

## Q4 2017 Earnings Call

### Company Participants

- Ant nio Carlos V lez Braga, Unknown
- Daniel Faria Costa, Chief Trading Officer & Member of Executive Board
- Leonardo George De Magalhaes, General Manager and Controller
- Maur cio Fernandes Leonardo, Chief Officer for Finance & IR and Member of Executive Board
- Paulo Eduardo Pereira Guimar es, Unknown
- Ronaldo Gomes de Abreu, Unknown
- Unidentified Speaker, Unknown

### Other Participants

- Andre Sampaio, Research Analyst
- Gustavo Miele, Analyst
- Lilyanna Yang, Analyst, LatAm Utilities, Oil and Gas
- Marcelo S , Associate Director and Analyst
- Vitor Sousa, Research Analyst

### Presentation

#### Ant nio Carlos V lez Braga

Good afternoon. My name is Ant nio V lez, Investor Relations Officer of Cemig. We'll now start our webcast with financial results from 2017 with the presence of Chief Officer for Finance and IR, Maur cio Fernandes Leonardo J nior; our Chief Officer for Energy Distribution and Commerce, Ronaldo Gomes de Abreu; Chief Officer for Business Development, Daniel Faria Costa; Controller, Leonardo George de Magalhaes; and Head of Corporate Finance Management, Paulo Eduardo Pereira Guimar es.

This broadcast can be followed on phones 55 (11) 2188-0155 or 55 (11) 2188-0188 and also through our website, [ri.cemig.com.br](http://ri.cemig.com.br).

For his initial postulations, we invite our Chief Officer for Finance and IR, Maur cio Fernandes.

#### Maur cio Fernandes Leonardo

Good afternoon, everyone. Thank you for attending our conference. This is a very special day since we are going to present to you a summary and some detail of the company's results in 2017. And you who have been following the company close-up. And you'll see

the results of our hard work, our EBIT planning, putting in practice everything that has been planned and discussed internally. And now it's being disclosed to yourself.

Now I'll hand it over to -- back to VÃ©lez. And I'll be here to interact with you further.

## **AntÃ³nio Carlos VÃ©lez Braga**

We will begin by going over our waiver and then going straight to Slide #3, the highlights or the main lines of our results in 2017. As you see, the main lines show improvement from Minas Gerais from the factors that are highlighted here in this slide from revenues fiscally. We had a positive CVA of BRL 988 million in 2017 as against in 2016, negative BRL 1.455 million. In addition, we have the acknowledgment of the generation indemnity revenue amounting to BRL 272 million. Also, Third Quarter last year, we adhered to Regularize, as you know. And this meant further impact of BRL 564 million last year. The Fourth Quarter had an impact from the change in life insurance, leading to a change in postretirement by BRL 619 million, also included in the results. So Regularize the effect was neutralized. Also, lower SELIC rate and lower debt also reduced substantially the financial expenses by around BRL 530 million. Investees' equity contribution was negative, just like the year before. But it was shorter by some BRL 50 million.

Now following the next slide, on the right, we'll talk about net revenues. We have the consolidated results. And here, we can see a reduction in the industrial consumption, both in the captive and free market. On the other hand, we had an important growth in consumption from the Commercial segment, a small reduction in captive that became actually free. And also, free itself increased a lot. And that graph describes volumes sold in terms of kilowatt hours is -- it shows more Wholesale in the -- whereas for others, it is almost non-changing. CVA also had an impact from one year to the other of some BRL 2.44 billion due to the different magnitudes in 2016 and '17. Also, growth of BRL 315 million in the supply of gas, also increasing EBITDA as a result of improved debt consumption in Minas Gerais. Also, generation indemnity revenue smaller in terms of the indemnity. But when new regulations turned out, we acknowledged the difference. And in our balance, the assets now totals BRL 1.08 billion. Also, revenue from transactions in CCEE, BRL 699 million higher than in 2016. And Regularize also was recognized as part of ICMS.

The following slides to talk about operational expenses, I'll hand it to Leonardo Magalhaes, our Controller, to talk about that.

## **Leonardo George De Magalhaes {BIO 21639277 <GO>}**

Good afternoon. In recent years, Cemig has demonstrated important reductions in our operational expenses conversion through our regulatory benchmarking. In generation, our costs are pretty close to the benchmark in comparison with other companies. In Slide 5, when we look at operational expenses, it's worthwhile talking about personnel expenses. We have been reducing our staff. And recently, more employees have adhered. We are now numbering fewer than 6,000 employees. From this, we will be fully acknowledged in our 2018 annual balance. With considering the differences in cost from 2017 to 2016, there was this conclude during -- due to an improvement in quality and

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services. But considering all the other efforts to reduce cost in the company, we can see our converging trends towards the regulatory benchmark. Another important effort of the company was also for reducing in the postretirement obligations, reassessment of life insurance, postretirement. This was reduced from some BRL 900 million down to a little more than BRL 600 million with effect on 2017 results. This is part of our effort, in line with what the company has been doing over recent years to reduce our cost. Although we saw some improvement or increases in cost with increased activity, that reflects mostly our increased activity since we now have the Jaguará, São Simão and Miranda operations. We buy energy from the market but always at a positive margin. So this is fully compensated by an increase in revenues. And the proactive will be improved for having an impact in the upcoming years. That's our provision. We have important favors related to Parati and SAAG for put options, even because of the puts that are achieved due to the partial reduction the effect expected for the upcoming years. It's much smaller. As for provisions, we still have some effects from labor settlement. But we are conducting a huge effort to achieving even further reduction in 2018. The 2017 results, I'll let you show the results. And we expect to have even better operational performances or operational expense performances in this year of 2018.

I would like to ask Paulo, our Head of Finance, to comment on those figures, if he can talk about the consolidated -- that profile for Cemig. We highlight that compared to 2016, we have extended the timetable. And our average term has been almost doubled. And there has been a result of the re-profiling that we managed to obtain from our investment banks, as we'll describe later on. What we also can say about the main indexers and composition of our debt, you can see that from late last year, we included the dollar indexer as a function of eurobond issuing. But we also conducted hedge operation, seeking protection against income -- interest, rather, to swap operations and call spread operation, seeking protection within a range that went from the spot price in a certain float level that protected within this range that eliminated this exchange risk that we showed 23% composition of the dollar. Cost of debt have been reduced as a function also of lowering interest rates. We have in part of the covenant of our debt in CDI. In terms of leverage, net debt over EBITDA as well as net debt over stockholders' equity and net debt, we can see the decrease in investments also as a function of the increased net debt over EBITDA. But we will have further opportunity to talk about that later on during this presentation. Thank you.

Now going to Slide #7, results of Cemig GT. A few topics have already been highlighted. I'm not going to repeat them. But specifically talking about Cemig GT, Regularize had a big impact on the distribution. But here, it was only 29% -- BRL 29 million on EBITDA and BRL 20 million on net profit. We had an increase in energy. But that is associated to the volume of energy bought, not the cost only. We have a very well-consolidated trading practice. We deal in the free market at very competitive prices. And this cost of energy brings a margin in its commercialization. And this is clear to see in EBITDA figures, as displayed by Cemig GT in 2017. Net profit, on the other hand, had a negative equity impact. The year before, it was BRL 448 million in 2016. In 2017, it was BRL 519 million. That has to do with the participation in the (inaudible).

Paulo, could you further comment on Cemig GT and the bar issues?

## Paulo Eduardo Pereira Guimarães

Well so as for net -- debt profile for Cemig GT, the comments will be pretty much the same as have indicated before. I'd like to indicate our commitment towards 2024. The maturity of eurobonds in 7-year maturity. In 2023, we will have the opportunity to anticipate the payment of that debt or spread, that payment over two years according to the bars fitting into our finance. We believe that the timetable for amortization has been extended as much as possible. And we still are -- have the firm intention of extending or improving our average yearly performance in that result.

## Maurício Fernandes Leonardo

Thank you, Paulo. A little bit about Cemig Distribution again, consumption in Cemig Distribution. The distributed volume, there was a reduction deriving from mostly a lower industrial consumption. It came down both in the captive and free market, both sales by Cemig Distribution. So transported energy saw an increase of 2.05% due to the big performance of the commercial area that's integral to overall volume. It's anyway 1.10% lower. The EBITDA had this impact of almost BRL 2.5 billion with Cemig Distribution and Regularize had this interest of BRL 535 million effect an EBITDA and BRL 368 million on net profit, mostly made up for in alterations in life insurance, which neutralized both these 2 effects. Also, it's worthwhile indicating that for doubtful debts have been increased but in result of a -- as a result of our efforts to fight default. We had an increase BRL 168 million in 2017 as compared to 2016. Also, Cemig Distribution benefited from debt reduction, capital injections and payments of debt in the late 2017 and the fact that the base interest rate and (inaudible) has come down that has reduced cost of debt in the year by BRL 272 million. EBITDA saw an impact of BRL 150 million from the voluntary retirement program. And these expenses will not only happen in 2018. But also it brings an estimated payback in divestment should be expected also within one year.

A little bit more about -- well now about debt profile of Cemig Distribution. My comment is that Cemig D's debt profile, we should indicate this elevated timetable. With more -- with a longer term for payment, we can see the leverage expense has substantial increase due to payment of debt and higher EBITDA last year, as mentioned in previous slides. We should return to this point to talk about the measures we took to improve our debt profile.

Now Slide #11, we have our investment program of 2017, which was still -- well, it was very - - a substantial of some BRL 1.5 billion. And you can see the specified investments mostly in Distribution. And most of that investment has already been considered. But our review is that has been conducted, as we speak. And should be ready by late May. Cemig D investment amounts to -- well, we had 255 tranches, debt tranches in them. And that's already smaller than considering -- than what we saw in previous years.

And more comments on the cash flow. On Slide 12, we see a summary of our cash flow. We can be pretty much impressed by our capacity to generate cash. You can see the total amount to more than BRL 2 billion. And we can see that interests was still -- expenses was too high still. But now with the new reality the macroeconomic situation in Brazil and lower interest rates, that should be much improved. Capital investments were important with more than BRL 833 million in loans and debentures. These are the settled amount.

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And we reduced our debt in BRL 833 million. In investment, BRL 1.117 billion in intangible and others and BRL 473 million from these investments. And the efforts being built also generated almost or more than BRL 500 million in cash generation. We also saw a lot of funds going for CVA. But we should get back that difference as from May 2018. Seeing the cash flow of the company, you can see its capacity to reduce its investment. And it has dropped substantially to 3 or more of our EBITDA. We expect to reduce that even further in the upcoming year. And our operations would be enough to do that. And we'll speak a little more about our -- this investment program. VÃ©lez would now like to talk about the highlights of the company.

## **AntÃ³nio Carlos VÃ©lez Braga**

Thank you, MaurÃcio, for your comments on cash flow. Now we'll go over a few highlights that we saw last year and that we should see also during this year of 2018. We talked about the lengthening of the debt profile, as it's been mentioned already in the consolidated figures for Cemig GT and D, also how are the investment programs running. Capital increase has also -- well, has also been set for April 23 and submitted for ratification also talk about Cemig Distribution tariff reviews.

And now for Slide 14, I'll ask my colleague to talk a little in more detail about the debt profile lengthening.

## **Unidentified Speaker**

We've got to late 2017 with a lot of debts nearing their maturity short term. There was no much offer for a long-term credit. So we have this pressure overall cash flow. Our idea was to restructure our capital structure, elongating our debt and reducing our indebtedness. So our effort even aiming at reducing the debt mostly. Also, we needed to extend the timetable for motivation to one that is more compatible with our cash flow. We negotiated with some of the key creditors of our company. And we don't fear the debt finance. And we extended the amount of BRL 3.2 billion. We managed to obtain those extensions. We can see the figures. And we managed to really gain more installments in the -- from the lateral contracts involving Caixa Economica and Bank of Brazil. We have our fifth issuing of debentures. All these operations translate to payment also for the 36 months term as of July 2019 that's more comparable with Cemig D.

Cash flow, there's no concern in that regard. And we think that the situation is very clear. Further down the road, we will have a lower level of investment. And there'll be no need for further renegotiations of that debt. In the case of Cemig GT, we also issued bonds in the international market. And we raised \$1 billion with a coupon of 9.27% -- 9.25%, the maturity for seven years. This was a little high in view of the liquidity that was being affected by late last year.

The next point shows the yield of that operation. And it has been trading at 7.5% in the secondary market. That reflects the improved credit quality of the company operation, bonds and so on. And we're negotiating the term of the debt. And recently, we also -- Standard & Poor's raised our rating from a BBB; to BBB with a positive outlook. This was a result of our re-profiling and the issuing of the bonds. This will encourage other rating

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agencies to follow Standard & Poor's path. And that shows a better -- an improvement on our credit quality. I think that this was very important for the company and as seen by the debt re-profiling and also the issuing more bonds. And we will keep on doing our utmost to reduce even further our debt profile and also to go for further disinvestment.

Now I will hand it over to my colleague for business development. And he'll have his own comment.

### **Daniel Faria Costa** {BIO 20562390 <GO>}

Thank you. I'm glad to be part of this good team of Cemig. On Slide 15, we have information about our disinvestment program. You can see on the top the Taesa and Transmineira operations, our revenues plan already closed. And below, we have the transactions in progress. They are organized according to the likelihood of early or soon being negotiated. We have Cemig Telecom. And then we have a public offering -- an offer to have for selling assets for this asset that we consider not useful for operations. That was Cemig Telecom. Then for Renova, we proposed selling assets of the company using certain credits as Cemig itself has no disbursement by Cemig any of the transaction that involves third party. We also get cash amounts to allow this disinvestment to proceed. We are tracking that closely, together with the shareholders and investors. In the case of Light, we are firm in our program according to what was -- have been announced late last year. We are now negotiating with proposers, those who are likely to join the company. In Santo Antônio, recently, we resumed our negotiations with a potential buyer. We are now sharing information to allow for that negotiation to advance further. Here, the objective is to demonstrate that the disinvestment program is going strong. Hence, our commitment and our promises made to the market, investors are being kept. And we can perhaps talk more about that during the Q&A.

On Page 16. We have a summary of what has been our capital increase through subscription last year. Last year, we had some grounds. And a few weeks ago, we had an auction for the leftovers. The total amount was BRL 1.3 billion flat that was used to reduce leverage in Cemig's liquidation. This led to the issuing of a receipt for those who subscribed and bought shares in the leftover option. During the 3rd of April, we should have an assembly to approve that capital increase. So some extra capital is showing on the table going from somewhere around 1.25 billion in shares to 1.45 plus billion of shares. We have been stressing that in all our communications. All the shareholders like, in that case, will be the same as of the ones that has been in shares. Now I'd like to hand it over to our Chief Officer for Energy Distribution and Commerce to talk about the tariff review.

### **Ronaldo Gomes de Abreu** {BIO 20244891 <GO>}

Good afternoon, to everyone. Recently, ANEEL disclosed the preliminarily readjustment in the Technical Note 45 indicating the values and the figures. And they are now being discussed in the -- in May. We should have the standards for adjustment of our tariffs, completing that cycle during 2013 through 2017 and all our work in obtaining full acknowledgment of our costs. BRL 5 billion were invested with the company's own fund by 2017 that many new substations made many kilometers of lines to serve the market and to improve quality in the services through new works, special obligations remunerations.

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That was an additional investment of BRL 1.2 billion. So amounting to more than BRL 6 billion as total investment. That means 100% of the profits during the 4, five years. We consumed all the actions taken by the company. And it is (inaudible) into coverage of revenues. We will calculate the benchmark going to ANEEL for tariff setting. We have scaled up the ranking of performance. And we'll have, beginning next year, an extra that will keep on coming by 2022. Then we will have the initial numbers going from BRL 15 billion to proposing BRL 21 billion in 2018. That's from 2013 to 2018. Remuneration base from BRL 5.8 billion to BRL 9.2 billion. Average depreciation rate kept the same. Remuneration of the special obligations, investments by clients. This is also recognized. And this will mean BRL 142 million per year. WACC is a very important regulatory debate. And now we have 8.09%. If we haven't gained that amount, it would have been kept 7.51%. But after our debate, we managed to get that WACC percentage of 8.09%. As for CAIMI, that involves the infrastructures and our huge electric infrastructure. It went from BRL 147 million to BRL 336 million a year. The QRR also improved substantially as a function of the gross remuneration going from BRL 590 million to BRL 824 million. Remuneration of capital will go from BRL 587 million to BRL 1.274 billion. So this will be in (inaudible) by 2019. This will all amount to some BRL 2.3 billion. Also the key indicators of our comparison contract in 2016 after the renewal of that contract, we matched our targets. The target was 11.62 and then we got 11.42. Then we had 8.12 down to 7.76 under the pressure of ANEEL. That's for FECi. We went from 5.31 in terms of interactions for clients. That was pretty much below the regulatory targets of 8.12 in 2016 and 7.76 in 2017. So we met our targets for quality. And I'll hand it over back to (inaudible)

## Unidentified Speaker

Thank you, Ronaldo, for the clarifications of tariff with (inaudible), especially about the quality indicators of Cemig Distribution. And thus we come to the end of the slides we have planned to show to you about the results of 2017. And we also on it those highlights that will also impact 2018 results. And now, I'll open for Q&A. I am available too, of course.

## Questions And Answers

### A - Ant nio Carlos V lez Braga

Now we'll begin our Q&A session (Operator Instructions) Our first question comes from Marcelo of UBS.

### Q - Marcelo S 

First, I'd like to talk start by talking -- asking that the next time you present your next yearly results you should first describe the quarterly results. It's hard for us analysts to understand it better by just checking the overall yearly numbers. I'd like to start by making this question about the quality indexers. There was news recently that ANEEL found inconsistencies in the quality indicators. Has there been any investigation on that? And now the question about the Light proceedings. From what I know, I heard due diligence hasn't been started yet. So what's delaying this? I'd like to know. And also, about Light. Last year, the proposal for having interest of Light included a request for increasing the number of shares offered and that there was this sharp drop in share values on that day

and everybody was taken aback by the conclusion. What was the real reason for that then included? Are you expecting to have a primary or secondary offer?

## A - Maurício Fernandes Leonardo

Thank you, Marcelo, for your questions. I'm going to transfer it now to our colleagues. As for the quarterly conversion, well, we normally do that. But when it comes to our yearly results, a very busy year last year and full of challenges. Then we chose to show the overall numbers. But I noted down the request and I'll take that in consideration for future presentations. And now to my colleague.

## A - Unidentified Speaker

Marcelo, thank you for your question. Is it that you are collaborating with (inaudible) this will create resolution from 2009. Ever since 2009. So maybe it has been interpreting the contents of provisions. That's for quality indicators and we are submitting a report and we're always sending yearly and monthly to ANEEL and other interested parties. All the 63 agents dealing in the market are inspected periodically. We had that in 2010, 2015, we have been inspected. And we understand that our indicators have been approved by the agency. And especially with regard to that results 2016, we had a strike in February that year and that impacted negatively those two months, both monthly and in the accumulated results. And we had to review and introduce corrective -- short-term corrective and preventive actions to try to correct those extrapolations from February. That was the hard work we conducted in 2016 so that the accumulated amounts, we managed to meet the targets by November that year and the year targets by December that year. In 2017, following the same lines and this time, without any impact from strikes, we managed to hit the targets every month and also the overall debt target and even a little better than the year before. But in 2017, we were submitted to the fourth inspection. And we discussed that the strike factor has been debated. And we expect the results then moving to normal procedure for 2 main market player in the country.

Thank you for your questions. First, you asked about -- well, that's our mandate from the Board of Cemig. That's a very complex transaction. Several proposals have been put forth. We are working on them, trying to aggregate as much value as possible. It is complex, because it involves selling of our stake in the company. I will expect new news to come from the market and that we should announce it shortly as soon as we have good news about it. Well we've shown in the results. Well several changes have been conducted in the -- statutory changes in governance, addressing the company to the rules of new markets. And that capital increase was natural in our view, if you consider the M&A process down the road. These were not changes -- they should enable a follow-on. (inaudible) said at a conference at that time, it was an opportunity for the company thought of dealing with several topics at their general assembly. M&A will not be negotiated at that value given the changes in the valuation of the Light market price. And we should -- we shall inform you more about that. Well it's hard to imagine that there would be any final decision before the 1st November.

## Q - Marcelo SÃ;

Is that the timetable you have in mind? Because it's complicated for us analysts because every time we talk to Cemig or Light, well, they always indicated some news coming for



the next month and the next, always postponing it. What's the timetable you are working with in that result? And given that the new efficiency rank is still preliminary, it doesn't make sense to imagine that being so that will be calculated on the basis of benchmark. Purely it's grow up as it did in the case of MG, the Mato Grosso do Sul? Can we talk about that? And how much could it be increased? What do you have in mind about that?

## A - Unidentified Speaker

Yes. We expect to complete that transaction even before the time indicated for the put. But we're talking about a BRL 6 billion worth program. We're talking about the company that's been improving its performance. And if anything unexpected comes to be, we will anyway honor our put commitment. Very soon we will have news about that transaction, then we will have completed it, no doubt before that put events. In that period (inaudible) from 2013 to '17, we had -- we ranked below what we did now and we defined the trajectory for each year, for each rejectment, we have the new challenge of framing it apart of the P&L. So it was removed. In view of all the work that we did here in the company, many initiatives that reduced our personnel costs, as we mentioned here today. We are now about going through further hearing process. But we expect for the next five years from 2018 to 2022 greater increase in revenues and we'll keep on asking internally to optimize our operational costs. We have a high level of certainty to have -- to count on additional coverage each year. But I expect to have that consolidated by May 28.

Thank you, Marcelo. I'll take this opportunity before the next question. I'd like to address some questions we've got in writing through the Internet. One of them about the amounts in the proposal for PCH. Of course, only if Renova accepts, our proposals will be disclosed as proper. But by now, I can say that it aims at investment and on our part -- on our part, it's like before. As for Brookfield, it has been already completed successfully. To remind you, it's a binding proposal to buy a certain number of projects in the pipe of Renova. And soon, we should have news about that. That's what indeed the entire market is watching out. Following closely the Renova events, we expect to have a final word for Renova shortly, also the other operations mentioned is also important to us. FCPA and other finalization of conditions is, I will say that we are a good fit, we expect to have further information for the market pretty soon.

## A - Ant nio Carlos V lez Braga

Any other question?

## Operator

It's Lily Yang from HSBC.

## Q - Lilyanna Yang {BIO 14003234 <GO>}

My question refers to the selling of assets. How is it going? Also, about the Cemig liquidation. What's the inefficiency expenses in view of the new regulatory framework? Also, could you comment on the rollover in the short term of your debt?

## A - Unidentified Speaker

Could you please repeat your last question? And speak up louder a little bit, please.

About Cemig Telecom, could you rephrase that question?

**Q - Lilyanna Yang** {BIO 14003234 <GO>}

Yes. How the selling of assets process is being conducted? And also Gasmig.

**A - Unidentified Speaker**

Paulo will talk about Cemig Telecom.

**A - Paulo Eduardo Pereira Guimarães**

Good afternoon, to all of you. Thank you for your question. The telecom process, we have just completed the incorporation in late March. We're now assessing the assets that will or not befitting to our asset base in Cemig Generation Distribution. Then we will go to the market with operation involving assets that we call useless. But which perhaps corresponds to the absolute majority of the telecom network, that we will obey a predefined timetable to be announced through a public viewing and also a notice will be published, likely in mid-May. As for Gasmig, we know that's a little more complex. It should take a little longer. It involves negotiations with the State of Minas Gerais. That's the limit. We will give you more color on that.

**A - Unidentified Speaker**

Lily. Good afternoon. Gasmig is an asset that's 100% held by Cemig. So it's a selling process that involves an auction. We are preparing our invitation for bids. The state decided to sell its 49% participation stake in the company and also its preferred shares. We are discussing a selling model to be involved in those proceedings. And also, having a view of the horizon of that grant or concession, it may be extended up to 35 years. And that involves a very complex debate with the state, that's why we don't have the final word about that.

I believe that's your last question related to the level of inefficiency in Cemig Distribution. Well with all these initiatives that we took in terms of the operational efficiency with improved processes in recent years is pretty much focused on the personnel expenses. Comparing PMSOs, we are above average if we refer to the ANEEL figures. But there are expenses, like the postretirement, post-employment, retirement and life insurances, for one, are not recognized by the government or by the agencies -- various agencies. That amounts to some BRL 300 million and we are working on reducing it. For example, life insurance begins with BRL 30 million a year. But it should come -- been brought down even further. As for pension funds and medical insurance and so on, we are working on that also and that's what we have right now. We -- well, associated with all the label -- liabilities, well, that's not manageable either. So all these indicators and all these expenses, which are not same as PMSO by ANEEL, we should close that gap somehow so that we can get to EBITDA we want to deliver.

**Q - Lilyanna Yang** {BIO 14003234 <GO>}

What about the rolling over of your debt? How is it right now?

## A - Unidentified Speaker

Good afternoon, Lilyanna. In our recent funding, it's been substantial in terms of CDI. But with the reduced interest rates, nominal cost of the debt has been lower than in recent years. We are at least comfortable with that because the further rolling over operations that we proceed to will be in this new environment with improved credit quality from the total debt of BRL 2.3 billion maturing in 2018. I can say that a little less than BRL 1 billion has been settled already, issuing our bonds and Cemig GT funding allowed us to settle our debts with the market. Together with our institutional investors, we'll be able to go for longer term, attract capitals at more attractive prices with a further improvement of the creditworthiness of the company.

## Operator

Now Andre Sampaio, Santander has a question.

## Q - Andre Sampaio {BIO 19422379 <GO>}

My question was already answered. I tried to cancel it but I couldn't.

## Operator

Our next question from Mr. Sousa, Brasil Plural.

## Q - Vitor Sousa

(inaudible) some of the doubts I had. But I have 2 additional questions on the theme of Light. I'd like to understand that whether you would accept any negotiation regarding the stake you have in Light still, maybe swap of shares, if you would exchange or swap shares? And I'd like to not know if there is any split between the distribution or generation of Light. Would it be possible? Or if you are only proceeding selling the company as a whole?

## A - Ant nio Carlos V lez Braga

Thank you. Thank you for your questions. In our disinvestment program, we aim at just adjusting the company, lowering its leverage. And of course, there is this strategic side of choosing the assets. And the guidance from our Board is to sell our total stake in Light. But if there is only proposal that would include given the amount of money and the number of shares that would make sense to us. We're not close to that auction, we would analyze it. But our idea here, we should make it clear is to disinvest. That's not what we are negotiating right now. But we are open to it. About that merger, this is not a moment of a really create a middle companies, it's a moment for disinvestment and selling. Okay, (inaudible) for the merger, you have misunderstood it. I think that this has been analyzed. Again, we are not close to that. But this is not on the table. Right now, we are selling Light as a holding.

## Operator

Our next question comes from Mr. Gustavo from Itau BBA.

### Q - Gustavo Miele {BIO 21077665 <GO>}

Four questions. Very quick questions. The first for Brazil PCH. Have you figured out where it plans to stand, it will be a separate company? Or are you going to bring it inside Cemig or to Aliança in the future, any plan on that -- in that regard? BRL 500 million, I think, is from Renova. Do you intend to set all those receivables that you should go for reimbursements of some cash? Are you -- have you been discussing anything along those lines? Can we expect Cemig to have to disburse some of its cash in that operation? So I'll stick to that for now.

### A - Maurício Fernandes Leonardo

Well Gustavo, it's steady, right?

### A - Unidentified Speaker

Yes.

### A - Maurício Fernandes Leonardo

We still haven't precisely defined where to allocate that asset. We have various designs but we haven't decided yet. And the payment part of it would be with those credits of anticipations. And the relevant fact, we mentioned the assumption of obligation. Eventually, those could be assumed by Cemig. Just to make it clear, Cemig, it was designed according to our proposal whether or not -- whether it's going to be accepted or not. We don't do direct cash disbursements. And it's still above D series.

### Q - Gustavo Miele {BIO 21077665 <GO>}

Any possibility of this asset going to Aliança?

### A - Unidentified Speaker

This hasn't been discussed and evaluated. Not evaluated. There's no decision about that.

### Q - Gustavo Miele {BIO 21077665 <GO>}

Also, not considering telecom. What would be in your pipeline still be announced as ANEEL side, what's more probable or likely? Santo Antônio itself, we have been expecting that for a while. But it's been stuck somehow. But if you tell me that Santo Antônio is even closer to being negotiated, I'm asking that because they said that this will not be that type of price. What would it be in that case?

### A - Unidentified Speaker

We put it according to the order of things that we expect to see done more quickly. We are rather advanced in the negotiation concerning the Light. It depends on the decision

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by Cemig. Santo Antônio, right, it has returned. But now with new partners. It's growing in parallel. But it's not possible for us to announce which one will come out first. We are focusing on, basically, on those 4 operations. And we are progressing according to the conveniences of the stakeholders. We are focused on those 4 main possibilities, we mentioned Gasmig. But it's been said already that this is a little more complex. And from those 4 up there in Gasmig, we could say that the first 4 would perhaps involve a shorter time frame.

**Q - Gustavo Miele** {BIO 21077665 <GO>}

How safe do you think that Cemig is today in terms of what has been referred to in the Technical Note? Any chances of those figures being reviewed downwards, five years of very strong involvement? BRL 5 billion of investment. Do you expect that very strong phase of investment being kept for the next five years? We can say that those -- that Cemig has held the widest space in that regard in Brasil it has geographical condition than someone. But do you expect the new cycle of investment to be equal to that very high level of the previous cycle?

**A - Ronaldo Gomes de Abreu** {BIO 20244891 <GO>}

Well thank you for the question. This is Ronaldo speaking. Yes. We had investment amounting to BRL 5 billion from the company and also another BRL 1.2 billion from clients. The funds were invested perhaps half of it or 40% of it to an improvement and availability to connect new loads and new charges to keep the quality of the service and supply within the regulatory parameters. Also, we connected 1,100,000 new clients. Minas Gerais, the state, has one of its characteristics. The fact that it's a -- there are still wide areas still to be occupied both in urban and rural areas. It should -- that requires us to stick to more or less that same level of investment for the next five years. It's even been authorized to invest already. But the physical availability will be more important, more representative than in the previous cycles, because our engineering has started new technical solutions, especially when it comes to substations, which will allow us to have more available energy to safeguard to the increase in the consumers.

Another question. We have conducted an internal work in our investments to deliver -- well, we are pretty close on ANEEL to certify these investments. And we are certainly working on that. So that the amount of BRL 9.2 billion of -- to be disclosed by ANEEL should be recognized in fact. Perhaps, part of that would not be recognized. But everything that we do internally is to the fact that it will be fully acknowledged in its entirety by the regulatory agency.

**Operator**

We'll now hand it over to Maurício for his final remarks.

**A - Maurício Fernandes Leonardo**

I thank you, again, for attending our conference. And as we close it, we'd like to highlight again the important advancements that have been described by our technical people. Well we saw the improvement in level of investments, liquidity and so on. This investment also has been -- driven a lot of focus on the company, some of them very fast, others more

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complex. But the Board and the executive committee and all the staff of the company is intending following our strategic planning, focusing on improvement of levels of efficiency. Several of the our projects, technical projects, not only actions of reducing greater cost. But also other technical improvements that have already been reflected in our results. We will see now very shortly realignment of tariffs. And everything, all together, will -- is creating to a better perception of risks from -- not only risks such as institutions. But everybody can see that we are in better conditions. We are in a position to obtain further credit, if necessary. And to reduce the debt profile, improve it. Whenever necessary, we should sit back again with you. And we'll talk to you again and we'll present again our results. We'd like to thank you for the attention you paid to our company and for your very close follow-up of our actions. That helped us improve even more.

## A - Ant nio Carlos V lez Braga

So now we close our webcast. And we thank you all for attending. And have a nice afternoon.

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