
## Energisa Minas Gerais | Results for 3rd quarter of 2012

Cataguases, November 08, 2012 - The Management of Energisa Minas Gerais – Distribuidora de Energia S/A ("Energisa Minas Gerais" or "Company") hereby presents its quarterly information the first nine months of 2012 (9M12), prepared in accordance with International Financial Reporting Standards - IFRS.

### 1 - Business Profile and General Considerations

Energisa Minas Gerais is an electricity distributor that serves approximately 401,000 consumers and a population of roughly 1.0 million in 65 municipalities in Zona da Mata, Minas Gerais state, and 1 municipality in Rio de Janeiro state.

In August the Brazilian Association of Electricity Companies (ABCE) announced the winning companies of the Medalha Eloy Chaves award for 2011. Energisa Minas Gerais came first in the category of distribution companies with between 501 and 2,000 employees.

Energisa was also one of the winners of the 15th SESI Quality in the Workplace Awards 2012 (state heats), coming second in the category Organizational Culture. The company competed against other organizations from Minas Gerais state with over 500 staff and submitted the Bússola project as a management practice.

Energisa Minas Gerais' main economic and financial figures have been summarized below:

**Operating and Financial Indicators**

| Description | 9M12 | 9M11 | Change % |
|---|---|---|---|
| **Results - R$ million** | | | |
| Gross Operating Revenue | 482.8 | 468.7 | + 3.0 |
| Net Operating Revenue | 321.0 | 312.7 | + 2.7 |
| Earnings before interest and tax (EBIT) | 40.7 | 55.6 | - 26.8 |
| EBITDA | 52.3 | 67.2 | - 22.2 |
| Adjusted EBTIDA | 56.6 | 71.5 | - 20.8 |
| Financial result | (8.5) | (13.1) | - 35.1 |
| Income before tax | 32.2 | 42.5 | - 24.2 |
| Net Income | 21.5 | 28.1 | - 23.5 |
| **Financial Indicators - R$ million** | | | |
| Total Assets | 531.6 | 418.9 | + 26.9 |
| Cash / Cash Equivalents / Short-Term Investments | 139.0 | 66.6 | + 108.7 |
| Shareholders' Equity | 70.9 | 66.9 | + 6.0 |
| Net Debt | 223.2 | 189.3 | + 17.9 |
| **Operating Indicators** | | | |
| Number of Captive Consumers (thousand) | 401.3 | 390.8 | + 2.7 |
| Energy sold to Captive Consumers (GWh) | 817.4 | 803.3 | + 1.8 |
| Total Electricity Distributed (GWh) | 1.085.9 | 1.068.3 | + 1.6 |
| Energy Losses (% in past 12 months) | 8.59 | 8.58 | + 0.01 p.p |
| **Related indicators** | | | |
| Adjusted EBITDA / Net Revenue (%) | 17.6 | 22.9 | - 5.3 p.p |
| Net Debt / Adjusted EBITDA 12 months (times) | 2.8 | 1.6 | + 75.0 |

## 2 - Economic and Financial Performance

### 2.1 - Net income up by 28.3% in 3Q12
### Net income accumulated in 9 months amounts to R$ 21.5 million

Energisa Minas Gerais recorded net income of R$ 21.5 million in the first nine months of 2012, of which R$ 7.7 million was recorded in 3Q12. Net income in 3Q12 is 28.3% greater than in 3Q11, benefited by the 65.5% decrease in net financial expenses in the quarter. Net income in 9M12 contracted by 23.5% over 9M11. The decrease in Energisa Minas Gerais' net income in 9M12 was primarily due to the change in uncontrollable expenses (A Portion) still not reflected in the Company's electricity rates.

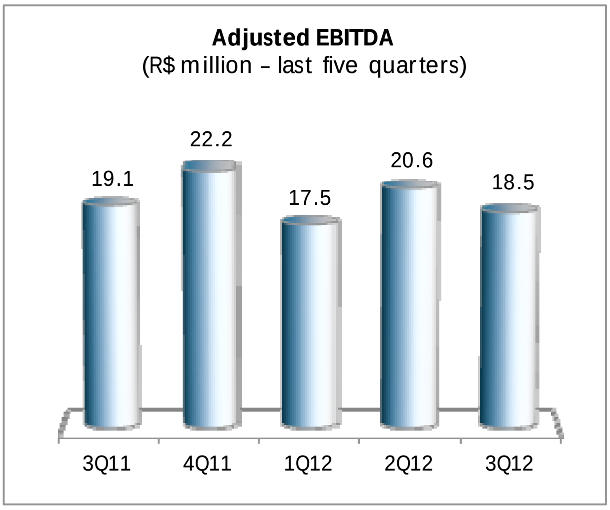
See below the breakdown of the Company's net income and cash:

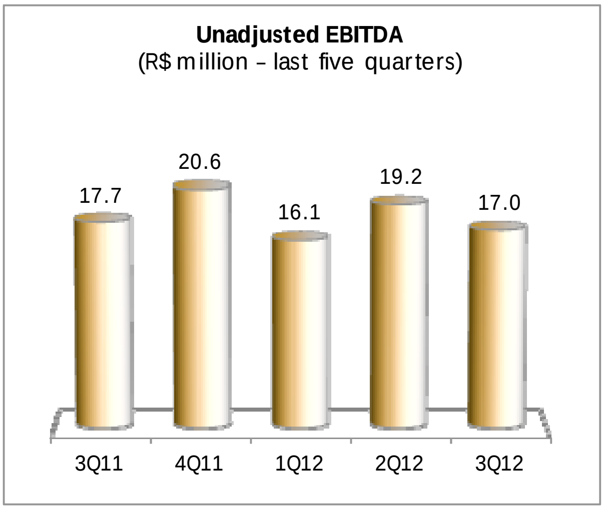
| Breakdown and change of net income | Quarter | | | 9 months | | |
|---|---|---|---|---|---|---|
| (R$ millions) | 3Q12 | 3Q11 | Change % | 9M12 | 9M11 | Change % |
| (=) Net operating revenue | 111.8 | 102.4 | + 9.2 | 321.0 | 312.7 | + 2.7 |
| (=) Earnings before interest and tax (EBIT) | 13.4 | 14.7 | - 8.8 | 40.7 | 55.6 | - 26.8 |
| (+) Financial result (revenue minus financial expenses) | (2.0) | (5.8) | - 65.5 | (8.5) | (13.1) | - 35.1 |
| (+) Income and social contribution taxes | (3.7) | (2.9) | + 27.6 | (10.7) | (14.4) | - 25.7 |
| **(=) Net Income** | **7.7** | **6.0** | **+ 28.3** | **21.5** | **28.1** | **- 23.5** |

Change in cash generation

| Breakdown of cash generation (EBITDA) | Quarter | | | 9 months | | |
|---|---|---|---|---|---|---|
| (R$ millions) | 3Q12 | 3Q11 | Change % | 9M12 | 9M11 | Change % |
| **(=) Net Income** | **7.7** | **6.0** | **+ 28.3** | **21.5** | **28.1** | **- 23.5** |
| (-) Income and social contribution taxes | (3.7) | (2.9) | + 27.6 | (10.7) | (14.4) | - 25.7 |
| (-) Financial result | (2.0) | (5.8) | - 65.5 | (8.5) | (13.1) | - 35.1 |
| (-) Depreciation and amortization | (3.6) | (3.0) | + 20.0 | (11.6) | (11.6) | - |
| **(=) Cash generation (EBITDA)** | **17.0** | **17.7** | **- 4.0** | **52.3** | **67.2** | **- 22.2** |
| (+) Late charges revenue | 1.5 | 1.4 | + 7.1 | 4.3 | 4.3 | - |
| **(=) Adjusted cash generation (Adjusted EBITDA)** | **18.5** | **19.1** | **- 3.1** | **56.6** | **71.5** | **- 20.8** |

The growth in Energisa Minas Gerais' EBITDA and Adjusted EBITDA in the last five quarters is as follows:



## 2.2 - Gross and net operating revenue

Energisa Minas Gerais' gross operating revenue amounted to R$ 482.8 million in 9M12, compared with R$ 468.7 million in the same period last year, i.e. an increase of 3.0% (R$ 14.1 million). Net operating revenue in turn rose by 2.7% (R$ 8.3 million) in the same period, to R$ 321.0 million.

In 3Q12 gross and net operating revenue grew respectively by 5.9% (or R$ 9.1 million) and 9.2% (R$ 9.4 million) over 3Q11.

The gross operating revenue and net operating revenue break down as follows:

| Revenue by Consumption Sector<br>Amounts in R$ million | Quarter | | | 9 months | | |
|---|---|---|---|---|---|---|
| | 3Q12 | 3Q11 | Change in R$ million | 9M12 | 9M11 | Change in R$ million |
| **(+) Electricity revenue (retail market)** | **136.0** | **130.2** | **+ 5.8** | **411.2** | **391.1** | **+ 20.1** |
| • Residential | 60.8 | 55.9 | + 4.9 | 187.7 | 170.8 | + 16.9 |
| • Industrial | 21.8 | 24.2 | - 2.4 | 64.9 | 70.7 | - 5.8 |
| • Commercial | 26.4 | 24.6 | + 1.8 | 81.9 | 76.7 | + 5.2 |
| • Rural | 13.5 | 13.1 | + 0.4 | 37.0 | 36.0 | + 1.0 |
| • Other sectors | 13.5 | 12.4 | + 1.1 | 39.7 | 36.9 | + 2.8 |
| (+) Electricity sales to distributors | 1.1 | 0.4 | + 0.7 | 1.5 | 0.8 | + 0.7 |
| (+) Unbilled sales | (0.2) | (0.4) | + 0.2 | (3.4) | (0.7) | - 2.7 |
| (+) Electricity network usage charges | 11.3 | 11.8 | - 0.5 | 31.0 | 32.7 | - 1.7 |
| (+) Construction revenue | 11.0 | 9.4 | + 1.6 | 28.8 | 33.4 | - 4.6 |
| (+) Other revenue | 4.7 | 3.4 | + 1.3 | 13.7 | 11.4 | + 2.3 |
| **(=) Subtotal - Consolidated gross operating revenue** | **163.9** | **154.8** | **+ 9.1** | **482.8** | **468.7** | **+ 14.1** |
| (-) Tax on revenue | (43.2) | (42.2) | - 1.0 | (130.4) | (126.3) | - 4.1 |
| (-) Sector charges | (8.9) | (10.2) | + 1.3 | (31.4) | (29.7) | - 1.7 |
| **(=) Total - Consolidated net operating revenue** | **111.8** | **102.4** | **+ 9.4** | **321.0** | **312.7** | **+ 8.3** |

### 2.2.1 - Increase in electricity rates

Effective from June 18, 2012 Aneel (National Electricity Regulatory Agency) has ratified the third rate review of Energisa Minas Gerais, resulting in an average increase for consumers of 1.20%.

## 2.3 - Operating expenses

### 2.3.1 - Operating expenses in electricity distribution and services

Operating expenses in electricity distribution and services amounted to R$ 251.4 million at Energisa Minas Gerais in 9M12, an increase of 12.4% (or R$ 27.7 million) over the amount recorded in 9M11. In 3Q12 the increase in these expenses was 11.5% (or R$ 9.0 million) over the same period last year.

#### 2.3.1.1 - Controllable expenses in electricity distribution and services

The controllable expenses (personnel, material and outsourced services) in electricity distribution and services contracted by 0.3% (or R$ 0.2 million) in 9M12, to R$ 60.6 million. Controllable expenses amounted to R$ 20.9 million in 3Q12, an increase of 8.9% (or R$ 1.7 million) over 3Q11.

### 2.3.2 - Construction costs

Energisa Minas Gerais recognizes revenue and costs deriving from the construction of infrastructure used in public energy concessions, attributing a margin of zero to this activity. Construction costs amounted to R$ 28.8 million in 9M12 (R$ 11.0 million in 3Q12), compared with R$ 33.4 million in 9M11 (R$ 9.5 million in 3Q11).

### 2.3.3 - Total operating expenses

Energisa Minas Gerais' operating expenses amounted to R$ 280.2 million in 9M12, an increase of 9.0% (or R$ 23.1 million) over 9M11. Total operating expenses rose by 12.0% (or R$ 10.5 million) in 3Q12 over 3Q11.

Operating expenses break down as follows:

| Breakdown of operating expenses (R$ million) | 3Q12 | 3Q11 | Change in R$ million | 9M12 | 9M11 | Change in R$ million |
|---|---|---|---|---|---|---|
| **1 - Controllable expenses** | **20.9** | **19.2** | **+ 1.7** | **60.6** | **60.8** | **- 0.2** |
| 1.1 - Personnel (includes pension fund) | 7.6 | 6.3 | + 1.3 | 20.1 | 22.0 | - 1.9 |
| 1.2 - Material | 1.3 | 1.4 | - 0.1 | 3.9 | 3.8 | + 0.1 |
| 1.3 - Services | 12.0 | 11.5 | + 0.5 | 36.6 | 35.0 | + 1.6 |
| 2 - Uncontrollable expenses (acquisition of energy and transmission) | 62.4 | 54.3 | + 8.1 | 175.1 | 153.2 | + 21.9 |
| 3 - Depreciation and amortization | 3.6 | 3.0 | + 0.6 | 11.6 | 11.6 | - |
| 4 - Allowance for doubtful accounts and contingencies | 0.3 | 0.5 | - 0.2 | 2.1 | (5.0) | + 7.1 |
| 5 - Other expenses / revenue | - | 1.2 | - 1.2 | 2.0 | 3.1 | - 1.1 |
| **Subtotal (1+2+3+4+5)** | **87.2** | **78.2** | **+ 9.0** | **251.4** | **223.7** | **+ 27.7** |
| 6 – Construction cost | 11.0 | 9.5 | + 1.5 | 28.8 | 33.4 | - 4.6 |
| **Total** | **98.2** | **87.7** | **+ 10.5** | **280.2** | **257.1** | **+ 23.1** |

### 2.4 - Financial result

The net financial result (financial revenue minus financial expenses) amounted to a net financial expense of R$ 8.5 million in 9M12 (R$ 2.0 million in 3Q12), as compared to a net financial expense of R$ 13.1 million in 9M11 (R$ 5.8 million in 3Q11).

The table below denotes the short- and long-term debt net of financial resources (cash, cash equivalents and short-term investments) of Energisa Minas Gerais as of September 30, 2012 and December 31, 2011.

| Description<br>Amount in R$ million | 09/30/2012 | 12/31/2011 |
|---|---|---|
| **Short-term** | **34.4** | **40.8** |
| Loans, financing and debentures | 26.2 | 36.7 |
| Debt charges | 6.6 | 2.6 |
| Financing of taxes and pension fund | 1.6 | 1.5 |
| **Long-term** | **327.8** | **243.2** |
| Loans, financing and debentures | 324.5 | 238.9 |
| Financing of taxes and pension fund | 3.3 | 4.3 |
| **Total debts** | **362.2** | **284.0** |
| (-) Cash and cash equivalents | 139.0 | 83.5 |
| **Total net debts** | **223.2** | **200.5** |

(*) R$ 155.5 million (42.9%) of the total debt as of September 30, 2012 is denominated in US dollars.

## 3 - Operating Performance

### 3.1 - Electricity Sales

Electricity sales to the captive consumers served by Energisa Minas Gerais in 3Q12 rose by 0.5% over 3Q11, to 271.0 GWh. Residential consumption stood out in the quarter, rising by 5.2%, followed by the commercial sector, with 4.9%. The industrial, captive and free sectors jointly experienced a 2.2% decrease in consumption compared with the same period. Total energy distributed, including captive and free consumers, sales to distributors and unbilled sales, consequently stood at 374.0 GWh in 3Q12, an expansion of 1.9% over the same quarter last year.

Captive consumption rose by an accumulated 1.8% in 9M12 (817.4 GWh) over 9M11 and total energy distributed stood at 1,085.9 GWh, i.e. 1.6% more than in 9M11. The table below shows the change in electricity sales by segment over the first nine months of the year:

**Electricity Sales by Segment**
**(In GWh)**

| Description | Quarter | | | 9 months | | |
|---|---|---|---|---|---|---|
| | 3Q12 | 3Q11 | Change% | 9M12 | 9M11 | Change % |
| **a) Energy Sales in the Retail Market** | **271.0** | **269.6** | **+ 0.5** | **817.4** | **803.3** | **+ 1.8** |
| * Residential | 101.7 | 96.7 | + 5.2 | 307.9 | 293.0 | + 5.1 |
| * Industrial | 46.7 | 54.0 | - 13.5 | 142.3 | 155.0 | - 8.2 |
| * Commercial | 48.8 | 46.5 | + 4.9 | 154.5 | 147.2 | + 5.0 |
| * Rural | 38.0 | 38.2 | - 0.5 | 106.5 | 106.3 | + 0.2 |
| * Other sectors | 35.8 | 34.2 | + 4.7 | 106.2 | 101.8 | + 4.3 |
| b) Electricity Sales to Distributors | 17.4 | 17.5 | - 0.6 | 25.8 | 34.7 | - 25.6 |
| c) Net Unbilled Sales | (0.7) | (2.0) | - 65.0 | (1.6) | (2.0) | - 20.0 |
| **d) Total Electricity Sales (a+b+c)** | **287.7** | **285.1** | **+ 0.9** | **841.6** | **836.0** | **+ 0.7** |
| e) Energy associated with Free Consumers | 86.3 | 82.0 | + 5.2 | 244.3 | 232.3 | + 5.2 |
| **f) Total Electricity Distributed (d+e)** | **374.0** | **367.1** | **+ 1.9** | **1,085.9** | **1,068.3** | **+ 1.6** |

### 3.2 - Energy Losses

Energisa Minas Gerais' energy losses were recorded at 8.59% in the past twelve months ended September 2012 as compared to 8.58% in the same period ended September 30, 2011.

## 4 - Investment

Energisa Minas Gerais invested a total of R$ 30.7 million in the first nine months of 2012, compared with R$ 55.0 million in the same period last year.

## 5- Services rendered by the independent auditor

The total remuneration of Deloitte Touche Tohmatsu Auditores Independentes for the services provided to Energisa Minas Gerais in the first nine months of 2012 was R$ 82,000, as follows: i) R$ 78,000 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.

## Financial Statements

### 1. Balance Sheet - Assets

**Energisa Minas Gerais**
**Balance Sheet**
**September 30, 2012 and December 31, 2011**
(In thousands of reais)

| | 9/30/2012 | 12/31/2011 |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash and cash equivalents | 97,059 | 29,082 |
| Money market and secured funds | 37,737 | 49,439 |
| Consumers and concessionaires | 73,803 | 77,079 |
| Credit receivables | 1,905 | 1,957 |
| Inventory | 1,217 | 1,540 |
| Recoverable taxes | 9,713 | 10,379 |
| Low income and other debtors | 21,732 | 15,979 |
| **Total current** | **243,166** | **185,455** |
| **Noncurrent** | | |
| **Noncurrent assets** | | |
| Money market and secured funds | 4,191 | 4,930 |
| Consumers and concessionaires | 8,207 | 8,207 |
| Credit receivables | 355 | 2,893 |
| Recoverable taxes | 11,619 | 12,171 |
| Derivative financial instruments | 12,585 | 3,243 |
| Tax credits | 42,010 | 43,814 |
| Escrow deposits | 1,231 | 1,127 |
| Accounts receivable from the concession | 159,712 | 136,442 |
| Other | 990 | 2,568 |
| | **240,900** | **215,395** |
| Investments | 2,040 | 2,049 |
| Intangible assets | 45,543 | 52,092 |
| **Total noncurrent** | **288,483** | **269,536** |
| **Total Assets** | **531,649** | **454,991** |

See the accompanying notes to the financial statements.

## 2. Balance Sheet - Liabilities

**Energisa Minas Gerais**
**Balance Sheet**
**September 30, 2012 and December 31, 2011**
(In thousands of reais)

| | 9/30/2012 | 12/31/2011 |
|---|---|---|
| **Liabilities** | | |
| **Current** | | |
| Suppliers payable | 35,504 | 32,262 |
| Debt charges | 6,618 | 2,588 |
| Loans and financing | 24,488 | 36,393 |
| Debentures | 1,676 | 319 |
| Taxes and social contributions | 26,220 | 29,508 |
| Financing of taxes | 1,434 | 1,315 |
| Consumer charges payable | 2,582 | 3,659 |
| Employee benefits - pension plan | 215 | 218 |
| Estimated obligations | 2,670 | 1,798 |
| Other accounts payable | 18,768 | 21,589 |
| **Total current** | **120,175** | **129,649** |
| | | |
| **Noncurrent** | | |
| Suppliers payable | 711 | 667 |
| Loans and financing | 264,788 | 179,249 |
| Debentures | 59,706 | 59,691 |
| Derivative financial instruments | - | 1,431 |
| Taxes and social contributions | 4,997 | 3,552 |
| Financing of taxes | 2,107 | 3,069 |
| Provision for contingencies | 5,645 | 5,651 |
| Employee benefits - pension plan | 1,232 | 1,184 |
| Other accounts payable | 1,364 | 2,527 |
| **Total noncurrent** | **340,550** | **257,021** |
| | | |
| **Shareholders' equity** | | |
| Capital | 44,171 | 44,171 |
| Capital reserve | 7,921 | 7,921 |
| Profit reserves | 10,525 | 10,525 |
| Additional dividends proposed | - | 5,704 |
| Retained earnings accumulated | 8,307 | - |
| | **70,924** | **68,321** |
| | | |
| **Total liabilities** | **531,649** | **454,991** |

See the accompanying notes to the financial statements.

## 3. Income Statement

**Energisa Minas Gerais – Distribuidora de Energia S/A**
**Income Statement**
**Nine months ended September 30, 2012 and 2011**
(In thousands of reais)

| | 9M12 | 9M11 |
|---|---|---|
| **Revenues** | | |
| Electricity sales to consumers | 407,759 | 390,469 |
| Electricity sales to distributors | 1,497 | 779 |
| Electricity network usage charges | 30,959 | 32,671 |
| Construction revenue | 28,814 | 33,398 |
| Other revenue | 13,749 | 11,380 |
| | **482,778** | **468,697** |
| **Deductions from operating revenue** | | |
| ICMS on billing | 88,470 | 85,878 |
| PIS, Cofins and ISS | 41,965 | 40,417 |
| Quotas for global reversal reserve | 3,005 | 2,187 |
| Others (PEE, CDE, CCC and P&D) | 28,378 | 27,495 |
| | **161,818** | **155,977** |
| **Net operating revenue** | **320,960** | **312,720** |
| **Operating expenses (revenue)** | | |
| Personnel (includes pension fund expenses) | 20,145 | 22,036 |
| Material | 3,879 | 3,775 |
| Outsourced services | 36,562 | 34,966 |
| Electricity purchased for resale | 134,145 | 119,159 |
| Transmission of electricity | 40,958 | 34,061 |
| Depreciation and amortization | 11,571 | 11,611 |
| Allowance for doubtful accounts / contingencies (reversal) | 2,123 | (4,995) |
| Construction revenue | 28,814 | 33,398 |
| Other expenses / revenue | 2,040 | 3,125 |
| | **280,237** | **257,136** |
| **Net income before other revenue and expenses** | **40,723** | **55,584** |
| **Financial revenue (expense)** | | |
| Income from interest-earning bank deposits | 5,693 | 4,557 |
| Monetary variation and arrears surcharge on energy sold | 4,329 | 4,297 |
| Other financial revenue | 734 | 675 |
| Debt charges - interest | (15,889) | (18,680) |
| Debt charges - monetary and exchange variance | (7,929) | (666) |
| (-) Transfer to orders in progress | 517 | 1,054 |
| Mark-to-market of derivatives | 280 | 65 |
| Derivative financial instruments | 3,299 | (711) |
| Restatement of assets | 5,083 | (4) |
| Other financial expenses | (4,595) | (3,659) |
| | **(8,478)** | **(13,072)** |
| **Net income before tax** | **32,245** | **42,512** |
| Income and social contribution taxes | (10,786) | (14,421) |
| **Net income for the period** | **21,459** | **28,091** |
| Net income per share of capital - R$ | 47.61 | 62.32 |

See the accompanying notes to the financial statements.

## 4. Statements of Cash Flow

**Energisa Minas Gerais – Distribuidora de Energia S/A**
**Statements of Cash Flow**
**Nine months ended September 30, 2012 and 2011** (In thousands of reais)

| | 9/30/2012 | 9/30/2011 |
|---|---|---|
| **Operating activities** | | |
| Income before tax | 32,245 | 42,512 |
| Expenses (revenue) not affecting cash: | | |
| Expenses on interest and monetary variance - net | 20,885 | 19,740 |
| Allowance for doubtful accounts | 1,464 | 543 |
| Depreciation and amortization | 11,571 | 11,611 |
| Provision for contingencies | (223) | (6,225) |
| Tax credits | 1,804 | 7,609 |
| Residual value of retired permanent assets | 108 | 807 |
| Mark-to-market of Derivatives | (3,299) | 711 |
| Derivative Financial Instruments | (5,083) | 4 |
| **Subtotal** | **59,472** | **77,312** |
| **Changes in assets and liabilities** | | |
| Consumers and concessionaires | 1,593 | 27,639 |
| Credit receivables | 2,807 | 469 |
| Inventory | 323 | 190 |
| Recoverable taxes | (6,824) | (3,552) |
| Escrow and secured deposits | (104) | 111 |
| Prepaid expenses | 316 | 350 |
| Other accounts receivable | (4,384) | (2,214) |
| Suppliers payable | 3,286 | (869) |
| Payroll | - | (3) |
| Taxes and social contributions | 3,764 | (9,006) |
| Income and social contribution taxes paid | (8,353) | (1,299) |
| Financing of taxes | (843) | (452) |
| Estimated obligations | 872 | 470 |
| Consumer charges payable | (1,077) | 499 |
| Other accounts payable | (3,935) | 2,984 |
| | **(12,559)** | **15,317** |
| **Net cash produced by operating activities** | **46,913** | **92,629** |
| **Investment activities** | | |
| Capital increase, acquisition shares of subsidiaries and other investments | 9 | (1,221) |
| Interest-earning bank deposits and Secured Funds | (59,259) | (1,446) |
| Discharge of investments | 74,333 | 7,078 |
| Additions to Intangible assets | (30,140) | (55,008) |
| Consumer, government and state contributions | 2,151 | 7,882 |
| **Net cash consumed in investment activities** | **(12,906)** | **(42,715)** |
| **Financing activities** | | |
| New loans and financing | 85,087 | 41,854 |
| Payments of loans and debentures - principal | (19,535) | (17,853) |
| Payments of loans and debentures - interest | (10,335) | (10,145) |
| Settlement of Derivative Financial Instruments | (2,392) | - |
| Payment of dividends | (18,855) | (50,841) |
| **Net cash consumed in financing activities** | **33,970** | **(36,985)** |
| **Increase (Decrease of cash and cash equivalents)** | **67,977** | **12,929** |
| Opening cash and cash equivalents | 29,082 | 29,851 |
| Closing cash and cash equivalents | 97,059 | 42,780 |
| **Net cash variation** | **67,977** | **12,929** |

See the accompanying notes to the financial statements.

**Energisa Minas Gerais - Distribuidora de Energia S.A.**
**Notes to the quarterly information**
Period ended September 30, 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 401,281 consumers (information not reviewed by the independent auditors). The Company's headquarters is in the city of Cataguases, Minas Gerais state.

The concession operator's main obligations stipulated in the concession arrangement as per ICPC 01 (R1) and ICPC 17 are to:

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

II - Carry out the work necessary to provide the concession services and replace assets, operating the infrastructure so as to ensure the regular, continuous, efficient and safe provision of services and charging of rates

III - Organize and maintain a record and inventory of the concession assets and ensure the integrity thereof. Concession operators may not sell or submit as guarantee the assets without the prior express consent of the regulatory agency

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

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

VI – Submit to the prior approval of the National Electricity Regulatory Agency (ANEEL) any changes in share control 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, and

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, classification of the concession, concession revenue and concession term can be seen in notes 9, 14, 23 and 28 respectively.

## 2. Presentation of the interim financial information (quarterly information)

Approved by the Board of Directors on November 08, 2012, the Company's interim financial information (quarterly information) consists of:

- The interim financial information prepared and presented in accordance with CPC Technical Pronouncement 21 (R1) - Interim statements and IAS 34 – Interim Financial Reporting and the standards issued by the Brazilian Securities Commission, that apply to the preparation of Quarterly Information - ITR.

The Company did not report any comprehensive income in the current period.

The other information regarding the preparation bases, presentation of the interim financial information and summary of the main accounting practice has not changed in relation to that disclosed in Note 2 to the Annual Financial Statements for the financial year ended December 31, 2011 (hereinafter referred to as "Financial Statements as of December 31, 2011"), published in the official press on March 12, 2012.
This interim financial information (quarterly information) should therefore be read in conjunction with the aforesaid financial statements.

## 3. Adoption of international accounting standards

### 3.1 New accounting procedures issued by the IASB

The information about the new accounting procedures issued by the IASB has not undergone any significant changes in relation to that disclosed in Note 3 to the Financial Statements as of December 31, 2011.

## 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 | 9/30/2012 | 12/31/2011 |
|---|---|---|---|---|---|
| BB Amplo | Investment Fund | - | Benchmark CDI | 151 | 10,004 |
| BTG Pactual | Investment Fund | - | Benchmark CDI | 2,031 | - |
| CEF | CDB | 9/30/2014 | 100,5% of CDI | 11,538 | 7,468 |
| CEF | Investment Fund | - | Benchmark CDI | 76 | 946 |
| HSBC | Investment Fund | - | Benchmark CDI | 879 | - |
| Itaú | Investment Fund | - | Benchmark CDI | 4 | 28 |
| Mercantil | CDB | 9/14/2015 | 105,0% of CDI | 6,506 | 1,226 |
| Mercantil FID | CDB | 8/11/2022 | 105,0% of CDI | 712 | 952 |
| Santander | Debentures (**) | 9/9/2014 to 9/12/2014 | 103.2% to 104.0% of CDI | 65,666 | - |
| Sul América | Investment Fund | - | Benchmark CDI | 5,763 | 5,002 |
| **Total** | | | | **93,326** | **25,626** |
| **Cash and banks** | | | | **3,733** | **3,456** |
| **Total cash and cash equivalents** | | | | **97,059** | **29,082** |

### b) Money market and secured funds

**b.1 Short-term investments appraised at fair value through profit and loss**

| Financial institution | Type | Maturity | Compensation | 9/30/2012 | 12/31/2011 |
|---|---|---|---|---|---|
| ABC Brasil | CDB | 1/10/2013 | 106,0% of CDI | 5,044 | - |
| BES | CDB | 10/10/2013 | 100,0% of CDI | 29 | 28 |
| BMG | CDB | 12/16/2013 | 112,0% of CDI | 309 | 1,480 |
| Bradesco | CDB | 12/30/2013 to 5/22/2014 | 99.0% to 100.0% of CDI | 823 | 39 |
| Bradesco | Debentures (**) | 10/1/2012 to 3/25/2013 | 100.0% to 100.5% of CDI | 13,847 | 15,729 |
| Bradesco | Investment Fund | - | Benchmark CDI | 1,041 | - |
| Bradesco | Savings | - | Savings | - | 521 |
| CEF | Savings | - | Savings | 16 | 1,243 |
| Daycoval | CDB | 2/26/2013 | 107,0% of CDI | 14,089 | - |
| BICBanco | Credit receivables investment funds | - | 112,0% of CDI | 2,299 | - |
| Itaú | CDB | 12/3/2013 | 101,8% of CDI | 16 | 15 |
| Itaú | Debentures (**) | 4/4/2013 to 7/25/2013 | 100.0% to 103.5% of CDI | 168 | 157 |
| Itaú | Investment Fund | - | Benchmark CDI | 56 | 55 |
| Pine | CDB | 7/2/2012 | 111,0% of CDI | - | 10,005 |
| Votorantim | Debentures (**) | 6/27/2012 | 106,0% of CDI | - | 20,009 |
| | | | | **37,737** | **49,281** |
| **b.2 Available-for-sale financial securities** | | | | | |
| Bradesco | Investment Fund | - | Benchmark CDI | - | 679 |
| | | | | **-** | **679** |
| **b.3 Held-to-maturity securities** | | | | | |
| Itaú | Credit Receivables Investment Funds | 11/1/2012 to 12/29/2020 | 100,0% of CDI | 4,191 | 4,409 |
| | | | | **4,191** | **4,409** |
| **Total money market and secured funds** | | | | **41,928** | **54,369** |
| **Current** | | | | **37,737** | **49,439** |
| **Noncurrent** | | | | **4,191** | **4,930** |

(*) The dates presented denote the maturities of securities underlying the financial investments. These investments can be redeemed within 90 days 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 | 9/30/2012 | 12/31/2011 |
|---|---|---|---|---|---|---|---|---|
| Residential | 10,957 | 5,674 | 691 | 211 | 40 | 1 | 17,574 | 18,067 |
| Industrial | 12,308 | 1,285 | 100 | 33 | 44 | 900 | 14,670 | 14,066 |
| Commercial | 6,000 | 1,457 | 223 | 193 | 371 | - | 8,244 | 8,330 |
| Rural | 2,580 | 1,217 | 247 | 51 | 30 | - | 4,125 | 3,709 |
| Government: | | | | | | | | |
| Federal | 27 | 4 | 1 | - | - | - | 32 | 31 |
| State | 295 | 36 | 5 | - | 2 | 2 | 340 | 326 |
| Municipal | 1,074 | 132 | 20 | - | 6 | 6 | 1,238 | 1,193 |
| Public lighting | 839 | 168 | 6 | - | - | - | 1,013 | 926 |
| Public utility | 1,414 | 32 | 18 | 1 | - | - | 1,465 | 1,170 |
| **Subtotal - consumers** | **35,494** | **10,005** | **1,311** | **489** | **493** | **909** | **48,701** | **47,818** |
| Concession operators (2) | | | | | | | 10,441 | 9,277 |
| Unbilled sales | | | | | | | 11,556 | 15,000 |
| Other | | | | | | | 15,085 | 15,282 |
| (-) Allowance for doubtful accounts | | | | | | | (3,773) | (2,091) |
| **Total** | **35,494** | **10,005** | **1,311** | **489** | **493** | **909** | **82,010** | **85,286** |
| **Current** | | | | | | | **73,803** | **77,079** |
| **Noncurrent** | | | | | | | **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 September 30, 2012 consists of amounts referring to the sale of energy at the Electricity Commercialization Chamber – CCEE to the amount of R$ 10,441 (R$ 9,277 as of December 31, 2011), net of the partial payments made up to September 30, 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 as of December 31, 2011 referring to the acquisition of electricity and system service charges of R$ 665 (R$ 1,280 as of December 31, 2011), are shown below:

| Breakdown of CCEE credits | 9/30/2012 | 12/31/2011 |
|---|---|---|
| Outstanding balances | 1,275 | 193 |
| Credits linked to court injunctions up to December 2002 | 6,873 | 6,873 |
| Overdue credits (*) | 2,293 | 2,211 |
| | 10,441 | 9,277 |
| (-) Energy acquisitions at CCEE | - | (46) |
| (-) System service charges | (665) | (1,280) |
| | **9,776** | **7,951** |

(*) The Company has an allowance for doubtful accounts of R$ 2,293.

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 Acknowledgement 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 based on specific interest rates that reflect the nature of these assets (IGPM).

As of September 30, 2012 the balances were the following:

| | **9/30/2012** | **12/31/2011** |
|---|---|---|
| Credit receivables | 5,351 | 8,438 |
| Adjustment to present value | (166) | (445) |
| Allowance for doubtful accounts (*) | (2,925) | (3,143) |
| | **2,260** | **4,850** |
| Current | 1,905 | 1,957 |
| Noncurrent | 355 | 2,893 |

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

As of September 30, 2012, the maturities of receivables are scheduled as follows:

| | |
|---|---|
| **Overdue** | 3,196 |
| 2012 | 1,037 |
| 2013 | 480 |
| 2014 | 164 |
| 2015 | 156 |
| 2016 | 153 |
| 2017 | 89 |
| 2018 onwards | 76 |
| **Subtotal** | **5,351** |
| (-) Adjustment to present value | (166) |
| | **5,185** |

## 8. Allowance for doubtful accounts

| Change in provisions | 9/30/2012 | 12/31/2011 |
|---|---|---|
| Opening balance | 5,234 | 4,685 |
| Provisions recorded in the year | 2,218 | 814 |
| Reversal of provisions in the year | (754) | (265) |
| **Balance - closing - current** | **6,698** | **5,234** |
| Consumers and concessionaires and CCEE | 3,773 | 2,091 |
| Credit receivables | 2,925 | 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 of 1.20% respectively, effective from June 18, 2012.

**Rate adjustments:**

On June 14, 2011 Resolution 1155 ratified the Company's rate review in force since June 17, 2012. The effective rate impact felt by consumers was 2.73%.

## 10. Low income and other receivables

| | 9/30/2012 | 12/31/2011 |
|---|---|---|
| Low income | 6,500 | 2,384 |
| Service orders in progress - PEE and R&D | 9,537 | 8,085 |
| Service orders in progress - other | 380 | 121 |
| Expenses to be reimbursed | 1,764 | 1,877 |
| Other | 3,502 | 3,148 |
| | **21,683** | **15,615** |

Changes in low income follow:

| | 9/30/2012 | 12/31/2011 |
|---|---|---|
| Opening balance | **2,384** | 3,260 |
| Low-income Subsidy | 14,469 | 14,571 |
| Eletrobrás Reimbursement | (13,118) | (15,447) |
| Accounts receivable Eletrobrás | 2,765 | - |
| Balance - closing - current | **6,500** | 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

| | 9/30/2012 | 12/31/2011 |
|---|---|---|
| Value added tax on sales and services – ICMS | 10,743 | 11,623 |
| Income Tax Withheld at Source - IRRF | 147 | 251 |
| Corporate Income Tax - IRPJ | 450 | 20 |
| Social Contribution on Net Income – CSSL | 109 | 25 |
| PIS and COFINS contribution | 9,373 | 10,185 |
| Other | 510 | 446 |
| | **21,332** | **22,550** |
| Current | 9,713 | 10,379 |
| Noncurrent | 11,619 | 12,171 |

## 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, Energisa Sergipe - Distribuidora de Energia S/A, Energisa Borborema - Distribuidora de Energia S/A, Energisa Nova Friburgo – Distribuidora de Energia S/A, Energisa Soluções S/A, Energisa Comercializadora Ltda., Energisa Serviços Aéreos S/A, Energisa Planejamento e Corretagem de Seguros Ltda., Energisa Geração Rio Grande S/A, Termosergipe S/A, Pequena Central Hidrelétrica Zé Tunim 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 and Energisa Geração Central Eólica Ventos de São Miguel S/A), (related parties of the Company).

**Transactions conducted in the period:**

| | ENF (a) | ESO (a) | ESA (b) | ESER (a ) | 1/1/2012 to 9/30/2012 | 1/1/2011 to 9/30/2011 |
|---|---|---|---|---|---|---|
| Provision of services | - | (16,250) | (7,428) | (93) | (23,771) | (22,034) |
| Connection cost and usage | (1,022) | - | - | - | (1,022) | (836) |
| | **ENF (a)** | **ESO (a)** | **ESA (b)** | **ESER (a )** | **7/1/2012 to 9/30/2012** | **7/1/2011 to 9/30/2011** |
| Provision of services | - | (5,445) | (2,489) | (68) | (8,002) | (7,403) |
| Connection cost and usage | (290) | - | - | - | (290) | (346) |
| | | | | | **9/30/2012** | **12/31/2011** |
| Balance of trade payables | 96 | 1,499 | 762 | - | 2,357 | 2,392 |

**(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 period ended September 30, 2012 the members of the Board of Directors received compensation of R$ 418 (R$ 391 as of September 30, 2011) and the Executive Board R$ 721 (R$ 662 as of September 30, 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$ 264 (R$ 230 as of September 30, 2011). The social charges on the compensation amounted to R$ 199 (R$ 190 as of September 30, 2011).

In the period ended September 30, 2012 the highest and lowest remuneration attributed to directors for the month of September was R$ 15 and R$ 2 (R$ 14 and R$ 2 as of September 30, 2011) respectively. The average remuneration in the 3rd quarter of 2012 was R$ 8 (R$ 8 as of September 30, 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. Deferred taxes and current income tax and social contribution expense

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.

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 |
|---|---|
| 2012 | 1,318 |
| 2013 | 6,206 |
| 2014 | 7,056 |
| 2014 onwards | 27,430 |
| **Total current** | **42,010** |

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:

| | 7/1/2012 to 9/30/2012 | 1/1/2012 to 9/30/2012 | 7/1/2011 to 9/30/2011 | 1/1/2011 to 9/30/2011 |
|---|---|---|---|---|
| Profit before income and social contribution taxes | 11,466 | 32,245 | 8,888 | 42,512 |
| Combined tax bracket | 34% | 34% | 34% | 34% |
| Income and social contribution tax expense calculated at the total tax bracket | (3,898) | (10,963) | (3,022) | (14,454) |
| Adjustments: | | | | |
| Other | 45 | 177 | 110 | 33 |
| Income tax and social contribution expense | (3,853) | (10,786) | (2,912) | (14,421) |
| Effective rate | 33.61% | 33.45% | 32.76% | 33.92% |

| | 9/30/2012 | 12/31/2011 |
|---|---|---|
| **Assets** | | |
| Tax loss carryforward | 23,932 | 26,467 |
| Negative basis of social contribution | 9,497 | 10,410 |
| Temporary differences (1): | | |
| Income tax | 6,310 | 5,101 |
| Social contribution | 2,271 | 1,836 |
| **Total noncurrent** | **42,010** | **43,814** |

(1) These temporary differences mainly refer to provisions and swap earnings.

## 14. Accounts receivable from the Concession

The Company has a noncurrent balance of R$ 159,712 (R$ 136,442 as of December 31, 2011) consisting of credits receivable from the concession authority for the unconditional right to receive cash at the end of the concession as compensation for investments made and not recovered when providing the concession services. These financial assets are recorded at the historic residual value of the concession assets, which are returned to the concession authority at the end of the concession.

On February 07, 2012 ANEEL issued Normative Resolution 474 which established the new useful economic life for concession assets, converted into annual depreciation rates, retrospectively applicable from January 01, 2012.

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.

Because ICPC 01 (IFRIC 12) does not address the accounting procedure in this situation, Management exercised its judgment by applying an accounting policy that reflects the economic essence of this amendment and adequately represents the financial position, as required by CPC 23 (IAS 8), item 10.

As a result of this analysis, the increase in the balance of compensatable financial assets of R$ 17,173 as of January 01, 2012 was charged to the balance of intangible assets, to reflect the new portion to be directly recovered from the concession authority at the end of the concession. This entry resulted in equivalent reduction to the balance of intangible assets to adjust the portion to be recovered through the provision of concession services (energy sale).

This right is classified as loans and receivables in the noncurrent assets. As of September 30, 2012 this balance stands at:

| Change | 9/30/2012 | 12/31/2011 |
|---|---|---|
| Opening balance | 136,442 | 94,006 |
| Additions | 5,621 | 42,436 |
| Normative Resolution 474 | 17,173 | - |
| Write-offs | 476 | - |
| **Balance - closing - noncurrent** | **159,712** | **136,442** |

## 15. Intangible assets

### Concession agreements

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

| | Opening balance 12/31/2011 | Addition | Transfers | Write-offs | Amortization | Closing balance 9/30/2012 |
|---|---|---|---|---|---|---|
| In Service | | | | | | |
| Cost | 325,294 | - | 1,410 | (24,005) | - | 302,699 |
| Amortization | (231,046) | - | - | 1,664 | (15,887) | (245,269) |
| Subtotal | 94,248 | - | 1,410 | (22,341) | (15,887) | 57,430 |
| In Progress (*) | 9,439 | 30,657 | (1,410) | (7,186) | - | 31,500 |
| **Total** | **103,687** | **30,657** | **-** | **(29,527)** | **(15,887)** | **88,930** |
| **Obligations linked to the concession** | | | | | | |
| In Service | | | | | | |
| Cost | 44,680 | - | 228 | (4,482) | - | 40,426 |
| Amortization | (20,742) | - | - | - | (4,317) | (25,059) |
| Subtotal | 23,938 | - | 228 | (4,482) | (4,317) | 15,367 |
| In Progress (*) | 27,657 | 2,156 | (228) | (1,565) | - | 28,020 |
| Total | 51,595 | 2,156 | - | (6,047) | (4,317) | 43,387 |
| **Total intangible assets** | **52,092** | **28,501** | **-** | **(23,480)** | **(11,570)** | **45,543** |

(*) The write-offs from intangible assets and special obligations in progress consist of the transfers to accounts receivable from the concession.

The assets used by the Company in its operations are tied to public energy 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 amortization rate used in (3.61%).

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 is reduced by special obligations linked to the concession, consisting of:

| **Obligations linked to the concession:** | **9/30/2012** | **12/31/2011** |
|---|---|---|
| Consumer contributions | 107,606 | 106,565 |
| Government Subsidy – CDE funds | 47,816 | 47,767 |
| State Government Subsidy | 16,558 | 16,291 |
| Reversal reserve | 1,409 | 1,409 |
| (-) Accumulated amortization | (25,030) | (20,743) |
| **Total** | **148,359** | **151,289** |
| Allocation: | | |
| Accounts receivable from the concession | 104,972 | 99,694 |
| Infrastructure - Intangible assets in service | 15,367 | 23,938 |
| Infrastructure - Intangible assets in progress | 28,020 | 27,657 |
| **Total** | **148,359** | **151,289** |

- 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 September 30, 2012 the amount recorded in this item stood at R$ 655.

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

During the period ended September 30, 2012 and 2011 the Company transferred financial charges to the intangible assets in progress, as shown below:

| | **9/30/2012** | **9/30/2011** |
|---|---|---|
| Financial charges recorded in income statement | 15,889 | 18,680 |
| ( - ) transfer to intangible assets in progress (*) | (517) | (1,054) |
| **Net effect on income** | **15,372** | **17,626** |

(*) 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

| | 9/30/2012 | 12/31/2011 |
|---|---|---|
| Supplies (1): | | |
| Furnas | 136 | 136 |
| Bilateral Contracts | 24,565 | 21,068 |
| CCEE | - | 46 |
| Use of the distribution/transmission system (1) | 5,777 | 6,194 |
| Materials, services and other (2) | 5,737 | 5,485 |
| **Total** | **36,215** | **32,929** |
| Current | 35,504 | 32,262 |
| Noncurrent | 711 | 667 |

(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 | | Re. |
|---|---|---|---|---|---|---|
| | | Current | Noncurrent | 30/September/2012 | 12/31/2011 | |
| **Local currency** | | | | | | |
| Credit Receivables Investment Fund - Energisa Group II (*) | 16 | 3,136 | - | 3,152 | 16,778 | |
| Credit Receivables Investment Fund - Energisa Group III (*) | 77 | - | 15,000 | 15,077 | 15,131 | |
| Eletrobrás - Light for All – 1st tranche | 64 | 1,511 | 4,350 | 5,925 | 6,776 | |
| Eletrobrás - Light for All – 1st tranche (RJ) | 2 | 13 | 39 | 54 | 62 | |
| Eletrobrás - Light for All – 2nd tranche | 293 | 2,733 | 18,719 | 21,745 | 23,990 | |
| Eletrobrás- Subtransmission | - | 164 | 1,239 | 1,403 | 269 | |
| Banco HSBC – BNDES pass-through | - | - | - | - | 1,673 | |
| Banco HSBC – BNDES pass-through I | 7 | 694 | 1,208 | 1,909 | 2,274 | |
| Banco HSBC – BNDES pass-through II | 4 | 233 | 593 | 830 | 928 | |
| Banco HSBC – BNDES pass-through III | 7 | 319 | 820 | 1,146 | 1,387 | |
| Banco ITAU BBA – BNDES pass-through I | 15 | 368 | 3,394 | 3,777 | 4,152 | |
| Banco ITAU BBA – BNDES pass-through II | 1 | 208 | 892 | 1,101 | 1,182 | |
| Banco ITAU BBA – BNDES pass-through III | 6 | 151 | 1,417 | 1,574 | 1,733 | |
| Banco ITAU BBA – BNDES pass-through IV | 1 | 6 | 2,478 | 2,485 | 622 | |
| Banco Itaú BBA – BNDES PER pass-through | 175 | 372 | 1,628 | 2,175 | 2,088 | |
| Banco Itaú BBA - FINAME | 37 | 949 | 4,172 | 5,158 | 3,507 | |
| Caixa Econômica Federal - FINAME | 46 | - | 4,306 | 4,352 | - | |
| Banco Bradesco – CCB | 5,084 | 12,501 | 37,499 | 55,084 | 51,208 | 1 |
| Banco ITAU BBA - BNDES FINEM | 43 | 1,230 | 14,470 | 15,743 | - | |
| **Total local currency** | **5,878** | **24,588** | **112,224** | **142,690** | **133,760** | |
| (-) Borrowing costs incurred | (11) | (100) | (294) | (405) | (357) | |
| **Foreign currency** | | | | | | |
| Citibank | 9 | - | 33,635 | 33,644 | 31,083 | |
| Bank of America Merrill Lynch | 695 | - | 58,305 | 59,000 | 53,744 | |
| Banco Itaú BBA | 47 | - | 60,918 | 60,965 | - | |
| **Total foreign currency** | **751** | **-** | **152,858** | **153,609** | **84,827** | |
| **Total ENERGISA MINAS GERAIS** | **6,618** | **24,488** | **264,788** | **295,894** | **218,230** | |

(*) To guarantee payment of the short-term portions, the Company maintains short-term investments of R$ 18,861 (R$ 20,139 as of December 31, 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 25 – financial instruments and risk management). All these covenants were being performed as of September 30, 2012.

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 September 30, 2012:

| Operation | Details of the Operation | | | Average Term months | Cost of the Debt | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Maturity | Amortization Frequency | Collateral | | Index | | Interest rate p.a. | TIR (Effective interest rate) | Ref |
| Credit Receivables Investment Fund - Energisa Group II | Nov-2012 | monthly | Receivables | 1 | CDI | + | 0.8% | 1.08% | |
| Credit Receivables Investment Fund - Energisa Group III | Dec-2020 | monthly, after Dec.2017 | Receivables | 81 | CDI | + | 0.7% | 0.83% | |
| Eletrobrás - Light for All – 1st tranche | Aug-2017 | monthly | Receivables | 28 | RGR | + | 5.0% | 5.0% | |
| Eletrobrás - Light for All – 1st tranche (RJ) | Aug-2017 | monthly | Receivables | 28 | RGR | + | 5.0% | 5.0% | |
| Eletrobrás - Light for All – 2nd tranche | Dec-2019 | monthly | Receivables | 44 | RGR | + | 5.0% | 5.0% | |
| Eletrobrás - subtransmission | Mar-2018 | monthly, after Mar.2013 | Receivables | 35 | RGR | + | 5.0% | 5.0% | |
| Banco HSBC – BNDES pass-through I | May-2016 | monthly | Endorsement of Energisa S.A. | 20 | TJLP | + | 4.3% | 4.3% | |
| Banco HSBC – BNDES pass-through II | May-2016 | monthly | Endorsement of Energisa S.A. | 22 | UMBND | + | 4.3% + floating interest | 4.3% | |
| Banco HSBC – BNDES pass-through III | May-2016 | monthly | Endorsement of Energisa S.A. | 22 | TJLP | + | 3.9% | 3.9% | |
| Banco ITAU BBA – BNDES pass-through I | Jan-2021 | monthly, after Jan.2012 | Endorsement of Energisa S.A. | 51 | TJLP | + | 4.75% | 4.75% | |
| Banco ITAU BBA – BNDES pass-through II | Jan-2021 | monthly, after Jan.2012 | Endorsement of Energisa S.A. | 47 | 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. | 52 | TJLP | + | 5.95% | 5.95% | |
| Banco ITAU BBA – BNDES pass-through IV | Jan-2021 | monthly, after Jan.2012 | Endorsement of Energisa S.A. | 56 | Fixed 5.5% | | | 5.5% | |
| Banco ITAU BBA – BNDES PER pass-through | Mar-2016 | monthly, after Mar.2013 | Endorsement of Energisa S.A. | 22 | Fixed 5.5% | | | 5.5% | |
| Banco Itaú BBA - FINAME | Until May-2021 | monthly | Endorsement of Energisa S.A. | 54 | 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 | 62 | Fixed | | 8.7% | 8.7% | |
| Banco Bradesco – CCB | Oct-2015 | rate | - | 17 | CDI | + | 1.25% | 1.25% | |
| Banco ITAU BBA – BNDES pass-through Finem | May-2015 | Monthly, after Mar.2014 | Endorsement of Energisa S.A. | 21 | TJLP + 2.25% to 4.15% | | | 2.25% to 4.15% | |
| Citibank | Sep-2014 | Final | Endorsement of Energisa S.A | 24 | Libor + 2.25% | | | 2.25% | |
| Bank of America Merrill Lynch | Sep-2014 | Final | Endorsement of Energisa S.A | 25 | Libor + 2.0% | | | 2.25% | |
| Banco Itaú BBA | Sep-2015 | Final | Endorsement of Energisa S.A | 36 | US dollar | + | 2.95 % | 2.95% | |

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

| | 9/30/2012 |
|---|---|
| 2013 | 16,362 |
| 2014 | 121,474 |
| 2015 | 85,390 |
| 2016 | 7,166 |
| 2017 | 6,220 |
| 2017 onwards | 28,176 |
| **Total** | **264,788** |

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

| Contracts | 2012 | 2013 | 2014 | 2014 onwards | 9/30/2012 |
|---|---|---|---|---|---|
| Credit Receivables Investment Fund - Energisa Group II (*) | 28 | - | - | - | **28** |
| Credit Receivables Investment Fund - Energisa Group III (*) | 11 | - | - | 177 | **188** |
| Banco ITAU BBA - BNDES FINEM | - | 88 | 71 | 30 | 189 |
| | **39** | **88** | **71** | **207** | **405** |

## 18. Debentures (nonconvertible)

Main features of the debentures:

| | 7th Issuance |
|---|---|
| Issue type | Public |
| Issue date | 12/15/2009 |
| Maturity date | 12/15/2014 |
| Guarantee | Ordinary |
| Yields | CDI + 1.9% p.a. |
| TIR (effective interest rate) | CDI + 1.96% 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 at 9/30/2012 (*) | 61,382 |
| Current | 1,676 |
| Noncurrent | 59,706 |
| Balances at 12/31/2011 (*) | 60,010 |
| Current | 319 |
| Noncurrent | 59,691 |

(*) R$ 325 (R$ 340 as of December 31, 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 covenants were being performed as of September 30, 2012.

The balances of debentures of R$ 59,706 is scheduled for maturity in 2014.

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

| | 7th Issuance |
|---|---|
| 2012 | 99 |
| 2013 | 113 |
| 2014 | 113 |
| | **325** |

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

| | 9/30/2012 | 12/31/2011 |
|---|---|---|
| ICMS | 19,702 | 20,215 |
| Social Charges | 655 | 587 |
| IRPJ | 3,040 | 3,578 |
| CSSL | 2,319 | 2,593 |
| PIS/COFINS | 4,717 | 5,233 |
| IRRF | 83 | 294 |
| Other | 701 | 560 |
| **Total** | **31,217** | **33,060** |
| Current | 26,220 | 29,508 |
| Noncurrent | 4,997 | 3,552 |

## 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. Payments of R$ 1,060 were made in the period and Selic interest of R$ 263 recorded.

As of September 30, 2012 the balance of the financing is R$ 3,541 (R$ 4,384 as of December 31, 2011) and the number of installments to be settled is 30.

As of September 30, 2012 the balance of the financed taxes in the statement is scheduled as follows:

| | 9/30/2012 | 12/31/2011 |
|---|---|---|
| 2012 | 837 | 1,404 |
| 2013 | 1,434 | 1,404 |
| 2014 | 1,270 | 1,404 |
| 2014 onwards | - | 172 |
| **Total** | **3,541** | **4,384** |
| Current | 1,434 | 1,315 |
| Noncurrent | 2,107 | 3,069 |

## 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 12/31/2011 | Provisions made | Reversal of provisions | Restatement | Closing balance 9/30/2012 |
|---|---|---|---|---|---|
| Labor claims | 2,764 | 1,733 | (1,747) | 119 | 2,869 |
| Civil | 2,887 | 686 | (895) | 98 | 2,776 |
| **Total** | **5,651** | **2,419** | **(2,642)** | **217** | **5,645** |
| Restricted and escrow deposits (*) | (566) | (107) | - | (26) | (699) |

(*) Energisa MG has restricted and escrow deposits in its noncurrent assets of R$ 1,231 (R$ 1,127 as of December 31, 2011). Provisions for risks have not been made for R$ 532 (R$ 561 as of December 31, 2011) as the chances of success are rated as possible or probable.

### Probable losses

- **Labor claims**

Based on the opinion of independent legal advisers, when applicable, in the 3rd quarter of 2012 the Company's legal advisers analyzed the labor claims in progress and accordingly made a provision of a further R$ 1,733 (R$ 1,276 as of December 31, 2011), and reversed a provision of R$ 1,747 (R$ 6,827 as of December 31, 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 the 3rd quarter of 2012 an additional provision was made of R$ 686 (R$ 774 as of December 31, 2011) and provisions reversed of R$ 895 (R$ 290 as of December 31, 2011).

### Potential losses

The Company is party to labor, civil and tax claims in progress amounting to R$ 49,534 (R$ 63,645 as of December 31, 2011), where the chance of success has been estimated by the legal advisors as possible, 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$ 1,492 (R$ 1,664 as of December 31, 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$ 27,514 (R$ 38,551 as of December 31, 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$ 20,528 (R$ 23,430 as of December 31, 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. Dividends

The corporate bylaws determine the payment of a mandatory dividend of 25% of the net income for the year, adjusted as stipulated by article 202 of Law 6404, dated 12/15/1976.

On February 14, 2012 the Board of Directors resolved to pay out additional dividends of R$ 5,704 (R$ 0.013 per share) on March 30, 2012.

On August 09, 2012 the Company's Board of Directors approved the payment of interim dividends from the net income for the first half of this year, amounting to R$ 13,152 (R$ 29.18 per common and preferred share), commencing August 17, 2012.

## 23. Operating revenue

| | 9/30/2012 | | | | 9/30/2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Not reviewed by the independent auditors | | 7/1/2012 to 9/30/2012 | 1/1/2012 to 9/30/2012 | Not reviewed by the independent auditors | | 7/1/2011 to 9/30/2011 | 1/1/2011 to 9/30/2011 |
| | No. of consumers | MWh | R$ | R$ | No. of consumers | MWh | R$ | R$ |
| Residential | 294,743 | 307,863 | 60,820 | 187,722 | 286,869 | 293,018 | 55,840 | 170,787 |
| Industrial | 3,692 | 142,255 | 21,746 | 64,878 | 3,684 | 154,997 | 24,237 | 70,721 |
| Commercial | 33,918 | 154,537 | 26,381 | 81,928 | 32,010 | 147,209 | 24,540 | 76,660 |
| Rural | 64,079 | 106,547 | 13,483 | 37,023 | 63,559 | 106,266 | 13,082 | 36,027 |
| Government: | | | | | | | | |
| Federal | 62 | 352 | 62 | 188 | 60 | 328 | 59 | 172 |
| State | 551 | 7,443 | 1,341 | 3,992 | 523 | 6,931 | 1,230 | 3,636 |
| Municipal | 3,313 | 15,678 | 2,819 | 8,394 | 3,244 | 14,602 | 2,586 | 7,646 |
| Public Lighting | 255 | 52,549 | 5,588 | 16,165 | 260 | 51,143 | 5,241 | 15,345 |
| Public Utility | 549 | 27,997 | 3,780 | 10,913 | 539 | 26,597 | 3,457 | 10,152 |
| Internal Use | 93 | 2,197 | - | - | 91 | 2,229 | - | - |
| Subtotal | **401,255** | **817,418** | **136,020** | **411,203** | **390,839** | **803,320** | **130,272** | **391,146** |
| Revenue from Remuneration of Concession Assets | - | - | 3,421 | 10,110 | - | - | 2,779 | 7,465 |
| Supply | - | 25,792 | 1,129 | 1,497 | - | 34,719 | 333 | 779 |
| Sales not invoiced (net) | - | (1,561) | (268) | (3,444) | - | (2,008) | (396) | (677) |
| Provision of the transmission and distribution system | - | - | 11,237 | 30,959 | - | - | 11,728 | 32,671 |
| Energy sales to free consumers | 26 | - | - | - | 17 | - | - | - |
| Construction Revenue | - | - | 10,986 | 28,814 | - | - | 9,426 | 33,398 |
| Other operating revenue | - | - | 1,320 | 3,639 | - | - | 677 | 3,915 |
| **Total - gross operating revenue** | **401,281** | **841,649** | **163,845** | **482,778** | **390,856** | **836,031** | **154,819** | **468,697** |
| Deductions from operating revenue | | | | | | | | |
| ICMS | - | - | 29,297 | 88,470 | - | - | 28,729 | 85,878 |
| PIS | - | - | 2,475 | 7,475 | - | - | 2,408 | 7,150 |
| COFINS | - | - | 11,403 | 34,432 | - | - | 11,091 | 33,203 |
| ISS | - | - | 19 | 58 | - | - | 13 | 64 |
| Quota for RGR | - | - | 617 | 3,005 | - | - | 767 | 2,187 |
| Energy Efficiency Program - PEE | - | - | 491 | 1,438 | - | - | 472 | 1,392 |
| Energy development account - CDE | - | - | 3,883 | 11,647 | - | - | 3,542 | 10,624 |
| Energy Development Account - CCC | - | - | 2,503 | 12,337 | - | - | 4,652 | 13,252 |
| Research and Development Program – P&D | - | - | 786 | 2,301 | - | - | 755 | 2,227 |
| Excess Demand Revenue and Surplus Reactive Energy | - | - | 655 | 655 | - | - | - | - |
| Total | - | - | 52,129 | 161,818 | - | - | 52,429 | 155,977 |
| **Total - net operating revenue** | **401,281** | **841,649** | **111,716** | **320,960** | **390,856** | **836,031** | **102,390** | **312,720** |

## 24. Insurance coverage

The Company has the policy of taking out insurance coverage for the assets subject to risk at amounts considered sufficient 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 quarterly information review, and were not therefore reviewed 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:

| Lines | Maturity Date | Insurance Coverage | Annual Premium 9/30/2012 and 12/31/2011 |
|---|---|---|---|
| Nominated Risks | 11/9/2012 | 33,580 | 215 |
| General Civil Liability | 11/9/2012 | 33,953 | 116 |
| Automobiles – Third-party material and personal damages. | 10/23/2013 | up to R$ 200 / vehicle | 59 |
| Collective life insurance – Personal Death and Accidents | 12/31/2012 | 35,565 | 146 |
| | | | **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 GERIP 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.

## 25. Financial instruments and risk management

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

| | 9/30/2012 | | 12/31/2011 | |
|---|---|---|---|---|
| **ASSETS** | **Book** | **Fair value** | **Book** | **Fair value** |
| Cash and cash equivalents | 97,059 | 97,059 | 29,082 | 29,082 |
| Money market and secured funds | 41,928 | 41,928 | 54,369 | 54,369 |
| Consumers and concessionaires | 82,010 | 82,010 | 85,286 | 85,286 |
| Credit receivables and other | 2,260 | 2,260 | 4,850 | 4,850 |
| Accounts receivable from the concession | 159,712 | 159,712 | 136,442 | 136,442 |
| **LIABILITIES** | | | | |
| Suppliers payable | (36,215) | (36,215) | (32,929) | (32,929) |
| Loans, financing, debt charges and debentures | (357,276) | (368,683) | (278,240) | (276,240) |

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 September 30, 2012 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 Banco Santander, Citibank and 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 | 35,504 | - | - | - | 711 | 36,215 |
| Loans, financing, debt charges and debentures | 34,750 | 15,268 | 282,011 | 50,494 | 35,363 | 417,886 |

**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 of renowned solidity and risk is assessed 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:

| | 9/30/2012 | 12/31/2011 |
|---|---|---|
| Cash and cash equivalents | 97,059 | 29,082 |
| Money market and secured funds | 41,928 | 54,369 |
| Consumers and concessionaires | 82,010 | 85,286 |
| Credit receivables and other | 2,260 | 4,850 |
| Accounts receivable from the concession | 159,712 | 136,442 |

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 other 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 8.25% in the period ended September 30, 2012 as compared to December 31, 2011, quoted at R$ 2.0306 / USD.

R$ 153,609 (R$ 84,827 as of December 31, 2011) of Energisa MG's bank debt as of September 30, 2012 totaling R$ 358,006 (R$ 278,937 as of December 31, 2011) is denominated in US dollars deriving from the Citibank loan with a balance of USD 16.6 million at the end of the period (principal of USD 16.5 million), USD 28.7 million deriving from the loan from Bank of America Merrill Lynch (principal of USD 28.6 million) and USD 30 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 September 30, 2012 presents R$ 12,585 in the noncurrent assets (R$ 3,243 as of December 31, 2011) and R$ 1,431 as of December 31, 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 16.5 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 for 10/1/2012 to 9/30/2014 and the value of the principal at the latter date.

2. Hedge for the principal equal to USD 28.5 million plus interest on the loan from Bank of America Merryl 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 for 10/26/2012 to 10/27/2014 and the value of the principal at the latter date.

3. Hedge for the principal equal to USD 30 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 for 3/21/2013 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$ 5,083 (loss of R$ 4 as of September 30, 2011), due to the 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 September 30, 2012 are summarized as follows:

| | Reference Value | | Description | Fair Value | | Accumulated effect | |
|---|---|---|---|---|---|---|---|
| | 9/30/2012 | 12/31/2011 | | 9/30/2012 | 12/31/2011 | Receivable/ (Received) | Payable / (paid) |
| Swap with options – Citibank and Merrill Lynch | Notional (BRL) | | Receivable Position | 94,282 | 85,150 | - | - |
| | | | LIBOR Interest Rate | | | | |
| | | | Liability Position | (83,331) | (82,346) | - | - |
| | 80,055 | 80,055 | CDI Interest Rate | | | | |
| | | | Foreign Currency Options (USD) | (248) | (1,239) | - | - |
| | | | Total Swap Position with Options | 10,703 | 1,565 | - | 2,859 |
| Swap with options – Itaú BBA | Notional (BRL) | | Receivable Position | | | - | - |
| | | | CDI Interest Rate | 52,545 | 52,196 | | |
| | | | Liability Position | | | - | - |
| | 50,001 | 50,001 | CDI Interest Rate | (50,847) | (49,716) | | |
| | | | Foreign Currency Options (USD) | (501) | (2,233) | - | - |
| | | | Total Swap Position with Options | 1,197 | 247 | 468 | - |
| Swap with Options- Itaú BBA(2) | Notional (BRL) | | Receivable Position | | | - | - |
| | | | Fixed Interest Rate | 63,842 | - | | |
| | | | Liability Position | | | - | - |
| | 60,678 | - | CDI Interest Rate | (60,967) | - | | |
| | | | Foreign Currency Options (USD) | (2,190) | - | - | - |
| | | | Total Swap Position with Options | 685 | - | - | - |

The Fair Value of the derivatives as of September 30, 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 the 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 September 30, 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 | - | | 12,292 | (8,204) | (28,701) |
| Receivable Position - LIBOR | 94,282 | Higher f/x rate | 81,989 | 102,486 | 122,983 |
| Payable Position - CDI Interest Rate | (83,331) | | (81,632) | (81,632) | (81,632) |
| Foreign Currency Options - USD | (248) | | - | - | (1,818) |
| **Subtotal** | **10,703** | | **357** | **20,854** | **39,533** |
| **Net** | **10,703** | | **12,649** | **12,649** | **10,832** |
| Financial instruments – Loan | - | | 11,098 | (2,087) | (15,273) |
| Receivable position - Fixed Interest Rate | 63,842 | Higher f/x rate | 52,744 | 65,930 | 79,116 |
| Payable Position - CDI Interest Rate | (60,967) | | (60,967) | (60,967) | (60,967) |
| Foreign Currency Options - USD | (2,190) | | - | - | (2,875) |
| **Subtotal** | **685** | | (8,223) | 4,963 | 15,274 |
| **Net** | **685** | | **2,875** | **2,876** | **1** |
| **Total** | **11,388** | | **15,524** | **15,525** | **10,833** |

(*) Considers the macroeconomic scenario presented by the Focus Survey as of September 30, 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 September 30, 2012, the derivatives are fully effective, which is reflected in the positive present value of R$ 15,524, 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$ 15,525 and R$ 10,833 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 September 30, 2012 is maintained and the respective accumulated annual indexes are (CDI 7.28% p.a. and LTIR 6% 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 | 135,254 | Increase in CDI | 2,481 | 2,648 | 3,157 |
| Payable financial instruments: | | | | | |
| | (135,020) | Increase in CDI | (2,897) | (3,479) | (4,053) |
| Loans and financing | (26,078) | Increase in LTIR | (638) | (732) | (825) |
| | (153,609) | Higher f/x rate | (934) | (1,167) | (1,401) |
| Subtotal (**) | (314,707) | | (4,469) | (5,378) | (6,279) |
| **Total** | **(179,453)** | | **(1,988)** | **(2,730)** | **(3,122)** |

(*) Considers the CDI at December 31, 2012 (7.28% p.a.), quote of the estimates presented by the recent BACEN survey, dated September 30, 2012 and TJLP of 6% p.a.

(**) Does not include dollar transactions worth R$ 153,609

### Fair value hierarchy

The table below presents financial instruments recorded at fair value using 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 | 9/30/2012 | 12/31/2011 |
|---|---|---|---|
| **Assets** | | | |
| Money market and secured funds | 2 | 41,928 | 54,369 |
| Derivative financial instruments | 2 | 12,585 | 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.

## 26. Employee benefits

### a) 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 other information regarding the retirement and pension supplementation plans has not changed in relation to that disclosed in Note 33 to the Annual Financial Statements for the financial year ended December 31, 2011 (hereinafter referred to as "Financial Statements as of December 31, 2011"), published in the official press on March 12, 2012.

In the period ended September 30, 2012 the expense incurred on sponsoring these plans stood at R$ 212 (R$ 171 as of September 30, 2011).

### b) 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.

In the period ended September 30, 2012 the expense incurred on sponsoring these plans stood at R$ 164 (R$ 207 as of September 30, 2011).

### 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.

In the period ended September 30, 2012 the expense incurred on sponsoring these plans stood at R$ 473 (R$ 357 as of September 30, 2011).

## 27. Commitments

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

| | Energy purchase contract - R$ thousand | | | |
|---|---|---|---|---|
| Term | 2012 | 2013 | 2014 | 2014 onwards |
| 2012 to 2045 | 166,604 | 174,629 | 181,556 | 2,134,131 |

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 September 2012, which have been ratified by ANEEL.

## 28. 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.

In September 2012 the Federal Government issued Provisional Law 579 and Decree 7805 which reduce electricity charges and create the rules for the early renewal of public electricity service concessions expiring between 2015 and 2017.

In accordance with the aforesaid legal provisions, on October 15, 2012 the Company applied to ANEEL for the renewal of its concessions for a further 30 years, from January 2013. The extension terms will only be known when the concession authority discloses the draft amendment to the public concession agreements.

Management believes that the reductions in sector charges payable on electricity will not directly impact the Company's earnings, whose concession will be renewed from January 2013, as the revenue drop will be offset by lower charges and taxes.

*Please do not hesitate to contact us should you require any further information:*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