Q4 2012 Earnings Call

Company Participants

- Djalma Bastos de Morais, President, CEO
- Luiz Fernando Rolla, Director
- Maria Celeste Morais Guimaraes, Legal Director
- Ricardo Jose Charbel, Director
- Unidentified Speaker, Interpreter

Other Participants

- Felipe Leal, Analyst
- Lilyanna Yang, Analyst
- Marcel Osof, Analyst
- Marcelo Britto, Analyst
- Unidentified Participant, Analyst

Presentation

Operator

Good afternoon, everyone. We now begin the video webcast of the Results of the Fourth Quarter of 2012 (inaudible) Djalma Bastos de Morais, our CEO, Ricardo Jose Charbel, Distribution and the Sales Director, Institutional Relations and Communication Director, Luiz Henrique Michalick, Institutional Relations and Communications Director and Dr. Luiz Fernando Rolla, Director of Finance and Investor Relations.

The broadcast can be followed on the phone, 5511-4688-6341. And also on our website, http//ri.cemig.com.br. We advise the use of a new player whereby you can visualize the presentation in a dynamic way. Now we give the floor to our Director of Finance and Investor Relations, Dr. Luiz Fernando Rolla, to begin the presentation.

Luiz Fernando Rolla {BIO 1852035 <GO>}

(Via Interpreter) A very good afternoon, everyone. It is a great pleasure that we are presenting the results relative to 2012 that we had publicized last week and we are going to make a few comments on that and we're going to split the presentation into two parts. The first part, on a more strategic mode, with the participation of our directors, our President, directors, CEO. And the other directors. And then we're going to plunge into the results that were publicized so that you can have a very broad knowledge and complete knowledge and understanding of the results.

Our presentation today is going to be titled "The Year of Delivery -- 2012" because of the results that we are publicizing. Our CEO, Djalma Bastos de Morais, he actually was the captain of the Company -- has been the captain of the Company for the last 12 years and what we've been presenting this year is the result of the strategic management of the Company used in those years. And the profit or the net income was BRL4 billion and extremely important for the Company. Mr. President?

Djalma Bastos de Morais {BIO 2089645 <GO>}

Good afternoon, my friends. To be sure in our meetings, not only 2012. But all the other years have been years of delivery. But this one was a special one for us. 2012 was a special year because -- it is common knowledge now. But we had a few stumbling blocks. But they practically did not interest our year of 2012 and we believe we -- and we are convinced that we're going to continue on into 2013 as the year of delivery.

We are in a relatively good situation. We have been working. And I hope that we are doing what we had proposed to do last year. We are meeting all of our -- fulfilling all of our visions, whether through acquisitions we made possible the acquisition of Taesa. Total acquisition of Taesa, we have shown you a profit of BRL4.2 billion. We closed the CRC agreement, which was something pending between us and our controller. We captured BRL7.2 billion an example.

And as we have forecast and promised you, Santo Antonio, the plant is in operation now and has had a very good situation even anticipated. In this case, Mr. President, we are actually fulfilling all that had been promised or anticipated in the commissioning of Santo Antonio. You remember, it was a very controversial project. But we were able to meet everything that had been demanded and that we had promised.

Our net revenues was a decision -- a strategic decision that we had. And certainly we have a very positive reflection on our revenue and our EBITDA and especially on our net income. The strategic decisions had a very positive impact upon all of our actions and our results. And in respect, we have made or taken some measures in order to guarantee that the foundations and the fundaments of the Company are preserved. The kidders show exactly the growth of the performance of some of those indicators that we have outpost.

In the plan, we are very influenced the results -- upon the results of the CRC negotiation. We had a very positive result, which guarantees substantial growth. And what can you tell us? What's most important about the role is that in our net income, even if we did not have the CRC and we are just in a state which has given us this income, we would have a growth of approximately 23%. This is what is important, which reflects the fundaments. And Maria Celeste, please, our Legal Director.

Maria Celeste Morais Guimaraes {BIO 17339931 <GO>}

The strategy that we have adopted that I view as a long term is also aimed at our operational improvements -- in operational improvements and the quality of the services that we provide. The investments that we have made, all of them, especially in our distributor, have been geared towards such improvements results.

What can you tell us about those improvement measures?

Dr. Rolla, we are -- have been working and evidently we are going to continue maintaining too on the commitments of all of our management and all of our board of directors to make possible and feasible what we are committing ourselves at every year and we have some major effects that would directly reflect upon our consumers.

We have actually won the second place in the Aneel consumer satisfaction index in 2012. It's an external survey conducted by Aneel. And this is important to us. We have a commitment to our shareholder. We have a commitment also to our tripod, which is our consumer. This is the commitment that we have, a considerable commitment that we have promised to be able to make true and the commitment to our investor and our shareholder and also our consumers. We have been rigorously within what we have envisioned and we are actually fulfilling it to the letter.

Dr. Ricardo Charbel is responsible for our distribution and he has run all of the initiatives for the operational improvement. Dr. Charbel, could you give us any additional information about these improvements?

Ricardo Jose Charbel {BIO 18007660 <GO>}

Good afternoon, everyone. The results that we have and the accidental outages due to accidents show a reduction in the last five years of those outages. In the last five years, we have 12% of reduction in the outages due to accidents. And if you look at the other chart where we show the program and accidental outages showing an increase in exactly the investments that we have been making in the last years, showing -- that's shown comparatively to the year 2008, twice as what had been programmed. This is what we call the growth cholesterol and this reflects the performance of the Company. So the more investments you make, the better results you show.

So I would like to also say that will our bet that your question about the results of the power outages relatively to gas, which we had suffered, is that the ranking of Aneel in what has to be the accident related, it's a simple average, the result of the performance that you had vis-a-vis the goal that you have posed. However, if we could attain first place in the rank -- in our rank and one event we'll have is results after we go beyond the goal of the other concession holders, that considering our and so this is (inaudible).

So we have the broadest network in Latin America -- distribution network in Latin America. And 90% -- 99% that's in aero cables. And this has an enormous influence on this performance index. And so you compare to -- compare us -- compared to the other companies in similar size, had exceptional performance. The distribution network, it's approximately 500,000 kilometers, which means more than 12 absolute laps around the equator. So in this rank I will have 7.5 million consumers and other utilities in the 170,000 consumers.

So moving forward in our presentation. If we were to focus our commitment of sustainability in the three segments that we're at -- generation, transmission and distribution of electric power -- in 2012, we also had deep work conditions by the investor market.

What can you tell us about our permanence for the 13th year in a row and the Dow Jones Index?

This is our commitment with the tripod. We talked about our investors. We talked about the efforts that we're making for our consumers and our third largest commitment is to sustainability. So for the 13th time Muran, we are part of the Dow Jones Index. And this is of major importance to our Company. But also important for the investor, of the one who invests in our shares and uses our services.

There is, in fact, a concern on our part with sustainability, with the social organism of our planet. And this is very important to us. This recognition and this award shows the international recognition of our efforts towards sustainability for those who invest and those who trust in our Company.

We are for the eighth consecutive year in the Sustainability (inaudible) -- Sustainability Index at Bovespa. And this also reflects the brand -- on the brand. The brand has had also a very strong growth in the last years. There annually we got a little bit of brand and have the reputation index evidently in the communication that CEMIG has guided towards this selection in order to value the brand more and more and to maintain our -- the competitable -- our competitable reputation index. inevitably the way that we have followed, especially in the communication area, is to potentialize those actions in sustainability which give visibility to all of our stakeholders.

Now, moving forward. And on into our presentation, there is an extremely relevant topic for our Company, which was an object of a great discussion in the last six months, which was the approval of Law 12783, which naturally talked about the removal of our concessions. We had previously announced our decisions about what to do and about the renewals of the concessions. This is always a topic which is under focus all the time of the interests and analysts. And naturally, we are made our decisions and going back to that is making our concerns turn towards the financial health of the Company and, of course, meeting the demands of our shareholders and our employees.

Evidently, it is really an unusual fact. But we have been working for the presetor [ph] the preservation of whatever is feasible for us, of course. That which we judge and which we have rights we are entitled to make them feasible. We have the support of our largest shareholders, our government, which has supported us since the beginning of this journey. And we are certain that we are going to be victorious in this struggle. And we believe we can actually mitigate what was thought of as a delicate situation initially.

Now, we have this conviction that we can once again overcome this difficulty that has been imposed before us (inaudible). We are here to the concession -- the transmission concession and distribution contracts. And naturally, the concession of transmission, we had actually a revenue of BRL196 million and we still have some easy, yes.

We have been waiting for the regulation of that and we expect to see this amount from the federal government and this is still being regulated because this amount is going to be paid to us in 30 years. And they did that in terms of how this is going to be updated. We will have a meeting about the concession distribution contracts. This similar contract, the government has not actually announced anything about that. But the government has focused its concerns around transmission and generation.

Now, as for generation, as our CEO has said, we are having an impact at 31 generation plants. They are about 2.4 gigawatts assured power. And out of these 2.4 gigawatts we are centering, we are actually making -- focusing three assets which we can get back. The three hydro plants -- Jaguara, Sao Simao and Mirada. Particularly in the case of Jaguara, this concession expires in August and we are actually making every effort. We have asked for the removal of this concession and we are waiting for the Ministry of Mines and Energy and Aneel to state their position. (inaudible) when it comes to the three plants, they are extremely relevant to us as initially transmission.

What is the legal view of Cemig about the problem?

Everyone knows well that since last year so that we could make a decision to appeal not to the Provisional Measure 579 we did very detailed studies in order to actually -- to ground the decision in the sense we were fortunate to count on the best law offices -- law firms in this country and all the reports that have been made for us I must now emphasize that former ministers of the Supreme Court actually gave their opinion because of the conviction that those jurists started to have about this right that Cemig has to the renewal of the three companies in the 2007 contract.

We have to make it clear that out of the 21 plants for which that (inaudible) has spent admission we did not adhere to 18. We had three very clear hypothesis of this from the 2007 contract. And the contract says that it would be guaranteed for another 20 years. That report and the agreement that we received from the law firms show that the judiciary system is going to appreciate our impartiality, our basis because it is grounded upon three very strong arguments.

The first one is Article 21 of the Federal Constitution, the so-called law of the right to removal with the articulation of the states having to do with energy resources. Article 21, Item 12b, of the Federal Constitution says that the concession in hydro energy resources is going to be made by the union in articulation with the states and its permits was not observed by the federal government.

Our second argument. In 2007, when our contract was signed, all know that the fourth clause had a different phrasing from the several -- from the other cases in this country. So if there is an argument of the distributionary power of the federal government to concede or not the removal, in our case, the conceded power as they wrote the contract, used -- they used this concessionaire. They add guarantee to 20 more years in the contract. That is they could have said it could be removed for another 10 years. But the government did not do that. The government chose -- guaranteed its renewal for 20 more years. So if there was this pressure, it was exact replica of when the government chose to guarantee this renewal to us.

And the third and last argument is that this contract was written 16 years ago. So there is a unanimous understanding among us that this guarantee that the conceded power has begun stable in 16 years. There was stability deriving from that and guaranteeing our right and the right -- we are entitled by that into this renewal. If we are now waiting at any time now for the ministry's answer to our administrative request, we are now we have a piece already ready to propose to the judiciary system that can grant these rights that we are entitled to. And as it recognized and consolidating and stabilize in the last 16 years, it is my conviction now that the judiciary is going to recognize our plight.

And just -- and in conclusion, in the presalt case this was the position of the Minister Donnie Lousa, who reported on this process who then the approval recognized that those contracts that had already been signed and there was a recognition to the states of Rio and Espirito Santo and Sao Paulo that the rule could not be changed. If there could be a change in the distribution of the royalties for the new contracts, which reinforces our own argument that the contracts already signed, which is clearly our case, the rules cannot be changed because they violate the principal articles security. So the judiciary system, of course, likes this basis on the security and so it's going to be adjourned in our case. Thank you very much.

Just a few additional comments on payment of dividends prior to giving the final word to our president in order to clarify who's entitled to the dividends which is going to be approved in the meeting of April 2013. We have declared in JCP and IOE that is worth BRL 1.7 billion. This IOE we have a payment last March. And at the end of June we should be paying the second part and the third installment in the end of the year. So extraordinary dividend of BRL1.6 billion. We already have one payment in January and BRL400 million in March. So this is paid for.

Now -- we now declare for normal payment of ordinary dividends and additional dividends, which amount to BRL1.2 billion, which should be paid in two installments in June and December 2013 so that they now hopefully will deliver what we promised to our shareholders.

Now, as the final word (inaudible) the year 2013 is going to be a year of much challenge and we'll have to seek new measures to improve our operations so as to maintain these foundations that have resulted in the very good bottom line for our shareholders. Could you anticipate some of the measures for us?

At the beginning of last year, we have had one concern. We were worried that we wanted to adjust our Company to the tariff revision that was going to emerge and we had to adjust to that. And there was a concern on the part of the Company to reduce its costs. I'm referring to materials, personnel, services.

And with the advent of this Provisional Measure 579, we had to adjust in a stronger manner -- in a much stronger manner. We got the board of directors together, we made a decision to launch in this Company here a plan for the voluntary resignments. This plan has concluded last week and it had an addition of more than 1,000 employees in the Company. So I believe that all in the other companions here the board of directors that we are really going to adjust -- to make the adjustments to the new times to the new challenges that present themselves to us. And we have until June to actually let go of these more than 1,000 employees and with more a few adjustments more in our area-- we will be looking good September, October this year.

So it has been important to us and to you to know about this. But we are now letting go more than 1,000 employees of this Company and this is going to help us -- this is going to help us adjust the Company to the new times. And we are certain that whatever we have promised in the beginning of 2013 we here, as I said, this is a year of delivery. This is also going to be a year of delivery in particular. Thank you very much and I'm going to withdraw now and I'll ask Lee to come up and I'm going to leave you. Thank you very much.

Unidentified Speaker

Thank you, fellow directors, for the participation. This strategic view is very important for us. It's important for our stockholders and investors. Tomorrow, the board of directors of this Company is focused upon the creation of value and the search for return on investments that we have made in a very well disciplined way.

I would like at this second part now to call two superintendents to help us make this presentation. Here now is (inaudible), who is our Controller. And (inaudible), who is the Superintendent of our financial management. And is going to give us a hand here explaining some of the money -- some of the procurements that we have made.

I'm going to go back to the topic of the results. We had BRL4.2 billion net income, which means a growth of 77%. As we mentioned in the beginning, the President had made it very clear we had many events that we considered non-recurring. And these non-recurring events contributed to these results. Regardless of that, as our CO has assured us that we had a result excluding that non-recurring items, the result was quite solid. The results of our measures and initiatives -- strategic initiatives that Cemig has adopted in our series and that has resulted in continued favorable results.

And as you've seen in the closing of the -- in the closing remarks of by our CEO, the absolute test that in spite of the challenges that we have been facing that we are going to deliver a very competitive result and a very attractive result to our shareholders also in 2013.

And we have some results here that are highlights. The first one is a financial result as already anticipated by our CEO. It results from the CRC agreement that we have made with the state of Minas Gerais, which naturally we had a financial gain -- high gains, which resulted in a gain of BRL1.252 million -- billion -- BRL1.252 billion. And we also had gains which were the results of operations in our controlled companies. And these results, especially the sales of shares of Taesa at the IPO that we held in June -- last June resulted in a very positive gain for our stockholders.

The EBITDA, I prefer to talk about it on the next slide. In order to understand this trigger, maybe you would need to open with a little better detail and see these figures, all of them, have a very positive result because of the several measures that we have adopted.

I'm going to show to you the adjustments that we have made to the net income. Those adjustments were important ones. The largest one, obviously, without a doubt, is the CRC adjustment, which stood for BRL2.850 billion and we had adjustments due to the CEA and because of the adoption of IFRS. So if we made those adjustments, we would have a net income of BRL3.696 billion, which would represent, as shown in the first slide, substantial growth vis-a-vis the 2011 results.

Now I would like to emphasize what this BRL2.7 billion profit means that the results was coherent with the initiatives and the strategies that we chose to implement those strategies of our operational improvement and growth strategy for the adequate selection and very rigid discipline in the selection of the investments and the assets we were going to invest in during 2012, which resulted in this greater growth that you saw.

And it's important then to make it clear that these numbers and these figures are all of them due -- had as a result of very good value for our stockholders. I call attention to the adjusted EBITDA, which reaches BRL6.2 billion. This is extremely adherent to our guidance, which we publicized last May 2012. That made 2012 excluding all of those extraordinary amounts that affect our EBITDA, the performance was fantastic as compared to that which we had promised. So naturally this has a very positive impact upon the results of 2012.

If we look now at the net revenue -- consolidated net revenue, we had a growth of 17%, which is very strong growth, which also consolidated value and it actually helps us above all to build this result that we can show now in what has to do with a consolidated expenses -- the operational expenses we see as the highlighted value of the purchase of power.

We had an additional expense of BRL1.679 billion resulting in the purchase of power besides those 2011 results in order to show this picture of generation of thermal energy, which was adopted the beginning of last year and which affected last year, especially the Fourth Quarter that had a large growth of these expenses. But we also had some provisions. And the provisions which naturally reduced -- or increased the expenses.

Good morning, everyone. There were a few extraordinary provisions, especially in the Fourth Quarter. And the main one is related to the agreement with -- the prior CRC suit and has to be analyzed in all the process of negotiation of CRC. Because of EBITDA calculation, all the CRC gain did not affect positively the Company's EBITDA. But this provision affected it. But in a global analysis considering all of the permission effect. This separation was very positive for the Company.

And by analyzing all of the costs in the Company, we see that the manageable costs, which show the efficiency of the Company in managing these resources, you will notice that these costs have been rising. They rose less than the inflation rate, which shows you the commitment then of the corporation to make an efficient cost management.

Now, moving on, we have now the profile of the debt. Consolidating that profile, we had growth rather forecast for almost BRL6 billion. We also would like to only call attention to this trend toward the reduction of the cost of debt. We now have an average real cost of 5%. In spite of this consolidation and CDI of 37%. But the trend that we have seen in the market is one of the reduction of costs, of loans and financings.

And with that, some are the indicators that are extremely important to us as the net debt over the EBITDA, which is part of our strategy. And so within the statute of limits of the bylaws limits, two to four times, it's extremely positive performance. It allows us to keep our rating -- our AA ratings for the national debt. And this to us is extremely important. And the total debt profile is limited to 52% of the total assets.

So these two indicators are ones that we consider to be extremely important and which we'll follow very intensely in the short-term. We have included for the calculation of the net debt, the short-term financial applications, which we consider to represent cash also for our Company. So I would say that there isn't any additional concern for us in what has to do with our debt.

We are actually at a very comfortable level of debt and with enough cash generation in order to pay off this debt very comfortably, which helps us and is a good standpoint to continue growing through the acquisition of new partners, for example. So this is naturally going to have a very positive reflection in the next years upon our cash generation.

As you can see on this slide, the contribution of each one of those large companies that we have. I will highlight the growth of Taesa, which has climbed up to 16% of the total of the cash generation of this Company. It is an investment that is extremely important for Cemig, which is already -- has already reached a very significant level there. I call attention to Cemig GT, which also had fantastic performance, BRL2.8 billion cash generation, a result, as you can see, of a sales policy that was extremely important. With that, our portfolio is getting closer and closer to our guidelines for cash generation in the long run. That is 50% generation, 24% transmission. And the remainder of the business reaching almost 22%.

So let us now talk about Cemig GT results, which were very important for us. This panel here of our generator gives us very clear demonstration of the rightfulness, not only of this sales policy. But also of the effort that we have been making to improve operationally. And this was highlighted by our CEO. Today, we have -- and what has to do with the margins, the EBITDA margins, around 65% with an EBITDA which we publicized at BRL3.6 billion -- adjusted, EBITDA BRL3.4 billion, which shows this current slowdown of our Company.

We had a profit which was very good in the BRL1.900 billion. If we adjust this BRL1.9 billion, we adjust it, we get to BRL1.5 billion, which places us among the best generations in the country. Now, the other results have gone up, not only because of the price of power and the impact of PLD, especially in the last quarter. But also on the contracts -- the correction on the contracts that we have with the three consumers. Now the growth of the volume of energy is quite stable as a function practically of the contracts generation that we have with our customers.

Now, the GT debt profile has a very good performance as well. The cost of GT was actually less than the average cost of the Company, which goes to show the quality of credit that the Company enjoys. We have some concentration in 2013. But 2013 will not go into finance -- we're not going to roll with that, are we? No, yes.

Just using the opportunity here, first of all. Good afternoon to all participants. I would like to highlight one operational synergy in Cemig GT that was actually done last year. It was the third issuing of debentures of GT. And the first one occurred in the environment of the new fixed income market, which was the initiative of BNDES and other agents to make the market of debentures a little more liquid -- a little bit more liquidity so it could have longer-term operations and an increase of the investor days.

This is some practices adopted by ANBIMA in the sense that promoting an optimization of assets and the existence of a market formed that was sharper and shaper. And the issuing of Cemig GT was the first one.

And it was extremely successful because it had a demand which is more than three times the volume of issues which allows us to place the debentures at an interest rate lower than what was offered in the process of book building. But allowed us to issue at a higher volume than we had initially forecast. So allowing us to place additional batches. So we had a cost which on average equivalent to IPCA plus 5.84%, a very attractive cost for Cemig, which, in fact, reflects the excellent quality of credit that the Company enjoys as demonstrated in the previous lines.

In 2013, we'll have this volume of debt expiring. We will have no difficulty paying them off. And the idea is not to procure anymore money unless there are new investments in the horizon -- and that was horizon to buy assets, for example, to get Company assets in order to place its contracts to provide power because the indicators of Cemig GT are on extremely favorable levels. But not that over. The EBITDA is around BRL1.7 billion, with a debt of 52.6%.

This consequence of the market debentures makes the participation on IPCA increase and today we have more that's in IPCA longer-term debt and fewer CDI debt, which allows us elevate the expiration date of our debt to the long-term. As you can see in this chart, we have now expiring and beginning 2012 BRL2 billion. Now, it's important to highlight also that up until 2015 we have been substantially reducing our debt exactly in order to -- in the case there is suddenly a problem in our plants we, in case -- in order to be able to maintain this indicator especially of our net debt over EBITDA around 1.7 exactly.

Moving on to the results of our distributor now, we have here some indicators that are extremely important. We had our EBITDA margin reaching 20% and our EBITDA -- adjust EBITDA reaching almost BRL2 billion. Of course, the reported EBITDA is much less, somewhere around BRL900 million. But it was effectively reduced as a function of the additional stressors that we had to incur purchasing energy in the Fourth Quarter.

And EBITDA, yes, Cemig, in the same way as other distributors, had -- the results were penalized because of the expenses buying and purchasing energy, making the distributor EBITDA more penalized, then the total EBITDA was very low. But adjusted by this again, which is extraordinary, of this higher cost that is going to be reimbursed in 2013 to the Company. We noticed that the EBITDA has boosted almost to BRL1 billion. And again, we have the promise of the diversification of the Company business. Even with the trouble of distribution, the final result was very expressive because of transmission and generation as well.

You're telling us that our business portfolio is less risk to our shareholders. Quality indicators, we already talked about in the first part of our presentation. We'd like to only show to you this panel here for our distributor, especially what has to be with the debt. You see a cost maturation here of BRL2.68 billion, expiration in 2013, which apparently could be a reason for some concern. That, however, Dr. Paulo Duado has given the solution to this.

Like what we did with the Cemig direction transmission, you will see in the First Quarter we're concluding a third issuing of debentures of Cemig distribution. Also, in the environment of the new fixed income market, which goes -- showed a good reception on the part of investors. We will have an issuance in the -- there was a demand over two times of the value of the issuance, which allowed us also to issue supplementary batches.

So we captured BRL2.160 billion and the total 12-year time with the payment beginning in the in the fifth year. So this long-term -- this sounds rationally been rolled forward a long time, beginning 2019 up until 2025, making this amortization schedule quite flexible, flat throughout the years, with payments that are going to go about BRL500 million per year, which is quite comparable with the cash generation of the Company, showing the capacity to fix this debt. This also means that the expiration of 2013 is going to move on to 2020, beginning 2019 to 2025. And the chart would look very flat.

Now, Dr. Paulo, you exercise the green shoots of the transaction of the distributor of the debentures. And naturally, the exercise was to guarantee a buffer on liquidity from the distributor throughout the year, a perfect outlook in order to for the event of pressure upon our constant cash and to cover the cost of purchased energy, which is rising.

We understand. And because of the high demand for the debentures in the book building process may the cost of your addition on average would be IPCA plus 4.77%. We understand that it was a good opportunity to offer this supplementary batch and to place in the cash in the Company reserves to face any pressure upon it, especially coming from the purchase of power because at that time we still did not have the government degree and which is going to allow us to reallocate those costs of energy purchased.

So you will say that the distributors' credit quality is still good. It is quite comparable with what the regulating agency actually prescribes. And what has been said by the rating agencies, testifying to the excellent quality of credit year ago that the company enjoys. And we have still very reasonable liquidity because of the cash generation. And you imagine if we had that adjusted EBITDA which was twice the reported EBITDA, it would fall into half. So naturally, this would frame the indicators within our one -- our even better credit quality than we have.

Another extremely important topic to us, which is Gasmig, our gas area is quite promising, as we've been saying repeatedly. We had the strategy to invest in exploration and extraction of gas in the four blocks of the we've been able to get. The departments of our investors as well in order to guarantee a supply to our Gasmig.

And Gasmig has had very strong growth. We had a revenue in 2012 of BRL1 billion -- BRL 1.4 billion, representing 25% growth relative to 2011, which led us to a performance over three million cubic meters per day -- 1.323 million meters -- cubic meters per year. And Gasmig is one of the main growth factors of Cemig for the upcoming years.

Now, the following slide maybe is the one we could spend more time on but Paulo now because it does represent our cash position, which actually sustains our investments and our future investments. So we had performance in spite of all of the non-recurring items in 2012. We are -- the performance was quite positive. You can see that the figures are very impressive.

We had a slight reduction in the cash generated by the operations because -- especially of the additional purchased energy that we had for the distributor. But even then, we reached a BRL3 billion cash generation. This figure is very, very positive, which, again, shows the efficiency of our assets. We are able to generate resources, making our growth sustainable in the long term. We actually only in our fixed assets we had a growth of BRL2.2 billion, besides our IFRS of BRL1.300 billion investments and financial applications in our IFRS.

In this case, we had to explain this growth in a little more elaborate way, for example. Also, because of a technical accounting issue, our cash that's presented in the balance sheet is a little less than our history because of the investments. Some investments had their expiration date elongated so they're relocated as values under cash. But at any rate, there are resources available to the Company which added to the cash resources of BRL 2.4 billion. And with the application of financial application resources, we can say that the Company today has four -- more than BRL4 billion cash so that it can manage and meet its strategic plan and enjoy an opportunity that may appear in the market.

What's impressive is the growth, left at BRL3.2 billion to BRL4 billion, we also in a difficult year, in a year in which our distribution business was penalized because of the energy costs, which were much higher than in previous years. Even with those difficulties, we have been able to maintain our debt in a well balanced way and to have an accretion of cash of almost BRL1 billion in an extraordinary result for 2012. And still paying dividends.

Naturally, we had not the recognition of the capital market and then we were elected by the Harvard Business Review. Our CEO was classified as the 26th best CEO in the world and fourth best in this country. And with the result of 2012, our CEO is not going to be defeated in 2013, which shows us a very, very strong performance in terms of market recognition as well.

And finally, in conclusion to our presentation, prior to moving on to the Q&A session, we have assets around BRL40 billion with a net asset of BRL12 billion, a market value that's a little penalized by the news coming from the last months there. But we are absolutely sure that investors and shareholders are going to be very tranquil about the future of this Company and go back to the pattern that we had prior to '11 -- 9-11.

And now we have some events, finally, in order to take place in the short term. The first one is the result of the third tariff review cycle, thus, the third revision. Our results should be for this coming Friday, if approved by the directors of Aneel. So we have to just wait for Friday to receive the results. It was a reason for much speculation -- had been. We had just a teleconference so as to tranquilize our investors, vis-a-vis a possible result of this third review.

But we still have a certain nervousness even among us. We are still concerned Aneel -- with the results up unto Friday. This does not mean that there's -- that is, we're not actually not sleeping, we don't -- we're not suffering from insomnia here. But our results are in line with the guidance that we publicized last year and we have been looking for in the negotiation with Aneel. We've been seeking some re-composition of some of the figures that we understood would be fair to the Company. But we have to wait for Friday.

Once publicized, the result of this third tariff review, then we're going to call a teleconference and we're going to open up the figures and put the figures on the table and we're going to talk about how we're going to account in the presence of Dr. Marlo Del Luca, which is going to tell us in detail the results of the third tariff review. But we have to be patient until then and wait for the result of this review and the approval by Aneel.

The renewal of Jaguara concessions are already being talked about, especially by our legal director, which clarified in a very effective manner our position vis-a-vis this renewal. We had to restructure our transmission assets because of the new concession contract. And this is also underway and that probably in a few weeks we should also clarify the market about what we are going to do with those transmission assets, which were the object of concession renewals.

Dr. Paulo still has some rollover debt to do, as we mentioned, some already taken care of and others still upcoming. But finally, we had post-retirement benefits which have to be revised because of the reduction of remuneration of the pension fund beneficiaries. As for that, now, would you care to say something?

Now, this issue also affected many companies and public utilities. And there was, because of accounting rules. And in the fact and beginning now several values associated with pension funds and other retirement obligations, which were only publicized in notes. Now, they have to be recognized in the net assets. They have to be recognized in the net assets -- they're at explicitly.

And these values in other companies were represented. But in the case of Cemig, our debt in the pension fund is already agreed upon for several years with our pension fund. And we know that this effect for the Company, BRL500 million, is available in figure. But in comparison with other companies we understand that it's perfectly adjustable because it is associated with the reduction of interest rates and we understand that this is punctual. And we understand that it doesn't cause any imbalance in the Company and its operations and its net assets because of the adoption we did in 2013 of this recognition of the post-retirement benefits.

Thank you, Leo. Now, with that, we close the second half of our presentation. Naturally, we have posted on our Web site our press releases there with additional information for our investors and stockholders. And naturally, the RI team is 2411 -- 24/7 available in order to clarify any doubts that may remain after our Q&A session. I think that we could now move on to the questions and answers. Thank you.

Questions And Answers

Operator

We now move on to Q&A. (Operator Instructions) We'll have a question from Felipe Leal from Merrill Lynch.

Q - Felipe Leal {BIO 2015017 <GO>}

Good afternoon, everyone. I have two questions -- one related to the debt -- the other one related to transmission. As for the debt, just to clarify, when it comes to Cemig GT, you said that parts of the -- up until 2015 you have 3.8bit debts expiring. And the idea is to amortize how much of that? And the second question has to do with transmission. And I would like to know what kind of time you expect to conclude to the restructuring of the assets in order to finish the transfer of the assets from TBE, Taesa due to the restructuring that has taken place.

A - Unidentified Speaker

As for the debt, our debt schedule, what we said was that we had up until 2015. And naturally, if there is any investment to be made in this time that could make up for the reduction of the 600 megawatts of the 18 plants that we should deliver to the government in 2015, we should reduce this debt so as to maintain those indices that are indicators of net debt over EBITDA at the level that they are today.

So the purpose, the first objective is to invest. And as we invest we're going to generate more cash flow, more EBITDA. And with that, we're going to have the preservation of our indicators. In case this is not possible, we're going to really reduce the debt in order to keep this indicator within the bylaw limits that Cemig has as a whole. So this is the main focus.

And what has to do with transmission, the restructuring in order to adjust to the present revenues of the transmission assets, naturally, they're going to apply many initiatives to reduce costs. Those figures that were announced by our CEO, of personnel reduction, are also part of such a restructuring. And it aims exactly at guaranteeing that the transmission assets may continue to contribute to the final results of Cemig.

TBE and Taesa, we should obtain the approval by Aneel of the transaction. We had a deeper discussion of what we had previously mentioned with the regulator about this transaction. But we understand that we have at least a common grounds with the regulating agency and very shortly we should be announcing the inclusion of this transaction into the context of Taesa.

Operator

We have a question from Marcelo Britto, Citigroup.

Q - Marcelo Britto {BIO 15393330 <GO>}

My question has to do with the retirement program. What was the investment for those 1,000 employees. And what is the expected reduction of costs -- or cost reduction out of that?

A - Unidentified Speaker

Marcelo, thank you for your question. The practical result is not relevant because you're going to have substantial gains even in 2013, this year. And employees are going to start leaving now, from now until June. And with that the expenses, naturally, in the first year are going to be greater than the gains. But the total impact, we don't expect it to be relevant for the Company.

If we make an estimate, maybe the personnel expense should go up significantly at a first moment. But then comparatively with last year it's going to be even a little lower than it was last year, certainly. This has a high cost that we're talking about. We're talking about actually monies that are going to be paid as a severance -- severance pay, much greater than --. And so this higher cost that we're going to have this year, we understand that in a short -- in one to two years we can actually have a reduction on our payroll, which is going to make up for this temporary increase in our personnel expenses in 2013.

Q - Marcelo Britto {BIO 15393330 <GO>}

Now, the amount you're going to suspend there, what is the cost reduction that you expect to have, or you expect to have none? Can you just give us an idea of the amount that you intend to invest at this first time because of this retirement program -- voluntary retirement program. And what is the beneficial effect?

A - Unidentified Speaker

This program, Marcelo, it's in the cost reduction context which I had announced last year. I don't know if you remember, we announced a BRL600 million reduction program in three years. And already in 2013 we're going to have a reduction around BRL200 million in the context of the operational expenses of the Company.

Such a measure is part of many initiatives that we had already adopted of revising processes, operational initiatives which are going to actually bring about a reduction of BRL600 million in three years. And this personnel reduction was already part of this context. So what the market is going to notice is the reduction. Of course, as Leo has said, the first year you're going through an increase in expenses with a reduction of personnel. And maybe in our next explanatory notes, we'll have to make -- or separate these additional expenses and the corresponding reduction of personnel which are going to take place in our financial statements.

As we did not have the figures, the number of revisions to the program, in our personnel note, we described the basic characteristics of this program and the main incentives because I think it serves as a subsidy to measure those impacts. But we're talking about the reduction of expense over BRL100 million. And even if there is some effect this year because of the difference between the severance pay and the avoided cost after the employees were relieved, this is not so big that -- so big as to cause any imbalance in the program or in our expenses.

Operator

We have another question from (inaudible), Espirito Santo.

Q - Unidentified Participant

Going back to the debt, all of this discussion about the calculation of the net debt of the EBITDA which was talked about during the presentation. But I'd like to know if you have some limit that you've placed to yourselves for such an indicator. That's one question. And the other question is, what is the investment that you forecast for 2013?

A - Unidentified Speaker

Now, Oswald, you're talking about net debt over the EBITDA? Is that the one you're talking about? Well that's -- that is included in our bylaws. We have a limit, a lower limit -- actually, a floor which is two times EBITDA and the ceiling is 2.5 times EBITDA. This is the range that we think is most adequate to preserve the credit quality of our Company.

I'm talking about the consolidation now. In the operational expenses, we may have some variation. That is why we will not limit, for the operational companies, those indicators. But the consolidated, we do that because the consolidation, it shows the general trend of the risk perception that the Company agrees in taking. And this indicator is going to fall between two times and 2.5 times the cash generation as measured by the EBITDA. This is in our bylaws and we have to respect that.

Occasionally, as you said, in Cemig GT it fell below. And in Cemig Distributor it's slightly above it. And one sort of makes up for the other so that within the consolidation we fall within the bylaws range. We are really concerned about this financial performance. The financial health of the Company is one of the pillars for sustaining our growth. And because of that we are really very strict about those indicators. We -- therefore, whatever the decision is about growth, we're going to observe these limits.

As for the CapEx, we're still revising it because of this adjustment to the new rules. There is still many doubts whether investments will still be made, both in transmission and in distributor -- and distribution are going to be recognized. And as soon as we have a definition by the regulating agency we're going to announce the investments that we're going to make, not only for this year. But also for the next five years.

So I asked you to be patient and wait for these figures on our meeting with the investments and analysts on the 27th of May. And on the 27th of May we expect to announce a new guidance, the investments that we're going to make in the next years. Of course, we always exclude acquisition investments. Those acquisition investments are occasional and, therefore, we cannot even announce them because of confidentiality of such deals.

Operator

Now Marcel Osof [ph] from Brasil Plural.

Q - Marcel Osof

Good afternoon, everyone. I have one question about transmission. I remember there was a discussion as to how this value would be adjusted, would be 4% -- o IPCA plus for 4%. If you have a definitive position about that. And another point, what are you looking up in terms of auctions. And what is your position vis-a-vis those auctions? Do you have any hydroelectric projects or some thermal projects that is relevant that you have? Could you clarify the 4% (inaudible)?

A - Unidentified Speaker

Now, about the 4% or 4.5%, this is already settled. Now the government will -- should regulate it. There should be something about that, around 5.6%, 5.4%. But this has not been regulated by the ministry as yet.

Knowing what has to do so would be the value plus inflation, would be something somewhere inflation plus a certain percentage that we understand would vary from 4% to 5.6%, or give or take a few decimal points.

Now, as for auctions, we're going to continue participating in those auctions through our colligated companies or our affiliated companies. Taesa participated recently in an auction -- unfortunately, it was not successful. Renova is going to participate in auctions as well -- we expect it to be successful. We have a few other auctions to be scheduled for 2013 by the federal government.

And if there's -- if there are conditions enough we're going to participate and we're going to try and be competitive in those auctions, not reducing return but reducing the cost of investments, which is -- which we would be making. So we have an interest in growing along this pathway. Also, it is extremely important that we -- for growth and in a certain way it's going to accelerate the substitution of those 18 plants that we should give up in 2015.

Q - Marcel Osof

Thank you.

Operator

And we'll have another question from Lilyanna Yang from UBS.

Q - Lilyanna Yang {BIO 14003234 <GO>}

Thank you for the opportunity. I have two questions. How has Cemig generation has in terms of purchased energy for these three years. And can you tell us what amount of energy are going to be purchased in terms of the strategy to contract to protect from the -- to protect from not recognizing Sao Simao as belonging to Cemig?

And the second question is, how did you work around the seasonality during the energy -- during January, February and March. And how does it go throughout the year?

A - Unidentified Speaker

Thank you, Lilyanna, for your question. It's a very important question because not only of the importance of our capacity that we manage. But also because the amount of resources that it generates. As for the purchased energy, we -- in the end of 2012, in the perception that we will have, the expiration of the concession contract of Jaguara, we took a few steps towards establishing a contingency plan in case of a worst scenario.

Based upon this worst scenario, we took a few steps in order to ensure additional capacity in order to guarantee that if by any chance the unexpected happens, which is the renewal of our concession, we would have a way to replace Jaguara in our contract portfolio that we have already signed with free consumers. This would guarantee that we will not be subjected to PLD or the fine coming from the lack of basis for those contracts.

So the strategy was actually outlined beginning in September '11. And with the perception also that we would have more use of thermals, the perception was that that GSF would fall below one. And we also had a hedge of this exposure. And add in the hedge with the contingency, today we are in a position that is very comfortable, which allowed us even to allocate energy in accordance with the convenience of the Company itself. So we now are very at ease now regardless of the seasonality and we're going to have an extremely positive result.

I'd say of this surplus capacity that we have today, because the perspective of PLD is to still be very -- at a very high level during the year of 2013. And now -- and what has to do with the First Quarter, what we did was a proposition to the national operator of this system, CCEE. And now we are waiting for an answer by the regulating agency about this issue.

Operator

We now close the question-and-answer session and I'd like to give the floor to Dr. Luiz Fernando Rolla for the final remarks, please?

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

I would like to, first of all, thank you all for your patience. We've been here for one-and-a-half hours. Our results are very complex and full of non-recurrent items. But our final message, our take-home message, is very positive, that the foundations of the Company are responsible for the results that we present and the search for the solidity of such foundations is our challenge.

And we've been working 365 days a year in order to guarantee that these foundations become even more and more solid and concrete and to give us the necessary sustainability and support to the growth of the Company in the future. The year of 2013 is one of challenge. We're going to now have this week the distributor challenge, which is the third tariff review cycle. It is a result that we understand -- allows us to continue to invest in distribution of electricity. We still consider distribution very attractive and with the remuneration corresponding to the risk that this activity incurs. So we have this very positive view of distribution.

As for the other sectors, we are also looking for the best possible opportunities. And certainly, we're going to maintain this growth trajectory of cash generation that you have been following every quarter in the results.

Now, in a very short time, I maybe -- can I promise that the results will come out by May 15th of the First Quarter? Already under new rules, we're going to have an extremely interesting quarter because of the accountancy -- in the accountancy point of view. We're going to have to explain a lot of what is about to occur. And this is going to -- may keep you for -- make us keep you longer in the next quarters.

But I'd like to reiterate our trust in our stockholders, in our investors. And the year of 2012 is one year of delivery and, as our President says, 2013 is also one year of delivery. And we are now dedicated to this mission. And we, in all certainty, are going to have to be successful as before.

So we thank you all for your presence here. And naturally, our RI is at your service for any additional questions and we will be talking to you in so far as the third tariff review occurs. Thank you very much and good afternoon.