

Q1 2009 Earnings Call

Company Participants

- Djalma Bastos de Moraes, CEO
- Luiz Fernando Rolla, CFO
- Unidentified Speaker, Unknown

Other Participants

- Gustavo Gattass, Analyst
- Unidentified Participant, Analyst

Presentation

Unidentified Speaker

Good afternoon, everyone. We now begin the webcast of the First Quarter Results of 2009 with the presence of our CEO, Dr. Djalma Bastos de Moraes, our CFO and Participation Control Dr. Luiz Fernando Rolla.

The webcast can be followed on our website, ri.cemig.com.br and telephone 11 4688 6301. We will now give the floor then to our President Dr. Djalma Bastos de Moraes, to begin the presentation.

Djalma Bastos de Moraes {BIO 2089645 <GO>}

Ladies and gentlemen we are once again meeting here with optimistic messages to impart to you in spite of the turbulence we are all going through. But we are really in a situation and are very privileged. We evidently and our stockholders, we've had a captive growth our CEMIG D of 4.5% on capital market.

Our adjusted net income of 2.5%, we consider it to be excellent because of tariff revision of CEMIG D in April, 2008. And some acquisitions, beginning with some are wind farms in Ceara in a consortium with IMPSA. We have finished approximately 10 days ago the Terna asset, which is important to us. Have in the mind that it represents let us say not a great profitability. But practically no risk. It is as if, especially to our investors from Brazil that are listening to us, it represents a very good rent of good guarantees to our stockholders.

As for future acquisitions I would like to add some items here for your information in such a way that we can always transparently assure you everything is going as planned. We have a growth goal and market share of about 20% in generation, transmission and distribution. It is mid-term or long-term goal.

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We have other opportunities that are being under analysis with good prospects. And those negotiated normally take a while, sometimes 90 to 120 days, that is sometimes up to two years, But I'd like to again assure you that recently we went to Spain with our Governor to receive an award. And last week there was the news that we have been talking with a large company from Spain that has assets in Brazil.

No such thing, we didn't talk to anybody about anything. And so, the President or the Governor by themselves will conduct a negotiation. Negotiation involves the presence of technicians from our company -- it involves due diligence -- involves the presence of renowned economists. And it's not a CEO neither the governor who is going to negotiate in Spain the acquisition of assets here in Brazil.

Of course, as the Governor and Director Rolla, Dr. Jose Carlos and our CEO, Djalma Moraes, we have received offers for acquisition of assets. But this will be done only after very deep analysis and internal publicization within the Company, because we're not here for any adventure. So much so that these assets that you have a knowledge of Light, TBE, in which practically Light today is an asset that has given us great joy, because it paid for itself already.

It is an asset that is part of our business portfolio and it is an asset that has practically made totally feasible within our own assets and certainly in a few years whoever is present here will say the same thing about TBE and Terna. But the most important thing that I would like to -- the message would like to leave to you is that obviously a company such as CEMIG with the cash that it has and you also know about and it and the crisis we are all going through, many assets are showing up but rest assured we are not adventurous. We are going to participate only in that which add values to our Company.

And obviously to ask and to say that we are not checking everything, that's not true. We are really checking and analyzing assets that may add value to us and that may in a few years, whoever is sitting here and say -- well, looking back say that we made a good deal. There was a great deal. So all of those assets are being -- our Board does know about it. These are major stockholders -- also has learned about it.

And recently the news in the (inaudible) magazine that the Members of the Board who would not -- would disapprove the acquisition of the Terna asset, that's not true. It was approved by the Board. We have responded the journalist who is responsible for the column. And you can rest assured it was approved by a vast majority of the Board's presence at the meeting.

But anyhow I'd like to really tranquilize you. And as long as we have robust cash as we are having, rumors are going to be heard that you can rest assured, we will be present and able to respond to answer any question that you might post to us. Both myself, Dr. Jose Carlos, Dr. Rolla, who are here and they can answer that.

So once again my friends, the acquisition of such assets is on the agenda, probably by the end of July, end of June that is -- end of July, we are going to (inaudible) to commission the first of the three wind farms, proceeding with that which we propose ourselves to do

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within this Company, which we set ourselves into assets that are sustainable. We are looking at other projects in terms of wind energy.

When I was in Spain, I took the opportunity to visit, use -- great use -- approximately 300 megawatts in Bilbao, recycling and use of trash and garbage, it's an interesting experience for us, biomass. But you can again rest assure that we will be present in enterprises only in the case of those that may add value to our Company and help us fulfill our commitments to our stockholders and which we have made through our master plan.

Now, I'll have to leave. And I'll give the floor to the Dr. Rolla. I will be always at your service. Thank you very much.

Luiz Fernando Rolla {BIO 1852035 <GO>}

Good afternoon, everyone. Thank you, Mr. President for these initial words, which are extremely important and I guess, exactly the tone, the necessary tone to the message that we always want to convey to our markets, our investor market about our maximum guideline of adding and adding -- growing and adding value. The discipline of investing in assets that bring us synergy and that may give us an effective return.

Now, we have our presentation today focused effectively on the First Quarter results. This First Quarter, I'd like only prior to really plunge into some details just to give you a global view and to remind you about some of the points about which we consider to be very important for the understanding of what these figures really mean that we have just publicized.

Naturally, we had anticipated the impact that our distributor was going to have or suffer because of the tariff revision of 2008. You remember last year, by the end of the revision, we had (inaudible) the tariff reduced by something around 17.5%. And this year in accordance with the ANEEL's methodology and with the revisions that were made once the first percentage that would have been preliminary, we had a new impact.

We have increased this reduction to 19% on average. And this of course redundant -- and some redundant and some additional impact which affected our First Quarter especially in the First Quarter -- start of the quarter of our distributor. Beside this impact we also had a impact naturally of the economic recession to our Board, which is superimposed upon this impact in our distributory budget again, notice that those effects are clearly superficial if compared to the impact of our tariff revision of 2008. We had anticipated to the market last year through our guidance that there would be a reduction of cash generation as measured by the EBITDA and for our distributor and this was already a consensus and quite well known to the market.

We had seen that happen to some other distributors and therefore what we are doing now is to show exactly the impact on CEMIG. So naturally you were made aware during the publicization that we did last night, although figures -- those figures are quite strong. At first sight, we had a reduction of 13% but when we make the necessary adjustments

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due to the non recurrent impact such as reduction falls down to 4% and this specially takenâ€thinking of our revenues it is extremely positive. I remind you that the reduction in the distributor was something around 19% and this I guess is a conclusion that we still had the ability to makeup for that in such a short time.

Now the EBITDA also had the same impact of 28%. If you look at results that we published, that would be adjustments and we are going to show you how we go about it. We had an impact of 5% in the net income, which had a drastic reduction of 31%. In fact, what we did have was an increase of 2.5%, now, if we don't consider the non-recurring items. So it's important again to stress that most of such an impact has to go with the tariff revision of 2008. And which naturally brought us a reduction in our profitability of the distributor. It is part of the regulations, its part of the business of distribution.

This cyclic reduction of the distributors' results, we are in a very first year of the cycle. And we have already taken the initiatives that are necessary in order for this Company to return to the profitability level that it had prior to the tariff revision of 2008. And this is the way we manage the distributors. All the companies that seek profitability for their stockholders naturally will have to pursue this goal. And naturally throughout the next five years with a lot of creativity and effort, with much substitution and replacement of technologies and new practices -- management practices to reach the goals that were proposed and that will meet and fulfill the long-term interests of our stockholder.

Naturally, besides all these factors, we had extremely positive factors that gave us the opportunity to reach the adjusted result. And I'm going to comment in detail in a few slides about these factors. But I would like to highlight first that figure that was mentioned by our CEO in the beginning of his speech, 4.5% growth of sales to captive customers.

This is an extremely pleasant and strong positive result, which represent the robustness of our market even under circumstances -- the circumstances of an economic crisis as the one we're facing and with a significant reduction in the economic activity -- our captive consumer still had enough breadth to consume 4.5% more. And this had a positive reflex, thus contributing for the adjusted numbers to have a reduction of the fall, not only in the revenues but the profitability of this Company.

So the best example of this is that even then, in a quarter such as this alone showing that an impact was not on cash. But it was simply an accountancy procedure that we had -- we still had cash generation and extremely positive balance by the end of the First Quarter, something around BRL2.7 billion of accumulated cash until the end of March.

And going to show -- and this goes to show naturally as we are going to see through my presentation, very positive growth which allows us to look further in the future in terms of our expansion. We had performance that was extremely positive in our generation and transmission company with the results growing -- and results.

And this is also positive factor, because it actually was able to go around the crisis and our customers, our clients were affected by the crisis. But our capacity, management abilities and our capabilities and our skills in dealing with our customers, giving necessary comfort

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to go through this crisis. So it was a fundamental key point for the -- results of our generation transmission company was good also.

Also some contracts that we have made and the adjustment option for 2009, in which we are already using this flexibility in energy in order to pass it over to our other customers and naturally going to see this reflect beginning in April on the results of our generator and you see the consequences of those contracts.

Now, we naturally have made all efforts to yield the figures, there were few adjustments like in this slide so to show you what is going to happen during the year. Naturally, we had this great impact in the First Quarter. This is an accountancy practice I tell you that when we had the approval of our revenues, remember the revenue derived from the RTD, we had on a positive side of it, the same procedure that is, we had an exceptional gains during the First Quarter, 2005.

And beginning 2005, we had an adjustment that was made. And naturally that has an impact only on cash. But it would not impact the results. And this actually was spread until recently -- until the First Quarter. This year, we don't have RTD no longer, beginning in the Second Quarter we will already be -- with the tariff level already adjusted within what was published at the beginning of April.

Now, the procedure that is being adopted today is very similar. There is actually this provision instead of being positive, it was negative although. And which is going to be deferred through the rest of the year. But this is going to help us to recompose this impact, which is not only due to the First Quarter.

Naturally, this great impact that was provided for, was due to our revision of the value of the reference companies in the part of the (inaudible). And also some calculations that were revised by ANEEL and the reimbursement of some financial items, they changed practically the methodology for the calculation of the percentage to be applied on the tariff of these reimbursements. And this created an impact that you see reflected on our slide.

But what we can tell you is that in the next quarter up until the First Quarter of 2010, we're going to see the amortization of this liability through the usage of additional revenues which naturally is just an accountancy procedure, which is going to be reflected there upon our results. And this gives us the tranquility to comment on that with you that the adjustment that was made is such that allows us to visualize more precisely what was our result in the First Quarter 2009.

And the next page -- on page five, we have our investment program which is also a highlight that we did publish it during the teleconference back then in 2008 results. This spreadsheet now is showing the investments that we have to make those investments are the ones we call maintenance or keeping the present assets.

In the First Quarter of 2009, we had something around BRL970 million spanning throughout the year, because of the execution of those projects that were being kept on

hold waiting for the tariff revision. Today, the average long-term and mid-term average up until 2013 when we should have our next tariff would be somewhere around BRL650 million. And this is practically what we have to do within what is provided for from the regulation point of view.

Now, as for expansion, those investments were not listed here except for those that are already committed to new projects and the projects that we normally call Green fields, the acquisitions we don't list in. But you know already that we have announced some acquisitions. The acquisition of our Brookfield in the TBE project that part -- that is relative to wind farms that we have just acquired in Ceara.

And now the Terna investment that naturally will be added to the figures that are here. So the figures for 2009 will be very high which added to this BRL970.2 million that we are investing and 3.4 bidding. In Terna we will added there something around BRL800 million which are those acquisition already made.

On a next page, just to remind you the impact of the acquisition of Terna naturally in the First Quarter, we do not have any impact of our acquisition. These acquisitions will impact proportionately in 2009, with a total impact in 2010. But only for a comparison and to give you some tranquility to the investment market as a function of the great volume of investments that were made in Terna, we show this slide, that you see there which specifically displays the impact that the acquisition of Terna have on our balance sheet, considering the figures for 2008.

Those are not the figures that are going to be presented to you at the end of the year. But these are figures that show the positive impact that Terna will have upon our results. So on principle given the magnitude of this investment, the investors were somewhat concerned. We showed them very clearly that only by means of acquisitions, only worthy acquisitions, as stressed by our President, we should have a very positive return.

And in this slide we try to show this. The great benefit that we are going to have, you can see on the right-hand side, pie chart, you will see that we are increasing the percentage of our cash flow that's generated by the Company coming from the distribution. And I again remind you that it's a segment that brings us the least risk.

Our contracts -- on the contracts there are property of Terna, which are property of TBE. For example, our contracts that provide revenue that is extremely stable and predictable in a long run. This allows us to give a visibility to our cash generation enough to allow us to guarantee the continuity of growth. We have in terms capital company long duration projects. Some of our projects take about 10 years to mature. And the fact that we have this very predictable cash flow in the long-term, allows these decisions to be made in a very weighted manner and to give certainty to our stockholders that our decisions are correct and along the right lines.

Therefore, we will continue following the same discipline and the same search for profitability through asset synergy. We still do not consider in our projections, as I emphasized in our presentation about Terna. What is possible still to get there in Terna

using these figures, we're going to reserve that for the other quarters when we are already have the Company and then you will see that we have made a (inaudible) right decision.

On the next page, page seven, we naturally have our results demonstration. And more naturally, with the adjusted value, just show that the figures were extremely positive to us in the First Quarter, considering the tariff revision of our distributor and considering the situation of crisis which the country went through, which was largely reflected upon the First Quarter.

We have overcome this crisis. We did overcome the worst part of this crisis. And what we're going to see in the next quarters is going back to the growth that could and will happen in 2009. The figures that you see here will reflect exactly that which operationally was carried out and done in the companies.

Therefore, the comments that I'm going to mention, they are extremely positive. In the next slide, I will begin showing you the total energy sold and this slide if we were to explain it in detail we would spend at least great part of our afternoon. But I am going to restrict myself to a few comments and naturally our investor relations will be able to spend the necessary time in order to deepen your knowledge about those figures here.

Apparently, you saw that there was significant reduction of the sales to industrial consumers but this was compensated for by the increase of sales as you see. So this compensation has several reasons and which should not be described now. But on principle what you can see is that the reduction in the industrial consumption which was the single segment that had -- the reduction was largely made up for, by the facility we had and especially by the ability that we had too -- so these are free energies, these are energies that were liberated by the contracts because of their flexibility. So the result is extremely positive and it is growth of 30.8% in an environment in which we people talked about the significant reduction of economic activity as the one we noticed in a few industries.

Now on the next page, we have detailed by Company. So slide number nine, we have in more detail what really happened in our CEMIG distributors, CEMIG D with an increase of 4.5%. You'll notice that the increase of residential consumption and commercial consumption was extremely strong and it made up for the small reduction that took place in the industrial consumption. And therefore it compensated -- more than compensated for this small reduction. This made sales increase by 4.5%. And compensated part of revenues reduction, because of the tariff.

On the next page, you see the very same effect happen with our CEMIG GT, Generation Transmission. CEMIG GT naturally has its contracts with free consumers and with institutional clients, our distributors. I remind of a few facts that we had already announced in previous video conferences that we had stressed that our (inaudible) plants that were sold in the 2007 had an extremely attractive value to us.

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And this year 2009, the energy was ready to be delivered or beginning to be delivered up until then we were trading with several other partners -- trading this energy with several other partners. So there was a change, a significant one, of the sales volume that was allocated to the market. Energy volume from the free market to the regulated market and this is the contract that you see and a flexibility of our free customers was practically allocated through this spot market the CCEE is a liquidation market as you well know.

In spite of having -- also had another impact that was quite significant due to the secondary energy generation, given the very good hydrology DOW had in the First Quarter. So the two effects are reflected there in the significant increase of sales on CCEE. Therefore, we had total increase of 4.1% representing an extremely positive performance.

So if on the one hand the distributor had its captive consumers with a stronger growth, the impact on the generator due to the reduction of free customers and their contracts due to the flexibility, which you see there is not so large. So big -- it's something around 355 megawatts, which doesn't represent maybe even 5% of the total energy sold to these customers. Half of this energy was sold through the contract I mentioned to you, which will be reflected beginning April in our figures.

Now addressing a little bit more, also to show the impact in the next four years, this commercialization of selling of energy, we are practically with our compatible capacity in this period already allocated and taken in terms of consumers, whether in a free market or regulated market. The free market has a significant percentage in our portfolio. So there is an adequate mix of our sales that we understand has very reduced risk and that this makes -- still may have the results that we can very comfortably publish.

On the next slide, that will show the revenues or the revenue as a function of the tariff revision of 2008 as mentioned before which has a significant impact that CEMIG D had a reduction of revenues of BRL115 million, it was not possible to compensate with an increase of revenues both in GT and RME, naturally RME has another kind of flow, different from our distributor because the tariff revision that it has takes place in November therefore it is a very interesting compensation for us.

Now, if we consider the impact upon CEMIG D, naturally the reduction was slightly more than the 4.2%, however, it's important to say that the dependence of the group as a whole on the distributor revenue is decreasing and decrease in a positive manner. We are increasing the predictable revenues of the Company there by reducing our risk and increasing the visibility of our cash flow.

We addressed in the next page, this is another issue that we would like to mention and reaffirm our commitment to obtain an increase of our productivity and more it concerns operational expenses. You already -- naturally earned those figures that will have a reduction in our operational expenses of 6.3%. This is going to allow us to absorb the reduction of revenues to keep not only our EBITDA up. But also our net income at the end and we have several reductions.

I would highlight and discuss that most of those reductions had to do with the tariff revision, for example, the largest one is the purchase of energy and this was an impact came from the new tariff and therefore this is what is being recorded there. We had also depreciation and reduction because of a change of concepts as well.

Cost deployment benefits were reduced as a function of the fact that the new actuarial calculation took into account a slightly higher rate of returns. So this year we will be presenting this reduction and therefore it reflects those measures that we announced, that they took in May last year and the commitment to obtain new standard operating activity for CEMIG.

Now, we are launching already by May, our redundancy retirement program, voluntary retirement program in addition to what was lost in 2008, it's not by chance that it was after all this process of tariff revision now -- the gain starts though given us a few more claims and we are seeking the necessary means to be able to present our profitability that we showed by the end of the previous cycle.

Now on the EBIT on page -- on the following page, page 14, you can see the reduction of the adjusted value. It was not as large as we feared. We were able to made up for that with cost reduction. And this generated or had a compensation besides other companies in the Group, which shows that our Group has the business structural that actually aims at ensuring the lower risk structure and producing a good visibility to our cash.

In terms of the cash, you can see that we had a percentage that is still kind of small for transmission. And are very exaggerated on the part of the generator this year and reduced in the distributor. But with the acquisition of Terna, the percentage coming from transmission should improve substantially. Otherwise, this year is the year of the impact of transmission upon our results not only because of Terna's acquisition but because on the acquisition of a part of Brookfield in our TBE project.

On the next page what you see is the quarterly evolution of our EBITDA and the performance of the First Quarter was very positive. I remind you that usually the First Quarter is the one in which we have the worst result. From now on we have all this positive expectations of growth in such a way that we are going to reach what was forecasted in terms of financial projections that we have publicized in May, 2008. It's not again by chance that by the end of this month we are going to reevaluate and reassess our projections. And on our event on 28, May we should comment with you on this new guidance.

Next page, you already have an impact on a net profit so net income also coming from the previous reasons, I am going to go over this a little more quickly. The net income -- adjusted net income is strong, much in line with that which we expected to show.

During our next quarters you are going to see the confirmation of the words, these words that I am saying now. In the next slide, slide 17, you also see the quarter income, (inaudible) and the results of this -- result as compared to the previous quarters and going to show that we are still well within level that is difficult to be surpassed by our partners.

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Again, on to next page, page 18 you have the details relative of our revenues per business and in this slide we always like to stress our philosophy -- our business philosophy, we have our focus on the electricity industry in a wide manner, in all the three segments in, which we act, generation transmission and distribution. Our electricity, the percentage of cash flow coming from each of those businesses is going to change a little with the inclusion of Terna, this was going to give us a profile of more or less 40% of the cash coming from generation, 40% distribution and 20% of the other businesses, including transmission.

This is the balance that we find adequate. It gives the necessary feasibility for us to make the decisions relative to the expansion of our Company in the future and we are always trying to make the Company grow in order to maintain this balance.

On the next page, naturally I couldn't fail to show you our cash flow, cash flow which we obtained by the end of the First Quarter. It is a cash flow that shows a robust BRL2.7 billion. Naturally this cash flow is going to be used sparingly in our search nominally for more assets that have synergies with our Company. Naturally, we are going to pay the dividends to our shareholders in accordance with our dividend policy.

We are going to maintain the quality, the credit quality of this Company at the level that we have today. So commitment of financial management of our Company. But it's important to stress that at every quarter and every year, we add a little bit more cash. And this cash naturally is going to -- and naturally leverage by the market opportunities to give us faster growth.

And what concerns the debt, on the next slide the debt -- the present situation of the debt we are extremely comfortable with what we have. We have a due BRL1.3 million after 2009. We have no concern that we going to be able to roll the date due in order to keep the Company leveraged around 40 to 50% of the total capitalization.

The profile of our indexers give us the tranquility to enjoy a reduction not only of the interest rates that we understand is going to take place in the next quarters. You have really noticed an extremely positive impact on this next slide. The exposure to currency exchange risk is again very comfortable -- at a very comfortable level. It gives us no concern. We're not concerned about any isolation of the real. So we are working for the reduction of the cost of financing the Company and to protect ourselves against occasional risks that we may have.

And on the next page you have the impact coming from the reduction of interest rates upon our cost and on this chart on the upper left hand side showing our tendency -- our declining tendency. We expect that to last a while longer. The main indicators, financial indicators are certainly within an extremely solid level.

And you'll notice CEMIG GT which is a company that we're going to buy Terna with has minimum debt level, with interest coverage extremely positive one, 5.5 times cash generation. And our indicator that -- bid also bellow 2 times. So we're initially going to have the impact that naturally should make this index go up. But with the total integration

of Terna resources to CEMIG GT and the other acquisitions we are going to make, this is going to allow us to return to very reasonable levels with the purpose of keeping our ratings.

We have in the long run the commitment to keep our financial health as measured by the rating that agencies give us and we are looking for this all the time in such a way that not only the shareholders. But also our creditors may have the necessary tranquility to continue invest in CEMIG.

And the last slide I only like to show to make a very brief description of our strategy as you are already familiarized with the strategy, we have as goal growth as whole and also to seek better return for our shareholders without any geographical limitations. You see that in every quarter we had one more stake of our geographic area, actually practically adding everyone one of the main states, naturally this area covered by CEMIG, represents that there is certainly something above 9% of the total energy sold.

We have businesses in several regions. We are seeking the best possible opportunities that add value. And with which we have the best synergies. So that we can continue this growth. And therefore fuel those long-term longings of our shareholders -- this is what I would like to bring to you. And I'm placing myself then at your service for questions you may have. Dr. (inaudible) please.

Unidentified Speaker

Thank you, Dr. Rolla. Therefore we will begin our question-and-answer session. And there is a request of our investors around this, we are going to try and reduce the trouble time of our transmission. Therefore let us -- I get 25 more minutes for questions and answers. And we should have this at 1.20 pm.

And as Dr. Fernando said, (inaudible) said our IR staff are counting on the support of our controller, he is going to -- are going to answer all the questions for today and tomorrow as well. For questions and answers please call 114-688-6301, or send your email to ir@CEMIG.com.br. I will then ask you to please be brief in your questions and ask only two questions per person.

Questions And Answers

A - Unidentified Speaker

We will now begin the question-and-answer session. (Operator Instructions) We'll have our first question from (inaudible).

Q - Unidentified Participant

Good morning. I have two questions. The first one, if you could find some partner for Terna? And the second question, how are you looking at the evolution of the industrial demand in the next quarters?

A - Unidentified Speaker

Your first question is easier to answer. Naturally, we have acquired 100% of our Terna stock. So, naturally it counts on the fact that the minority shareholders are going to exert their rights, exercise their rights to tag along. If that happens, we will be 100% controlling the Company. On principal, we have no interest and share in this investment with any partner. It is an extremely important asset, those synergies that we'll have with this asset are captured only if CEMIG has total control of this Company. So therefore, I don't see the possibility of sharing this Company with any other partner.

Of course, if we are doing to the financing that we're going to utilize in order to absorb this investment, if there is room for financial investors, institutional investors in general, we'll make a survey of this possibility. But at first Terna belongs to CEMIG and we have no intention to pass such a -- transfer such a good investment.

We have investment partners who we would like to have with us, sharing some of the gains. We have every confidence and trust that naturally, the return on this investment is going to go well beyond what we have already published and publicized. But it's necessary that we have the control of the Company so in this way we don't want -- we don't intend to have any partner, except for a financial partner who helps us finance this project.

Now, as for industrial consumption in the next quarters, first, it's naturally, during our event on the 28, we are going to give you a better forecast and more precise forecast, the one on -- about the mission. We don't have those figures available yet, during our event, we will talk about that in detail and about this forecast.

But what we have observed based on what we saw during the First Quarter is a possible comeback. Our consumption probably till the end of the year by industrial consumers and what has to do with the volume of sales, energies sold by CEMIG, you'll see that the numbers will be extremely positive, as a function of our trade and our selling strategy that has had a very great success in last years.

It has been our main -- the main catalyst or the main catalyst of the growth of our generator revenues, therefore guarantee in a cash flow that is extremely positive to CEMIG. As you saw, with the successive accumulation at each quarter that allows us to actually fly higher.

Our next question comes from Mr. Gustavo Gattass of UBS Pactual.

Q - Gustavo Gattass {BIO 1702868 <GO>}

Good morning, everyone. I have two questions. First has to do with slide number 10. And we you show the sales of energy, what was both for consumer and for the market and I'd like to understand, one of your mission CCEE, are you taking into account the sales of energy in the spot market that is without any contract, or is it CCEE or something that comprises the short-term by some customer?

A - Unidentified Speaker

No. In this item there, we have only the capacity that is liquidated at CCEE. So there is no contract with consumers. The consumer contracts, as I said, had been signed or been awarded in that adjustment auction of 2009, which will result in 2009, beginning April. Now, what happens at the CCEE liquidation is normally this energy in which there was no time to sell during the First Quarter.

And therefore it was liquidated on the CCEE market. Besides the energy -- secondary energy that in accordance with the present rules, we cannot sell to another segment except for CCEE itself. Would you please repeat your question? So NRA is included there. This is true, not only that but we have a surplus in our secondary energy that shows up there.

Q - Gustavo Gattass {BIO 1702868 <GO>}

Could you break down to us what was part and what was non-contracted? I would be happy to hear that if you can do this. My second question is slightly more focused on acquisitions. You talked about market's negative reaction to the market -- to Terna's acquisitions. But you're still talking about acquisition. And so you may have something else this year, can you give us an idea of time window. So should we still wait or expect for any type of acquisitions this year or this is something to be left for next year?

A - Unidentified Speaker

My dear Gustavo, in terms of negotiations I cannot disclose and anticipate in anyway the conclusion of the negotiations. So I cannot tell you whether this year we have closed all the possibilities. What I can tell you is what our CEO has stressed, that we are seeking the best interest of our shareholders, we are seeking the assets that will allow us to add value to gather synergy by means of those assets, that is, if we by chance are able to find an opportunity to acquire something, which fits into those parameters. And in which negotiation by any fact of coincidence, we maybe able to close the deal this year, we will announce that. Negotiations take time. When we started negotiating Light, in order to be effective, negotiations took about one year and two months.

So 14 months. So it's a long negotiation. So it's not that anytime that we have an acquisition such as Teran. The definition came out kind of quickly. But at any rate, what I was saying is that, as part of the overall reaction was negative. What we have as surprise and now I am absolutely certain that the market today already sees the acquisition of Terna as an extremely positive decision by CEMIG, because of the synergies that we are going to have with those assets. Unfortunately, we do not announce and promises and anticipation, what we'd like to show you is the actual result we're going to obtain through the publishing of our quarterly results. When we are in control of Terna, you will notice the positive impact that Terna is going to bring us.

And I would not like to disclose to you now naturally expectations that we have about this asset. Besides that which is already been publicized, the price that we paid and we are going to have a return well over 11%, the prospects of reaching 12%, with shares that do not help, actions that do not help, depend upon very bold managerial actions, which

guarantees us an extremely attractive return and that I'm going to make possible statements that it's going to be an extremely positive investment for our stockholders. I'm not going to talk about expectations of some of the things that we can do. But I would like only to assure you that in the next quarters, as soon as we have the managements of our Company, you're going to see the positive results that we are going to get.

Q - Gustavo Gattass {BIO 1702868 <GO>}

May I just ask one more question, just put it another way. Imagine if you could finish, conclude all the acquisitions by the Second Quarter, do you think that your balance would be too leveraged or you would need a plan for deleveraging or you would think that even then there you can continue at full blast?

A - Unidentified Speaker

You know very well and we have discussed this very frequently, very emphatically that we have extreme care with our financial situation so much so that we have put on our bylaws some indicators that are limited to certain performance. Of course, occasionally, because of the investments that we make, it may go beyond those if by chance the shareholders allow us to do that.

But the commitment is to go back to the bylaw limits as soon as the acquisitions are absorbed. If, by any chance, we have more acquisitions to make an additional effort to acquire an asset that is exceptionally attractive, we're going to make this effort. We cannot just let the opportunities go by as long as we (inaudible).

Find the necessary resources in a way that does not have an impact on our financial performance in the long-term. We are disciplined about that. We're not going to leave our tracks in this aspect. You naturally have noticed in the slide, that slide which I compared the figures after the acquisition of Terna that we are not going too much, too far beyond what our bylaws allows us. So we are aware within what the bylaws allow us except for the investments per EBITDA.

Just because of the magnitude of the acquisition, we didn't have to ask for special authorization by the shareholders to go beyond. But next year it's going to fall back to a level and with still further acquisitions will have all the trade quality to be done. So we cannot announce it has been -- we have been the object of many rumors in a market that we are buying assets practically throughout Latin America. I haven't heard anything from Africa yet. But somebody will imagine that we can buy some asset anywhere in the world. We have a discipline. We are disciplined. We know what we are looking for and we have our focus.

On this energy, electric energy business and this is where we know our competition is. So if we identify and if we are financially able to absorb this acquisition, we have no reason not to acquire a new asset. But I can assure you that this is going to be done in a very tranquil way without any precipitation, without any reckless action.

And you can be sure that all our actions meet all the basic requirements that we have. For example, we should have a natural synergy with our assets and we should have the financial capability to absorb those investments and still maintain our credit quality. This is the commitment that we make to our shareholder and we are going to stick to this. Thank you very much.

Excuse me. Our next question comes from (inaudible).

Q - Unidentified Participant

Good morning. You mentioned during your presentation there is inadequate mix of GT and IT. It would be something of 40-20-40. And if this range -- more of the fact that you're finding for -- looking for opportunities, the only conclusion I can reach is that except for organic growth, they are not integrated. So how are you looking at your portfolio in the future given this mix vis-a-vis the existing opportunities? This is question number one. Question number two is more qualitative.

You also mentioned that your sales mix generation will be something close to 60 to 70% for free customers and 30% on the ACR. There is a lot of controversy about this in what will be the adequate mix. There are companies that take a dig just the other way around. And in the next -- in the latest adjustment auction news, you sold very close or even better to some of the contracts -- free customers.

I'd like to understand what is the rationale behind this distribution and how do you see the evolution of the price from the one and the two markets and what are the pros and cons of your -- remain in the two markets, ACL and ACR?

A - Unidentified Speaker

Now, this matter (inaudible) has to -- not the issues of our mix of contracts on the regulated market and then the free market. This matter is a business one and it aims at maximizing our results in the long-term. So we have this percentage today, which is a percentage that maximizes our result. And the time in which we sign the contracts, those decisions were made within a context in which the market price -- the free market price gave us better revenues. Therefore, we chose to sell most energy there.

But the regulated market has a few features. For example, for the new plants, we have 30-year contracts. So when you participate in a new concession such as Santo Antonio, for example, 70% of this energy was sold on the regulated market for 30 years. So this contract is blocked there in this market for 30 years and making the percentage in the mix be affected by that.

But naturally, we have as a central objective the one of a maximizing the results for our generators. We are aiming at exploiting the best opportunities in a real market situation and in the context of whether of a renewal or at the moment when we are acquiring a new concession.

So this strategy has been very successful to us. You can see the growth of our generator and the revenues. It has a stable cost and confirmed growth every quarter comparatively to the previous ones. So we are increasing revenues, thus showing that the strategy that we adopted was a successful one.

And we have the skills that are necessary to continue maximizing the value of our generation assets. We have the proven experience in the negotiation of those contracts and you can be sure that the mix -- the CEMIG's mix, if you compare our mix extracting or subtracting those contracts that were signed before 2004, we certainly have the best average price mix.

This shows the correctness of our strategy and we're going to proceed continue doing or applying this policy, the selling policy for the next years trying to take the most from our assets. Now as the portfolio, our business portfolio, of course, eventually we may have a profile in which one of the segments prevails. This was the case, for example, in (inaudible) we lost certain competitiveness in transmission industry. We were able to get very few new concessions for transmission. Therefore, our participation fell from 12 to less than 7%.

Now, with the acquisition of Terna, we are coming back to the level of 12%. And as you know, our strategic plan establishes the limit of 20% of market share. And this is a challenge and we are going to try to reach that participation, both in transmission and generation and distribution. Eventually, as we've been in a position the size of Terna, this increases participation of transmission.

And if we have the opportunity to buy an integrated company, fine, I cannot even say that because rumor will -- a rumor will show up in a market that we are buying an integrated company. And so, they will think that we're buying our shares back we're not going to do that. But if we have more opportunities in other industries because we bought large assets, transmission asset, are there others? Yes.

There are I'm not going to say we're going to buy from federal companies that have almost 50% of market because in a while they will think that we are forcing for privatization of (inaudible). That's not it. But is there a market for transmission? Yes there is.

Is there a market for distribution? Yes. The concessions are all given. But there are opportunities to negotiate with the present owners under concession. Same goes for generation. The generation SSP until a while ago was the object of an attempt to privatize it. If this privatization had occurred, it would be an excellent opportunity to acquire those assets. The assets are great. But its not for sale today. So no point talking and saying that we are going to grow in a stable manner in the three segments at the same time.

It's impossible to do. There will be -- in some periods, there will be a prevalence of one segment to the detriment of the other sector. Now, as I have stressed, the focus is the electrical industry, electric industry, electricity industry. And this is what we know well and we'll continue doing that.

Thank you. As we had previously arranged, that's 1.20 pm. I apologize if there is anybody waiting to ask questions. Please ask the question by email. We are at your service. The CEMIG staff with the support of our controllers. So we are ready to answer any question you may want to have. I give the floor back to Dr. Rolla

A - Luiz Fernando Rolla {BIO 1852035 <GO>}

Very well. I'm going to simply leave a very clear message to our investors, to our shareholders. We are looking to meet the interests of our long-term stockholders. We have a plan, we have a direction. And we know what the goals are that we have to reach. And we have sought to deliver those goals in the latest years. If you look at our previous history, our track record, everything that was promised was delivered. And everything that we tell the market as possible we're going to deliver.

Our financial projections you'll remember, that our financial projection forecast for 2008 were extremely challenging. And we were able to deliver it. And thus, all the other projections that we emphasize and tell you about. So we have a staff that is extremely skillful and experienced to make possible that delivery.

And we count on that staff and the management of the assets that are being acquired. And certainly, they are going to transform those assets into cash generators that are going to allow us to leverage our future growth, well within the principle that we have -- that I mentioned during our presentations. And in the question-and-answer session.

We have every care in the selection of our investments. And looking at the requirements of additional value. And our great concern is to keep this Company financially healthy. And well within the bylaws, the limits of our bylaws. So this is the message I would like to leave you. And you will see those things reflected upon our next quarters.

Well thank you very much. I thank you for your patience and listening to us for one and half hour. And we again say we are at your service for the clarification of any issue. Our Superintendence of Investor Relations will be at your service 24 hours a day, seven days a week in the language you find necessary to use. We will be giving you every information you request that you may deem necessary for you to be able to make your own decisions vis-a-vis opportunities to invest in CEMIG. Thank you very much and good afternoon.

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