

Q4 2006 Earnings Call

Company Participants

- Agostinho Faria Cardoso, Superintendent of Wholesale Energy Purchase and Sale
- Djalma Bastos de Moraes, CEO
- Luiz Fernando Rolla, CFO and IR
- Unidentified Speaker, Unknown
- Wilson Brumer, President and Chairman of Our Board

Other Participants

- Luiz Monteiro, Analyst
- Sergio Tamashiro, Analyst
- Unidentified Participant, Analyst

Presentation

Unidentified Speaker

(technical difficulty) or on the telephone 011-4688-6301.

We record the presence of Dr. Wilson Brumer, President and Chairman of our Board; Dr. Djalma Bastos de Moraes, our CEO; and Dr. Jose Maria De Macedo, the Director of Distribution and Commercialization; Dr. Fernando Henrique Schuffner Neto, Director of Generation and Transmission; Marco Antonio Rodrigues da Cunha; Director of Business Management, Dr. Jos   Carlos de Mattos; Director of Planning and Projects and Constructions; and Dr. Luiz Fernando Rolla, Financial Director, Participations and Investor Relations. Now I give the floor to Dr. Wilson Brumer to begin our presentation.

Wilson Brumer {BIO 1524504 <GO>}

Good afternoon, everyone. First of all, I'd like to tell you about my pleasure of being here once again. The Board and the directors and all the CEMIG workers with analysts and investors in our company and just also to tell you about the satisfaction of once again being -- emphasizing and corroborating the numbers and the figures that CEMIG has been presenting, which are results of planning done a few years ago. Which goes to show that with discipline and strategy and planning, we can reach those goals that add value to the company and meet all the stakeholders' wishes.

And we would like to show everyone, all of you ladies and gentlemen that the company is effectively adding -- has been adding value to its activities. And all of this within a value adding process and all the results that are being reached which are, of course, the result of a master plan that has been discussed among the whole Board of Directors and

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executives, CEMIG and the Board of Administration. We have been able -- we were able last year, as publicized, a profit of R\$1.7 billion. And once again I insist that this is a result based on foundations that effectively ensure all of this planning that we elaborated. We are now leaders in this process of consolidation of the power sector. And we still believe that we are going to have -- take new steps or new steps will be taken in the next few years. And I understand that CEMIG once again is consolidating more and more as an effective player in this consolidation process of the power industry in Brazil.

We have maintained a financial discipline in this process of internal investments, even with investments through acquisitions. So much so that we recently in terms of ratings, we reached the level Aa3 by Moody's. And in terms of expansion in accordance with what has already been discussed at several other opportunities, we have been doing this through organic growth in our company. But at the same time with the discipline that I talked about, looking at acquisitions and opportunities that might add value to the company.

And I think that it becomes clear to all of you, ladies and gentlemen, that the acquisitions that we have made of Light Company through RME, which is a holding company created and we have more -- three more partners. And this company has been adding more and more consumers in another type of market, which adds onto CEMIG's own market as well as the acquisition of the TB action company we call TBE, which is the conglomerate company of transmission companies in the northeast and southern part of the country.

With that, if we consider CEMIG and the group of companies in which we participate, we are talking then about a group, if we might call it so, that aggregates 10 million consumers. And this group has a total sales of 52.1 gigawatts per hour. And at the same time, we have been growing in generation, which in our view, today's Brazil maybe is the great challenge and, in my view, also the great opportunity that we can glimpse.

In terms of dividend policy, we have maintained a discipline according to what was provided for in our master plan. Ordinary dividends that were never possible, declaring extraordinary dividends, always remembering that by 2006, as a result of the implementation of our master plan, we realized payments of R\$2 billion. And we are proposing in our assembly of stockholders to be held in April dividends referring to the fiscal year 2006 to be paid in 2007 in a total amount of R\$1.3 billion.

Then considering ordinary dividends and again within our master plan, whenever the cash flow in our company allows, also declaring extraordinary dividends or and then reaching this amount or this figure that I've just mentioned. All of this has been done also as I said within a financial balance and equilibrium covering all the covenants that are, in effect, in our master plan and all of them -- and many of them in our own social statutes and return on investment compatible with the risk of each business.

Also I think that a major point that we have discussed in the last four years and I think the results that we are showing shows that the effort that was made in the last four years presents results. And today we have a profile, an advanced profile that is quite elongated with a main cost of 9.15%, which in terms of Brazil is quite coherent with our economic industry.

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Now in terms of performance, comparing to the previous year, our profits as said have reached the figure R\$1.7 billion last year, representing R\$10.60 per batch of 1,000 stock shares. And after that, our director Rolla is going to explain what has been proposed to our stockholders in terms of some changes in the distribution. Not only our results. But also some process of reserve distribution, also grouping of stocks of share, R\$10.64 batch of 1,000 shares. And if we adjust for the profits given some non-recurring tax which we had opportunity to explain to you, gentlemen and ladies, the profit would be in terms of not considering those recurring factors, reach R\$1.8 billion.

And our EBITDA reached R\$3 billion. And once again, if we had done it in an adjusted manner considering non-recurring factors, the EBITDA could have reached R\$3.3 billion. These non-recurring factors that were added will be explained to you on other opportunities. But they will be explained in a timely fashion once again by Rolla or Agostinho.

So if we then consider the evolution of the last four years, we can observe that both in terms of the EBITDA, we have been growing since 2004, 2005 and '06 and also here showing you this adjusted EBITDA. And as I think that this strategy and this response and this delivery of the strategy to you investors has been recognized by the market, always remembering that by the end of 2003, we had -- or the beginning of 2004, we had a market that was approximately R\$4 billion. And this has been growing steadily in a well-founded manner. And we have reached by the end of 2006 a value of R\$16 billion in terms of our market cap.

In terms of dividends, we have -- we imagine we have today a policy that is coherent with the industry and coherent with the foundations of the company and also coherent with what we envision for the future of the company. And this has also been reached with a very positive results and at the same time also giving a return to the investor, not only in terms of the valuing of the shares proper. But in terms of the dividends to be paid out.

Another point I would like to call attention to -- when we observe all the investments in our company today, we perceive that with two small companies only where we still have some economic losses or from the point of view of the EBITDA. But the strong point of the company represents the profitability of all of its sectors. And we even comment in our Board that the company at the beginning of this process was a matter of concern for us. But it also has been presenting positive results, which is the case of Infovias company that had a more negative result. But even this company has been presenting positive results. Therefore, the company's foundations are very solid. And the results are there to show that they are coherent with all the planning that we have developed. And I am pretty certain that CEMIG today is a company that more and more has contributed for all its stakeholders.

I call your attention out of that in spite but not being provided for the whole year, all the acquisitions that were made, especially like TBE in the second semester of last year, they already contribute toward this result that we are in the process of presenting to you in detail to you analysts and shareholders and executives of the company. Therefore, I give the floor to Dr. Djalma, our CEO. And I return at the end of this presentation. I give the floor as well as the microphone.

Djalma Bastos de Moraes {BIO 2089645 <GO>}

Good afternoon, ladies and gentlemen. This is the first event that we are holding with the new elected Board of Directors. Even though the figures presented here are by the former group of directors, we now on behalf of the government would like to thank all the support given by the former Board of Directors and present this first. Dr. Rolla, you are known to all the investors abroad. But it is important to us that we bear this in mind.

Our first presentation refers to our social and environmental responsibility. And we are making every effort towards that. For the seventh time around is in the Dow Jones index and the second time around in the index of business sustainability of Bovespa, it is important to stress that we have been together with this index since its inception for 10 years, the sustainability and the business sustainability index.

Second presentation, the next slide, refers to the quantification of our company stock and now with Dr. Rolla and Agostinho. And remember in that exactly eight years -- some eight years ago we had only two companies within CEMIG. It was CEMIG and Gasmig. Today we have counting on the consortia with a number above 45 companies. And this goes to show the degree of commitment that we have with our stockholders and especially with the message of our governor to grow. We have been growing sustainably, we have been growing transparently and we are certainly meeting all the expectations of our stockholders.

It is also important to note that we are trying to separate from the Infovias company because we deem that our main focus is the purchase, the transmission and the distribution of power. It is probable that even in this first semester, we may have the result of the sale, which probably will give us an addition of R\$70 million. Not that we have not abandoned the communications area totally, we continue surveying and researching the transmission and broadcasting within our transmission lines and make it feasible any type of business together with our occasional partners that might want to participate. But always with a main focus on the distribution, transmission and generation of power. Next slide, please.

What we have here is our very expressive position in the electric industry in Brazil as the largest distributing company, number of consumers and kilometers of network, the fifth largest generator and the sixth larger transmitter. And evidently, we are in the fifth position after we acquired Light Company.

As for the transmitting company, it is important to notice that a few years ago we were the fifth or sixth largest transmission company in this country. Due to a problem of non-participation in auctions and not dependent upon our own will, we fell to a position of 7 RA. But now we have returned when we purchased from Cheyenne [ph], we came back to our position of sixth largest transmission company in this country. Next slide, please.

We have a consolidated total of gross revenues, of EBITDA and number of companies and -- number of employees. It is important to note the addition that these two large acquisitions have given us, RME and TBE adding 133 -- and 28 million. And this is our

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commitment. And this is going to be our commitment for the future. When we do not make growth feasible by means of participations in auctions, we are going to try to purchase, to acquire assets so that we may fulfill our objectives. Next slide, please.

The results showing for 2006 and '05 with a variation of 31.9%, reflecting the growth of the industrial class at the end of the initial contracts and the strong migrations to the free market. We commercialized the largest volume of energy in the free market with approximately 19%, we're the largest seller of energy to this market. We had a consumption, a rural consumption affected by the high rates of rain in this state and the consumption was practically maintaining a stable position and the CEMIG Corporation with 12% of our electric power throughout the country, captive consumers plus free consumers. Now installed capacity of 6,692 megawatts, the assured energy of 4,049 megawatts. We have 7% of the capacity of generation in this country. And our goal is to reach 25% in the next few years. Next slide please.

Our transmission network, we have enlarged by 10%. The extension of network as was already demonstrated. We now are the sixth largest and the CEMIG Corporation has 5% of the transmission capacity in the country, 5 or 6. 5. The network extension, the acquisition of our expansion projects we have enlarged by 6% extension network. And the CEMIG Corporation has 10% of the active market in the country again.

Our investment program in 2005 with R\$1.166 billion, 2006, R\$1.944 billion. We plan in 2007 R\$1.489 billion, 2008, R\$1.320 billion. And this is the total of our investment forecasts. And the Light for All program in a while.

Following that, we have in our next slide a projection of the Light for All program, the Luz Para Todos program, with a forecast of total that we did R\$1.069 billion with a predicted total of R\$1.120 million. It is important to stress that we have up until December 2006 1,001,961 [ph] connections to consumers. And it is important to stress that we have signally of a growing number within the state of more consumers being added on in the rural area.

It is important also to emphasize that there is a determination by the federal government to universalize this sector of the area, the rural area up until 2010. So we are going to make a great effort so that we can end this year and in the next year, this year even so that we can grow in our tariff revision and try to make it feasible within this project until 2009 and '10, all these concession areas of CEMIG.

I'd like now to give the floor to Dr. Rolla so that he can continue our explanation.

Luiz Fernando Rolla {BIO 1852035 <GO>}

Thank you, Dr. Djalma. In these first two parts of our presentation, you saw that we are aiming at executing our master plan, which is our strategic long-term plan, in its essence that it is generating a profitability, that it's growing, adding value for our stockholders. On my own behalf, I am going to focus on some important factors that are going to also give some value added to our stockholders.

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On the first slide on page 23 I show once again our results, as Dr. Brumer mentioned. Our profits are R\$1.7 billion, accumulated profit throughout the year. But I would like to emphasize the results of the Fourth Quarter, which is extremely positive for us. It was the second time around in which we have been able to generate in a consecutive manner an EBITDA around R\$900 million, which gives a correct indication about the preservation of our foundations. As mentioned by Dr. Brumer, our plans include financial management that makes the company of a credit quality close to the best companies, not only here in Brazil. But also at an international level. And we have tried to maintain a management so as to approximate more and more, as shown by Dr. Brumer, companies of superior credit quality. Therefore, we are very happy with the results presented in the Fourth Quarter.

Now going to the next page, you can see there our cash flow. And it is important to emphasize that last year we obtained -- we had the acquisition of two assets already mentioned by Dr. Djalma of Light Company and TBE, which gave us an investment around R\$500 million. Even then, our cash generation was sufficiently strong in order to give at the end of the year a cash around R\$1.3 billion. You know very well, as prescribed our master plan, that we tried to maintain the debt level of the company around 40% of the total capitalization. This gives us the ease that we can carry out our investment program at the magnitude presented by Dr. Djalma and pay off the dividends as mentioned by Dr. Brumer, which produced a return around 9% -- used to produce a return around 9% to our shareholders.

Now going to the following page, we see the destination of our profits, the R\$1.7 billion. Naturally, as mentioned by Dr. Brumer, we are going to pay total dividends of R\$1.381 billion and retain a parcel in order to pay for the investments in the operational expenses and also the debt service of our holdings. With that, we are going to pay an extraordinary dividend close to R\$497 million as mentioned by Dr. Brumer, coherent therefore with our dividend policy as established in our statute.

Going to the next page, the page 26, I show our cash flow -- the cash flow of our holdings, demonstrating that really we are paying in accordance with our dividend policy. We are retaining a small parcel as working capital for our holding company. This is going to allow for a more easy management of the operational expenses that we are going to have through 2007. However, we are faithfully adhering to what has been established by our statute.

Now going onto the next page, in this slide I try to show that our net assets, we had a situation of surplus of our profit reserve vis-a-vis our social capital. When this occurs, the law, the public company law establishes that we must either pay dividends or distribute bonuses so as to increase the social capital of our company. We have reached R\$1.6 billion in 2006. The profit reserve is R\$1.8 billion. This difference of R\$200 million, we have to make a distribution. This is already calculated not only to projects that we obtained in 2006. But also the dividends that we paid out.

Our situation in the stockholding structure, as you can see on page 28, this is the present, the current situation. The PNs -- or NPs represent 66% of our social capital. And consequently the ordinary stock has the remainder. And we have a stock of R\$162 billion in stocks. We are proposing on the next page to our stockholder assembly to increase the

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capital and the volume slightly higher than the difference between the profit reserve and the social capital to a value of R\$810 million so that we may be able to have a reasonable money and leisure for next year. And we are going to be very profitable in the next few years.

And if we passed over only the difference in the next year, 2007, 2008, we would be once again having to do another bonus. To avoid undue repetition of this moment, we chose to increase our capital slightly more, thus allowing us to adopt a procedure that for some time has been suggested by Bovespa to group up of our stock. Today our stock is quoted by a batch of 1,000 stocks. And according to Bovespa, there is an attempt to uniform -- to make uniform all the quotations of the company. We are, therefore, moving from this 1,000 to quotation per units of shares and the group of 500 stocks or shares for each old share. This is going to allow a change of the nominal value of the stock, which goes from R\$0.01 to R\$5.00. Besides the reduction of the value of the stock, which are today under negotiation at R\$100 somewhat per 1,000 shares, this begins to be negotiated around R\$30, R\$35, which is going to allow the access of small investors.

Besides that, as a way of giving the same opportunity of the preferentialist stockholders, we are proposing also and that has been approved by the Board, a constitution of the ADR program and paid for by ordinary stock. And this program, we are going to implement throughout the year. But the object of this program is exactly that of ensuring to the owners of ordinary stock the same rights as the preferential stock.

On the next page, what you can see is the movement that we have performed with the bonus. Our social capital leads from R\$162 billion -- I am sorry, R\$1.621 billion to R\$2.432 billion; Please note that the net asset is not going to change. It is just the same. It is just a change between accounts in the net assets. But the number of stock will change substantially leading the level of 162 million to 243 million, maintaining the nominal value of R\$0.01 per share.

In the next slide, the slide 31, I show already the grouping movement leading from this share of nominal value of R\$0.01 with a total of 243 million shares to the new situation of a nominal value of R\$5.00 per unit, not per thousand shares, with a total capital around 486 million shares, which is a substantial reduction to the number of stocks. Therefore, as I said, our share is traded now at a slightly lower price, thus allowing the access to small investors.

In the next slide, on page 32, I show our debt exactly to again show our commitment to the management, the very conservative management of our CEMIG. As restated by Dr. Brumer, we have some goals of maintaining the company very solid so as to give sustainability to our growth and the expansion of the company and the management, the financial management becomes crucial and strategic. And therefore, we have to present results in accordance with our master plan. And this is shown in this slide on page 32, all of the indicators are there within that which we have prescribed.

On the next page, you have the profile of the debt, the debt profile which demonstrates as a result of two measures that we have taken in the latest years aiming at improving the

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quality of credit of our company. The first measure was the change of our indexer, going from IGPN to CDI so as to capture the reduction -- the full reduction trend in the interest rates. And the second measure was to reduce as much as we could the exposition to the exchange risk.

Besides the currency exchange we also -- we have been able to elongate the debt as can be seen on the next slide on page 34, whereby we have a mean time of due dates of around five years, that is. We are now in a very comfortable situation, as you can see, that by 2007 we are rolling only R\$834 million, as compared to some of the previous years we had situations of rolling R\$1.6, 1.7 billion. This is substantial gains. And naturally we had a recognition of the measures on the part of the credit agency.

On the next page, you can see that in all of the two agencies that classified our risk, we obtained a substantial gain and substantial improvement in our risk classification. Fitch today quotes us as A+, which is a credit quality which is very strong not only at a national level. But also at an international level. In what concerns Moody's, we had the announcement this week that we have been lifted up to a A3 classification in the national classification. This representing a gain of practically five levels, five notches that were given. As you can see there, the next page, that this leap is quite as significant. This represented those gains which I mentioned, that is the elongation of the debt, reduction of exposure to the currency exchange risk and also the capture of the reduction of the interest rates, allowing for substantial improvement in our indicators.

Of course we are not going to stop right there. We are going to try and find improvements. We are going to try and find credit quality which may be reached in the long term, investment grade at the international level because by doing that, we will be able to add value again to our stockholders.

This slide closes my participation here. I give the floor, therefore, to Agostinho Faria Cardoso, who is our Superintendent of Investor Relations and which is going to run through a few slides about the financial demonstration. Thank you very much.

Agostinho Faria Cardoso {BIO 20495015 <GO>}

Thank you, again, Dr. Rolla. And making an analysis of the operational revenues, we have observed a positive impact, as mentioned before, of the acquisition of Light and sales to the final consumer also a touch [ph] and, in fact, on the revenues of use of the transmission line with the acquisition of the TBE lines. With that, our net revenues have reached R\$9.681 billion growth of 17% vis-a-vis the previous year.

Given the profile of the quarter and the evolution of the consolidated data, you see that the migration of paid customers at the end of the initial contract, as already indicated by our CEO, created this large increase of 2006 relative to 2005 already stabilized. But we have to highlight the contribution of Light in power sales reaching 4% of the total for the year of 2006.

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Operational expenses were impacted by non-controllable costs, especially bought or purchased energy. At the end of the initial contracts, our distribution companies started buying from third parties, thus decreasing our cost which is passed over to the tariffs. And the costs with CCC/CDE and the TUSD [ph] costs made a significant increase, thus making the expenses go up to R\$107.3 [ph]. Analyzing, as Dr. Brumer mentioned at the beginning of the impact of non-recurring factors, as we make the adjustment, we see that the net profit goes from R\$1.6 billion to R\$1.8 billion, a growth of 13% already mentioned. These same impacts being reconciled with the cash generation, we have an EBITDA growing by 37% relative to the previous year. With that, after this impact of non-recurring factors, we see our EBITDA going back to its original position with the typical seasonality. And in the last two quarters already, in the range of R\$900 million forecasting what is happening to our company now in 2007.

Our company was originated from a verticalized company bringing power to Minas Gerais. It grew strong and aware of its role in society and within the Brazilian industry. And with the process of deverticalization, we still have a strong presence in the three segments as indicated by our Dr. Moraes. By that we mean that we have a structure that helps us to mitigate risks and to leverage our results. As we can see in the following slide, slide 44, whereby the loss of customers to the free market of our distributing company, they were captured by our generating company so that the CEMIG Corporation did not lose any value in this opening process of the electric power industry in this country.

Now assessing our performance in the generation company and transmission company, isolatedly we see a significant growth of the net revenues as caused by the increase of the sales value at the end of initial contracts, the sales to the free market. The operational expenses also increased a little, suffering the impact of non-recurring factors and also because we have CCC/CDE. We have (inaudible). Those are taxations put within the TUSD. TUSD works as a collector of such taxes. And at the end, we had an EBITDA of R\$1.3 billion and a margin of 56%. Discounting non-recurring factors, this margin is close to 60%. Our net profits of CEMIG Generation Transmission reached R\$614 million, a net margin of 26%.

After this impact of the migration of free customers, as we can see in the First Quarter of 2005, the seasonality of CEMIG GT sales stabilizes. At the last quarter, it grew by 8%. At the end of the year, the growth is 15.4%.

But CEMIG Distribution capped its level of revenues perfectly unchanged since last year around R\$5.3 billion, which is very good, because the world's migration did not have an impact on the results. The maintenance was due to tariff increases and the natural growth of the market of our distribution company. The operational expenses reached R\$5.4 billion, impacted by non-recurring factors as mentioned before. And our cash generation reached R\$1.2 billion, a margin of 20%. Discounted on recurring factors, this margin reaches 23%. And actually the margin for the distribution company, net profit was R\$770 million with a margin of 12%.

Analyzing the quarter, the performance of CEMIG on the left hand side graph on page 48, the yellow one, we see a slight decrease in 2005 resulting from the migration of free customers. 2006 the process stabilized. And the seasonality was quite typical, growing

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from the first to the Third Quarter and falling a little at the end of the year. But this loss does not imply loss of value to our distribution company because it adds value with the maintenance and operation of its assets, the sales of power is passed over the cost to the tariff.

And if we look at the graph on the lower side, the total transported energy, the free customers start being customers from our distributing in only terms of energy. But they are still our transportation customers. That is, the distribution company does not lose customers. But there is a change that is not stopped being an energy customer to a transportation customer. And so the cost did not fall between 2005 and 2006. It grew by 3.5%.

Another effect of this deverticalization in customer migration is that year, CEMIG had around 60% of its market concentrated in industrial sector. These customers became free customers. And in 2006 the process has stabilized. 35% of the market is due to residential customers and 24% of industrial customers.

The last comment before giving the floor back to Dr. Brumer has to do with the way we have been consolidating our balance sheet with the acquisitions. RME owns 80% of Light Company. And given legal matters, it consolidates 100% of this balance sheet of the company. SME gets 25% of RME. We consolidate in our own balance sheet 25% of the Light Company. And we described in the participation in minority companies, it's 35% so the EBITDA profit is left relative to 20%. In order to facilitate the understanding in this presentation, when we refer to RME, we always talk about the participation of 25%, talk about consolidated day to day in the balance sheet. But if we talk about assets, we use the 20% percentage, which is that which effectively we have in the company.

So I give the floor now to Dr. Wilson Brumer for his final considerations.

Wilson Brumer {BIO 1524504 <GO>}

Before we move onto the questions and answers, I would like to make some final considerations, emphasizing a point that was commented on by Agostinho, which in the last two quarters, we did not have any non-recurring factors and giving you analysts and investors a clearer picture for your own forecast and your own assessments. As a result of the acquisitions that were made and the investments that were also carried out, this is the new map of our CEMIG's presence either direct or indirectly in Brazil as a whole, where we can see a stronger physical presence whether in terms of assets. But also our other model of the sector, where CEMIG as a company certainly can sell as others can also sell here. So CEMIG has also used a new model in order to increase its participation in other companies and other parts of this country, not necessarily only concentrated in Minas Gerais.

Another point which I also think is worth commenting on, you will remember of a decision that we made in order to begin this process of knowing also more about the international market. We began investments in terms of CEMIG's figures are not as representative of

that. But they, per se, are very strong figures, as we are talking about investments in the order of R\$60 million.

But in order to give you all an idea of what is going on, an update of what is going on with the investments in Chile, we are now in a phase of construction. And we have invested at CEMIG \$6 million approximately. The implementation began in June 2005. And we are now working with a schedule for -- by April 2008 to be operating this transmission line. And this line will have a partnership of 49% with that.

So after the year's results and after acquisitions and the investments that we have made, we see that CEMIG's figures have been growing. And we have there total assets of R\$23 billion, the net assets of R\$2.5, consolidated debt. And this is not only CEMIG. But also the companies that we have acquired and Light, as a result of what Agostinho has said, brings into this consolidation a more representative figure. And our net revenues already reaching in a consolidated manner R\$9.7 billion. And as I explained, we are today within the new model. And we are also being sellers of power in other states of the country as well as -- then the same way as we did investments in Chile.

Besides the market value, I think it is important to highlight. And this is a matter of pride. But also a matter of -- to think about increasing our responsibility. The market has been recognizing the strategy as we see it not only in the guise of valuing added to our stock. But also through recognition as for the indication of our executives, the case of Rolla, who was elected the Best Investor Relations Executive, the best one, which increases Agostinho's responsibility of also becoming the best executive and other recognitions that are mentioned.

But I would like also, in conclusion and so that we can begin the Q&A session, to say that the new directors who began actually this year also have an enormous responsibility. But also couldn't fail publicly to thank. I believe I can also say on behalf of all the stockholders as a whole to the former directors, who have been giving their cooperation to CEMIG, certainly all of the members responsible for a good portion of the growth of the company in the last four years. And this is also a matter of reason for challenge and motivation for the new directors so that, more and more, they can grow -- make the value of the company grow and so they can add more value to all the activity that we do here making CEMIG effectively become a standard company in its industry.

(technical difficulty).

Questions And Answers

Operator

Excuse me, ladies and gentlemen, we are now beginning our question and answer.

(Operator Instructions).

Excuse me, our first question comes from Pedro Baptista [ph] from UBS (inaudible).

Q - Unidentified Participant

Good afternoon, everyone. I have three points I would like to ask you about, I would like to discuss. The first one has to do with the concessions. First, get an update about the concession of Emborcacao and Novapoint [ph] plants and then the state of the energy. I would like to understand a little about the company, in which state is it? What is the current position and also about future renewals of concession? And what we were looking at, the government of Sao Paulo chose by means of its legislature renewal of the party with an automatic renewal of concession. On that note, if there is such an idea in the government of the state of Minas Gerais, they have been working together with Sao Paulo around this issue.

The second point has to do with the tariff review -- tariff revision. I know you have already publicized the data, which will be subject to a public auditing. But Rolla, I would like to see your own views about this process, if there is time, to draw some conclusion given what CEMIG was expecting for its own revision rates to be more pessimistic or optimistic about this process.

And there is a third point about the financial leverage, which I will leave for later. Thank you very much.

A - Unidentified Speaker

Pedro, about the first topic, the concessions we are working together with the Ministry of Mines and Energy. I'd like to tell you that information that we are getting from the ministry is that there is no problem whatsoever about the renewal of our concessions. We have met all -- all the required basic requirements in order to make feasible the objective. We are now trusting that we are not going to have any problem. At least the information up until last Thursday was that we have no problems. There is just a matter of the agenda of the minister in order to define more and more. But we have met all the requirements and all the regulation impositions that Aneel has placed upon us. And we trust that we are not going to have any problems in this respect. Please, Dr. Brumer?

A - Wilson Brumer {BIO 1524504 <GO>}

Pedro, as for PAC [ph] the valuation that we have, in a general manner and I can tell something about the sector as a whole. But first, from the point of view of organizing the several ideas and projects around it, a package and a program, we think that it is positive under the view of ordering in spite of, personally, I understand that the PAC has not brought in my view any new factors, at least any new major factors that will imply the growth of the economy besides those that existed. But the ordering is I think important. And it is exactly about this ordering that Brazil, if we can create a capacity to implement the projects listed there, I think that, in my view, it is going to be positive.

On the other hand, when we perceive that in this PAC there is a great emphasis on infrastructure, I also understand it is positive having in mind that we all know that the growth of the economy without the preparation in terms of its infrastructure very seldom

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will be reached, especially in a country as large as ours. About the electric industry, in my view, there are some things that call our attention. There is more flexibility and more time and more adequate conditions for the sector that BNDES will starting putting into place. And I see that also as a positive factor.

Also to return to a very personal position that the perspectives adopted there are not, in my view, factors per se because they already existed. They are not going to make Brazil grow. Brazil would grow or will grow independently of the listing of the projects that was listed in the presidential plan. But in my view, this warns us that if we have as a given point, the point that is given by the federal government, to grow, to make our country develop. And I think it is positive to turn the focus back onto growth and development.

In my view, also this offers opportunity for an industry of where we act, it is undebatable that growth that is not connected to more offer of power is incompatible. Therefore, I think for that we have to be very attentive. And for this reason in my comment, I placed emphasis on the generation aspect because I understand that Brazil has advanced in recent years, especially after the last power outage, the last rationing in terms of transmission and distribution. But in terms of generation, I think that we made not a whole lot of advancements and not in a matter compatible with the growth that we want to reach in our country, around 5%.

About Minas's economy as a whole, which is part of the question, too. And in my view will have impacts upon CEMIG, I think it was timid. One of the great challenges in terms of the infrastructure that we have in Minas Gerais has to do with the infrastructure, especially highways, in which the state, even given its geographic position, it is a state where federal railways have an extremely important role. And unfortunately as a function, even a lack of investments on the part of the federal government, in the federal highway network in Minas, we have a situation which the state network is also in good condition. But unfortunately the so-called federal highways are in a very precarious situation. But always remembering that the federal highways are those that are the large actually runways for the transportation of merchandise and goods.

And this is what our government has been discussing very openly and very frankly with the federal government. We have defended that this model of federal state highways is outmoded of a good portion of the world economies. It is already dated. And we have to rethink this model. And what we defend is that these highways being given over to the states. Minas Gerais proposes to be a laboratory [ph] in this concept. But of course it is no use only transferring the highways without the necessary resources in Brazil. And all of us as consumers, fuel we pay a contribution. And this contribution is exactly for this purpose of improving the infrastructure of the country. What we defend, therefore, is part of this contribution for those Brazilians who are hearing and listening to us and are seeing us, the so-called SCID [ph] being passed over to us.

But to create a climate of investment, of taking up again the development of growth is always good. Therefore, this agenda as an agenda is positive. But we also understand that without adequate infrastructure, without the strong managerial capacity of implementation of such projects, we may also have this good program that will not reach objectives. But I am pretty sure the federal government is committed to that. But it is a

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plan. Let us call it a more well-ordered, more well-organized for the investments that will come or that you intend to have in Brazil. And I think that once again that the power sector, the electric power sector may have a very good opportunity to be a participant in this growth process.

As for the tariff revision, Pedro, which you asked about, of course we have to take into account that we are an industry that is extremely regulated, especially the distribution companies and this matter of the tariff revision is part of the regulation. And Aneel, in a very transparent manner, exposed last year or displayed last year what were the methodological changes that the next cycle of tariff revision is going to go through. And we had a discussion that was a very big discussion with Aneel during 2006 and in this first revision that Aneel made, applying specifically the results of the company, also within what in general the sector already expected.

Of course we cannot apply in a generalized manner just across the board what is going on with Coelce [ph]. Given the specific conditions of the company, we are following very closely this process so as to understand Aneel's position about relevant aspects.

But I highlight some points which are common and which are probably going to happen to us as well. The first one, the most relevant and which actually gave a reduction of about 2percentage points of the 8percentage points of reduction of the Coelce tariff is the CCC issue. This compensation fund for the fuel costs of isolated systems had a substantial reduction. And this is going to induce a reduction of the company's revenues. This is not a reduction that will lead to any major loss in the company because it is a passing [ph] of expenses. If the expense is nonexistent, the revenues is going to be reduced.

We also had right there affecting, really affecting the profitability of the companies, the new remuneration applied by Aneel, 998 as compared to 1126 of the past cycle. And that naturally is the result of the new calculation of the mean capital cost of the sector vis-a-vis the economic conditions in effect or that have been changed by the evolution of the indicators in the last few years. And this is also a consequence of the improvement, I'd say, of the risk conditions of the companies. Companies in general have improved their financial condition. They have reduced very much the financing costs as a function of the reduction of interest rates. So all of that has an impact upon this remuneration.

Another factor that has collaborated to reduce the tariff of Coelce is the depreciation as applied to special obligations. As evolved, we recognized in the resulting depreciation of those assets, which were financed with special obligations. And now in accordance with the Aneel's resolution, those are not paid for in this manner. And this will cause an impact. Of course, besides that, we have other impacts which are specific to Coelce. The size of these impacts is going to be applied differently to each company. In special, what we like to call a financial bubble resulting from the result of the application of the previous process. So we cannot estimate what the impact is going to cause effectively in CEMIG, in our company for the time being.

Of course, this decision about Coelce is still going through a process of public auditing. And there may be some changes in the parameters that were posed by Aneel initially. And of course, Coelce has its own arguments. And this is going to probably lead to a negotiation and discussion with Aneel. And these figures may change even prior to the final publicization of the tariff revision of Coelce. We have a staff that is prepared and following the process very closely. Our team has not begun the negotiations with Aneel yet in what concerns tariff revision. We are still negotiating IRT with Aneel. As you well know, it should be announced on April 7th. But we are following closely and already concerned with the impact that Coelce had in its tariff revision.

Q - Unidentified Participant

My last point is about the financial leverage. The company has a very nice cash flow, a stable cash flow, especially after the acquisitions that the company made. And this is an environment which the access to long term capital would make sense to form better leverage even with the restrictions that because it is a public company CEMIG has. Now I would like to understand this within the management concept, thus making use of the presence of Dr. Brumer in terms of the changes of the financial leverage in the master plan of the company. Thank you very much.

A - Wilson Brumer {BIO 1524504 <GO>}

Pedro, if I understood correctly, the sound is not coming very nicely to us. But the master plan was not made for a group of directors A or B [ph]. It was prepared in the long run for the long term. And what we want is with discipline to follow the plan. But I will also would like to call your attention that when we prepared the plan, we discussed it very strongly with the government of the state itself, which owns 51% of stock control. So I don't foresee any change to our plan as a function of the change of the executives. It is just a fact of life. And the new group of directors has as a goal and mission giving to the government to more and more add value to the company.

Now it is up to us as managers of the company, either the board or the executive directors will never have scenarios that will lead us to rethink some things that have as an objective. Improving that -- we have to improve -- we are under the obligation of following that. But I would say that we still have the same concept and the same foundations that guided us when we prepared the master plan, which is to add value to the company to search for investments with discipline and the investment return. And if there is any adjustment to be made, it will be discussed within the board according to the principles that guide this macro orientation just giving -- adding value to everything that we do.

Operator

Our next question comes from Luiz Monteiro from Credit Suisse Bank.

Q - Luiz Monteiro {BIO 17187501 <GO>}

Good afternoon, everyone. I would like to understand if there was any unexpected event, which had any impact on distribution of CEMIG because your EBITDA reached -- was below what was happened before. And I am asking if you are comfortable with the guidance for the distribution company for the next year? Another question is the reversal

of provisions especially connected to labor costs. And I believe there is a space for new changing [ph] versions in the future? Thank you very much.

A - Unidentified Speaker

Luiz, now as for this matter of the EBITDA, the only fact that we had and which really affected the EBITDA in the Fourth Quarter, which we had included in our guidance, was the sale, the sell of Way [ph]. And we estimated our obtaining the benefit from that sale in 2006 already. But because of the approvals of LIVO [ph] procedures, Anatel has not approved the sale yet. So we have not been able to recognize it in our results. As Dr. Djalma has mentioned in his presentation, we are expecting this approval by Anatel very soon. So we are going to have the impact, the positive impact of the Way sale already for 2007. But that was the only discrepancy that we had. Of course the small difference occurring resulted from -- I'd say from the postponing by Anatel of a decision about the sale of Way.

Now as for the reversal of provisions, the provisions that we have are relative to our assets, regulating assets. As you know, in the last years we accumulated very large amounts about RTE and RTD, which are our large volume of regulation assets, especially RTE. We have accumulated something around R\$1 billion of provisions. Naturally, if there is on the part of Aneel a new factor -- fact that will ensure the receipt of this additional revenue, we may provide for it. But the perspective in the short run is that a negotiation with Aneel, a negotiation with the Minister of Mines and Energy recently (inaudible), in a meeting with the minister, has put it very clearly, that it is necessary to take some kind of attitude about this issue. I'd say that this is the great opportunity to do any reversal. Thank you very much.

Operator

Our next question is from Sergio Tamashiro, Itau Bank.

Q - Sergio Tamashiro {BIO 2274485 <GO>}

Good afternoon. I have three quick questions about the concessions. It is good that we don't have renewal problems. But as to understand your perception, if there is a possibility of the government create a new type of taxation, something like a UBT for old energy?

Now the second question has to do with Light. What kind of challenges are you expecting for the company? Where will you be focusing more, reduction of losses or reduction of operational costs? And what type of expertise will be taken to the company for their own tariff revision 2008 because it was a failure, a disaster that their tariff revision in 2003?

And lastly, just to know about the -- if Sesevian [ph] practically in the process of privatization, how do you see that? What is your interest to acquire the company, the Sesevian?

A - Unidentified Speaker

Sergio, we do not know any type of payment, our results of taxation vis-a-vis the concessions. What we know of is that we have met all the pre-requirements in order to renew, pure and simple. And that is what we are expecting.

Well Sergio, as for your other two questions, the second one, if I understood it correctly, you are talking about Light Company? Is that it?

Q - Sergio Tamashiro {BIO 2274485 <GO>}

What are the challenges that -- in terms of costs and what are going to be your focus?

A - Unidentified Speaker

You are talking about Light or in general?

Q - Sergio Tamashiro {BIO 2274485 <GO>}

No. I am talking about Light.

A - Unidentified Speaker

Okay. So now as for Light, Sergio, one of the main -- the first concerns that we had after we got there, because of the due diligence that we had made with the whole of the stockholders of the company, much is said and it is natural that from the point of view of losses in energy and Light, we understand that this is really a problem and a great problem that must be faced and solved. But in a very pragmatic manner, we know that it is not a process that we are going to solve in a quick manner and a speed we would like. This is a process that needs to be worked on, the directors of Light Company has been working on this process.

Rio de Janeiro, as you well know, has a cultural problem, has a structural problem that needs to be solved. But the group of directors -- the top management has been acting strongly. But to be very frank with you and this is our way of being, we understand that the results of this process will come along in the mid and the long run. They were not actually the main foundations that we used, that we adopted when we purchased, when we had a value there to add to the company.

Now as for some of the things that then we really think that we had more results in the short run was the decision about the bad debts that we had. And we still have some in the company and like to highlight a few. The first thing is you remember, you must have followed that, we have there a super fee [ph] receivable, a large one where the initial phase of negotiation we have not solved this. And the manner the propositions that were placed were not motivating to us in a way we would like to see it solved.

But as for the sanitation company of the state, we have been able to renegotiate the debt so that this debt does not grow more. We have used some financial engineering, even receiving credits from the state sales tax that the company had and using the state sales tax in order to use and reduce -- to amortize the payment. And there is already an agreement that I hope the company can follow.

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At the same time, we are also already negotiating with the local city administration and the administration of municipalities. And all the receivables is okay. We have been giving it a strong focus. But one of the things that we have adopted in the management of Light is a strong involvement of all the executives, the top management and the new directors. And after work done by McKinsey, the participation of McKinsey, we established there some projects, for example, whereby one of the focuses is the loss of energy. Yes. The focus is the improvement of the operational aspects of the company, cost reduction. And this is, I think, the larger work there at Light.

Also calling attention that as soon as we got into Light, we made the balance of entrance in the company so that we recognized some of the liabilities that we detected in the due diligence. And we thought that these liabilities now recognized could bring some problems to the new stockholders. Hence you see that even Light have been presenting a negative result last year as a function of this group of provisions that we have made. Now as of our entry, the company has been presenting positive results. So much so that it is already contributed to this performance that we are talking about.

As for Light, in terms of investments and results for CEMIG, this has been quite surprising from the positive aspect. And I do think that the company may bring very good surprises to us, aware that we have great challenges to overcome. But I'd like to make very clear that in what concerns the loss of energy, we think that -- and when we compare to CEMIG, if we consider technical losses and commercial losses, we are talking about 9.5%. Light, we come to almost 26%. So we had this big difference. And the two companies, CEMIG and Light, have exchanged experiences. They have worked together so that we can find more adequate pathways in order to pursue a solution for this process.

This has to do with the process of tariff revision and analyzing the processes as they were being implemented Aneel. And it is an experience to exchange. We have something to offer in terms of experience to Light. We understand they can also call our attention to some points that sometimes went unnoticed by us. So we are having a good integration between the two companies. And I am very fully aware that we have made a good acquisition. Light is going to bring us good surprises.

Now as for Sesi, I think this is good also for other processes. I go back to the beginning of my presentation. Sergio, I understand that Brazil will still go through a process of restructuring of this segment of consolidation of this industry and we are analyzing it. We also have to understand that we cannot just shoot everywhere without having a strategy of the targets that we really want to reach. So we are now assessing those assets that are possibly available or societal change and the partnerships change and if such is the case, if we conclude that we should participate, we will be attentive to for the decision making. Always call your attention that it is part of our strategy and the master plan which was asked about recently, a little while ago, that whatever this movement is, our guidance is that it should be in a minority way calling for this process always other investors.

Operator

Our next question comes from Philippe Natam [ph], Citigroup.

Q - Unidentified Participant

Good afternoon, everyone. I have basically three questions. The first, I would like to understand how CEMIG considers the possibility of going into participation in the Madeira River project, the projects in Madeira. If it doesn't consider that, what are the main reasons that justify the decision? If they do consider, what are the main points the company understands that would speed up or allow for the effective interest?

Our second question has to do with thermal projects. I understand that the company had as a strategy in the last 12 months. We have been looking carefully at our interest in new thermal projects. I'd like to understand if there was any change because of the gas problem or if the company continues focus on the search for investments and projects of the kind?

And the last question returning now to the tariff revision business, I would like to understand where the company has perspective or an internal study or even a preliminary valuation of what happened to Coelce to understand how in the aggregate it could be more efficient, the model company which has been put together for the southeast, if the company has this outlook and the referenced company for the northeast was 6 to 7% more efficient than the national company was in 2003? Is there a perspective of what should come out as a reference for the southeast? Thank you very much.

A - Unidentified Speaker

It is complicated to go back to the first question after all of your questions. But the Madeira project, we see some visitors and some entrepreneurs that would like CEMIG to be present in the project. We also went to the ministry and we are going back next Monday, trying to see in what way the ministry because there isn't any definition as yet of whether the government is going to start a bidding process for 100% of 51% and keep 49%. But what exists first is a strong willingness on the part of our government and our directors and our management to participate in the Madeira enterprise whether privately or governmentally. Evidently, we are going to study the format that is -- that best fits our objectives. But we are going to try and participate in whatever is the format of this participation.

Second question was thermal generation. Now we within thermal generation we have a large project in this state which is that of thermal generation coming from our plants. We are really working strongly to participate in any one of the -- any of the projects, the sugar plants, using the scraps. And evidently, there we are going to study, we are qualified to study any thermal project also in the area of gas and also in any other type of generation of fuel. But it is important that we are making actually feasible a large project in the state. With the new projects of plants. And a partnership so that we may come in even in terms of stock or operating and acquiring energy from the alcohol producers. There is a strong use, strong demand for plants here in this state and Dr. Brumer actually is head of this project. We are already signing some understanding memorandum. Maybe Dr. Brumer and Rolla might add.

As for the Madeira project, Dr. Djalma has already mentioned it. I think it is along the lines of what I mentioned in terms of generation of power in Brazil. I think that companies such

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as CEMIG cannot fail to follow and analyze and see what is the best model. Now as for the next point that Djalma also mentioned, I would like to give you an idea of the order of magnitude that we have in this state. We are all following the great movement in this sector of ethanol and the whole world, specifically in Brazil.

And here in Minas Gerais what is going on is that we have today already signed. It doesn't mean that all are going to become true but about 50 projects whether in terms of facilities or implementing or enlargement, these projects are located in a specific region of the state. For those who know the state well, we are talking about the Triangle area. We have a plan for this sector in the state which presupposes attracting investments to other areas of the state.

We also have talked much to business people from business community that contact us to try and create the concept of power co-generation. I think that you that follow the sector know that maybe in the past, this would not be a large concern of the sector. They had co-generation in order to meet internal demands. But on average, a company producing alcohol or sugar would try to find a generation of energy around 5 megawatts. Today with the new processes and the new trends, today we have plans already considering the generation of 30, 35 megawatts. Now deducting from the internal consumption, there are almost small hydroelectric plants of sizes, we are talking about 30 megawatts. Therefore this concern of effectively putting CEMIG as a participant in this process. And that each agreement that we make with the sector, CEMIG also participates along the lines of discussion with the business community. The best way to use co-generation as an aggregation to generate more energy in the state.

This doesn't mean necessarily that the company CEMIG is going to be a partner or will own the co-generation. But there are ways according to what Dr. Djalma says for CEMIG to participate. There are some cases even within the model that we have established here for the small hydroelectric plants where CEMIG can become a participant in up to 49%. Maybe in the case of co-generation this could be the process. But as it is an industry, maybe the best way is not a participation. Maybe it is a way of trading the energy that is some kind of relationship that may be established between CEMIG and this industrialist. So this is something that we have followed and we are very aware that co-generation through the use of sugar cane after it has been pressed can be exploited so we can add more energy generation.

I would also apologize to the investors but I have a commitment now. I have an appointment. I am certain that Dr. Brumer and Rolla and the other managers will be able to answer your questions. But I am still at your disposal for any time to actually clarify any doubts within the principle that we have here of transparency and we are at your disposal. I only apologize because I have to leave now. Good afternoon, everyone.

Now, Philippe, as for the question of Coelce. In addition to the comments that I have already made in terms of the previous questions, I would like to say only that the referenced company naturally is something that Aneel has to talk about efficiency to the consumers. So as part of the regulations, this revision of the values that are referring to the company, we know about that. And certainly in our tariff revision, Aneel is going to make this reference a little less than the previous cycle. And we already have our strategy

in order to adapt to this new situation. And this CEMIG is aware of and has enough knowledge in order to be able to adapt to the rules.

We are now going to move onto questions received over the Internet. The first one comes from Istahal Amin [ph] from TCI Fund. And first of all, I would like to congratulate the management for one of its best acquisitions, the hiring of Mr. Rolla as the new Financial Director of CEMIG. Now as going to the technical questions, the first one is that I observed that EBITDA, the distribution is below what was forecast in the guidance in 2006. This happened because of the distribution expenses were larger than predicted by the referenced company indicated by Aneel whether if so, is this due to non-recurring factors?

The second question, we believe that it is very important for CEMIG to continue improving its corporate governance. Is there any plan by CEMIG to move onto the next level of governance of Bovespa? If so, when is this going to be?

Amin, I am going to begin from the second question and then I will give the floor to Rolla so he can answer the first. I think that we are trying step by step to improve our governance forms in the company. I think that you have followed the advances that we have made, the large strides that we have made. I think that very few companies, even private companies, have in their regulations the idea of governance which certainly is a factor for protection.

And in my view, of strong demonstration of governance that we intend for in the company, always concerned about evolving whenever we can progress within the characteristic feature that we have to understand, which the stockholder, the controller is the state. As a consequence, we have our limitations as well. But I think that this decision made by the board to record our ordinary stock was a clear demonstration of give the ordinary stock more liquidity, more to allow for this liquidity and I think that the valuing of ordinary stock in the recent days shows that it was a wise decision.

There isn't to be frank at this time any discussion of changing the level of governance in terms of the Bovespa. But as I said, we will always be attentive and take into account the aspects of CEMIG as a company, a state-owned company of which the state owns 51%, that is at the minimal limit of controlling the company within the legislation, within the law, whatever can be done to improve the governance using the existing tools in the markets, we will be attentive. But there isn't at this time any discussion in terms of the board to change levels of governance.

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

First of all, thank you for your congratulations. I hope I can work diligently and to really correspond and to be responsive to your expectations vis-a-vis my nomination, my indication. Now as for the discrepancy that you have observed in the cash generation of the distribution company as measured by the EBITDA, you are right. In fact, we wouldn't like -- we didn't want to give the due importance to this factor because it is a factor that is non-recurring. But unfortunately, at the end of the year, the closing -- in its closing

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announcement, Aneel changed the practice concerning the accountancy of investments and expenses coming from the projects of energy efficiency projects.

This brought along a reduction that was quite significant in the results of the distribution company as a function of the provision made by Aneel once this item comprised also previous years. That was a fact that we have been able to make up for with other gains and other companies and we did not give it the emphasis in order not to try to justify lower performance or worse performance of the distribution as a result of non-recurring factors which was practically all the what with the strong points of the results of the two First Quarters 2006. Nevertheless, this did happen and led to this result, adverse result, slightly adverse result. But as I mentioned, in the consolidation we have been able to make up for that and reach practically the established goal in our guidance for the consolidated EBITDA. Thank you very much.

A - Unidentified Speaker

We are going to give the floor to Dr. Brumer to respond to one more question that we have received over the Internet. And if there is any question addressed to him, I would ask for him to be placed in order because Dr. Brumer will also have to leave and he has been with us for almost two hours. He will have to leave shortly. But the question comes from Jean-Paul Le Hays [ph] from 21 Investments. What will be the direct benefits of the company with the future approval of the independence of Aneel in the PAC?

A - Wilson Brumer {BIO 1524504 <GO>}

Well Jean-Paul, I am not sure I really grasp your question. But the benefit I would say and I am not as well prepared to answer this question, maybe our directors may add something if that is the case. But the advantage that I foresee here is that if we effectively want and if we do have to develop more power generation, improve the infrastructure of the company, in the segment today accompanies such a CEMIG because it is state-owned or controlled by the state, we have many limitations to obtain funding at the Brazilian national development bank, BNDES. The only advantage we see to that is whether we could within this concept have access to funding from BNDES in Brazil longer term and more adequate time to start paying. And so we don't glimpse any advantage as of yet.

Well I'd like to apologize also for leaving before the closing of this videoconference but I would like to tell everyone that the results with the clarifications that may eventually have to be given show that the state is on the correct track. I see that CEMIG can effectively say today that in this process of consolidation that Brazil may have CEMIG as an important player, is, in part, an actor. And more and more, I have the opportunity to be together with the executives and those who are listening to us. But there is several executives of the company who always come to such presentations. And they are sitting there in the auditorium. It is important to highlight the company as CEMIG presents the results as valued not only to the company. But also to the economy of the state. And consequently, it has chances to continue growing and generating opportunities to all of its stakeholders and certainly executives and employees of the company and part of this process.

And I think that the figures will talk by themselves and I insist once again that our master plan, our guidance can be seen as our strategic plan and must be followed with discipline

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by means of adequate investments, investments that add value and investments that may really create conditions for us to continue growing but growing by adding value and certainly allowing us to continue growing. Therefore we have our limitations as a state-owned company which has and I think the figures and the market values of the company already reflect that.

But even with some obstacles or stumbling blocks that may be posed because it is a state-owned company, has not inhibited CEMIG from pursuing whatever is best to add value as the figures themselves have demonstrated. We are defenders -- we are advocates of a thesis that it is not because we are controlled by the state and because we are a state-owned company that we have the excuse for inefficiency and not showing the results that need to be shown to the country. Our responsibility increases because we are a state-owned because we have to be even more efficient than the average company. And we expect that 2006 has been for our investors and all of our stakeholders a successful year and which increases our challenge. Our challenge is to have a more promising 2007, a year in which we can add more and more value to the company. Thank you very much.

A - Unidentified Speaker

Thank you, Dr. Brumer. And we now go back to questions on the telephone.

Operator

The next question comes from Sebas Deriv [ph] from Morgan Stanley.

Q - Unidentified Participant

Two questions, very quick questions. One has to do with the tariff increase that is going to take place in April. I would like to know if you have an understanding with Aneel that the entity is going to be considered in this tariff increase? Or whether it is going to be left for 2008?

Second question about the investments in the distribution we have noted that -- noticed that in recently investments in distribution and what is predicted for 2008 are relatively lower, that it is higher than the regulation. Is this because of an asset basis that was placed low or if there is any reason to be substantially higher or this is going to fall to a regulation depression? I would like some input about this.

A - Unidentified Speaker

Very well. (inaudible) is for April's increase, we already have opened discussion with Aneel. As you know, this April readjustment has to do with costs passing over to the tariffs other than preserving the company's revenues against cost increases. Therefore, it doesn't generate as a rule any addition to results of the company. We are already -- we have our strategy defined, already presented to Aneel our figures. We are now waiting for some meetings that will be held. And we are going to do that very criteriously in order to avoid any loss for the company.

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In what concerns investments in the distribution company, this is a matter that has to do also with regulation. As you know, the asset basis will determine the profitability of the company. The investments that are made are included at the end of the cycle to the asset base, discounting the depreciation of the older assets and this naturally as I said we did not have -- have not begun this process of tariff revision. This tariff revision is going to take place only in 2008 and therefore we have not a view -- a vision of what the impact is going to be of the investments on our asset base. Of course we make an estimate. But for the time being or as of yet we do not have a view of the criteria that Aneel may adopt. The Coelce experience may be very valuable for us to be able to assess correctly what may happen to us in 2008.

Q - Unidentified Participant

Now, two questions now. In thesis then, the RPT, these are going to be considered only the tariff revision. But there are examples in which in order to avoid this tariff increase in a similar year, Aneel actually retreated and gave us part of the revision, tariff revision, the normal IRT. In your discussions with Aneel, did you raise this topic of anticipating the tariff increase because of an impact to avoid this tariff passing over to the customer in 2008? And as for the investments, 2008 what you have there for distribution is R\$900 million. In 2009 and 10, is it to be expected this level to be maintained?

A - Unidentified Speaker

Now as for I'd say that our investments are analyzed vis-a-vis the return rates that they offer, not specifically having in mind the recognition by Aneel. What we try to do is to develop projects that are efficient in terms of costs so that we may have an additional gain above what is prescribed by Aneel. Of course Aneel as it recognizes those assets, it tries to adjust the revenues of the company so as to keep only that profitability. But as it is part of the rules, we try to maximize our return by using other measures. At any rate, those are investments that we have to make, those are investments that have to do with the connection of consumers, the maintenance of some parameters and some indicators of performance. And therefore it is a cost that is inherent to the concession.

We understand that vis-a-vis the risk offered by the business of distribution, what we did obtain in terms of results does meet what our stockholders wish for. Therefore certainly we are going to continue investing for the next cycle as well.

Now as to the tariff increase, RTD, of course, there is an impact on our cash because we have received all of the -- we will be receiving all the difference proposed by Aneel. But without a large impact on the profitability of the company.

Operator

And our next question comes from Marcel Lobrito [ph] of Bradesco Brokers.

Q - Unidentified Participant

Good afternoon, everyone. I would like to go back to the Light for All program. I would like to confirm the understanding about the program. The guidance that we have shows that

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this investment is concentrated until 2008. It was my understanding that during the presentation that the program could extend over to 2009 and '10. I would like to confirm this understanding first. What would be the cutback associated to that because it is concentrated in this guidance up until 2007?

The second question has to do, I am returning to the renewal of concessions and generation. I also would like you to confirm that the renewal is going to be free of charge without any charge or money payments made by CEMIG to the conceding power very similarly to what was done to concess to other companies.

A - Unidentified Speaker

Now, the concession renewals as stressed by Djalma Bastos de Moraes, our CEO, we expect a renewal to be done without any additional cost. We have a contract and the contract provides that we must only follow -- observe the operational performance and the operational indicators must be in line with that which is required by Aneel and Aneel itself has already verified that we did meet this operational requirements and therefore we did not understand that any demand of any charge should be made for renewals. It is a strategic matter. It is extremely important for the sector and I believe that good -- that common sense is going to prevail in this matter.

Now as for the first part, you mentioned that there is a reduction of the EBITDA for the distribution company in our guidance and you were connecting that to -- we didn't understand that part, to the investments that we made in the Light for All program?

Q - Unidentified Participant

No, you have all the CapEx centered on the Light for All up until 2007. I understood during the presentation that it could be an extension of the program to 2009 and 10. I would like to understand what you are considering because all the concentrated investment is until 2007. I had understood during the presentation that you could extend the program for two more years. Just a confirmation, a second confirmation.

A - Unidentified Speaker

Now this matter is a natural consequence of the carry out of the program itself. We three years ago when Aneel established what the goals were to universalize supply to all companies, it was estimated that there would be 174,000 consumers to be connected in order to complete this universalization. What is going on is that with the execution of the program Luz Para Todos, this perception changed. We have had requests from consumers in numbers well above this 174,000 consumers. And this indicates new investments to be made at a date that probably should be established by Aneel. We estimated that by 2010. This addition is more or less a growth, an organic growth of the rural areas and this is going to demand more investments. And we are already getting ready for it and talking to the Ministry of Mines and Energy so as to preserve also the subsidized resources and monies that were granted to the first phase of the Light for All program.

In order to close this presentation of our results, we are going to ask the two last questions that we received over the Internet. We are going to answer them together and give the floor to Luiz Fernando to answer them and for his final remarks.

Anamano Depuire [ph], please detail the size of investment of Chile project? What is the funding and the on the [ph] fundamental I would like to know if there are any operational cost estimates of the Chile transmission lines? Mr. Fernando, please?

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

Thank you, Ana for your question. This Chile investment is up to \$60 million. It is for CEMIG's size not as significant as that. 70% of this money will come from an IBD funding with costs that are compatible with that institution and therefore are going to help finance our interest in Chile. It is an investment that we consider to be strategic in spite of its small volume because certainly during our expansion, we will be reaching limits that I would say would lead us to investments in other countries and we are beginning with Chile which already has regulations that are very well defined.

Very well. With this answer, we close the question-and-answer session and I would like to make some final remarks and leave a message to you all about the challenges and commitments of the new management for this next period. Naturally, we have a master plan that we are going to implement. There are established goals by this plan that are going to add very attractive value to our stockholders. And the management is going to work diligently in order to deliver those values established in our master plan. We have -- we absolutely trust the ability of CEMIG to expand and to add value, to evolve not only in managerial aspects but as well as technological aspects so as to reach those goals. We are very confident, absolutely confident that throughout the next years, with the sequence of results this is going to be recognized by the market.

I thank you for your attention and patience to remain here with us for almost two hours. It is a pleasure as usual to establish this conversation with the investment market, especially analysts and to say that in accordance with what our President emphasized, we have a policy of transparency which actually leads us to keep available to access by analysts and investors. So we will be always available, not only the management but especially our Investor Relations staff, now today led by Agostinho, which has aggregated some measures so as to facilitate this access.

We also count on all of the suggestions, all the feedback that you might give us, especially in what concerns the financial demonstration, the quality of such financial demonstrations. This year, we were concerned about innovating, introducing some changes to our financial sheet so as to increase, improve the clarity and the transparency of the information that we are publishing. This is a commitment of our company. And I hope that this will meet the interests of our stockholders and investors. I thank you all very much. Good afternoon.

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