

Y 2014 Earnings Call

Company Participants

- Fabiano Maia Pereira, Chief Officer for Finance and Investor Relations
- Leonardo George de Magalhaes, Controller
- Luiz Fernando Rolla, Institutional Relations and Communication Officer
- Mauro Borges Lemos, Chief Executive Officer
- Robson Laranjo, Investor Marketing Manager

Other Participants

- Felipe Leal, Analyst
- Unidentified Participant

Presentation

Robson Laranjo

Good afternoon, everyone. My name is Robson Laranjo, Investor Marketing Manager of Cemig. At this point, we will start off our video webcast with results of Cemig relative to the fourth quarter 2014. In the presence of Dr. Mauro Borges Lemos, Chief Executive Officer; Dr. Fabiano Pereira, Chief Officer for Finance and Investor Relations; Dr. Luiz Fernando Rolla, Institutional Relations and Communication Officer; and Dr. Leonardo George de Magalhaes, Controller. You can follow up through these telephone numbers 55-11-2188-0155 or 55-11-2188-0188, or also on our site, <http://ri.cemig.com.br>.

To initiate our presentation, we hand over the floor to our Director for Institutional Relations and Communications Officer, Dr. Luiz Fernando Rolla.

Luiz Fernando Rolla {BIO 1852035 <GO>}

With a lot of pleasure that we start our presentation of the fourth quarter 2014 results. As usual, we will begin by focusing on some aspects that within relevant to the market. And after this, we will be available for Q&A session. Today, we are in the presence of our CEO, Mauro Borges, also Fabiano Maia, Dr. Fabiano Maia Chief Officer for Finance and Investor Relations. They have just taken office and that's their first participation in our presentation. We will expand then to a further discussion, not only on results for 2014, but strategic considerations and our important decisions in course at Cemig.

I'll now hand it over to Dr. Mauro Borges. And he will speak about our new team, how it's been built this team that we will be ahead of Cemig for the next upcoming years.

Mauro Borges Lemos {BIO 18055467 <GO>}

Good afternoon, investors, gentlemen and madams. It's a pleasure to be here, establishing this remote communication with you. I'd like to say, to begin with that at this opportunity I would like to restate what I had said before in some other occasions, reinforcing our focus, our strategic focus on the restructuring of our management team, based on experience, professional experience and qualification, have any view -- the point of view of the State of Minas Gerais government rather and they decided to add to the Holding Cemig, new staff to reinforce Cemig management team. A team that's well experienced and with renowned experience in their respective fields of activity. This is our focus.

We do not see the management of Cemig as in any way accommodating political interest, but rather to deliver robust results to the shareholders, to the associates, and to fulfill the very essence of the role of a public utility, which is to serve the public. So my position here as the Chief Executive Officer, having view my background, my curriculum is absolutely technical. I was part -- I was the Minister for Foreign Trade and Commerce and Industry, but my profile fits with the new statement that we intend to implement here, technical staff, carrier professionals, Dr. Rolla is the top example of this policy. That we made a point to implement and we also attracted people that are equally qualified, acknowledged and recognizing their competence and that could add to the quality of this team. Dr. Fabiano Maia, for example, is a carrier professional with a treasury of Brazil with broad experience in public administration and he is bringing with him important values to add to the qualities of our Cemig management team.

So all the new management officers are highly technical in their background and that has to do with this aim to bring new competence, new values to our management teams. And I will be available to you to clarify any other point. Of course, this also applies to the Board of Directors. Yes, we have adopted the same policy for our Board and the board of our -- all our affiliates.

So that everyone could contribute to reinforce and forge a very solid board with very technical qualifications, professional qualifications, improving the quality of governance of the Cemig Group. We adopted the same policy therefore, with the Board, the Minas Gerais government as the major shareholder. For example, he is also part of it, a member of the Board is -- at the same time, the Secretary of -- the Treasury of Minas Gerais. This is part of our strategy and this is part of our -- the new ideas brought by the new administration of governor Pimentel. This is part of what they plan for the economic development in general of the state and this will be so from now on having view Fernando Pimentel's position as the Governor and his instructions that are very clear, very clearly put to me in the sense that we should reinforce the professional profile in the governance of Cemig. The Holding is mirror to provide the image for -- to be replicated by the other companies of the Group, the affiliates. And we will not have any barriers, political barriers in ruling and governing our company.

Luiz Fernando Rolla {BIO 1852035 <GO>}

FINAL

We will proceed with our presentation. I would like to have you still hold the microphone, we'll have a lot of interaction here. This first slide brings a lot of indicators, the most visible in our balance sheet and its comparison with 2013. The numbers are pretty high having in view the large scale of the Group. Cemig has grown a lot in recent years and we have got this threshold, almost R\$20 billion of net revenues which is very substantial, especially having in view the fact that cash generation keeps as solid as net revenues.

Of course, during our presentation, we will also go back to these numbers, explaining especially with Dr. Fabiano. The percentage growth of net income, we'll talk about that later. But what's important to stress in this first slide is that the context within which these figures were generated was a context with their higher prices in the spot market, allowing us to achieve these numbers as we said very positive gains. For example, with the incorporation of CVA distributor, and some losses with for example, the data exposure and some other negative impacts that led to equity contribution down 388 million. So we will delve into these points and we'll bring highlights of 2014 very relevant data. We selected a few points that we find especially relevant for our discussion.

First, regarding generation. Mr. CEO, indeed it has an important role to play for Cemig in our long-term strategy.

Mauro Borges Lemos {BIO 18055467 <GO>}

For sure, I do believe that generation is and will continue to be our main vector, our main compass for growth. This is the very face of Cemig, that's where we concentrate the top competence of Cemig in engineering, for example. And as a researcher of this area for capacity building and corporate competence. That's where we indeed always concentrate our competence, our technical competence and Cemig is a unique company in terms of the level of competence in the generation engineering area.

This is a quality that stresses -- that makes Cemig stand out among competitors and we say that with a lot of pride. And this has been going on ever since the very inception [ph] of the company. I'm sure that the strategy that takes into consideration, generation as the main drive of growth for the company. I think it's correct, and it should continue so, and that's where we're exploiting the best opportunities for the company in the market due to our touch competence, also concentrated there.

So it's almost impossible to think of a distributor Cemig without the generation competence. And transmission is the vehicle, this comes from the time where the company was still verticalized. We fostered competence in the three areas, but no doubt producing energy is what we know best. We -- you have reinforced the first point, that the portfolio of Cemig is low risk portfolio, because we have this very strong concentration of cash generation in the power generation, transmission, distribution areas. Of course, our expertise also encompasses distribution for example, but it's not going through a transitional phase in view of this negative context with higher prices right now. But under the proposal set by the Federal Government and other players of ensuring, giving guarantees to companies in the sector. This ensures us that we will have the conditions to grow as strongly into the next stages.

FINAL

Natural gas will also become a major growth drive for Cemig. Yes, as I say, I've talked to Ricardo Charbel with our Distribution Director. We say, well, this is our catch, so let's say, this is as a company of public utility, the quality of the service of our company will be measured specially by how well we deliver at that end. That's our quality seal, so to say, our quality label. If we are lousy at that point, then our brand will be compromised.

So I renew here, my commitment to our investments and to keep the high level performance seen in the last three years by the company in that sector. We have evolved a lot recently; we are resuming the position among the top 10 distributors in Brazil. We are the largest in the country, so we know that indicators tend to be against us in that regard, but we are comfortable to resume our position among the top 10 in Brazil and we are committed to our investments.

Our budget planned for 2015, and I have our financial officer here with me. He also gives a lot of emphasis to this effort.

And in the case of Gasmig, the natural gas area is one of the most promising in the power sector in Brazil and in the power markets of Brazil. We are heading towards hydrothermal model, no doubt here in Brazil where gas plays a fundamental role in increasing our generation capacity, our thermal generating capacity. We are quite well prepared to fulfill that role -- to play that role.

And we have an excellent market also for gas distribution in the market of Minas Gerais, our concession runs up to 2053, just been renewed. It's a virgin market for gas distribution and the same all over the country, a country that still has this very small comparatively gas market as compared to more developed countries. And this will be an important drive for Cemig growth. Gasmig and probably, other developments coming from it heading towards that direction.

Luiz Fernando Rolla {BIO 1852035 <GO>}

Within the generation area, power from renewable sources has been all over the world indeed a priority. We aim at growth and the setting up of a growth platform that could deliver very significant growth in terms of installed capacity in the future. And with returns that will allow us to become really sustainable without any necessity for other capital injections. So this opens tremendous possibilities, isn't it?

Mauro Borges Lemos {BIO 18055467 <GO>}

Yes, we see Renova as our vehicle for growth in the area of renewable sources. Renova has a very significant market value by any measure and indeed we are very well prepared to grow further in the area of renewable sources, by means of this vehicle namely Renova. It's a leading company in the renewable source market, the site where we have our wind farm and we have one debate together with an American partner. It controls the geographical denomination. There is a lot of sun and a lot of wind in this site. We can provide almost continuous generation of power. It's a beautiful site, really an envy of

Bloomberg Transcript

others and that's our renewable energy part, that will be our benchmark, technically speaking for growth through Renova.

Also enviable [ph] megawatt measure, even compared to major European developments. Also the megawatts that have already been contracted and the possibilities for growth will lead to substantial cash generation, and as you said, it's a very promising partner or aspect of Cemig. Since you have all of these long-term contracts that are firm contracts, this is indeed an anchor for our strategy to expand Renova, that's our material basis for our expansion project.

Another investment that we are making in the generation area, using existing assets was the joint venture that we have just entered together with Vale. It's a very promising vehicle, also no doubt, I really like and this has been a major source of satisfaction for me. The signing of the formal proceedings that have led to this new company called Alianca Geracao de Energia. This partnership with Vale is important, to say, is a long-term partnership. Vale is a major power consumer and we have this partner that is structures guaranteed long-term contracts and enables us to grow further.

Vale as a major group, but also as a major consumer of electricity is now bringing into our company a partnership, a very solid stock partnership anyway. They are not only occasional partners, but they are with us for a long journey ahead. Vale has joined this project as their strategic decision in the area of energy. This is an honor to us to have such a quality partner and I'm sure that inside Vale, they have the same opinion about us. I've had the opportunity to talk to -- inside Vale and they are very satisfied to join this new company with installed capacity of 1,158 megawatts. And that allows us to go for major leverage investment.

Going ahead, we'll now talk about Taesa, a very important partner as well. What's important to highlight in terms of the corporate governance of Taesa. They are pretty transparent and they have seen a very solid profit. Yes, it was born already big, almost 10,000 kilometers of transmission lines, it was born as a leader already and with a very solid corporate governance structure, very slim down -- it's very slim. The staff and the specialty management staff, the top management staff is compounded of -- is made up of a very solid technical people. The company itself is very solid and it's ready to grow. We have lots of opportunities with new auctions coming, very promising projects. We are well prepared to join in, and also we intend to grow by means of further acquisitions. We are in a very good position to go on in our position of leaders in the country.

Distribution, now we have seen a very positive growth and development in recent years, and the group as a whole has given in equivocal examples that we can perform at a very high technical level within this context of renewal of concession contracts. One of the main requirements from the authorities and the Minister of Energy has highlighted that will be our performance. And we have already the meeting the two requirements, operating performance levels and investment capacity. Indeed, my position with regard to distribution is pretty tough I would say, all the results that we may achieve or they may be satisfactory, but they all is insufficient. We always want more, our challenge is a permanent one.

FINAL

As we expand our range of consumers, the diversity of consumers, the challenges get more and more complex. And my point is this, we are always pressing forward in the distribution area, the frontier, the optimal frontier of operation for the distribution area is always the next step. It's a moving target, a moving frontier, it's like in the Alice in Wonderland, Universe, as we seem to begin close to it, it moves further ahead and it's endless in this movement, this challenges is always moving overtime, because this is never expanding universe with an ever more demanding consumer. I believe that we have seen experiments of distribution, distributed generation. For example, we have experienced to operating in this very promising segment. But within 10 years, perhaps probably distributors that have not acquired a well advanced structure will lack behind in the market.

So the tough challenge that I see for every power company in the world, anywhere in the world is distribution, because this is a moving end line, so to say, we're always moving, pressing ahead. We have advanced incredibly, but we always want more. You see ANEEL survey saying that the satisfaction among consumers has reached 70%, almost 70%. Why not 80%? It's very challenging, but very gratifying, because this is our delivery, distribution is our delivery to the consumer. It means that -- you mean to say that you bring forward the 2020 targets to 2016.

Well, you know the position of even dealing with Investors Relations, you're still aware your tap of financier. So you understand my position, we must always look ahead and try to advance our position. We must be secure, realistic, but we must be ambitious going beyond what regulatory bodies have agreed with us.

Speaking about that, in recent weeks they've had an important, or two important participations in the sense of reducing the operating risk of our distributors, especially the flow cash risks. The first point was the reduction of the flag band system covers. They adjust prices having view general costs. This reduces substantially the accumulation of costs and burden on the distributors, we will be lessened and allow us to achieve our quality targets. Also, we were into recently in a very unpredictable environment, but -- and this was somehow healed by these new measures, the authority, regulatory body agreed that the context should been improved, they enabled us to lower the perception of risk involved. And this has allowed us to improve the quality of service to our consumers.

I brought a slide with some new numbers relative to Gasmig, you can see on the slide. You see how much we have achieved already. The targets for Gasmig count on investments to be made on gas pipelines and some cities in Minas Gerais have felt it already with the works in progress bringing that pipe -- natural gas across their states.

Yes, this -- I would call it a civilized authority gain. As a person working for public utility, I see Cemig and its subsidiary Gasmig working towards that. This is an element, an important variable to measure up the development of a country or of a state such as Minas Gerais. I believe that we should in fact go ahead in that direction, it's impossible to think of real industrial development with all the availability of gas.

Along all these years of Brazilian industrial development, it's inconsiderable that we should now lack the provision of gas, the consumption of gas as an input for industry is fundamental for adding value to the industrial part.

Thinking in terms of the overall development of our State Industry, this is crucial. Another point is that, the gas distribution market in Brazil is still fledgling. We want to become one of the leaders, one of the drivers of this market, because this is a gain [ph] for everyone involved, it's a civilization gain for consumers, it's a competitive edge gained by industrialists. I believe that this is a privileged medium for growth.

Excellence in all these aspects that we are discussing, we have highlighted all of them the characteristic that they are aimed at sustainability. That is Cemig seeks investments based on the principle of sustainability. This has been incorporated in our decision process, this is long-term view.

We have expressed our concern with the economic financial dimension of the project, but also we have the concern with the environment as we participate in projects that have as a basis, the renewable sources. And also we have concerns regarding the community. We seek to reach a balance between these three dimensions of sustainability, economic financial coupled with environmental protection and sustained by respect for the communities in which we operate, as you so well highlighted in your speech. Thus leads us to the point that the community has expressed indeed recognition to Cemig's effort and we have prospects for the future to keep going strong in that regard.

Yes, indeed. We can boost a series of prices and recognition that -- recognition of our efforts and this is part of our DNA, at Cemig already. Cemig is strong in the production of energy from sustainable sources from its very (inaudible) the hydro sources in Brazil and through Eletrobras and Furnas, major generation plants of Brazil have always relied on the sustainable sources presented by the rivers.

And this, we intend to pursue to go on with that direction, seeing that ever since that very beginning of the industry in Brazil, Cemig has played a leading role in that regard and that's our DNA. We were traded as leaders already and this is something that must be reinforced, strengthened and we should go further diversification, but always aiming at a renewable energy sources. We have no intention to go for dirty sources. Thermal and gas plants for example as compared to fossil plants are much cleaner, and that's part of our plans. But in General, our focus is on renewable sources to compound our portfolio of generation.

Luiz Fernando Rolla {BIO 1852035 <GO>}

We now come to the conclusion of the first part, where we focused on a strategic directions of our company, we brought some figures but now we will go straight for results more specifically. We will dive into figures right now and our Finance Officer, Fabiano will be crucial for this part. Well, this does not mean to say that we don't count on your presence, but feel free to leave if you have other commitments.

Mauro Borges Lemos {BIO 18055467 <GO>}

I was his professor and I would like to stay to see if I made a good pupil.

Luiz Fernando Rolla {BIO 1852035 <GO>}

We will resume the -- our first slide when we projected some indicators and these indicators will now be explained. I'll request Fabiano to start talking about this growth in revenues that was so substantial in 2014, more than 33% growth and what was that then Fabiano?

Fabiano Maia Pereira {BIO 19066644 <GO>}

Yes. Mr. Fernando, I'd like to thank you for the opportunity. This is the first time I address our investors. It's something really hard to talk right after you too. But we did have this 33.6% growth from 2013 to 2014, strongly driven by the efficiency in commercialization of the company. And in the fourth quarter of 2014 that was the recognition of CEA with 1.1 billion in the fourth quarter. And also sales grew 96.8% from 2013 at R\$2.3 billion. It's a little surprising to see that last year, and as a consumption as a whole in Brazil went down, but because of our efficiency in having our policy towards the non regulated market, we could make up for that.

Yeah, you know that very well, you were the financial officer at the time, and I totally agree with that with what you said. Yeah. Next slide we will deal with our operational expenses, with our respectable growth as well, you can see very easily from the diagram. The highlight is purchased electricity. Yes, precisely in addition to the high cost of energy another point that was worth mentioning was the increase in provisions, operating provisions. We work throughout the year to mitigate these provisions, but we have transparency to the market. Any line with conservative stance of the company. The amount -- the total value was R\$195 million and when we obtain additional information about these facts, we will expose it to the public. We're talking about the Parati shares option. And the sales option for the Santo Antonio quarters [ph]. Also, we saw an increase in the production -- in the fuel, price of fuel in our terminal plants, but this was somehow compensated by the results in that area too.

We'll now talk about EBITDA and comparing some results. The performance was pretty good here too. We saw some positive surprises. The consolidated EBITDA came out above last year's guidance, the previous year's guidance. The analysis we made was the CVA, as one of the key points here. In addition, the operation involved in the purchase of Gasmig had substantial impact and also the spot price is very high throughout the year. So, the scenario has been changing so rapidly that sometimes it's difficult to compare with projections with as recently as one year ago. If we breakdown all the parameters, sometimes they don't match the figures showing the results, but these are valid comparisons and it shows that we are a little conservative in projecting our guidance.

Also consolidated net income. It's hard to understand at the first time, why the EBITDA grew so substantially? And why the growth here is just 1.8% from 2013 to 2014? But when we proceed to a deeper analysis, comparing expenses, and non-recurring items, we can

FINAL

Bloomberg Transcript

see that we would have a 9% -- some 9% growth from one year to the other demonstrating the capacity of the company to yield results to the shareholders and deliver the planning for the year.

Luiz Fernando Rolla {BIO 1852035 <GO>}

We had this negative impact of or from the equity accounting. So a negative equity contribution from the Madeira Energia project and other factors that affected all the generators. All these aspects despite the provisions that had been duly made, we still have some instances to adverse in order to recover some of these values. It has been broadly announced that there are negotiations underway with the Federal Government.

Mauro Borges Lemos {BIO 18055467 <GO>}

Yeah, that's a critical factor of the power sector in Brazil as a whole. This cannot be seen as in isolation as just a Cemig result. This GSF is a critical problem, having view the water shortage that we are facing, the drought period, we have just been through.

So from the financial point of view, this is one of a regulatory pillars in the Brazilian electricity area. This is a general problem, this should be approached together with all the other players in the market and approach the Ministry of Energy of Brazil. Top management of Cemig is working hard right now to improve this GSF, generating or Generation Scaling Factor and also the FID, the Generation Availability Factor for the Northern plans in Brazil. It's still important to have that done -- to have their participation in the overall generation of power in Brazil and we are participating in both Santo Antonio and Belo Monte in the Northern region of Brazil and it's an important role we have to play.

Luiz Fernando Rolla {BIO 1852035 <GO>}

Now talking a little bit about our debt, and then Dr. Fabiano will navigate with extremely ease I believe, because he is very knowledgeable in that area. What we are showing here is Cemig's consolidated debt profile. We see some concentration in the year 2015 during which so far we have already rolled our debt. Average cost of the debt has increased a little bit in recent years, but we have a strategy regarding dividends that we'll explain.

And I have been talking to my team, and it is a very competent team, I'm very pleased to this -- one of the sources of satisfaction in my moving into the company. And I have requested them to look with at most care at this point and to provide a more comfortable financial position for the company, and try to find space in the market, so as to swap the -- to replace the debt indexors.

Cemig GT especially has shown a very good performance. In that regard, Cemig GT has a little different profile than the other sectors of the company within -- into the next years we will work to develop this profile possibly trying to expand the participation of IPCA indexed bonds in the two areas of Cemig. This will elongate the payments and facilitate cash flow to bring -- to fulfill all the conditions for further growth.

Distribution also had a positive impact, and this brought indicators to a very comfortable level. When we look at this relationship between net debt and EBITDA, we can see that CVA meant a sharp drop in the leverage of the company, that brings future capacity for Cemig D.

Mr. CEO, we have planned almost R\$2 billion for 2015, more than half of that concentrated on the distributor aimed at operational improvements. Results of 2014 were quite robust, but this new year is more -- well, conservative year with a more care in managing our cash, but this is a more tied to the context, the overall context of Brazil right now, isn't it?

Yes, I believe it has to do with the present Brazilian context, but our strategy for growth is to go for both Greenfield and Brownfield investments and in view of the advances already made in diversification of our portfolio based on private vehicles. These projects has through this too. This is part of our results already achieved in diversifying our portfolio, innovative ventures and the history of leadership in the last 10, 12 years.

Yeah, cash flow naturally as I say, Fabiano, I always say that to the investors. This is slide that every financial officer likes to show, because this demonstrates the financial health of the company and that's what we can boast about Cemig, isn't it?

Fabiano Maia Pereira {BIO 19066644 <GO>}

Yes, certainly. As we look at our company's cash generation capacity, it's quite robust and these are considerable numbers for any company in the world and we can see, well, Leonardo, our Controller, perhaps he wants to add any comments, because he is very familiar with these figures.

Leonardo George de Magalhaes {BIO 21639277 <GO>}

Good afternoon. As Dr. Rolla has already said, it's quite impressive the capacity to generate cash. You see 2014, 2013 results even as we had R\$3 billion [ph] increase in our debts, but this has to do with our growth programs of the company. We had a reduction in cash, but we have made number of investments that we will ensure the cash for the company in the future through Renova, through the in-field investments in distribution, generation. I think this is a guarantee for the company in terms of its sustainability and its perpetuity into the future.

Luiz Fernando Rolla {BIO 1852035 <GO>}

Your expectation is to go on generating values at that amount into the next years?

Leonardo George de Magalhaes {BIO 21639277 <GO>}

Yes, we have matured assets, activities that have been yielding quite solid cash for many years. In 2015, we face regulatory challenges, but we have always responded quite well to any regulatory challenges in the past. And we are confident that by the end of this year, we will see results as good as the ones we are able to show right now regarding last year.

Luiz Fernando Rolla {BIO 1852035 <GO>}

Of course, the market has acknowledged our performance as compared to other companies in the sector. All listed companies in Sao Paulo stock exchange, you can see the yield by the end of 2014. The combination of a very robust dividends in 2014 and for my distaste, I must confess the share value is a little too low for my taste. Well, these are the market conditions and in view of the negative movement, the perception of our investors was not so optimistic, even though our delivery was quite good. We had some other very relevant issues to communicate to you, and I invite participation of my colleagues to explain that.

The proposal for allocation of net income, we restate 50% of the net income, a little different from what had been proposing before giving the macroeconomic and sectorial scenarios in Brazil today. We're talking about scenarios where there has been realignment of the tariff prices. We're talking about the situation in which the economy is not expected to grow so much as in past years, perhaps some more rational consumption by the families and other participants. GSF will be probably lower than the initial budget indicated any other addition, CEO.

Mauro Borges Lemos {BIO 18055467 <GO>}

Well, this was a demonstration of a good common sense, this new proposal. Yes, indeed because this proposal was quite matured. I would sum it up, as in proposal. Based on prudence in the moments of difficulties, we want to keep the investment projects going. They are crucial for the future results of the company. So prudent attitude at this point shows a lot of wisdom in my opinion.

With regarding with the board, and the controller, stockholder, the government of the state, the governor personally is aware of the fact that this is the safest possible policy for the growth and solidity of the company. And also the strategic partners and shareholders and the minority shareholders, they are all interested in protecting the company at this moment in view of the difficulties faced by the sector, the entire power sector in Brazil. This is a prudent attitude. We ensure the charge right of the shareholders, of course, but we are also worried about the sustainability and long term results of the company.

So this is one of the pillars of our management strategy, the financial solidity of the company and having recognized is surely temporary contextual situation that we now see in Brazil. Well, yes, I would like to emphasize that last year, we distributed extraordinary dividends at R\$2.8 billion from the point of view of this strategy and a policy distribution of divisions not in a very short term perspective, but I think more in a midterm long-term perspective with a longer term horizon not in a specific year only. This is perfectly understandable policy, because we had a good distribution of dividends last year.

It's coherence, it's understandable that we shall be more conservative this year. We'll of course we want the shareholders to share and the good results of the company. But with priority given to the long term strategies of the company for sustainability, we don't want to just get excellent results and then get out or drop off of the market, we want to stay for the next 200 years or whatever.

Well, with these slides we have closed our formal presentation. We are now opening to Q&A.

Questions And Answers

Operator

Ladies and gentlemen, we will now start the Q&A session. (Operator Instructions) (inaudible). Mr. Vinicius, please.

Q - Unidentified Participant

Good afternoon. I'd like to know how the negotiations are going between Cemig and the Federal Government with regard to Jaguará, São Simão? Are you nearing any agreement and what would be the terms of such an agreement?

A - Mauro Borges Lemos {BIO 18055467 <GO>}

Yes, Mr. Vinicius (inaudible). What I would like to know and what I can -- and what I like to say and what I can say at this point is that we are indeed involved in this negotiation process with the Federal Government, the Union. And the process is going on as smoothly as possible. The Union, meaning Brazil, the Federal Government has reached defined level of tariff. And that we want to maintain and expand our capacity to deliver power to consumers and to the industry of Minas Gerais in special, because it's important for the overall Brazilian economy. It's a very positive negotiation between the two parties on the part of the Federal Government and on our side as well.

The state government also is taking part in these negotiations. We have had contacts with the higher court, which is adjudging this injunction. And our attitude is to believe that negotiated solution is better for all sides involved. I believe that this is also the way, the Federal Government and the State Government, and higher court and Cemig's understanding is the same. We are all interested in reaching satisfactory solution to the country as a whole.

Operator

(Operator Instructions) Our next question comes from (inaudible).

Q - Unidentified Participant

Just one more question. Has Cemig done any -- take any action to minimize the impacts expected for this year? And what is the GSF level as projected by Cemig for this year?

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

Vinicius, for some time already Cemig has been taking action to increase its protection against the water shortage risk. We have been doing that ever since 2013. We increased very significantly. Well, one of the actions we took was to acquire the three new plants. Now we have -- we are in position to absorb GSF impact quite significant.

The outlook this year is worse than last year. Last year it was 90% and this year estimates are that they should be must below that at around some 80% that's the overall expectation of the market and we do believe that should be the figure we might expect.

Operator

Our next question comes from Felipe Leal from Bank of America.

Q - Felipe Leal {BIO 2015017 <GO>}

Good afternoon to all. Two questions, first about the distributor, do you have any indication from the Federal Government on the renewal of the concession? I've heard rumors about a possible charge on that. And about Gasmig, I would like to know whether you are still negotiating the partnership that was announced last year?

A - Mauro Borges Lemos {BIO 18055467 <GO>}

Good afternoon, Felipe. With regard to Gasmig, the answer is yes, positively we do have a strong interest in the association with Gas Natural Fenosa which is a company, a major player in the distribution of gas, globally speaking around the world. And we intend to profit from their participation, and this is a player that has been tested already in the Brazilian market.

The structuring of this business, of this deal has been remained somehow as the new top management of Cemig has taken office. We are aiming at reaching a solution as quickly as possible. And we are looking into new developments in that regard in the market of Brazil. As for the distributor, we haven't received so far any information from the federal government as for the concession. But Minister Barak has spoken of some conditioning factors for renewal of that concession.

We have no restrictions affecting us because we have fulfilled all the conditions post, but you mentioned a possible payment of money for that renewal. The Abrage, the Brazil association of power distributors in Brazil, they have already expressed their concern in that regard. You know quite well that the financial balance has been affected by recent tariff restructuring initiatives by the government, but right now we must wait and see what the Ministry of Energy will say about it.

Operator

(Operator Instructions) We now close our Q&A session. I'd like to hand over the floor to the company for final remarks. Any final message for our investors and shareholders?

A - Mauro Borges Lemos {BIO 18055467 <GO>}

Yes, a very simple message and very brief. Every time we have a very strong winter, we expect promising spring, that's how we see the electrical sector in Brazil. Now at this moment, we see a very difficult moment with the crisis popping up, but this is a moment of challenges and this opens opportunities. Brazil is right now a major frontier for investments in the power sector.

FINAL

We are getting ready for this new moment that will surely come that's a strategic position of ours. All the preparation of the Group, the Holding, the affiliates, Cemig GT, Cemig D and Gasmig and all the affiliates, we are all preparing the Group for making the best of the opportunities that are already showing up right ahead in the horizon.

We see already this promising spring that will unfold as soon as we overcome this tough moment with water shortage and major regulatory difficulties. We have no doubt that the country will make a move towards the much better regulatory environment and the water shortage will pass and which we are ready right now at 2015 for making the best of this upcoming spring and we are confident that the future of the company is promising.

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

I would like to thank you for your attention. We know how precious your time is. We try to convey relevant information in a most transparent way possible. If we haven't solved all your doubts and queries, we have our phones open to you. The Investor Relations are always ready to hear you. We are running 24x7, but we have to expand now to 38 [ph] perhaps. So that we can solve any doubts that you may have about us. Many thanks and have a good afternoon. So the video webcast of Cemig regarding the financial results of the fourth quarter 2014 is now closed. Good afternoon. Thank you.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

Bloomberg Transcript