

Q4 2010 Earnings Call

Company Participants

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

Other Participants

- Felipe Leal, Analyst
- Marcio Prado, Analyst
- Marcos Severine, Analyst
- Reva Nika, Analyst
- Vinicius Canheu, Analyst

Presentation

Unidentified Speaker

(interpreted) Good afternoon, everyone. We have just begun the transmission of the web video address of Fourth Quarter results of CEMIG with the presence of our Djalma Bastos de Moraes, our CEO. The broadcast can be followed on the phone, 5511-4688-6341 and also over the, on the Internet, our website, <http://ri.CEMIG.com.br>. It's also available on our website, a PDF presentation for those who have trouble having access to the dynamic presentation. We will give the floor to our CEO to begin this presentation.

Djalma Bastos de Moraes {BIO 2089645 <GO>}

Ladies and gentlemen. good afternoon once again. It is a great pleasure to be here with you all evidently showing the good results of our Company, our strategic plan. Our strategic plan keeps us (inaudible) this process of consolidation on the electric industry and more balanced growth in all segments, efficiency model and quality of credit and financial solidity.

The important thing is the fact that we have leadership in this industry. We really are, have been analyzing assets. We continue to do so. And (inaudible) movements have been solid and making feasible the results that we are having thus far. Leadership is mirrored exactly in the fact that once or one or another isolated case in the industry we have seen signs of companies that I try to make possible the acquisition of the assets.

2010 results show us net revenues with an addition of 6% EBITDA going down by 1% and our profit going up by 6%. Even though we have this decline of 1% and our EBITDA it still is

permanent in this industry, it is one of the best EBITDAs within our companies in this country.

Growth strategy that is successful, as we said before, a business portfolio that is (inaudible) EBITDA and the quality of the assets that we have acquired. You may observe that they are -- they have been throughout Dr. Rolla's presentation you will be able to observe each one of those assets that is contributing within regard this addition of 6% to our profits.

Well with restructuring our directors and the group of directors, as you see today we have a portfolio of more than 60 companies. 12 years ago we arrived here, we had only one single company. And our stockholders decided by our request to enlarge our Board of Directors and I used the opportunity here in order to introduce our legal department, Chief Counsel, Dr. Celeste.

We then created an Institutional Relations which was a Superintendency to Dr. Werneck and new Directors replace in the former Directors, Dr. Fuad, President of Gosbig [ph], substituted for Dr. Masamunos, Dr. Zahamundo replaced Dr. Remanu. And Dr. Fidioreport substituted for Dr. Marco Antonio. This is the team of new directors, not the whole Board of Directors. But the chief executives of this Company. They are technicians. They are adding value to this Company. They had been doing so already and they are going to add their efforts to ours in the next upcoming years.

Our generation area we considered our 48 megawatts very modest and we are in 2007 with 6,678 megawatts. Today we have 6,896 megawatts and it's modest because we had in previous years larger increases.

And in Distribution, again we continue with very slowly the best energy in Brazil. In 2010 we had two very beautiful results. First, (inaudible), the southeastern capitals and the southern capitals on the Midwestern capitals, Belo Horizonte has the smallest, the index. And among southeastern companies it was lower also with a very good rate of seven hours per consumer per year. And this is a result that mirrors our effort in what has to do with investments in preventative maintenance. We are certain that this result also is going to follow us but all throughout 2011 and '12 as well.

In our gas company subsidiary we have now reached almost 800 kilometers in distribution networks, a growth of 220 million cubic meters per year and investment of BRL700 million in the last two years. I would like to give the recent news that recently we were in a city in the (inaudible) with the presence of the President of this republic, Duman Mosef [ph]. And we were making possible the arrival of the pipeline to an ammonium factory in Overaba [ph].

This index level is going to be shared with Petrobras and certainly maybe with the gas subsidiary in the state of Sao Paulo. It is important for us also to stress that our assembly is in practically every segment that has to do with energy in this country.

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And today in our directors' meeting we exhaustively discussed how and in what best position could we have within the Dow Jones Sustainability Index. We have been making efforts to reach what happened into it before and that it is to be the first sustainable company on our planet and to work -- we have been working on all of those weak points that we have so that we can the size continuing, also the relevant and permanent within our Company. This is important for us.

It's important for investors and it's important to those who believe that our Company besides giving our consumers power and energy that is reliable and also sustainable and socially a company that is concerned with what is going on in our country. The permanence throughout the land it is in the Sustainability Dow Jones Index gives us this credibility. And to our stockholders whether in Brazil or abroad.

I would like to thank you all for listening to us. I would like to continue having your confidence and I believe we are going to continue working diligently with this new group of directors, with those new members in our Company here so that diligently we can meet all the goals that were set by strategic plan. And I would like to thank you. I am going to take your leave to withdraw and I am going to give the floor to Dr. Rolla.

Luiz Fernando Rolla {BIO 1852035 <GO>}

Thank you, people. Thank you, Mr. President. We are going to continue our presentation. We are going to continue our presentation by focusing from now on a little more of the economic financial results presented today to our security commission.

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We have just publicized a few minutes ago, just filed the statements already converted to IFRS standards. This publicization naturally is going to be with the bias of this discussion and the application of the accounting practices relative to the IFRS standard norms and this is going to be awhile longer before we can clarify all of every single aspect of this financial statement because in our case, as our CEO has stressed, we are about a 60 strong Company and we have been -- most of them apply the IFRS standards, especially the largest ones, which have a great impact upon our financial statements. All of them follow the same standards and I am talking about Light, Taesa, 2BE. I am talking about Gasmig and I am talking about CEMIG Telecom that is large companies that have their results naturally in the way influenced by the new standards.

So naturally I understand that it is going to be very hard for us to solve all the doubts about the application of that. We have already done a conference call and a priority conference call with the market so as to introduce the practices that were going to be applied to these financial statements. I believe that practically 60% to 70% of doubts have been clarified about that on the part of the analysts. But we understand also that when it comes to the application in figures so that everything becomes very clear for those stockhold, shareholders and investors that we need to get more information.

As a result of that a number of explanatory notes to our statement has increased substantially. We made a point of not really sparing any text or size of the publication itself

because we understand the importance for our shareholders and our investors the full understanding of the practices that we adopt.

Naturally all of these practices have been audited and agreed upon with our auditor. We have a report from our auditors without any restriction and this is going to really help us publicize to the American market because we have to file also (inaudible) forms to the American Securities Commission because of the listing of our stock and of CEMIG stock in the New York Stock Exchange. And this is going to make it easier also to divulge these figures.

Of course, in the past we filed following the American standards. Today we do start using the international standard with the permission by the SEC to file following that standard. So I beg you to please be patient with us, bear with us. I am going to present the figures as we understand, as we see fit and which is going to give us the reflects of the strategic actions that we adopted, as our CEO has mentioned, which show very encouraging results with the remaining BRL200 million profit.

And well, it also reflects the application of those practices. But we also saw the business does (inaudible). So we in recent years have as a trend, a continuous improvement of our results of our bottom line, reaching the standards allow us which find no reference in other companies in this industry.

So we are, really we have been seeking those gains to strategic actions included in our strategic plan with a lot of equilibrium, not only as vis a vis the financial results. But also there is also an environmental character that we understand are naturally going to make up all the sustainability view mentioned by our CEO and our concern of having, as usual, our restatements of very solid results, very vigorous results. But sustained and supported by social assertion and environmental aspects of a direction that we endeavor to take.

I will begin by mentioning our recent gains. (inaudible) that we had and our acquisitions we had substantial gains in this area from those participations of growth, dividends or dividing of dividends coming from this, CEMIG's interests in those companies are coming to 2010 when we actually completed the acquisition both of Taesa, previously Turna [ph] and today with the participation and the capital Light and Nutras [ph] and acquisition of the environmental areas interests in the control group.

Today we have reached a level in which our interests have, has a vital importance to the results that the Company enjoys. And these are two graphs show exactly the growth of the net income and then we have our expectations that with the synergies that we are going to capture with these assets, vis a vis the assets that we have already managed we are going to really reach greater dividends and greater profits. And therefore to follow, continue applying that is the strategies adopted from our strategic plan. So as we -- so we can meet the major goal of growing by adding value.

On our next slide we naturally have the concern with our shareholders and compensating our shareholders, an extremely important concern of the collegiate directors. At the end of the year last year we paid an additional dividend around BRL900 million, which virtually

doubled the dividends that had been paid until then. And in total in 2010 we paid BRL1.8 billion and that dividend yield of our preferential stock reached 9.3%, which is a very expressive result.

And naturally ordinary stock, which has less liquidity, has reached a return, a greater return for stockholders of 12.1%. But that's compared to the international. From the international point of view this is a very attractive return, very attractive return and this is the greater, the major objective of the management of this Company so as to respond to the longings of our shareholders. That is we want to deliver ever better results in the upcoming years.

On this next page, just to reaffirm our principles of financial management, the concern that we have of keeping the financial health of this Company, the economic health of our Company, our general health is consolidated through some policies that we have followed. And are already inscribed in our strategic plan and consolidated in our bylaws. We understand that CEMIG, in order to continue growing and give guarantees of value attrition to our shareholders has to maintain a very strong balance and a result, solidity in so as to guarantee access to the investor market to the credit quality, which is testified by risk agencies today.

We are investment grade and this is possible only through indicators of financial, key financial indices that have a very strong performance. We enjoy a very amiable position of our cash position around BRL3 billion, even having paid extraordinary dividends on the order of BRL900 million and invested over BRL2 billion in 2010, thus going to show that the assets that have been acquired in the present assets of the Company have a robustness of return that is quite good. And the guarantees that the cash is replaced and replenished as the investments are being made without stressing our balance sheets and without bringing up any concern to our creditors through that without cash generation.

The profile of the debt can be seen there in this graph where we have some very important pieces of information there. First, there is already a main time of financing which is quite comfortable, 3.7 years.

We have issued some debentures last year with the time of between three to four years to finance our expansion and the acquisition of additional interests in Light Taesa. We have all, every condition to roll this debt if it is necessary. We, as a general policy, we try to roll this debt exactly because the leverage of the Company is still at very comfortable levels if compared to other companies in this industry.

We have our main indicators, especially consolidated CEMIG in levels that give us great comfort so that we can continue investing. We, as I mentioned before, we have a credit quality that is guaranteed by such indicators around A and AA.

Most additional companies that we have are all classified as AA and this shows the robustness of our cash flow and it shows the quality of our assets, the operational estimates of this Company and its ability to recover within a process of acquisition. And today brings as a rule a lot of concern to stockholders and investors in general. But we

have been showing through our background and our history that decisions that have been made by (inaudible) have been correct and have added in this and into shareholders.

The cost of debt has been reduced. Naturally last year as a result of the function of the increase of CEMIG we have almost half of our debt indexed according to Celex [ph] as Celec [ph] and CDI we had an increase. But it's still an increase following a very acceptable level that is on a very acceptable level and in line with the average of the unit private companies.

Now let's now focus the 2010 results. We have very interesting figures to show. Our sales volume, consolidated sales volume grew by 9% with an emphasis on all segments. All segments really had a positive growth, especially the residential segment which because of greater industrial, that is which with a greater revenue because of very criteria and correct negotiation by our commercialization department, which has been in a vector of growth that is quite concrete of CEMIG as a whole.

The correct and solid negotiations and deals have been made with customers. Certainly now on the free market sometime on the regulated market this strategic customer management has resulted in substantial growth of our sales volume. And in 2010 we reached a 9% increase.

On the following slide you have the GT sales growth, which is very clear the result of selling strategies. In 2009 you remember we had sales to the regulated market coming from the reduction of free consumption because of the crisis that the world was going through at that time. There was an excess idle capacity at this, a disposal of customers and they actually passed part of this capacity over to CEMIG, which allocated within the regulated market through an A minus one auction. And we had very significant remuneration which actually resulted in a substantial improvement of the results of this Company in 2009.

In 2010 there was the taking up again of the consumption by the customers. So we did not liquidate that on the regulated market. Therefore we came back to always -- we went to back to serving our customers through the free customers. Now the parcel that is dedicated to the free customer that is the free market is already over 50% of the total sales of our generator.

CEMIG Distribution also had a very significant growth, somewhere around, well, 11%. If we naturally excise the fact that part of the industrial consumption migrated to the free market, we would have a slightly better performance of our distributor reach and maybe instead of 3% that we recorded, maybe 6%, as a function that both the industrial and the commercial would have a greater performance. But in all the growth of sales of CEMIG Distribution has been by class very expressive and has brought good, a great benefit to CEMIG, once it is possible to adequately manage the availability of energy, not only from the generator. But also a distributor. So as to maximize its results.

Net income increases by 6%, or net revenue that is increases by 6%. We had significant increases in our final customers and the network reflected the volume, the taking up again

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of consumption by free consumers. We had some decrease, especially supplies, which was that movement of leaving the regulated market to the free market. And this brings about some impact upon supplies. But in general the result was very positive. We had in the consolidated net revenue around 6% growth.

Operational expenses we had an increase of 8% in the operational expenses. Of course, in the total volume of those expenses it is quite significant. But as we can look in detail we saw that the substantial part of growth came from expense on purchased energy, especially by our distributor which had a substantial increase in 2010 which naturally brought out this impact of 8%. The remainder of the expenses, especially personnel expenses we had a very good reduction as a result of our voluntary resignation program.

We had a reduction of factually about 2,000 people which has, again, led to a quite significant savings. In 2010 we have gone beyond BRL100 million, which should continue -- which trend should continue to 2011 as a function of the number of employees that are voluntarily leaving the Company. So basically we had substantial gains if we exclude the effect of the expenses of our purchase in energy.

Now, our portfolio is, has been the main pillar in our growth. We have had cash generation that is growing. As compared to previous years this is the best performance we have ever obtained. This is the result of the acquisitions and new (inaudible) are having the greater volume, greater and greater volume of contribution to the cash generation this year of 2010. It actually went beyond BRL800 million, showing that the decisions that have been made about acquisitions really were successful in terms of reaching the intended goal. And we have reached an interest of almost 48% in CEMIG Generation.

And the Transmission reaches already 15%, naturally a little below what we really are going for. But in the upcoming years we are going to continue investing in Generation. We have not reached our goal of 20%. But I stress already that we doing that pre-established goal of 65% of the cash flow being, coming from Generation and Transmission, which allows for greater predictability of our cash flow. And so that we have, recover new funds. So to continue investing and growth.

And we have reached that already and now we have a significant part of our cash coming from these two sectors, which are, is going to guarantee the growth pathway to growth again. And by the end of 2010 we had an available cash of around BRL3 billion, which can be used in further acquisitions.

This year we had -- we proposed a profit allocation and we distributed the results coming from IFRS application and the Company's consolidated statement is reflecting all of those impacts. And naturally the BRL2.258 billion profit we are proposing to distribute to our shareholders, BRL1.196 billion, which is slightly greater than 50% of profit as a minimum dividend paid on so that in our bylaws.

The difference comes from a Board decision that to withdraw the, call it a parcel. But call it the part that corresponds to depreciation coming from new valuation of Generation assets. We reevaluated our Generation assets. And this resulted in a slightly more valued

asset and which also created greater depreciation. And that greater depreciation naturally reduced profit.

The approval of our Board was in the way of adjusted net profits in terms of this factor. So we paid 2.97% more dividends to our shareholders. And this means that at the price today we have a dividend yield for our preferential of 6%, of our all in of 8%, which naturally is associated to the value in that we expect the growth of the value of the price of the stock in the upcoming months is going to be a very attractive return to our shareholders.

We also created the Legal Reserve. There could be other ones. It's deposed by law. We absorb accumulated losses coming from the application of the new accounting rules and naturally part of this profit is going to be retained in our stockholders' equity and in the future dividend distribution.

As I mentioned before, our cash is still very robust. We cannot forget we paid last year BRL8 billion dividends. It was a very robust dividend, a dividend distribution, a very robust dividend distribution. Our professional share in the dividend yield reached 9%, which is excellent performance, in spite of having invested already a similar amount of BRL1.8 billion. So we had two actually very strong disbursements reaching BRL3.6 billion and even then we had final cash of almost BRL3 billion, BRL2.980 billion. This goes to show how able our Company is to generate cash on our activity, the operational activity.

As we have done in very strong cash generation, last year around BRL2.4 billion naturally could be, or it could already fund all the investment and dividend. And payment of dividends. But so as to give command and financial optimization to the Company we obtained funding and new resources so as to maintain an adequate level of maximization, or minimization that is, the weighted average cost of capital.

This is a strong point for the Company. We have always sought that, that is to maintain our cash in a very comfortable position so as to allow us to make the strategic moves that come from our that are dictated by our strategic plan. We have done this with a very strong discipline and investors and our creditors can rest assured that CEMIG has been following this path in the future as well.

The investment program I just mentioned there, we last year invested BRL2.7 billion, most in acquisitions, BRL1.7 almost million and the remainder in maintenance and operations of the existing plans. We have some expansion in Generation, some expansion in Distribution. But as a rule taking out, not considering the Light for All, which is a Distribution expansion program. The program is dedicated practically to maintenance and this is to give the necessary quality to the services that Company gives.

As shown by our President, our CEO, we had a substantial improvement by 2010. As for 2011 we are taking up again investors in Distribution as well, not only to increase the quality of service, to prevent problems of power outage, to improve the operational performance of Distribution does reach in BRL1.3 million in 2011.

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We had naturally some investments to be made in the acquisitions from last year, especially to compliment the interest that we have to pay in the Lightger group and the Pretorial [ph] group in the Light and our interest in Light. This is going to generate an investment around BRL388 million. Remember that these investments are in partnership with an investment firm which we created with financial investors so that we could be helped support the acquisition of additional interests in Light company.

As our CEO has mentioned, in our long-term strategic plan, which is very ambitious so that to reach goals that will lead us to be in the next ten years the second largest energy company in Brazil and this for that we have already invested in more than 20 states in this country already because we are present in practically every state that has an economic, a relative economic importance. This means somewhere around 90% of the GDP already reached by some company and the -- is in the real. But this is extremely important.

I also remind you that we made investments in Chile that are already operational and we have been having an operational result that is very positive, once because we even had earthquakes there. So there was a demonstration of the quality of the enterprises that we had conducted in recent years.

Today CEMIG is a business group that is quite large, as our CEO has mentioned. We already have more than 60 companies, total assets -- our total assets are more than BRL22 billion, which gives us significant dimension in a global context as well. We have consolidated shareholders' equity, very solid and that is. And our debt is very small and in our understanding this does not reflect the vigor of the assets that we operate.

So we believe that the market still recognizes the importance of those assets and we have been trying to show that through, by our actions we have been trying to show the quality of those assets. And we are being operated efficiently, operated and actively not only to capture synergies. But also profitability and more efficiency in the sense of reaching some indicators that will place us among the best operators in the electric industry in the world.

We are already benchmarks in some areas, as for example Generation and Transmission. We have sought and we have been actually taking steps in order to become benchmarks in Distribution. This is a great challenge, especially because we made an acquisition in Rio.

We have a complicated area to manage. But we have been applying our principles, our practice, our managerial practices and we are certain that in awhile Light company is going to be performing in a way that all the consumers served by them will be very happy. And in some way we understand that people in this state, our consumers will also have the same quality of service.

Our shareholders are already present in more than 44 countries. This is a spread of our intentions and a very important one because this diversity of shareholders brings us to a differentiated corporate governance. This is why CEMIG has been recognized on the market as one of the best practices in corporate governance.

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We have tried to communicate to the market in general in a (inaudible) that way all of the negotiations that the Company has made in recent years and show the reasons why the decisions have been made through conference calls and through many investor relation actions so as to meet those shareholders located everywhere in the globe. Today practically we have our stockholders anywhere in this, on this planet.

Our IR program covers the whole world and this means than 500 individual meetings, on one-on-one meetings with those investors. We last year had four road shows, non-deal road shows so as to serve those shareholders that cannot come to conferences. And events and things like that, or even seminars, seminars where we present, introduce CEMIG. And these road shows are very large in the sense of actually serving a qualification, represents a qualification in shareholder diversity in the world, in the places where normally are not visited by other companies.

This, our investors, the information we like to bring to you. By the end of the presentation you still have a glossary with the information coming from the presentation, all of the initials, the acronyms, the definitions of the indicators that we have adopted, all of them, naturally to help shareholders and investors understand the information that we have just provided them with.

Again, we still have one slide we present the conciliation of the IFRS effects. In the document you can see it by order how actually the construction of these results took place. At any rate, we would have very effective profits to be celebrated in 2010 under any of the accounting practices. But in special IFRS we have reached BRL2.257 billion, BRL2.258 million, that is, which naturally gives us a lot of satisfaction to have delivered to our shareholders and investors. And net profit is corresponding to the ability of the capacity of our assets.

So this was the information I would like to bring to you, gentlemen and ladies. So I am at your service for whatever further clarification you may need of a certain figure which was not clear. I would like to invite Dr. Leonardo George, who is our Controller of Superintendency to sit up at the high table here to help us clarify the practices that were shows and adopted.

As you know, Leonardo is someone who has a great experience in the electric industry and he is part of the Association of Accountings in the electric industry and he has a relevant role in our, the Brazilian Securities Commission when he came to practice this to be adopted in Brazil because of the IFRS. I already feel comfortable to open this session of question-and-answers with the President and practically all here with us.

Questions And Answers

Operator

Our first question comes from Vinicius Canheu from Credit Suisse.

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Q - Vinicius Canheu {BIO 6300903 <GO>}

Hello, hello all the IR team. I have two questions. One has to do with the presentation. First, I will be patient because of the IFRS, yes. But looking at what you explained you have the evolution of very GAAP profit throughout the year. And looking at the Fourth Quarter it is quite a high figure which would be the GAAP 53, BRL153 billion.

What contributed to that in order to have such a high profit so much over what was discussed throughout the year when especially in the end when you have a greater impact of our employee expenses? And you had the last year in CEMIG you had the greatest increase in Generation was expected for 2011 with the contracts that CEMIG has already. Is that magnitude that, is that it, or can we count on more throughout the year?

A - Unidentified Speaker

Thank you, Vinicius, for your question. The first question had to do with the growth profit, the profit growth. Some time ago when we did verticalize CEMIG we had some fiscal credits that were already made in the CRC contracts. Those are contracts of the account of the results to compensate which we had with the state of Minas Gerais, which generated fiscal credit based quite significant.

Part of those debt credits were already considered on the balance sheet because Instruction 371 allows for the recognition if you have profits and off in the next ten years in order to compensate for those tax credits. Part, we have not been able to justify and that year, this year with the improvement of the Company's results projections showed that we could recover an even more substantial part of those tax credits. Therefore, they were considered there on the balance sheet and then so they had an impact upon our results.

Now as for CEMIG, a day last year our guidance for energy prices I remember has caused a certain controversy because we had warned people that the tendency of the price of power would be towards decline in the function of the surplus energy on the market. This has caused a certain controversy and investors and analysts naturally question this pretty strongly about this.

And what we see today is exactly the proof that we were right, that is we said that the price of power would be around BRL10 per megawatt hour in the upcoming years. At that time it was 2010. And 2011 and '12 and probably by the beginning of 2013 after we had all of the reallocation of contracts, energy contracts that would expire around 2013 or '14 there would be prices going up again.

And what we see today. And this may be proven by yesterday's declarations of the President of Dr. Thomas Kent [ph] that there is a surplus of 5,000 megawatts, average megawatts of energy on the market, that there is an outlook to commission projects that are already under construction at (inaudible) and Genal [ph] is part of the problems that Genal is going through. And already we had some bidden a few conceptions for, concessions for energy distribution beginning in 2015, '16.

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Naturally it's going to have an impact upon the price of energy. You know that the most important factor for regrowth is the availability of energy and certainly even if we can double or replicate the percentage of growth in 2011, 2012, this availability of power is still enough to maintain prices on the level that we have today.

So the -- this is the outlook and, once again, I repeat that our guidance that we gave to the market last year is actually being verified. And therefore our forecasts of EBITDA also was, fell within what we expected and we have worked for this to happen and then reach a ceiling of the interval we had publicized to the market. And therefore we are very calm about this, about the market price of energy. But gas and what has to do with EBITDA in the next few years.

Now just for the tax credits, I would like to ask you to quantify that to see how much, to say how much.

Around BRL290 million. This information is the administration report on the performance of the Company you have this when we talk about taxes. So we have this value, this figure listed there.

Operator

(Operator Instructions) Excuse me. The next question comes from Felipe Leal from Merrill Lynch.

Q - Felipe Leal {BIO 2015017 <GO>}

Good afternoon, everyone. I have two very important questions, one about the investment that the President mentioned. And the gas pipeline through that other. Just to clarify that CEMIG is interested in gas because only in the partner gas pipeline it doesn't have anything to do with fertilizers. And the second question is about what was publicized which was appeared today in the Board meeting, some points talking about a proposal for Generation assets versus by CEMIG GT and you can either detail some more on maybe we should expect this to happen so that we can have more details.

A - Unidentified Speaker

Thank you for your questions. As for -- normally the press -- the press publicized that we would be involved in the Manyá [ph] plants to be built by Petrobras in the Trianal Merjada [ph]. Of course, CEMIG has nothing to do with this ammonia plant.

The -- CEMIG's interest is limited to the construction of the gas pipeline and the partnership with Petrobras, which is part of our core business. Of course within all the principles of accretion of value we going to guarantee that we are going to have an adequate return to the investments that we might make. But it is limited pure and simply to the gas pipeline and nothing except, I emphasize nothing to do with the ammonia plant.

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This is an investment that Petrobras is going to make. It's part of that Petrobras core business. It is not part of CEMIG's core business. Therefore it is not going to be involved in this investment in the ammonia plant. But it will be okay to the investment that we make if by any chance we decide that the project is economically feasible it is going to be the gas pipeline.

As for the approval by the Board of an acquisition proposal for assets, this is part of our routine. We have to evaluate the opportunities that appear before our eyes and we continue to be looking for those opportunities. As we can actually divulge numbers as we can really if we have a decision that is made we are coming back to the market and (inaudible) we are going to divulge not only the assets. But the conditions under which the assets are being acquired. So we will allow the please not to mention that because we don't find ourselves at this stage yet.

But you can rest assured now that the principles and the discipline of the investments that CEMIG has demonstrated in previous circumstances in which we had investments in which we showed the market what were the premises that we had adopted and what was expected return. And those in which we did not invest and naturally following our discipline of investment we decided that the investments would not have an adequate return to the investors that therefore we didn't do.

Q - Felipe Leal {BIO 2015017 <GO>}

Thank you very much.

Operator

Our next question is from Marcos Severine, Itau (inaudible).

Q - Marcos Severine {BIO 3322666 <GO>}

Good morning, Luiz. Good afternoon, everyone. I would like to discuss a little the matter of the assets that you have, Light and Taesa. I think it was very clear in the presentation the importance of this investments. And the composition of the results you presented and the also what we had that circulated among us. But what can we expect from now on? Are you going to continue following this line of looking for acquisition?

You just mentioned that you are always on the look for Generation opportunities. So if something may appear at some time in the future. But looking at those segments of Distribution and Transmission of energy, can we expect new acquisitions? And if those acquisitions occur we will look at them as a recourse, an acquisition CEMIG likes. But is -- I would like to understand their strategy, how you would allocate that.

And another question, just to follow up on Vinicius' question about classes of energy and the guidance, how do you consider the surplus scenario? Do you place those assets that are more controversial which the market like the group is looking for financing funded in order to or not if you make an adjustment in this sense? How about the prices for 2013 and '14? What do you expect something higher just to make this point clearer?

A - Unidentified Speaker

Thank you, Marcos for your questions. You open the opportunity for us to talk about our growth strategy.

First of all, I would like to only invite you all for the presentation that Taesa is going to give tomorrow. It is something similar to this since the conference call where they are going to present 2010 results following IFRS standards rules.

Taesa was an exceptional investment that we made. We have had fantastic results by September. I cannot talk about results 2010 which is going to be public tomorrow. But up until September we had accumulated almost BRL700 million cash. So we left a position of 80% of EBITDA to 90%. It is a substantial gain in a very short period of time.

The quality of Taesa assets is actually superior to the -- it is the benchmark of the Transmission industry. There is no other company which can compare to Taesa in what concerns the margins of EBITDA. The only company that comes close and gets very close actually to Taesa is TBE, which is by chances ours as well.

So we have the three Generation, the Transmission benchmarks in the electric industry. Those are the live witness of the excellence and the investment discipline that CEMIG has adopted in recent years.

We only look for assets that have patently synergy with the existing assets. This gain that we had, it was possible to be gained as a result of the synergy that as you all remember that Taesa was operated by an Italian group that has an operational quality which was actually higher than ours. And the market recognized this quality.

With actually a quotation, they did a public offer and they placed a tender there. However, we were able to overcome out of the excellence of this operation. And today it (inaudible) together with TBE and the industry's benchmark. And that is our policy. That is our strategy and we have very vigorous discipline, very well followed by our Board.

Then remember, a reminder that is that today in our Board we have one investor with a greater experience in concessions which, who is under our (inaudible) concessions. This company today has 33% of our ordinary stock with a right to vote. Therefore, I am actually updated with the five members of the Board and this Board which has followed us in a very close way, all the financials that we have proposed to this Board.

We have goals. We have a minimum return to the net in every case of investments and therefore it gives a certain comfort to send the Board of Directors to publicize information the way they have been doing it, certain that the return that we are going to obtain are going to really be very pleasing to our investors.

We have no fear to really publicize that. So what we can actually tell beforehand to our stockholders and investors is that CEMIG is going to follow this line of work. We have a very experienced team already that seeks those investments.

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We are going through restructuring of the Company so as to give the Company structures and of CEMIG more agility, more nimbleness and efficiency in the sense of looking for the investments. And trying to meet the goals of return that our members of the Board have established and to bring as a consequence a greater growth of (inaudible) and of profit that we really distribute to our neighbors. So our shareholders. That is we have discussed to the two vehicles, Taesa very evidently is a growth vehicle.

And the Transmission business we have TBE of which we have a partner which, who is also significantly contributed to the growth of TBE. But Taesa, given its economic, financial structure it has more trouble actually footing this road and if necessary then to do it in a partnership with TBE. And naturally in that the intentional greater synergy, therefore to obtain as a result maybe acquisitions that actually help our goals to be reached.

Light also has been prepared to become a growth vehicle. We have every interest that the Light investors and stockholders of Light become our partners in enterprises as well. We understand that the capacity of economic, financial capacity of Light is underutilized and it can be more nimble, more aggressive in the selection of the investment programs, especially geared towards an aggressive growth.

Therefore, I believe that Light also is going to grow in a very healthy way and you are naturally today becoming aware of Light's results. Rather Light's results also show very attractive, encouraging numbers. The debt level of Light is slightly over 1.2 times the EBITDA, which shows the potential that this company has to grow, not to mention the operational gains that we are already gaining which will allow us to generate cash in a stronger and more forceful way on the part of Light.

Therefore, Light represents for us the fantastic opportunity to grow and in all certainty a centennial company such as Light is going to get a fantastic response. They have a very strong group, director managing the company, headed by Dr. Kelma. And with a managerial body that is able. And focused and which understands this long-term view for Light and also is going to bring a lot of joy and happiness to stockholders at present and the future ones that may have an interest in purchasing Light stock.

Therefore, our strategy is that of growing through these vehicles imminently that and there being opportunities we also are going to invest through CEMIG H because it also, as I said previously, will have a cash generation that is very good and that cash generation may induce greater investments by means of the investors that are the close -- they are not able to absorb. So today we have a very clear growth strategy. Especially we have, do have the necessary tools to continue growing.

Q - Marcos Severine {BIO 3322666 <GO>}

Thank you. That was very clear.

Operator

Excuse me. Our next question comes from Reva Nika [ph] from Bradesco Brokerage.

Q - Reva Nika

Good morning, everyone. Good afternoon, everyone. I have two points to ask about. First, would you please talk about the investment in Distribution which you put on the presentation, increasing from 2010 to '11 to understand where that investment is, if in the addition of new customers or (inaudible) of the network? Would -- could you highlight when it comes to this?

And the second one is to try to understand for the IFRS changes where there was an impact upon the 2010 results, especially when it comes to the construction revenues. What -- how much was it? I saw an expense of around BRL2 million. You can understand why this is in all or whether it is just a part.

As for the Transmission, the BRL244 million, that is -- that was something from the revenue and the regulation assets of BRL172 million. I imagine this is net. So I would like to like to know what was the impact upon the revenues and expenses of CEMIG.

A - Unidentified Speaker

Reva Nika, thank you for your questions. This question is there is never information impacts on IFRS. Maybe in order to clarify in a more effective manner we could produce a Dr. Leo [ph] table showing those impacts. And soon after our conference call we are going to put that, post that on the question-and-answer part of our IR website so that everyone can have access to this information, in a little more clear way than what we has been said prior to this.

Now as to the investment program of our distributor, as you know, regulation of the second cycle established an investment commitment to our network. And this investment commitment naturally was an agreement with Anel [ph] and that should have been invested some amounts previously. And what we have been doing is that prior or before the cycle of this closes we are now fulfilling and abiding by this requisite that was established by the tariff commission.

Those investments are going to be paid to improve the system, when some connection with new customers, not the consumers that are linked through the Light for All program. But those consumers that do not fit this classification. But specifically the investments are going to be addressed to areas that will result in improvement of operational performance that you similarly saw that in 2010.

We had a substantial gain and now in 2011 it's -- they are going to be the greater because, for example, it had been invested either in the setup of reconnections, or some thousands of reconnections so as to allow the (inaudible) for customers be reduced in a substantial way. You know very well that Anel through some resources has increased the requirements relative to the efficiency of learning how to focus of serving the customers in case of an outage. And this would demand more investment in the way that is reflected in our 2011 plan.

It is a commitment that is already made by the distributor and which is having a greater (inaudible) because then they all by the end of last year established a little more challenge to distributors so as to meet the power outages with fewer, shorter periods of time. So therefore these are investments. The resources have had to be generated by the distributor itself of course.

We can utilize some funds actually procured on the market. But in general those are farms that generated by the distributor company itself. Okay. Thank you very much.

Operator

Our last question comes from Mr. Marcio Prado from Santander.

Q - Marcio Prado {BIO 15398968 <GO>}

Hello. It is -- thank you for your call. My question is a follow-up on top of what Vladimir [ph] said in a prior just on this question. It has to do with acquisitions. It has looking at the CEMIG's cash generation and those covenants of on that that you had.

By the end of last year you had distributed starting at dividends of BRL900 million. Now you have announced plus BRL1.2 billion on top of the net profit, as you said, were impacted by some nonrecurring factors such as the fiscal or the tax debt connected to CREC. But you gave more than the minimum payout. And we saw the higher CapEx in Distribution as well and we saw CEMIG, even on the slide of CEMIG we had something around 2.5 times debt liquid net debt. And the Company has a bylaw which is 2.5. But there were some because of a position.

So if possible, you already talked a little about this. But to bring this over to this cash composition of the Company by back to leveraging. CEMIG continues of course with the purpose of pursuing acquisitions if the idea is really worth for a longer time with a more leverage, balance. And what was (inaudible) that was established for a year last year maybe becomes now one more goal, an average goal that should, that the Company should vary between the net debt that does sometimes reach more than that sometimes?

Now, is this the mainly -- this is and the second question about TBE and Taesa back there in the by the time of Taesa's purchase, I was under the impression that you had mentioned somehow. And the idea of maybe fusing those assets in order to strengthen the assets. And you cannot even use the market that it is to grow in to the market to finance Transmission.

A - Unidentified Speaker

And that's sensible, very good would make sense is that part of CEMIG strategy to put all of that into some structure or not anymore. That is I am looking at it separately in a solid manner. This is in conclude, Marcio, thank you for your questions which also offered me a great chance to talk about the funding strategy of our acquisitions.

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One unchangeable point to our strategy are those indicators that we put on our bylaws. Our -- the only indicator that we have continuously requested our shareholders to allow us to go beyond is the investment volume per EBITDA.

Unfortunately, we have no way of not hitting this person on the head because of the volume of acquisitions and have been made in recent years. When we look at it in the long run. And I am talking about 20 to 30 years, if we continued at the present pace in a short time, maybe five to ten years we are going to have a gas generation that is enough to support any investment volume that will allow for us to reach our goals.

So we are still in the process of speedy and quicker investments. But a more accelerated experience. But anytime the trend is for the investment indicator by EBITDA always is around 40%. All of the other indicators, indices that we have we are wiser and our Board does not allow us to do otherwise. We cannot go beyond those limits that are already authorized by the stockholder.

Therefore, it is fundamental for us to maintain a net debt indicator that is over EBITDA between 3.0 and 2.5. Why? Because those indicators are going to allow us in a very clear way to have access to the funding market to funds.

We want to continue being an AA company. And therefore to continue growing and keeping this credit quality. That is why we have to keep those to making those indicators, especially net debt over EBITDA around 26%.

The debt level we will measure by the net debt over the net assets plus net, minus net debt. It has been close to the upper limit that is allowed by the bylaws. But it's circumstantial. In a while we are going to see and this indicator is coming back to the level of 40% which is the level that we consider it is safe.

So we may maintain our debt at this level, in general, or as a function that is of the fact that there is only change our macroeconomic explanation. This signifies, or we still have some buffer to reach the 30%. We are with the debt level that is quite low, quite comfortable and the financing structures that we have adopted have allowed us to -- has allowed us to continue investment, investing without compromising those indicators.

And therefore, we are certain that by the heading this way we are going to ensure the quality of credit. And therefore the access to the investor market. And therefore to continue expanding in a very healthy way, very solid way, thus abiding by the principles that were set out by our Board. Therefore we are not going to go astray from that. We are going to continue growing. And maintaining quality of credit and this financial health and maintaining solid gas generation.

The investments that we made are precisely those that are going to continue to contribute to strengthen the cash generation in such a way that we have sustainability in our growth in the long run. Therefore, if there is any doubt about shareholders, or analysts or investors about this, I believe that these words will serve as a definitive clarification. We are not going to go beyond those indicators.

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Our council members, our Board members will not allow any transaction, any deal or any acquisition that will go against those indicators. So if you by any chance somebody is doubtful please solve this doubt because CEMIG is not going to do, not going to do things that way.

This is a commitment that we actually assumed vis a vis the stockholders that are part of our bylaws, which is watched very closely by our Board. Therefore, I have no doubt and no hesitation to state that, Marcio, our cores are going to continue. They are on the level that you see and we have the necessary structure in order to continue growing, in order to expand continually, to further expand our activities, capture our synergies, generating more cash, therefore more ability to invest in a virtual circle that will make CEMIG sustainable during this growth phase.

As I mentioned before, as for Taesa, Taesa is a vehicle for growth. And as a vehicle of growth it gives us very great flexibility in what concerns acquisition structures.

One thing that we always stress to our investors in general is that CEMIG H is by its state-owned nature had restrictions to access the funding, especially the NDS. And especially to creative structures we couldn't increase capital, CEMIG capital. We couldn't fuse, merge with CEMIG H because of the state-owned company condition.

So we set up those vehicles to give flexibility to us. And whether it is necessary or not there is the transaction authorization we could justify by the (inaudible) of the use of those structures, then we are going to go ahead and do it.

When we bought Taesa we showed the investors that that was our intention. It is going to become a leader company in transmission, a company that has a very strong cash generation. And we are going to use any of our structure that is necessary to create the conditions to Taesa.

We are coming back with part of the stock to the market. It is a commitment to the new market. We have already assumed this. With our partners we have assumed this with both this. But Brazilian Securities Commission has given us a postponement. So we should be coming back shortly with part of the stock, Taesa stock to the market.

And that is part exactly of the strategy. This is going to promote a little more transparency to Taesa and give it the necessary robustness to continue growing and justifying its role of a growth vehicle in the CEMIG group.

Therefore we are going to have to do in a general way whenever a deal is necessary to maximize the results of Taesa for our partner's and our. And CEMIG itself. I think that what will clarify in a definitive manner what the strategy is that we have for our vehicles and to our goal that is we want to have solid, healthy vehicles, sustainable vehicles that may continue adding value, as Taesa did in 2010 to CEMIG.

The volume of funds generated at Taesa is going to allow us to continue investing through Taesa without any need to invest just simply holding capital. And I think that is a strategy, very correct decision which has yielded great results to our shareholders.

Q - Marcio Prado {BIO 15398968 <GO>}

Just to take up again the history, the possibility to merge Taesa and TBE in the same vehicle, have you considered that, or is that something that is out of the question for the time being?

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

We have not discarded the possibility, yes. But we have to consider that at TBE we have another partner. And naturally the partner has their own interests. So if we can align the partner's interests with those with CEMIG, naturally we can merge the two because it seems quite rational that this operation be made jointly.

This we have discussed much with our partner. So we have discussed a lot with our, with some consultants. And the conclusions are extremely favorable. But once again this is something that has to be debated with our partner. And therefore we have -- we do not have complete mastery over the decision.

What we did do in Taesa at the end of last year, we consolidated all of the operational in the Taesa holding. So as to maximize the fiscal gain, tax gains of our Taesa. Because we had the autonomy and the privilege to pay back we did it and we got very good results. Tomorrow you are going to see the financial statement from Taesa and any additional stuff has to be negotiated with the company's partner. So it is a time consuming process which demands negotiation and is not a simple solution.

Q - Marcio Prado {BIO 15398968 <GO>}

Thank you very much, Luiz.

Operator

We have now closed the question-and-answer session. I would like now to give the floor to Dr. Luiz Fernando Rolla for his final remarks, please. You may proceed.

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

Thank you very much. I, as in the way of final words I would only like to stress a few points that I deem to be important to our strategy. Our CEO mentioned that in his introductory remarks CEMIG has a long-term vision and this maybe is the most important point which justifies the success that CEMIG has had in the past years.

Everything that we do is not by chance. It is the result of a strategy. It is the result of preparation of a company in the recent years and it is not five, the last five years. But the last 15, 20 years that we have exercised this long-term vision and we have designed the scenarios, the correct scenarios. We have made the right decisions at the right time have

go the acquisitions were made when we were able to do the best deal possible for our shareholders.

This is our view for the future. We are going to continue with our investment discipline with the necessary care so that we can add value for our shareholders, the payment of dividends in accordance to the policies that are already established in our bylaws. And therefore to meet their expectations.

And we expect investors' rely on CEMIG. We have a trajectory still a long way, a long way to go which we believe our view is going to be successful and it is going to give us adequate return to our shareholders and the investors. This is a message of confidence that I convey to you, ladies and gentlemen. that in all certainty you may demand that from the directors of CEMIG, led by Dr. Lejohn [ph] that we are going to deliver, as we have been doing thus far on all of those promises.

And I would only like to remind you that in June we have our event of not of guidance, which the annual meeting with shareholders and investors. We have already sent out the invitations to investors and we are looking forward to seeing all and CEMIG to discuss in more detail, not only our strategic vision. But also the results of the Dengani [ph] as a function of those strategies.

I thank you for your patience and I apologize for the duration of this presentation. I understand that given circumstances of change in standards it was adequate and we are, as usual, at your service for any further clarification if by chance later outside of this conference call you have any doubt, our team, our IR team will be available 7/24 or 24/7 in order to clarify those doubts.

So I would only like to already clarify one fact, the presence of Dr. Antonio Velez sitting beside me and not the presence of Agostinho is that we had a change that is has taken up the Superintendency of investor relations. He is going to be responsible for maintaining the investors well informed about our strategies, which is a very great responsibility. But is very qualified.

He has accumulated experience in the last four years of contacts with the investor market and you all have proven his competence. I would like to make it public my thanks to Agostinho for the work that he did and carried out in the past years of very hard work, very dedicated effort. You saw last year more than 500 meetings with investors last year.

And this actually means very physical and intellectual exhaustion and very successfully was able to transmit, convey to investors all of our strategies. The same thing is going to happen to Velez. I have warned him already about this difficulty of maintaining this rhythm, this pace. He is getting a job from a very qualified person, a person who had -- he was very well prepared, which increased Velez' challenge. But I believe in Velez' performance is going to startle and he is going to bring CEMIG shareholders a lot of joy and a lot of clarifications to investments. Those are the changes that we believe are going to give the financial department a little more qualification.

Agostinho is now taking over the risk management area, which today is capitally important for the CEMIG group. And we are involved in assets, large assets, large companies. Just traveling around the world, globetrotters in this risk management to us is strategic, is more than strategic. It's essential to guarantee our sustainability. That's why we have chosen somebody who is qualified as Agostinho to take care of our risk management to implement in definite the management of risk in the decision making processes on the part of our, the CEMIG's departments.

So I once again thank you all and I wish you all a good afternoon.

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