Q3 2011 Earnings Call

Company Participants

- Djalma de Morais, CEO
- Luiz Fernando Rolla, CFO
- Stefano Vivenza, IR
- Unidentified Speaker, Unknown

Other Participants

- Felipe Leal, Analyst
- Gabriel Laera, Analyst
- Marcio Prado, Analyst
- Vinicius Canheu, Analyst
- Vladimir Pinto, Analyst

Presentation

Stefano Vivenza

Good morning, everyone. I am Stefano Vivenza. I am the Manager of the Investor Market. We will now begin with the video webcast of the Third Quarter results of CEMIG with the presence of Dr. Dejalma Bastos Morais, CEO. And Luiz Fernando Rolla, CFO and Investor Relations director.

The webcast could be followed over the phone, 55-11-4688-6341. And also on the internet at our web site http//ri.cemig.com.br. It is available on our site, the PDF presentation for those who have trouble accessing the dynamic presentation. We now give the floor to our CEO to begin the presentation.

Djalma de Morais {BIO 2089645 <GO>}

Good morning, ladies and gentlemen. As it could be -- based on our previous commitments, we are delivering once again this quarter very good results. We have a record EBITDA for the quarter. Our accumulative profit has reached BRL1.7 billion. Our business portfolio has a strong expansion of our net revenues. And keeping a profit even though we have a record EBITDA, we have kept the same profit as in the last quarter.

I would like to convey to you, as you can see, today. We have some colleagues with whom you are always be with during the presentations. They are not here, we today have and are T-backs we have our fellow directors outside of the country, abroad. All of that trying to make feasible and show to you our commitments with our shareholders about investors.

We continue. And we will continue to be always on the search for assets that might add value to our company. Thanks to these assets, we can fulfill the commitments that we have made. And we are certain that we will always have good news to impart to you along these lines. I would like to also show you we will have the affidavit of our stockholders. We are cutting our costs. And also with their support we are making those assets available.

And we are sure that every day we'll add more and more value to our company. I would like to show you a few financial data. But I will leave this task to our CFO, Dr. Rolla. And I am certain that the questions coming from you will be totally answered.

And we are certain that we're going to continue during this next quarter, in the search of seeking those objectives. And once again show you that we have our total commitment of our great stockholders for these measures that have been taken with the results that we expect. So it is with pleasure that I am present here with you. And I give the floor to Dr. Rolla to give you the financial details of our company.

Luiz Fernando Rolla {BIO 1852035 <GO>}

Good morning, everyone. Thank you, Dr. Djalma for your initial message in our conference call. It is also with great pleasure that we present the Third Quarter results ninth of 2011. It is -- those are results that substantially meet our established goals, established by our guidance.

As you can see, not only because of the guidance value of the EBITDA value that we are presenting, BRL1.5 billion which naturally as usual, the best performance of the electric industry in Brazil coming as our CEO has already indicated.

From our investment portfolio, it has given substantial contribution to this growth in the Third Quarter. That in the Third Quarter shows the growth of 21%. This is a result coming from the investment discipline that CEMIG has been implementing. And which for years and which has generated very good results of our shareholders.

You are going to see then that we have relevant share in our interest and other companies that we have acquired, shares of which we have acquired. And relevant interests. Last month, we made an announcement of our participation of our interests in the Belo Monte project.

It is a project that today has become extremely attractive for CEMIG. Initially we thought it was not that attractive. But with the changes not always you know financing conditions. But also in the project conditions, this Belo Monte project has become very attractive to us. And we have decided therefore to have a greater interest in it, about 10% interest in it.

This project is going to add substantial value to our -- for our shareholders. From the point-of-view of sustainability, we reassert our commitment with the three dimensions of financial economic, environmental and social. And we already have the recognition, not only of the Dow Jones rate. And Bovespa for a long period in which we have participated in those indices.

Thus showing that the practices that we have adopted. And what concerns our sustainability are in keeping with the requirements established by the international community. I'd like to focus our conversation today particularly on the financial figures.

The financial figures are extremely strong. We have as a result of our -- an extremely conservative management, aiming at not only guaranteeing the payment of dividends to our shareholders. But also to provide conditions for growth, for the Company to grow. And thus allowing the Company to reach those goals that we established by our board. Especially by our stockholders and the solidity of the results which have followed in the previous quarters.

And each quarter that we have a publicized the results have been very solid and coherent with the strategy of the Company. Going to show therefore that the strategy has added value indeed, had added value for our shareholders. The quality of our statements, guarantees us a restricted access to credit. And this allows us not only to have a low debt ratios with high coverage ratios of our debt. And also show a very robust cash position.

After we have realized acquisitions in the last two years, we've paid extraordinary dividends. And even then we have BRL4 billion in cash, which goes to show once again that the financial managements of the Company will position CEMIG at every acquisition that it has made, by virtue not only of the discipline of investments seeking adequate returns. And investments to have synergies. And very strong synergies with the present assets which generate resources and cash immediately. And this naturally again is guaranteed by the excellence of our assets that we have selected.

But also because of our ability to reposition ourselves at every acquisition, you will see that the financial indices of our financial performance are excellent. And are reaching the parameters that we have as a rule committed to, not only with the invested markets. But also especially with our stockholders. These indices you are going to see right away guarantee us a financial health that is quite comfortable.

In this next slide of the debt profile, you can see the average tenure will have a concentration in the year 2012. We're going to be working on that figure. But you can see that except for this 2012 year we have a very comfortable profile. The real costs of that has grown up -- that's gone up because in the last quarters, because of the Celig rates responding, which account for 60% of our debt. It readjusts 60% of our debt.

However, the debt that reaches BRL14 billion, the net debt is BRL10 billion as a function of the cash that we will have accumulated. And some indicators as the EBITDA on interest which is the coverage rate of the debt is 4.2 times, showing the capacity of payment of those interests, that is quite, quite easy. The EBITDA is on the lower level of our bylaws, twice the EBITDA. And you can see that also even in our GT we are a little better. And CEMIG D we are below the index that was established by our bylaws.

The debt in it, the net debt reaches 43%, very possible lower limit even though in our GT is slightly over that and CEMIG D as well. But the contribution of the interest to improve the financial results. So CEMIG is evident in these figures, this shows that CEMIG today boasts the same financial condition that it used to have prior to this acquisition period. Our cash of BRL4 billion and the debt profile twice that of EBITDA, this shows that CEMIG is repositioned entirely in order to follow -- to continue consolidating assets in the electric industry in Brazil.

Not only in the area of distribution. But other sectors as well as generation and transmission, it's an extremely important aspect of CEMIG today, nowadays which places us as one of the most evident consolidators of the electric industry with our historic record that is quite evident.

And what concerns CEMIG GT, I would like to show you the impacts that we're going to have in 2012 which is the great value that you can see there, a total of the debt maturing into 2012 at BRL2.7 billion in CEMIG GT. I'd like to tell you that the due date of this debt is January 2012, BRL1.2 billion which added to the BRL950 million that we still have due in 2011.

All of this is around BRL2.5 billion, which represents a reduction of the GT total debt, which we're going to roll practically BRL1 billion out of these at BRL2.7 billion. And of these BRL3 billion that we have maturing up until January 2012.

So therefore, our rates by the end of the year will naturally be much better than those that you see on the chart. As a function of the improvement of the results of CEMIG GT, thus shows that in spite of us being in the very comfortable position, we still have room for improvement for the upcoming quarters.

It is also good to remember that because of this volume of debt that we have. And because of the concentration of this debt in CDI, our financial expenses were a little high this year because of exactly the growth of CDI and CD grew more than twice, two times the inflation this year. And this means that there is interest that we pay is slightly higher. And you are going to see why the net profits was kept stable in the quarter in spite of the growth of the EBITDA which has reached 231%.

However, with the actions that we're going to take. And the measures that we're going to take with a reduction of the GT debt, we are going to significantly have the reduction for the next year. You see the financial results of the Third Quarter reaching BRL567 million, which is practically the same as the value for 2010. We had very little difference. Most is due to the financial results, which naturally did not allow us to have part of the growth to the net -- to pass that over to the next profit.

This improvement in the financial results are going to come, not only because of GT -- CEMIG GT. But also some improvements that we are about to make in some other companies. So it is going to allow us an extremely positive result already for the upcoming quarters.

And the results itself had consolidated sales volume that was quite significant. Significant growth of 6% result of the performance of our economy in general. In the areas that we acted both in Minas Gerais and in Rio de Janeiro we had an accumulative growth that was quite strong. By the Third Quarter alone, we had something around 6% which is naturally going to allow us to continue growing.

The free market still represents 25% of our share. Our share is about 55% -- 25% of the total market. And this is a great factor that again, ensures us our sales growth. CEMIG GT we had a growth in CEMIG GT of 8% where the market shared -- the free market share of 5,000 to 107 gigawatt hour represented a value over 53% of total sales of CEMIG GT.

This is an extremely positive factor for our CEMIG GT which results again in the growth of sales of revenues. As you will see. So on. Our CEMIG D has -- actually a decline, if you see a total sales volume. It was a decline of 1%. But if we purge the sale to the CCEE market which is a -- there is a sale that was reduced because of the reduction of exposure of the distributor, therefore it is a positive factor for our distributor. If we purge that, we have a growth of 6%.

And this 6% growth actually pulled by the commercial, which reaches 12%. And residential soon afterwards with 6% going to show that the economy of Minas Gerais has had a relevant grow. And is growing very strongly in spite of the impact that we had here on the reduction on the industrial because of the migration of some of the industrial consumers to the free market.

All of that make up the results -- makes up the results of CEMIG D which today has a -- in terms of sales a result that is better than last year's. The net revenues -- total net revenues consolidating increases by 11%, it reaches BRL4 billion in the quarter coming from especially final consumers, which gave a contribution of BRL461 million since last year. And the results -- the first result of the sales volume that you will see both in CEMIG GT and CEMIG D, Light also had accumulative growth in the year that was quite strong in spite of the fact that in the quarter, it did have a reduction.

Expenses are also extremely under control, especially the distributors, which have had a program of cost reduction that is quite strong. And also we have shown that the focus of this reduction has been taking place, especially on the reduction of the staff, of personnel that is which we did in the last two years, the size naturally making up for that with other -- especially outsourced, services and other managers that are going to contribute towards the reduction of operational expenses.

You remember that three years ago we made a commitment to -- in 2009 to substantially reduce operational expenses reaching BRL200 million. If you are correct that those figures, you are going to see that we are exactly on target. That is BRL200 million less than three years ago when we made our contribution and our commitment.

That is our financial results show the growth as I said, of the interest expenses of charges, especially in the cumulative figures, we left BRL93 million to BRL358 million, which resulted in the financial results on the net of BRL294 million. It is a result of those conditions that we mentioned when we were talking about the debt.

Our portfolio still allows us to have a very strong EBITDA results. As I mentioned, BRL1.5 billion in the beginning our conference call. Here, naturally the participation of the other companies that we have acquired as Light and Gasmig and TBE, Taesa have been substantial. You notice that in the quarter, Taesa, gave a substantial contribution to our results, notably as a result of the application of some IFRS, standards. And we have reached BRL250 million which naturally gave a substantial contribution to our final results.

Today, we can say that generation accounts for 49% distribution, 28% of results and transmission, 23% within the quarter. And within the conditions that we have offered and the results are all within what we had planned for.

As I said, we had a cash generation that was very strong. This strong cash position generated by operations has reached as you can see BRL1,295 million of cash strong operations which is very strong. Cash showing the quality of our assets portfolio. We reach, in the end of the period a cash that was quite strong of BRL3.8 billion. This cash we have applications for it of course. But it gives us the contribution to continue, as I said, consolidating the electric industry in so far as we can define projects as our CEO has mentioned for the next quarters.

You can see that the cash flow has been extremely strong. And the accumulation in spite of our having already acquired a few assets and paid extraordinary dividends still continues being strong, which gives CEMIG -- consolidated CEMIG, corporate CEMIG, very strong growth value.

Talking about growth, we have our investment program. This investment program which was planned for 2011 of BRL1.85 billion, we already have BRL1.82 billion. We still have three months to go. And naturally the financial realization of this investment program does not correspond to the physical realization very -- we are very likely until the end of the year to cover substantial part of these investments.

We naturally in the three segments, generation, transmission. And distribution, we have invested strongly, especially in distribution so as to improve the performance -- the operational performance of our distributors, both here in Minas Gerais as in Light in Rio de Janeiro. The investments are being made, those are investments that aim at not only replacing equipment, buying more modern equipment, new technologies, alternation of our operation. So as to guarantee that at the end of the year we have an operational performance that is adequate.

We had a substantial improvement in the average time of service to consumers. We reduce by 16% of the average time of service to consumers. As a function of the investments that have been made in equipment that allow the reconnection when there is some power outage of practically instantaneous which allows us to tell -- to say with very emphatically that is that our next year's performance is going to be much better than the one that we have had thus far.

In order to close, I would only like to show you those great figures of CEMIG showing that in fact, CEMIG has a market value that still does not correspond to the investments that it has made. It's -- there is naturally perspective or outlooks for improvement in spite of the fact that the performance of our shares has improved substantially. This year with our stock performance this year, we had a performance of 25% relative to December 2010.

We can make better strides of -- we have had dividend payment of 1.75%, which gives us a dividend yield of 6% for our PN. Added to the 25% we have a total return of around 31%, which seems to us a very adequate to an investment and investors in the condition that the market especially in Bovespa has a decline of 17%.

So this shows that our strategies are working correctly. There is trust from our investments. Investors and now we are going to deliver everything that we have promised our stockholders, our investors. We have naturally fulfilled our master plan, our strategic plan which imposes on us a market share of 20%. And in the three segments in which we act, today we have a presence, a relevant presence in practically 23 out of the Brazilian states, all of the Brazilian states, 23 Brazilian states which tells us that we have covered practically 100% of our GDP.

So which shows that today CEMIG goes beyond the borders of the state of Minas Gerais and brings development and conditions for economic development to practically all of the states in this country. This is the commitment of our stockholders. And we're going to try and fulfill this commitment in the long run.

Those were the slides we had to present to you so that we can begin our conversations. And I am therefore available for the Q&A session that is coming right away. Thank you, very much.

Questions And Answers

Operator

Now we have a Q&A session. (Operator Instructions) We have a first question from Credit Suisse, Vinicius Canheu.

Q - Vinicius Canheu {BIO 6300903 <GO>}

Good morning, Rolla, thank you for your presentation. As you'll see this is something you had us communique in the press. Could you tell us some more details about this so that we can understand what motivated the taking up again of the negotiation of Monte Belo? What are the possibilities that are being discussed. And in case you have a solution different from what we have today. What can we expect for the use of those resources that could be raised from this operation? Thank you, very much.

A - Unidentified Speaker

Thank you, Vinicius, for your question. An extremely relevant topic for CEMIG. You know that the CRC contract resulting from those credits that we had with the federal government has become a problem for us. Because naturally over the last years the state not having the financial condition to honor some of its installments, we had a result beginning 2003 that were quite good because of the renegotiation that we have made.

But now by initiative of the state of Minas Gerais itself, we were called upon to discuss the anticipated payment of this obligation. The state has an interest in making this anticipated payment, according to the representatives from the state because of the high cost of this debt. Just reminded us the state pays a GPDI plus rate, 8.15%, which shows naturally a very heavy cost burden for the state. And therefore the state thinks that it can, not only in a market. But also with multi-lateral agencies find resources at a much lower cost than the ones that we have had agreed upon.

So we began some negotiations with the states. So as to discuss this anticipation, naturally we are going to discuss this, have it in mind. The best that can be done for our stockholders, in general, you know that this is a contract that has part that is related to our major stockholder and which is going to be submitted to the approval of the other shareholders.

We understand that the solution of this contract is going to benefit us, the holders, because it is going to allow us to put some resources in our cash. This is going to allow us to increase those resources that we have available in our cash so that we can make good investments. And therefore add more value then to -- for our shareholders.

It is a true that we're going to try and find investments that are over 8% real return, which imposes us -- imposes a challenge on us. But we are going to have much more liquidity and we are just going to really exceptionally benefit us. We are still in negotiation with the state. The schedule for predicts about eight months more of the negotiation, not only between the state and CEMIG. But also state with its financers. Very soon, the state is going to call for bids. And naturally, this is going to give us a very clear indication of the seriousness of this negotiation.

Q - Vinicius Canheu {BIO 6300903 <GO>}

Thank you, very much.

Operator

Our next question comes from Mr. Leal from Merrill Lynch.

Q - Felipe Leal {BIO 2015017 <GO>}

Good morning, everyone. I have two questions. First has to do with investment program. Looking at this slide you see that it is over half of the -- what was planned for the year, you see only about 40% of what was planned. Do you still expect to reach BRL1.850 billion or you should fall -- as little short of that? The question is the follow-up on the CRC. Within this process, of first of all prepayment also involves you prepaying the -- which was actually based upon the LCD.

A - Unidentified Speaker

Thank you, Felipe, for your question. First one is there pay backs? Naturally, as I said in my presentation, there is actually a gap between the financial and a physical. The financial is slightly late in spite of the physical being already any more advanced. The projection that we're making for the end of the year is that we're going to fall slightly short of what was forecast. But nothing that can be significant.

Now for 2012, we understand that we are going to be able to fulfill all the -- to reach the goal because we have set up a structure, an office in order to follow-up those works in such a way that with this kind of follow-up we're going to have a very clear vision view about the execution of this investment program. So we have no doubt that we're going to conclude -- to finish until the end of 2012 all the programs that has been agreed upon with Aneel.

And what concerns CRC, naturally, one of the commitments that we have is the liquidation of the FIDC. If by any chance this state actually pays off the CLC) contract. The reason for that is that the IDIC is based upon the CRC contract. And once we liquidate the CRC contract, then of course you have no luster. Therefore, we have to liquidate also the FIDC.

This is going to bring up additional benefits for CEMIG because it has to do with the reduction of debt, remembering that FIDC we recognize it as a debt in our statement. Therefore its value is around BRL700 million, BRL800 million. And this is going to be the total to be discounted from our debt, which is going to contribute to our -- improve our indices together with the improvement of our liquidity. Okay.

Q - Felipe Leal {BIO 2015017 <GO>}

All right. Thank you.

Operator

Our next question comes from Mr. Prado from Santander.

Q - Marcio Prado {BIO 15398968 <GO>}

Good morning, everyone. Two questions, one is a follow-up about the renegotiation of CRC. And the second one has to do with the generation prices. And CEMIG generation contracts. AS for CRC, you mention now that the statement is BRL700 million to BRL800 million connected to FIDC and the total value would be around BRL500 billion. I would like to understand if those BRL5 billion, the totality of them is based -- is the basis for this FIDC or this is just a smaller part of the BRL5 billion.

And also about the possibility of CEMIG pay out this debt, recognizing extraordinary results. If first of all depend upon can you give us a guidance of this, about the way to look at this and try to anticipate a possible positive effect upon the CEMIG results of the payment of the CRC. And the uncoupling of FIDC and CRC.

The second one is about generation. We see the results of CEMIG G still very strong. Which was a contrast with other generators which showed weaker results this quarter because of many free -- customers returning energy and the operators having to show this on a -- to pass this over to PLD which is low. I don't know if you observed that. If somebody has returned any electricity, can you tell us about this price generation price. And how is CEMIG sailing through these lower prices?

A - Unidentified Speaker

Thank you, Marcio, for your question. When we made our FIDC, we made up this FIDC with a senior product which was sold on the market which at the time was around BRL900 million and junior quotas which were on -- with us, there -- we kept it. And 100% of the CRC contract has actually created a basis for this FIDC.

So by sold that at the time, the market value of this contract was -- had a much smaller value. It was probably around BRL2 billion. So we have already recognized in our statement there is a balance sheet has a provision for this loss, which resulted of the only loss that we have actually featured in the last 20 years. You must remember this happened in 2002.

Because of that. And naturally we -- once we are going to negotiate with the state a value that is going to be substantially higher than the value already recognized. We shall have a positive impact upon our balance sheet. I don't want to give you any figures, because this might look like speculation. And naturally, as it is an extremely sensitive and delicate topic for our investors, it may have an impact and a movement on the price of our stock. I am going to decline offering any details about the negotiation.

The fact however is that we have been negotiating to the benefit of our shareholders, which could not be any different. Could be otherwise. And this has had the result in a few positive effects. And naturally there should be some reversal of the provision that we have made naturally with an impact upon our profits. I don't want to -- as I said to mention any figures to avoid speculation.

Therefore, CRC, once we conclude on negotiations with the state. And the state can negotiate with the financers, the inadequate resources, we can already probably by the next quarter have some more firm data in order to talk about. But at this time, at this point in the negotiation, I would like to keep this information confidential, this information confidential to avoid speculation.

And what has to do with generation prices. The results of our GT reflect the negotiations that were carried out a few years ago. And the fact that we have 100% of our capacity already sold. Already under conditions that imply very little flexibility for our customers. Of course, that we have been trying to service those customers that talk to us about relocating the excess surplus energy that they may have available. And we have been doing this with some customers and obtaining results in favor of those customers that are very positive.

And which does not affect us in terms of our results for CEMIG GT. CEMIG has always followed or has always abided by the -- our customers. The free customers can be assured -- rest assured that CEMIG is going to try and find a situation that brings benefits to those customers. And not trouble. That is CEMIG always in some times, you'll remember. In 2008 when there was a crisis, we together with some customers that we were able to relocate on the market, great part of the energy that was already in excess. And that these consumers had with them, which resulted in a great benefit also for CEMIG GT.

And we continue using the same policy. And the same long-term view together with our clients. And therefore, we should not have any negative impact not only in the upcoming quarters. But especially in the next year. CEMIG has the sales staff that is very experienced, already used to difficult negotiations with large clients. We understand their needs. And this experience has been shown to be relevant in this complicated situation for our customers.

The price of the energy since last May, we had announced to the market that there was going to be a reduction in the average price for the short-term because of the surplus of the energy on the market. And this actually happened. And now our forecast actually supported what was -- is taking place. And we believe that this scenario is still going to continue until 2012. So for those who not have contracts, or that are going to have their capacity uncontracted in 2012, naturally we shall have a very strong revenue impact.

Which is not our case, as I said, because we already have a 100% of our capacity sold out for 2012 and beginning of 2013. Beginning 2013, the situation becomes different because of the maturity of some contracts of ACR, which is the regulated market. And this naturally is going to bring about some challenges. Strong challenges and big challenges for some companies. And CEMIG at a lesser scale because of the volume to be uncontracted is very small.

Therefore we do not have any big concern about the performance of our CEMIG GT. As usual, always reasserting our commitment with our customers, our clients, we are going to try and find solutions in which the clients can naturally enjoy the contracts that we have signed. But also mitigate the risks that might just -- that they might just have.

Q - Marcio Prado {BIO 15398968 <GO>}

Okay. Thank you, very much.

Operator

Excuse me, our next question comes from Bradesco.

Q - Vladimir Pinto {BIO 1554020 <GO>}

Good morning, Luiz. Good morning everyone. My question has to do with tariff revision. We saw there that we are talking against the proposal that was made by Aneel. I would like to know from you what CEMIG intends to do in order to react about this event that should take place in 2013. Thank you.

A - Unidentified Speaker

Thank you, Vladimir. This is an extremely relevant topic as well. For the distribution sector, not only for CEMIG, we have two distributors that will naturally be submitted to this tariff revision in 2013. CEMIG D in April 2013 and Light, November 2013, therefore, we still have 2012 to work. So as we try to mitigate the impact that the proposal that was made by ML should have which last month was approved by its board of directors.

Abrad had already very often manifested its concern to Aneel, naturally as a result of the pressure from all the distributors in the electric industry. This pressure led our Abrad to program several -- to schedule several meetings with Aneel. It made several presentations on several themes. As for example, the WAC that was reduced from BRL995 million, the WAC, the weighted average cost of capital which was reduced to 7.5 which is a reduction of almost 30% in this item.

Naturally, this is going to have a negative impact for all companies in the electric industry. And naturally, we are going to have to work under this circumstance. And we will have to adapt ourselves to this situation imposed by Aneel. From the point-of-view of CEMIG, we are willing to follow, naturally reducing costs so as to ensure that in its totality the return for the shareholder of the investments that we have made in distribution be preserved.

We have our own challenges to face and not only CEMIG but also in Light because of some operational performance. But we have different paths that we can follow. And they will lead us to the reaching of results that are again, going to be attractive to our shareholders.

The process of discussion with Aneel is not closed. And we would like to open discussion on themes. And certain themes with Aneel especially when it has to do with the operational performance. We want to show Aneel. And we have already shown that in some occasions that a methodology applies as it was applied brings distorted results. And we're going to be able to find some space with the board of directors at Aneel and the technical staff in order to present our pleas.

We understand that the distribution is a basic segment of the electric industry. And it's about distribution that is based -- all of the contracts are based on all of the generation and transmission. So if the distributor is not going well, the whole of the electric sector does not go well either. So we have to be very concerned about the financial well-being of the distributor.

Therefore, CEMIG is very closely engaged in this process of improvement. Not only of the financial conditions of our distributor but also its operational performance. The proof of that is the great investment that we have been making. Maybe the greatest investment or that ever made. And it is industrial park. And very probably the results are going to be extremely positive for the distributor and also for our stockholders. We try to find every possible way of convincing Aneel that the conditions have to be preserved not only for our distributor. But also the distribution sector in general.

Q - Vladimir Pinto {BIO 1554020 <GO>}

Thank you, very much.

Operator

We have a next question from Gabriel Laera from Espirito Santo Bank.

Q - Gabriel Laera {BIO 15686582 <GO>}

Good morning, Rolla, thank you. I know it is -- I have three little questions. One, the first question, Belo Monte. The cutbacks, not the cutbacks. But the equity that you forecast is already in the 2012 schedule that you presented or not? Two, CRC, how the FIDC liquidation will have to do with the ROE of the Company. I see something around BRL980 million as the CEMIG quota, is that the difference in the liquidation?

And three. And the bid for the 35% makes sense vis-a-vis the long-term plan to increase the market share in Brazil. It doesn't have to make sense to go to Portugal to have Brazil directly. So I don't know, maybe if you could help me with these three. Thank you, very much.

A - Unidentified Speaker

Thank you, Gabriel. You added a -- I would say another important theme for our discussion. I hope that naturally the experience of our a low sense to you can help us answer those questions. Belo Monte, the Belo Monte cutbacks was widely studied in the last years since the occurrence of the auction. Or the bidding process through a series of geologic studies that contributed to the reduction of risk of some budget problems in the project.

We are very confident that the values that we presented in our presentation are certainly conservative, that is and are going to be realized as such. As we advance in the construction of Belo Monte. Belo Monte once again is a process that has become very important for us because of these changes, especially, the contribution of BNDES, that economic factor of the project.

And what has to do with the FIDC, naturally, as FIDC as a last sort of CRC contract, as I said calculated on the basis of the market value. And the market value was based on the dividend flow that naturally did not take into account any growth. This market value is much smaller than the face value of the CRC. And this should generate a financial gain.

This is recognized in the ROE. I am not going to anticipate any figure exactly to avoid any speculation about it, I prefer when we have concrete numbers, I am going to call a conference call and present that in a very transparent way as we normally do when it comes to relevant topics to our stockholders and investors.

But we should have a financial gain because of the liquidation of the FIDC. Now in what has to do with EDP, EDP is an opportunity of investments that we understand fits in with our strategic long-term view naturally, it is not an investment to be carried out in the very short run as the Taesa one was or the Light was. Exactly because of the conditions that are being offered.

So we understand that it is an opportunity. A very interesting one for CEMIG because of the assets here in Brazil. And because of the view of EDP and what has to do with the wind. And wind -- electricity wind farms. And wind farms in Brazil are still in its inception.

And we understand that EDP has accumulated -- the experience that EDP has accumulated can be extremely positive. In Brazil we saw in these two aspects, we understand that strategically it is worth our while for CEMIG to compete for these assets. Therefore, this is our view and our view about EDP. We understand that the market -- the investor market can become a little concerned with this matter.

I remind people of our acquisition strategy. We only make investments if we really have the possibility of value-add into our shareholders. And this value-add in has to do with the assets here in Brazil. We understand that the great opportunity for growth of EDP not only in the segment of distribution. But also in the segment of renewable energies. These are the other relevant, the two relevant factors.

We understand there is a difficulty to grow in Europe. But this difficulty to grow in Europe may be up for or compensated by perspectives -- the positive perspectives of growth here in Brazil. So to give EDP growth dynamic status quite similar to the one that CEMIG has, as you may have noticed in our figures. Therefore, from the point of view of the Company and the point-of-view of our board, it makes every sense to compete for those assets. Okay.

Q - Gabriel Laera {BIO 15686582 <GO>}

Just a recap, Belo Monte is not the BRL1.8 billion in the presentation would be the difference between the allocated value and the received value. And the distribution renewable?

A - Unidentified Speaker

Now as for Belo Monte, we have to pay back the present owners of a certain value. This value should be around BRL150 million, BRL170 million which should be included in our CapEx this year. Therefore in the next quarter, when the payment occurs. And if the payment occurs this year, you are going to see that -- but we are going to include in the guidance that we are going to publicize next May, cutbacks that is going to include investments for Belo Monte.

I just learned that 75% or 80% of this investment is going to be financed by BNDES. Therefore, the volume of resources from CEMIG is to be allocate to this project is very small.

Q - Gabriel Laera {BIO 15686582 <GO>}

As -- about EDP has already allowed. And the -- from the Portuguese side is that what CEMIG would accept that or is --?

A - Unidentified Speaker

Well naturally we have. And this is why you know by the market we have a structure which we can in partnership with the financial investors. Very likely, we're going to repeat the structure in this acquisition. Thank you.

Operator

Our last question comes from Marcio Prado from Santander.

Q - Marcio Prado {BIO 15398968 <GO>}

Just a follow-up about Belo Monte, last week with the calls from Eletrobras, there was a doubt left about what format of guarantees that Eletrobras will give to the Belo Monte energy to be negotiated on the free market. Whether Eletrobras has an option to buy energy 20/30, or if it has an obligation, I only like to hear from you to solve this problem, what is the format of this Eletrobras?

A - Unidentified Speaker

Given the statements by Eletrobras representatives, we understand that Eletrobras has this obligation to purchase this energy. I am not concerned about this purchase because the projections that we have for the price of energy beginning 2016, when this capacity is going to be available, points to figures over BRL130. Therefore if by any chance there is any doubt about Eletrobras, the market is going to absorb that.

So we have no concern about this. Naturally, the biggest concern is going to be by BNDES in the signature of the financed contracts, BNDES is going to want to see the contracts. And therefore Eletrobras is going to make their own decision as it is necessary to present some proof. We have no doubt about this topic.

Q - Marcio Prado {BIO 15398968 <GO>}

Thank you.

Operator

Now we have closed the question-and-answer session. I would like to give the floor back to Dr. Luiz Fernando Rolla for his concluding remarks.

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

I would like to thank once again you for your presence here in our conference call. I would like to reassert our commitment to add value for our shareholders, all of our efforts in recent years. And in the last years, not only to improve the asset performance, which we already operate. But to search for new assets that may have relevant synergies with all of the assets that we have. And that may add value to this operation.

As several examples that we have listed to the market, this commitment of CEMIG is (inaudible) in all of every time we evaluate possible assets to acquire. We have had this discipline and discipline. We do not give up. This has brought results every quarter. And we have made the commitments to the performance of the Company.

And this commitment has been delivered systematically. And this commitment, you can rest assure you can count on it. And we have an extremely competent personnel and are focused upon this long-term strategic view. Our commitment is that of adding value for our shareholder. And we do this not only in the long-run. But also we try to deliver also in the short-term every quarter that we publicize. I thank you all for your attention. And I wish you all a good day. Thank you.