

Y 2011 Earnings Call

Company Participants

- Corporate Participant
- Djalma Bastos de Moraes, Chief Executive Officer
- Luiz Fernando Rolla, Chief Officer for Finance and Investor Relations

Other Participants

- Analyst
- Mariana Coelho
- Vinicius Canheu

Presentation

Operator

Good afternoon, everyone and -- Cia Energetica de Minas Gerais -- of the relations CEMIG. It will begin now through the webcast of 2011 -- Djalma Bastos de Moraes, CEO of CEMIG and Luiz Fernando Rolla, CFO of the company. The webcast could be followed on the phone 5511-4688-6341 and also on the Internet at our website <http://ri.cemig.com.br> and our site also has available PDF presentation for those who have difficult in accessing the dynamic presentation.

We'll now give the floor to our CEO to begin the presentation.

Djalma Bastos de Moraes {BIO 2089645 <GO>}

Good afternoon, ladies and gentlemen. Once again, it is my pleasure to talk to you about our results and we continue delivering very good results on revenues and net revenue had a 14% increase, our net income 7% and our EBITDA 18%. Our profit reflects success in implementation of the guidelines of the masterplan, increase of operational efficiency in CEMIG, a strategy of growth and -- leads to this record net revenues. And 2011 EBITDA actually outperformed market expectations and is in line with our guidance.

Our sustainable way continues being a permanent commitment in our management, in our company. We are for the 12th consecutive year -- sustainability and that's the only that -- electricity company. The index since it began included in the -- Bovespa Corporate Sustainability Index for the seventh consecutive year. CEMIG considered prime in the mid sustainability by research also included in the common efficiency in the sense to BMF for the second consecutive year.

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In terms of climatic change we have a commitment to obtain climate initiatives and -- as a result of -- and another leader category given by LID business re-organization and Brazil economical newspaper.

Also included in the -- system index [Technical Difficulty] our generation is based on renewable energy sources investments in wind and solar energy, small hydro plants biomass and coal generation. The presence in the largest electricity generation in Brazil, -- Brazil the largest hydroelectric generation project. And also we start ahead of schedule in the Santo Antonio hydro plant.

You can observe that 15 days ago, we had too our operating turbines for the time being without any problems. Generating units UG1 and UG4, 69,490 kilowatts, a total of 139 to 180 kilowatts. And then start in the 2011 60,964. Assuming our aim for leadership in those transmission cycle to financial synergies and partnerships positions Cemig to lead in the path for growth of opportunities.

Growth and transmission shows this -- growth strategy. The transmission network was more than 10,000 kilometers network, and we reached 13% of market share and permitted revenues by and celebrates of contracts for the acquisition in Abengoa. And we continue to participate in the auctions of transmission assets. You are aware that we recently participated in the north of this country. Unfortunately we had no success.

But our great commitment with our stockholders or shareholders and our Board have defined certain parameters or profitability and we are not going to avoid to -- straight from them. We were not successful but we insist and we are right -- we are certain that we are in the right way. Our acquisitions and up to more 33% in our revenues, of total of our revenues. And we are certain that we are actually on the right path.

Now we've been starting the restructuring of our partnership, in our transmission assets and our purpose is to produce operational efficiency and to capture synergies. Our presence in our country, we are the third largest transmission broadcast over 10,060 kilometers, aligns when net revenue -- 1.7 million present in 19 stage in this country and also in Chile. So we did with a pleasure that we are showing results, our statements. Now I will give the floor now to Fernando Rolla and he will continue his presentation of our figures and once again we are to be congratulated, the company and also our investors. Very good afternoon to all you. Thank you.

Luiz Fernando Rolla {BIO 1852035 <GO>}

Thank you. -- introduction to our presentation and it is important to really serve our strategy and the correctness of our strategies. These are few the growth of the company in the last years which resulted actually this profit increase estimated by our CEO. We have a long-term plan as digit plan which forecast growth in the several business lines and the company. And this growth has been very solid and a company with the cash generation that has brought certainly financial strength that makes it possible to finance -- as for the profit distribution we reached also positioned a leadership, and we are now with the extension of almost 500,000 kilometers network.

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We actually serve by an area that covers not only the state of -- but also part of the state of -- to a share of total -- energy vicinity in this country. Our CEMIG in 2011, it has reached a very representative significant value of this total energy that we sold. Our investments which we have been made in this period of 2008 to 2012 this last cycle of cycle. And as you know we had various revision scheduled for 2013 and there is almost R\$4 million and that seems to break not only more quality services to be given to our customers but also and especially it will bring a little more efficiency in terms of costs to our Cemig distribution.

Very well known another a business line that helps very positive for Cemig is distribution of natural gas as you know we have a concession of overall natural gas distribution in -- and last year we reached the mark of 1 billion cubic meter supply in 2011 this is made -- the gas made to be company with a gross revenue around R\$1 billion which places it among the largest gas distribution companies in Brazil.

So we have roughly 807 kilometers of natural gas distribution networks and reaching some of the most important regions in our state and also -- special industrial customers. The plan is to enlarge the -- residential customers as well. We have taken the first steps towards the goal, however we have not, we do not have enough gas to supply all of this demand.

Once this gas is made available to gas -- will be certain much higher than the want that has been served at present. And now, we are looking for an addition of supply of gas especially in the São Francisco river basis where we have four blocks in partnership with some investors local investors.

This block we began now by January by environmental licensing to perform geological study so as to enhance our understanding about the seismic properties, the seismic properties of the region to see what -- that going to start drilling. We now are in a process of making seismic starting to dimensions and we place that as scheduled for the second week of April 2012.

We have other blocks housing in the -- Basin and in Portugal Basin. These double investments that we are going to make will not go beyond R\$15 million, we have planned it well, so it is a very small investments. However, that is extremely strategically very important to Cemig, because it's going to give us autonomy not only in the distribution of gas understating -- but specially in the utilization of gas for generation sources, a thermal generation sources which places Cemig on a very competitive level, because our gas distribution is located in the southeast where we have the largest demand for energy in this country. So we repeat it was becoming extremely important for us on a strategic point of view.

We, as usual, double-sized our debt, and we have been implemented our master plan or strategic plan in accordance to the strategies that have been outlined in it, which lead to a consolidation of the Brazilian electric industry. We have them growing in a very well balanced way, the three segments through acquisition new businesses.

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We have several examples, as our CEO has mentioned. We have already made some acquisition in transmission this year. But disappeared into. And in the two segments, unfortunately not successfully. But it is part of our strategy to grow in our business lines in all the three segments will demonstrate and produce a share of participation in our cash flow in a 40% generation 20% transmission and 40% in the other businesses. Of course where the growth of the national gas business.

We are going to have a greater important attached to this business line. We are going to start our balance and which will make allow us in a short run to re-balance this growth. However this growth has the main objective to reduce the business risk for our shareholders and to produce a cash flow which is quiet predictable and stable and a long run once our decisions in every project that we carry out.

Our long maturation projects which demand the long term decisions so plan actually requires credit quality and financial solidity in order to make feasible, the access to resources and now the opportunities as we did in 2011 and as we're going to see later on we actually are procured maybe important -- for the company. We're doing this structure which is going to make possible to elongate those debts, we'll have a 3.5 year duration period, a very short period which reflects the Brazilian local market and we are now trying with the recent market situation but we're looking for longer returns. We had very successful -- and all of our growth vehicles are going to start using this structure so as to enhance. -- enlarged and lengthened by -- in our projects. This strategic plan has given us a very respectable growth.

Within the electric sector given us a position of leadership in the consolidation. However in a very well discipline way in a way that actually might add value for our shareholders and this is one commitment that we have with our shareholders that is only where really taken to turn those projects in acquisitions which add a real value and a very clear value added and understandable to our shareholders. So as a result of that these partnerships with the return to have given us already which 33% of consolidated net income in 2011.

And naturally these participations are going to become more and more autonomic generating resources seen the very same portion that you can see in the 2011 results, which allows to pay very attractive dividends for our shareholders today. Last year, we had payment, a payout of which was about that brands and apart because of these partnerships reaching 1.37 billion and a total contribution of the turnaround 800 million.

This shows that the correctness of our strategy as mentioned by our CEO in the beginning of our presentation has very positive results for our stockholders in a general manner. The debt profile needs to elongated, our -- we have a strong concentration in the short-term, and all the transactions that we're going carryout from now on are going to aim for more elongated time and this is going to be reflected and there is schedule of our debt which today has 3.1 years, -- we're shooting for a longer periods as we did for --.

Naturally we have been trying to reduce the cost of this debt. We have indexed practically 60% of our debt to CDI, because the future prospects of CDI is that of reduction and we intend to capture that reduction. This is going to gives us a substantial improvement in our

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debt -- it would be opening of the debt which is going to be naturally reflected upon our net income.

To-date, the total debt of CEMIG is somewhere around R\$15 billion, I would say the total debt in a consolidated group is about R\$15 billion, R\$700 million, with a value of -- in foreign currency which is very small. We think that the exchange of risk is very -- expensive to be protected therefore we are focusing on our local market which has a necessary debt to finance our own enterprises as demonstrated in 2011 -- of a significant announced by CEMIG and by it's affiliated companies and the company whoever we have just a relevant partnerships. Our indicators are in a bit over -- interest gives us a very comfortable performance in what has to do with the access to the market, all of our debts are classified by the rating agencies around AA or even AAA by some companies.

The net debt over a bit is below the -- of 2.5 where we had a growth of our debts to total -- which of this 52% of total capitalization of the but this is a circumstantial situation actually by the end of February we had already fallen below the 50% index which gives us ample condition that the very level leverage company which allows us to have a good balance so we can find nice acquisitions and our growth and a long-term as our strategic plan provides. All of these aspects translate into value added, additional value for our shareholders and their degree of confidence that we have enjoyed in the local market allowing us to capture our resources at a record volume for Cemig.

And one hard large this there some amount of which was actually gain in the -- the Cemig is the -- issue will begin with a one bid -- and be ended up by having R\$ 1.3 billion given the conditions that we have been able to get in the market.

What we did was roll part of the debt due in 2012 for the long-term as you see we're going to start taking the step. Beyond 2017 because the times go, the due date go to up to 10 years, so this is going to allow us to have a reduction in the short term 2012 a better cash generation for the company. We are now proposing to the shareholder assembly -- and allocation by the income we are talking about R\$ 2.450 billion an attempt to present our -- distributed dividend and this is going to give us R\$ 1.9 per share.

Besides the stock bonus of 25% which we are going to give as a proposal for the deal which is going to take place in April, part of the remaining resources 109 million are going to be the legal reserve and apart 1.012 billion going to be repaying the shareholders' equity and might be the objective is extraordinary dividend distribution in case there is cash availability that is enough to be the -- to pay additional pay.

Well dividend yield of the stocks with the closing price of -- is very attractive, till then our 4.35% and OEM of. The 5.1% this gives us value generation for our shareholders considering the value of this year and 2012 around 50% as a whole. Naturally this has been reflected upon the stock price has reached to very common presence we would not highlight that all of this growth on the results that we are bringing back to our shareholders this 2011 results were very good because there was 7% growth 2010 reaching 2.450 billion estimated CEO it had some credit, the tax credits which we utilize

due to sub gains and some old processes these as resulted in a improvement of this profit in terms of financial result increased as function the greater batch of the company.

But the operational profit compensated more than a -- compensated over the financial results. Our EBITDA has reached to €5.3 billion. Its a important to say that it's in line with headwind plan and forecast by the company we have no surprised what we obtained that which we have planned for and we have a really publicized that by May 2011 and our annual investors.

We have never used the position of 70,000 gigawatts hour sold in one year and this is a record figure for the company -- company in Brazil and give us -- largest integrated company in electric industry in Brazil.

You'll see that we had a 6% growth in 2010 which -- have been a very good year but in 2011 we had a very good performance especially based on the fact that our demand grows not only in our concession area but also outside of it therefore we are actually enjoying all of this growth that is practically, not only through the organic growth coming from the -- growth but also the ability to sale -- to sell the ability that CEMIG has and so as to the significant position of the market.

As you can see longevity -- CEMIG duty performers we had. A very strong growth of the sales, wholesale are almost 40,000 gigawatts which gives us a position in the free market which actually goes beyond 25% it practically till thirds of our contracts, our sales to figure so much -- which gives us differential of the -- a very strong revenue differential which allow for very important major growth in the last year. The CEMIG sales also had a growth and CEMIG has work us a very fundamentally -- because the growth of residential consumers and commercial consumers which in 2011 were beyond 5% and 8% are the strongest growth factors much as a result of the growth of the -- income and household incomes which generates high energy consumption consumers.

In spite of the fact that our industrial consumption for annual distributor has been reduced by about 1% much as a result of the migration of consumers to the free market and if we took the 11 -- those effects the industrial growth would be around 3% which would already give us the growth of almost 5% from the total sales. Of course, we had a reduction of our sales in the CCEE. But this is circumstantial because of the higher exposure that we had in 2010. This year we had a smaller exposure and that's reflected upon the overall sales. But they did not bring the benefit of the growth brands, the direct sale to our consumers today.

We have residential 15%, 35% that is of our distribution market thus reducing our dependency that we had in the past from industrial -- on industrial which accounts for only 20%, our commercial has also grown to a position of 21%, which naturally as a result of the sales price to those consumers gives us a very good revenue growth. And this change of profile allows us to capture a little of more revenues and the distributor and this reflects upon the growth of the profit or Cemig D.

Consolidated net income, net revenue increases by 14% there which is very complex to analyze this growth of the net revenue, consolidated net revenue because we are talking about a group of companies Cemig today operates somewhere around 120 companies in all. And the revenues of which you're seeing consolidated in this chart. But already reflecting important factor which is the growth in final consumers.

The focused on Cemig which is a service full consumer has been expanded in a very strong manner by the growth of the demand from these consumers and this allows us to say that our business portfolio, well a balanced current business portfolio has been reflect upon our net revenues as reflected it's portfolio in our net revenues.

Trying to make our business lines increase, we sell energy as you see but the revenues of transmission and the revenues from gas also reached the record figure which allows us to obtain this 14% growth in the final net revenue as you can see.

Expenses have also grown in 2012 and in spite of operational efficiency program that have implemented, which is, as I said, for reducing costs. You can see here that the great growth of the consolidated expenses were purchased and electricity. And this is energy totally passed over too. The consumer will have no action on this item. We buy -- we purchase the energy through the distributor and we actually pass it on to the final consumers.

Therefore, we had very good success in all of the other items with a very modest growth of this expense, which shows us that the results are appearing as a result of the measures that we have taken in order to improve the operation of the company. This is our EBITDA in detail by business. This item is extremely important because each one of these segments brings us a different future for our cash flow. Our greatest -- generation are gas flow today.

As we close 2011, it's 44% coming from the gas generation and 18% of our transmission. And you know that we are looking for balance of 40% generation, 20% transmission and this 20% and 40% represent a strategy of predictability of this cash flow in the long-term. We are already reaching these figures which allows us a cash generation, to have a very stable cash generation and allows us to continue growing in the long term.

The remaining businesses reached 38%, including distribution of electricity. Gas, as I have said, is going to take a very significant value in the upcoming years. But we do not still have such a relevant distribution of gas in a total picture you see in this graph here. The growth of EBITDA by company, by business and the contribution of each business throughout 2011 beginning with the Cemig GT, and we had an increase of Cemig for 136 million and -- with a very strong growth of 277 million.

This has made us reach to R\$5,350,000,000, showing the consequence of the strategy that we have repeatedly said is successful -- which the figures confirm as you can see the net profit and the net income had the same behavior with very strong growth in our distributor especially tie this. We naturally had some reductions here and there of profit and income due to summer. -- because of the light for example which had a weak year,

the cost of light -- the sales of energy as a reduction of the average temperature in Rio and this is -- as the climate goes back to its normal parameter. So we will have a return of light revenues and this is going to be -- anticipation more positive because the investments are doing very -- in light and they are very important and they're going to get conditions for it to take it up to a performance that is quite close to the benchmarks and distribution not only in Brazil but also abroad.

All of this portfolio, as I said results in cash generation and this cash generation is very strong and which has given us conditions for us to continue investment and very significant amounts as you can see that both in 2011 and 2010, we have actually surpassed the market R\$4 billion. Investments, total investments which is a very significant amount and that shows the willingness also -- continue growing and especially the commitments that our company has to continue seeking investments are going to add value, that are going to add a new resources or new cash flows to CEMIG.

You see that the cash flow generated by operation which has been very strong and growing as a result of those strategy, the investment strategy that were made which have a large -- growth not only in the net income but also cash flow, cash generation. And to this cash generation we have been able to pay growing dividends to our shareholders and even then invest record amounts in the expansion of our system.

Maybe this is the best slide that a CFO likes to present because of the robustness and with our cash flow also this is another slide that is very pleasing to us because these investments that already made are going to add significant value in the next years and in short also back in the next quarters you're going to see growing numbers there in terms of cash generation for the next several quarters.

All of this naturally based upon the strategies and a discipline making the right and the appropriate choice for investments.

We have reached a significant position in the several state, you see that in some stage not only generation but also we have our customers I can clear of the state here that you are going to have good news for our shareholders within our business portfolio. Later in sales are generation our transmission which today covers so in the beginning of our presentation.

And the -- within this country a very strategic and it has to do with the utilization of the synergies work with telecommunication systems all of this is going to make us in the future. Our continued -- so we're now obtaining the confidence of our shareholders and we are already in more than 40 countries around the world.

Our Investor Relations areas is working independently to meet the demands from these investors we may have had around 1,000 meeting with investors and in all of the meetings since our 101 and also conference and seminars this is an extremely important performance which us a and an exposure to the investments, -- which is quite strong which have a practice, has a practice first class investors to -- the equity base and this was

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exactly what we want investors who have interest coincide with the strategy of the company.

We are looking for the long-term growth we have grown in the short term because of our strategy but our great focus is on the long run to make Cemig a leader company and -- but also in the -- and the world. And as a sustainable company and efficient company and also a lucrative profitable company to -- and remunerate investors in the long-term.

With that we are already gone deep -- quite strong, which has large -- investors with the net assets R\$ 12 billion an equity base and this is exactly what we want investors who have interest -- with the strategy of the company. We are looking for the long-term growth who we have grown in the short-term, because of our -- as a result of our strategy about our great focus is on the long run to make -- company and all -- Brazil.

But also in the electric industry and the world as a sustainable company and efficient company and also a lucrative profitable company to attract and remunerate this investors in the long-term. With that we already go and beyond the 37 billion in assets which is that large volume of resources invested with the net assets R\$12 billion, the total revenue going beyond R\$22 billion and we have been talking about consolidated figures if where I mentioned all of the assets and all of the revenues are the companies that we operate we will go much beyond the values and to see there how market value and the company market value -- R\$28 billion and this is the largest market value that we have had because of the results given by our participations.

With that, investors have given us a good recognition this two charts there are very important to us because the growth and the value of the shares and the share price actually gone beyond 90%, over 90% in the case of CEMIG profession, 65% of CEMIG ordinary share this growth of ADR also had a very strong growth surpassing the Dow Jones index which had a decline over 8% showing the degree of confidence of the investors and our strategy and also in the company's management to deliver the results that were proposed or publicized to the market.

Naturally this adds a great value and we are now -- may be certainly the best performance in the electric industry Brazil and once have been reached this position we are actually going forward additional positions in the future. We already finished our presentation and just first 15 minutes, we understand that the information that we have -- to you actually we'll need with your interest in the -- ones that are actually watching this conference call

We are going now to have an Q&A session so that those subjects that were not covered by our presentation. Naturally maybe cleared up or maybe clarified and then that's the way it's better a way as possible as good a way is possible. That's the way it's better a way as possible as good a way as possible.

That is a Cemig we will probably take two or three hours in order to cover all of the topics that we would like to should and all of the advances that we have made, all the strides forward that we have made and in order to -- which the investors and as I know that your

time is also very valuable, I'm going to restrict myself to these slides. Therefore I'm now placing myself at your service for your questions. Thank you very much.

Questions And Answers

Operator

[Operator Instructions]. We have our first question from -- BTG Pactual.

Q - Analyst

Good morning, everyone. About the simplification of transmission business. I would like to understand in the scenario that is after the renewal of concessions, if you're in the future think about including the legacy assets and -- and in the close future near future, -- their assets, TBE and the rest of the Taesa? Thank you.

A - Corporate Participant

Thank you, Antonio. Of course the assets that today are under GT, CEMIG GT management have a contract nature that is slightly different from GT and the TAESA. As a result of that we would not like to bring greater complexity to TAESA, because we understand that it is an extremely simple vehicle and extremely easy vehicle to understand and the analyst and investors in general, they projected its growth and its gas generation without much problem.

CEMIG GT, however has a partnership complexity which is great because it 100% belongs to our holding company and its one of the regional companies and they integrate the CEMIG. So we have some complexity. There is some complexity involved in doing this.

As for the other assets, we have a smaller interest with the most diverse shareholders, the value is not that significant and given the complexity of actually making these moves in the short-term, we chose to do only TAESA. Of course, we in the future might even make this move. There is no restriction about that.

You understand that GT assets not even after. The concessions are removed, they're not going to be included in TAESA. That's exactly how we -- I think that the increase of the complexity because these assets of synergy imply a area for revision. Any tariff revisions that naturally imply best efficiency gain are to the regulator and therefore in our sense, it is not worth while to contaminate Taesa with these. I prefer to keep them separate apart. And if by chance requires a separation of those assets. They are going to be constituted into an isolated company exactly to give us greater transparency to investors in the calculation of our cash flow.

Okay. Thank you. I have a question from Mariana Coelho, Itau BBA.

Q - Mariana Coelho {BIO 16262980 <GO>}

Good afternoon everyone. Congratulations on your results. I would like to have a comment from you about negotiations. The CRC, the government of the center, do you have any expectations to finish this negotiation of time? And a second question if I am allowed to do so. I would like to know if this potential transfer of the assets -- is were they placed before -- IPO? Thank you.

A - Corporate Participant

Thank you, Mariano for your words. They are very good and stimulus to us, an incentive for us to continue working hard and to deliver the results now with greater possibility in 2012. That 2004 is come in already with the CRC question. You remember that by the end of last year we communicated to the market that the state of -- has shut us, so as to make the prepayment of the CRC contract based upon the argument that the cost were too high for the state and at this stage today has accessed to cheaper resources and therefore this would benefit that service of the state if those contracts were prepaid. So we began the negotiation where the state obtained its approvals, -- approvals. We had approval in our state legislature and also the state is already talking to STN and some other federal agencies, so as to already obtain approvals for the proposition that has been put forward. It has already negotiated with the financiers which are in the World Bank. The French agency of development and besides that CS, -- which are going to give the necessary for the state to prepay.

The schedule -- the transaction schedule, we understand that naturally will depend upon some other approvals of the state has to sign the contract with those entities and submit to ISDN in Russia again and specialty and definitely to the Federal Senate to the Congress. So this will take a while, still in the best estimate that we have is by July this year possibly with, I'd say with the shares or the actions that are being implemented by the state and the interest of the financiers and investors and also the interest of federal agencies we might finish all of this by July this year. And it has to do with the transfer of our interest in companies under TBE. The TBE name, we intend as we have already communicated to the market to conclude the studies well before our IPO. And with that too actually make a commitment to the investors about this transfer is very beneficial to --, once it's going to give us much return. It's going to give us muscle. So that Taesa can continue growing autonomically in the upcoming years.

It has a world of opportunities ahead of it either through auctions where little projects may be constructed, may be built in spite of the difficulties that we had as our Chief Executive Officer has announced that we lost semi-concession contracts a few weeks ago. But as a function of the fact that our return will not be as attractive if we had chosen to continue competing for these concession contracts.

However, the acquisitions are being made, are being actually being considered the most adequate way for Taesa. We have already announced by the end of last year. The conclusion of the acquisition process of the Abengoa interest in some transmission lines. And today, we have already announced the conclusion of an agreement with Abengoa itself for the acquisition of the remainder of this interest in the transmission lines that have been negotiated at the end of last year. So, this shows the capacity, the ability that Taesa has top generate resources and naturally to utilize its balance sheet in order to finance its own expansion in the long term.

This is the role that we want for Taesa, for Taesa to be a company with muscle, a very strength and a very strong financial position so that it can pay for its extension without the need of capital coming from its shareholders. We're going to have the IPO, the IPO is going to substantially reduce the debt of Taesa and that is going to allow to fit within those limits that we have usually set for our affiliated companies. It's going to continue to generate in conditions so that it can continue growing very strong strides in the mid and the long-term.

Q - Analyst

Could you please just remind us the magnitude of this negotiation of CRC?

A - Corporate Participant

Thank you for the question there. I thought you were going to ask about the IPO. CRC is easier because the balance or CRC balance on 31st of December was about R\$ 5.6 billion. Naturally when you have definitely the prepayment, the value is going to be a little different the amount is going to be different because the contracts are readjusted by our -- and there is the discount of the dividends paid by the state.

But I think it is a good would be the 5.6 billion. Thank you.

Q - Vinicius Canheu {BIO 6300903 <GO>}

It's Vinicius Canheu from Credit Suisse. Good afternoon everyone. About dividends in the last two years, the shareholders. You have paid -- I had a turmoil with the audio, cash generations can be even better than last year because you have -- and you have command over money from --.

A - Corporate Participant

I am sorry the sound of other that is coming through me -- it's not good I cannot understand what the question is.

Q - Vinicius Canheu {BIO 6300903 <GO>}

did all this cash generation have -- possible to pay extraordinary dividends, or if you don't, if there is anything that may change this possibility.

A - Corporate Participant

Thank you Vinicius for your question. And also for -- because our dividend policy is one of the policies that are as important to us that is actually placed in our -- it is part in our by-laws. The dividend policies established provides that we have to pay 50% of the net profit net income and net income only the 50% of it is going to be paid as dividends. So if there is excessive cash generation, we may pay extraordinary dividends. Thus was the case of the last two years. And as you can see in our cash flow, which I showed you and to see if I find it here, and if I find this lying here again, -- you will see that given our cash flow that we paid extraordinary dividends in our last two years. Actually over half of the net income. But we continue the investments very significant amount in 2010, we reached R\$4.4 billion

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and in 2011, 4 billion. So with assets in the last two years R\$8 billion which goes -- that our cash generation was strong enough to what pays for this investment program and also to make it possible to pay extraordinary dividends.

So our policy is focused exactly upon these two basic points, 50% of net income and if essentially we have the excess cash and we do not have an investment that naturally will give a good, a very attractive return to our shareholders and then we can pay extraordinary dividends and this year 2012 with the CRC naturally you see that CRC is going to generate cash that is going to naturally going to have an impact upon the net income and if there is an impact the net income, we will have to pay the correspondent dividends, the dividends corresponding to 50% of the net income. This is the commitment that's -- has and naturally it has tried to honor this commitment with the shareholders all the time.

We have no doubt that's maybe -- has the financial ability or capacity to continue sustain not only it's investment program, supports its investment program but also its an dividend policy. Actually the investment program gives the sustainability so that the dividend policy is effective and applications are attracted to our investors.

So one is the cause for the other that is the more value we add to our investment program, the more dividends naturally they are in shareholders -- just to close then about the CRC. You said that would be 5.6 billion but in it what we see would be different from that. Well naturally when you talk about our long-term contract and you talk about prepayment. The very first issue is how we're going to discount the cash flow of these contract to present value and naturally the present, the face value discounted at reasonable rate is going to be slightly less, the present value is going to be slightly less, this are the value of money in time. So we're going to negotiate for the state we still have nothing to try and where the state and what you have our estimates that were made by our financiers and now we are still negotiating with the state, the discount rates in order to allow us to reach a final amount to be better -- by the state. Okay. Thank you very much.

We have now close the session of questions-and-answers. I would like now to give the floor to Dr. Djalma Bastos de Moraes for his final remarks. Please Dr. Djalma you may proceed.

A - Djalma Bastos de Moraes {BIO 2089645 <GO>}

Thank you very much. I would only like to express once again the confidence that CEMIG and its managers and all the management staff, all the employees of the company have in its future, the confidence and the trust that we're going to be able to deliver, the goals established by our strategic -- are very ambitious but we have already demonstrated they are possible to reach and with creativity and effort and much dedication on the part -- we have had an equivalent support of our investors and our shareholders especially a major shareholder and the second largest shareholders CEMIG and as we change concessions, the strategic vision that is coincident all ones growth with value addition in the long-term and a search for those business lines that are the focus of our expertise and which therefore are going to add value and a search for these investors that investments that

have greater synergy with our existing assets all of this we have sought, we have tried to maintain and they implement in the consistent and well disciplined way.

This is the message that I would like to leave with you and I would like to thank you once again for your presence and your attention, always very -- coming to our conference call. I know your time is very valuable and we try to bring exactly the kind of information that we think is more relevant to you so that you can use it not only in your decision-making processes but also in the analysis of recommendations that analysts make to investors in their respective institutions.

Thank you very much and a good afternoon.

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