Q4 2001 Earnings Call

Company Participants

- Gustavo Gatas
- Liliana Yang
- Victor Galiano

Other Participants

- Luis Rolla, Investor Relations Manager

Presentation

Operator

Welcome, ladies and gentlemen. to the CEMIG Fourth Quarter results conference call. At this time, I would like to inform you that this conference is being recorded for rebroadcast and that all participants are on a listen-only mode.

At the request of the company, we will open the conference up for questions and answers, after the presentation.

I will not turn the conference over to Investor Relations Manager, Mr. Luis Fernando Rolla [ph].

Please go ahead, sir.

Luis Rolla

Thank you, Anna [ph]. Good morning, everybody.

It's a pleasure for me to hold this conference call for our year-end result. On behalf of our CEO Djalma and our CFO Cristiano de Barros, I would like to thank you for attending to this conference call.

Actually, before my presentation, there are two ways you could take. One is, to visit our website and download the presentation. This (inaudible) I will comment are there. The second way is to, at the website to click on the link was there that webcast. From the webcast you can follow both the -- both lights [ph] and the overview, as well.

So, considering that we are (inaudible) is that the following of the presentation will be a little bit more comfortable. Before I starting, I would like to comment, that the financial statements time will be rather complex to understand. So my presentation will take longer than usual to complete.

Of course most of you have been following the recent developments -- developments in the industry. In Brazil, for sure (inaudible) with general agreement which with the federal government at the end of the last year and also the change in the regulatory structure proposed by the same federal government.

So, I'll assume that most of you are familiar with the terms such as CDA [ph] and regulatory assets that make up the wording of the general agreement, the industry general agreement. For sure, the doubts you may have during the presentation can be clarified during the Q&A section -- sessions.

Of course, I will do my best during the presentation to explain. But for sure any doubts will come anyway. The idea is to spend twenty minutes explaining the results we have (inaudible) to go over. And at the end as I said, we have an opportunity to clarify specific actions and then I believe most of you will be comfortable with the figures we -- we are going to present.

Of course, the two major issues, are the general agreement with (inaudible) government. And the rating accepting [ph] the rate accepting [ph] process which of course, represents a very important part of the (inaudible) we bought last year.

Let's start for this line [ph] number two. You will see that the net income at the end of the year that is the for the full year was 478 million reals.

Of course, what a difference from that we bought at the end of the Third Quarter one is showed [ph] a loss of 495 [ph] million reals. These net income represent a 15% growth compared to the 2000 net income. In terms of (inaudible) per share, we got three (inaudible) and one (inaudible) per thousand shares.

Also, 15% higher for EPS, 2000 EPS. The return on equity was roughly seven % for the whole year. Of course it's not that level we would like to show. But represents a very good return, compared with the Third Quarter return on equity.

EBITDA return was 1.5 billion reals, much better than the Third Quarter and 20% higher than 2000 EBITDA.

Of course, the usage of this cash flow will be to repay debt, by the way the total debt amount to 2.5 billion reals. In this (inaudible) that includes the recent local transactions that we placed in Brazil up from 625 million reals. In this follow [ph] we -- we have (inaudible) will be disclosing a few more details on that.

What we pay in terms of interest charged was 221 million reals. So, you can see we have enough cash flow to repay our debt and pay dividends in our (inaudible) capital expenditures as well.

Next slide, the number three, this slide number three. Sorry. But slide number three, that is a few others aspects we would like to comment with you. It's most institutional offers. The listing [ph] we did last year, which was a very important (inaudible), in the New York Stock Exchange. And (inaudible) our corporate governments never won.

All those listings were up from the (inaudible) force us to appreciate the stock price over the last -- past six months and you see in these two graphs that our shares were appreciated in this company [ph] during this year. Our shareholding has not changed at all. We do have the state due in out of the majority of shareholders [ph] I think 51 [ph] % of the voting share.

What has changes is the ownership of the preferred [ph] shares in which we saw an advancement I think, of international [ph] investors, today sharing half % of the preferred shares with the local investors.

Next slide, we have from the aspect that I mentioned at the beginning, which we consider from the (inaudible) to understand our financial statements.

First of all, it was, we have the industry general agreement which cover the revenue losses we incurred due to the rationing, non-controllable cause [ph] recovery as well, you know that according to the (inaudible) attitude in the past, those expense in excess of that agreed [ph] in the regular and (inaudible).

We are not recognized as an expense. And so (inaudible) are for those excess. But right now from this general agreement that purchase also was (inaudible). The purchase of energy from IPP [ph] during the rationing also was on the issue dealt in this agreement. And, we have also other regulatory costs that at this time we are including in the remarks [ph] in the (inaudible) as well.

So altogether we -- we have covered most of the claims that most of the (inaudible) had with the are now in relate -- related to -- to the rationing. The industry (inaudible) actually is a very structuring of the current regulatory structure.

We -- we have implement, the federal government has proposed around a 33 measures [ph] in order to regulatorize [ph] the industry. Of course we in the past, especially last year, we faced a lot of difficulties in respect of the energy transaction accounting and several other aspects, that brought a lot of difficulties to -- to disclose what we have done, in terms of the energy trading.

Of course, other aspects also we are change, such as the way we are going to operate the (inaudible) the institutes to (inaudible) new (inaudible) many aspects of work [ph] will change by the volume [ph] (inaudible) now we are understanding.

The extension [ph] also was very strategic process, since we -- we have around 625 million reals in new purchases. Of course, those projects I have (inaudible) in closing those investments and spending the (inaudible) of those three (inaudible) those generations of energy [ph] distribution.

New consumers, 270,000 new consumers we connect, these have helped us reduce the fact of the rationing, which reduces (inaudible) the volume of the (inaudible) sold to those consumers as well.

In 2002, in 2001, we put online a new power plant both (inaudible) and 12 megawatts. This power plant was built in partnership with two other partners (inaudible) 33% of the total investment. (inaudible) power plant as well, was a reason not for (inaudible) because we -- we -- we achieved to find a funding solution for this project.

We know the return of this project were, was very low, not compatible with the guidelines issued by our board of directors. In respect of our project, the return should be higher than 15% and the cost, investment costs of this project was higher -- high. So the return should be more than that.

We succeed in negotiating this with state [ph], a certain amount to be that after deal [ph] of cost for the project. Though we saw zero % cost for -- for the project. We saw the project [ph] becomes a profit both for (inaudible) and shareholders. So that we -- we are about starting -- starting this project in these new structure.

In the next slide, I have a balance on the recovery we got through the industry agreement. You can see, we -- we have incurred some costs which are very significant, as well in which it fans [ph] out the budget of energy from IPP [ph] during the rationing amounted to roughly 550 million reals. And also the new item which we are not including the past which is a (inaudible) system surcharge.

All together, we have to pay according to this agreement 643 million of additional expenses. Of course, 100% of those expense were record in our balance sheet as we are going to explain later on.

The amount to be reimbursed, the amounts to 1.4 billion reals. Of course the majority of the recovering comes from the lower volume, the lower revenue we got due to the rationing amounting 657 million.

The other two of course, we will reimburse for next (inaudible) or next expense we can get when we bought (inaudible) from the independent power producer. So that -- that spending balance available to CEMIG is around 638 million before -- before tax. Of course we have to pay a bit more tax, if we include that we should reduce these outstanding balances by 200 million, roughly.

Sorry, I have to go back a little bit.

Last year we got a very difficult time since we got deregulation of the (inaudible) of 18%. You know that we have -- we have at that time two (inaudible) to the (inaudible) which is our (inaudible) on the debt in our, the energy we buy -- we purchase from (inaudible) which is lower than (inaudible), as well.

At JPM [ph] we reduce our controllable costs amount to 10%. Compared to 2000, of course this inflation was a little bit higher. But in general, what we brought, you are going to see reflecting in our balance sheet.

The structure that we have today just to show what we -- we have right now, we have a (inaudible), which is to be integrated facility and apart from this we have (inaudible) in which we have 95% interest.

We have a (inaudible) telecommunication arm, the partnership with NAF [ph], in which we hold 48%, 49%. Ipatina [ph] is a special purpose company to (inaudible) to be bought at the end of 2000 from Jiminez [ph].

Sacrapado [ph] is a hydropower plant we bought from La Cicita [ph] also in 2000, in which we hold 100% of 78 megawatts capacity. There are others which future special (inaudible) that we -- we are going to set up very soon.

In the next slide, you have our consolidate results. Pick up (inaudible). These consolidate (inaudible) -- let's go back a little bit.

These consolidates as you can see, the contribution of those other business percentage results. That meaning today is a (inaudible) company is not a baby company. (inaudible) that needed today have a net operating revenue around 100 -- 111 million reals, with a net income of 50 million reals, a very nice return on this business.

Is very complementary to our core business which is generation (inaudible) distribution of that electricity as well. The other two companies (inaudible) are also show a very nice return.

Our (inaudible) established by our board of directors. (inaudible) is a special case because its (inaudible) a big company (inaudible), the company to be profitable, since most of the revenues will be -- will start coming in.

So, we expect to at the end of this year showing for this, also contributing to our own net income.

Next slide is slide number nine and you have our balance sheet. In this balance sheet you can see clearly the impact of the new, (inaudible) gross. It is published by (inaudible).

Of course, the recovery so far, is only in terms of accruals. We -- we have not got any -- got any cash from the recovery. (inaudible) in Brazil through (inaudible).

In our case, we are discussing with Secretary of National Treasury, how we can get ground up the restrictions we are subjected to, as a state-owned company.

But, another aspect that also has effect on our balance sheet is what the corporation has produced our (inaudible) fund and (inaudible) liability according to the -- the World 371 [ph] of the CBM [ph]. This was reflect on mostly our equity, net worth. They are the same.

Going forward, the slide number 10, you see a summary of our financial tiers. You see the growth of the net operating revenues around 30% already proving extraordinary revenue we got from the agreement.

Financially, (inaudible) operating expense reflecting those costs incurred during the rationing. So that EBITDA has a very nice growth, 19%, reaching 1.4%.

A very nice achievement this year, showing that we have enough cash flow for our major expenditure. Net income (inaudible) also were very significant, 100% and 20 and 123% over 2000 (inaudible) losses this has reduced a lot, the net income this year.

A few of these, in fact, we should show a much better net than we actually right now, 478 million reals as a net income.

Operating budget was a largely recovered compared to the Third Quarter, it hit 19%. EBITDA margin is around 30%. But, they are very far from that we be in that. Of course, our plan is to reach operating margin around 20% to 30%. And EBITDA margin around 43%.

(inaudible) by seven %, as a result of the rationing. We showed 35,000 (inaudible) towers [ph] last year. Next slide shows the quarterly net income we got over the last two years. You see that in the First Quarter was a very nice quarter.

We saw a net income of 673 million reals Of course, the result the application of the -- the industry agreement (inaudible) established by the owner [ph]. Of course, these (inaudible) are an exceptional one. For sure, the next one will be very different because, as I said, we have accrued 100% of the revenues we got through (inaudible) we got last year.

The next slide shows the quarterly EBITDA growth, which is also very (inaudible) quarterly EBITDA. Will come, you can see the quarterly EBITDA had a growth of (inaudible) in the Fourth Quarter. The annual EBITDA has been also very strong and as I mention before 1.4 billion reals. , 19% over -- over 2000.

Moving on to the next slide. We are going to see the state of income by quarter compared to the 2000 results. 2000 results, they were very positive. Also, (inaudible) the recovery in 2001 when (inaudible) to having a result 19, or 15% higher.

You see that net revenue were significantly higher at 30%, compared to last year, especially in the First Quarter, when we got the bulk [ph] of the agreement. Okay? The next slide, the slide number 14, we have a breakdown of the revenues. Of course, you see retained revenues were higher than 2000 retained revenues, 1.4% higher, even considering the reduced volume of the (inaudible) we got in 2001. The reason for this growth was those (inaudible) we got in April 2001.

In the second line, you can see the extraordinary -- you can see the extraordinary revenues we got, reflecting that we will not (inaudible) industry. The other revenues, we are not, have not changed significantly.

In fact, that for the wholesale which has very significantly in the quarter compared to the Fourth Quarter of 2000. But, that's because -- because we have to account, when a (inaudible) transaction has to (inaudible). The next one, the next slide, a slide number 15, we have a breakdown of operating expense in two items. According to our formula the (inaudible) contract. The controllable cost, those such as labor, or (inaudible) expense, has increased by 13%, compared to the non-controllable costs, those such as (inaudible) kind, (inaudible) contribution. And a few others.

Increased by far faster than the controllable ones, 48%. So that the total change in the operating expense was driven by the non-controllable costs increase.

The next slide you can see the breakdown of these operating expense in a different way, showing those expense by item. You see energy purchase have changed significantly reflecting the energy purchase from IBP [ph] as well.

But in this slide, we have a very good news. We can say that in spite we have a certain operating expense increase. But those controllable by the -- by the company we reduced significantly. You can see labor expense in the First Quarter compared to the Fourth Quarter 2000 was reduced from 150 million reals to 122 million reals.

This was a result of the voluntary [ph] initial improvement [ph] we launched last year which reduced around 500 employees. This half point reduction has resulted in a lower labor expense.

The depreciation is pretty much in line with the investments we have done, has changed marginally only. (inaudible) also reflects -- reflects the -- the industry agreement to date.

We are going to report record success of their project for the whole year in the CBA [ph] account. The CBA [ph] account was a special account established by the (inaudible) to -- to report all those costs which have varied different from -- different from that our estimate for the whole year. This is a very complex issue as well.

It is not so easy to explain in such -- in such short time. But, it was, we can go back to initial [ph] during the Q&A session. (inaudible), show a reduction in the fourth [ph] quarter is very significant because we have an increase significantly the service over the last few months.

And, in spite of this increase in outsource service, we have this expense being reduced. That means that the other service expense were reduced in the faster pace. (inaudible) plus retirement expense were have increasing the company in line within the corporation of the outstanding liability according to the CEN Rule 371.

The other expense also went up significantly because in these items we have include the seal [ph] purchase. Seal [ph] purchase stands for almost 45% of this total. If we strike out the item, the remaining expense was reduced also significantly.

Just to mention, the reduction was by 20%. Moving on, you have the financial results. The financial results what stands out is exactly the fax [ph] lot, as I said, 100% higher, more than 100% higher than 2000. These fax [ph] lots also has increased our debt [ph] to stock.

Moving on, in the next slide 18, you have the total debt we have outstanding 2.5 billion highs [ph], of each 64% is foreign currency denominated debt and 46% is local currency denominated debt. The next slide you have the maturity of this debt.

You see that in the next five years we have maturing most of our foreign currency denominated debt and 2005 and 2006 reflects already the local bonds we placed last year. Of course, the plan is to take advantage of the rollover of the foreign currency denominated debt to finance some special acquisitions we may have during over the year.

Moving on, the slide number 20 here, here we have the note-rating results, in which it's done out the write-off and the disposal of assets lot that we incurred in 2001. Those results are, of course, asked about the adjustment we made in certain facilities here and post by Danielle [ph].

Moving on, we have the energy balance of the company in which you see all our energy loss are around 7.6% extending out, which is a very important achievement. Those losses are under control and getting lower every year. This year, you can see, now our own fireplant [ph] output the impact of the lower, or rather, the lowest level.

All our own plants' output was around 40% lower than 2000. So that as a consequence, we bought more electricity in the market. Energy -- short term energy we bought from ITPs, which around 11,000 gigawatt hours.

On the other hand, we sold electricity to the market. Of course, as I mentioned before, (inaudible) marked 7% lower. But we did have some halts [ph] in the wholesale, in which we sold electricity to distributors in general, which is 7.6 thousand gigawatt hours.

Moving on, you have a breakdown of the sales. Sixty-one % was done to the investor client, 19% to residentials. In terms of revenue, 37% came from the residential consumers and 38% from investor consumer.

If you see the quarterly growth rate compared to the 2000, you'll see in the First Quarter we were growing at seven %, in the Second Quarter three %. From the Third Quarter one we have reflect the rationing so that in the Third Quarter, we got a reduction of 19% in sales volume and 18% in the Fourth Quarter.

Altogether for the whole year, we got a reduction of seven % in volume. Next, you see some productivity gains. We have in 2000 you see in the top of the graph showing the reduction of head counts. At the end of the First Quarter in 2001 we have 11,288 employees working for us in May.

In parallel, we connect, as I've mentioned before, 270,000 new consumers. So that today we serve more than 5.4 million consumers. Of course, other rations were harmed by lower volume due to the rations so that in some ratios we get, we got some improvement, in other not so good improvements.

And actually, operating costs from Etwa [ph] Power have been dropped significantly because of the Russian incurred extraordinary costs.

The next we are going to talk a little bit on prospects. In the slide 24, you have a projection for electricity consumption growth. In 2002, we project 2.1%, 2003 8.4%. Of course, the recovery from rationing will be slow, slower than we thought before because we have some permanent savings done by the consumers and that will be rather difficult to reverse.

But, anyway, from 2004 on, we are going to grow pretty much in line with the GDP grow in Brazil, which is we estimate being around 3.5%. Next, you can see the effect of the rationing on the energy sales. As I said, we had a permanent savings done by the consumers.

This gap off six % will be filled only if we have extra GDP grow in the future so that the low consumption, consumers could increase their consumption so that we have a higher sales volume. Next, you have all our compex [ph] in the slide 26.

This compex [ph] show what we have done in 2001 635 million high and what we have project for 2002 on. In 2002, we have a slight increase in compex [ph] because this time we have include the investment in for (inaudible), in which in one billion in eighteen million high [ph] to be invest in 2002.

Of course, the funding of these compex [ph] (inaudible) assured we have enough cash flow for to these capital expenditure. Next, you have the list of the par [ph] project we have under construction, or about starting construction.

Most of them are very well known from you. We have just to mention (inaudible) 450 megawatts powerplant -- hydropowerplant that will be built in partnership with five other different partners.

We have also meet up there about starting construction from you already under construction. Hi Morere [ph] is under construction as well. And we have a third, which is Josaminas [ph] too, which is thermopower plant that we are right now negotiating with the departments with Josaminas [ph] the start of the construction.

Well, I'll finish my presentation.

I'm sorry for rushing so much and I believe from now on we could take some questions.

So, Anna [ph], if you currently could conduct this Q&A session, I would appreciate it.

Thank you, very much.

Questions And Answers

Operator

Thank you, sir. The question and answer session will begin at this time.

If you're using a speaker phone, please pick up the handset before pressing any numbers. Should you have a question, please press one followed by four on your push-button telephone.

If you wish to withdraw your question, please press one followed by three. (inaudible) question will be taken in the order that it is received. Please standby for your first question.

First question comes from Gustavo Gatas [ph].

Please state your affiliation followed by your question.

A - Gustavo Gatas

This is Gustavo Gatas [ph] from UBS Warburg [ph]. Hi, Luis [ph], how are you?

Q - Luis Rolla

Doing well. How about yourself?

A - Gustavo Gatas

Very well, very well. We've actually have three quick questions for you. The first one is actually on energy demand.

I was wondering if you already have any kind of view on how demand is behaving in March after rationing ended.

Q - Luis Rolla

Okay, well, you want me to answer this right away?

A - Gustavo Gatas

Probably it'll be quickest.

Q - Luis Rolla

Okay. In March, we have seen a quick recovery than the two previous years -- two previous months. We believe if this pace is sustainable in the next coming months, for sure those 2.1% will be overcome.

But, it's too early to say that the consumption growth will be higher than those 2.1%. But from what we saw in March, we are very optimist. Okay?

A - Gustavo Gatas

Oh, no strong numbers for us to use. Do you have any?

Q - Luis Rolla

No, I do not have any figures yet. But I would say they are much better than we have planned. Okay?

On the ESS (inaudible), you booked it as if you really are going to receive all full compensation for it in your tariffs when the tariff increase comes. Now, are you absolutely sure that the 2001 number is going to be covered by tariffs or not -- the 91 million reals?

Yes, sure. On that, that also made part of the industry agreement. It's a matter of only having the funds coming to afford this expense. We are going to pay those electrosystem [ph] and charge, perhaps in June, as soon as we get those funds on this one. Okay?

A - Gustavo Gatas

The last one, a quick one. Can you disclose how much Way TV [ph] cost Info Vias [ph]?

Q - Luis Rolla

Way TV [ph]? Way TV [ph] is a investment of 35 million reals roughly, afford both by (inaudible).

A - Gustavo Gatas

Good then. Thank you.

Q - Luis Rolla

My, pleasure, Gustavo [ph]. Thank you, very much for your questions.

Operator

Next question comes from Victor Galiano [ph].

Please state your affiliation followed by your question.

A - Victor Galiano

Yes, hi, BBVA [ph]. Luis Fernando [ph], one main question on the compensation.

You talked about payments to the IPPs of 550 million reals. And yet the figure here in the presentation is 372. Can you just clarify for me what that 550 relates to? I didn't hear very clearly when you were speaking.

And, if the overall net balance to you, you mentioned earlier was 600 -- around 638. Is that correct rather than the 700 you put there?

Q - Luis Rolla

Actually, if you go back to the slide number five, you'll see in the first item, incurred costs. You have two amounts for energy purchase from IVP [ph], Okay? The first line is 178 million reals ...

A - Victor Galiano

Sorry, I got you.

Q - Luis Rolla

and the second line is 372.

A - Victor Galiano

Yes, I got you.

Q - Luis Rolla

The sum of these two parcels are ...

A - Victor Galiano

I got you, sorry.

Q - Luis Rolla

Matter of fact, 150. Okay?

A - Victor Galiano

Okay, yes. So, I mean, the balance is 738 that you mentioned there in favor of CEMIG?

Q - Luis Rolla

Yes, before tax.

A - Victor Galiano

Okay. And just one quick follow-up. I mean, what is your confidence level with respect to reaching a solution on the BMBS [ph] loan? Do you think something will be able to be concluded on this in the near term?

Q - Luis Rolla

Our case will be different from that of the private company, ...

A - Victor Galiano

Sure.

Q - Luis Rolla

because as you know we have very heavy restrictions on borrowing from BMBS [ph]. What we are doing right now is the negotiating, is to negotiate with the Secretary of the National Treasury a way to get around those restrictions. Okay?

It could happen that we are going to receive the funds through CRC [ph], the STN, the National Treasurer Secretary will allow us -- will buy all our credits with we have with the state so that with the funds we are going to get, we can repay -- we can pay those expense that we incur. And you saw in slide number five.

But, we are very early in the discussions right now and it will take a little bit longer to find -- to come to a final decision. But, it seems that it is the way we are going to get the funds. Different from the private company, which are getting via their sparrings [ph], Okay?

A - Victor Galiano

Okay, thanks.

Operator

Ladies and gentlemen. once again, if you do have a question, please press one followed by four on your push-button telephone at this time.

The next question comes from Liliana Yang [ph]. Please state your affiliation followed by your question.

A - Liliana Yang

Liliana, Bascot [ph]. Hi, Luis Fernando [ph].

Q - Luis Rolla

Hi, Liliana [ph], how are you?

A - Liliana Yang

I wonder if you can tell me immediate plans to withhold the amends to be paid to the menagerie [ph] state?

Q - Luis Rolla

Would you repeat, please, your question?

A - Liliana Yang

I wonder if CEMIG plans to withhold (inaudible) that were announced based on First Quarter results, bonds to be paid the menagerie [ph] state government?

Q - Luis Rolla

That is the idea. Of course, the state has a lot to pay CEMIG. The idea was to withhold the dealings we should pay to them. Okay?

A - Liliana Yang

Yes. But it's not yet set then, right?

Q - Luis Rolla

Actually, I would say almost 100% certain, Okay? Because, as I mentioned, the state has to invest in the Eda Pau Pau [ph] project. So this year we're looking at new required investment from the state around 20 -- 25 million reals.

So, we have to retain that amount from the dividends we are going to pay to the state. The main dividends for sure were waiting for the CRC final solution as well. If that transaction with the federal government goes well, for sure we can pay the state 100% of the remaining dividends.

If not, we are going to retain those dividends. Okay?

A - Liliana Yang

Thank you. And another question, it's regarding the wholesale market transaction?

Did you account for the spot market revenue and sales as of the numbers released by March 21st or the ones released by March 13th?

Q - Luis Rolla

Liliana [ph] now what we have record here were the figures disclosed on March 13th. Okay? It doesn't matter one way or the other it be the same, because the final figures will come only after they done all the auditing.

It's very likely it will take a little bit longer to happen. And so, the adjustment we are going to make in the future, perhaps in the Second Quarter. But we do not expect a significant change in those figures. If some come, it will come for the better, not for the worst, of course.

A - Liliana Yang

Okay, thank you.

Operator

Once again, if you do have a question, please press one followed by four on your push-button phone at this time. Mr. Rolla, at this time, I'm receiving no further questions.

Q - Luis Rolla

Okay. So, I would like to make some final remarks.

At first, I would like to take advantage of Victor's [ph] caption on how we could get the B and S lower. And I answer that we are at discretion with the National Treasury Secretariat.

A way to get around the restriction we have as a state-owned company. In the wake of this solution will come, also the solution for the CRC Crebs [ph]. I think that will be rather positive for us and I would say that we are very close to the happy end of that very difficult issue which have brought a lot of canceling from the market.

Achieving this, for sure, well, that is the one point -- difficult point we have with the state government. And then they'll be soaked in it in a few months. The second point is regarding what to expect for 2002. Of course, if you compare what goes out of what we just disclosed, we have to change a little bit about the projection I made so far.

Of course, when I compare to 2001 before those adjustments, the grade in 2002 would be very, very positive. This would be either the gross would be by far higher than 40%. But considering right now that the adjustment brought on adjustment for EBITDA -- 2001 EBITDA, the gross would be not that much.

And so, we have to review our projection for 2002. But, I can assure you that 2002, free of the crisis that we saw in 2001, we are going to have a very nice result. And this time we believe the company will come back to the track we were before the rationing. So, we expect a very positive result in 2002.

But, you please be aware that the First Quarter result will be not that good. Especially compared to the First Quarter 2001 results, because the First Quarter in 2001 was very, very strong, especially in terms of service volume. So that, don't be scared when we publish the First Quarter result and you see a very not so favorable comparison with the First Quarter.

I'll wait for the Second Quarter when we believe we are going to be in the, let's say, in the normal condition and then the comparison will be much more helpful and useful. Okay? I would like to thank you again for attending to this conference call and I will be available for any questions you may have right after this conference call.

If you want, you can send e-mail for me to me. My e-mail address is lrollas@cemib.com.br [ph] or re@cemig.com.br [ph].

If you want to call me, my phone number is 65, which is the country code, 31, which is the city code. And 232-99-3930, the phone number.

Thank you, very much. And I thank you for your patience during this time. Thank you.

Operator

Ladies and gentlemen. if you wish to access the replay for this call, you may do so by dialing 1-800-428-6051, or 973-709-2089 with an ID number of 236947.

This concludes our conference for today. Thank you, all for participating. And have a nice day.

All parties may now disconnect.