

## Q3 2012 Earnings Call

### Company Participants

- Djalma Bastos de Moraes, CEO
- Frederico Pacheco de Medeiros, Director of Management
- Leonardo George de Magalhaes, Superintendent, Controller's Department
- Luiz Fernando Rolla, CFO and Investor Relations
- Luiz Henrique Michalick, Director of Institutional Relations and Communication
- Raimundo Dias Fonseca, Director of Sales

### Other Participants

- Felipe Leal, Analyst
- Filipe Mattar, Analyst
- Unidentified Participant, Analyst
- Vinicius Canheu, Analyst

### Presentation

#### Operator

Good evening, everyone. We begin the video webcast of the Third Quarter 2012 results with the presence of Djalma Bastos de Moraes, Chief Executive; Luiz Fernando Rolla, CFO and Investor Relations; Raimundo Dias Fonseca, Director of Sales; Frederico Pacheco de Medeiros, Director of Management; and Dr. Luiz Henrique Michalick, Director of Institutional Relations and Communication.

The webcast can be followed on the phone, 5511-4688-6341; and on our website, <http://ri.cemig.com.br>. Use our player, on which you can visualize the presentation in a dynamic way.

We give the floor now to our CFO, Dr. Luiz Fernando Rolla, to begin this presentation.

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

A very good afternoon, everyone. It is with great pleasure that we begin this presentation about our Third Quarter 2012. Today's presentation is going to be split into two parts. One part is more strategic, with the presence of our directors and our CEO. Then we will give a more detailed analysis of the financial results that were filed at CVM last week, the object of our discussion today.

Today we will have the presence of some of the directors, given the importance of some of the topics that we would like to bring for discussion with you analysts and investors. I'm going to begin by asking Dr. Djalma a question about the Provisional Measure 579, was -- it was issued. Cemig has taken a position repeatedly in favor of the renewal of some of the concessions. And this development has been much commented on, not only by government agents. But also by analysts and investors.

Dr. Djalma, Cemig's view, up until now, has been for the preservation of our concessions. Is there any change to this position?

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

Good afternoon, gentlemen and ladies. First of all, whoever follows us may have observed a change here in the presentation format. This is our new Cemig in the new times. And we are ready to talk a little about what we have been doing about 579, which is not a very nice topic for us. Dr. Rolla is going to expound to you the good points of our quarter. He left to me the job of talking about the 43% increase in our profit, something that Dr. Rolla allowed me to speak about -- the good stuff.

Well my friends, you have followed our meetings and our publications. And the media of what we have been doing. And what is the meaning of our struggle. At no time has our Company backed by our governor, who is the controller, are we in a position to Measure 579. We are actually in tune with the president of the republic; and last, what has to do with lowering the cost of infrastructure and, among them, the cost of energy.

We all know that energy and power is an important factor in our infrastructure. And we are really in sync with the idea of lowering costs. However, I personally, right after the Provisional Measure, was issued -- I went to the minister, the present minister, Minister Lobao; and also Dr. Zimmermann. I went to Dr. Nelson, the Treasury Secretary. And I tried to display some of the peculiarities of our Company. And it is those peculiarities that are actually guiding all of our effort. What are these similarities, even though Cemig has accepted to adhere in the power transmission to 18 generated countries companies of our generation portfolio. Of course, with caveats in what has to do with reimbursement of transmission assets, or in the format of payment of maintenance of each one of our generators. So we are now following this direction. We agreed to adhere 18 hydroelectric plants. We agreed to adhere 6000 kilometers of our transmission network; however, again with caveats.

In parallel, we have three hydroelectric plants -- Sao Simao, Jaguara and Miranda -- which, in a concession contract, elaborated when the state sold this participation to external groups, we signed a contract with the Ministry of Mines and Energy that these three plants would be entitled to renewal on the campet [ph] of article 4 -- clause 4, actually -- in the formation contract. It is guaranteed the renewal of rates. So we have the rates to renew. So we've been working so that our rate is guaranteed by law. And the renewal of these three concessions, all the public hearings that we have had in Brasiia -- one with the governor. And another one in private with some other company CEOs who defended this position. We have talked to members of the Parliament, members of the Congress -- Congressman and the Senate. All of them are aware of our position. And one of the aides

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to President Dilma, who actually prepared the measure of -- prevented Measurement 579 Montie Vega [ph]. And I was surprised on Friday, with an article where he thinks that we have a peculiarity. That is we really -- as to Clause 4, we have guaranteed the renewal rates.

So this is our present trouble. This is our duty; to show you what we have been doing. The final -- the deadline is 4 December. We expect the Congress itself, together with our President, to postpone this deadline until February or March; so that we can now, after this Provisional Measure is voted and approved by the President, we may really make a decision. Obviously, if this is not possible, we are now setting up an appointment of the Board for 3 December; and at this meeting to show our shareholders the several possible scenarios. So they can decide on what to do -- whether we are going to adhere or not, or whether we are going to adhere in a certain scenario, or some other scenario -- all of this will be shown to our members of the Board and shareholders. So that they know our situation. In this board meeting, after defining what we are going to do, we're going to set up a general assembly so that we can hear from most of our shareholders if we are on the right track or on the wrong track.

However, at any rate, this is what we have been doing. And we would like to convey this to all of you. Please feel confident that we're doing what we think is best possible for the customer, the consumer, the Company. And the shareholders.

Please, Dr. Rolla.

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

Mr. President, the main objective of our proposal about 579 has always been. And will always be, the preservation of our investments capacity. Our investment capacity is going to allow us to compete for new concessions and new concession contracts. How do you see this matter of some of these investments in the future?

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

We will continue investing. We will. And we have been thinking with the group of directors here, how we're going; we'll probably be more aggressive in acquisitions. We need a little more aggressiveness in our acquisitions. But we're going to have in 2013 -- if on the one hand we have problems about our concessions, which may be due or not -- but we are going to be aggressive; both proceeding with our investments; participating in auctions. And transmission auctions and generation auctions. And we will continue, in a more aggressive way, trying to make assets possible that will add value to our Company like Taesa TBE and others.

Certainly, the major principle of value addition has to do with the optimization of our operational costs. How are we going to live in this environment of competition with our initiatives of cost reduction? We evidently -- prior to measure 579 -- we were getting ready to fit or getting prepared in order to face a tariff revision of 2013 to be at a point to fit the new situation. We've been working with that together with Dr. Frederico and the

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several directors of the Company in such a way that, by mitigating our costs and reducing our costs, we could actually be ready for the tariff revision of 2013.

But after this Provisional Measure we have to be a little more -- we have to go a little further. That is, we have had several meetings with our directors and managers. You have observed in the press Eletrobras and Furnas reducing their personnel -- actually, downsizing. And this is a very important thing. We have to fit in reality, whether the ones we've been thinking of the tariff revision; or to fit the new objectives defined by this Provisional Measure will have to fit. This has to happen in the short run. I don't know exactly when we are going to define that. But we have to rush it a little bit. If we make some decision that may make possible the permanence, or not, of the personnel -- we will have to -- in any of the scenarios, we will have to make adjustments; whether adhering or non-adhering, we will have to make adjustments and to make adjustments in a strong way.

As we mentioned, Dr. Frederico -- I'm going to ask him a question. Dr. Frederico that we at present have any a discussion about our labor contracts with our union. And what is the situation of discussion with the union?

### **Frederico Pacheco de Medeiros** {BIO 17339896 <GO>}

Good afternoon, everyone. The unions involved in the discussion of the collective agreement presented to the Company their conditions and their position. And the Company, soon afterwards, presented their own counterproposal. The proposal was aligned with the present situation, especially those that were we are about to face in 2013. Though analyzing all of the proposals presented by the union, we made this counterproposal which was not accepted by them. So we have now a -- the first attempts to conciliate, or reconcile, the two opposed positions at a first hearing on the last 16th, in the morning.

We have made no progress. So another attempt to reconcile the two proposals was set for the beginning of December.

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

The participation in profits, is that going to change as well?

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

The discussion -- this is not under discussion because, actually, it was agreed upon in of the collective agreement of 2011 to be in effect through 2011 and 2012. So the run for 2012 is outside of the discussion agenda. It has to do with the performance of the Company to 2012. It has to do with the goals and the proposals in each one of the areas. And the payment of the participation has to go with the do with the reaching of those established goals.

Now this measure is presented for our distributor, which, unfortunately because of some additions of expenses, especially having to do with the purchase of power, it has had a result that is not adhering or in line with what we did for 2012 because of the addition of PLD.

Dr. Raimundo has followed this -- and can you discuss the situation of the purchase because of the spot prices?

### **Raimundo Dias Fonseca**

Good afternoon, everyone. There was an increase in spot price this year because of the rainy season not having occurred as predicted. And because of that. And several contracts of purchase -- not only our city distributor but all the others distributors in Brazil are linked to this spot price level. It was a significant increase in the value, let us say, of energy paid for these contracts connected to the spot price. And that affects the result this year. But as we know, this is going to be mitigated and made up for in the next area of readjustments. So there's no loss. But just a postponing of revenue. It's not going to affect the results. It is going to affect 2012. But next year, we will have an improved result because reimbursement of this additional expense. And that's precisely it.

Now going back to 579 -- we have had, as you said, a very intensive action with all the several agencies in the federal government. But we also are acting with the Congress -- national Congress. You were present there at the commission that is in charge of analyzing the Provisional Measurement of the PM 579. Do you have any comments about your own testimonial there?

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

We made a decision, at the level of the directors here, to have a certain agency in the Company, a certain department to the organization. There was one department, Dr. Michalick would congregate all the information and made information public. So even though I was President, all of those public hearings following our governor, as I told you; and one private hearing, we always being present at this team coordinated by Dr. Michalick. It has acted in a strong manner. At the times when I cannot be present, he will be there. And he takes his staff. And tomorrow probably there is a public hearing here at our State Legislature.

And I would like to give Michalick for you to talk about what is the guidelines that we have for this topic?

### **Luiz Henrique Michalick** {BIO 1820198 <GO>}

Good afternoon, everyone. This is the very first moment by decision of the Board of Directors, we created the committee with the participation of members of practically all of the directors of departments to make a decision, a joint decision; and to follow the -- what is happening to Employee 579. So since the very first moment we've been active, not only have we contributed with some amendments to it, we have more than 400

amendments presented to measure 579. But basically, Cemig is centered around the amendments that somehow may favor us in terms of what the President has said -- the three plants; the transmission; and our concern about the very short deadline set by the government. And for us, to sign the contract.

So we have been acting upon these three points. We have followed -- we have acted and talked to Congressman. And we have not stopped our conversations with the Minister of Mines and every>NNL [ph]. And now, as our CEO said, we have a meeting tomorrow because there is a great concern in the state legislature about possible losses in Cemig. So we're going to have a public hearing tomorrow.

So practically in every forum, our President also went to a meeting called by Abjib [ph] in Sao Paulo. We participated; and that's practically all of the four we have been there, in order to act and show in a clear objective manner what is Cemig's position about this.

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

Mr. President, going back to the results that you've mentioned -- that we had an increase of 43% relative to the Third Quarter 2011. And now this result naturally is part -- is the result coming from many strategic initiatives that Cemig has implemented. You've mentioned some acquisitions, investments. And value-added projects. And that these -- this resulted in itself is nothing but the description of such a strategy. That is, a strategy that has been working. And that we have sought to invest with quality so as to continue adding value. We have had last September the news from Dow Jones with the 13th time around, participating in the Sustainability Index. The Sustainability Index what actually leads us to search for this growth in profit.

How do you see, in the next steps, whether through acquisitions or through new projects and the auctions where we are going to participate, or whether through Cemig or our own subsidiaries? Are you optimistic about this outlook?

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

Dr. Rolla, I'm very optimistic. Optimistic because we have to be optimistic and face -- facing the challenges that present themselves to us. We have won several of them. So there's no reason not to overcome those as well. There is the problem of the appeal are -- obviously, that is participation in the profits. What has been given in terms of PLR? I think it's defined prior -- previously and this extended to our dividends; dividends which we are making available this year were defined previously when we worked diligently in 2011.

Evidently, all of these things already define by the effort of that we have made in 2011 is going to be reflected in 2012. We could fail to notify the PLR now because we have to fit the new adjusted -- adjust to the new situation -- but also to make any variation of the dividends because that was relative to 2011.

So your question is, how are we going to continue investing? How are we going to continue doing whatever is possible in a more aggressive way in our acquisition area? Are

we going to participate in the auction? And has the transmission been defined? We are going to participate in one or two batches. We're going to participate on the bidding processes in the area of generation. But also, we are going to try to improve ourselves during the year up to 2014 and 2015, in the format of assets that will add value. And in a more aggressive way than we have been doing thus far.

So this is what I expect. And you expect from the managers of this. And we are following the right direction. This is our confidence on the directors, that we are going to be able to deliver the results to our shareholders -- which -- the results which they expect.

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

So with that, we close this first part of this presentation. I thank our CEO, Djalma; and the directors -- Michalick, Raimundo, Federico. Now we're moving on to the analysis of the results of the Third Quarter; 2013, more specifically. Thank you very much. I thank the directors for their presence here. But the good news is coming now. Excuse me, then. Good afternoon.

### **Leonardo George de Magalhaes** {BIO 21639277 <GO>}

Thank you, as CEO, the Superintendent Leonardo George de Magalhaes; thank you -- I invite our Superintendent to be part of this presentation. We are now going to dedicate to a more detailed analysis on the figures that we are presenting in the Third Quarter in 2012. As our President has put it, we have had growth in our net profits of 43% as compared with the previous quarter of 2011. We have had a correspondingly significant increase in revenues and an increase in our cash generation as measured by the EBITDA - - we, as I had mentioned during the first part of this presentation.

The result came along as a result of our business strategy. Our portfolio business is of such -- in such a way positive, that it has added every quarter very significant value to Cemig and its shareholders. You see that in these three indicators, the growth that we have observed. And it's nothing but the result of such a strategy. So this is why we always reiterate this point to our shareholders.

Of course, strategy covers the business portfolio that comprises not only the electric industry and generation transmission and distribution of electricity; but you know that in the last quarter we had emphasis, special emphasis, on the productivity gains in generation and transmission because of some factors we're going to talk about in a while.

But we also had problems of cost increases in our distributor. You may notice that in the three indexes of our distributor did not have the same tendency of the consolidated group. Until -- even though the revenues increased significantly. But the cash generation and net profits had an expressive decline because of the increase of costs.

The EBITDA and the cash generation had a reduction of 18% when compared with the same period last year. And net profit fell by 43%. So it was a significant decline in spite of all of the efforts that our Company has made so as to reduce costs. And our distributor --

you have followed last quarter's -- how much we have reduced, in terms of costs. But unfortunately, in this quarter we had the incidence of higher expenses to purchase energy because of the spot prices. That, as Dr. Raimundo has mentioned, the substantial growth of PLD, it has reached 764% of growth in the year as compared to last year. And this led us to greater expense for the distributor, which actually resulted in those significant reductions of our results for the distributor.

Naturally, we have been making a great effort to recover that you know how -- as I said Dr. Raimundo has said -- part of these expenses are going to be reimbursed next year. So they are flowing back in. And we're going to have the third tariff revision which is going to reduce the tariffs substantially for this distributor. But at any rate, we're going to have privately made up for by this PLD -- this spot price reimbursement.

So they have insisted on the growth views especially in terms of products that we've been investing in. Santo Antonio is already -- has a significant part of its generation capacity in operation, reaching 537 megawatts capacity with nine machines already operating on nine rotors. We have other 44 rotors to be commissioned in the next years to reach the total capacity of 3000 megawatts. Belo Monte is also an important enterprise for us because it's going to be about 10% of capacity, about 1000 megawatts of our installed capacity. And it has 17% of this -- 17% finished. And it is an extremely good performance in spite of all the difficulties that it has been facing; with relation to the environmental and social issues, it has presented a very positive development at that.

Besides that, we're going to have, in December, some other auctions. Cemig also intends to participate in those options. The capacity -- many of the top just complex may reach maybe over 10,000 megawatts. And this naturally will make us invest a little into the research and the survey of the ideal format to make a proposal for this enterprise in the next auctions.

Cemig also has invested continuously in our distributor. We're now completing our -- the tariff cycle, the second of tariff cycle is just being completed now in this coming March 2013. We have this commitment of investing around BRL4 billion. And we are at the end of March of the reaching about BRL3.9 billion. It is an investment that aim in improving operationally the distributor so as to improve the quality of service for our clients, as -- which are served by Cemig distributor.

The wind farm -- the Alto Sertao Wind Farm startup -- was also a landmark of our Renova, which is an interesting project because of -- due to the competitiveness of these plants. It has an operational performance which is enviable. And it's certainly going to add substantial value the group as a whole. Renova is participating in an auction at 4 December or the capacity volume which is also very interesting; and which may, in the short term, lead the installed capacity to somewhere around 1000 megawatts. This is a strategy that Cemig cherishes. And has a great trust and confidence in the Renova's performance. And this is reflected into very efficient projects which are going to add substantial value to the group as a whole.

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And now, the startup of Paracambi, which we have built in partnership with Light, is also another demonstration of the capacity of organization and making projects feasible. And projects of high return for the group both for Cemig and Light, which are going to be amply benefited by this project in spite of its being a small project -- only 25 megawatts. But those are projects that have very attractive economic efficiency.

Besides that, we are going to participate in transmission auctions, which are also scheduled for December. That is our growth vector in transmission. So we're going to try and concentrate all of the investments that we make in this sector in Taesa. Taesa, during the quarter -- there were some very significant facts. We had an IPO which was very successful; successfully done in last June. All of you participated this operation, most of the investors who have been linked to this webcast have known this, about all of our regulatory issues that were we've been discussion about concession renewals.

Taesa is an asset which is -- actually apart from this discussion, because of the quality of its contracts. It has a concession, very long concession time. It has adequate revenue; adequate to the type of service that it gives. And so, it is certainly going to bring us good result in the upcoming years. So we are now doing the financial management Taesa in a very well-balanced, conservative way so as to preserve its great ecology. It is our AAA company. And naturally it has access to -- very wide access to the market. As a proof of that, the bridges [ph] which were placed issued recently with times that reach up to 12 years. And it's about BRL2.2 billion, which goes to show the recognition of the market of the quality of such a company.

Gasmig also is another segment that we have a very positive view of the long-term view with a stronger growth and demand of growth we have now with the investments that are being made so as to enlarge the market through the introduction of residential market and the commercial market -- a small market -- we will actually enlarge this revenue which reached BRL152 million with an increase of 32% -- 36%. plus the volume that we have had very good performance. With the investments that are being made and an additional supply of gas, we are going to be able to serve -- to fulfill a demand which is much higher than the one that we do today.

Gasmig much must reach 1.3 billion, 1.4 billion cubic metres of gas sold. In a year, up until September, we sold 948 million. So we are going to reach this goal. And this is going to provide us with greater growth in the future, with the availability of gas that we are looking for through the blocks that we have in partnership with some of our partners.

Now, changing to the financial aspects of it, you'll notice that our consolidated debt is -- the deadline is concentrated around the short term. We are actually pushing the horizon forward for this debt. I remember that the consolidated debt rate part of this 2012 debt has been rolled. And naturally we're going to try to elongate this profile, which is positive is that the cost has fallen. You may notice that it's well below 6% in the Third Quarter. When we close at 5.4% average real cost of debt, because of our strategy to concentrate most of the debt in this CDI indicators. CDI has been reduced because of the economic policy of the government. The perspective is to have even smaller costs for the next quarters.

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The credit quality of the group remains -- actually irreproachable. We have some indicators within our stated -- our bylaws -- the net debt over EBITDA is about twice -- 2.1 times; and the total debt below 50%, reaching 46%. This semester is showing the commitment that we have with this performance, of preserving not only the quality of credit but also of sensible investing market coming from this credit quality. We -- it is extremely strategic to preserve this quality.

As I had mentioned before, we have had for the 13th time now, the inclusion of our shares of the Dow Jones Sustainability Index. And naturally, as -- because of the easy [ph] and some other investors which you see described in this slide. This shows that the shares and the strategies of Cemig are geared towards sustainability.

And now, after this strategic part as well, I'm going now to focus the analysis of the results of the Third Quarter. And which brings some novelties. As you can see, we had growth of 43% because of substantial gains that we had, especially some items that we consider nonrecurring. Apart from these nonrecurring items the result was extremely positive for the group in spite of the negative impact brought about by our distributors. One of the greater -- greatest gains was exactly the results obtained by the sales of shares of Taesa. Could you talk a little bit about that?

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

Certainly, Dr. Rolla. Good afternoon, everyone. We remembered that a few months ago the Company had this successful operation of issuing new Taesa shares for the market with a value of BRL65, which is actually over the asset value of those shares at the time. Because of this issuance and the difference between the asset and the BRL65 was, again, there was a shared among all of the shareholders of the Company. And Cemig owned 50% of the shares -- 56% of the shares. And with the reduction, it gained -- with the dilution, came to 43%. The separation, even with the dilution, the difference between the asset value and the one generated gain and profit was a nonrecurring event recorded in this Third Quarter, generating an additional profit of BRL253 million to our results.

Moving a little further -- moving on, this results we had a growth of sales volume. The sales volume was not as great because we had a great reduction, also, in the volume of energy sold in the supply side. Now, the gains that we had in terms of sales, both for final customers and the spot market, was not enough to make up for the decline that we had in the supply.

So we had only 1.7% growth, in spite that the fact that the number of customers of Cemig GT has increased. You may just see this information later on. Now, this is sales volume of GT. We had significant reduction of the sales value, I can see the sign of their -- of the supplies. This item fell by 700 -- 380 gigawatt hours. Naturally, we had a small reduction year. But even then, it is very important. The volume of energy that was sold to the free client -- during this aspect we have a very important comment to make, which is the fact that we have a significant parcel of the free market, 25%. And all -- and this free market, naturally, is one in which we seek competitiveness. So you can only maintain your market share if your price is competitive.

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And with that, we can state that the price of electricity that we sell to consumers was the best price possible for those consumers; so, the cheapest energy on the free market at the time that we sold those contracts. So this makes us certain that we are looking for this long-term partnership with our customers, to try and guarantee to them the expansion of their activities.

We have a debt also; a well-controlled debt within Cemig GT. You can see there, in spite of this concentration in 2012, most of this debt -- either it was liquidated or it was rolled for the other years for the future years. So you see that in the same way as the consolidated group, we have a concentration of in CDI which actually accounts for practically 50% of the total debt. And we are now capturing the gains with respect to the CLEC [ph] reduction which is reflected in an average cost of debt. And in the case of Cemig GT it's smaller than the group as a whole. It's 5.1. The reason for this is that the quality -- just go back one slide. The quality of credit of Cemig GT is in a very comfortable position. It's 1.7 times the net debt over the EBITDA, with net debt below 40%, 50% -- it's 47%. We try to optimize the financial management so as to guarantee to our creditors comfort in the repayment of this debt.

Now, talking a little bit about the distributor, the distributor had also a reduction on the market. I'm going to show you why. Preferably the volume of the sales volume must remain constant in the First Quarter. But because there was a migration of industrial consumers to the free market part of that increase. And the free market was -- after we resolved this migration from the distributor, you see that the performance of this industrial segment was quite negative, which did not happen with residential and commercial which are growing by 3%.

So this growth is what gives us greater revenues for the distributor and contributes a little towards our results. You -- in spite of the fact that those revenues volume actually comes from the operational expenses, which are growing because of the addition of energy purchase, as I mentioned before.

The debt profile of the distributor will have the concentration not in 2012 but in 2013. We are now rolling this debt. This debt is preferably resolved. It's rolling -- resolved. It's not net of concerning these indicators. Indexers are -- I apologize, are based upon CDI. Therefore they also capture that smaller cost of debt. You can see (technical difficulty) that the debt is under control, much beyond what the industry regulation actually prescribes. The average cost has fallen in the same proportion as the other companies in the industry, not as much as Cemig GT. But also declining because of the fall in the CLEC rates.

Now the net consolidated net revenue went up by 19% because of the sales -- the final consumer sales -- this last. The construction as you all know is an IFRS aspect. And this has an impact, 0 impact. Construction revenues as an expense versus same values -- so for the purposes of analysis we believe that when we analyze the expansion of 14% without this effect, even then it is a significant moment in the comparison with the previous period. It doesn't change this tendency of growth, a very pronounced growth. Okay.

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The operational expense -- had but 27% increase, again substantially because not all of the acquisitions that we made but also specifically some other costs. You may notice that the two greatest amounts that we had were the construction of costs which were mentioned before and purchased electricity. All of the rest as you can see we have done our homework in the way of keeping the costs well below inflation. We are actually implementing initiatives that are very strict about always maintaining the operational performance of the Company within a very acceptable limits so that we can actually contribute towards these other increases that are outside of the Company's management. And one has to do with operational expenses we are actually focused on the adjusted to -- all of the companies in the group to a situation of difficulty, especially in the transmitters and distributors for the upcoming years.

Now, this is our business portfolio. In this quarter we had a participation of 41% in generation and a substantial growth of transmission because of the gains mentioned by Leonardo previously because of the sale of the Taesa shares; because of Taesa's IPO. So because of that, Taesa's participation in the total group has gone up substantially. Of course, this is nonrecurring. But also it goes to show the growth in the participation and the interest of the other companies of the group, not only Cemig GT but Cemig D are two very important companies to us, especially Cemig GT.

But the other companies in the group are growing and naturally any oscillation in the results, both at GT or at D, we can make up for by an increase in participation of other companies of the group. The EBITDA in the First Quarter reached BRL1.7 billion which is very positive performance.

This is preferential slide of the CFL. We have our cash generations. Cemig has done its homework once again. So as to preserve its cash. We have tried to invest. And we have tried to invest in very aggressive way in the expansion of our business. As you can see here, the volume of investments that were made in the last three months that was quite significant. The consolidated in the year shows a very good performance. But even then, we are actually injecting very strong cash, preparing the Company to face the challenges of the next year. We have reached almost BRL5 billion by the end of the last quarter.

The investment programs that we are carrying out as a function of our what our distributor is doing, we have a great volume of investments there. In the distributor because of the third stereo cycle which begins April 2013, unfortunately we have to revise the adjustments for 2013 because of the Provisional Measure 579. We are now waiting for some definitions so that we can go back to the -- our investment plan that had been laid out for the near future. And so, it will be a while until we have some definition on the part of the government.

In sum, our results are still very strong. In spite of the market value being reduced it is quite significantly after the Provisional Measure. We understand that that Cemig assets are very solid. And because of this solidity, we are absolutely confident that the market is going to recognize the value of Cemig previously to the Provisional Measure. And the events are going to -- are taking place. And as the quarters will show up, the market will be convinced that this value market that Cemig as has been penalized because of the mistrust that the investment market has about the electric industry in Brazil.

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There is some concern of investors and there are worried about the impact of the Provisional Measure 579 into our statement because the measure provides for payment of indemnities below what we imagined. So what with other of this aspects of what would be the prospective outlook for an adjustment to our assets, we understand that the need to provide for the Company's statement. And because of 579, this is related still and dependent upon the acceptance or not by the Company of the inclusion of our assets and our concession contracts into the environment of the Provisional Measure 579. If we accept the address of concessions, we then decide BM 579, there's got to be an accounting effect. Because in the case of the transmitter, for example, the value is about BRL175 million as opposed to some assets around BRL700 million year. And we'll have a delta that of course is taking out 34% of our income tax.

So we'll have a different effect because the accounting value of these 18 plants is BRL124 million, we present another value of BRL700 million. This is a difference of 124 million to BRL700 million is due to the adoption of IFRS. And this is the effect of value greater value generated by additional depreciation that the Company chose not to impact the dividends to the shareholders because of this additional depreciation. They paid 50% of the profit plus the additional depreciation. As this affect of the BRL700 million -- still BRL120 million, which was the previous accounting system and this difference is accounting -- the Company will decide whether this effect were going to impact the dividends.

In the case the Company does not adopt or use this assets within the MP 579, we have the rights and obligations that are part of the concession contracts. In this case, we understand all of the investments that we made in generation when necessary to carry out the job, to do the job. So they have to be remunerated. And in the case of our transmission, our situation is singular, because it functions like a distributor with the tariff -- annual tariff revision. In this way the remuneration basis is -- it's over BRL1.3 billion.

So we understand instead of having an asset low, we have again because of this indemnification, this indemnity. And we understand that this issue depends upon the acceptance of that or not of the MP rules. So we'll be able to have a better discussion when you look at it our return share in our rights. And while we understand that we are entitled to indemnity of our assets so as to define if we'll be provided for in our balance.

There is an important effect, also, on the part of the general director of now the recognition of the similarity of our transmission contracts, which collaborates your statements, is that it? So our concentration contracts will have a basis of the assets over BRL1.3 billion. And this investment is already being considered as prudent by the regulator. So if the Company doesn't accept the MP rule, this value we'll take is something that we think is right, is defensible. That is, this has to be the minimum basis of our paying back these assets. So we have not finished our completed one-hour presentation.

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

I am under the impression that we have time for questions of analysts and investors in the next minutes.

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## Questions And Answers

### Operator

(Operator Instructions). Gabrielle Iada [ph].

### Q - Unidentified Participant

Good afternoon. Thank you for the opportunity. I'm going to go into this last consideration made by the treatment because of the options and the alternatives vis-a-vis PM 579. I was trying to remember today which came out the media of the government is almost certain that their methodology of calculation is going to be good from now on. And the calculation, even of the indent [ph] only be approved to even if you don't choose the anticipated renewal, will be prudent maybe to try to understand the calculation -- the several calculations that they are applying.

Well Gabrielle, I am under the impression that the answer is that Leo gave. And the comments that Leo made, show us the way given this uncertainty of what is going to happen in the future. We are prevented from actually taking any attitude now. So the auditors recognize this condition. And they did not require any movement or anything with the assets. But the conviction that we have is that our assets are assessed or evaluated in a conservative manner. And if we had to make any movement, any move, it would be in the way of valuing even more of these assets, as Leonardo has said.

So there is no reason why, at this time, make any move now. We just are sitting down and waiting for the unfolding of the negotiations with the federal government and Congress. And after the issuance of a law, the definitive law, the ordinary [ph] law by President Dilma, then we will be able to make the decisions, the more correct decisions.

But our expectation is that nothing is going to affect our (technical difficulty) results. As Leo has said, if we adhered 100% to what the PM 579 prescribes, even then, we would not have a significant impact upon our results. And this makes us really assured that we may proceed with the position that we have decided for. Thank you.

### Operator

Felipe Leal, Merrill Lynch.

### Q - Felipe Leal {BIO 2015017 <GO>}

Hello. Good afternoon. Two quick doubts [ph]. What is the outlook for the conclusion of the prepayment of CRC. And the closing of the transfer of TBE to Taesa?

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

This matter of TBE, we have tomorrow, at the meeting of the now directors, the conclusion of our proposal. We believe that tomorrow, Anel is going to approve it. And

we're going to conclude all of the process. And subsequently, we depend upon BNDES's consent where we believe that the bank is going to agree without any problem.

So it is -- in a matter of two weeks or so, we are going to be finishing this process of transfer of TBE to Taesa. Then what has to do with CRC, the state has already obtained the approval from the Senate. The Senate -- this is public. The Senate has approved all of the three transactions referring to the resources that the state is going to raise in order to liquidate the CRC contract. We are now in the process of signing the contracts. The state is in the process of signing the contracts. And we believe that in the next two or three weeks, this process is going to be concluded as well.

**Q - Felipe Leal** {BIO 2015017 <GO>}

Thank you.

**Operator**

Marcelo Ganet [ph], Ocean Investments.

**Q - Unidentified Participant**

A question about -- for the President has said about the derivatives related to 2011. I'd like to know if the trend is for you to distribute the remaining 50% of the profits from 2011 up until the end of the year now?

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

This is as right as the year finishing on the December 31, 2012. No doubt.

**Q - Unidentified Participant**

Thank you.

**Operator**

(Operator Instructions). Filipe Mattar, Goldman Sachs.

**Q - Filipe Mattar**

Good afternoon, everyone. We hear some recent comments from Djalma about the tariffs and conditions after especially for three more years, which in our analysis seem to be relatively low. And we understand that the three plants with the first due date were not even considered in the conditions proposed by the government. Second, understanding the difference, both to the expected revenue and the value of indemnity for transmission, that are given recent comments about the fact that the tariffs will not cover the Tres Marias operation.

My question is, what's to expect between today and December 4, through the belief that these terms will change? I understand the Company is positioned to discuss the eventual

changes. And not to take any final position about that. But the question is what to do you expect in terms of change between today and December 4? Will there be a discussion in the Congress. And approval of the law -- a passing of the law which will lead to a new deadline for next year?

And second, to discuss the expectations about Tres Marias specifically; and the plan to deliver those terms accepted, or waiting for an improvement of terms.?

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

We have manifested our very firm and strong position, Felipe, about the three plants -- Sao Simao, Jaguarua and Miranda. We cannot accept positions of the other 18 companies that fit the second postponing. We have to answer why to expect whether to wait to see if there's not going to be any change in the figures proposed by the government. We have heard. And have read in the papers, that these conditions might improve. There's no point making a decision anticipating about such an important issue.

So we have no outlook or perspective to accept the proposals of the government in the present conditions. We expect we await that for the 18 plants there should be some improvement in what has to do with revenues proposed for them. We -- as the President has put in a very clear manner -- we are also seeking an improvement in what has to do with a residual matter of these plants. So we have to really await the development of these decisions. But our position is very firm and clear, of only agreeing to adhere if the conditions are attractive.

I know that, behind your question, there is the great concern that in some kind of circumstance we could revise this position. I doubt it, very strongly. Only if the conditions were -- well, very much improved, we would really revise our position.

### **Q - Filipe Mattar**

Thank you. Excellent.

### **Operator**

Vinicius Canheu, Credit Suisse.

### **Q - Vinicius Canheu** {BIO 6300903 <GO>}

My question is about dividends for 2012, or even 2013. It was very clear when it comes to 2011 the dividends that were announced. But when we think of 2012 or even forward, in last years, Cemig had, in terms of the cash and debt, could pay extraordinary dividends above what was in the bylaws. So then we look at this year, the cash availability is still quite high; and results also for the Company. But depending now upon how this discussion finishes, if it does finish -- I mean the discussion about 579 -- the investors, I really think, is there room to continue with distribution well above the definition that's been before? So can you tell us something about this? Because President Djalma in the beginning has said that it's time to be more aggressive in mergers and acquisitions. And auctions as well.



Maybe we have an opportunity that way. So what is the relationship that you could use this?

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

If you look at our behavior in recent years, we have invested significantly in the way of enlarging our installed capacity through new just through acquisitions. We have remunerated our employees in another way through BROLE [ph]. And even then have distributed dividends that are highly attractive to our shareholders. So Cemig has been able to actually satisfy all of these demands in the rest of last years. And nothing says we would be having difficulties in the future.

So what I can tell you is that Cemig has a solution for all cases. So we are continuing to invest. We're going to find -- try to find expansion for our businesses so as to add more value. Then we have also to start -- to continue with our investment policy so that it remains a variable. We never even considered any type of possibility of doing on making any change. Investors and shareholders may be absolutely sure that Cemig works 100% of its time looking for value-added. And this edition of value results not only in the ability to invest and the capacity to grow, or to improve the quality of service for its consumers. And to sign a partnership -- long-term partnership contracts with these consumers; and besides that, pay their debts and pay their dividends. It actually fulfills that commitment that it made to its master plan.

So in spite of all the challenges that we have ahead of us, we've been able to actually fulfill and cover all of these aspects. So I'd say that with the absolute trust, we in the management of the Company and its employees. And the way we've been conducting the management of this Company, there is no prospect of a change.

### **Q - Vinicius Canheu** {BIO 6300903 <GO>}

Okay. Thank you.

### **Operator**

We'll now close the question-and-answer session. I would like to give the floor now to Luiz Fernando Rolla for his final remarks.

Luiz Fernando Rolla, proceed.

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

First of all, I'd like to thank all for the time that you have dedicated to this webcast. The results were in line with what had been predicted. You can compare the results of the three First Quarters with our guidance. And you have noticed that we're going to deliver, very consistently, the guidance that we had proposed. We are not making any change to the guidance as yet. We have no need to do so prior to May 2013. Only after the third tariff revision and its results are we really going to change the guidance.

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And this shows the confidence that the Company has in its own performance. We have challenges; yes we do. We have great challenges ahead of us. We have never doubted our ability to overcome them. Even in this condition that the granting power of questions the way we intend to actively renew our concessions. So I convey to you our confidence. And really, this question was very timely, because it gave me the opportunity to restate all of our (technical difficulty) commitment to the addition of value expansion and service quality and operational performance; so that we may have a growth, not only of the Company as a whole with its employees and its managerial capacities and with the inclusion of new technologies. But also with honoring the commitments that it has made, not only to its creditors but also shareholders.

Therefore, our words are words of trust and certainty that Cemig actually overcomes this challenges that we have facing us in the future and recent. Thank you very much. Have a good afternoon.

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