

## Q4 2004 Earnings Call

### Company Participants

- Djalma Bastos De Moraes, President
- Luis Fernando Rolla, IR
- Wilson Brumer, President, Board of CEMIG

### Other Participants

- Claude Gallbrick, Analyst
- Edward Dajama, Analyst
- Ena Sonleche, Analyst
- Franco Santander, Analyst
- Gustavo Catas, Analyst
- Jildago [ph] Franzeka, Analyst
- Jodrigo Polieto, Analyst
- Unidentified Speaker

### Presentation

#### Operator

Good afternoon, everyone. We are beginning our television [ph] of conference to publicize our 2004 results. Those who follow us by phone, we inform you that the presentation will be available for download on our site, [www.CEMIG.com.br](http://www.CEMIG.com.br) at the Investor page. Those who want to follow through webcast will have to follow the instructions on the banner that is to be found on our IR site.

Today, we will have the presence of Mr. Wilson Brumer, President of the Board of CEMIG; Dr. Djalma Moraes, President; Dr. Flavio Decat de Moura, Director of Finance and participation in Investor Relations; Dr. Elmar Santana, Director of Generation and Transmission; Dr. Djalma [ph] de Amacid [ph], Director of Distribution and Sales.

To begin the presentation, we would like to call Dr. Wilson Brumer, President, Chairman of our Board.

#### Wilson Brumer {BIO 1524504 <GO>}

Good afternoon, everyone. I would prior to anything tell you about the satisfaction, the pleasure that we have to be here to tell you about the results of the Company for 2004. But we would like right away to say that we understand that the Company through 2004 has pursued the strategies established by its Board of Administration and to try and add

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value to the Company. And the results are beginning to appear either from the value of the shares on the market -- but also delivering to the markets on the measures that right since the beginning we have established as important goals to be fulfilled by the Company.

I begin by saying therefore that as known to all of you in a certain way -- that in 2004, the net profit grew by 15% with the number of 1.385 million. This profit represented 8 reais, 54 cents per thousand stock shares. And following our master plan and following the guidance of the Board already approved at our last board meeting, the dividends to be paid will be 50% of the net profits. That is 692 million reais. These dividends, which will represent 4.28 cents per thousand shares -- I would like to call attention to the past generation. And the Company that reached in 2004, the total of 2.266 billion, as opposed to 1.797 million -- our margin of 32%. And a net margin of the Company has reached 19%.

I would also call attention to the results, the consolidated results, now already the Company beginning to work under the perspective of a de-verticalized company in which we see the net profits of the generation reaching 657 million and in bids of 1.129 billion, the transmission 103 million net profits. And EBIT to 75 million -- CEMIG distribution 577 million net profit and 840 million of EBITDA.

I would call attention also of you analysts and investors to Gasmig, which was a negotiation concluded at the end of last year. But the result of last year represented a cash generation of about 47 million and a profit of 35.

And we are going to talk about paying for viez [ph], one of the assets that is being re-evaluated in the CEMIG business sectors. If we look at the history of the Company, we're going to see that the Company throughout the years has been generating results. But also we are according to see that the 2 last years, especially the Company improved substantially its profitability, as compared to previous years, which also deserves our attention. The growth of the margin, the EBITDA margin, if we consider it as a base to year 2001, we had the margin of 21% of EBITDA -- last year reaching 31.7%.

I would like also to call attention to a point that we think is important because we're talking about adding value. And it is important to see that the market value of the Company -- I remember quite well when we began to discuss with analysts, we had established a goal of reaching a value -- a market value for the Company in 2006 of about 9.6 billion reais. And we're very happy to see that this goal has been fulfilled at the end of last year. Actually, it went beyond the 9.6 goal. Almost 10 billion reais have been reached. And it's just going to make us reflect and establish a new goal so that we can really have or add higher goals -- keep adding value to CEMIG. And this being recognized by the market.

We had a mean contract price of \$71 per Minas Award. The operational expenses in conformity were the unyield, the regulating agency. The recalculation of adjustments in 2003 was 31.53 -- 2004, 37.5. I call attention to a point that was part of the strategy of the Company, which was the association between CEMIG and Petrobras and Gasmig -- Petrobras gas through Gaspetro. This is going to allow us to reach within our master plan the goal, which is more offer of natural gas to the market where there is a great potential

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-- here in the Minas Gerais. Just to remind you, Minas Gerais will have an offer of gas around 3.5 million cubic meters day. And we have a market evaluation assessment. Now, we have the potential of almost three times as large. And this will give us conditions through Gasmig also to add value to CEMIG and serve to later contribute to the development of regions of the state.

Our policy would be fit to establish a master plan that would not be possible if we did not establish within this master plan a new dividend policy. Just to remind you, this policy was discussed last year and was approved by the shareholder assembly -- and from the time on, the participation of 50% of the net profit. One of the goals also established in our master plan defined that the Company needed to seek opportunities around and in its surroundings. And in last year, we were able to acquire a company, still in small figures for the potential that we believe it has. But at any rate, it was our very first effort with our first acquisition.

And one of the points that would be a matter of concern to us would be to find a definitive solution for CRC. I will comment on that with much more detail later. But the decision has already been discussed and approved at the level of the Board. And our proposition is that in the stockholder assembly to be held in April, not only the ordinary assembly, which is going to approve all the results that are being presented here. But on the very same date, we will be calling an extraordinary assembly so that we can submit to the assembly that, which is fit, the definitive solution for CRC.

But our master plan, which was mentioned and it considers the enlargement of the area of action of CEMIG -- but also must take into account within the regulation aspects growth of the Company with safety and security and without any doubt talking always about value adding. The new dividend policy, as I said, will consider 50% of payout already applicable beginning this year and extraordinary dividends every two years whenever there is free cash. The total payment of CRC with the retention of state dividends without economic loss. And as we talking about a long-term master plan, of course, this master plan is going to be reviewed or revised annually within the strategic planning of the Company, given occasional scenario changes and so on.

As for CRC, I would like to call attention that in the end of last year, we were talking about a debt of the state toward the Company of 2.9 billion. And a way that we found the formula we've found and approved by the Board is a retention of 65% of this dividend paid to the Company -- paid that is to the state. And with that, we will be in the next -- we will have 61 6-monthly installments because of the dividends were considered besides the 50% -- the 6-month dividends -- and retaining 60% with 0 loss for the Company without therefore that the Company has grown. It has shown that there is a capacity to meet all the demands of our stockholders. And the value of the stock has shown to us that we are certainly on the right track. And as every company, certainly there is -- we always revise that which must be revised in order to improve it.

So I give the floor now to our President, Djalma -- Chairman Djalma, who is going to talk about the operational data, especially the enlargement of the existing capacity and sales with quality new customers.

## Djalma Bastos De Moraes {BIO 2089645 <GO>}

Good afternoon, ladies and gentlemen. I would initially apologize for the absence of Dr. Heleni and Dr. Jartavise, Vice Presidents. They have commitments outside of the Company. And I think that the members of the administration present here -- we would be able to answer your questions.

But we today are the seventh largest generator in the country, the sixth largest transmitter and the largest distributor. Our total network, for you to have an idea probably, if we are successful in our rural electrification process, we are going to enlarge our network of 388,000 kilometers by approximately 23%. That is, we are going to build approximately 60,000 kilometers of lines with this new project until the end of 2006. And so we are enlarging our network by 23%. That which has been done throughout the existing CEMIG in these 50 years.

Our presence today has been extended over to other states. We had the participation of Espirito Santo, Sao Paulo, of PCH in Santa Catarina and we have also requests also from our PCH projects to participate in enterprises at the borders of Minas and Rio de Janeiro and Sao Paulo. Probably next year, it will be -- it is possible that within two years, we're going to have an enlarged participation with the PCH projects. And that's in these states.

We had in 2004 a large sales growth. Our sales went up by 23% -- our industrial consumption 6.2. And in the Fourth Quarter, our sales overcame -- surpassed by 0.26% consumer sales. Investor consumer sales grew by 4.8%. And the supply to other utilities also grew. Bear in mind at the end of the contract, conversations, negotiations with the other public utility company -- the acquisition of asset generating assets on the part of those utilities. With the highlight, we enlarged our total consumer pool. And participation of bidding process is into Chiles (Portuguese).

And we began the construction of Capim Branco Number 2 on the plant. And about 20 days ago, we actually deviated the river so that we can put in the plant Capim. And we started operating on the Despacho Bejedra Que Mado [ph].

And we launched in 2004, the light for everybody projects. This project -- this light for everyone is of the state government's in partnership with the federal government and CEMIG. And the project, the lighting project, is exclusively the government of the state and CEMIG. And PCH is a project exclusive of CEMIG with participation in these enterprises -- 49% of again of companies and 51% private initiatives.

Our program of investments. We had several areas of generation transmissions, sub-transmission distribution, support Joal [ph] -- special projects, all of that. So that a strong enterprise, a strong investment in 2005 -- 26.638 million 2005, 709 million investment in 2006.

The next slides, we're going to talk about this project of the state. Now, our generation capacity, which in 2003, we had 5,000 megawatts. We concluded 2004 with 5,900 -- over 5,900 megawatts. And we are now predicting in 2007, approximately 5,575

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megawatts. A fact that is good to remind you about is that we had to enlarge our generating park, our distribution. And it is our purpose to reach up until 2035, 20% of the national market. For that -- in order to do that, we will continue investing in all the concessions given by the powers that are quite the appropriate powers and also authorities and also participants in acquisition processes. So as to enlarge our acquisitions, which we did in Joazil. So that in the next 30 years, we're going to have 20% of the national market.

As you can see, you more or less know, our 'Light for Everyone' program, it is an important program of citizenship within our state. We have signed an agreement with the federal government and the state government. And CEMIG participating so that we have within our large area of concessions, all of our rural properties met and served until December 2006. This project will count. It is fundamentally important to make it feasible at the participation of CDR and EDR and the global reserves of Reversimim [ph].

So at present, our costs are around -- we have concluded the year 2005 with the costs of 5,200 reais. And the participation in these programs are the federal government, 3,600. There is a bidding process, which is ongoing pointing to a cost of approximately per property of around 9,000 reais -- 9,060 reais per property. We have been working together with the federal agencies so that we may make this feasible. This financing in the proximities of this number or this figure of 9,000 reais. We have talked to the Minister of Minas and Energy last week.

And we should in the next week be present at Electrogas. I personally requested an effort to be made along this project because it is a commitment made by the federal government, the state government so that we have 100-percent properties served until 2006. We are very optimist (sic) because in other states, the costs are not coming close to this figure -- not 9,000. And it is worth remembering that we have states like Santa Catarina, whose cost per property is quite close to 10,000 reais. Also down in the Tourniqua [ph] form, it is important to notice that these costs are increasing -- having in mind that the simplest and easiest ones, the Company has already done throughout these years. The distances are increasing. So for you to have an idea, it will have approximately 2.5 properties per kilometer.

And in a recent study in the state of Pernambuco, which today already receives approximately 7,000 reais -- and Pernambuco is not the figure per property -- the agreement with Electrogas -- 7,000 reais. They have approximately five consumers per kilometer. So we are confident in the modification of this number of 3,600. And we're certain that the government is going to agree with us.

And I would like to give the floor now to Dr. Flavio Decat so that we can continue our presentation.

Dr. Flavio Decat de Moura: Good afternoon, everyone. I have to talk about the business restructuring. I have to talk about the conformity with the regulation market and the extension of Gasmig -- next slide.

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The main motivating factors of our reorganization -- society of reorganization, which was done at the end of last year. First, we had in our legal obligations, the legal mandate, our contracts -- our concession contracts signed in 1997 that established a 5-year term for the Company to de-verticalize. We were in debt with this contract with our regulating agency, causing thereby a series of inconveniences to the Company.

Second reason is an orientation by the government -- a guidance by the government and the Company. So as to enlarge the offer of cash to the state of Minas Gerais meeting the demands of the regions of the Fadaduas [ph] in the south of the state. And then, three ambulo [ph], thus requiring the participation of a powerful ally. The chosen one was Petrobras at the end of the year, as said here. Negotiations were closed. And the association was made.

And the third is the creation of a societal structure able to shelter and to comprise the expansion of the sectors. CEMIG is going to grow vigorously. And it will have to have a structure of an economic group in order to act efficiently in the management of all the assets that we intend to have.

The next slide will show a structure of CEMIG. It is a CEMIG holding and distributor on the left, a GT, a generation and transmission, now comprising the consortia [ph] and several different participations, I say today, because we are in a process of studying of the best way to manage from the point of view of the tax -- from a taxation point of view those assets. Infovias, our telecom Company, will have 100% of our capital -- will have several independent productions connected to the hold. And we are in a process of activating a company that we already have installed, which is Seliga [ph] Trading, given the extraordinary importance that it acquired for our corporations -- that only in the electric sector of the process of buying and selling energy power and the case -- recent cases showed that a bad participation in a process of sales and the purchase of power may generate very bad results for the Company. Thank goodness, CEMIG has had an excellent result in the last auction process.

The next slide will talk about CEMIG Holding, which is an open capital company, the only one that has shares negotiated on the market. They are negotiated, as you know, at both Viaspa [ph] and the New York Stock Exchange through AVRs and in Madrid -- Madrid and Antafax [ph]. The assets -- it is a proprietor of the shares of the Company's connected to it. It acts in the electric sector and the gas -- natural gas sector and telecommunications, which is an ongoing process -- the analysis of what kind of participation we should have in telecom area and whether we sell the Company or whether we attract a partner in order to join with us. And that is what to do with the Company. And this holding company is going to act without any geographical restriction with a focus on new projects and new acquisitions.

The stock structure of this CEMIG holding is similar -- absolutely equal to what we have today. I will only mention the free float that we have, which is extraordinary from the formal point of view. The definition, the specific definition of Bovespa, the Sao Paulo stock exchange, more than 75% if you consider the shares retained by the strategic partner, Latibex, our free float reaches 65%. I also highlight recently there was a process begun 2004 -- the enormous group, financial group from California, has just acquired about 7%

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of preferential shares of CEMIG, which is an auspicious fact. Because if such a group is looking at us and considering us able to add value, that means we're on the right track.

So CEMIG GT in the next slide is a company -- it is a total subsidiary. And the open capital is merely for us to be able to issue debentures, which is a requirement. It does not have any negotiated shares. It is seventh largest generator, sixth largest transmitter. It acts in auctions promoted by the Chamber of Sales of Power, electric power, in the environment of contract regulated contracting. And also it acts very strongly in the management of contracts with free consumers. Today, we have about 120 free consumers.

And in transmission, the new concessions and the management of the existing concessions -- the next slide. CEMIG GT had as the first -- the first action was the participation in an auction. It was carried out in the beginning of last December. It was an enormous, huge auction -- commercial line of 75 million reais and 8-year contracts. CEMIG had a mean price with those that are shown there on the graph. In the next auction of old power, we're beginning to get ready to act on the 31st of March, 2005 in order to sell two products, beginning eight years with the delivery -- beginning 2008 and then 2009.

In then the next slide, we have there a summary of the great feats, the great accomplishments of CEMIG, the result of a lot of preparation by the team that conducted the auction. Throughout the year, CEMIG shows a strategy to reduce the exposure to auctions. We would imagine that the auction would be a low-priced auction because of the circumstances. About two-thirds of our available power was sold to free consumers at 71 reais per megawatt hour, 20% higher than the auction price for delivery in 2005. And the contracts with free consumers have a very good feature because they are indexed by the inflation rate, whereas the auction -- the ones have another indexed rate, which is worse for the Company.

During this process of trading, we were successful in selling to a group of consumers. And we established those contracts; we signed those contracts in U.S. dollars, which give you a natural hedge for U.S. dollars transitions for the next year. We had also great success in the auction. The figures out there, we sold 927 megawatts, mean at 69.58, the highest price obtained in the auction that was done.

With that, our contract portfolio, which can be seen in the contracts, it is the blue box -- is the initial -- the remaining initial contracts are going to be replaced by the 927 megawatts shown in orange, which are the result of the auction. We sold 927 megawatts. The green boxes show the contracts with free consumers, which we did and which was signed in pink. It shows our reserves in the initial -- at the beginning of the process and throughout the year of the time it's going to be transformed into de-contracted capacity, which we will need to contract.

And the blue, which is going to sell as new power in the next auctions, possibly there will be an auction of new power in June. We are going to have 387 megawatts to sell, distributing CEMIG, which is a total subsidiary of open capital. Again, our open capital merely for it to be able to issue debentures. It has an install capacity of 16,000 kilometers and a distribution network of almost 370,000 kilometers. Assets are 2.7 million reais. And

this is the business focus. The extension of market participation, operational excellence, maximization of the allowed return by the regulating agency, which is a relevant fact. We try to act and not to dislocate investments between revisions. This gives us a major financial gain for the Company and the commitment of course to serve our customers.

The balance, the energy balance of the distributing CEMIG distributor -- we see in this next slide. It has a contracted capacity, which is the first blue right at the bottom. This is basically a type blue and foreign [ph] us and some coal generation. The mean megawatts in orange are depicted. And engrained in orange, the contracts that were signed as a result of the auction to different products. The orange beginning in 2005, 8-year duration. And the green beginning in 2006 with 8-year durations. And the open capacity for contract is about -- the next slide will show the agreement between the CEMIG, Gasmig, Gaspetro. And Petrobras, the agreement where was the acquisition of Gaspetro of 40% of the social capital of Gasmig. And the control has been preserved.

Back to CEMIG. And we have and expect a colder agreement for shared managements. The total value paid by Gaspetro, which came into our bank account was 154 million, which it gives a total of 100 million capital gains because the asset was worth 54 million.

The next slide, we see a perspective there. We have the purpose of increasing our offer of natural gas in the state. As I said, enlarging the infrastructure of transportation. This agreement also provides for a great contract of natural gas, long-term contract, a twenty-year contract which is a factor to add major value added factor. Today, natural gas is merely well disputed in the market. And because of this partnership, we were able to obtain this 20-year contract with Petrobras. And we have in Petrobras the preference of a right of sales of additional gas to this agreement in similar conditions to the market offers.

The next slide shows a little map of the area of actual gas megee [ph], which is going to have in the process showing the address to the Vagadaduras [ph], the southern tip part of the state and the western tip. Tienglú [ph] allowing for Gasmig to triple its delivery of gas going to 10 million cubic meters day at the end of 2010.

And then closing here my part of the presentation, I would also talk a little bit about Josa [ph], which was symbolic acquisition for the Company -- done very nimbly, very speedily. And we began the analysis process in last October; we concluded it by December. Maybe that's the reason of our success.

The acquisitions trend -- similar transactions brought to the same basis and done at the same time between private agents took at a price at almost about 10% higher than this. I'm going to repeat that because that is relevant. Private agents transacting deals in plants at worse condition than ours -- shown the competence of the team that really took care of this deal. It is a 55-megawatt plant, hydroelectric plant, at 30 mean megawatts. It is rarely -- no environmental liabilities -- a very good contract signed by a group. No risk -- without any major risk. And we paid to Kaiwa [ph] 134 million reals for this plant.

This is what I had to say. Thank you, very much.



## Unidentified Speaker

Thank you, Dr. Flavio. Now, it is up to me now to talk about the results proper of 2004. And I am going to try and show you what we obtained in 2004, which we considered to be an extremely positive year for our Company.

In this slide, you can see some points that affected, especially the results of 2004. We had a year that was extremely disturbed. And what has to do with regulations, we had some changes of fiscal criteria that had a major impact on our final results. Our bottom line, convenience fees especially, which the rates of which were increased in 2004. And its reimbursement only was decided in the last years by the regulating agent. And this of course had an impact on our financial results. We should have given this to our share stockholders and investors the final results of the balance sheet. But unfortunately, because of these changes in regulation and accounting practices imposed by the regulating agency, we had a problem also having to do with regulation -- will have some impact having to do -- to the fact that today operating separately, we have to consider the impact that the loss of consumers of the distributors had especially in what has to do with the recovery of the regulating assets.

As Dr. Flavio has already mentioned, we had regulating assets, which are -- why significant including are today, which is the result of the tariff revision of 2002 -- which is still being an object of analysis by ANEEL. We also had impact caused by the reduction of our tariffs in May 2004 by the regulating agency, resulting in an impossibility to recover all the CRC credits that we have rights to -- that we are entitled to. Another impact caused by confused [ph]. The social tax was an increase on the income tax, given the account in practice imposed on us by ANEEL.

But now the next slide shows us the results proper. The result, as a whole, was extremely positive -- much within that which we planned to obtain in 2004. It is an evolution having to do with the years of 2002 and 3, especially having to do with 2003. We had a gain of 15% in our profitability. The net profit increased by 15%. This, as a result of the positive aspects -- among them -- a larger volume of sales that we had in 2004, 3.6% more than 2005. The size the tariff readjustments, which affected the results.

I mentioned the reduction of the tariff in April 2004, from 19% and locating around 14%. And this of course had an impact on the results and our perception. And the understanding of that result also within -- in the midst of this reduction, there was a change of the reallocation of the increase among the consuming classes. So we had a certain difficulty to absorb this increase. But we still had, as I mentioned, the reimbursement of convenience, which helped to increase this profit and that profit that we present.

Another very positive factor was the capital gains that we had with the negotiation of Petrobras about the 40% of Gasmig, which was shown by Dr. Flavio. An exceptional game for our stockholders, a value that was added in a significant way.

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On the negative side, we had a provision of Atoee [ph], as a function of the reevaluation that was done of the possibility of recovering the credits within the time that was authorized by the regulating agent. In spite of having recognized a provision, this does not mean that we are going to really give up negotiating with ANEEL.

In general, we had a very positive result growth of EBITDA -- a quite strong growth in the Fourth Quarter as compared to the previous one. We did not have a significant variation of a cash generation because of the fact that in 2003, we have the reversal of the provision of Artee. And in 2004, we had the constitution of another provision, which distorted results of the cash generation in the Fourth Quarter of 2004.

Now, we also have a concern of showing to the market that what we had projected for 2004 was practically met -- was fulfilled. And of course, in this year that had different practices and different accounting practices and a revision of tariff increases. We had some imprecisions, as a result that took place in our projection. However, this table shows the factors that we had. We had a provision of EBITDA of around 2 million. We found about -- we had a difference of about 4%. We understand that within this situation that we had in 2004, the result was fully met without a doubt. It is extremely positive. It may be the largest cash generation in the electric sector -- and Brazil excluding Electrogas, which has very unique characteristics anyway.

And net revenues increased by 27%, as a result of the factors that we mentioned before, especially because together with our -- today and I add in these sales to final consumers. We obtained a substantial increase in our annual net revenues. Even in the Fourth Quarter, as you can see, we had an increase -- a substantial increase. The net revenue was affected by the reduction of a convenience tax. And this reduction of expense took place in the deduction line and therefore increased the other line. The operational costs also had some substantial increase by 2004, around 1 billion reais. But we can say that a large part of this increase -- around 58% of that 587 million that is were due to the non-controllable cost where we can highlight the transmission charges, CDE, which is the one used in under subsidized projects geared towards the low-income consumers. Also increase in significantly -- almost doubling relative to the preview years.

And the royalties that we paid pay to the states and municipalities also increased substantially in 2004. Of course, some of these figures were reached exactly because of the reimbursement of expenses that we had in the past. But in general, the increase is quite significant. The controllable costs, excluding the provisions, had an increase -- a well-behaved increase, 8.8% increase represented the inflation rate of the year 2004. However, we still had to make a provision. And these provisions led to pay -- they actually led the operational cost to the status that we had previously mentioned.

The financial results do not present the large variation. I remind you that in 2004, we had a hedge for our operations in foreign currency. This generated some additional costs. The financial revenue is affected very strongly by the monetary adjustments of our assets of the regulating RTE, CVA and RTD. And also by the credits of CRC, which by the way increased values -- reached very, very high values, even considering that we had already provided for those.

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I'm going to talk a little bit now about our financial structure. We have a strategy of lengthening the profile of the debt and reducing our exposure to exchange rate risk in spite of having withdrawn -- with actually reduced our debt. This is consolidated free cash flow, as you can see, there is a substantial increase of cash flow at the end of the period reaching almost 900 million reais, as a function of the generation of cash by the normal operations of the Company -- which also grew significantly in 2004. Besides the fact that we had -- we were able to obtain financing, not only to roll the debt but also to finance part of the investments that we made in 2004, as can be seen in this table.

The next slide shows us the strategy that we are adopting, still having to do with our debt. The lengthening of the period, we had 2004 financings around 1.5 billion reais and 431 millions in foreign currency. This allowed for the reduction of the exchange rate exposure. And today, we had a percentage of finances in U.S. dollars, around 27% of worse [ph], as a result of the contracts, as Dr. Flavio has mentioned that were signed with the consumers. We already have a natural hedge already then, which will allow for substantial cost reductions because of the new contracts that are in U.S. dollars and were signed with large consumers.

Our commitments of the master plan are still preserved. These commitments aimed at assuring a sustainability from the financial economic point of view. In the Company, we had a debt because of the generation of cash, as measured by EBITDA at less than or equal to two established as a commitment of the master plan pier and a debt on the capitalization of the Company lesser than 40%. The figures -- the present figures, as you can see -- that page 44 -- are quite close to the debt around 37% with a matched tax divided by the EBITDA around 1.5 -- which goes to show that we are on the right track to guarantee the sustainability of the Company. You see that the debt, especially those in the next few years, concentrated in the short terms -- an extra 4% of the debt is due in the next three years. But this is an improvement because last year, 75% of the debt was due in three years. And now, we were able to reduce the percentage.

The strategy that we have for the next months is to lengthen this profile more and more. And we're beginning now -- understand this -- and talks so that we can reach these objectives.

These were the slides that I have prepared in order to show you for the discussion with you all. And beginning now, we can open the floor for questions and answers. We still have some time left in which we might discuss something that we have not mentioned and you might have interest in finding out about.

## Questions And Answers

### Operator

We already have a first question -- Edward Dajama [ph]. And ladies and gentlemen. we're going to begin now the Q&A session.

Edward Dajama, Abactoral [ph] Bank.

## Q - Edward Dajama

Good afternoon, everyone. I have basically two questions. First, has to do with the acquisition. What kind of return do you aim at when you acquire? And the second question had to do with CRC -- when can we imagine an approval of the state legislature?

## Q - Unidentified Speaker

I am going to answer the second question and then I will give the microphone for Flavio to answer the first one.

We are already approved the Board, the conditions of CRC liquidation by the state. I insist again on the mechanism that we found. We made use of the change of the payout of 50%. And 65% of these dividends are going to be geared towards the liquidation of CRC without any economic loss to the Company. We, as I said, we have this approved on the Board. And we are already in the final stages of contract negotiation. Our idea is that for the next assembly, which is going to be held during the month of April together with an ordinary assembly, we may put this to the appreciation of the stockholders so that we can submit that to the state's legislature. I believe that in the first semester this year the state legislature is going to approve that. But I call your attention to the fact that when it is approved by the Board, we will start of course retaining the 65% of the dividends attributed to the state.

Dr. Flavio Decat de Moura: In fact, the acquisitions, we are going to try to add the most value, as we can. The taxes that are used by CEMIG in evaluating of the businesses of transmission generation and distribution -- aiming at obtaining better rates. So as to add value to the Company. We're going to try to make the best deals as possible. So looking at that, it's just another leverage.

## Q - Edward Dajama

As you are a public utility, you have to capture in order to increase the profitability. And then, I would like to know what kind of return can you give us? What kind of return could you expect from this acquisition?

## Q - Unidentified Speaker

If I understood your question, well, in terms of leverage, I would only like to mention that the process that CEMIG has been pursuing and which we would want more and more to be like that -- to be in partnerships with the private sector in such a way that -- this point that you raised. And it is extremely pertinent, an important point. So we don't have any restrictions in terms of leverage. That is, we will be always pursuing partnerships with third parties so that these projects will be as many as possible with enterprises with the participation of the private sector.

Just to give you an example, we have in CEMIG, many enterprises that are actually underway. And only one of them with a 100-percent participation of CEMIG, which is the eat up [ph] their plant. All the other ones have the participation of the private sector. So that this will allow for better leverage without financial restrictions that exists today to the public sector. What we're trying to do in debt, which is adequate for CEMIG to do is not to

depend much on a single source of a company, which is the National Development Act, without giving up the Payaneedes [ph], the national bank. But it has because of its limitations of agreements for loans to public companies. And so, CEMIG is looking for other alternatives, looking issue into debentures and bonuses and things like that and the other papers. Thank you, very much.

## Operator

Franco Santander [ph].

## Q - Franco Santander

Good afternoon, everyone. I have three questions relative to the results. And if we have more time, I will have other questions. But basically, the first one -- do you have the amount of fees plus etico [ph] fees referring to the Fourth Quarter only?

## Q - Unidentified Speaker

343 million reais correspond December 2003 to 2004.

## Q - Franco Santander

Do you have the value referring to the Fourth Quarter 2004? Do you have them?

## Q - Unidentified Speaker

Well, sort of feature [ph], we have in the slide where I presented the conciliation with our guidance, you have there that practically 100% of convenience -- the convenience expenses, all the other taxes on the government is additional money that we are recovering was actually registered in the Fourth Quarter. And this was specifically recorded in the fourth turmas [ph] quarter.

## Q - Franco Santander

No, the issue has to do with -- in my understanding, in order to adjust the EBITDA for the Fourth Quarter, you have to return the passa [ph] relative to 2002 up to September 2004. Because in the Fourth Quarter, because of the competence regime, this matter should be kept in the EBITDA. That is the reason why I asked why the piece confused part -- relative parcel during the Fourth Quarter.

## Q - Unidentified Speaker

At the time here, we don't have this information available. I may send it to you by email, as soon as we finish this presentation.

## Q - Franco Santander

Thank you, very much. But please, another thing -- do you have any idea or any signal in from ANEEL of how convenience is going to be paid? Because in your press release, you said that the expectation is that it would begin -- you will begin to recover that from the

cash point of view beginning April. But would there be a definite date? Or is this still open for discussion?

### **Q - Unidentified Speaker**

I would say that we have to divide that into two parts. The convenience that we are going to pay beginning in April is going to be embodied in that recovery of the expenses. Up until April, we're still negotiating with ANEEL. And as soon as we have some signal, we think that in about three years, we should recover practically all of the assets.

### **Q - Franco Santander**

And last question has to do with the provisioning of RT. And you indicate that the provisioning was done because of the changes of premises. A macroeconomic premise in the market growth and tariff increases, which ended up resulting in this 4 million reais relative to RT. Could you explain a little bit better what were the variables that had the biggest impact from the point of view of changes that led to this loss? Was it a matter of macroeconomic changes? Or was it a market issue?

### **Q - Unidentified Speaker**

What we used to do in order to be able to justify the visibility and viability of our assets is long-term projection taking into account some economic parameters. One of them and the most important one relative to RT is the cilig [ph] rate. The projection of the cilig -- projection for the next year's because the cilig rates will readjust the balance of that assets. As you very well know, the cilig had a behavior a little different from what we imagined in 2004. The whole market expected CEMIG to be reduced. That was the expectation of the market. And that was the figure that we had adopted when we did our first forecast. What happened was the cilig, it actually increased. So we had to redo or recreate our scenario for that parameter.

And second, we also had the impact of the reduction of tariffs from 19 to 14% affecting our projection for the future.

And third, we had also the loss of investoral (sic) consumers of the distributing company reducing the base of the revenue -- also affecting the final result.

But we are negotiating with ANEEL. And we believe that we are going to be successful once every company in the public company -- public utility have been or has been affected.

### **Operator**

Gustavo Catas [ph], Nubias [ph] & Bank.

### **Q - Gustavo Catas**

Let me ask -- I have also some doubts about the results -- the numbers of the results. If you have that available, you can send -- if you don't have it available, you can send it later.

But one more strategic doubt about -- I'd like to begin by that. If by any chance, Electrogas takes too long to deliver the money for 'Light for Everyone' or the negotiations take longer, are you going to begin the construction of the work actually?

### **Q - Unidentified Speaker**

We have a commitment in the first part of the project. And we have a commitment of approximately 20,000 properties. This CEMIG will take care of by itself.

Now, as for the remaining 140,000 properties, evidently we are netting positively that this will come from Electrogas. We're not thinking that Electrogas may actually -- that the business, the deal fall through. Because of the agreement that we signed with the federal government and the state government in order to make this project feasible up until December 2006. The problem of course, which is a matter of concern, is the problem that also is a concern to us. When we have companies -- we have Santa Catarina whose costs were about 10,000 reals. We expose that to the ministry last year. We're going to Electrogas next week. And we are confident that there is going to be a change in this number of 3,600.

### **Q - Gustavo Catas**

Has this figure been approved in the financials -- just a request?

### **Q - Unidentified Speaker**

When Salaski [ph] submit it -- it has not been approved, no. They are still debating it.

### **Q - Gustavo Catas**

Thank you, very much.

### **Q - Unidentified Speaker**

But we have a signaling that Pernambuco was approved in a situation of approximately 5,000 to 100 in Pernambuco -- Parja [ph] 5,200. And Pernambuco is still negotiating around 5, 6,000 reals. Flavio have an idea -- the state of Minas Gerais counts on 2.5 properties per thousand kilometers, Pernambuco 5 properties per kilometers. And it is confident that it is going to get a number higher than 3600. So naturally, this agreement that we signed with the federal government, we're very certain that there is going to be a change -- very good for the Company -- about this of 3,600.

### **Q - Gustavo Catas**

And when will you really begin the process, not only to the 20,000 but the other 140,000?

### **Q - Unidentified Speaker**

Let me add the flato [ph] flajo [ph]. I apologize for not going into your meeting. I owe you one.

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But the relevant thing here of this project for the Company is that it will add extraordinary value because CEMIG has a legal mandate to universalize the power sources up until 2010. Doing that in two years, as the project provides for, we add 2 million reais -- 2 billion reais value under this issue for the CEMIG Company. That is the difference, Gustavo. That is if we universalize up until 2010. And we have a mandate to do that. Otherwise, we will start paying finds. We have a certain value for this project. And if we do that, in two years, we will stand to gain 2 million -- 200 billion reais based on the fact that this asset will start being a tariff revision of 2008.

And on the fact that during these two years, we're going have access to two major resources. First is RGR, which is an extremely subsidized resource managed by Petrobras, as you know. And the other one is Sidee [ph], which is the contribution to energetic development. This is the objective gains of the project. All the difference in order to make to zero in -- to make it neutral from the point of value add in or not letting it and destroy any value. All the rest of the resources will be supplied by the social profit, which is a part of the profits that CEMIG applies or invests in social projects. Therefore, the variation of the price to be considered by Petrobras at the level of Ministry for the connection per consumer, it is going to make a consumption of more or less consuming on the social profit. And this is the relevant thing.

Objectively having to do with your question about actually paying out expenses, now the Board of CEMIG had authorized only the beginning of the work with the monies that are already obtained. We already have some contracts signed with Petrobras and resources from these 30,000 some customers that are going to be connected. We're going to continue with this process and until we connect the 30,000 customers. And then consumers -- and we will begin the other ones only with resources guaranteed by Petrobras. This is the situation as it stands.

### **Q - Gustavo Catas**

Now Luis, maybe this is addressed to you. But I had a question about the results. The first one if you could give us -- how much that you recalculated the tariff CDA and now CDA tariff. What is the value, the total added value in reais of the 12 months of recovery beginning April 2004? It was a similar question to the one I asked last year, do you have that at hand?

### **A - Luis Fernando Rolla**

Certainly, we're going to give this over to the market, as soon as it is finished. Our accounting area is taking care of that. And I believe that Monday at the latest, you're going to have this available information.

### **Q - Gustavo Catas**

So the last thing now, you registered in the Fourth Quarter -- you mentioned that both in your press release also a return of the readjustment of 19 versus 14 reference to April, beginning of May. I'd like to understand. Was that in the accounting? Was that provided for or was that considered as a revenue reduction?



## A - Luis Fernando Rolla

It was considered as a revenue reduction.

## Q - Gustavo Catas

Thank you.

## A - Luis Fernando Rolla

We charged from the consumers with a tariff as approved and revised by ANEEL later on.

## Operator

Ena [ph] Sonleche [ph], CSSB.

## Q - Ena Sonleche

Two questions -- Luis, first, what is exactly the last official guidance of the Company for the cash management of 2005? And on what premises, particularly EBITDA.

And the second question -- in relative to this Gasmig contact with Petrobras for the supply of gas, natural gas in 20 years. I'd like to know what are the contract terms? Is this domestic gas? Is this Bolivian gas? What price, especially. And readjustments?

## A - Luis Fernando Rolla

Dr. Flavio, please.

Dr. Flavio Decat de Moura: As for the guidance, we are releasing the guidance as soon as we have a tariff revision, as provided by ANEEL Anderson. There's going to be some impact in the projections. No, we used a tariff of 10%, possibly there's going to be some adjustment around this figure.

Now, one of the important gains in the deal with Petrobras was the price of gas. Gasmig has its present contract. The present contract has two sides to it. The first is the national gas -- already exhausted. So any addition is the price of the Bolivian gases. We were able to get from Petrobras a mean price of the national gas. So we're going to use the price of gas such that it is comparatively real. In Sao Paulo, that is the big objective. No point offering gas to the industries in the concession area of Gasmig at prices higher than the ones offered by the neighboring states. Of course, we are not going to attract any industry. We're not going to make those industries that are here to remain here.

So this the basic of the contracts. It has a growth projection, which is quite important according to the tables. I don't know. I have not fully shown the tables. But if not, we can send them over to you. Ever since our growth projections, 1, 2 year in order to construct gas ducts [ph] and maybe we are going to begin anticipating by one year -- we're going to start delivering transported gas -- gas transported by some other means other than

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the gas ducts. And in two years, we are going to start delivering gas from gas ducts. So I do not know if I answered your question.

### Q - Ena Sonleche

Now, when you said that it is going to be the mean price. Not taking Sao Paulo, the mean price is a medium of the Bolivian and the master gas. So it is higher than the domestic price. I don't know if I understood that additional contract has to do with the domestic price or the price of the medium, the average between the domestic and the Bolivian gas -- of the national gas that is?

And your regiments' conditions are what?

### Q - Unidentified Speaker

Now, the contract provides -- while gives it time, which is due next week. We asked Petrobras for a postponement in order to work with two correction mechanisms. Basically a part is IGBM. And part of that are oils with actually minimums and maximums of variation. And also actually buffers of variation. At about 50% readjustment would be applicable at Eavech [ph] Spirit [ph]. So that you can buffer the growth or the decline of the tariff. But we still negotiating possibly for 1 or 2 weeks more. And we will have this data then.

### Operator

Lilyanna Young of Date [ph] Morgan.

The first question by Lilyanna has to do with the expectation of tariff readjustment for April 2005 that Dr. Flavio has already answered, as a result of the process that we going through on negotiation with ANEEL.

### Q - Unidentified Speaker

We have been working with ANEEL, as to try to solve all of the regulation assets that we have here. Today we have regulating assets of about 2.8 billion. And I recognize all of that which is on the table being negotiated. And eminently, was recognized all that ANEEL is going to differ. So as to make the tariff feasible. But our great focus is to solve the problem and make Dr. Amelio [ph] is able to convince ANEEL to give us to recognize all the assets, all the money that we have there.

### Operator

Jildago [ph] Franzeka [ph], Manz [ph] Capital.

### Q - Jildago [ph] Franzeka

Also still talking about the tariff readjustments -- when you talk about active assets being negotiated, can you be more specific as to the base of those assets -- as to the 19%, 14% readjustment? Is all of that being negotiated within the 2.8 billion? What is behind that?

And also for another question, you talk about the Rosal acquisition, a price 10% better than the private sector was able to get. What is the measurement that you use for this statement?

### **Q - Unidentified Speaker**

Everything is on the table Jildago. We're trying to verify and put all of these on the table. One of them is the reduction -- 19, 14% of the last year. The idea is to try to solve everything and clean all those issues with the regulating agency. But as far as Rosal, the comparison that I made with what other transactions done at the same time on the same bases. Are we adjusting the issues of tariff benefit because it's small? It's a small plant. But the price, comparable price, is 10% below that was the meaning of what I said. And Rosal had a value of a discount rate of 3.4% more or less. That is something around that figure.

### **Operator**

Mr. Claude Gallbrick [ph], Uni [ph] Blanco [ph].

### **Q - Claude Gallbrick**

I would like to clarify a point having to do with slide 27. Of CEMIG generation contract's portfolio, you have a 357 mean megawatts of new power that's going to be in the new auction.

In the community of ANEEL, about the ones -- the new enterprises, CEMIG was not bestowed an accreditation. How are you going to contract this energy? What are the enterprises that make up this 357 million megawatts?

### **Q - Unidentified Speaker**

The 387 that is mean megawatts for New Porta Estrella [ph] per month came out of Bisrotini [ph] Capim Branco and Amores [ph] and Iripai [ph]. Those plants that make up this generating part. Now, actually we were not included in the ANEEL edict because there was something pending there. And ANEEL had -- waiting for some plants. So we ask to pass the -- turn the concession over to Rodie [ph] Oranges [ph]. And at that time, the process we were not successful and trying to say or selling that way. But the process has not been enclosed. It's actually left open. It is a bureaucratic issue. And it has been solved there -- the ANEEL possibly. In the next weeks, we are going to eliminate this problem, this stumbling blocks. And the power is going to be effectively sold at the auction -- the new power auction in June. Have I answered everything?

### **Q - Claude Gallbrick**

Yes, you have -- any expectation of price for the auction because of the first auction you had expectation below the market?

### **Q - Unidentified Speaker**

Now, they old power auction last May, we think it's going to be more or less in agreement. The price is going to be a little better because of the time of later on -- 2008, 2009. So the prices will be higher within the same growth curve that we have -- no difference.

But the new energy auction also follows the same forecast. What we imagined is that with the marginal expansion cost -- is going to be reached by 2009, 2010. And if that is the price curves that we been working with.

## **A - Luis Fernando Rolla**

Now, as we have many questions to be asked by the analysts and investors. And we have a time limitation for our Directors and the President and the Chairman of the Board, the Chairman of the Board and the Directors are going to be absent. But we are going to continue answering the questions here that the investors may have -- unless there is a specific question addressed to the Chairman of the Board and one of the directors there. So we can continue with them this scheme that I am proposing now.

So we are closing, I think, the Chairman of the Board, the President, Dr. Wilson Brumer; Dr. Djalma [ph] de Amacid [ph], the Director of Distribution and Sales; and the President of CEMIG and/or CEO, Dr. Djalma Bastos de Moraes; and Dr. Elmar Santana, Director of Generation and Transmission; and Dr. Flavio Decat de Moura, Director of Finance, participation in Investor Relations.

## **Operator**

Victor Galliano [ph].

## **A - Luis Fernando Rolla**

While we wait for the next question, I would like to clarify Lilyanna has made several of the questions. She has asked several other questions, I intend to answer them as soon as our presentation today will -- finishes.

We had a connection problem -- while set it up again, we will have to wait a while. So we can continue with our Q&A session.

Well after this presentation, we scheduled some meetings, regional meetings that is, with analysts. And we should be publishing our schedule for the next few days, beginning Monday on our website. So that you also have the chance in the several cities here in Brazil, where we are going to be, where we will be talking about our results. Also during the next week, we are going to be together with some investment banks, holding meetings with their customers in such a way that we can continue clarifying those customers about our results. Our expectation is that once we have really defined the tariff process for 2005, we may be able to revise our guidance, the one that we had from last year. We should have our annual meeting with the analysts in may.

And about this time, we tend to present our results. Of course, we have to take into account companies separately. Now, we are going to have to have a projection for

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generation and transmission and a different one for distribution. And consolidate the results of these two in our holding. And naturally, this is going to bring about a few changes. We are already -- we're still in the process of adaptation of our de-verticalization. It actually happened in last January the second. And we are still absorbing all the changes that took place. It is going to change the way in which we have to forecast and protect because we have to have a deeper analysis having to do with the capital flow that is going to take place between these companies -- the de-verticalize companies. Therefore, our guidance will have to suffer some changes. But the commitment is to update this guidance as soon as we have all the parameters defined, not only by the regulating agency but the team that is carrying out this analysis having to do with the fiscal planning of the new companies.

Unfortunately, we had to replace a piece of equipment so that we can reconnect this teleconference. It is going to take a few minutes. And we will be answering the questions right away.

But I could still make use of this time. And answer some of the questions from Lilyanna Young. Lilyanna asked, among other things, about the PCH Minas program. This program, the PCH program, is something that we are launching in partnership with private investors in the state of Minas Gerais. It is an extremely important program from the point of view of macroeconomics to the state. The partnership that we are implementing has to do with the development of this PCH together with private investors. So as to obtain adequate return for them, we have already cataloged the projects around 400 megawatts. We intend to have 49% of each project. And the object is to sell the power produced by these projects to customers connected to a 69 KV system, which has a tariff that might compensate. That would actually be compensatory. Of course the idea is to capture -- to acquire customers from outside of the state. And then we would be optimizing our return and then preserving our present customers from the state of Minas Gerais.

Another question that she has asked has to do with the main industrial tariff in a Fourth Quarter, which was slightly smaller than the one in the Third Quarter -- in the previous quarter that is. This is due to the fact that there is a seasonality, a tariff seasonality. That is when we go to the rainy season, this tariff is reduced by approximately 10%. The impact is beginning November. So it's not totally reflected in the Fourth Quarter.

Now, as for the investment program, there's a concern about 2006 and 2007. We are actually revising our guidance. This program that we publicized today still in its preliminary version, we chose to leave this program as a result for you to have some additional information. But we still have to analyze this program. Because of the change of strategy resulting from the de-verticalization. But it should follow the trend of what happened this year in 2006, we're going to have still the remainder of the 'Light for Everyone' program. It's going to have a reasonable number. But for 2007 should have a significant reduction when it comes to about a billion reals per year.

## Operator

Lilyanna Young, J.P. Morgan.

Now, our next question will come from Jodrigo [ph] Polieto [ph] from Brazil and in Asia.

### **Q - Jodrigo Polieto**

We mentioned that the end of explaining how the process of the new energy not being approved by ANEEL. And we had a quick explanation involving Hoizonetes Energy. Could you explain that? And why the contract was not authorized? The process was still being analyzed. That the ANEEL, is this really going to be solved next week?

### **Q - Unidentified Speaker**

If I understand your concern, it has to do with this new auction, new power, new energy that is going to that ANEEL at the first moment did not include CEMIG along the qualifying companies for participating in the auction.

Now, we already concluded our negotiations with ANEEL. We believe that ANEEL will be in a few days is going to republish their edict qualifying the companies for participation including the companies -- are under plants that we have classified as eligible for the auction, which add up to a capacity -- a short capacity around 400 megawatts. So our expectation here is that in a few days, ANEEL will be republishing if it hasn't done it so already on the official journal of the government. But the factor that did not allow the inclusion was something that was ongoing inside ANEEL. It is still ongoing. ANEEL has not published the qualification of CEMIG's plans. But we expect that to take place in a few days.

### **Q - Jodrigo Polieto**

What the problem with the otis [ph] auction this year involvement?

### **Q - Unidentified Speaker**

What the discussion, if I understand what you mean -- the issue had to do with the plants that were built beginning 2000 and which are not under contract. And these plants were those that Dr. Flavio has mentioned.

### **Operator**

Claude Gallbrick, Uni Blanco.

### **Q - Claude Gallbrick**

Luis, just to make it clear, I still have a doubt here. I understand that there is a next auction on the 31st of March, there will be old energies and the botox [ph] and a power could be a part of the auction. And then in the June auction, only for the new enterprises, those 17 hydroelectric plants that are going to be listed according to a lower tariff. Is that right? Is there any other option that would be a new energy for the contracts -- that the 87 mean megawatts?

### **A - Luis Fernando Rolla**

Now, the 31st auction has to do with the remainder of the previous auction aiming at the sales of the capacity of the existing plants. So that auction has as a products, the contracts that are going to begin the supply beginning 2008 and 2009. The so-called botox auction is scheduled for June and not March.

Now, for the new concessions, which are not still plants under construction or have been constructed beginning 2000 -- they still do not have dates approved by ANEEL. But we believe this is going to take place in the second semester.

## **Operator**

(Operator Instructions) Franco Santander again.

## **Q - Franco Santander**

Another question Luis -- two very quick questions. One has to do with dividends. Now, as dividends start and there are dividends that are going to be paid once every two years. What is the expectation that you have? It is beginning to be paid or announced relative to the fiscal year 2005 or 2006, or you don't have a prediction as to that?

## **A - Luis Fernando Rolla**

Now, Subreidgeatin [ph], this aspect of the policy that was approved at the Board establishes that we are going to pay extraordinary dividends at the effective availability of cash. So there is a frequency that we expect to happen every two years. But they are not being -- if there is no cash availability, this may be postponed or it could even be anticipated if you have availability in order to pay the extraordinary dividends. That is theoretically, nothing would prevent you from paying the first extraordinary dividends relative to 2005. If we do have exceptional cash flow in 2005, yes, perfect.

## **Q - Franco Santander**

Second question has to do with the 'Light for Everyone' project. The investment that you have already mentioned in your presentation, does that correspond to the final figures?

## **A - Luis Fernando Rolla**

No, those are still the figures that we considered as adequate and approximate, which were in the bid in process. Now, the figures resulting from the bidding have not been included because, as Dr. Djalma has mentioned and also Dr. Flavio has complimented a little Petrobras has not approved that. And we are going to implement them if there is such an approval.

## **Operator**

Gustavo Catas, Nubias & Bank.

## **Q - Gustavo Catas**

Just to follow-up on Claude's question -- and my understanding by the law was that -- are the new or not so new plants in the end could be included in the auction as a new energy? But you are going to have three auctions instead of two? Was the law changed?

### **A - Luis Fernando Rolla**

No, the law has not been changed. What I said was, we have two auctions. One has to do with the remainder of the previous auction and if approved, we have the auction of the new plants already under operation and de-contract begin in June.

Now, the other auction, as established by the legislation, is for entirely new plants, for new concessions that is, which is going to have a different mechanics from the so-called botox.

### **Q - Gustavo Catas**

So your understanding is that you're going to have three and not the two that were mentioned?

### **A - Luis Fernando Rolla**

We are in a transitional phase -- this first auction of a new capacity. The Ministry of Minas and Energy has talked about the auction of the so-called botox plants.

### **Q - Gustavo Catas**

Maybe the Ministry doesn't seem to touch on the laws but --

### **A - Luis Fernando Rolla**

Well, the Ministry, Gustavo -- I think it was yesterday, there was a declaration of Thomaski [ph]. They still have trouble promoting the auction of new concessions, as a result of the difficulty of obtaining of the environmental licensing. Therefore, we believe that this auction may be postponed to the end of the year.

Ladies and gentlemen. we will close at this time this session of question and answers. I would like at this stand in fact our view -- thank you for your presence here once again. As I mentioned before, we are going to be holding meetings, regional meetings, with analysts and investors in the next few days. We intend to publish the schedule of those meetings on our website so that we can -- or you can participate that is trying to clarify some points that might have remained obscured during this presentation. I thank you for your patience and because of the time actually. And we expect that the next time we might count on your presence once again. Good afternoon. Thank you, very much.

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