

## Q4 2008 Earnings Call

### Company Participants

- Djalma Bastos de Moraes, CEO
- Luiz Fernando Rolla, IR
- Sergio Alair Barroso, Chairman
- Unidentified Speaker, Analyst

### Other Participants

- Bruno Paulson, Analyst
- Fabiano Costalio, Analyst
- Francisco Navarrete, Analyst
- Gustavo Gattass, Analyst
- Gustavo Hivas, Analyst
- Marcio Prado, Analyst
- Sergio Tamashiro, Analyst
- Unidentified Participant, Analyst

### Presentation

#### Unidentified Speaker

(interpreted) Good afternoon, everyone. We now begin a transmission of the radio-video webcast of the 2008 results with the presence of Dr. Sergio Alair Barroso, President of the Board, Chairman of the Board; Dr. Djalma Bastos de Moraes, Executive President; and Dr. Bernardo A. S. de Alvarenga, Chief Financial Officer and Investor Relations and Participation Control.

The webcast can be followed on our website, [ri.cemig.com.br](http://ri.cemig.com.br), or over the telephone 11 4688 6301. I now give the floor then to Dr. Djalma Bastos de Moraes, our CEO

#### Djalma Bastos de Moraes {BIO 2089645 <GO>}

Good afternoon, ladies and gentlemen. Initially, I'd like to try [ph] to begin in the presentation of our results. I'd like to show you by determination of our major stockholder, we have just elected Dr. Sergio Barroso to chair the Board. Dr. Sergio has a longstanding experience in executive management, both nationally and internationally.

He was President of Cargill Brazil for nine years and on management of Cargill units in Switzerland, Netherlands, the United States. And Venezuela. And Chairman of the boards of Fertil and Fertifos, several companies, highly qualified, has a master's degree in

international economy from the Boston University and specializes in business administration from Michigan -- has an MBA from Michigan University.

We would also like to inform you that during my own administration, we created a new directorate in our company, the Gas Directorate. What led to the creation of such a division is that first our Gasmig today has investments almost reaching BRL1 billion. The director that actually had also the presidency of Gasmig was also inside this company the director of planning and new businesses.

Having in mind that these three activities are mentioned -- that is two large especially new businesses with acquisitions and planning within the Company itself or the administration of Gasmig -- we decided to propose to the Board. And with the assent of our major stockholder, the creation of this new division, the gas division, it is created. We are now about to choose a new director, a president of Gasmig, who's going to be the director of gas in this company. And we believe that in the next few days we're going to have this division at full tilt.

So I'd like now to give the floor for a few minutes to Dr. Sergio Barroso. And later on, we'll come back to the results.

### **Sergio Alair Barroso** {BIO 1930569 <GO>}

Thank you, Dr. Djalma. Gentlemen, stockholders, members of the Executive Directorate, direction of CEMIG. And I ask Dr. Djalma, ladies and gentlemen. I thank him for his introduction. For me it is great pleasure, satisfaction, certainly pride -- a matter of pride -- to participate in the presentation of the last year's results of CEMIG.

In spite of the fact that today I've been in this company for 20 days as the new Chairman of the Board, a company for which I really have great respect -- I've always had respect. I've always been a customer of CEMIG when I was in other companies. And I always had CEMIG in the highest standard as a company, its Board of stock management. And CEMIG has always been a reference to me in terms of energy, like as a company.

And I've brought this along since I was started in a private initiative. But after 40 years in a private initiative almost, it was also with pride and joy and evidently a sense of duty that I accepted invitation to be the Secretary of Development of the state of Minas Gerais and also the President and Chairman of the Board of CEMIG.

When I took office as Secretary, which is my first public office since -- in 40 years of private initiative, work in private initiative, the very first and most important challenge established by our Governor Mr. Aecio Neves was to promote the growth, the economic growth, of the state and to attract new opportunities, new investments to this state after six years of great success of this administration by virtue of the implementation of governance and management that has so well made the state a success and that made many business people very impressed. So that's why I accepted this position. I've always been very well impressed by the management procedures here.

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I've always had a goal, an objective to bring to CEMIG the view and experience that I acquired in the private sector with the purpose of improving even more the management of this company, which year after year, as I said before has been improving its operational indices and progressively increasing its presence, enlarging its presence. And of the states even reaching other countries, like Chile. And I believe that this company is an example of how value adding can be the relationship between the state and other interested parties when this interest -- when this relationship is guided by the commitment to stockholders, strong corporate governance. And constant search for better operational efficiency and quality indices. And above all respecting the sovereignty of the market.

I also would like to use this occasion to renew the commitment of the state of Minas Gerais to maintain and improve on the work that has been done here through the realignment of collective interests with the other stockholders, consumers. And employees of this company with the purpose of reaching continuous operational efficiency and value added and benefits, both to the consumer as a user and the stockholder. Thank you very much.

## Unidentified Speaker

Well ladies and gentlemen. we're now going to show some items and some data, basic data of the Company. And after that, because of an agenda, I have to go with Mr. Secretary. And Dr. Djalma is going to remain here with us. And we would like to stress that our strategy was successful, directly aimed at the long run, ensuring financial solidity and the maintenance and the keeping results in terms of projects.

We had a growth of 8.3% in annual net income because of the business portfolio. Our business portfolio sustains consistent growth. Revenues of our GT grew by 6.3% in a quarter, in the Fourth Quarter 2008 vis-a-vis 2007 due to our commercialization, our trading strategy.

The performance of the electricity market of CEMIG D attenuates and mitigates the impact of the tariff revision. You'll all remember that we had a reduction in our tariffs of approximately 18%. And even then, we have been able to ensure the solidity of the Company. And even then have we been able to ensure the investments of the Company and the profitability of our stock and for our investors.

The captive market grew by 20%. And the participation of the companies contributed 20% to our net income.

Our proposal for the net income dividend is BRL944 million, dividends per share BRL1.90, dividend yield preferred shares 5.6% and common shares 7.7%. We increased our reserves by BRL944 million and our growth in our net assets by 11%. And our equity grew by 11%, proposal of capital increase of BRL620 million. And a stock dividend of 25%, use of the remaining cash to make acquisitions according to the long-term strategic plan.

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Our investment program is within what has been programmed. We have -- you can see that in the list that as for 2009 we have BRL270 million, 2010 BRL87.7 million. And BRL640 million. And 2012 BRL672.4 million; projects approved for 2009 depending on approval of ANEELs. Following acquisitions, we increased our share in TBE for BRL494 million, base February 2009. We're present with 49% in three wind farms in Ceara.

This investment is greatly important to us and is not high profitability. The most important to us is that a company which has the first electric [ph] wind farm in the country commercially selling energy has to be present in this enterprise, not only due to the fact of renewable energy and nonpolluting energy. But it's also important for the acquisition of new knowledge, new technologies.

We have had some visits to wind farms in Europe last year. And we've really very involved in these new enterprises. We have been prospecting wind farms together with EDP in Bahia, here in Minas Gerais as well. And we are certain that as we acquire new gains with this technology, we are getting -- learning the culture and foreseeing the future, which is the birth of renewable energy. You have always -- you have been following the efforts by the United States to invest in renewable energy, especially a great focus on wind energy, wind power. So it's important for us to be present. And the first turbine is going to be commissioned in the next 90 days. Investment is BRL213 million approximately. And we are sure that we are well aimed.

We are -- as by way of illustration, we have effected the largest contracts of energy sales already done in Brazil with the Volt Energy Group [ph], around BRL10.5 billion. We have increased our participation in this investment by 33% in TBE, the acquisition of three wind farms in Ceara. And the partnership with Ipsa [ph]. And CEMIG GT sold 266 average megawatts at the price of 145.3 per megawatt hour.

It is necessary also to stress that we have traded in 2008 very well. We have sold energy in a situation that was very favorable practically. We had no problem, absolutely no problem. And we did improve our cash. Dr. Rolla with our sales, directed sales, has predicted and well are good for [ph] in this country.

Besides having business in 15 states in Brazil and Chile, CEMIG more and more then figures as a global investment option with a large number of stockholders in many countries. With a cash generation of BRL4.1 billion within our financial projections, we closed 2008 as the third largest generating group in this country with 6,691 megawatts, the third largest transmission group with 655,000 kilometers of lines of transmission and the largest transporter of energy. This strategy is a correct one. And we have been initiating our light-for-all program, number two already with insured resources. And we have been prospecting assets in our country once we have the commitment with our stockholders to grow and grow well.

In the last ten years, CEMIG has distributed to our stockholders approximately BRL7 billion. This is auspicious for the country. And we do believe in your trust towards us. And please continue betting on our company. It's the right bet. And thank you very much. And I ask leave now to leave with our Mr. Secretary because of other commitments, other

engagements. And Dr. Rolla will conduct all the projection of our year 2008. Okay? Thank you very much.

## Luiz Fernando Rolla {BIO 1852035 <GO>}

(inaudible) Credit quality is superior in the past. We have reached now an investment grade in a global scale and in risk classification that by modes [ph] which is a very prestigious company internationally, which says that we should meet or are on the right track to add value to our stockholders.

And today, we have a cash generation that allows us to enjoy the opportunities, as stressed by our CEO, of acquiring acquisitions. We are looking at assets. We are looking for assets that have the best possible synergy with the existing assets in such a way that we can meet those objectives, the larger objectives, established by the Board of return on investments.

And we have tried to keep the Company within parameters that are quite strict. You know that our statutes, our bylaws establish minimum conditions for some indicators. And we have sought to maintain the Company within such indicators. And this has resulted in benefits, as for example a growth of our cash generation. This year, in fact, we have had an EBITDA growth only around 1%. But if we remember the prospects for 2008 with the reduction of our tariffs in a distributor -- as announced in April 2008, we're now the tariff revision time -- the fact that we have been able to grow really means a great effort. And this goes to show that our strategy to diversify investments was correct. And it has reduced significantly the risk for our stockholders today.

We have been announcing a cash generation as measured by the EBITDA around BRL4.1 billion, perfectly -- well within the interval, the range that we announced in May 2008. Of course, we have had many circumstances that changed all the scenario for 2008, the beginning of the crisis at the end of the year. But even then, we've been able to deliver a cash generation that was quite close or within the range that we had forecast and maybe coming closer to the average point of this range.

So it was a result that we understand as coming from the strategy that the Company adopted. And this allows us very easily to look at the difficulties of the crisis that actually is impacting the economic world and allows us to say confidently that we're well positioned to enjoy the opportunities.

The market has been giving us recognition of our effort. We have tried to communicate this strategy to our investors in a very transparent, clear manner. The effort that our company -- that our area of Investor Relations has been doing is substantial. We have tried to meet every requirement for meetings, not only by analysts, which by chance are more than 20 large investment houses that cover our company. And this fills us with pleasure and pride because there are very few companies that enjoy such exposure. And CEMIG has tried to see those people very transparently and provide them with transparent information. You have in IR team that is available 24 hours a day, seven days a week and in several languages in order to facilitate communication with those investors

because, as our CEO has said, we have investors in more than 45 different countries throughout this world.

Our CEO also mentioned the correctness of our trading policy. And this policy has been extremely important so that we can reach the objectives that were set by our master plan, our strategic plan. You remember the success of the first negotiation rounds with the contracts, the power contracts, right at the implementation of the new model 2004, when we chose the free market in spite of the facilities offered by the regulated market. We understood at the time that that market, the free market, was going to give us better prices for the capacity that we had available and for sale.

This trade policy therefore resulted in the benefits that we are now enjoying. The contracts, the quality of such contracts allows us to ensure very strong growth, the revenues of our generator. And this makes up for all the possible decline as happened in 2008 of the results of the other businesses. And this strategy, this commercialization strategy, also reaches our distributor in a very interactive process in the search for all benefits given by our corporate business structure.

We had, as announced by our CEO, large contracts with first-line consumers. Practically all of our consumers are consumers that have an insertion in the Brazilian economy of a very strong nature and with an insertion in the global economy in a very evident manner. This allows us to ensure a cash flow with quality, which results in our quality and the risk classification as ranked by the agencies, also direct results of the strategy that we have been adopting.

The new business that we seek have naturally followed this strategy of value adding. And when we say value adding, we are looking for investments that bring a return, a superior return, to our WACC. And our Board has approved only those projects that really add value to our company, whether through cash generation that is quite strong or through risk reduction that is inherent to the business.

We have made acquisitions, also mentioned by our President, the two that are there on the slide, which is the wind farms in Ceara and the acquisition in Greece, a participation in TBE, in the transmission lines of TBE, which was already quite a positive investment for CEMIG, which also added even more value with this additional acquisition that we have made.

We have now use in TBE in order to enlarge our participation, increase our participation in transmission. And this has resulted in some other acquisitions with the use of available resources in this TBE. We have already acquired EATE. And recently through TBE, we gained the conception of one transmission line in Mato Grosso of 775 million kilometers of extension, which is going to add quite strong value also to our TBE.

In what has to do with generation, power generation, we are now expanding again. We are now concluding the construction of a hydro plant, which was the first one that we built within a new model. CEMIG has 49%. We have begun the construction of other five hydro plants, which will be commissioned in 2010.

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The wind farms that we have mentioned, the Baguari plant, which is under construction -- it's going to be commissioned in this year -- we have a 34% share in it besides making feasible the Santo Antonio plant. The Santo Antonio plant is already being under construction. And the first machine should start operating in May 2012, reminding you of the anticipation that we proposed and which we have been able to make possible through the beginning of the construction proper. Unfortunately, we have only a small 10% share in this project.

The transmission lines are also a very positive investment. CEMIG, as I said, we have the strategy to grow in a well-balanced manner with all segments in which we act exactly in order to maintain our lesser risk structure, business structure of less risk.

Gasmig, the President also made a point to mention the importance of investments that are being made in this company. It's important to stress that the resources used are practically from Gasmig itself to use stockholder capital as only a fraction of this investment. It has a brilliant future ahead of it. And we are really betting on the opportunity to increase the Gasmig revenues through new supply contracts.

Of course, there is strong difficulty due to Petrobras to get new volumes of natural gas. And in order to find alternatives, we have tried -- we have decided by means of the creation of a new division of gas, as announced by our CEO, to find concession in gas prospection [ph] areas. This exploitation of gas is largely within the state of Minas Gerais, is going to yield a volume of supply of natural gas to Gasmig that is able to meet the repressed demand that we have today in this state.

We've also been concerned with adding value through the improvement of our operational performance. We have announced in May last year in our meeting with the analysts this program of operational efficiency, which is going to result in an economy of BRL200 million per year beginning in 2010. We have made an evaluation with an internationally renowned consultancy implementing some of those actions. Those actions are already producing results and some savings.

Of course, within the perspective that we have of negotiation of our tariff revision, we still cannot implement all of the measures that are going to result in some additional gain. But we have begun, for example, with the reduction of personnel a staff reduction. In 2008, we had a reduction of 486 employees.

And this year, 2009, we're going to take up again this process of reduction. We have already made an agreement, a collective labor agreement with our unions and our employees, which is going to allow this policy, this efficiency policy to be implemented in conjunction with our employees. And this is going to bring additional benefit not only to the employees themselves but also to our stockholders because we have predicted a very attractive return.

So let us now focus then on our results. I'm going to try and show in these results each aspect that is of relevance that goes to prove the correctness of our strategy. First of all, we have been adding value. And as we add value, we increase our profitability. CEMIG's

profit 2008 increased by 8%. And this under the conditions that we have mentioned before. So all of the factors are positive, whether in the operational results prior to income tax, before tax, the EBITDA growth, taking into account the reduction of the tariffs and our distributors, whether by the increasing operation of revenues in spite of the tariff revision.

All of this is part of the strategic structure that CEMIG has put together so as to absorb those aspects of risk involved in our business. Our business structure is that which really produces the less risk situation for our stockholder.

We have reached a net income of BRL1.887 billion, as I said, 8% over what was obtained last year. It's a profit that has no similarity within the electric utility sector here. Cash generation is well above all of our competitors. We are close to BRL4.1 billion, all of this going to show that the correctness of our strategy is quite good.

The value adding of our -- given by our strategy can be seen in this slide. In spite of the tariff revision of the distributor, we had income added which reduced by a very small percentage our economic profit. As you can see that our ROIC, return on investments, was reduced to 13.7% from 13.9%, very small variation, which results from the strategies that we have implemented in our company. And we have applied it with strong strict discipline, which certainly is going to be reflected upon the next quarters as well.

As you can see, the cash generation, which is an extremely important item for companies today now in this environment of crisis, has grown by more than 10%, precisely 11%. This cash, we're going to use it for new investments, looking for new assets. And which is by themselves result in a growth of this cash generation, this growth that we have sought for our stockholders.

As you can see there that in spite of this cash generation, we still maintain the Company within a philosophy that a company with a solid financial -- healthy financial situation allows for speedy growth. And we have put all of the structure of our debt within perimeters that first of all allow us to maintain our credit quality at the global level in the investment grade. But also allows us to give comfort to our creditors that we -- this payment of the debt is going to be made effective, even in unfavorable critical situations as the one we are all going through now.

And we had debt around BRL1.280 billion due. And now we can simply -- if that's the case is we can liquidate this debt with the cash generation only relative to 2009. Of course, as we have to maintain our financial indicators within the limits, as are established by the Board, we're going to try to roll this debt, use this capacity of debt to acquire assets.

The real profiling that we did of our debt also is going to bring additional benefits. Today, we have the perspective to reduce CEMIG. And our debt is 70% indexed by CEMIG. So today, we're now listening to some investment banks estimating CEMIG for the end of the year below 9%. Of course, we're going to make the most of those benefits because 70% of our debt is indexed by CEMIG.



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Also, have a strong concern with the exchange impact. In 2008, we saw companies suffer a lot from the exchange impact. Especially there was a strong volatility there which brought a lot of losses to the companies that we have sought in the last three or four years to reduce this exposure to exchange risk. And this reduction of monies exchange risk, currency exchange risk, brought enormous benefits to CEMIG. As you're going to see, the financial results impact of this exchange variation was minimal because the US dollar debt is less than 6%.

As you can see that in spite of the increase of the main cost of the debt, which we had the First Quarter 2008, we took up again the tendency to go down. And in 2009, we should have a reduction, an even stronger reduction than the one we had by the end of 2007. As I said, all of the financial indicators are within extremely comfortable range so that we -- our debt today represents only 1.2 times our cash generation, therefore perfectly controllable.

We're now going to focus the Fourth Quarter. And I believe that in spite of everybody's interest in the global interest for 2008. But I think that the Fourth Quarter is very important as a result because that clearly was the beginning of the impact coming from the economic crisis in the world. We had naturally some suffering from the crisis in this last quarter.

As you can see, we've had some reductions -- I'm going to show them at the end of 2008 -- in what has to do with sales volume. But in general, as the quarter was already very favorable, we already had very good results. For example, the cash generation as measured by EBITDA reached BRL948 million. If we compare this to other companies, we still have [ph] a superior performance. We have -- no other company has come any closer to this figure but not -- this does not represent the volume that we had in the Third Quarter because in the Third Quarter 2008 we had strong gains not only because of the price advantage of power but because we had an increase in the volume that was so the growth pre-crisis that we had.

So therefore, when we compare to the previous quarters, the impression one has is results of the Fourth Quarter is a little weaker. But not really. It is extremely strong result. And if we compare it to the quarters of 2008, we can see that if we take our distributor out all of our results were growing and very positive in the Fourth Quarter 2008.

As you can see in the Fourth Quarter, in spite of all of the impacts, especially in last December as caused by the crisis, we still had sales growth when compared to 2007. I remember that in the Fourth Quarter of 2007 the performance was exceptional in terms of sales. And therefore, the same thing can be said for the Fourth Quarter 2008.

I cannot assure that this result of the Fourth Quarter is going to be seen in the First Quarter 2009 because we still have to absorb the impact of this crisis. We've had a strong reduction in the volume, as December we are recovering the performance, both in January and February. This is solid growth. But in the comparison, of course, we're going to have some reduction.

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But at any rate, the Fourth Quarter still was very strong once -- if we exclude the wholesale sales, we've had a growth of 6.3%, which resulted in the growth of revenues of 0.8%. In a consolidated total of the quarter, we had a growth of -- a very strong growth -- with a negative impact of supplies, as I said. After the strong performance in the Third Quarter, we had a reduction in the Fourth Quarter. But at any rate made up for by other factors, such as the thugy [ph] growth, which was the tariff revision to USD [ph] to a tariff revision due in 2008.

The net revenues per company was also very strong. As you can see, the impact of reduction of the tariff of our distributor was felt as compared to 2007, BRL121 million less, which was largely made up for and compensated for by the other businesses, which allows us to reaffirm, restate that our business structure really produces a low-risk situation to our stockholder.

The evolution of expenditures is the one that you can see there. Expenses, we had a growth of 4.3% focused on some parameters. I'm going to stress staff and personnel, for example, resulted practically of our program of voluntary retirement launched in 2008, resulting in additional costs. In the Fourth Quarter, we had an additional cost of BRL10 million. The post-job benefits increased, as you can see. It's a condition. It's a conjunctural [ph] condition. Those are actuarial calculations. And those actuarial calculations, given the condition that we had in the First Quarters of 2008, was predicting an increase of interest rates. And we did have a reduction in interest rates with the consequent dependency on better performance of our assets and of our pension funds. So we had to make this adjustment.

But with the change in the situation in 2008 with the reduction of interest rates, probably we're going to make up for part of this growth that took place in 2008. All of the other functions are items of expenses or cost items were within a reasonable range and at least reduction of the purchase of energy because the reduction of dependency in tight pool [ph].

The evolution of the EBITDA was quite strong. As you can see, the quarter by quarter, we've had performance even in the Fourth Quarter that was quite interesting. We are now overcoming the average of BRL1 billion per quarter, going to show that really our assets, our present assets, have a capacity to generate cash which is well above average.

The EBITDA as looked per company, as you can see -- the negative contribution of the distributor of BRL200 million, which was compensated for by RME through a growth by BRL99 million. We had some other reductions as a function of the fact that they had some exceptional results in 2007. But we also had a reduction the Fourth Quarter of 13% of the EBITDA when compared to 2007, greatly coming from the tariff revision of 2008.

But even then, the performance that we showed, as I said, was well within our projection range. We had already publicized it and well aligned with the average of the analysts, even a little above the average. So it's a result that we predicted was quite strong. We have not been able to reach the maximum that we had predicted, which was BRL1.120 billion.

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But as you can see, if we had reached this top BRL1.120 billion, our performance in the year would be well superior to our guidance, which was forecast at BRL4.3 billion as top limit and going to show that we would have a performance outside of the average. And this performance that we had in the Fourth Quarter was quite pleasing to us. And it's in line with the expectation that the Company had as it publicized its projections.

The net income in the Fourth Quarter had an increase of 1.7%. I call attention to CEMIG GT, which would be almost two-thirds of this profit as a function that our distributor had its performance reduced by the tariff revision. Profit also was, well, very strong and quite close to the market average. We had a performance that we thought is coherent. And if we had a performance close to the maximum, we would be overcoming. We'd be well over BRL2.2 billion, which would really be a performance celebrated by the market. But we would be trying to explain why such undue growth -- why this growth that is more extraordinary.

Now our strategy also, as we have been saying, it has a focus on sustainability. And that is why CEMIG has been constant and a constant visitor of the indices that measure sustainability of companies, Dow Jones Sustainability Index and the ISE, the Bovespa ISE, the index of business sustainability. All of these factors that we mentioned aligned with other factors that we have not publicized here because it's not the object of our discussion. But those have contributed to CEMIG so that CEMIG can be in the Dow Jones list, on the Dow Jones list since its inception and one of the companies that is desperately analyzed by analysts and evaluators of those institutions responsible for the index.

Likewise, ISE from Bovespa Sao Paulo, we have been trying to meet all of those minimum sustainability requirements so that we can comply with all the long-term interests of our stockholders. We have not forgotten the financial -- to look at the financial aspects. We've been generating profit. We've been doing everything in what has to do with risk and management but even then meeting all the minimum sustainability requirements respecting the environment and the community that we serve.

As our President has said, we also have quite a wide action within the presence in this country. This has allowed us to enlarge our action. We already are present in the vast majority of Brazilian states. And certainly, we're willing to find opportunities to perhaps be in every state in Brazil besides our international expansion, which is consolidated into the - today in our investments.

Now we have also been the object of recognition on the part of stockholders, as you can see that stockholders even from abroad, who suffered strong pressure to sell in the last months, have remained faithful to CEMIG. And this gives us the assurance that these strategies that we've been adopting are perfectly aligned with the long-term interests of those investors or those stockholders.

Some stockholders are focused on the short run. We try to meet their needs through the value or search into value to increase the value of our shares with the measures that we adopt in our Investor Relations area with the publication of our financial projections. But we're also focused on the long term to meet those interests of -- the long-term interests

of our stockholders with vigorous growth and a value addition that is strong in such a way that our shareholders recognize this strategy as a victorious one. Therefore, they remain as investors of CEMIG.

We would like -- that is we are making every possible effort so that we can continue to deliver the value on the commitments that we made with our stockholders, as we've been doing in the past years, especially last year, when the year was one of crisis, the Ibovespa falling almost 41% and the Dow Jones going down 33%. And even then, CEMIG had a value well above those indices, in Brazil going up almost 5%. And in the USA a decline unfortunately because of the exchange devaluation was around 20%. But even then much less than the other assets.

This is the commitment that we make with our stockholders and that we really try to deliver in spite of all of the challenges that are before us. So we are prepared and positioned in order to face those challenges and continue growing and giving value to our stockholders.

The year 2009 is quite challenging. We have some challenges to face in 2009. The biggest one is the growth challenge. We have the economy being affected in a very strong way by the international crisis. But even then, most of our investments located in the state which have a very positive growth perspective are above the national average is going to bring benefits to CEMIG as well in this. And therefore, we are very confident that in spite of the small reduction that we did have in our sales volume in the last month of December, which is being made up for in January and February, is going to be diluted throughout the years. And we're going to have still positive performance in 2009.

We are looking for operations that will result in additional value within our philosophy, our investment philosophy, with a lot of patience and discipline, looking for the best possible opportunities and all of these possible synergies with the present assets. Of course, not always did we have success. Sometimes we had the agreement with the states owners. And sometimes we didn't. But we do have our principles. And we don't move away from them absolutely.

So in 2009, we are looking for a positive performance. You have our guidance, which we publicized in May last year, BRL3.8 billion to BRL4.2 billion. On this issue, we now by the end of May in our national event with the analysts and investors, we're going to revise our guidance as a function not only of this, the growth of the sales volume. But also because in April, as you all know, we're going to have a new publicizing our new tariff, definitive tariff revision, which today had a decision on the part of the management.

We've had a reduction in our BMSO [ph] which was quite small, not going to make a lot of difference, already expected because of the methodology that was adopted. By now this impact was simply marginal. And it's not going to bring about any major change in the guidance such as it is.

But still in May, this May, we're going to revise this guidance in the light not only of the tariff of our distributor. But also the prospects of sales energy -- our energy sales that is.

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The variation is very small because our generator is 100% contracted. And there's no great variation in this area.

The cash position that we have today, which allows us to look in a more daring, bold way to our acquisitions, we already have a very low debt profile. And this is going to allow us, as stated by our President, in acquisitions, which certainly are going to add even more value in 2009 to our stockholders, which this is going to allow us to revise this guidance that we publicized in 2008.

As for the dates due of our debt, those are not important vis-a-vis the cash generation of the Company. And with the better perspectives, most of those dates due are in the Fourth Quarter, which allows us to go through this large (inaudible) crisis, go through this crisis. And if necessary, we could liquidate the debt.

And so by that, we close this part. And now I place myself at your service for any questions that you may have.

## Questions And Answers

### Operator

We are going now to begin our Q&A session. (Operator Instructions) Our first question comes from Marcio Prado [ph] from Santander.

### Q - Marcio Prado {BIO 15398968 <GO>}

Good morning, everyone. Congratulations on the 2008 results, the year as a whole. I'd like to ask one question about CapEx in the presentation there, which I think is a novelty projection of CapEx going up to 2010. And we see figures beginning in 2010 well below the figures which were over BRL1 billion and now BRL700 million. I'd like to hear a comment on the CapEx used in 2008, which was below the guidance. There was BRL1.500 billion now because -- or BRL1 billion because of acquisition.

Also, to understand the prospects of new acquisition by virtue also of this lower CapEx and the strong cash generation of this company, if along 2009 the Company is considering maybe a distribution of dividends vis-a-vis 2008. Thank you very much.

### A - Unidentified Speaker

Thank you, much for your questions. Well about the CapEx, really our CapEx, the one that we're making public, refers to the minimum commitment of the Company to invest in the existing assets. That is we are asserting every commitment that we made in terms of investments and what has to do with expansion. For example, in generation, all of our commitments there are to construct Baguari and Santo Antonio. Transmission, likewise, all of the commitments that we have to construct our transmission lines, which should be concluded not only in 2009 but 2010.

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But most of this CapEx refers to the maintenance of the present assets. And therefore, when you see investments of 2010, '11. And '12, they are in this level of BRL600 million, BRL700 million. And this is an investment that most of them are due to the regulation in the distributor and partly in transmission and with the commitments that I said of maintenance of keeping our generation capacity at adequate levels.

All of the other additional -- for example, if we by chance gain any concession of new generation or a new power plant or a new transmission line or even another acquisition, this is going to be added to the figure that you see. We cannot ensure or say for sure the volume of those investments as the results are the fact that they're very volatile. We cannot really guarantee that we're going to win every possible action for new concessions. Therefore, we chose not to list a projection, therefore, these values but only -- I'd say only as an indicator.

If you put 40% of our cash generation is measured by the EBITDA, this is the maximum investment as allowed by our CapEx, by our bylaws. Now this maximum, naturally, if gone be one [ph] would have to require our stockholders simply [ph] for permission. And this is going to be a public fact. And we will know that we're requiring more investments. But this is an investment that we do have. Now added to the one in 2009, we have something around BRL970 million.

We have to add those BRL700 million or some that were already committed in the acquisition or the increase of the participation in TBE and the wind farm -- also the wind farms that it's about BRL710 million. Only in this aspect there, we have gone beyond BRL1.5 billion, therefore more or less within the level that I mentioned of 40% of the cash generation.

Now additional investments will depend upon the success of the negotiations that we have ongoing and especially of our participation in bidding processes or auctions, which is -- those are actually variables that we cannot really account for. So we asked an additional limit to our stockholders last year that we have not been able to make feasible because of the regulation approvals of the investments of TBE last year. Therefore, we have to go back to our assembly to request for this additional authorization for 2009 as well.

If this had been in 2008, we would have had the approval because of that assembly in which we did request the approval. But in general, this is the investment program that we call basic. This is the investment that we have to make regardless of whether we are adding new assets or not.

Now as for dividends, we have been saying in the last quarters that the acquisition opportunities are many. This crisis has as a major consequence the emergence of opportunities of strategic redirecting, which many companies are doing. And this gives rise to opportunities to acquire new assets. And we are getting ready to make the most of those opportunities. In our publication policy, we have repeated times restated to our stockholders that in spite of the cash generation being strong and we are accumulating strong cash, they would be -- they would stand more to benefit from investments that we are going to provide them with in 2009.

And I'm pretty certain that the stockholders are going to be very happy with those investments, which is going to justify the retention of extraordinary dividends. Of course, we are going to try to find assets that may immediately add value to our investments. And consequently, we're going to increase the volume of dividends to be paid out as a function of new revenues or new profitabilities coming from those acquisitions. This is the commitment that we have and a commitment that we are seeking to meet throughout 2009.

**Q - Marcio Prado** {BIO 15398968 <GO>}

I congratulate you once again for the 2008 results. Thank you.

**Operator**

Excuse me. Our next question comes from Mr. Fabiano Costalio [ph] from CBC [ph].

**Q - Fabiano Costalio**

Good afternoon, everyone. This question has to do with manageable costs. And we see a variation of BRL60 million in the other expenses line. I'd like for you to give more details about the behavior of this part of it. And also, in the energy sales, we see a growth of 21.6% in the captive industrial. We imagine that is part of the customers that are coming back to the captive market. And this is part of the industrial investment that has to be done.

**A - Unidentified Speaker**

Just a minute, Fabiano. I'm just locating the other expenses here. The BRL60 million growth, if we look -- we're talking inside the quarter now, the total of the expenses of the quarter -- this is a small variation. In this line here, there are many other -- many items that are not really given in detail and which give rise to variation of a magnitude there. In our press release, we have some -- we give some more details relative to these expenses. And we have the explanatory note in our balance sheet. I'm going to tell you what the note is with additional detail there about those other expenses.

As a rule, those are small expenses which together created this larger volume there. Now we have two great sources of cost growth in this year. One was the tariff revision. The tariff revision changes the level of those expenses. So it adds new values as a function of the new operational evaluation of our assets. And normally, when you go through a tariff revision, there is a passing of some of the additional costs. And as we're talking only of the expenses, we have the corresponding line in revenues. But when we look upon expenses only, we have an increase as well.

There are some other expenses that are not connected to regulation; for example, expenses with publications. Sometimes we have to make additional publications. For example, this year, in the beginning of January and February, we had very strong rain. And we've had to really be in contact with our customers. Those expenses are included there. We have taxes and many other expenses that are added onto this line and which give rise

to this growth. This growth naturally within the volatility that I mentioned of some, most are corrected by inflation.

Your other question -- reduction in the industrial consumption on the part of the distributor, naturally this is part within a context of trade in the electric sector. We have reasons some consumers because of price, of the market price, the free market price, they seek service through -- by the distributor and vice versa. So those are movements that come from the price of power on the market. And the consumers, they sort of arbiter this price, sometimes signing short-term contracts on the free market, sometimes being reached by the distributor in case the distributor has its availability.

So this growth has a sort of situational explanation as it were. We cannot say that this is a trend to reduce. And this comes from the crisis. We cannot really tell that -- we certainly had part of this reduction due to the crisis in the Fourth Quarter, especially December, as I said. But other factors also contribute there for this big reduction. Any other question?

### **Q - Fabiano Costalio**

Thank you very much.

### **Operator**

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

### **Q - Gustavo Gattass {BIO 1702868 <GO>}**

Good afternoon, everyone. I had three questions to ask. First question has to do with free power, free energy. And the potentially free energy. We could have reduced contractor in 2009. I'd like to understand this. Could you quantify this for us after the adjustment auction what kind of perspectives you would have to contract because now there is this possibility to allocate for the captive industrial?

Second question has to do with the new concessions that are mentioned. I'd like to understand, to see what do you prospect? What do you see for this coming year potentially? Is there other more concessions of hydro plants showing up until the end of the year?

And lastly, frankly, I'd like to understand the messaging, what has to do with acquisitions into Mato Grosso is still not clear. You mentioned the TBE and the wind farms was reaching the limit. But you can't ask for an extension of the limit. They're still more relevant. It's coming for 2009. Just to have an idea, are you really going to have a large acquisition or not?

### **A - Unidentified Speaker**

I don't believe I have understood all of our questions. There is a problem there with the connection proper. But your last question is about acquisitions. I'm going only to explain in a more didactic manner what I said before. Really, it was kind of confusing because those



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acquisitions, especially in this additional participation of TBE, they were programmed for 2008. And in 2008, if we had done -- we had acquired that asset in 2008, we would've gone beyond the 40% limit of the EBITDA. So if we had gone beyond this 40% EBITDA, of the EBITDA limit according to our bylaws, we would have to ask for a special permission by the stockholders assembly.

Preventively therefore, we called the stockholders for an assembly. And we required them to authorize us to reach 52% of the EBITDA. That was the strategy that we used last year. But unfortunately, because of the difficulty of the regulators in giving a quicker response -- regulators in general; I'm not only referring to ANNEL. But given this difficulty, we have not been able to finish those acquisitions in 2008. And as a result, we couldn't close them.

Therefore, the investments for 2008 was much less than the 52% of the EBITDA. Therefore, as we have not been able to close a deal in 2008, this investment was going - - went over to 2009. And it's going to be added to the volume to be -- of the investments to be made in 2009. According to our bylaws, if it goes beyond the 40% of the EBITDA predicted for 2009, we do have to request once again a special permit from the stockholders assembly. This is what I said. And this is probably what you're going to see happen in the next -- in the upcoming months.

Now as for the trading of energy, Gustavo, really there are strategies to sell that are reflected there upon these figures. We cannot naturally really disclose what the strategies consist of and explain in detail the variations that you see there in our results. Some of them are -- have to do with migration of customers. Others don't have anything to do with that. Others have to do with customers that chose their own generation and the purchase of hydro plants or consumers that -- customers that were -- customers of our distributors who signed contracts with the hydro plant that we commissioned last year, this year. So our customer that was of the distributor became a customer of our plant, the hydro plant we have just built.

So there are many movements that result in the figure that you saw. The reasons are as diverse as can be. And of course, everybody's concerned because of reductions when they take place are due to reduction of the consumption of power, electric power. Very often they're not. So we have to be very prudent in our analysis because there are reasons beyond the pure reduction by -- because of the crisis.

Now, Gustavo, you asked a third question which I could not fathom very well. I'd like for you to repeat, please.

**Q - Gustavo Gattass** {BIO 1702868 <GO>}

Can you hear me better now? Can you hear me better?

**A - Unidentified Speaker**

It did improve a little bit, yes.

**Q - Gustavo Gattass** {BIO 1702868 <GO>}

My question -- if you really do believe that we're going to have other opportunities to invest in new hydro concessions this year.

**A - Unidentified Speaker**

New hydro concessions this year -- well, what I can tell you is that within what is provided for by EPE [ph] and ANNEL, we should have one auction of thermal capacity, still one thermal and other wind capacity for 2009. Large hydro plants, I don't remember that [ph] much. It probably is going to be only in the First Quarter or October this year has been seen, October this year.

But what's important to us, Gustavo, is that we're going to try to be there in the bid. We're going to try to grow through the construction of new plants. It is a more competitive, more challenging environment than that of acquisitions. But we understand that as we have customers who are also in expansion and who are going to need more capacity, we should participate in these auctions or bidding processes. And we may not be the winners in the auction process. But we will be there participating, looking for those opportunities.

As our CEO has said, we have every interest, not only in the new hydro plants but also wind farms, which if we identify their synergies where they are existing assets or with adequate return on investment we can really participate there as well.

**Q - Gustavo Gattass** {BIO 1702868 <GO>}

Let me just go back to the first question. How much do you still have of non-contracted energy for 2009 after the adjustment auction?

**A - Unidentified Speaker**

No, not any left.

**Q - Gustavo Gattass** {BIO 1702868 <GO>}

Can you quantify what -- how much variability we'll have in the flexible contracts that can be reduced?

**A - Unidentified Speaker**

Also, this is a little complicated to disclose. What we can say is that we have some contract variation with some customers. We have tried to place back on the market. And this adjustment auction, which was concluded recently, is one such example. The customers that had difficulties because they are contracted in excess we tried to help to reallocate this energy back to the market. Now in spite of the crisis, there are still -- there is still market for this available capacity today. And therefore, without any additional commitment with the customer, we can really resell this energy.

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This is a strategy to retain the customers and partnership with the customers that we have chosen, which has resulted in additional benefits to us because in this relocation, we use our sales, which has its gains that are enlarged.

So nothing -- it's not something that concerns us or that worries us. If some customer enjoys his contract rights, we can relocate the energy back on the market without much further ado.

**Q - Gustavo Gattass** {BIO 1702868 <GO>}

Thank you very much.

**A - Unidentified Speaker**

Thank you, Gattass. Nice talking to you once again.

**Operator**

Our question comes from Sergio Tamashiro, Banco Itau.

**Q - Sergio Tamashiro** {BIO 2274485 <GO>}

Good afternoon. Two questions -- first, still having to do with this energy for 2009, this change of the -- to the free customer, to the captive customer; that is the industrial customer. I'd like to understand this in this first. If they are commercializer, they live [ph] commercializer goes to the captive, the first -- they still [ph] has to accept. If it accepts, doesn't have -- that is how is the distributing offer in this energy, this distributor?

And the second question has to do with your CapEx for 2008 -- still not clear, '08 and '09. That is you're saying that this TBE purchase, which is around BRL700 million, which was a difference that had to do with the estimate, the difference of the estimate of the Third Quarter. Now you are just deferring that it did occur in 2008 but should go into the account of, say, 2009. And this figure, BRL970 million does not account for this value. I'd like to understand. Is it in 2008? Is it in 2009? I'd like to know how these values, these figures are distributed.

**A - Unidentified Speaker**

First of all, welcome back to Brazil after a long stay in New York City. I'm going to try to answer your question in the following manner. First, let's talk about this investment value for 2008. All of the negotiation and final pay with the reseller was 2008. I'm not going to mention dates.

So by August 2008, we had already had with the committed -- we were committed to the proprietor that we were going to purchase the participation in TBE. The price was already dealt with. It was settled. And as everything was settled, all the conditions, the sales conditions, were settled. We would then ask for the assent of the regulating agencies, which was necessary to transfer the assets.

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So all of the negotiation was closed in 2008. But the payment occurs after the effective transfer of the assets because of the authorization of the regulators. And this did not happen in 2008. It did happen -- it's going to happen in 2009, hasn't happened yet. In the case of TBE, we had the assent by ANNEL. And now we're expecting all the other regulators to have a say.

So we estimated that we were going to finish all the process prior to December 2008. That is why we placed this acquisition as a 2008 investment. When we publicized the figures for the Third Quarter, we were convinced that we would finish everything, close the deal by December. This did not happen. So it sort of slid over to 2009. And so this is a 2009 investment in spite of the conclusion of the negotiations having taken place in 2008. But the effective payment is going to happen in 2009. So it's going to be added to those BRL970 million, which were predicted or provided for in 2009.

So if it does go beyond 40% of the EBIT, we have to require a special permission from the general assembly of stockholders. This is what happened. And I think that it's quite clear that way.

Now in what has to do with negotiation strategy, as I reiterate what I said, when I was answering Gattass's question, we have several alternatives. The one you put forward is one of the facts that occur. It may occur that way. So I have a free customer who needs additional capacity. I don't have any more capacity. And the price of energy on the market is greater than in the captive market. Therefore, he has to be connected to my distributor. And the distributor in case it does have available power, it can serve this customer. And this is what happens. And this is better for CEMIG. And it's good for any other company. It's within the regulations by ANNEL.

So it's not a policy of transfer from the free market to a captive market, not that. It's simply a sort of a chance situation of the customer who needed additional capacity given the availability of the distributor we serve this customer. And vice versa, it does happen that we may negotiate with a customer a contract of energy to be supplied by the hydro plant that we built. And on the basis of this contact is not a customer of the distributor. Therefore, there is a reduction there. So the two alternatives are good, are valid. There are many others, as I said. And we don't mention them here. But as a rule, they do happen. Is that clear now, Sergio? Okay.

So when you implement the capacity 2009, one reasonable indication if 40% of the EBITDA. If you estimate the EBITDA within that range that we publicized, let's say, for EBITDA is going to be BRL1.6 billion, this is the top limit that we can approve in the Board. As I said, if we had the investments already improved on, it's going to get close to that. Any other additional investment that we make, we do have to ask for special permission by the assembly.

**Q - Sergio Tamashiro** {BIO 2274485 <GO>}

Thank you very much. Understood.

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## Operator

Our next question comes from Mr. Francisco Navarrete from Goldman Sachs.

### Q - Francisco Navarrete {BIO 15936808 <GO>}

Good afternoon. I'd like to -- having to do with page 12 in your presentation, you mentioned the investments in the gas business. I'd like to understand this, this investment of BRL789 million. The part that corresponds to CEMIG is not included in the CapEx for which you mentioned the guidance. And I'd like to confirm that.

And also to understand this CapEx has the purpose of doubling the volume of sales. And I remember that from the previous conference call to double the EBITDA, this is linked to signed contracts. Or the contracts are being negotiated. And assuming that these contracts are not firm or cannot be carried through and that all they [ph] would be possible to reduce the number of CapEx in the gas business.

### A - Unidentified Speaker

Thank you, Francisco. Let us put it in the following way. The investment CEMIG has to make in Gasmig for it to invest BRL789 million in the next two years is BRL166 million. In 2008, we already injected half of this value. Therefore, in 2009, if necessary, the capital is going to be invested the same amount that is BRL83 million, not part -- it is not mentioned in our CapEx. I'm going to confirm that. It doesn't -- it's not part of our CapEx because it's a holdings investment, which is BRL86 million. Here we have only BRL70 million provided for.

Now if it does occur in 2009, we're going to be adding to this value as well. Now Gasmig investments are investments in new gas. That's [ph] new pipelines. We have a repressed demand in this state of Minas Gerais which is quite strong. And we have tried to meet those demands, especially in the most critical areas. In the eastern Minas Gerais, where you have great steel plants. And southern part of the state close to (inaudible), those investments are absolutely necessary. And with the gas contracts that we already have available, we're going to be able to serve them. But the potential of these areas is much larger than what we have available today to sell to those customers. Therefore, that is justified. That justifies the movements we'll be making, looking for new supplies. Okay (inaudible).

### Q - Unidentified Participant

(inaudible) have to do with the installment, the BRL130 million. My question is was this difference provision for in 2008 is going to be the First Quarter of 2009, if dividend is going to be provided for in the First Quarter 2009 or the Second Quarter 2009.

### A - Unidentified Speaker

Unfortunately, the ANNEL meeting has finished a few minutes ago. And I don't have those figures available to me now to analyze it more in detail. But we had already talked to them at ANNEL several times in these last week's so as to show our position vis-a-vis the points that were raised by the technical staff of ANNEL. There was some divergence. We did not

provide anything in terms of a possible reduction of the tariff because it's going to be -- to imply or to have an impact.

That is on the tariff readjustments for next coming April and beginning [ph] April is going to be made up for. We couldn't provide anything because we had no knowledge of this figure. And as beginning now -- beginning April -- this figure's going to be compensated for. According to my accountancy beliefs, we don't have to really provide money. We just supply the tariff beginning April. Is that okay, Leo? Is that it?

If there's some remainder, maybe we should provide for -- according to my accountancy guru Leonardo Guimaraes [ph], probably if it has to be done, the impact is not going to be too great because the difference was quite small actually.

So you consider that the readjustment for 2009 -- so the difference April 2008, April 2009, the regulator will consider this difference for the readjustment to be implemented April 2009 most certainly, yes.

### **Q - Unidentified Participant**

Thank you.

### **Operator**

Our next question is from Bruno Paulson.

### **Q - Bruno Paulson {BIO 5278310 <GO>}**

Good afternoon, Luiz. Some follow ups having to do with the distribution of CapEx, this slide five in presentation -- you show that CEMIG concluded the year with BRL873 million distribution CapEx. Of it, BRL852 million are relative to CEMIG D, although it's aligned with the limits agreed upon with ANNEL with the regulation in 2008 and '09. It was approximate to 81% below the estimate that CEMIG was given to CapEx distribution in the Third Quarter. Basically, what are the reasons for this change in the distribution CapEx and specifically along the Fourth Quarter for it to be below what was expected?

### **A - Unidentified Speaker**

There is not a very specific reason for this difference. So what happens very often is the reprogramming as a result of some difficulties to acquire materials. We, as you know, in order to buy as many services and materials and equipment, we are subjected to Law 8666. And very often, an appeal interposed by somebody, an appeal placed by somebody will slow down the execution of this bid process. But there's no specific reason.

This is an investment that is not very -- there's not a whole lot of secrets. That is already committed with ANNEL. We know it has to be done. The resources are available to do it because, as you know, the distributor is shielded against this. So the resources generated by this would have to be reapplied in the concession itself. So no secrets, only one small

difficulty or other that we face in the execution of the budget for this investment. There's no additional reason that may justify a delay or even an anticipation of some investment.

Do you expect to have an additional risk of at least 90% of the regulation CapEx in accordance with what the new regulation AT052 provides for? There's a delay within the CapEx program. And that is to comply with the regulation. That is the Company's determination.

**Q - Bruno Paulson** {BIO 5278310 <GO>}

Thank you very much.

**Operator**

We have a new question from Gustavo Hivas [ph] from RXC Investments [ph].

**Q - Gustavo Hivas**

I'd like to ask you what is the industrial consumption like in 2009 as you compare in the months January, February, March until now? Can you give -- has it improved? Has it become stable? Or is there a negative trend?

**A - Unidentified Speaker**

Gustavo, I don't know if I understood your question well. But your concern has to do with the First Quarter of 2009, whether there was some impact in the sales volume in the First Quarter, whether there is a recovery in sight. And if this is your question, what I have to say is -- the worst impact was last December, was the only one we had in 2008. In January and February, we had a recovery vis-a-vis 2008, December 2008.

Therefore, it's a solid recovery that we're witnessing. I don't know if it's going to be possible to recover what was lost in 2008. We have to really wait and see probably until May in order to see what the trend is. We have great expectations relative to March that we may have a very good performance that may recover all that was lost in January and February so that we can keep well within the projection we had made for 2009. But unfortunately, with the available data thus far, we cannot really tell for sure whether there is a trend this year or not. So we have to wait until May to be able to see this trend in a clearer manner.

**Q - Gustavo Hivas**

Thank you.

**A - Unidentified Speaker**

Thank you, Gustavo.

**Operator**

Our next question come from (inaudible).

## Q - Unidentified Participant

Hello. Thanks very much for the call. I just wanted to find out a little bit more about the (inaudible) and how many people you hired in 2008, how many people left. And how many people left on redundancy program just so we can update those data points of the kind of cost reduction side. Also, you're targeting the BRL100 million of OpEx reductions. How much of that did you achieve in 2008?

## A - Unidentified Speaker

Thank you, Henry Cob [ph]. To repeat the question, your concern has to do with the personnel costs. We had said that we did have a reduction in our payroll, slide number 13. As you can see, we did have an addition of 486 employees to our voluntary retirement program. His concern is whether we're going to reach that goal of BRL200 million that was publicized last May 2008. What is the part of this personnel reduction in this value of BRL200 million?

Naturally, we have a strong concern with this personnel cost, especially with our distributor because it is the great cost item that is controllable in our distributing company. We are trying to find, trying to reach an operational efficiency that allows us to reach the highest possible pattern of efficiency. And personnel is one very relevant item, which means something around 60% of all controllable costs. Therefore, if we do want to be more efficient, we do have to really in terms of personnel have very efficient action there.

So we have this program announced for 2008, which we believe was successful among the employees. So much so we had a reduction of almost 500 employees, which means maybe 5%, slightly less than 5% of our total headcount. And I believe that this process is not closed yet. We think that in 2009 we're going to -- we forecast an even greater reduction in the number of our employees, maybe reaching 10%.

We have made some negotiations in this collective labor agreement aiming at giving, I'd say, some order to this process in such a way that it would be a negotiated reduction showing to our employees and their unions that the competition, the pressure for less cost coming from the regulating agencies so as to benefit the consumer is very strong. Therefore, we have to be adapted to such a pressure. Therefore, this negotiation that we closed last November or beginning of December 2008 is going to give us maybe the possibility to absorb and integrate a reduction on the one that we had really witnessed in 2008.

But this is a process that is still underway. And that we are going to reach the goal of BRL200 million in terms of reduction of our payroll is not a quick process because we have to restructure processes in order to absorb this redundancy. We had hired a consultancy firm in order to make possible the implementation of those measures. We are in full negotiation with ANNEL.



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Therefore, we couldn't now in a general way do everything that is possible to do. But beginning now and this time, we're going to take up the process again with a little more vigor. And in all certainty, the reduction seen from 2008 is going to be reflected upon the 2009 results and certainly added there with the new measures that are going to be made taken in the future, which probably in our May event we're going to be announcing in more detail.

This is the commitment that we have made to make the Company more and more efficient. We are now growing and increasing our participation on the market. This leads to the addition of new employees. If we look upon the main number of employees that we're going to have in the future, it's going to be increased. It's going to increase because of the new acquisitions. So we're going to be generating more jobs than reducing them in our existing company.

So it's a commitment of growth and to add value. And our group, our personnel is very positively qualified, highly qualified. And this is going to help us include those new assets that we will acquire. Certainly, this internal reduction that we are doing now is going to allow for the use of this labor in other investments.

### **Q - Unidentified Participant**

(inaudible) at the end of the year and how many people you hired?

### **A - Unidentified Speaker**

He wants a projection of the headcount until the end of the year. Unfortunately, I cannot state that because our reduction is done in a negotiating manner with the employees. So it will depend upon the employee to agree. But in all certainty, the number of employees is going to be reduced substantially.

We have placed in our agreement -- in our collective labor agreement, there is a figure there that is not going to be reached in the short run. But we are revising the processes so that we can be more efficient and so the reduction is not going to hurt the Company and we can reallocate this labor in other investments that we have been making. So I can't really disclose this number, the headcount, not yet.

### **Q - Unidentified Participant**

I understand. But I'm not interested in the 2009 headcount, the 2008 headcount. What was it the end of December so we have a date to work from?

### **A - Unidentified Speaker**

The total number of employees as December was 10,422, which compared to 2007 was 10,818, hence the reduction of 400-something that I mentioned.

### **Q - Unidentified Participant**

And how many people were hired during the course of the year in 2008?

## A - Unidentified Speaker

(inaudible)

## Q - Unidentified Participant

My question is how many people did they hire in 2008?

## A - Unidentified Speaker

The employees who left CEMIG -- the net reduction of employees in 2008 was around 400 people. Out of these 400 people, 486 were through our voluntary redundancy program, which was made up for with some new contracts. We hired some more people. So the net number is close to 400 people. Was that your doubt?

## Operator

We will now close the session (inaudible). The speakers will continue answering the questions over the web.

## A - Unidentified Speaker

We still have some questions that were asked by email from Jarda Cheney [ph] from Wellington Investments [ph] and Kenneth Rapoza from Dow Jones. We're going to answer them in writing using your email. Unfortunately, we are already almost -- two hours of conference call. I don't want to take up more time from you in spite of having topics to talk about for the remainder of the afternoon. But unfortunately, your time is very valuable. And I don't want to jeopardize that and so that I don't want you to bill that on me.

And so I'd like to first of all thank you very much for your patience to spend your two hours, these two hours, with us. We have good prospects for 2009, as I mentioned. The presence of our new Chairman of the Board is extremely positive. He is a very experienced person in the private initiative and in all certainty is going to add much to the management of this company. And I'm certain that this is going to be reflected upon the new results. I thank you all very much. And I wish you all a good afternoon.

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