2012	2011	1/1/2011
2011	-	-	1,195
2012	-	1,404	2,319
2013	1,454	1,404	1,664
2014	1,454	1,404	-
2014 onwards	376	172	-
Total	**3,284**	**4,384**	**5,178**
Current	1,407	1,315	1,195
Noncurrent	1,877	3,069	3,983

21 Provisions for labor, civil and tax risks

Based on the opinion of its legal advisors, ENERGISA MG Management made a provision for labor and civil risks, as shown below:

	Opening balance 2011	Provisions made	Reversal of provisions	Restatement	Closing balance 2012
Labor claims	2,764	2,035	(1,747)	173	3,225
Civil	2,887	833	(896)	151	2,975
Total	5,651	2,868	(2,643)	324	6,200
Restricted and escrow deposits (*)	(566)	-	-	-	(776)

(*) Energisa MG has restricted and escrow deposits in its noncurrent assets of R$ 1,307 (R$ 1,127 in 2011). Provisions for risks have not been made for R$ 531 (R$ 561 in 2011) as the chances of success are rated as possible or probable.

The amount of R$ 409 (R$ 6,047 in 2011) was paid in the financial year, consisting of labor claim settlements of R$ 337 (R$ 5,380 in 2011) and civil claim compensation of R$ 72 (R$ 667 in 2011).

	Opening balance 1/1/2011	Provisions made	Reversal of provisions	Restatement	Closing balance 2011
Labor claims	7,975	1,276	(6,827)	340	2,764
Civil	2,281	774	(290)	122	2,887
Tax	371	-	(371)	-	-
Total	10,627	2,050	(7,488)	462	5,651
Restricted and escrow deposits (*)	(944)	-		-	(566)

Probable losses

- **Labor claims**

Based on the opinion of independent legal advisers, when applicable, in the FY 2012 the Company's legal advisers analyzed the labor claims in progress and accordingly made a provision of a further R$ 2,035 (R$ 1,276 in 2011), and reversed a provision of R$ 1,747 (R$ 6,827 in 2011).

Most of these lawsuits involve claims for overtime, salary parity, FGTS (Government Severance Indemnity Fund for Employees) and contractual/legal fees.

- **Civil**

The civil proceedings are mainly disputing indemnification for moral and material damages and consumer complaints involving energy debits. Lawsuits have also been filed by consumers claiming reimbursement of amounts paid to the Company resulting from rate increases introduced under DNAEE Ordinances 38 and 45 applied during the term of the Cruzado Plan in 1986. A provision has been made for the amount of the rate increase of R$ 425.

In FY 2012 an additional provision was made of R$ 833 (R$ 774 in 2011) and provisions reversed of R$ 896 (R$ 290 in 2011).

Management holds all the other provisions made are sufficient to cover any losses arising from the proceedings in progress. Based on the opinion of said legal advisors, provisions have been made for all legal proceedings for which the likelihood of future disbursement has been rated as probable.

Potential losses

The Company is party to labor, civil and tax claims in progress amounting to R$ 79,083 (R$ 63,645 in 2011 and R$ 37,973 as of 1/1/2011), where the chance of success has been estimated as possible by the legal advisors, meaning no provision was required.

See below the comments of our legal advisers regarding cases rated as a possible risk:

- **Labor claims**

Labor claims seeking R$ 1,757 (R$ 1,664 in 2011 and R$ 3,328 as of 1/1/2011) for safety premium risk and indemnification differences for work-related accidents in which the Company appears as co-defendant with construction firms (claim of joint liability).

- **Civil**

These proceedings of R$ 45,752 (R$ 38,551 in 2011 and R$ 14,893 as of 1/1/2011) mainly consist of consumers claiming reimbursement of PIS, COFINS and ICMS paid to the Company, and claims related to consumer relations (disconnection, recovery of consumer fraud).

- **Tax**

These proceedings consist of claims related to the appropriation of ICMS credits, and income tax, PIS and COFINS differences amounting to R$ 31,574 (R$ 23,430 in 2011 and R$ 19,752 as of 1/1/2011).

22 Shareholders' equity

22.1 Share capital and capital reserves

The company's share capital is R$ 44,171 attributed to 370,676 common shares, 79,783 class "A" preferred shares and 253 class "B" preferred shares, all with no par value.

The Class "A" preferred shares hold no voting rights but have priority in the reimbursement of capital in the event of Company liquidation and distribution of mandatory, non-cumulative dividends at 10% per annum over the company capital attributed to this kind of share. The class "B" preferred shares hold no voting rights but are afforded priority under the distribution of fixed dividends at 6% per annum on the company capital attributed to this class of share.

Irrespective of amendments to the bylaws, the Company may increase its share capital through subscription to the limit of 600,000 shares, where the Board of Directors shall resolve the means, subscription terms and payment terms of the shares and the features of the shares to be issued and the issue price.

22.2 Profit reserve - legal reserve

Allocated 5% of the net income for the year prior to any other allocations, limited to 20% of the share capital.

22.3 Dividends

The corporate by-laws determine the distribution of a minimum compulsory dividend of 25% of the net income for the year, adjusted in accordance with article 202 of Law 6404/76.

Management is proposing to pay out the following dividends:

	2012	2011
Net income for the year	66,615	35,484
Mandatory dividends (25%)	16,654	8,871
Prepaid dividends authorized by the Board (*):		
• In August 2012 - R$ 0.029 per batch of thousand shares (September 2011 - R$ 0.049 per batch of thousand shares)	13,152	22,112
• In December 2012 - R$ 0.033 per batch of thousand shares (December 2011 - R$ 0.013 per batch of thousand shares)	14,932	5,976
	28,084	**28,088**
Additional dividends proposed R$ 0.0855 (R$ 0.013 in 2011) per thousand shares (**):	38,531	5,704
Total dividends	**66,615**	**33,792**
% over adjusted net income	100	95

(*) The prepaid dividends approved by the Board of Directors meetings held August 09 and December 20, 2012 (August 10 and December 23, 2011) were calculated on the net income based on the balance sheet as of June 30 and November 30, 2012 (June 30 and September 30, 2011).

(**) The additional dividends proposed were recorded in the specific item dividends payable in shareholders' equity, in accordance with CPC-08 standards. On February 14, 2012 the Board of Directors resolved to pay these dividends by the last working day of March 2012.

23 Operating revenue

	2012			2011		
	Not audited by the independent auditors			Not audited by the independent auditors		
	No. of consumers	MWh	R$	No. of consumers	MWh	R$
Residential	297,257	416,344	253,607	288,434	393,849	230,102
Industrial	3,684	187,439	86,807	3,678	207,897	94,420
Commercial	33,698	210,428	112,457	33,216	198,187	103,545
Rural	64,210	141,448	49,529	63,708	139,833	47,548
Government:						
Federal	62	477	258	61	441	232
State	553	10,089	5,433	531	9,326	4,902
Municipal	3,322	21,251	11,425	3,293	19,647	10,310
Public Lighting	254	70,591	21,896	256	68,514	20,635
Public Utility	548	37,762	14,903	542	35,430	13,569
Internal Use	92	3,079	-	90	2,961	-
Subtotal	**403,680**	**1,098,908**	**556,315**	**393,809**	**1,076,085**	**525,263**
Revenue from Remuneration of Concession Assets	-	-	12,218	-	-	10,740
Electricity sales to distributors	-	31,300	2,391	-	47,809	1,100
Sales not invoiced (net)	-	4,674	(622)	-	(1,375)	2,520
Provision of the transmission and distribution system	27	-	42,334	17	-	44,691
Construction Revenue	-	-	36,775	-	-	45,180
Other operating revenue	-	-	5,199	-	-	5,404
Total - gross operating revenue	**403,707**	**1,134,882**	**654,610**	**393,826**	**1,122,519**	**634,898**
Deductions from operating revenue						
ICMS	-	-	119,869	-	-	115,585
PIS	-	-	10,170	-	-	9,626
COFINS	-	-	46,847	-	-	44,606
ISS	-	-	80	-	-	77
Quota for RGR	-	-	5,294	-	-	3,176
Energy Efficiency Program - PEE	-	-	1,955	-	-	1,885
Energy Development Account - CDE	-	-	15,529	-	-	14,165
Energy Development Account - CCC	-	-	14,840	-	-	18,081
Research and Development Program – P&D	-	-	3,127	-	-	3,016
Excess Demand Revenue and Surplus Reactive Energy	-	-	1,338	-	-	-
Total	**-**	**-**	**219,049**	**-**	**-**	**210,217**
Total - net operating revenue	**403,707**	**1,134,882**	**435,561**	**393,826**	**1,122,519**	**424,681**

24 Operating Expenses

The operating costs and expenses specified in the income statement for the year are broken down into the following types of expenses:

TYPE OF EXPENSE	COST OF SERVICE ON ENERGY	COST OF SERVICE OF OPERATION	COST OF SERVICE PROVIDED A THIRD PARTIES	OPERATING EXPENSES SALES	OPERATING EXPENSES GENERAL AND ADMIN.	TOTAL 2012	TOTAL 2011
Electricity purchased for resale	177,396	-	-	-	-	177,396	162,157
Charge for using transmission and distribution system	58,220	-	-	-	-	58,220	46,903
Personnel and management	-	11,045	17	2,491	15,468	29,021	29,650
Private pension fund	-	29	-	6	279	314	228
Material	-	2,636	157	1,041	1,412	5,246	5,059
Outsourced services	-	15,703	172	8,573	25,310	49,758	47,477
Depreciation and amortization	-	14,160	-	63	1,243	15,466	15,405
Allowance for doubtful accounts	-	-	-	757	-	757	1,197
Provisions for risks	-	225	-	-	-	225	(5,438)
Construction cost	-	-	36,775	-	-	36,775	45,180
Other	-	1,644	2	412	4,872	6,930	6,144
	235,616	**45,442**	**37,123**	**13,343**	**48,584**	**380,108**	**353,962**

25 Other Income

	2012	2011
Other revenue:		
Gain on sale/deactivation	5,815	3,841
Other	170	451
	5,985	**4,292**
Other expenses:		
Loss on sale/deactivation:	(6,623)	(2,726)
Other	(437)	159
	(7,060)	**(2,567)**

26 Revenue from financial expenses

	2012	2011
Revenue on short-term investments	8,037	6,636
Monetary variation and arrears surcharge on energy sold	5,911	5,803
Restatement of accounts receivable from the concession-VNR	57,224	-
Other financial revenue	800	783
Total financial revenue	**71,972**	**13,222**
Debt charges - interest	(20,992)	(24,723)
Debt charges - monetary and exchange variance	(8,903)	(4,594)
Transfer to orders in progress	792	1,367
Present value adjustment of assets	(335)	(149)
Mark-to-market of derivatives	6,555	(1,431)
Derivative financial instruments	4,622	3,242
Other financial expenses	(7,307)	(5,531)
Total financial expenses	**(25,568)**	**(31,819)**
Total financial income (expenses)	**46,404**	**(18,597)**

27 Earnings per share

The Company did not change the number of shares in circulation in its share capital. The basic and diluted net income per share is therefore being calculated according to the number of shares at the end of the year, i.e. 370,676 common shares and 80,036 preferred class “A” and “B” shares.

28 Insurance coverage

The Company has the policy of taking out insurance coverage for the assets subject to risk to cover any incidents, considering the nature of its activity. The Company’s insurance contracts are made in accordance with the risk management and insurance fundamentals generally employed by electricity distribution companies. Given their nature, the risk assumptions adopted do not comprise the scope of a financial statements review, and were not therefore examined by our independent auditors.

The civil liability and named risk policies are taken out in conjunction with the other Energisa Group companies and the maximum indemnification amounts are stated in the insurance coverage.

The main items covered are:

	Maturity Date	Insurance Coverage	Annual Premium	
Lines			**2012**	**2011**
Nominated Risks	10/23/2013	23,000	307	215
General Civil Liability	10/23/2013	44,572	106	116
Automobiles – Third party material and personal damages	10/23/2013	up to R$ 200 / vehicle	59	59
Collective life insurance – Personal Death and Accidents	12/31/2013	35,905	166	146
			638	**536**

Nominated Risks

The insurance policy specified the substations, buildings and equipment and the respective insured values and the indemnification limits. It has basic coverage including fire, lightning strike and explosions of any nature, electrical damages, hurricanes, aircraft crash, collision by air or ground vehicle, commotion, other risks, portable equipment, flooding/water damage, minor engineering work, extraordinary expenses, inclusion / exclusion of assets and sites, mistakes and omissions.

Civil Liability

The insurance policy covers moral hazard, material and personal damages to third parties resulting from the Company's operations.

Vehicles

The Company has insurance coverage for RCF/V – Optional/Vehicle Civil Liability, guaranteeing coverage of personal and/or material damages incurred by third parties involved in accidents.

Collective Life Insurance and Personal Accidents

Guarantees insurance coverage for its employees in the event of death by any cause, full or partial permanent disability due to accidents and permanent and/or total disability due to illness.

29 Financial instruments and risk management

The book and fair values of financial instrument assets and liabilities have been compared below:

	2012		2011		1/1/2011	
ASSETS	**Book**	**Fair value**	**Book**	**Fair value**	**Book**	**Fair value**
Cash and cash equivalents	25,823	25,823	29,082	29,082	29,850	29,850
Money market and secured funds	74,991	74,991	54,369	54,369	28,329	28,329
Consumers and concessionaires	88,697	88,697	85,286	85,286	105,170	105,170
Credit receivables and other	2,784	2,784	4,850	4,850	6,844	6,844
Accounts receivable from the concession	217,739	217,739	136,442	136,442	94,006	94,006
LIABILITIES						
Suppliers payable	(39,604)	(39,604)	(32,929)	(32,929)	(34,420)	(34,420)
Loans, financing, debt charges and debentures	(324,846)	(334,033)	(278,240)	(276,240)	(216,681)	(27,232)

In compliance with CVM Instruction 475/2008 and Resolution 604/2009, the description of the book balances and the fair values of the financial instruments included in the balance sheet at Description 31, 2012, 2011 and 1/1/2011 are shown below:

Nonderivatives - classification and measurement

Loans and receivables:

Includes trade accounts receivable, consumers and concession operators, outstanding receivables, other receivables and accounts receivable of the concession. They are initially measured at amortized cost using the effective interest rate, and their balances are approximated to fair value.

Money market and secured funds:

The balances of short-term investments in Bank Deposit Certificates and investment funds are valued at fair value through profit and loss, market valuations and/or effective interest rates.

Financial liabilities measured at amortized cost:

Suppliers payable - stated at the known amounts or estimated, plus, when applicable, the corresponding charges and/or monetary and exchange variations incurred up to the balance sheet date, where the book value approximates fair value.

Loans and financing, debt charges and debentures

These financial instruments are classified as financial liabilities at amortized cost. The book values of the local-currency loans and financing obtained from Centrais Elétricas Brasileiras S.A. – Eletrobrás and BNDES , are compatible with the fair value of the transactions, as similar transactions are not available on the financial market, with comparable maturities and interest rates. In the case of the 7th issuance debentures and the loans taken out from Bradesco, Citibank, Itaú BBA, Merrill Lynch and Credit Receivables Investment Funds, the fair value is not the same as the book value.

Derivatives

Note that the estimated fair values of the financial assets and liabilities were determined through information available in the market and appropriate valuation methodologies. However, considerable judgment was required in the interpretation of the market data to estimate the most adequate fair value. Consequently, the estimates used and presented below do not necessarily indicate the values that could be realized in the current exchange market.

The Company has the policy of managing market risks, thereby avoiding assuming material positions exposed to fair value fluctuations. They therefore only seek to use instruments which provide greater risk control. The derivative contracts involve swap operations and options with interest and exchange rates for hedge transactions against adverse exchange variance in their US dollar denominated debt.

The hedge transactions against adverse exchange variance require constant monitoring in order to preserve the efficiency of their structures. The transactions in force are subject to restructuring at any time and can be reversed or subject to additional transactions in order to reduce potential material losses.

- **Limitations**

The amounts were estimated at the reporting date based on information available in the market and appropriate appraisal techniques. However, considerable judgment was required in the interpretation of the market data to estimate the most adequate fair value. Consequently, the estimates used and presented below do not necessarily indicate the values that could be realized in the current exchange market.

- **Financial risk management**

The Board of Directors is generally responsible for establishing and supervising the risk management model of the Company and its subsidiaries. It has therefore implemented operating limits with pre-established amounts and indicators in the “Financial Risk Management policy” (available on the Company’s site) and in the internal regulations of the Executive Board of the Company. The Executive Board issues a monthly report on budgetary performance and risk factors involving the Company.

The Company’s risk management policy was established to detect, analyze and monitor risks encountered, in order to establish limits and check compliance with them. Risk management policies and systems are reviewed regularly in order to evaluate changes in market conditions and the Company's activities.

The “Financial Market Risk Management Policy” was introduced on May 11, 2009 and was revised for the first time on April 27, 2010 and again on February 24, 2011; this policy can be viewed on the Company’s website.

The Company has been using the services of a specialized, independent company in cash and debt risk management, which means that the main macroeconomic indicators and their impact on results are monitored on a daily basis, in particular derivative transactions. This allows contracting and repositioning strategies to be devised, pursuing low risk and higher financial income.

a) Liquidity risk

By way of the projected cash flow, Management schedules its obligations to generate financial liabilities to the flow of receipts or sources of financing in order to ensure the greatest possible liquidity so as to honor its obligations, thereby avoiding default which hinders the operational progress of the Company.

The financial liabilities, including estimated interest payments, are as follows. Significant changes in the analyzed cash flows are not expected.

	Up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Suppliers payable	38,881	-	-	-	723	39,604
Loans, financing, debt charges and debentures.	15,317	30,284	276,835	19,736	33,251	375,423

b) Credit risk

Management believes the risks posed by its interest-earning bank deposits are minimal, as there is no concentration and transactions are conducted with banks which assess risk in accordance with the "Financial Risk Management policy". The policy also gives priority to allocating the funds to short-term investments, with daily liquidity, whenever possible. It is also overseen by the Audit Committee of the Board of Directors, created in the first quarter of 2010.

The Company's credit risk is posed by accounts receivable, which however is mitigated by sales to a broad consumer base and legal prerogatives which allow the provision of services to defaulting clients to be suspended. Part of the receivables referring to sales, energy acquisition and system service charges, incurred at CCEE, are also subject to change depending on the outcome of legal proceedings in progress, filed by a number of companies in the sector. These proceedings have resulted from the interpretation of market rules in force between June 2001 and February 2002, during which the Emergency Electricity Rationing Program was in force.

Exposure to credit risks

The book value of the financial assets denotes the maximum credit exposure. The maximum exposure to the credit risk at the interim reporting date was:

	2012	2011	1/1/2011
Cash and cash equivalents	25,823	29,082	29,850
Money market and secured funds	74,991	54,369	28,329
Consumers and concessionaires	88,697	85,286	105,170
Credit receivables and other	2,784	4,850	6,844
Accounts receivable from the concession	217,739	136,442	94,006

Further information about these credits can be seen in notes 5, 6, 7 and 14.

c) Interest and exchange rate risk

Part of the local-currency loans and financing presented in note 17 consist of financing from several national development agencies (Eletrobrás and BNDES) and other institutions in the capital market.

The market rate (or opportunity cost of capital) is defined by these Agents, taking into account the underlying interest rate, the risk premium compatible with the financed companies, their guarantees and the sector they are engaged in. In the event it is not possible to acquire alternatives or different market hypotheses and/or methods for their estimates, in view of the Company's business and sector specifics, these are measured by the amortized cost method at the contractual rates.

The Company is always looking for opportunities to renew these hedge instruments, and is therefore seeking to structure instruments which will ensure the continuity of these existing hedge mechanisms, and may adopt other mechanisms which prudently balance risk and cost.

The Company's income is susceptible to variations due to the volatility of the currency coupon and exchange rate on liabilities denominated in foreign currencies, mainly the US dollar, which lost 8.94% in the period ended December 31, 2012 as compared to December 31, 2011, quoted at R$ 2.0435 / USD.

R$ 154,954 (R$ 84,827 in 2011) of Energisa MG's bank debt as of December 31, 2012 totaling R$ 325,511 (R$ 278,937 in 2011 and R$ 217,611 as of December 31, 2011) is denominated in US dollars deriving from the Citibank loan with a balance of USD 16.7 million at the end of the period (principal of USD 16.5 million), USD 28.9 million deriving from the loan from Bank of America Merrill Lynch (principal of USD 28.7 million) and USD 30.2 million of the loan from Banco Itaú BBA (principal of USD 30 million). The loans have a cost of up to USD + 3.93% per annum and have a long-term maturity of September 30, 2014, October 27, 2014 and September 21, 2015 respectively.

The balance sheet as of December 31, 2012 presents R$ 5,124 in the noncurrent assets (R$ 3,243 in 2011) and R$ 1,431 in 2011 in the noncurrent liabilities referring to the mark-to-market of the financial derivatives related to the foreign exchange rate and interest, resulting from a combination of factors usually adopted for the mark-to-market of these instruments, such as volatility, currency coupon, interest rates and the US dollar exchange rate. This is not a material liability, because the reversal value of derivatives at the calculation date is estimated, which does not correspond to the hedge objective expected by management. The mark-to-market entries made in the quarterly information are reversed when the caps established for the existing operations are not exceeded, as shown below. Moreover, further deterioration of the volatility, the currency coupon and the f/x rate could result in the amounts recorded increasing.

Energisa MG has hedged the aforementioned positions against adverse exchange variance, as mentioned earlier. See the details below:

1. Hedge for the principal equal to USD 16.7 million plus interest on the loan from Citibank through a currency swap with exchange-rate cap of R$/USD 2.9170 (Set-14) up to 9/30/2014. The operation involves a swap of the cost of USD + (LIBOR + 2.25% p.a. for 91.50% of the CDI variance, hedging semi-annual interest payments scheduled up to 9/30/2014 and the value of the principal at the latter date.

2. Hedge for the principal equal to USD 28.9 million plus interest on the loan from Bank of America Merrill Lynch through a currency swap with exchange-rate cap of R$/USD 2.9170 (Oct-14) up to 10/27/2014. The operation involves a swap of the cost of USD + (LIBOR + 2.00% p.a. for 91.0% of the CDI variance, hedging semi-annual interest payments scheduled up to 10/27/2014 and the value of the principal at the latter date.

3. Hedge for the principal equal to USD 30.2 million plus interest on the loan from Banco Itaú BBA through a currency swap with exchange-rate cap of R$/USD 2.8500 (Set-15) up to 9/21/2015. The operation involves a swap of the cost of USD + 3.93% p.a. for 101.5% of the CDI variance, hedging semi-annual interest payments scheduled up to 9/21/2015 and the value of the principal at the latter date.

In the period the foreign exchange hedges yielded a gain of R$ 4,622 (R$ 3,242 in 2011), due to appreciation of the US dollar.

Company Management monitors changes in the market, so that these hedge transactions may be restructured depending on the performance of the exchange rate (R$/USD), in terms of volatility and stabilization level. Company management sought to replace complex derivatives with simpler structures and greater liquidity, with a view to lower risk exposure.

In accordance with CVM Resolution 550/08, revoked by CVM Resolution 603/09, the values of the Company's financial derivatives as of December 31, 2012 and 2011 are summarized as follows:

	Reference Value		Description	Fair Value		Accumulated Effect	
	2012	2011		2012	2011	Receivable/ (Received)	Payable / (paid)
	Notional (BRL)		Receivable Position	211,922	137,346	-	-
Swap with options – Citibank and Merrill Lynch	190,734	130,056	LIBOR Interest Rate				
			Liability Position	(193,360)	(132,062)	-	-
			CDI Interest Rate				
			Foreign Currency Options (USD)	(1,825)	(3,472)	828	(4,577)
			Total Swap Position with Options	16,737	1,812	-	

The Fair Value of the derivatives as of December 31, 2012 was calculated based on the market price quotes for similar contracts. Their variance is directly associated with the variance of the debt balances listed in note 17 and the positive performance of the hedge mechanisms used, as described above. These contracts do not stipulate interim payments before their maturity dates. The Company does not intend to settle these contracts before maturity. It also has different expectations for the results presented as Fair Value – as shown below. To ensure perfect management, daily monitoring is conducted in order to keep risk to a minimum and obtain better financial results.

The mark-to-market (MTM) of Energisa MG's operations was calculated by an accepted method generally used by the market. The method basically consists of calculating the future value of the operations agreed in each contract, discounting the present value at market rates. A variant of the Black & Scholes formula is used to calculate the MtM of options. This formula is normally used to calculate the premium on currency options. The data used in these calculations was obtained from reliable sources. The market rates, such as the fixed rate and dollar coupon, were obtained directly from the BM&F site (Market Rates for Swaps). The Ptax exchange rate was obtained from the Central Bank's site. The implicit dollar volatility for options was obtained from other market sources.

Sensitivity Analysis

Pursuant to CVM Instruction 475/08, the Company conducted sensitivity analyses on the main risks to which the financial instruments and derivatives in its financial statements are exposed, as shown:

a) Exchange variance

If the exchange exposure as of December 31, 2012 were maintained, and the effects on the future interim financial statements simulated by type of financial instrument and for three different scenarios, the following results would be obtained (restated as for the interim reporting date):

Operation	Exposure	Risk	Scenario I (Probable)(*)	Scenario II (Deterioration of 25%)	Scenario III (Deterioration of 50%)
Financial instruments – Loan	-		18,995	(16,820)	(52,636)
Receivable Position - LIBOR	211,922	Higher f/x rate	143,263	179,079	214,895
Payable Position - CDI Interest Rate	(193,360)		(142,149)	(142,149)	(142,149)
Foreign Currency Options - USD	(1,825)				(12,494)
Subtotal	**16,737**		**1,114**	**36,930**	**60,252**
Net	**16,737**		**20,109**	**20,110**	**7,616**

(*) Considers the macroeconomic scenario presented by the Focus Survey as of December 31, 2012 for the future dates until the final settlement of the operations.

In the "Probable Scenario", calculated based on the net analysis of the above operations until the maturity thereof, adjusted to present value by the fixed rate in Brazilian reais as of December 31, 2012, the derivatives are fully effective, which is reflected in the positive present value of R$ 20,109, that shows how the adverse exchange variance in existing debts was mitigated. The higher the exchange devaluation (risk variable considered), the higher the gain of the swaps will be, providing the derivative caps are not exceeded, which would leave the Company with no hedge protection. However, there would be positive present values of R$ 20,110 and R$ 7,616 in the scenarios where the Brazilian real lost 25% and 50% against the US dollar, a scenario in which some of the current caps would be exceeded.

b) Interest rate variance

Considering the exposure of financial instruments indexed to interest rates as of December 31, 2012 is maintained and the respective accumulated annual indexes are (CDI 7.25% p.a. and LTIR 5% p.a.) and if the indexes vary in accordance with the three scenarios defined, the net financial result would be affected by:

Instruments	Exposure (R$ thousand)	Risk	Scenario I (Probable)(*)	Scenario II (Deterioration of 25%)	Scenario III (Deterioration of 50%)
Receivable financial instruments:					
Money Market	98,085	Increase in CDI	7,317	9,149	10,982
Payable financial instruments:					
Loans and financing	(100,383)	Increase in CDI	(8,895)	(10,709)	(12,555)
	(26,008)	Increase in LTIR	(2,365)	(2,702)	(3,040)
Subtotal (**)	**(126,391)**		**(11,260)**	**(13,411)**	**(15,595)**
Total - (Losses)	**(28,306)**		**(3,943)**	**(4,262)**	**(4,613)**

(*) Considers the CDI at December 31, 2013 (7.25% p.a.), quote of the estimates presented by the recent BACEN survey, dated December 31, 2012 and TJLP of 5% p.a.

(**) Does not include dollar transactions worth R$ 154,954

Fair value hierarchy

The table below presents the financial instruments recorded at fair value by a valuation method.

The different levels were defined as follows:

- Level 1 - Prices quoted (in adjusted) in active markets for identical assets and liabilities
- Level 2 - Inputs, except for quoted prices, included in Level 1 that are observable for the assets and liabilities, directly (prices) or indirectly (derived from prices)
- Level 3 - Premises, for the asset or liability, that are not based on observable market data (unobservable inputs).

Financial instruments	Level	2012	2011	1/1/2011
Assets				
Money market and secured funds	2	74,991	54,369	28,329
Derivative financial instruments	2	16,738	3,243	-
Liabilities				
Derivative financial instruments	2	-	(1,431)	-

We emphasize that we did not observe any Level 1 and 3 financial instruments during the period under analysis and no level transfers took place in this period.

30 Employee benefits

Retirement and pension supplementation plan

Energisa MG sponsors defined-contribution pension plans for its employees (CD). It also has a defined-benefit plan (BD), which has not been accepting new participants since 1997 and where the current participants have the status of assisted participants. The sponsor and participants do not make contributions under this plan.

The defined-benefit plan undergoes an actuarial assessment at the end of each financial year, in order to ascertain whether the plan's net assets are sufficient to meet its actuarial obligations.

		Annual contribution			Actuarial surplus		
Company	**Beneficiary Plan**	**2012**	**2011**	**% over payroll**	**2012**	**2011**	**1/1/2011**
Energisa MG	CD	315	228	1.12	-	-	-
Energisa MG	BD	-	-	4.64	-	2,569	4,586

The technical reserves required by the regulations laid down by the SPC – Supplementary Pensions Office are determined by an independent actuary.

The actuarial position of the defined-benefit retirement plan (BD) as of December 31, 2012 and 2011 is shown below, in accordance with the rules established by CVM Resolution 600/00. The prospective method was used:

	2012	2011	1/1/2011
Present value of actuarial obligations	(2,223)	(1,698)	(1,601)
Fair value of the plan's assets	2,631	4,517	5,780
Unrecognized actuarial gains	(408)	(250)	407
Net asset	**-**	**2,569**	**4,586**

Statement of the change in the sponsor's net commitment in the 2012 financial year:

	2012	2011	1/1/2011
Net actuarial asset at the start of the year	2,569	4,586	5,366
Current expenses	300	(364)	(142)
Recognized actuarial gains (losses)	(2,869)	(1,653)	(638)
Net actuarial asset at year-end	**-**	**2,569**	**4,586**

The plan's assets are:

	2012	2011	1/1/2011
Fixed-income fund quotas	2,169	3,710	4,470
Variable-income fund quotas	462	807	1,310
	2,631	**4,517**	**5,780**

In 2012 the statement of the fair value of the assets is presented as follows:

	2012	2011	1/1/2011
Fair value of assets at start of year	4,517	5,780	7,100
Benefits paid	(136)	(129)	(939)
Effective return on assets	418	709	(381)
Actuarial gains (losses) of the assets	(2,168)	(1,843)	-
Fair value of the assets	**2,631**	**4,517**	**5,780**

Statement of the present value of the obligations in the 2012 financial year.

	2012	2011	1/1/2011
Balance at beginning of year	1,698	1,601	1,536
Benefits paid in the year	(136)	(129)	(939)
Interest on actuarial obligation	118	161	99
Losses on actuarial obligations	543	65	905
Balance at end of year	**2,223**	**1,698**	**1,601**

A description follows of the assumptions made in the actuarial appraisal:

Economic hypotheses

Actuarial discount rate	3.39 % p.a.
Expected rate of return on assets	8.74% p.a. (including inflation)
Benefit readjustment	4.50% p.a.
Wage growth	4.50 % p.a.
Projected inflation	4.50% p.a.

Demographic Hypotheses

Mortality table	AT – 2000
Mortality table of disabled people	AT – 2000
Disability rate table	NA

A summary follows of the data used to actuarially appraise the benefit plans offered by Energisa MG to its employees:

Description	
Assisted Participants:	
Number	6
Average Age	76.3
Average Monthly Benefit	R$ 1.156
Pensioners:	
Number of Pensioners	19
Average Benefit per Family Group	R$ 0.159

Retirement bonus

The Company is party to a collective agreement under which employees are entitled to a retirement bonus paid upon application for retirement at the National Social Security Institute (INSS).

The retirement bonus ranges from 1.5 to 15 times the employee’s salary, depending on seniority (at least 6 months, but limited to 25 years) upon applying for retirement.

Members of the CD plan who at the requested retirement date have amounts deposited by the sponsor in their individual accounts, amounts greater than 15 base salaries, are not entitled to the premium.

The balance of premium sponsorship is R$ 1,621 (R$ 1,402 in 2011 and R$ 1,126 as of 1/1/2011) and has been provisioned for under Employee Benefits - pension plans in current liabilities R$ 372 (R$ 218 in 2011 and R$ 276 as of 1/1/2011) and noncurrent liabilities R$ 1,248 (R$ 1,184 in 2011 and R$ 850 as of 1/1/2011).

A reconciliation of assets and liabilities recognized in the balance sheet, a statement of changes in net actuarial liabilities (assets) for the period, and the total expense recognized in the statement of income of the Company's statement of income are provided below.

The actuarial position of assets and liabilities recognized in the balance sheet is shown below:

	2012	2011	1/1/2011
Present value of actuarial obligations	2,179	1,146	1,126
Fair value of the plan's assets	(151)	(61)	-
Unrecognized actuarial losses (gains)	(407)	317	-
Actuarial liability to be provisioned for	**1,621**	**1,402**	**1,126**

Reconciliation of the present value of the obligations in 2012.

	2012	2011	1/1/2011
Present value of the obligations at the beginning of the year	1,146	1,126	-
Benefits paid	(128)	(136)	-
Interest on actuarial obligation	134	130	-
Current service cost (including interest)	93	92	-
Actuarial (gain) loss on actuarial liability	934	(66)	1,126
Value of the obligations calculated at the end of year	**2,179**	**1,146**	**1,126**

Statement of the expenses for the 2013 financial year according to the criteria of CVM Resolution 600:

	2012	2011	1/1/2011
Present value of the obligations at the beginning of the year	193	93	92
Interest on actuarial obligations	188	134	130
Unrecognized actuarial losses (gains)	(9)	(9)	54
Value of the obligations calculated at the end of year	**372**	**218**	**276**

Healthcare plan

The Company has its own refund policies, under which employees are entitled to a reimbursement of 60% of their medical expenses. This benefit ceases immediately upon termination or retirement.

Expenses were incurred on this benefit of R$ 596 in FY 2012 (R$ 496 in 2011).

31 Commitments

The Company has the following commitments under long-term energy acquisition contracts:

	Energy purchase contract - R$ thousand					
Term	**2013**	**2014**	**2015**	**2016**	**2017**	**2017 onwards**
2013 to 2045	137,264	149,439	152,457	147,628	151,589	2,622,391

The amounts referring to energy acquisition contracts lasting between 8 and 30 years represent the volume contracted at the current price at the end of December 2012, which have been ratified by ANEEL.

- This does not include the Proinfa and Itaipu quotas.

32 Public electricity service concession

On June 18, 1999 the Company executed with the National Electric Energy Agency – ANEEL the electricity distribution concession contract with a term of until July 07, 2015.

33 Environment

Energisa Minas Gerais handles the social and environmental impacts caused by its products, processes and facilities through programs and practices that evidence its concern about and responsibility for the environment, including:

1. Insulated grids: insulated cables are used in grids where trees could be more affected by contact with the low-voltage cables and the dimensions of paths try to preserve the ecological balance as far as possible. Protected cables are also used in medium voltage grades close to trees, in order to avoid undesirable pruning

2. The Environment, Social and Occupational Health and Safety Management System - SGMASS implemented at the Company is based on ISO 14001, OSHAS 18001 and the applicable legislation. The system can provide the means to adequately monitor environmental, social and health and safety issues.

3. Energisa is a member of the State Council for Water Resources of Minas Gerais.

4. Waste disposal and treatment: in addition to ascertaining the nature and amount of waste generated during the production process, there are procedures for handling, transporting and disposing of products, all in accordance with SGMASS.

5. Energisa is aware of its environmental responsibilities, and is therefore regenerating insulating oil used in its equipment and recovering industrial lubricating oil, ensuring the recycling of this material and avoiding environmental pollution.

6. Lamp disposal: The Company follows procedures for the controlled disposal of sodium vapor lamps, mercury vapor lamps and fluorescent lamps at its own facilities and in the public lighting infrastructure.

7. Implementation of water and energy consumption reduction campaigns, education based on the 3Rs (Reduce, Reuse and Recycle) and education for conscious consumption by distributing leaflets and presenting lectures at schools (Water Day, Environmental Week) and internal disclosure (intranet, stickers and notices put up by the company and screensavers).

The nonfinancial information was not examined by our independent auditors.

In FY 2012 the investment in the aforesaid projects amounted to R$ 11,282 (R$ 11,613 in 2011), R$ 9,352 (R$ 9,756 in 2011) of which was allocated to property, plant and equipment and R$ 1,930 (R$ 1,857 in 2011) to operating expenses.

34 Additional information to the cash flows

In 2012 equity changes not affecting the Company's cash flows are as follows:

	2012	2011	1/1/2011
Restatement of accounts receivable from the concession - VNR	57,224	-	-
Suppliers payable	2,542	-	-
Dividends payable	-	-	9,368

35 Subsequent event

On September 11, 2012 the Federal Government issued Preliminary Law 579, enacted as Law 12783, which amongst other things reduces sector charges: (i) elimination of the RGR - Global Reversal Reserve and CCC – fuel consumption cost and 75% reduction in the CDE – Energy Development Account.

The costs of the CCC – fuel consumption cost will be covered by the CDE – Energy Development Account created by the federal government to further energy development of states.

The lower electricity rates will not directly affect the Company's earnings as the lower revenue will be offset by the sector charges and taxes payable on sales.

An extraordinary rate review was conducted on January 24, 2013, which established new consumer rights.

See the reductions made to the rates:

Average effect for Group A

Subgroup/Class	Previous Average Rate	New Average Rate	Average Effect (%)
A2 (138 kV)	277.90	210.96	-24.09%
A3 (69 kV)	273.02	211.75	-22.44%
A4 (2.4 to 44 kV)	352.16	278.57	-20.90%

Average effect for Group B

Subgroup/Class	Previous Average Rate	New Average Rate	Average Effect (%)
B1 - Residential	445.25	364.48	-18.14%
B2 - Rural	277.69	227.32	-18.14%
B3 - Other Sectors	443.03	362.66	-18.14%
B4 - Public Lighting	248.34	203.28	-18.14%

Average Effect for Distribution Company

Subgroup/Class	Previous Average Rate	New Average Rate	Average Effect (%)
Captive Consumers	387.89	315.23	-18.73%

Representation by the Officers of Energisa Minas Gerais - Distribuidora de Energia S.A. (“Company”) on the Financial Statements for FY 2012

The Company's undersigned officers represent that pursuant to article 25 (1, VI) of CVM Directive 480/09, that at a meeting held today they have revised, discussed and accepted the Company's financial statements, subject to the specific limits of their powers, and have approved the document.

Cataguases, March 05, 2013.

Gabriel Alves Pereira Júnior
CEO

Maurício Perez Botelho
CFO and Investor Relations Officer

Danilo de Souza Dias
Regulatory Affairs and Strategy Officer

José Marcelo Gonçalves Reis
Logistics and Supplies Director

Antonio José Maciel de Medina
Personnel Management Director

Marcelo Vinhaes Monteiro
Commercial and Distribution Officer

Representation by the Officers of Energisa Minas Gerais - Distribuidora de Energia S.A. ("Company") on the Independent Auditors' Report

The Company's undersigned officers represent that pursuant to article 25 (1, V) of CVM Directive 480/09, that at a meeting held today they have revised, discussed and accepted the opinions expressed in the independent auditors' report, subject to the specific limits of their powers, and have approved the document.

Cataguases, March 05, 2013.

Gabriel Alves Pereira Júnior
CEO

Maurício Perez Botelho
CFO and Investor Relations Officer

Danilo de Souza Dias
Regulatory Affairs and Strategy Officer

José Marcelo Gonçalves Reis
Logistics and Supplies Director

Antonio José Maciel de Medina
Personnel Management Director

Marcelo Vinhaes Monteiro
Commercial and Distribution Officer