

Y 2020 Earnings Call

Company Participants

- Antônio Vélez, CIA Energetica de Minas Gerais
- Dimas Costa, CIA Energetica de Minas Gerais
- Leonardo George De Magalhaes, CIA Energetica de Minas Gerais
- Reynaldo Passanezi Filho, CIA Energetica de Minas Gerais
- Unidentified Company Representative, CIA Energetica de Minas Gerais

Other Participants

- Guilherme Ferreira Lima, Santander Investment Securities Inc.
- Lilyanna Yang, HSBC
- Marcelo Sá, Itaú Corretora de Valores S.A.

Presentation

Antônio Vélez

(Speaking Via Interpreter) Good afternoon, everyone. We now start CEMIG's Fourth Quarter 2020 earnings call and webcast.

We have with us the CEO, Reynaldo Passanezi Filho; the CFO and IR Officer, Leonardo George de Magalhaes; Chief Generation and Transmission Officer, Paulo Mota Henriques; Chief Distribution Officer, Marney Tadeu Antunes; Chief Legal and Regulatory Officer, Eduardo Soares; Chief Commercial Officer, Dimas Costa; Chief Semea Officer, Mauricio Dales. (Operator Instructions) To start the presentation, I would like to turn the floor to our Investor Relations.

Leonardo George De Magalhaes {BIO 21639277 <GO>}

(Speaking Via Interpreter) Good afternoon, everyone. Thank you, very much for being with us in this conference call for the results of 2020 specifically.

Also the Fourth Quarter of 2020 we are still in a very challenging environment. In this environment, we understand that the mix characteristics of an integrated company with relevant participation in generation, distribution and transmission of electric energy brings a strategic advantage, and we understand this is very important and proves that the resilience of the company, even in this difficult environment in 2020. And we do have sound results, and we'll talk about them during this presentation.

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On Slide 3, we have a few highlights. Our EBITDA was almost 30% higher than 2019, almost BRL 5.7 billion and even the adjusted EBITDA with nonrecurring events, it had a growth of 7.1%, just as the same our net profit which was down vis-à-vis 2019 and 2019 was the year when we have PATESA assets with a huge effect on our results.

So because of these events of 2020 and 2019, CEMIG has a growth of 14% , which is very significant when compared to the prior year. And just as the same, this improvement in the financial results was -- thanks to our operating iterators improvement. It was the best decade -- the best DEC was in 2020, 9.57 hours. It was the Fifth year of our concession after the contract renewal.

It was a very important year of the company to meet the regulatory DEC, and we are celebrating not only this result, but also the improvement in the service to our clients in distribution segment. Also, we have reduced the leverage of lower than 1.5x and 1.28x at the end of 2020, and it's very comfortable to face our financial debt.

And in 2021, with a high-risk perception and an uncertain scenario, we understand that the transitory, but our cash right now allows us to feel confident to go over this moment at this difficult moment. And the last event that we highlight here is the sale of Light.

And despite happening now in January, we should bring it to this call because it was this management commitment with stakeholders and our shareholders, we were talking about selling our shares in Light and we already disposed of those stakes in January, and that generated a significant cash for the company of BRL 1.372 billion.

On Slide 4, we can see that all this improvement in the financial life of the company also has seen us a better risk perception and that resulted in our credit ratings. All of them improved, upgraded our ratings in 2020. And this was a year where almost no companies had rating improvements and some it did.

And the 3 agencies both in the domestic scale as well as in the global scale. And we understand that we are still optimistic for 2021 because we believe that this movement will keep on going, considering the current financial liquidity company of the company and with the sound results that we have as well. On the next slide, 5, we're going to go into details in terms of our quality indicators.

The main ones are the DEC and FEC. On the top, you see the regulatory limit that for 2020 was 10.44 we were at 9.57 almost 1 hour less than the Water NL demands in terms of interruptions for our clients. And as I said, this was a reason for celebration here in the company and about the frequency of interruptions, FEC, the one that the regulatory agency establishes this 6.67 and we were almost 30% lower than the regulated agencies limit.

And so it shows that we were successful, both in the structure and financial in the continuous improvement since 2020 and solving our clients. Now turning to Slide 6. This is another important event. This is the GSF agreement, and we understand that be for electrical so it was a major achievement because now we will be able to have operations

done in CCE and CEMIG, because of this agreement, we extended some important concessions for us in the year which was due in 2025.

And now with this GSF agreement, they will be renewed or extended for 2 more years by this 2027, ensuring, therefore, more -- better cash flow, the certainty that we'll have cash flow for the next few years. And therefore, that brings down the risk perception of the company.

Here, we have this effect the monetary financial effect for the concession extensions and a lot de concessions, which are in the last line, they still depend on NLs regulations, but they should be extended for 7 more years. And the total here of BRL 1.3 billion, we know that these are still transition amounts, but some companies already had approval in 2020, and the company will then -- will wait to have both announced regulation for 2021, to then have the approval in its governance bodies, and that will represent approximately considering the current figures.

And we understand, once again, these are temporary. It should be close to BRL 1.3 billion. We think this was an important achievement for the industry, for the sector and for CEMIG. We believe this is great news for the company. When we think about the value creation of the company for the next years and here, specifically in energy generation. Now on Slide 7.

In we have our investment program. We invested in 2020, almost BRL 2 billion and I should highlight here distribution with almost BRL 1.4 billion, but we should talk about 2021 as well. We understand that we have an opportunity to make relevant investments in our distributing company, improving our capacity to cater to clients and also to develop the state by offering energy to have energy available to the industrial sector in our state, and we are projecting investments close to BRL 3 billion in 2021.

And this cash comfort allows us to have such a relevant program. And then remember that next year, in 2022 is an important year for us. In 2023, we are going to have another tariff review for CEMIG distribution.

So we believe that for next year, we'll have BRL 2.3 billion in our distributing company, but also with relevant investments in transmission generation and also cash injections and here, GT, I would say, because we want to grow in that sector as well. Now on the next slide. And the year fighting delinquency. We ended the year, we were very much concerned about delinquency in 2020. Here on the start, you see how our collection was last year.

And you see that in April our collection, had a hard time. We just collected 89% of our revenue. But after that, we started having improvement in our collection. And we ended the year close to 97% of collection vis-à-vis revenue. And this is very close to our historic rate. And we understand that the final result stems from several actions from the company.

In 2020, we had to do less disconnections because of the pandemic and the economic start of the pandemic on the Brazilian families. We had 668,000 disconnections. But for 2021, we expect to have 1.7 million disconnection. We believe this is a very important figure, it will help us bring down delinquency.

But we always have to consider that we will be analyzing the pandemic effects on the economic activity this year. We understand that in this Second Quarter of this year, we still have major effects. But after that, we understand that it will be important to have that negotiation process.

With our consumers and disconnections also will aim to reduce delinquency. In 2020 we have taken several actions to have a payment in installments, cash payments, and we developed several mechanisms to help us reduce delinquency these new means of payment were very successful in 2020. We end with ADA of BRL 135 million, very good results vis-à-vis 2018. It was practically half of the prior year, even in a challenging year.

And here, we have some highlights of relevant amounts, close to BRL 230 million that we were able to negotiate with Minas Gerais State Government that we are going to come to offset with ICMS in 2021, '22. So this is a real guarantee to offset late credits. And this is going to generate additional cash flows in 2021 and '22 on Slide 9. We talked about the transmission company.

It did have a huge impact. And -- but because of the tariff review with the new regulatory asset base. Result of BRL 338 million in 2020 was BRL 127 million, BRL 211 million were on shareholders -- in practices in the transmission sector, CEMIG was the only distributing company with other assets that had tariff review, even other companies in the sector, not distributing companies, the other companies in the sector the Asian business with old assets of older concessions, they did not have tariff review, and CEMIG was the only one with tariff review.

And starting this year, 2020 we had the results of tariff reviews for all transmission companies with tariff reviews. And we had to standardize the accounting practices.

And because of that, the accounting practice that CEMIG is adopting now in 2020 is very close to the transmission companies with new concessions where you record the revenue as you build the asset along with the construction margin of these assets just as the other transmission companies with new concessions, post on a quarterly basis, regulatory results and the regulatory results complying in compliance with IFRS, we are going to do the same.

Here, we'll publish a specific note with the results under this new practice. And without that practice is so that everyone can follow-up and analyze the process and see how our financial statements are. So basically, we had an important effect here of BRL 338 million, and in practice with this new methodology, we will see that the results of the transmission companies.

As we have investments, we will be posting revenue every month or every quarter, and that will have a positive impact in the this transmission. Turning to Slide 10. Here, we have a proposal for allocation of almost BRL 2.9 billion. And CEMIG will propose dividends of BRL 1.482 million dividends of hundred and BRL 553 billion will be in interest on equity and BRL 929 million in complementary dividends. Adding up to almost BRL 1.5 billion.

And an important yield here, which is close to 8%. We understand that this is very relevant and will be holders in an adequate way. Also, we will request the shareholders meeting a stock bonus of almost 11.5%, because of our profit reserves going over the capital stock and we'll have to propose that.

So at the same time, we'll bring in, we'll submit this proposal of PAT bonus of 11.5%. And holding on, and this is my last slide before I turn the floor to Velez, who's going to go into the details of 2020's results and comparing those with the prior year. But let's talk about sustainability now.

That's very important for CEMIG. The ESG practices in the company's DNA and CEMIG is in the Dow Jones sustainability index since the beginning. It is the only company in the world that is not in Europe that is in the Dow Jones sustainability index. And there are very few companies of Brazil in this index and one of them is CEMIG, we are also in another index of sustainability that are important.

And here are some of our ESG initiatives that are relevant, and we should highlight one of them that we believe it's very important that starting in 2020, we ended our activities of vibrasize, which was oil powered with that, 100% of our electric matrix is renewable. This is very important for the company.

In addition to other initiatives of energy efficiency, also volunteering programs and our commitment with the society (technical difficulty) turned, and we are always involving all the communities and the areas we sure we want to be a responsible company. So we conclude now the initial highlights for 2020. Now I'll turn the floor to Velez to go into the results of 2020 when compared to 2019 and also the Fourth Quarter of '20. Thank you, very much, Velez.

Antônio Véllez

(Speaking Via Interpreter) So let's start with the analysis of the results. I would like to start on Slide 13, mentioning the main effect that we had in the results in 2020 and some of them in the Fourth Quarter. For CEMIG Holding, the consolidated result shows a significant increase in the equity method, almost 185% higher from -- which was BRL 356 million in 2020 vis-à-vis BRL 125 million in 2019.

For CEMIG distribution, we had a drop in the electricity distributed volume of 1.1% in the captive market, there was a reduction of 5.3%. And transmission for free clients had a growth of 4.4%. Here we have some effects of migration of free clients and also effects of distributed generation, and we will explain that in a while.

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Also, we need to remember that in the Third Quarter, we had a reversal of a ADA, up BRL 231 million. And I think we should make an important highlight here for CEMIG Distribution. OpEx for CEMIG was within the regulatory target, that is the expenses, the operating expenses for semi distribution was lower than the regulatory expenses. That are covered on the tariffs. This was also the first time that CEMIG distribution reached this efficiency level.

For CEMIG, the main impact in here was because of the euro bond, and it's marking to market our foreign currency denominated debt. We had a positive effect in 2019 and in 2020, this was almost a were effective. So that also affects the comparison in the year. And as Leonardo mentioned, we also had the periodic tariff review for transmission.

That with the standardization of the accounting practices has generated a positive effect in the results of BRL 621 million. On Slide 14, a chart with a breakdown of the mark-to-market of our Eurobond debt. In order to make the best analysis here, we have to take into consideration the mark-to-market of the hedge instruments, which are to the swap that is protecting us in the FX variation of interest and the call spread that is protecting us in the FX variation in the principle.

Together, these instruments had an appreciation in 2020 of BRL 1.258 billion. In addition to that, because of the payment of interest in 2020, we have received BRL 495 million. From settlements because of the swap. In a way that the hedge effect was only BRL 4 million higher than the total principal amount of the debt, which was BRL 4 million again.

On to Slide 15, we have the comparison of EBITDA and net profit, both IFRS as well as the adjusted. We bring this adjustment so that the comparison is easy to understand. And here, you have the chart with the main effects. In 2019, we had relevant effects, such as this approval.

We did have a very positive effect of the credit of fees , tax and ICMS. And also we have tax provisions. And with that, adjusted EBITDA you can see here that was in 2020 for the adjusted for 0.15 in a reversal of the provisions in CEMIG distribution. So the EBITDA in adjusted for 2020 was BRL 4.875 billion -- BRL 5.694 billion, so the adjusted increase was 7.1%.

And in the same adjustments in the net profit, we can see a growth of net profit of 14%. That is in reoccurring terms, that's very strong results in 2020. I think it flows. Well, now turning to Slide 16. We have the results for CEMIG in the Fourth Quarter, these are consolidated results as well.

The adjusted EBITDA was up 23.7%. And net profit, the adjusted one in the Fourth Quarter had an increase of 18.6%. EBITDA and profit for CEMIG, based on the adjustments we have mentioned CEMIG GT had a growth -- a relevant growth in the EBITDA of but that would be -- 37%.

This can be explained basically by the weaker results that CEMIG GT had in the quarter and you remember that in the Second Quarter, CEMIG GT had to negotiate with clients

frankly the free clients they were redistributed with time after that, but we did have an impact in the Second Quarter.

And you can see that because if you look at the Fourth Quarter, CEMIG GT results, both accounting results and adjustable results also were very good. If you compare CEMIG GT with the Fourth Quarter of '19 EBITDA had a growth of 46% and that profit had a growth of over the percent. So you already see that there were better conditions for CEMIG GT in the Fourth Quarter.

For CEMIG distribution in the full year, in the adjusted result, we had a slight drop in the EBITDA of less than 1%. We ended in the adjusted of 2022 billion -- BRL 113 million. That's a very relevant remic distribution, specifically in ependymal year. And net profit and the adjusted had a growth of 10%, which is a robust result as well.

On the other hand, in the Fourth Quarter, CEMIG distribution on Slide 20, we see that there was a drop both in the EBITDA as well as in the net profit in quarter, we did not have any relevant effect in either '19 or '20. But what happened is that the provision for ADA in the Fourth Quarter up in the results of CEMIG Distribution in the Fourth Quarter.

Now turning to Slide21 and talking about the market as I mentioned, sold Energy for CEMIG distribution dropped to 1.1%. Being that the transported energy was up 4.4%, and the sale for final consumers was down 5.3%. And if we analyze the total energy consumed in the concession area for CEMIG distribution, you will see that residential consumption had a positive effect, growing more than 4%, and industrial consumption also was strong because it was up 1.4%.

Other parts of relevant consumption, which is a commercial one had a drop of 13%, and that was because of the pandemic. You know that all the stores were closed for a long time it opened and it closed, and we know which are the effects of the pandemic in the stores but it's interesting here because we run an analysis to see what was the migration of free clients and how that affected that the variation both for transport and final consumers in semi distribution.

So we did have a migration of free clients in semi distribution that in terms of consumption was of 376 gigawatt hour in 2020. So the transported energy would have grown 2.5% instead of 4.4%. And consumers would have (technical difficulty).

Captive clients to distributed generation, and they don't show neither in the transported energy nor in the consumed energy and that's very relevant. In 2020, we had 626 gigawatts hour that we're not build in consumption and transport because of distributor generation.

If we adjust that, total distributed energy and transport that would have a growth of 0.3% instead of this reduction of 1.1%. And the volume of final consumers would have had a reduction of 2.9% instead of a reduction of 5.3%.

As we know, distributed generation has significant impact for the distribution business and for CEMIG distribution tariffs. So in our opinion, it's important to discuss the subsidy that today are measured by distributed generation by the means of a national tariff policy. And here, we have the energy market for CEMIG distribution only in the Fourth Quarter.

You can see the recovery of energy consumption in the Fourth Quarter of '20, when you compare that to 4Q '19, an increase of total distributed energy of 2.3% and transported energy was up 12.8%, and the energy for final consumers was down 5.5%.

We already knew that the residential consumers were consuming more because people were spending more time at home, but we also see here the recovery of the industrial client going up 9.6% in terms of consumption compared to the Fourth Quarter of 2019.

Talking about operating costs and expenses, would we see that the PMSO in addition to non manageable expenses had a drop of 4.6%. And PMSO, which is basically everything that is manageable and here, we highlight a drop of 7.2%.

Most of that is related to the new participation of profit of the company, in the profits of the company, the profit sharing program that has reduced the profit sharing program in BRL 121 million. And also in 2019, specifically in the Fourth Quarter, we had costs related to the decommissioning of Igarape -- TPP and the impairment of along the river.

And together, they pressured expenses in 2019, specifically in the Fourth Quarter, and I will talk more about that shortly. In a way that in the comparison, we have that reduction of 7.2%. Now comparing the Fourth Quarter of 2020 to the Fourth Quarter of 2019. PMSO had a reduction of almost 20%.

As I said, we had a reduction of the profit sharing program that was provisioned mostly in the Fourth Quarter, but we also had the decommissioning of Igarape and the impairment of that were concentrated in the Fourth Quarter of '19. Therefore, the PMSO reduction was very significant. If it's very important to us because it shows the performance of our distributing company. Comparing to the regulatory indicators.

In 2020, CEMIG distribution and the regulatory coverage of expenses of to BRL 2.941 billion, and the realized amount was BRL 2.927 billion. Therefore, we were BRL 14 million better than the regulatory target. So we believe that we have room for improvement.

But of course, that this is the first time that we meet the regulatory target, and that's very important. And we finally met that goal. And to reach the regulatory EBITDA, we are below the regulatory EBITDA in BRL 105 billion. And that is mainly explained by losses, although it has improved we are still over the regulatory level and they cost the company BRL 125 million state losses.

So we expect to keep improving the losses in a way that we can still this year, meet the regulatory level or regulatory target for EBIT as well. And in terms of that profile, you

follow the company, and you see how that profile has improved a lot in the past few years. And this year, really 2020 or that profile ended at a very comfortable level.

We have cash and cash equivalents of BRL 5.8 billion, and we have maturities of a little bit over BRL 2 billion in 2021 and BRL 1.2 billion in 2022, 2023, almost have nothing only BRL 80 million. And we have the maturity of our Eurobond by the end of 2024, that is December of 2024. And today, the FX rate of 2020, that is equivalent to BRL 8.4 billion.

This is a relevant amount. And today, this is the main subject of analysis so that we can bring down that maturity in 2024 and to extend even more debt profile because of that bank, the dollar today represents our main indexor, 52% of our debt is in dollars, 32% is in PICA and 50% is related to CDI.

In terms of cost of that, our nominal cost by the end of 2020 was 5.3%, which is very good, very competitive. And in real terms, it was at 1.8% a year. But an indicator that really improved a lot without the shadow of doubt is our leverage. As Leo mentioned, we are in a very comfortable situation with net debt over adjusted EBITDA ratio of 1.28x, which is a very comfortable leverage position.

And total net debt over equity plus net debt of 26.3%. To end the analysis of the results before turning the floor to our CEO, we have our cash flow. And it also shows a very strong cash generation over the year of BRL 5.8 billion. In addition to that, we received the amount from the COVID account of BRL 1.4 billion.

And also the escrow deposit of the debt and Coflins. I should highlight that in this cash, in addition to the deposit, we also have the compensation of federal taxes that started in May. Because of the credit that we have, due to the final ruling of Viscofan on ICMS matter.

We also pay debt of BRL 2.4 billion, and we also had investments of BRL 1.7 billion. I already mentioned. In a way that the company's cash ended 2019 a little bit lower than BRL 1.3 billion and it ended 2020 with BRL 5.8 billion. Now to talk about the company's priorities and what to expect in the next few months. I would like to turn the floor now to our CEO, and he will take over.

Reynaldo Passanezi Filho {BIO 15054064 <GO>}

(Speaking Via Interpreter) Good afternoon. Good afternoon, everyone. I think we are bringing you results that are spectacular for 2020. As Vel said, the year shows the resilience and the results of management that is always looking for optimizing the results.

We have grown our EBITDA, almost 30%, 7% in the adjusted. So these are huge figures of BRL 5.5 billion in EBITDA. That is fantastic in a pandemic year, 14% in the net profit, that is close to BRL 3 billion.

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Bloomberg Transcript

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I think that shows the capacity that we have, the ability that we have to be resilient. And to improve the company. And for the first time in history, we have a few things here that makes us very proud. And so I congratulate all our employees and also the third-party employees.

They help the results, and these are all time, all-time best results, the first one. The DC lower than 10 hours that allowed us to fulfill the contract -- the concession contract and its indicators, it allows us to have 25 more years of concession. That is a fantastic number.

Congratulations everyone, everyone that participated and helped us to get there delayed construction works, we had many. And everything now is on time. We are beating our investment programs targets. And this is another achievement. We have not been affected by the pandemic in our investment program, and we are working on it. We are improving it for 2021.

Also for the first time in this company's history, we had a PMSO lower than the regulatory one. This is a major achievement as you have seen over the year, we have made huge efforts to control PMSO, and we are able to fulfill the regulatory one, which is a distribution well, the PMSO, lower than the regulatory. And we almost met the regulatory EBITDA.

So if you look at the trend, in fact to two years ago, we were at 78% of the regulatory EBITDA. Now in 2020, we were able to meet 98% of this EBITDA. So these are amazing numbers congratulations to everyone from semi that has helped us and this objective also in terms of the consumers.

We did not have a tariff increase. So all of that we're able to do without increasing tariffs in 2020, which was a difficult year. The pandemic year, we were able to use part of the tariffs and cofing credits to settle to pay for part of the need of tariff reviews. Our debt leverage is at 1.28x that allows us to improve also in the standard and improves. We are -- of course, we are just -- we are very close to be AAA there. And this amazing numbers for me.

Now in the beginning of the year, we fulfilled our commitment of divesting light from the company, some light when we look at the last 18 months, effectively, the total amount of the divestment is over BRL 4 billion. And we would -- if I wanted to maintain the 49% we had in light, we would have to be part of to capital expansion. So not only we avoided the capital expansion for these last 12 months.

But also, we sold the shares and that adds BRL 4 billion. Just to give you 1 idea, of the cost of maintaining an investment, when we compare that to the investment program of the distributing company. Obviously, our focus is in the state of Minas Gerais and to keep on improving the quality of the public service that we provide to consumers in the states.

So BRL 4 billion will allow us to have almost three years of investments in distribution. And that said, I think that's our priorities here. So to have our OpEx within the regulatory limit, and that has been achieved.

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It's a huge effort to be able to maintain ourselves within the regulatory limit, but that is our objective and also to gain margin on the regulatory OpEx also to strengthen the investment program for CEMIG distribution. As we said, we maintain the investment program in 2020 -- 2021, we have over BRL 1 billion in the investment program for distribution.

We know that there is a pent-up demand, and our objective is to address this pent-up demand totally. So that I can be a driver for the economic development in the state of Minas Gerais and never hindered. Our DEC is within the regulatory limit for the first time in the company, it is below 10 hours.

We also had an optimization of capital allocation. We just mentioned life disposal, we announced Friday that we are holding studies to divest Taesa, which is another divestment, huge divestment. It's a very important topic. And also is the final solution for Renova.

We are addressing it as partially achieved because we approved the plan for Renova, but this is a huge achievement. Just approving the plan for Renova. I think this is a major achievement. It was just by the end of the year, and it allows to conclude the investments in Alto Sertao rates and eliminate risk, residual risk that existed for a possible bankruptcy of Renova.

And I think that's a positive topic here. It has our full support, Renova has our support so that we can fulfill successfully that investment plan and conclude certainly. And you we have other topics that we have been announcing the renewal of the concessions. Of course, this is crucial.

And now we have an additional period of time because the concession were extended, thanks to the GSF agreement. But I just would like to Dorado, I think about your Video is one. So the renewal of concessions with the GSF agreement, we gained more time, but this is our priority.

Today, we are talking the ministry many renewable generation sources. Wind and solar. This is a change, a strategic change for the company to have our own investments, not only in HPPs, but also wind and solar.

We have had a public tender, and we have several projects there. Also nontechnical losses, as well as mentioned, we already had some results in 2020, and we have a strong objective to be compliance with the nontechnical losses. And we have been able to have amazing results already in some of the programs.

And I think that we will be able to get into the nontechnical office and to be compliant with the regulatory levels. Also, we are working to restructure retirement benefit plans so that we can have a sustainable PMSO below the regulatory ones. This is a huge challenge, a major challenge, and we need to have positive results in the post-retirement plans in 2021.

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We also have the liability management for the Eurobonds. As mentioned, we have Eurobonds with limit, it is locked at BRL 5 and other -- we have a huge challenge to bring down our vulnerability also, we have a digital transformation plan, which will encompass the whole company, is starting here with a major change in customer service.

And we were going to have a new model to work to cater to clients. It's an integrated channel. We call it omnichannel. All channels are integrated and everything is coordinated by a single supplier.

And in fact, we have worked in and there's a strategic plan review with the digital transformation of the company. And also, we have the growth in retail electricity sales. We are preparing ourselves for the changes in the electric market in the market.

So I think here, we have moved on. We may turn to the next page, please. This is what we are going to focus on. Our strategic plannings here. We hired a review of our strategic planning with consulting services.

We have a lot of plans in action. I would like to invite you all for the CEMIG Day. That's when we will be able to discuss to talk to you. You can go back now. That's going to be on April 28. We will be discussing our strategic planning. We'll give you more details. But here is a hint, a spoiler of what we are going to be talking. And I like this sentence, focus to win.

So we want to leave diversification and to prioritize what we know, how to do generation transmission and trading, commercialization of energy in the state of Minas Gerais in our concession area, aiming to be leaders in the efficiency and customer satisfaction. This is an element that will be always here with an important focus, of course, this year in the post retirement.

Also recovery of CapEx in businesses and concessions that we have I think this is our competitive advantage. So a recovery in distribution, facing the pent-up demand that we have and also recovery in GT with wind and solar and also take some risks to have energy available so that we can sell it in the retail as well.

And to move forward with the divestment process. We have Light on Friday, we announced studies so that we can analyze a divestment and this is a strategic planning to focus to win, to leave businesses, leave prior diversifications and to concentration businesses of semi CEMIG has history and has amazing history and spectacular results for the country and for the state.

So this is a strategic planning. And we also have here an organizational culture project along with it, so that our decisions are guided by private rationale in terms of decision-making. And also the values that we are a company and always with private criteria for decision making. Also to move on in the debt management and capital allocation.

I already mentioned the divestments and we are going to have many synergies in all capital allocations in areas that we know very well, and they will give us good results, good returns and to work a lot on digitization.

And I think this is where we're going to go up to steps on the latter. We are going to leave a situation where we are vulnerable in digitization, and we are going to turn into market systems, which are modern and proven, and that will help us a lot to better serve clients and to reduce our OpEx as well.

That's what I had to bring to you about '21 as well. And I would highlight some very specific topics then obviously, we have to highlight some bigger blocks. For 2021 as well on our dimension -- we are just waiting for an else final word, but we know that this is going to happen in 2021. And here, we are talking about BRL 1.3 billion. And therefore, transmission includes the margin of construction. So when we have a policy to distribute.

And when we have these nonrecurring events such as geo SAP and this new methodology of transmission has become recurring, but that's not cash. We see that effectively on cash, this distribution is much higher.

Because the perspective of results for 2021, when you had construction margin and also the posting of GSF staff and more divestments with capital gain that becomes very, very positive, and it follows the same rule that we have, which is a statutory -- the equity net profit. That is -- that's what I wanted to talk about. And now we have a final slide, which is, again, to invite you all for the cemig Eday.

That's going to happen. On April 28, a month from now, and we will be able to bring your breakdown on our strategic planning and also very clear direction of where we want to go to. And obviously, this is going to be a commitment with the market so that we fulfill all our goals. And once again, to everyone at CEMIG. Thank you, very much. And congratulations on the spectacular results for 2020.

Antônio Vélez

(Speaking Via Interpreter) Thank you, very much, Reynaldo. So now let's turn to our Q&A session.

Questions And Answers

Operator

We will now start the Q&A session. (Operator Instruction). Our first question is from Lilyanna Yang from HSBC. The floor is yours.

Q - Lilyanna Yang {BIO 14003234 <GO>}

(Speaking Via Interpreter) Hello. Congratulations on the results. I would like to know by strategic positioning. And considering also your cash position, if it still makes sense to sell

transmission assets such as Taesa. Do you think it makes sense to sell one of your assets, such as Taesa?

A - Unidentified Company Representative

(Speaking Via Interpreter) I'm sorry, I was muted. I apologize. I was not able to understand the end of your question you were asking about is divestment, but I did not understand why?

Q - Lilyanna Yang {BIO 14003234 <GO>}

(Speaking Via Interpreter) Yes, divestments such as ESA, considering your cash position is high, you have a low debt or low leverage? And it looks like the market is buying transmission assets in Brazil.

A - Unidentified Company Representative

(Speaking Via Interpreter) I think I think we have 2 topics here. Our decision to divest. It's something that we are announcing, obviously. So it is possible, it's probable that this is going to happen.

But obviously, it will depend on other things. But we are starting analyzing the possibility, but it is within the strategic planning. And this is a strategic planning, very important for CEMIG to focus in the businesses it knows very well.

Yes. I know is a very, well succeeded investment. But in other situations, we have not been. So in fact, we have, as an objective, not -- we also have control. So if we are to do anything, we will do it to be a controlling party. And if we want to be partners, we want to be minority shareholders.

In fact, this model has damaged value in the past 10 years. And despite of having cases where we had positive results. But this is the rationale so that we look at it and say, this model from now. And we work better. We want to go back to the basis, but we'll discuss that still on the 28 and we know how to work very well with the concessions that we have.

Operator

Next question from Marcelo Sá from Banco Itaú. Marcelo, the floor is yours.

Q - Marcelo Sá

(Speaking Via Interpreter) I have 2 questions. First, about the results, you are showing an adjusted EBITDA, adjusted by nonrecurring effects, with the line showing the result of the Tariff review, and the effect is 1.91.

But when I look at Page 37 in the release, you show an effect of tariff review of BRL 502 million in the Fourth Quarter of 2020. So I was confused when I saw that chart. I think this is not right. Because these effects probably happened in other quarters. I just would like

to confirm if this is not right or what is really the fact that you had in the Fourth Quarter?
This is my first question.

A - Unidentified Company Representative

(Speaking Via Interpreter) Marcelo, thank you for your question. We are going to check the figure, but I understand that about the Fourth Quarter, the main effect of the transmission company.

Happened in the Third Quarter, one we posted a tariff review of the transmission company, and that affected the EBITDA. Usually, the impact in the Fourth Quarter were related to the standardization of accounting practices and the effect on the results, then we understand is this one that is on this chart.

We are going to check it, okay? But most of the effects have been recorded against the shareholders' equity, but not the results of 2020, but thank you for your comment. We will check it. And if the adjustments to be made, we will be making them, and we'll communicate via our RI channels.

Q - Marcelo Sá

(Speaking Via Interpreter) Okay, good. And I looked at the -- in the Second Quarter, you had the effect of the transmission. It was BRL 400 million as. So I would say that maybe -- that was not contemplated in the last quarter. But thank you very much that was my first question. My second question is about Taesa sale. I understand that when we talked in the past that the idea was to sell Taesa in the same year of life.

But taxes on capital gains. And when we look at everything that has to happen so that you still make the sales this year. I'm thinking that if you're going to have enough time because if CEMIG leaves Taesa, for instance, could offer could bid the participation of PBL. And I would say this process takes a while up to its conclusion. So do you think this would be happening by the end of this year, considering that you have some steps to go?

A - Unidentified Company Representative

(Speaking Via Interpreter) Thank you. Hello, Marcelo. We hope so. But obviously, we cannot anticipate anything. But in -- let's take it easy. And there are several events and several steps that need to be followed and respected, but that's not impossible, right? There's not necessarily, we have one thing before the other, some things you can do later on after a possible leading of fine.

And here, we need to be careful, of course, just like a divestment process of a large state, where we have other partners or other companies on the that has to be very well analyzed. But we do have good teams, financial and legal teams working on it as they will analyze it, and I'm sure we'll be addressing it. Everything that needs to be addressed. But do we do address?

Operator

Next question from Guilherme Lima from Santander.

Q - Guilherme Ferreira Lima {BIO 21017551 <GO>}

(Speaking Via Interpreter) I have 2 quick questions. The first question is about Taesa divestment. I want to make sure that this divestment will trigger tag along for the minority shareholders of Taesa. And another question about the shipping company. Can you talk more about the collection and volume the First Quarter of 2021, which is almost over.

A - Unidentified Company Representative

(Speaking Via Interpreter) A quick answer. I don't know. For the first question, we are hiring assistance not necessarily this is answer about the tag along for the minority shareholders. And the second one, we haven't seen the effect of the pandemic yet for this quarter. We -- do have -- we do have effect on the stores. General commerce, but not general. Quick question and quick answer, right?

Operator

Next question from Marcelo Sá from Itaú. Marcelo the floor is yours.

Q - Marcelo Sá

(Speaking Via Interpreter) Thank you. One last question about the growth strategy. You mentioned that you have a public call for wind and solar projects. I would like to understand if you are looking for operating projects, green few projects. And if you are going to develop, are you going to sell that in the free market? And how is the demand of the PPA in your commercializing companies? If you can talk more about that, please?

A - Unidentified Company Representative

(Speaking Via Interpreter) Yes, Marcelo, we are going to focus on greenfield. It doesn't mean that we cannot look at M&A, but the focus of the standard notice is greenfield. For the free market sizing the opportunity that we have the technical ability of our engineering teams and also the commercialization ability.

And we also have this last year, the subsidies and this year, as you know, right? So these are the 3 main elements. And we believe that, yes, it is possible to have profitable projects in the spite of prices -- in spite of the prices today.

Q - Marcelo Sá

(Speaking Via Interpreter) Can you give us a price idea if you were to sign a 10-year contract, for instance, of base energy, how much it would be to develop a greenfield project that range, the price range in the frame market for this type of energy.

A - Unidentified Company Representative

(Speaking Via Interpreter) Dimas, would you like to comment on the incentive-based market?

A - Dimas Costa {BIO 19927096 <GO>}

Yes. Who asked the question?

A - Unidentified Company Representative

It was Marcello.

A - Dimas Costa {BIO 19927096 <GO>}

Marcelo. All of these investments that we intend to make for greenfield, part of that, we expect to be directed for soft production. We have a huge demand from a number of clients that are choosing that.

And so part of that should be self production, others will ensure that will be guaranteeing a PPA. If you -- when you ask that, our target we are looking for energy of what we have seen and we have had offers of energy varies from wind of 115 up to solar of around 135.

So I believe that would be more or less a top market. Of course, that for self production, I can charge a little bit more because I will split the gain of the benefit with the client. But our target, whether for greenfield or energy purchase is around 115 and 135 still as renewable energy. Did I answer your question?

Q - Marcelo Sá

(Speaking Via Interpreter) Yes. I did have a slight technical problem, but I was good to understand.

A - Dimas Costa {BIO 19927096 <GO>}

If there are no further questions, we turn the floor back to the company's management for their final remarks.

A - Unidentified Company Representative

Very well. Thank you, all very much. I hope to see you on April 28 on semi guide. I hope you will be well. Thank you, very much.

Operator

CEMIG's conference call has ended. Thank you, very much for your participation, and have a nice afternoon.

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