Q4 2003 Earnings Call

Company Participants

- Djalma Bastos De Morais, President and CEO
- Flavio Decat De Moura, Chief Finances, Participations and Investor Relations Director
- Jon Carlo Margagise
- Luiz Fernando Rolla, IRO
- Wilson Nelio Brumer, Chairman of the Board

Other Participants

- Ccbn Editor
- David Soker, Analyst
- Mr. Baris, Analyst
- Unidentified Participant
- Unidentified Speaker

Presentation

Ccbn Editor

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Unidentified Speaker

Good afternoon. We will start this meeting by presenting our (legal) data of the report and the (balance) of CEMIG referring to 2003. (inaudible) would like to invite the President of the Board of CEMIG, State Secretary of Economic Development of the State Government of Minas Gerais (inaudible). The President of CEMIG Djalma Bastos de Morais, the President of (inaudible) Association with analyst and investments professional from the Capital Markets (Jon Carlo Margagise) and the Financial Director of Participations and Investors Relationship at CEMIG Flavio Decat de Moura.

Luiz Fernando Rolla {BIO 1852035 <GO>}

Ladies and gentlemen. welcome to this meeting. This is being presented through video conference to other Brazilian states and also abroad through a simultaneous translation. We open the floor now for the President of (inaudible). The Brazilian Association of Analysts and Investment Professionals of the Capital Markets, Jon Carlo Margagise).

Jon Carlo Margagise

Good afternoon, on behalf of (inaudible) I would like to thank for this invitation to have this Annual Presentation here in this auditorium at CEMIG's premises. I would like to say that we are also connected to (Argeneki) Rio de Janeiro, (Argeneki) San Paolo through video conference and also through the internet we are connected to the whole world I would say.

I would like to say that we are very pleased once again to be gathered here with CEMIG, which is without any shadow of doubt, one of our most important partners. Having said that, I will now yield the floor to Dr. Brumer, thank you.

Wilson Nelio Brumer {BIO 1524504 <GO>}

Good afternoon, to you all. I would like to greet not only the people present here today in this auditorium, but I would also like to greet everyone who is watching us and hearing us. I would say that this is a very crucial moment for CEMIG, for its shareholders, for its investors, analysts, market analysts, as well as for the Board and all the managerial body and employees of the company.

I would like to tell you all that we will be hearing and watching more than the results, which will be commented upon. We would like to take this opportunity to tell each and every one of you the strategic points that are being discussed within the company, or have been discussed within the company in the last months and that are of paramount importance, not only for the assessment of the investors, the assessment of the company, but I am also sure that we will (consider) so that the company may (increasingly) reach its major objective, which is to add value to everything that is done within our company.

I would like to start, and then of course I will be followed by the President of the company, by its financial director, which of course a responsible part of market relations. At the end I will come back and mention some points regarding the future strategy of the company.

We will also be speaking about some decisions that we will put to the Appreciation of the Assembly be it Ordinary or Extraordinary Assembly of the company. I would also like to say that one of the points that we have been discussing within the Company in recent months is, in an event to assure strategies for the Company in an attempt to assure the Company's sustainability. So even more than figures, we also want to discuss, as I told you before, the future strategies of the Company.

There is a slight technical problem. Anyway the net profit of the Company according to what we have announced before to you ladies and gentlemen. was R$1.2 billion in 2003 compared to a loss of R$1 billion in 2002.

Another very important point, for sure is part of the future strategy that we will present to you later on, is the cash creation of the Company that reached R$1.8 billion in 2003 with a growth of 67% measured by EBITDA, compared to R$1.1 million which happened in 2002.

According to what was stated by the Board and the Company at the General Assembly on April 30, we will be stating the payable dividend of R$320 million relating to the (assets) fund of 2003, I would now like to (inaudible) and also to emphasize that we are in constant (in the stage) of our dividends related to the actual size of fiscal year 2003.

Afterwards, I will comment after my presentation, (I will comment) apologies that we will be proposing to the shareholders' assembly the influence of future dividends. The proposed dividends regarding fiscal year 2003 corresponds to R$1.97 per 1000 shares, of course that is the total of R$320m, which are more or less equivalent to 25% of our net results.

I would also like to highlight that CEMIG shares during the year of 2003 had an increase of 100% in rounded figures, which has already been a response of the shareholder markets (giving estimates) of the Company in trying to follow the guidance of the Board that the control of shareholders have given to the management of the Company in an attemp to take all the necessary measures to add value to our Company.

One of the points that I believe is of primary importance in the statement report, as we are doing here, is that we have to tell the investors and analysts of some projects and programs which for sure have much to do with the new (kind), not only CEMIG's (inaudible) but also related to the whole financials of the Company, that will actually improve and will be established in the markets of the Company.

We have seen the Company working with a social responsibility and the (price) (inaudible) last year, we invested about R$900m, of course (inaudible) which is the investment to generate millions of jobs. Of this a total of R$45 million were invested in projects related to financial issues for the solution of environmental problems.

It is also worth mentioning that these projects, allowed us, besides investments on the parts of generation of increasing the connection of 152,000 new consumers. Another important point is that CEMIG today serves about 1.4 million consumers of low-income. I would like to highlight the fact that of all the figures which are being presented, it is very clear to all of you the contribution from CEMIG is (inaudible) in terms of social responsibility, in terms of taxes and contributions that are about R$3.4b. In the sense of wages and employee profit sharing, these figures reached R$834m.

We thus understand that we see CEMIG as a company with an excellent growth potential, being a profitable company with its business structure very low-risk. Assets of very great operational efficiency. You can see by the figures that we are in a very solid financial situation of the Company leading efficiently and through the history of the Company our very good concept in the market (inaudible) in the market. This will be expanded, and that needs to be expanded in keeping with a relatively low debt and with the knowledge and managerial capacity of the Board and the Board of Directors and the Managerial Board, and also (inaudible) of (inaudible) and of course our figures so that CEMIG is a (inaudible) of success.

I would also like to call your attention to another point, which is most of the measures that will be announced here today regarding the future status of the Company aim at solving the very important shareholding base. The Company has about 122,000 shareholders who have a market value of R$7.4m, a closed number, the number which was established at December 31 last year compared to R$4m.

Private investors hold 75% of the total capital of the Company. I would like to highlight the fact that being in this State we are very much aware that maybe the best model of public, private partnerships, which is the most discussed model in the country today, feels that CEMIG is maybe one of the best examples of this partnership. The state has 51% of the Company, however, of the total capital this stays at about (0.5%) of the Company, which shows this whole process, which we have guided CEMIG in an attempt to increasingly add value to whatever we do. Of course we take into account our shareholders of about 122,000 investors and of course everything we do we have to think about the whole set of shareholders and stakeholders.

Another important point is that most of these investors have a focus of return on investment for the long term. Whereas the pension funds that are actively participating in common and preferred shares of the Company, not only local but also international pension funds.

The Company is listed in ADR (inaudible) since June 1993. It was listed on the New York Stock Exchange market in September 2001. We have a level of Corporate Governance in BOVESPA since 2001 and we are also listed in LATIBEX since 2002.

Once again I insist, we have in mind the profile of the shareholders of the Company we (detected) and will insist on this point that we have shareholders that focus the long-term growth of the Company. So we see most of the measures we will announce take into account not only the numbers of our shareholders but also it also takes into account the very profile of the shareholders.

It is also important to highlight the fact that we see today that we improved from 2003 to 2004. We grew in participation of our international investors preferred shares from 42% to 52.6%. This involves two factors. We are very proud to see that our shares are increasingly better seen outside, but it also makes us very much aware and it increases our responsibility in an attempt to meet the demand of our shareholders.

The Board has been an important part of this new process that we are establishing in the Company now. Of course the Board members I have are experienced in the different sectors, and also shareholders that understand that this whole process that is being discussed in the Company. Not only regarding the results reached last year, but also in relation to future strategies. We have to take into account an (inaudible) launch, in an attempt to have added better transparency and added value to the Company. After all, everything that is increasingly makes CEMIG an international company which does have related operations, some of them will be solved on a (inaudible). I will present to you in a letter soon, a proposal that we will put before the Assembly of Shareholders.

Now I yield the floor to Djalma the President of CEMIG, who will make some comments also in relation to last year's performance, but he will also be speaking about some of the points I have mentioned here.

Djalma Bastos De Morais {BIO 2089645 <GO>}

Good afternoon. Our Group with a permanent asset of R$8.8b, we are very proud with all of this. You will see in a little bit that the Company had the best performance in the last five years.

I would like to thank the support from the Board with the three members present here, our President, Dr. Doleda Pereira, Dr. Alexandre. Doleda is a member of the Board of the Company and the support of our managerial staff, and our managers in general. The support has allowed the Company to reach its goals.

Our Company is focused on four major businesses, electric power, natural gas, telecommunications and it is a company of efficiency. Our major focus is electric power with a public service of R$7.3 million generation, transmission and distribution. Our present consortia with R$761 million an independent power production of R$291m.

In Public services, a company with an ongoing project of R$808m, our (inaudible) our hydroelectric power plant. In consortia I am aware of some (inaudible) one and two which are ongoing.

Its business has provided CEMIG what is listed here below. CEMIG business with about R$1.1m, EBITDA of R$1.7m, GASMIG R$37m, EBITA R$48m, Sa Carvalho R$21m, EBITDA R$26m, Ipatinga R$4m, EBITDA R$10m, Infovias -R$29m, EBITDA -R$4m, Efficientia -R$2m, EBITDA -R$2m, Horizontes Power EBITDA R$1m. Yielding R$1.198 billion and EBITDA R$1.797b.

We can see that for 2002 when we had to get provision, this is a growing profit that we have in terms of forecast. In December of 1996 we had R$1.62 in shares and in December 2003 we reached 7.39 of profit per 1000 shares. So you can see that EBITDA is a growing margin. In 2003 it slowed just a little bit.

So if we see the Company as a whole its cash flow, its cash generation, we always see a growing pattern. It is a company of which profit reached R$1.198 billion with its best performance in five years. A liquid net margin of R$121m, cash generation of R$1.8b. A cash generation margin that was raised with 32% operational results in the last five years. R$3.7 billion return on the permanent assets reached 13.6% actually. So you can see that if we didn't have to provide CRC we would have in 2003 a profit of about R$400m.

Realizations of 2003 are the result of our success strategy with a market value of R$7.4 billion representing 80% of the goal forecasted for 2006 of R$9.2b. So we had a growth of our 82% of what we wanted to reach for 2006. The value of the Company is above R$11 billion in the market and we can see that EBITDA overcomes 6.2 times this figure, a growth of 51%, with a capital structure showing a debt to liquid assets ratio of 36%. The price per share went up, per profit of share, 6.21, a positive operational performance.

The number of employees from 11,302, being DEC of 13.01 to 10.74, consumers per employee it went from 496 to 506. Within the number of employees of 11,302 we are not considering 800 employees that through a plan of voluntary dismissal we are estimating that they will not be part of our company as of the next month. So we have to subtract from this 11,302 about 800 employees, which are being dismissed in this plan of voluntary dismissals.

I would like to ask Dr. Flavio now to continue with the presentation.

Flavio Decat De Moura {BIO 5512302 <GO>}

Good afternoon, to you all. I was asked to speak about the financial management of the Company. We have tried to work in an attempt to do this assuring sustainable growth and the creation of value to the shareholders of the Company.

We are working with loans in an attempt to maximize the benefits of the capital structure. Reducing average cost of capital and also broadening our access to financial markets. We are trying to combine reduced costs with long terms for financing. We have strongly tried to reduce the short-term debt, which is one of the frailties of the Company.

We have been working, trying to use the good times that this Company is going through, as an opportunity to use long-term capturing instruments. We are trying use 10 year term debentures and the international market for which we already have authorization from the Secretary of Treasury in order to seek R$150 million in five year terms.

CEMIG has a very solid basis I would say, but as I said before it is frail because it has a strong debt concentration in the short-term. We associate with that a solid cash flow. EBITDA, as already been mentioned, has a very strong margin and operating income actually of R$1.2b. A low leverage debt for net assets of 36%, here we have 82% of the debt in three-year terms with 74% of the debt maturing in two-years.

If we look at this picture of the debt, in foreign currency we reduced the debt substantially. This reduction of R$400 million is due to a change in the exchange rate. Now we have a reduced debt in foreign currency and with the consequent variation here and the national currency, except for BNDES we were able to rollover our debt this year. BNDES thus created this difference here as we can see.

This concentration of the short-term debt can be seen in this graph. In this chart, where in the first, second and third years it concentrates most of the debt (87%) of the debt.

We have been working in an attempt to turn that profile into this flat profile here, with a service of about 25% to 30% of our cash generation. Working with debentures and a fund that we intend to implement still this year, by the year end, trying in a project, approved by the consulate to create a (inaudible) that would make this profile safer and more reasonable.

The financial resources that the Company has had access to, the banks, BNDES for example, we have difficulties because we are a state owned company and thus we are within the limits of the public debt. Because of that, we cannot receive such loans. We were able to obtain from BNDES R$335m, R$176 million and such funds from the (sector independent) that were immediately passed on to the other agents of the sector.

We still have the spending, the financement of the RKA[ph] distributor, which is a fund; extraordinary tax re-composition of R$1m, CVA R$322m. Sector capital used in our case for a (criteria) of BNDES would be R$1b. Financing of construction works that we have already established for (inaudible) R$213m, which are stalled, because of the difficulty we are enjoying because we are a state owned company.

This has led us to find a solution in the financial markets. We were working very much in the beginning of the year, trying to work in with the BNDES and asked for the Bank for development. In the middle of last year the Board recommended us to try to find solutions also in the market.

Another important thing in the financial management of the company, is the issue of exposure to exchange rate risk. CEMIG in 2002 had a loss of R$728 million in 2003 we had a gain of R$336m, which shows the very impact of (sudden) variations in exchange rates in costs for a company. We are strongly working in reducing this. One of the points is the very reduction of the debt in foreign currency. This is a process that will continue with the implementation of a hedge policy, which has been recently approved by the Board to protect the cash flow for the next 12 months. In the year 2004 we have had this volume of debt of R$1.3 billion which are being protected by hedge operations in the financial market.

We can see a significant improvement in the indicators. This allows us to be optimistic, I would say, in an attempt to reach the goal that the Board established, which is a credit quality one degree above the (holds) scale, which is the A-class.

If you look at the limits that we are subjecting to are important contracts. In foreign currency we can see that in Itau Banco we have EBITDA over interest, which should be higher or equal to 2.8. We are comfortably gearing 4.2. Debt over net assets plus debt, the threshold is lower or equal to 53%. We are at about 36%. Debt over EBITDA less or equal to 3.36, we are at 2.2. Investment over EBITDA we had difficulties in this and also in the debt over EBITDA in the beginning of the year, but now we are comfortably at 50% below the 60% rate. The other equivalent contract, this is a very good performance I would say, a very safe performance.

In terms of the application of cash resources; cash funds, we have carried out a very conservative management of our cash. Prioritizing more profitable investments in the short-term, benefiting cash generation by using the idle cash in market opportunities or anticipating expenditures. We are also trying to have a very comfortable level of minimum cash. We are aiming at short-term profit.

In the class of the cash flow last year shows a very robust (cash) at the end of the period. We turned the year of 2003/2004 with R$440 million in our cash.

I would like to invite Dr. Rolla to continue with the numbers. Thank you.

Luiz Fernando Rolla {BIO 1852035 <GO>}

Good afternoon. My goal is to show with numbers the results of the guidelines, which were established so far by the President of the Board here, and our financial director. This will be a very easy task I would say.

You can see from the figures that the growth, in relation to 2002 shows the results of this strategy. Of course if we look in a more detailed way to 2002, we have had some impacts that harm or impair a more in-depth analysis of the variation in relation to the year of 2003.

However, if we look only at Q4, because Q4 2002 was practically free from inferences of rationing, we can also see a growth for 2002/2003. Therefore we can say that this result that we obtained late in 2003 is coherent, is in agreement with the main guidelines of the Company to create value and grow.

One of the very reasons for this growth is exactly our GASMIG, which the President mentioned during his presentation. GASMIG, our natural gas company, is a company that has an exceptional productivity. We had a growth in operational revenues from 2002 to 2003 of about 73%, but yielded a net growth of the Company of about 55%. So it is therefore a company that has a very streamlined financial structure directed towards value creation.

Dividends that CEMIG reached with the gas business, reached R$31 billion with a growth almost 3.5 times the one that we could see for 2002.

We can also see here the historic growth of the Company in recent years. Net profits growing, expodentially growing I would say, and we can find in the negotiations we are doing with Petrobras, which will be mentioned by the President of the Board at the end of this presentation, where we will reach a higher profitability. It is a very attractive return and very much in sync with the guideline of only investing in projects that bring return on investment higher than our cost of capital.

Getting back to cap to CEMIG and also talking about GASMIG we had a very significant growth in revenues, substantially seeing a tax increase of 21.6% in April last year. If we compare every quarter, we can see exactly the percentage reflected and the growth of revenues of sales, which cannot be seen when we have an annual comparison function of the rationing that was done in 2002.

The statement of our sales can be seen in this chart. As you can see we have a sales concentration for the industry reaching 61% for the industrial sector. The retail business represents only 18%.

In terms of revenue, wholesales reached (43%) and retail 32%. There is a difference of price caused by the difference in cost of service for this (differential in clients).

I would like to talk in a more detailed way about the growth we had in 2003 compared to 2002. The growth was 1.8% and the total of volume of power sold to all clients, dealers led to growth that we considered great. In the trimester we had a (inaudible) growth we had in the first trimester, a very positive first trimester, (what) in the second and third, but in the fourth trimester we recuperated this growth to the greatest increase of the industrial production in the State of Minas Gerais and also because we had some (cash) (cuts) that I will comment on in a little bit, benefiting this growth.

If we look at the residential sector we had some decrease. This is the result of the low level of the purchasing power of the population today, thus affected by the increased tax that we had in recent years.

I would like to talk about the industrial consumption that has been the major driver of this growth. In 2002 we had the leaving of a major consumer of CEMIG, who chose to build his own power plant and then did not renew our contract. This was no significant problem for us, because our sales strategy was good and we were able to sell the surplus, by this other consumer.

If you compare 2002 without the impact of the leaving of this consumer, we would have had a growth of 3.8%. You can see that this growth is a very strong growth, higher than the average of Brazil, higher than the South East average. Very similar to the average that we had in the South. Unfortunately lower because the best performance of the country was in the Mid West region, which was impacted by the growth of (inaudible) there.

Operational expenditure has also dropped 4.5% also within that line of improving our operations. The operational efficiency of the Company has been generating resources and benefits. Of course if we look at this table here we would have some remarks to make, for example regarding power purchased, and in 2002 it was affected by rationing. We had to pay the surplus of power that was purchased during rationing. This brought an additional cost that did not happen again in 2003.

We can see in the next slide the other cost items, which were all very well handled. We had some gains. Some of them for example are benefits for the employees after retirement and also the provision of RPE that we had. The reversal in the fourth trimester of 2003 of expenses, with the personnel it grew because of the program of voluntary dismissal the President mentioned.

We had to acknowledge a provision of about R$77 million and this would bring benefits for the operational expenditures in 2004 with a very strong reduction, a very important gain in this item.

Financial results, we had an improvement of the exchange rate variation. You will remember that the Real was valued, in comparison to the dollar, so we had some gains. Therefore we were able to reverse the negative results of 2002 for a positive result in 2003. Of course we had some other reasons, for example, monetary collection not only of the CRC contract, but as the general improvement in the electric power sector, which was signed in 2001, that generated some gains in monetary variations that will add to this value.

However, it is a very positive reversal. I would mention for example some gains that we had in transactions of derivatives in attempts to protect our foreign debt.

I would like to call Dr. Brumer to then complete and finish our presentation. Thank you.

Wilson Nelio Brumer {BIO 1524504 <GO>}

I believe it is very clear to all of us that the year 2003 was a very positive year for CEMIG. (inaudible) but regardless of our operational (loss) (inaudible), we always understand that we needed to (inaudible) for CEMIG, a long-term (commitment) that would take into account the (premises) established by the controller shareholders of adding more value to the Company.

The Board in the main meetings discussed together with the Board of directors and the managerial body of the Company, how to establish, how to reach those certain goals established, and to have reachable goals in attempt to increasingly add value to the clients and our shareholders.

I would like to tell you all about some of the points that guided, I would say, the strategic plan of the Company as that encompasses a 10-year term.

We have as the main vision to (bring) CEMIG to the best power (inaudible) divisions of the Company (inaudible) by the capacity of our Company, in other words to add value. We are quite sure that CEMIG is wholly capable of becoming the best power company of this country.

However, we made this statement without the (link) the effective tax expense, other goals that effectively challenges this (inaudible) hard to reach our goal and as we see it to be the best power company of this country, means that increasingly we have to add value in all activities that we (offer). Increase our participation in the market. CEMIG today is still a company very much (linked) and very much focused on the retail markets (inaudible). Recently some (inaudible) of offering opportunities to other (inaudible) provide a (inaudible) other states of this country has been the concern of our ministerial body.

We understand that we still have a long way to go in this (success). Another point, to being (inaudible) is that we have to make the company one of the (staff) companies to work in, within this country. (inaudible) indicated that we are, through the following-up closely of the Board at this moment (inaudible) safety (agreement) the Board's (inaudible) expectations on the market. Of course, increasingly trying to pursue the perfect environment so that CEMIG has the best value and as such helps us to build with this vision. (Serve) all our consultants as we have in the real area and still in the urban areas we still have some clients (inaudible) clients that are not still (inaudible). All of that (accounts in) 2006, 100% of our best (product clients), consumers not served to date, will be served by that year.

We are a modern company, a company that has increasingly tried to reach this goal and hence we have to be also concerned with the community where we are in.

Of course our neighboring partners, of our operations don't have as CEMIG a partner that also wants to become part of their growth as they will be part of our growth.

The growth in the gas market is (excluded). GASMIG (is a) very profitable company but they add their value to CEMIG, however, a small sized company for the numbers of the company, but also a still small company for the whole amount of potential that we have in our State. We also have a (quality) dividends policy which is recognized as the most consistent and (attractive) in our sector. Following our comment on the proposal of the (total) shareholders that we will be stating at the Shareholder meeting next April 10, to continue making the company more competitive and also to be the preferred client of our suppliers we all know today. Including the companies that have tried to work systemically where suppliers; a good supplier is a very (dependent) client and the improvement of our results and adding to our results.

Of course, we will grow with our sustainability (inaudible) not only (inference) the environment but also (interims) of bringing more solid results and of course more consistent results. Of course the improvement will be concerned with the quality of our (products). The electric power model is always very much (driven) or stimulating competition, so it is very important that our Company will be increasingly better (adjusted forward) for excellence levels in terms of service provider to our clients.

Within this line we had in this year 2003, within the horizons, the terms of the new regulations we intend to compete with the current portfolio of our (large)c clients. We know that some clients are also investing in their own generations, but we have been (inaudible) closer to them if we analyze the present picture that this (inaudible) President Djalma will see that most of the undertakings and implementation are being done in the partnerships. These partnerships have been working with our own (clients), we have some bidding still in the area of generation and transmission to be carried out during the (inaudible).

Of course CEMIG will be following up closely, (inaudible) assets and if they represent value adding, of course we will take part in them.

I would now like to establish, to state the first point, which has been in discussion for a long time. We are deciding to raise this point to the appreciation of all the regulatory bodies and agency adjusted process, which is the de-regularization of the company.

A point that has been discussed for some time now without any prejudice against the model, we are now discussing with the regulatory bodies or agencies, to (inaudible) CEMIG by a holding company concept. A company that will control 100% of the innovation and transmission and 100% of distribution. So this company also will control other businesses that the company has (inaudible) for example the consortium and partnerships with third parties and also its own partner participation in GASMIG that we have talked about further on.

Another point I believe going forward is during the future, this whole planning of the company is that as a controller shareholder there will be the policy that the company as at 2004 starts using the whole dividend policy of 50% of the (shared) profits. I believe that our shareholders, analysts and investors will understand that we will be establishing a correlation of this 50% of our net profit to a cash generation for our company (inaudible) of the company to avoid eventually we may have problems in the future. But our expectation to date is that this limitation will happen in (30) years.

So this (inaudible) of our cash generation, in other words the total dividend policy, 50% benefits to about 32% of our EBITDA and with the current payment every six months.

So this is the dividends policy. We will be proposing to the shareholders as of 2004 (inaudible) dividends that are being proposed to the appreciation of the shareholders' assembly that they have been as at April 30, regarding the fiscal year 2003 which are within our previous policies of about 25%. However, in the fiscal year 2004, this is the policy which we are proposing, and during this transitional period, in order to follow the new policy, our proposal is that dividends, if approved by the assembly of shareholders, in April 2004 will be related to the fiscal year 2003, in of June 2004. Our new policy already considers semesteral payments with an advance on the results of 2004, within November or December of next year and so on and so forth.

Another point we understand, which is of paramount importance for the results of the company, and of fundamental importance for the concept of a company among the analysts and investors and in the financial market as a whole, is the solution of a problem that has been discussed in our company for many years and we understand that now is the time to find a solution for it. Therefore, based on the (inaudible) for the shareholder will be presented to the shareholders' assembly a proposition so that they may once and for all solve the problem of CRC which at December 31 reached R$2.4b.

Also, we always try to highlight the fact that of this R$2.4b, R$1.5 billion has already been accounted on the (inaudible) division in the fiscal year 2003, and of this R$2.4b, R$890 million is related to another one that is still open. Within this time, our proposal then is that (inaudible) value, the standard is set that we will not have then lost in relation to the original CRC loss that to date is at R$1.2b. This value was when the CRC problem cropped up in CEMIG.

The (inaudible) of (inaudible) is that 38% of the dividend extent will be at the responsibility of the state of Minas Gerais be withheld by CEMIG and fluctuated at 64 semesteral installments, based on the results of the company, that the CRC result be once and for all solved for the controlled shareholder and the controlled company. We believe that as we do it, we will be solving an old problem of CEMIG that was a big problem being (inaudible) by the investors and analysts of the company. With that, we will be turning a page that I believe will be very important for the future of the company as we are going to have it, and (inaudible) approved by the assembly of shareholders, we will also go through two other important agencies so that we have no doubt on the new proposal to be established. Thus, we will, for CEMIG, be in a condition to fully solve the CRC problem.

If it is approved by the shareholders' assembly, we will be creating the new contract with CEMIG and ANEEL at which we have a part, we have discussed the (inaudible) in the beginning, and our idea is also to send such proposal to the (inaudible) of the legislative assembly of the state. So if it is approved by the state representative or the governor of the state, this license will be permanent and be seen by the investors as something that is solved once and for all.

We believe that this proposal be placed by the shareholders, before the assembly of shareholders brings much benefit to the company. We understand that it represents the final solution to this issue, avoiding questions, and of course, at the end of every year we have that doubt. The shareholders and the investors have this doubt. We will have new provisions and so on.

This solves a significant (inaudible). Part of it is related to the controlling shareholders. It also solves (inaudible) issues that national and international regulating bodies, and we are sure that our balance sheet now without the problems we have seen, the new balance sheet of the company will make our shareholders, both to the (inaudible) clause and the investors will see this in EBIT without this problem of CRC.

We also understand that the set of shareholders of the company will be benefited through this process, because as we withheld 58% of these dividends, the company will also be improving its cash-flow. This is clear, and this finding is the economic management that I present to you. The mechanism of withholding preserved the value added contract of (inaudible). The rest of the R$350 million of the previously provisioned EBIT and now I'll leave it to grow to welcome everyone who is watching and hearing us, that the use of this provision that was done in 2002 will happen only after the approval of our assembly of the shareholders, after the approval of the legislative assembly of the state and also of ANEEL so that we have all necessary approval mechanisms so that this figure will be contemplated in the results of the First Quarter of 2004.

We also understand that such process allows us to solve the problem of receivable funds. Our idea is to approve this process by the assembly, and the other agencies. We intend to transfer these receivables to a receivables fund which will even allow us to have a future (inaudible) of these receivables even with the risk of these receivables being of some influence. The rest will be analyzed as a CEMIG risk instead of a risk of (inaudible).

We have had many discussions with auditors and other agencies regarding these greenfield problems and others and the issues of the state will, of course, be liquidated through this.

On the object of strategic planning, we understand that the market value of the company today may be penalized as a result of the non resolution of the CRC, and that we understand that we will be turning a page, and analysts will be talking more about futures, our (inaudible) of dividends to be paid by the company, and as a consequence, (inaudible) to pay CRC and as such, protecting the results of the company and making their assessments and their decisions regarding investments in the company.

This does not make us waive possibilities that in the future we will make CRC a federal issue. We have always found discussions basically focused on CRC that the only solution would be to make it a federal issue. It is a possibility. We are not prescribing it yet, but we would not want to be limited to this possibility. The possibility is still on the horizon, but I suggest to the analysts that from now on, what we propose is that you consider it as a new situation, and as (inaudible) we are preserving and conserving the original value of CRC.

Another important point for the assessment of the investors and analysts who are with us now is the policy of investments over the next five years. We are talking about this position, and I insist on always taking into account the personal value of the company, and about R$5b, R$1 billion per year. So with the horizon of extending in producing 10% (inaudible) for the next three years, replacing our electric power purchasing contracts, adding 200,000 new customers per year, creating 100% of a service in rural areas, improving the reliability of the transmission network, reducing interruption from (inaudible) and (inaudible) to substantial power (inaudible), broaden market participation, generation and transmission and distribution, even if this means the potential possibility of acquisition and extending the gas supply in Minas Gerais. I insist again in all the cases our return has to be higher than the WACC.

So this is the investment program we present. In terms of generation transmission, (inaudible) transmission and distribution, and so on and so forth, of this amount are predicted of R$5 billion for the next few years.

In terms of gas, which was an issue which was raised in the presentations before, this is a program we are discussing now with Petrobras. It is not fully defined yet. We still have to discuss some details, and of course, we have to approve this service with the state of Minas Gerais to be able to use the potential market of the state of Minas Gerais together with Petrobras and other agencies and (inaudible). This is the design on which we are working upon, and we believe that this will represent added value to the company.

Including this in terms of gas, we estimate investments of about $460 million for the next few years for the gas sector for CEMIG. We are basically not in the gas industry because we are talking about transportation of pipelines and Petrobras will be the one investing in this process if the process contract was approved.

This is my presentation. I would like to summarize for you. And (inaudible) we will be here available for questions and answers in an attempt that what we are proposing today besides representing at least our understanding. It is a great hope that what was promised for the shareholders in 2003, was almost wholly accomplished. We also presented our shareholders and investors, potential investors and managers, all the managerial bodies and employees of the company, they represent a new company, a streamlined company. It is a company that is trying to add value, and with this, we want to grow and meet the demands of every one of those who depend on the company. Thank you.

Questions And Answers

Operator

Now we are available for questions and answers, the (inaudible). These will be coordinated by (inaudible) superintendent, who is (inaudible).

Q - Unidentified Speaker

Well, I would like to say that for questions, we are not only answering questions here, but also questions from Sao Paolo, Rio, and certainly in a global sense, through conference calls and web-cast. So we are now serving at least three (inaudible), we are serving the prerequisites of providing a broad scope in disclosing our information. We also serve our precept of being as transparent as possible.

Therefore, I will coordinate the questions and answers. I will start with the auditorium here. Those who have questions, please raise your hands. We have a microphone. Our receptionist will take the microphone for you to ask your question.

Q - Unidentified Participant

Well, I'd like to have a better explanation that somehow (inaudible) is related to CRC. It seems that you came up with a solution for it.

Q - Unidentified Speaker

I came here very much concerned with it, actually, and at least the controlling shareholders will have this proposal, and this division in 64 installments. This has been the (inaudible).

Q - Unidentified Participant

Well, in the chart, number 37, maybe if you could explain better this possibility of using the portfolio of receivables of the state.

A - Djalma Bastos De Morais {BIO 2089645 <GO>}

Well, maybe this explanation (inaudible) the receivables. The receivables are coming as part of the state and we are benefiting, that's all. They are today being managed by (inaudible) of R$700m. Our idea in this proposal is that we should hire an auditing program on this portfolio that has added value to this portfolio (inaudible). However, this process, this state portfolio (inaudible section). This portfolio, we decided not to consider it so far.

Operator

Now we have a question from the conference call, Mr. Baris of Castle Morgan.

Q - Mr. Baris

Good afternoon, can you hear me? Thank you, very much for the opportunity. My question is in relation to CEMIG's cash-flow. With this policy of increasing dividends and 50%, CEMIG would have paid R$600m. For CEMIG to generate R$600 million or R$700 million of cash-flow and have a (inaudible) of R$1 billion per year, how does the company plan to pay these dividends?

Q - Unidentified Speaker

Well, the dividend forecast is approved by the board. It provides us with a cash generation which is forecasted for the next ten years, which should be enough to pay these dividends and invest R$1 billion per year, and even then, we will still have to acquire new investments because the level of debt drops much in five years. We would not be proposing that if we were not robust enough to face this level.

Just maybe to complete what we are proposing; this would be an assembly of our shareholders. We have protected cash-flow over the next decade, and we concluded that the cash-flow is able to back the dividend policy to be implemented, not forgetting that 58% of the state dividends will be withheld against (CEMIG).

Q - Mr. Baris

You don't see any problems to pay this in the long-term, because in the long-term...

Q - Unidentified Speaker

Yes, I just wanted to highlight what I said. We had a major concern. Whenever we think about long-term forecasts we have to be careful. We have to raise our gravity a little bit, (inaudible) limited dividends, with 30% or 35% in the (inaudible) business is to 32% of the company's EBITDA.

Q - Mr. Baris

Thank you.

Operator

Now we have a question from Rio de Janeiro, so we will open the channel to Rio de Janeiro.

Q - Unidentified Participant

Good afternoon, to all, my name is (inaudible). I have a question regarding CRC and some questions regarding the proposal of the government which was not very clear to me. I want to understand better from the board of directors of the company; why don't you use the guarantees predicted as provided in the (inaudible) picture?

All the dividends for the state would have a write-down, as I understand. It would be recurring over the year, these guarantees, and also in terms of guarantees, the income from the state from the present (inaudible) had as guarantee the resources from FBE and from what I understood, the state government is not linked with the federal government and it could be using it, maybe not to withhold the parcel; in other words, to use all the dividends, the state would have a right to. As I see it, maybe the board of directors of the company are the strike out of the company, then you do not withhold all the dividends that the state have a right to?

My second point is in terms of the voting in the assembly versus the fact. I wanted to know also the proposal of the controller of a problem, which is a composed problem of the state, the state's voting power in the assembly. I believe the (inaudible) government's principles, this is the better sign, if you could just leave it for the minority shareholders' voting.

The third point is regarding the drop in the (inaudible) value of CRC which is R$2.4b. You said that CEMIG paid an income rate on this of (inaudible). My question is if the state is paying CEMIG for all the revenue or the income tax (inaudible).

A - Djalma Bastos De Morais {BIO 2089645 <GO>}

I understand your questions, although I do not agree with all of them, I respect them. I understand (inaudible) the CRC situation was displaying more value than to find a solution for this problem. When we set up the company, that was my in-depth solution, more or less. (inaudible) for the company, this gives better value and is included in the final solution for CRC.

As to the guarantees, the state's legal department, I understand the (inaudible) that question about, (inaudible) difficult (inaudible) and on your first point of losing value of this R$30m, the final solution of this problem, as we see it, is to add value in the company, because we will have a portfolio which will be secured by the (inaudible) and the company will have a reversal of provisions. I believe we will be saving the provisions of the company.

This is the way we see it, and I understand the question, I understand your point, but it's very hard to analyze. As for the participation or not, of the state and the shareholders, I think this company will have a discussion and it will be discussed, but the state will not participate in important processes.

Q - Unidentified Participant

I would also like to add, Mr. President, so if I may complete that you're sure of the reversal of R$250m, as I understand today, you are not discounting this rate of 12%? Disposals then are reducing guarantees in a way that by the third added year you have 100% of dividends so by guarantee, you are expanding the occurrence from 2015 to 2045 so you are increasing the risk, but also reducing guarantees and you are expanding there the return and you're lowering the discount rate from 12% to 10%. So I would like to know why you are reducing the discount rate? From the financial standpoint, this is also questionable. As I see it, technically, it seems very questionable as well.

Q - Unidentified Speaker

I would add, that actually, it has been mentioned here by (inaudible), that the administration would not be using these guarantees, otherwise they would be completing withholding the dividends of the state in present times. If there is no agreement, this way will continue as such. The guarantee we have of provisions for contract is of R$1.5 billion retention of the state participating fund. Our legal department understood that this is probably a temporary or fearful application in terms of the face value of the contract and in terms of the recovery of the already paid income tax.

The new contract preserves the state's value of R$2.4 billion but the contract conserves; and it is important to clarify this; that the original (inaudible) given at the construction is preserved as it was. This is the value of R$1.3b, this is the discounted value of 10%.

Dr (inaudible) also mentioned that the government project and the state (inaudible). This is not true. There is no reduced guarantee. The dividend guarantee is applied only to the third additive of CRC which is about R$900m. In (inaudible) it is the proposal of the controlling shareholders that is implemented that this guarantee will be valid for the whole block of contracts, thus allowing the reversal of something of about R$300 million which is a significant gain for the company.

I believe that will be all the term, which is of 30 years, but we have to consider, and I would like to speak as a person from CEMIG, that the solution for this issue is fundamental. It is not like here, we have some analysts, all of them, and it is that we tried to solve it, a transitory problem. It is part of a contract and an (inaudible) not to pay (inaudible). It's not able to (inaudible) that it's not able to pay. This seems to be a very interesting and creative mechanism but as I see it, it adds value to the company.

I believe that it's important to say here that in terms of the covenants, it is difficult to understand a company that the controlling state holds R$2.4 billion to the company is not depending on dividends, not withholding all dividends it has a right to, and the principle of corporate governance, the best procedure is not only to involve the staff, to change the rate and then take money from the company for dividends. I just wanted to say this, it is more an observation, and thank you for the answers.

A - Djalma Bastos De Morais {BIO 2089645 <GO>}

I just wanted to add one more point here, that if the state questions the value of such contract, what you have to bear in mind is that when we put there in CEMIG's balance sheet a face value of R$2.4 billion as what the state owes, this is in the balance of CEMIG but the state does not recognize this as an outstanding debt.

One of the difficulties that Dr Brumer had in preparing this for the state; and I followed this up close was; to acknowledge, to recognize such debt. At the last minute I saw, and recognized that the state exclusively, for that re-negotiation (inaudible)8 so we have a huge problem on our hands which is a debt that we are not able to place and pay, and this is a solution that I would say is possible to be solved. It is a final solution, I would say, yes, I will not go in greater details of the question that was answered. I have a further (inaudible).

There are various situations that we're currently facing, that obviously stay in (inaudible), R$600 million of income tax. It is great and important, so this is a contract that creates a correction, a financial revenue, thus reflecting the figures of the company, but almost no effort related to that, so I'd like to ask you to please now consider this. (inaudible) here talked here about a final solution to be paid for and of course, if approved by the bodies I just mentioned.

With all due respect to this analyst, I'd like to say that the company administration is not deciding by influence and determination of the majority. We are deciding this, based on what is doable by the company, and we are quite sure that we will have the support from ANEEL, the regulating body. We have already had the first discussion, and they thought this would be very much doable, so we are not having a contract determined by the controllers. No, we are doing what we do to be best for the company, the best for the administration of the company, and we have the support; at least, so far; of the regulating body, which is ANEEL.

Now I yield the floor to the auditorium here in Belo Horizonte back for questions from you. If anyone would like to ask a question, please raise your hand.

If there are no more questions here, I will yield the floor to the web-cast; Gabrielle Salas from New York.

Q - Unidentified Participant

This is (inaudible). With this issue of dividends, I understand that in 2004, and 2005, the state of Minas Gerais will not be able to pay the CRC installment as CEMIG will only retain dividends or withholding dividends benefits of 50%. So the alternative, I would like to ask, is if CEMIG wouldn't be interesting in obtaining part of these credits in assets that today belong to the state of Minas Gerais, for example, participation in (inaudible) as an attractive option?

Q - Unidentified Speaker

Yes, we understand that. When we focus CEMIG as a power company, we understand that it would not make sense; and you may be sure, the analysts and investors; that we also considered this point that you have varied our ways. We understand when we considered participation in the water utility company, we would be destroying dams that are adding value to the company, because our company, the water supply company of the state, have great (inaudible) investment to make, and we do not predict that this company, in the short-term adds value to CEMIG. We would also be changing the focus of the company in terms of its major activity, which is a power supply company.

I would like to add maybe another point, which would be the following, that this contract, of course, is not re-formulated, if the shareholders' assembly does not approve, we will withhold 100% of dividends here.

However, if the shareholders' assembly approves this contract, then the new dividends policy will have an advance in payment, still this year, in June, I would say they would pay the dividends related to 2003 and as Dr Brumer mentioned, in November or December, we will pay an advance of an equivalent value regarding 2004 results. Therefore, if we have a reformulation of this CRC contract, we could already apply, depending on negotiations with the state of Minas Gerais, the payment of the new contract already in June and November.

Now we have a question from the internet by Mr. (inaudible) from Unibanco. It is a very long question, with particular items, and he starts with the following questions about the reason in the drop in the last quarter of the year in the accounts of financial compensation to use water resources as the accounts of provisional operations that accumulated until the Third Quarter R$47.37m. Maybe we could answer this question in writing, and make this available on the internet, if it's a very detailed question. Because of that, we will move on to the next question.

Q - Unidentified Participant

I would like to know if there is any estimate of how much would be the race in Paris this year, and what would be the investment for next year, which has been massive, I believe.

Q - Unidentified Speaker

I would like to answer the first part in terms of investments. I believe that in the presentation, I said that in terms of the race in Paris, we are discussing this with ANEEL, and I believe that any speculation, any risk, any answer in terms of the current level of negotiation would be very much limited.

What I can say is that we are negotiating that. I only said that I was considering that the year 2004 is not the year that we will be adding periodical adjustments of every five years. (inaudible). Expectations of growth for 2004, but there, I believe, this is an issue that we will provide the market with a short-term guidance for our forecast in the short-term.

There's a question from Rio de Janeiro now. Let's open the channel to Rio de Janeiro.

Q - Unidentified Participant

I saw in CEMIG's report the statement of power loss as about 9.2%. Other power companies support losses of 20%, and another one, 16%, so in this sense CEMIG's just starting, but even so, 9% in terms of power loss is a large number. How do you have the distribution of this power loss? What is the technical power loss, and what is this state of the art? Is it particularly important? What do you consider a power loss? We deplore the ways of clandestine connections or unlawful connections, I would say, and other types of (inaudible).

The next issue is related to the CEMIG (inaudible). There was a reduction in personnel, so CEMIG is saying twenty pages. There is a plan to base this reduction in personnel. What are the rates today that may face the employees of CEMIG with the benchmark of a company similar to CEMIG?

Q - Unidentified Speaker

I will ask my fellow speakers from the board for some help. What is commercial and technical loss of this 9% you are talking about? Maybe somebody here could help us in answering this question.

Yes, the technical loss is the loss on the transmission line. It already shows the function of the current (inaudible) and commercial losses are growing now, as a function of or ability, this so-called cash, and the clandestine (inaudible) in this loss, we have calculated it to be about 2% or 3%. It has been growing, and it is the object of any cash activity that we are conducting, trying to curb such loss.

In terms of personnel, you know the employment basis, the employee basis, (inaudible). What we have here in the company is difficult to have this figure right now. That's because the company has generated and distributed parts, so in the market, it is difficult to have a clear figure right now, because we have these two parts of the company.

Maybe I could answer our friend investor analyst here, that one of you grows in an attempt to (de-verticalize) the company, to make these (inaudible) more clear, to be better measured. When we have distribution generation in France, and we side-step participation in other undertakings, altogether, it is difficult to make these comparisons, but I believe that (de-verticalization) of the company, it will be easier for us.

As to the aspect regarding losses, I believe that this is a point that has to be better controlled by the company, and of course we are concerned with establishing (inaudible), and also establishing (inaudible). I propose not only losses but also other levels of (inaudible) and if we go back to the presentation, and especially if we consider projects which are scheduled for the next year, the shareholders, investors and analysts may be able to understand that (inaudible) is exactly related to an attempt to reduce current losses that we have. If you could go back one more slide, I believe that will clear that up. Now, these are the investments, especially in terms of sub-transmission.

We will take one more question from Rio.

Q - Unidentified Participant

I'd like to have a better explanation about the proposals of CRC that you have. It is not clear from you what the interest rate is on the new CRC? I know the discount rate is 10%, but what is the interest rate on that, and what happens with the dividend, 58% of dividend? 58% of dividend is not enough to pay for this, it goes to the next year and it's accumulated, and also the question about the (inaudible) with the state will vote or not.

A - Djalma Bastos De Morais {BIO 2089645 <GO>}

In terms of the interest rate and whether the state will vote or not, I would say that we are analyzing that with the legal department of the state. The state's position is (inaudible) participation in the assembly. In terms of the (inaudible) horizons that the dividend is not enough, this is part of the future of the company, so this will not be discussed further.

In terms of the contract structure, it aims to keep the credit that was given originally at the concession, which is what is was worth on December 31, minus what the state has paid then going to R$1.242b, approximately. This, it was (inaudible), it is kept at the state with a discount rate of 10% means that the rationale is that interest is 10% on top of this value. As we intend, for fiscal reasons, intend to keep the base value at contracted (inaudible) R$410m, interest rate applied to this at the end of 32 years, will be to liquidate with this debt, with this spreadsheet of projections of about 10%.

So just to clarify, today CEMIG has assets of R$890m. I guarantee that according to the board, dividends are enough. This is generating a real interest of 12% or 13%, or about R$160m, so we have this in the company today. We are exchanging this for an asset that will yield R$184 million a year or real interest. This is our proposal, going from R$117 million to R$124 million in real interest in this asset, exactly that.

There are no more questions from Rio.

Q - Unidentified Participant

I have two questions. First, there is a simple question, this one. I want to know if this CRC solution is not approved, you say pay-out of 58% would be approved, or one thing is not related to the other. This is one question.

The other question is; and this is a more complex question, I want to know if our power, if there is any power supply surplus in CEMIG, if it was placed, at what rate the surplus power is placed?

The other question is in terms of (inaudible) surplus. Has it replaced all (inaudible) power in large plants? What is the impact of this to the company in terms of the increase of the larger losses, and commercial losses as well, and the possibility as you have lower rates for this? What is the potential of free consumers that you have, and what is the impact of this in the company if you have any expectations of losses of free consumers not considering not only their return, but also their participation in EBITDA and also considering the receiving of rates?

A - Djalma Bastos De Morais {BIO 2089645 <GO>}

It's in a very objective way. We understand that the set of proposals from the controlling shareholders aims at once and for all solving the CRC problem. I believe the analysts and investors are going to better understand this proposal. I am sure that they will be convinced that it will be solved, once and for all, instead of having this eternal (inaudible) generating problems in the (inaudible). I'd like to say that it will work, that the proposals will be approved, and I'd like to see things linked.

As to the issues of the power issues, I'd like to ask Dr Augustine. Somebody, please give him the microphone so that he can approach those questions.

Q - Unidentified Speaker

Good afternoon. As to the selling of (inaudible) power, this would not bring an impact to CEMIG (inaudible) because these transactions in the wholesale markets are not negotiable, and the other ones are in technical losses in the (inaudible).

As to market horizons, CEMIG will present a very low surplus compared to the potential of power reduction, and it will act, as Dr Brumer mentioned, it will act as (inaudible) in this competitive market, of trying to find clients off the state, and protecting the market in (inaudible).

For example, there was the auction that was carried out last year. We cannot disclose the names of the buyers because of contract issues, but it was done for 370 megawatts in the average term of five years at a price of about R$70. I believe this is a good reference point for the company as it is faring at the so-called free market.

Q - Unidentified Participant

Yes, I had to ask to have an idea of the potentially free clients, in terms of losses of these clients, is it possible that the impact this would have, how would this impact on the EBITDA because we have the (inaudible) free date as a revenue impacting the losses of these clients?

Q - Unidentified Speaker

Yes, our expectation is extremely low as to these potentially free clients. The example I gave you was of (inaudible) made it last year, and CEMIG was already regulating issues only in order to once again act more strongly in this segment.

What happened was that this new Brazilian electric sector law, also what is shown in Dr Brumer's presentation; CEMIG is fully capable by the (inaudible) of containing and acting in this market of the so-called free customers. So our expectation is of having a normal loss; much lower loss in respect of the horizons of gain. We feel that we do not consider it a significant loss of clients in any way.

I have two more questions from the internet. One is from (inaudible). If the 58% of the dividends belonging to the state not enough to pay your (inaudible) this year, would the state still receive the 42%? Today you have R$890m, did they have a full guarantee of dividends? What are the penalties of the state if you do not pay the CRC?

(inaudible) has been interested in this, (inaudible). What is the (inaudible) AGR that will grow?

A - Djalma Bastos De Morais {BIO 2089645 <GO>}

We believe these questions have somehow already been answered during the presentation, and we have been very clear. If there is any doubt, we are here to answer another question from William Young from New York, which is also in the same line. So once again, I believe these issues, they have been processed well, I believe that has been (inaudible) here. As we see it, as (inaudible) it is a final solution.

I believe that we should all think that we have the proposal of a dividends policy, as I see it, compatible with the capacity of the company, the potential of the company. What we can't do is analyze only what the state has today. Because of this, we are not including over 70% of the shareholders who come to CRC. What I suggest is that we all think the solution for CRC is much more related to turning a complicated page that have generated a number of problems that we have had in the past. We should not judge (inaudible) capacity of payments, and so we have penalized CRC and (inaudible) the contract to do (inaudible) more problems than solutions.

My proposal, my suggestion is that I am sure we will always be open to discuss this with analysts and investors, but I believe that you should all think that the best for the future of the company wouldn't be to turn the CRC page instead of considering (inaudible) receiving 12%, thinking that we have a guarantee. It is not doable, it is not (inaudible) protecting the cash of the company, the 58% of the dividends wouldn't merit in it, and we will be benefiting 70%+ of the capital of the company.

We have a last final question which is from New York as well, David Soker from Warrenson.

Q - David Soker

My question is if you could give us an understanding of the sales of power in the first months of 2004? Could you also talk about that question if the state cannot pay 58%, what happens with the 42%? That was not very clear.

Q - Unidentified Speaker

Just to make it clear, that the value, the original value of 1.2% will always be preserved; in other words, if there is a (inaudible) in that the value to be withheld is not enough, it will be also coupled, always preserving 1.2% as a present value.

The other question I did not understand. Power in the First Quarters of this year, and that includes the income (inaudible) gained this year is slightly significant in January and February, and a decrease in the residential retail sales, they are dropped 2%, and we had an increase of wholesale consumption of about 4%. So the total accumulated into February, we have something of about 2% of growth, compared to the same timeframe, or same period of last year.

So these are the questions we had. We are then closing our Q&A sessions, and I now pass the floor back to Dr (inaudible) to finish our meeting. Thank you.

I want just to make an announcement. Our next presentation will be on the (6) at 6.00 pm in Old Orleans Hotel, and (inaudible) I believe, he will be there (inaudible) for seven years representing us to the analysts. He will be making the first presentation with us next (inaudible). I hope you will all be there at our meeting. It will be on August 31/September 1 (inaudible) time to grow, and most of the company of CEMIG will be present there, and we can let it grow in this (inaudible). (inaudible) is just opened, so I would like to thank you all, on behalf of(inaudible) for giving us this opportunity of having an open, transparent discussion for solving all the doubts that we have, and always being available. If everyone calls, we will be here whenever it is necessary. Thank you, very much Dr Brumer, Dr Djalma, Dr (inaudible), everyone on the board of CEMIG who is here, the IR department. Thank you, all very much.