

Q3 2010 Earnings Call

Company Participants

- Agostinho Faria Cardoso, IRO
- Djalma Bastos de Moraes, CEO
- Luiz Fernando Rolla, CFO
- Unidentified Speaker, Interpreter

Other Participants

- Marcelo Britto, Analyst
- Marcio Prado, Analyst
- Marcos Severine, Analyst
- Vinicius Canheu, Analyst

Presentation

Agostinho Faria Cardoso {BIO 20495015 <GO>}

Good morning, everyone. We will now begin the webcast of the results of the Third Quarter 2010 of CEMIG. My name is Agostinho Faria Cardoso, officer of investor relations of the Company.

We'll hand you over to Djalma Bastos de Moraes, our CEO. And Luiz Fernando Rolla, our CFO, Investor Relations and Interest Control. And the webcast can be followed over the phone, 5511-4688-6341 and also on the internet at our website <http://ir.cemig.com.br>. And we are -- also inform you that our website has the PDF presentation for those who have some trouble having access to the webcast transmission. We now give the floor to our CEO, Djalma Bastos de Moraes.

Djalma Bastos de Moraes {BIO 2089645 <GO>}

Good morning, gentlemen. Once again, it is a pleasure to be here, to show our results for the Third Quarter. And I would like to make a few remark -- make a few remarks that I find more optimistic. In our last meeting, we were in a full election process. And at that time, we said that we -- let us say, we hoped that any of the candidates that were elected, should continue with the policy thus far implemented by Aecio Neves.

The election brought us the election of Governor Anastasia and certainly with him the certainty that we are going to have a continuity in our policy that is analysis of possible assets that we might acquire for the Company. It is a consideration with the transparency and to our stockholders, this policy that was begun during the administration of Itamar Franco and gave him the continuity with great effort by Aecio Neves, we believe we are

almost certainly sure that the continuity will have -- will actually take place with Governor Anastasia. So it is important for us not to have any movement that might disrupt this effort that we make. And the achievement of our objectives.

We have had a very good quarter. And an increase of almost 12% of our EBITDA. And this is due to a policy that we think is important. But also correct, which was the analysis and the acquisition of assets. These assets are exerting influence at all our profits, our EBITDA, by approximately 30%. And so this was a very correct policy we've have had some times. In our cash flow, in our volume of expenses that were a little difficult. But we are certain that it was a correct policy.

Today, we have, as I said, almost 30% of our EBITDA under the direct influence of our assets. And we continue analyzing other assets that might present themselves. Probably we are on the eve of concluding the acquisition of a very good asset. And we are probably by December or January conduct the analysis of another large asset.

So just figure to say you're going to say during Dr. (inaudible) presentations what the influence -- direct influence of these assets upon our objectives has been. And upon our tenacity and our persistence in our attempt to be transparent towards our stockholders and our customers. We are now in a very good position. We believe that next year it's going to be even better than this year. And I have a few agenda problems I would like to bid you good morning and once again leave you with an optimistic message.

The policy will continue. The objectives are going to continue. We are also going to continue analyze -- to analyzing assets that might add value to our company. And certainly we made feasible our great objective for the future of being among the two great energy players in this country. Thank you, all, thank you for your confidence, for your trust. And I am even more optimistic for 2011, than 2010. That's all. And thank you very much. I ask you leave to retire. Thank you very much.

Luiz Fernando Rolla {BIO 1852035 <GO>}

Thank you very much Mr. President for your message, an optimistic message about the outlook for 2011. However, we still have one quarter to go. And the year 2010 also reverts -- becomes actually a very good year in terms of outlook. Prior to anything, I'd like to wish you a good morning. It is with great pleasure that we are going to make this presentation of our results for the Third Quarter 2010.

In the next half hour, I intend to bring you some additional information, to that which the President already said in a very strategic manner, which is geared towards -- appointed towards the year 2011. And certainly the continuity of our growth strategy.

Our president is -- our CEO is convinced. And all of us are too that CEMIG has a future that is going to naturally deliver all of those promises that we have made. As a matter of fact, the Third Quarter is actually uncontested proof of this delivery. The promises that were made through our communication with the market, which forecast the growth strategy, a speedy growth strategy not only through the construction of new assets. But

also mainly through the acquisitions that we have made, already shows by this Third Quarter.

It's important the ability to generate cash that is result, a consequence of these investments as our president has said. We had an EBITDA growth that was quite significant, reaching a level that we had not obtained before, which almost BRL1.200 billion, which is a figure that brings a very strong indication that the future perspectives for CEMIG. It is a quarter that we consider to be a model one, which if we don't have any recurrent item, we are going to replicate the performance, this performance in the upcoming quarters.

Naturally, the net profit had a slight decline, because of the -- not only the fact that the year 2009 was made up of non-recurrent expenses and not this quarter. So I will say that we have figured that it's closer to reality here as a function of what took place in the Third Quarter 2010. However, the results are extremely positive and we understand that if we analyze it minimally, the results, we may have very good conclusions for the upcoming years.

Another outstanding item, which I would like also to bring to you all, has to do with Gasmig. Gasmig has completed in the last quarters, the second stage of the gas stacked in the Steel Valley, Vale do Aco which implied implicated investments of several BRL700 million, extremely important investments, given first, the growing demand, the demand, even repressed demand in the steel valley region for natural gas. And a consequent availability of natural gas that we are going to have in the next years.

This is going to make the level of sales of natural gas increase significantly as a result. And Gasmig itself is going to grow to a level that makes it among -- places it among the largest natural gas companies in this country. It is an extremely attractive investment for us. And we are certain it's going to bring very positive results for our shareholders in the future.

Generation as well is a priority of CEMIG. And enlargement of our generation capacity, we have carried out several projects, not only through acquisitions. But also through projects like Greenfield projects that are being completed by now. We have the wind farm in Volta do Rio, which was acquired in a partnership with INSA. And which now we have completed 42 megawatts.

The total of the wind complex in Ceara reaches 100 megawatts, as we had promised. And naturally all of those assets are under contracts, Proinfa contracts with an extremely attractive value, also producing very predictable cash flow for the next 20 years.

We are now following with the Santo Antonio plant. You have followed that in the media, the Santo Antonio plant. And Dr. Steve is going to be the object of our visit. In the annual meeting for 2011, we are going to begin in -- what the annual meeting that we promote with our investors, we're going to visit the Santo Antonio plant, which is an extremely important, not only because the fact that it is an investment that is quite attractive to our shareholders.

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But also the first large plant in the Amazon region, which naturally is going to represent a stride of a breakthrough, not only in what it has to do with the valuation, environmental impacts and social impacts in that region, which allowed for the development of other plants in that region, which gives us a competitive edge for the next upcoming projects.

We have obtained also an efficiency gain in this project. The project is being expanded from 300 megawatts, reaching 3,450 megawatts. It is -- we request that we have extended Aneel, which is naturally going to be reflected upon the results of the plant. That project -- this increase is a consequence of the application of management practices in the operation of the turbines and generators of that plant.

We have today an installed capacity of around 6.896 megawatts with the addition of those previous megawatts. And naturally not including Santo Antonio plant as yet. The acquisitions, we've had a movement with the Light generation, 51% of Light -- belongs to Light. It is a partnership, it's a joint venture that we have with Light 49.50 -- and 51% for the construction of Paracambi plant, which is a 25 megawatts plant to be commissioned in 2011.

This is a segment which is -- we are very concerned to make it expand, because of the little opportunity of acquisitions we have in this sector. Another point I'd like to highlight in a quarter, it has to do with our distributor. In the last quarter, as you know -- you remember we had a period of rain, a very strong rain period. We had some outages that were quite major.

We took a few steps so as to improve the performance of the services given to our customers, especially here in Belo Horizonte, in which we had a very preoccupying rates of outages. And we made an investment in the refurbishment of the lines, which is going to be extended up to 2012. And to the reconnectors -- almost 4,000 reconnectors were set up, installed and the other part was increased by almost 200%. That's along for great improvement, besides the improvement that we already noticed up until July. That was the smallest among the large capitals in this country.

We have reached the 3.66 as compared to several other capital cities. And naturally we do not have the percentage of underground networks that the other capital cities have. And even then we had very positive performance, that's showing that those actions that we took, really were reflected upon our results. And naturally the quality of the services that we give to our consumers, our customers, has improved and will continue improving for the upcoming quarters.

Another point worthy of note is naturally the performance of our TAESA, which comes from the acquisition of Terna acquisitions SpA here in Brazil. This acquisition has become very important to CEMIG as a result of the fact that it allowed us to increase our interest in the cash flow of the segments of transmission. And this brings naturally a built-in predictability of this cash flow, which serves us very well in what has to do with the decision making processes in the long run, which is exactly what we seek when we apply our strategies.

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The results presented by TAESA in these nine first months of the year are very impressive. We had substantial gains of an EBITDA margin leaving from the Third Quarter 2009, reaching already in the First Quarter 2010, 88% and growing steadily in order for this quarter -- the Third Quarter 2010, to reach close to 90%.

The cash flow, the cumulative cash flow by TAESA has reached BRL481 million, which goes to show the quality of the asset that we have acquired, not only because of the possibility of added value through our management practices. But also the capture of synergies that have resulted, not only in the improvement of operational management.

But also financial management, which gave a significant contribution. It had a financial inefficiency due to the loan that was in the holding. We're already reducing the cost of that -- of those resources. And very soon in a short time, we will incorporate it, therefore we obtained a few additional gains because of that.

So it is an investment that we consider to be of the utmost importance to CEMIG, which is going to contribute effectively to the improvement of results for the upcoming quarters, as you have already seen happening. And you will continue seeing in the next slides. It was an investment that we considered to be extremely positive.

Likewise, TBE, which has a similar performance, there are two benchmarks in the sector, in the industry, no other company has a performance with a similar EBITDA margin like these two companies. We had an additional movement of acquisition of the parcels, of the interest that is MDU in these companies with an investment of BRL100 million, which is going to allow us on average increase our interest. And this group of transmission lines from 13%, which leads us to a participation of almost 50% in the main companies of the group. Also, it is an effective contribution for the predictability of our cash flow in the upcoming years.

Those are investments that were adequately selected and chosen. And we are now reaping the fruit. It is never too much to remember our participation in the Dow Jones sustainability and it's for the 11th time around that we have been selected to participate in these rates. We are already for sometime the only company in the electric industry in Latin America that is part of this index.

It is a recognition of the practices that we'll adopt so as to give the Company sustainability. The most important thing in this fact is that our decisions are being made, having as a basis the principles of sustainability, that is to guarantee to the future generations, the resources that we are now utilizing.

Our distributor was classified for the national quality award, which is promoted by the national foundation of quality, which is an award that is very important, showing also that the performance of our distributor, as you saw by the indicators that I showed in the previous slides, has improved substantially and it is a strong candidate to be one of the award winners in the upcoming years.

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We also had, in what has to do with the UN convention about biodiversity, the recognition, a recognition that was quite positive of our work that was presented. We are one of the five Brazilian companies selected to present this work. And it's a consequence of a program that we call Fish Alive, which intends to mitigate in primarily impacts of our hydroelectric plants.

Another point worthy of note is the performance of our sales. We're now consolidating leadership on the market, of the Brazilian market of free energy. We now have a percentage, over 25% of market participation. And this participation is a consequence exactly of our strategy, which was adopted so as to maximize results of our generator. So that we could obtain the best possible contracts with the best customers to make agreements in which benefits will be shared not only with the shareholders. But also our customers.

And this guarantees to us the sustainability of those deals. And especially the fidelity of our customers. Another fact that is relevant as well is that we have been able to get a contract of energy sold generated by means of biogas. This is a almost 5 average megawatts contract to be received between 2011 and 2014, which we have offered to incorporate customers naturally with effective gains of margins in these negotiations.

Another relevant fact is the growth of sales. The sales growth was by 8% in the last quarter as compared to the same quarter last year. Last year, we sold in the Third Quarter, 15,242 gigawatts hour and this quarter we have reached the mark of 16,478 gigawatts hour, which comes from the recovery of consumption by industry, which was quite effective, showing that we have left the crisis behind. And in the Third Quarter 2008, we are already showing sales that are bigger in comparison with the period, that period, showing a recovery of the state's economy and the customers that we serve in other states.

And this shows that CEMIG's calling has been consolidated this calling to become the national, nationwide supplier for large corporate groups in this country. We have contracts going over 20 years. And the mark of 800 megawatts already committed.

CEMIG GT has a growth that was also quite interesting, 3%. I remind you that the GT growth depends much upon the enlargement of the installed capacity. It grows only as a function of such unavailability. We are adding -- we have been adding new capacity as you have seen. But other facts also have collaborated for this additional outstanding performance.

You saw that last year. We sold a large part of the energy that was left over from the free customers to the regulated market and an extremely positive result for CEMIG GT last year. This year, we did not have those sales anymore. But this energy was relocated to industrial customers once again. So that the performance in spite of the fact that the price -- the average price of this energy is slightly less than what we have been obtained this year because of the availability of capacity on the market.

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But even then, we had a very positive performance in this relocation, which allowed us even to reduce the availability of power in the CCEE through the liquidation in the PLD. Another important factor is that the interest -- the participation on the full market reaches almost 60% of the total of energy sold, thus showing that the arbitrage that we have with this free market has brought along very positive results in spite of the fact that we had been growing in the regulated market. But it's important to have such a percentage of 60 -- 60% here on the free market in order to maintain I'd say the predictability and the stability of our cash flow of our generator.

The sales volume of the distributor, CEMIG D has grown substantially to 11%. It's a growth that also comes from the economic recovery. You can see that the mean segments, all of them had a positive growth. We had two important facts here that was in migration of customers, industrial customers to the free market, therefore this decline by 1% does not reflect the consumption, that is if we purge this migration, we are going to have 11% growth in this class, which would give 6% growth total, which naturally in the end would give us quite significant growth in terms of the variation of our sales in the Third Quarter.

It is major results for the distributor. You all know that it's important -- this growth is important because of the difficulties the distributor has gone through in the past years, because of tariff revisions, which have significantly reduced its results. The net income, consolidated net income went up by 6%, based especially upon sales to free customers. And that performance of GT and especially the growth of TUSD which also reflects the recovery of the economy as a whole.

So the state of Minas Gerais had a performance in 2010 much better than its performance in 2009. We had an increase of deductions here. But as a result of CCC, it was an extremely positive -- value positive in the sense that it did increase. But which brought a negative impact upon the reduction of consolidated net income in general.

This is an item of regulated burdens that we -- over which we have no control. Expenses also behaved in accordance with our predictions, we had a growth of outsourced services coming from preventive maintenance that was implemented, which had a result improvement of our performance rates. The purchased energy, we had some adjustments that were made. And the securities commission, these adjustments corrected some of the 2010 values.

Its growth is a consequence of outsourced services than any other thing, which made up a little for the personnel decline. In this aspect, we are already positioned in order to obtain a reduction, a significant reduction in the expenses already in next quarters, because we have completed our retirement program, voluntary retirement program resulted in the 1,900 people being considered redundant.

So and as we had already discussed and analyzed and promised to the market, that we will deliver, to which we did, which by the way are premises that we make and we seek to fulfill due to an effort that is spread not only through CEMIG GT and CEMIG D. But also other companies in the holding. All of them have a tendency to reduce operational expenses, as you can see what happened at TAESA. And what has to do with EBITDA our

CEO has already said something about the growth percentage, 11%, which is an extremely positive value for CEMIG.

Today, we have CEMIG GT with 48% of this table, which is a quite positive figure. We understand that the mix of our cash flow, which is already reaching BRL1.200 billion, already with the participation of the companies that we have acquired, going up to 29%, 30% as our CEO has himself stated. It is an extremely positive fact for CEMIG. Plus we can neutralize this cash in order to continue expanding this percentage.

Coming from the several companies of the group, as you can see that the Light already represents 7%, TBE already reached 4%. And but with the acquisition of MDU, this performance is going to improve. And TAESA today is responsible for -- accounts for 8% and this figure is extremely positive as a result of the investments that we have made.

And this concern the analysis of our cash flow is really irreproachable. And we have the conviction that the business structure that we have adopted, is the best -- the one that brings less risk to our shareholders contributing significantly to the predictability of this cash flow. And this makes our margin go up in a predictable manner. And we can insure our investors and shareholders that the performance in the upcoming quarters is going to be very similar to the one we have achieved this quarter, which actually surpassed every expectation from the market.

This is the pace that we're going to implement beginning now. In fact it had been implemented, however we had some cases in which there were some non-recurring items, which reduced significantly in the performance in the first, Second Quarter 2010. But all of them, today the Third Quarter is on a level that is superior to the performance of the two last quarters of 2009, which goes to show that the perspectives for 2011 in accordance with our CEO -- what our CEO has said, a very positive net profits likewise (technical difficulty) surpassed market expectations.

We have reached BRL553 million, the best performance of 2010 in spite -- despite the fact that it was slightly less than the performance of 2009. However, 2009 we had some non-recurrent facts which increased as result for 2009. But the Third Quarter 2010 represents really the normal performance of the Company. If you normalize this value obtained in 2000 and -- in the Third Quarter 2009, you see that the performance for the upcoming quarters is going to really be positive.

Our EBITDA, if we look at the contribution of each company, as I've already mentioned. And the CEO as well, the participation of the acquired assets. And the investments that were made through these companies, already reaches 29% with a percentage that is quite large. We had a growth, for example, in TAESA, which in 2009 had no participation in the results. It is a strong growth, as you can see, TBE already with 10%, already growing. And the other companies giving their contribution of 53%.

So it is an extremely positive result, which makes us get closer to the performance that we are seeking in the long run. Our cash flow, 40% coming from generation, 20% from transmission. And the remainder businesses around 40%. We today have a very good

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performance in our generator. But with the increase of performance of transmission, we should have a performance that is quite similar to the one we are looking for. And this fact is extremely positive, as I said, because it allows for CEMIG to seek a speedier growth expansion through acquisitions.

It has -- we have the support of our cash. So that we can really make good business deals in the future. And this is the strategy that we have pursued, which has resulted in such a performance. Financial performance was extremely positive in spite of the fact that we had a growth here of average interest rates because of Celig. Celig contributes with 55% of the total of our debt, therefore it did have an influence upon the mean costs of this debt. But even then it was still on a very positive level, well below the mean cost of debts as used by Enel, therefore bringing some benefits.

But what's most important is that the strategy, that we have adopted to finance our acquisitions, you remember that we made acquisitions, very heavy ones, we acquired debts, the debt itself increased. The nominal debt has increased really. But the performance of the main indicators, the financial indicators is already on a level that is quite similar to pre acquisition levels, which means that the qualification of the Company to make new investments, relevant investments in the future has been preserved.

And we can already seek other assets, because our financial structure allows us to do so, to finance those acquisitions without our quality -- our credit quality being minimally affected, which guarantees to us a financial performance very close to the one that we have always said we would achieve, which is to keep CEMIG as with the credit quality around AA, which is a performance which we think is adequate, which is meant to assure access to the investing market. And by means of that, to insure the Company's growth through the several acquisitions.

All of this naturally is reflected upon our cash position. The CEMIG cash has always been quite strong and exactly as a result of the business structure of less risk and greater predictability. And you can see that in the quarter, the Third Quarter 2010, we had a performance throughout the whole table here with a growth that was quite substantial of this availability reaching almost BRL4.200 billion.

I remind you that by the end of 2009, we had a cash around BRL4.400 billion. We made it as close to BRL3 billion. And even then we are by September 2010 with a cash -- available cash of BRL4.178 billion, which shows the quality of the assets that were acquired, the assertiveness of our strategy. And we have sought to implement a strategy that is successful, which has resulted in benefits for our shareholders.

The investment program, as I said, has been very strong, was very strong in the first three quarters of the year with a very positive performance of the acquisitions reaching BRL1.5 billion, reinforcing my statement that cash generation gives the support for these investments that we are about to make. We have some additional investments to make already in 2011. We have to invest a little more in our distributor, because of the regulating agreement. And certainly we will perform these investments beginning 2011.

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And finally, I would like to close this presentation with an extremely positive message to -- that CEO in his short speech has reinforced, the continuity of CEMIG's strategy, of the strategic plan that CEMIG has implemented. So as to serve, to meet its minimal requirements of adding value for its shareholders, expand its installed capacity so as to serve its customers. And especially we -- so we can reach a market participation and market share that is coherent with our plans.

We intend as announced in previous presentations, we want to be present in the market placing us among the two largest companies in the energy sector industry in this country. And for that purpose we are already seeking investments that go beyond the southeastern region of Brazil.

And today we can say that we are a national company with investments for customers actually spread throughout this country. And already with an international participation as well, which is not so relevant at this time. But already showing the -- how correct the strategy was in the search for new assets that might contribute significantly towards its growth.

These were the piece of information I'd like to impart to you. We have a program of investor relations to seek by the end of the year. Dr. Agostinho also has a few trips to make until the end of this year. We have important major events until the end of the year.

And we will seek greater contact with investors in order to show exactly first, the positive figures that have been obtained in the first and the Third Quarter. And also to reassert our growth strategy and the successful strategies that -- which has brought about the results you haven't seen in the Third Quarter 2010. So let us move on now to the Q&A session. Thank you very much.

Questions And Answers

Operator

(Operator Instructions) Our first question comes from Marcos Severine from Itau BBA.

Q - Marcos Severine {BIO 3322666 <GO>}

Good morning, everyone. Good morning Luiz, thank you for your call. I have many questions here. I would like to focus only two of our strategic nature. To understand a little better, those free market strategy, that is as clear in the importance of the segment of this market for generation sales.

And I would like to understand what you see or what you first see in terms of contrast time, what kind of product the market has been demanding, the prices as well. And what kind of modulation it is, whether you have products are like -- more commodity like products or they require some kind of customization to the characteristics of the customer?

And what you expect in terms of prices? I think this is a great debate today. Do you think you can have, because of an ascension in the economy, can you have better prices in the mid range, or do you think it's a decline in the trend or so you intend to have the same impact upon the generation? Second has to do with this growth strategy. We see in the last year successful strategy in terms of acquisitions, TAESA, with the results that you're presenting now, also with Light. And what can we expect besides that that is other acquisitions or assets only in Brazil or more generation or more distribution?

And in terms of Greenfield investments, can we expect you to take it up again or -- are you looking at it with more appetite in this auction that is upcoming in December? Are there any assets you're looking at, what is your expectation of growth as for investments in generation. And maybe transmission lines as well? Thank you.

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

Good morning, Marcos, thank you for your questions. (Technical difficulty) covered several areas of interest and we're going to add to clarification for analysts and investors in general. And what has to do with the free market, we have always given the importance, maybe greater importance to our sales, to our sales strategies here at CEMIG.

You remember that by 2004 already we had great success. We had a very intense preparation of our staff, sales staff and this staff will actually travel around the world in order to learn best practices, to understand mechanisms and the functioning of markets in general for energy, for power. And this has been reflected upon our results.

This preparation that today brings positive results, was an investment already decided in the beginning of this decade, which naturally we'll now actually harvested the fruit of that investment, allowing us to enjoy the opportunities that the market is offering. You naturally have followed the volatility not only of prices but also the availability of power on the market in recent years. And CEMIG on the basis of this very well prepared team in every event that took place in recent years, it really did very well.

The greatest example, I've already mentioned, was the strategy I adopted last year. So as to enjoy the excess capacity that free customers would have. And which we, in an agreement we made with them, have been able to reallocate that energy on the regulated market at an extremely attractive price. For the time it was a price that reached BRL145 per megawatt hour, which naturally brought along additional results for our GT last year.

Now, this year already the reallocation strategy of this capacity going back to the customers shows exactly that which is the basis of our soul strategy, which is the trust that our large customers have in CEMIG. They look at CEMIG not as a seller. But as a partner that guarantees the sustainability of their own growth. And this, as the announcement says, is priceless.

The customers recognize this feature of CEMIG. And CEMIG in average situation, which the customer has some difficulty, CEMIG has always been around proposing creative

solutions, value adding solutions not only for customers. But also to CEMIG itself in the win-win game, which was very well recognized by our customers.

Therefore, it's not by chance that we have placed upon -- in our presentation the fact that CEMIG has this calling to serve great -- the large customers, large customers and customers that have a concern with the long term, therefore they trust the supply of power to the business to CEMIG. And trust us with this power supply. And this matter of price oscillation, this is all a matter that we have anticipated -- or we have anticipated in our guidance.

You'll remember that our last -- May, we -- even we surprised our people, as (inaudible) seeing that the market with slightly conservative year of prices that -- which the energies what we saw in 2010. At the time, it was a surprise to some people. But what was seen in practice was exactly what is going on today. And today we see sellers seeking contracts at price levels that are quite below that which was forecast, thus reaching a level that we had given as a guidance, around BRL110 per megawatt hour.

That naturally is the result of that experience of negotiation that we have with our customers. And this ability that CEMIG has to understand the market mechanisms. And certainly mean value we seen as a concern, as you hear what's the highlight that it's a mean value and not a big value. This is an average figure. But it's an average figure that we understand would be the most adequate one.

In general, the price is still on this falling trend. We still have some events that show the following trend. The last was the auction prepared by (inaudible), which was not successful, which showed there was a sort of hesitant demand vis-a-vis long term contracts. And we already go into another matter that you have mentioned today.

Contracts are not long term contracts, the time for these contracts is on average two, three years, exactly because of an event that is going to take place in 2013, which is the release of regulated contracts over vast majority of generators. And this is -- this will bring about consequences for those companies who are not -- which are not contracted, which is not our case. We already have a large part of our capacity, generation capacity already contracted in the long run.

We have contracts that have a price, that is actually above the average that the market is offering, not because the fact that CEMIG has appropriated some special occasions. But exactly because of this feature, of this characteristic, of partnership that CEMIG establishes with its customers, as customers on account of the quality of the contracts that we offer, they price it slightly higher -- our capacity is priced slightly higher.

Now, as for acquisitions and projects that we are looking at. And those that we are going to seek, as you know very well, our strategy is based upon a strategic plan, a long term strategic plan which has -- is already five years old and we are trying to deliver to our shareholders. It is an ambitious plan, a plan that looks for speedy growth and only Greenfield growth would not be enough for us to deliver that which we prescribe in our plan.

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Therefore, we have to follow or to continue trying to acquire assets, because through acquisition we have results such as the ones we have for TAESA, which is a very strong cash flow, which by itself, in and of itself creates a virtual cycle of growth.

For us, this is an extremely important to continue seeking those assets. Of course, today we don't have another TAESA on the market unfortunately, because otherwise we would be already trying to acquire it. But we have been prospected, as our CEO has mentioned, these assets -- there are numberless negotiations that are actually going on. And as soon as we finish the deals, we will promptly announce to the market all the details necessary for the market to notice that CEMIG maintains that which we consider vital for its growth, which is discipline, an adequate discipline in order to invest, that is with a return on investment with -- of cash flow predictability which we have with great effort trying to implement in all negotiations that we make.

We have an interest in developing new projects. We are going to participate in auctions, not only in generation but also transmission. Generation, in terms of generation we have a brief -- very shortly we have an auction. We have been studying some projects. I cannot disclose exactly what the projects are and what the structure is that we're going to adapt. But certainly you will know our strategy, that is we're going to look for a partnership. Those partners that are -- they try to add value to their investments, therefore allow us to reach those objectives.

Growth, that we forecast for 2011 practically, is the average that we have seen, being announced not only in the several events. But also by the media. It is a moderate growth, around 4% to 4.5%. This growth is going to allow us to also add a little more value either from -- either due to the sales of more energy through our seller and also the improvement of the results of our distributor, which without the non-recurrent items, which happened in 2010. Naturally, it's going to pickup again. And adequate performance. I think that I covered all of the points that you have raised, that I wrote down. Marcos, if by any chance I was not successful responding to all of them, please tell me.

Q - Marcos Severine {BIO 3322666 <GO>}

Thank you very much Luiz, thank you.

Operator

Please restrict to one question at a time. Our next question comes from Mr. Canheu from Credit Suisse.

Q - Vinicius Canheu {BIO 6300903 <GO>}

Good morning. I would like to continue in the acquisition area. And you said that there is no TAESA available in the market. I like to know if we can understand that this great part of those negotiations that they have referred to smaller companies than what TAESA was, the contracts at CEMIG had with Light recently. Because of that, there was an interview that you gave saying that you were out of the dispute for electro, is this still good?

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A - Unidentified Speaker

Thank you for your question. It's also going to allow me to touch upon another subject. First that -- I'd say that by mention of the size of the assets probably is not as important as that. What's important is the capacity to capture synergy with the assets that we already have. We have tried to look for those assets. Those assets are the ones that we have as objective to add value independently of their size, independently of their geographic location as well.

Of course, the larger the scale is, the larger the possibility of synergy capture. So we strive naturally in generally to find assets that have a size that is reasonable. So that together with our own structure, present structure, we might have a little more synergy. As you will know, we have a focus on the electric industry. Our focus is generation, transmission, distribution of electric energy, associated with natural gas.

We are trying to find an expansion -- a more quicker expansion of natural gas on account of the positive outlooks that this sector offers. And especially because we already have the distribution of natural gas operation. In the state of Minas Gerais, this operation has a repressed demand, which is quite significant. And we understand that with the availability of natural gas already in the state of Minas Gerais, we have synergic gains quite significant from this business.

And this is going to allow us to add value to our customers once we agree to start off with those customers, not only electricity but also natural gas. And if possible steam or heat or even another product which naturally connected to energy, which is telecommunications, which is the backbone service that we already give to our customers and some operators.

So our growth strategy is quite well known. And we are going to look for those assets that add more synergy to CEMIG, synergies that might be captured in the short term, exactly like we did with TAESA. In nine months, we really have been able to have a 10 percentage point performance above the last -- the previous year's performance. And this is exactly what we're looking for, to add value to quality assets that might generate results immediately.

I like to kid around with my staff here that what attracted the most in TAESA was the environment -- the environment's sound, the sound -- the sound of actually coins ringing in the vault that is those assets, that bring immediate results. And with our capacity to capture synergies that these results are improved upon substantially.

In general, our strategy -- and you can rest assured that CEMIG will -- the discipline that we have shown, to say no at the right times to assets that we cannot have the adequate return on. And to say yes to those assets that really add value as TAESA. And additional interest in Light.

We will announce very briefly, very shortly our great opportunities for our shareholders. Unfortunately you know very well that in a merger acquisition process, what guarantees success is confidentiality. Therefore, we cannot give you any great hints of what we are --

have been prospecting. But we've been negotiating because of this need to preserve the business.

We have made an attempt two months ago to acquire additional lines, more transmission lines. It was a very interesting deal that would add good value to our TAESA as well. But unfortunately the price that was offered was also attractive to the partners. And the partners decided to exercise their option. So we're still negotiating. And as our CEO has said, as soon as we have -- we are able to make any announcement, we will do so in a very transparent manner.

Operator

Next question is from Marcelo Britto from Bradesco.

Q - Marcelo Britto {BIO 15393330 <GO>}

Good afternoon, everyone. I have a question about the Santo Antonio enlargement. I'd like to understand how confident you are about this approval by Aneel. And what are the service condition of this additional energy? Is it going to be negotiated on the full market, regular market? Is there any specific condition that Aneel has negotiated with you? And another question, if there is the additional enlargement, has an impact upon Aneel's approval of your concession? Thank you.

A - Unidentified Speaker

Marcelo, we are in a process of approval by Aneel of this additional capacity. It is a benefit that we're going to bring into the project, therefore I believe that Aneel is not going to impose any restriction to the adoption of this new posture. And therefore I believe that we're going to have 100% probability that Aneel will approve of this additional capacity for the project. This does not affect any other project or the project -- the closest one is the (inaudible) project, already has its own features.

We have, as we always do, looking for projects in such a proximity in negotiations. So that we can optimize the generation of power in the two projects. Therefore, we are quite tranquil that if it is necessary to negotiate with the owners of the (inaudible) project that this will be done in a very easy manner. And naturally it might even include sales. But we have not -- we do not have any definition or any news that we might give the market as yet in a more definitive manner.

Q - Marcelo Britto {BIO 15393330 <GO>}

Thank you very much.

Operator

Excuse me, our next question comes from Marcio Prado from Santander.

Q - Marcio Prado {BIO 15398968 <GO>}

FINAL

Good afternoon, everyone. Thank you for the call. I'd like to go back to the investment the Terna [ph] your slide 22, that CEMIG describes the main investment lines. There is a question that is straightforward. About Light, you see that by 2010 you estimated the investments of BRL62 million, which was done.

I'd like to understand what we can expect in terms of the Light, then I'd like to know about the acquisition of minority of (inaudible), shares of (inaudible) and the FIP closing, which -- so if there is any information that Luiz Fernando might share with us about the closing of the Light.

And also, we would make the opportunity, to use the opportunity to go back to the gas system. You talked twice about it. But we don't see any line in terms of investments in Gasmig, at least in your investment programs like -- I like to understand if that great investment program, that Gasmig received, has already been done. And it's now a great availability of gas and it's a matter of the synergy of gas to generate this revenue. I'd like to understand a little more, if it's possible to share a few more figures, where is a growth expectations are for Gasmig and what this is -- then when this growth might begin?

A - Unidentified Speaker

Thank you, Marcio for your question, again Luiz [ph] first to be able to clarify this matter of Gasmig. The investments that were made were made in the pipelines in order to reach the region of the Steel Valley where our large customers can be. And some of our large customers can be -- are. And which have a strong demand.

It's not a matter of investments in prospection that it has nothing to do with prospecting, which is being made in the northern region of Minas Gerais, in the region of San Francisco River. We have some investments that are being made there. But very small. And it's not being done for Gasmig, because Gasmig does not have the social purpose for prospection.

We did in partnership a CEMIG H with the -- in partnership with other investors. Those are small investments that do not guarantee the supply by Gasmig. Gasmig depends upon contracts that are going to be made with the owners of wells that are going to be drilled in the upcoming months. So we still do not have the gas. But with the gas that we already have available, we can serve part of the demand in the Steel Valley. And therefore we made that investment exactly in order to insure that with the additional availability of natural gas, we are going to be able to serve the demand as a whole.

So it's good to make it clear that we still do not have the gas to serve that thorough demand that I have mentioned. But which the structure, the transportation structure for the gas is already laid out. And ready to convey this gas because of the investments we have made in the Steel Valley.

Now. And what has to do with Light, we initially have been in the process of approval, not only in Aneel. But also the new Brazilian National Development Bank of the second installment of the acquisition of Volta do Rio, we had to make a division. And because of that division we are going to acquire the divided company, which was going to result in

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the need of an offer, public offer for this company, which we should be doing in the next months.

We are now depend very simply upon first, of the ascent by Aneel and the NDS. And the second time around how the signature of the pension fund, the editor fund of the final documentation for the process. We should not have any interruption in the process, therefore we think that the conclusion is a matter of a few weeks. And we should be announcing that -- the conclusion one more stage in this process.

Which is reminding me here that, on page 22 that was mentioned by Marcio, there wasn't a mistake there. And the addition in the 2010 column, the total acquisitions naturally does not add up to the -- on the parcels, we had BRL1.998 billion, therefore we will republish that as soon as we finish this conference call.

Well so using the correction, we're going to close this presentation. And then we give him the floor again for his final remarks. Thank you, all very much.

Thank you, (inaudible). The message I'd like to leave to you is exactly that what the CEO has said, of confidence in the future of this company, a certainty that the strategy, the successful strategy will continue, the strategy that we have implemented in recent years.

It is important for us to continue growing, to serve and to meet the needs of our strategic plan. We have the fine arm action alliance. So we know what to do. We have already -- we are in the possession of the necessary tools in order to be able to continue having success in our expansion.

Our purpose is to serve the long-term needs of our shareholders, all of the shareholders, from majority to the smallest shareholder. Therefore, the concern that we have with corporate governance is going to continue being maybe our biggest concern for the upcoming years. We are going to seek all the growth opportunities that we can, that we'll meet the minimum criteria of profitability and value addition for our shareholders.

This is the certainty that you can take home. And we have already proven our discipline in our aspect. And I would like to reiterate this commitment that we have to naturally continue growing and showing you the results so that CEMIG can continue growing and deserve the confidence of investors.

The year of 2009, 2010 were clear demonstration of the confidence the investors have in us. And we would like to continue deserving your confidence in the future. I thank you all very much. Naturally, we are not going to have the opportunity to speak to you until the end of the year.

I'd like to wish you all a very intense years full of accomplishments, the year of 2011 within the moral, ethical principles. And I would like to wish you all a very Happy New Year and a happy Christmas. And I wish everything is done brilliantly for all of us. Thank you very much and good day.

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