Q2 2011 Earnings Call

Company Participants

- Antonio Velez, IR Manager
- Luiz Fernando Rolla, CFO

Other Participants

- Felipe Leal, Analyst
- Marcio Prado, Analyst
- Vinicius Canheu, Analyst
- Vladimir Pinto, Analyst

Presentation

Antonio Velez {BIO 15968846 <GO>}

Good afternoon, everyone. My name is Antonio Velez. I'm superintendent, Investor Relations. I'd like to begin the video broadcast of the Second Quarter 2011 results of CEMIG with the presence of Dr. Luiz Fernando Rolla, CFO. The broadcast can be followed over the phone, 5511-4688-6341. And also on the Internet on our website, http://ri.CEMIG.com.br. We inform you that our website has available the PDF presentation for those who have difficulty having access to the live broadcast. We'd like to give the floor now to our CFO to begin his presentation.

Luiz Fernando Rolla {BIO 1852035 <GO>}

Good afternoon, everybody. It is with great pleasure that we once again make our presentation of our quarterly results. I would like initially to apologize for our CEO, Djalma de Morais, who could not be present because of other engagements.

Our purpose is to present the results of the Second Quarter 2011, make a few comments about the cumulative results thus far and in a way we can anticipate that these results are well in line with the forecast that we had made at the beginning of the year. We have no facts that might derail our results, as it were. So the expectation is for us to at the end the year deliver the results that we had committed to delivering to our investors.

As usual, we begin with this disclaimer exactly in order to give you the comfort to analyze the information that we're going to impart to you within the adequate context so that it can be used within the legal framework that is necessary for it to happen.

Within -- in this first slide we will have some indicators of the results that we're talking about, the quarterly results again. We had the net revenues at the end of the Second

Quarter of BRL3.8 billion, which in itself represents a significant increase by 11%. I remember that these results are consolidated, the results of the Company. Therefore, they refer to proportionately to the consolidation of the amounts coming from the different investments that we have.

This increase was quite strong and that represents naturally the growth of our area of action in the market. Our EBITDA also proportionately had a substantially greater increase because of the basis of comparison. The Second Quarter 2010 was artificially reduced as a result of some provisions that were made which yielded this 20% increase. At any rate, the performance of the Second Quarter is a very good one and in the cumulative results we have already surpassed the level of BRL2.5 billion, which allows us to say in all certainty that the guidance that we offered to the market last May will be fully reached.

The net profits increased by 29%, thus reaching BRL523 million, which makes us have an accumulative profit over BRL1 billion, which again is well in line with what we had planned. We have several reasons in order to explain this result.

First of all, the result reflects the strategies that we have adopted so as to guarantee the growth of the Company. All of those basic principles are being faithful. They followed in our main pillars where sustainability have contributed in a very intensive way so that these results at each quarter though we publicize them present figures such as the ones before you.

The EBITDA performance was, comparatively speaking with other companies in the industry, very strong, which gives us the certainty that the investments. And the strategies and especially all of the efforts that we have made and so as to capture the gains -- efficiency gains of these assets have resulted in great benefits to our shareholders. Among the strategies -- successful strategies that we have implemented, we highlight customer relations, which has ensured to us a growing participation in the market, in the free market.

This strategy has yielded a loyalty -- customer loyalty and we're going through a period of very intensive competition in the search for customers and we have an excess capacity that is un-contracted power on the market, which has pressed down the prices. And by virtue of this strategy of customer relations we have been successful in facing this competition and maintaining our customers, retaining our customers, especially the ones that have long-term contracts with CEMIG. In general, our presentation is going to reinforce this vision that you -- this view that you have in this first slide.

As the first example of our success -- of our strategy we have the expansion of Taesa, which again reinforces CEMIG's position in the industry. As you well know, our business structure privileges the integration that is an effective participation in the three segments and we have created several vehicles in order for this participation to in the three segments be as efficient as possible.

The expansion of Taesa shows the correctness of this strategy and to date Taesa is an independent vehicle generating enough resources so as to pay for and finance its own expansion. We have made this acquisition of interest in Abengoa in whose -- and the assets that Abengoa has with these assets. Taesa will reach more than 5,000 kilometers of line going over one billion RAP.

So with the additional EBIT that we are going to have by means of this acquisition goes over BRL200 million, which also makes Taesa a company at the level of BRL1 million in terms of cash generation. So this shows the correctness of the decision that was made when we invested to acquire Taesa. And especially as the result -- as a result of the managerial practices that we have implemented in Taesa, which has yielded additional cash generation, thus allowing for this extension that we consider very speedy.

With this new interest CEMIG now will reach 13% of the transmission market as measured by the RAP indicator, as you can see there. And what has to do with the kilometers of transmission lines. The sequence of growth that we have had in the last five years reaching almost 10,000 kilometers, this makes us very easily the third largest transmission asset operator in this country.

Likewise, based upon the very same strategy we had also Light acquiring this time a generation asset. And within the sub-industry of renewables Light acquired a relevant interest in the capital of Renova. And with that Light will grow by 50% and what has to do with this generation capacity, reaching more than 1,300 megawatts after 2014.

The acquisition refers to 26% of the total Renova capital and the total value paid for this 26% of the capital was BRL360 million, which is a fact already published. The purpose of this acquisition by Light exactly is to give a business structure, give it a business structure that allows a better profile for cash generation, which on its turn guarantees more predictability and less dependency upon the distribution segment.

This makes Light have growth dynamics that is guaranteed and geared towards a business structure of less risk then it which guarantees to us, which warrants more predictability in our -- and it's in the Company's cash flow. CEMIG and Light itself will guarantee Renova, which is a company that is in development, will guarantee consumer markets, maybe the largest consumer markets in Brazil, both CEMIG which already holds 25% of market share in the free market, as I said. And Light, which has a relevant part of the free market in the state of Rio de Janeiro.

And these two companies are going to guarantee to the Renova customers that can absorb all of the growth of generation capacity. As for cash by Renova, just to mention a few days ago Renova had a very great success and an auction, the A3 auction, which guarantees practically a portfolio of projects, investment projects which are going to give the possibility of reach in this goal that was set for Light.

I mentioned at the beginning that our strategy that our sales strategy has been outstanding these years and has made our generator a highly cash generating company. And this has allowed CEMIG to grow within quality standards, preserving its financial health and naturally exercising the opportunities that the market has offered to CEMIG and what has to do with growth, especially through acquisition.

We had the two examples that I've just mentioned. We had more investments and all of them based upon resources that were originated both from CEMIG GT through this strategy of sales, which guarantees long-term contracts and which allows us to predict this cash flow and gives us the tranquility so that we can continue investing and growing in a sustainable manner in terms of the CEMIG Group as a whole.

As I mentioned, we today we have more than 25% interest in the free market -- share of the free market. And it is this free market that gives us the long-term support. The strategy of loyalty and customer relations has brought us the benefits coming from this long-term predictability. And what has to do -- and what hinges on alternative sources the sales of power coming from these sources have grown more than 12%, which goes to show the dynamics of the market and which ensure us that the investments that Renova is making. And in parallel CEMIG, also allow us to say that this segment is going to bring about very positive benefits for our shareholders.

And in parallel to this aggressive posture of growth. And naturally we could not fail to -- we could not give this kind of support if it were not for the financial health of CEMIG as a whole. We've had solid results. You have followed us in our publications each quarter. We have had significant growth at each four quarters. That is each year we've been changing levels and the levels are going up to a very significant amount.

And very few companies within the electric industry have had such a growth sequence that is so sustained and solid as the one that CEMIG has presented every quarter. And this has to do with our business portfolio, especially because of the inner connection of these businesses, which allows for the adoption of managerial and sales practices that will reduce substantially the business risk and will increase the predictability of our cash flow.

This cash flow, this very strong generation of cash allows not only the payment of dividends to our shareholders. Today we have a dividend yield around 6% to 8% depending upon the value of the share that is considered. And besides this payment yield the payment, the payout which guarantees a return to the shareholders because of the value in all of the shares, which makes it very competitive vis-a-vis the other options on the market.

And our cash generation is sufficient, not only for the payment of dividends. But also to support acquisitions. And especially to pay our debt service. The quality of our balance is widely demonstrated in our reports. Just mentioning our financial statements are once again have been considered very high level and were included in the transparency trophy of Anefac, once again as one of the ten most transparent balance sheet result.

And this gives us the tranquility that we are on the right track and that all in the Company are focused on this concern, this great concern and is providing of quality information, precise information so that investors can make their investment decisions without any risk.

Today our balance offers rates of coverage and the debt rates that are very positive always within the bylaw's limits that we have agreed upon with our shareholders, which does not prevent us from continuing accumulating a very robust cash. At the end of the

Second Quarter our cash position has -- was reaching BRL3 billion with a very significant growth of this indicator, as you are going to see in the upcoming slides.

Now today we can say that CEMIG is positioned in order to take quantum leaps as the ones that were taken in the last three years that is with a financial situation that is quite comfortable. And enough cash generation in order to finance its expansion. The partnerships that we have established with our investors have resulted in additional benefits and are going to ensure our future growth as these investors are interested in selling the shares that they purchase together with us.

Our debt has a profile that naturally reflects the short term vision of our financial market. We have a concentration, a significant one around our growth profile, especially what has to do with the date due in the short term, we -- and the due date in the short term. We will have already some dates, the dues -- some dues in 2014 and also in 2011.

We intend to make -- to link then the time for these debts. We naturally are going to reduce a part of this debt. Part of this debt came exactly from the acquisition of the Taesa assets and they are already a part and having to be finished, liquidated January 2012 and 2011. We have BRL3 billion to be paid and our strategy is to pay up most of this debt. And a part of it we're going to roll so that we can release a few, a little more capacity that is capacity to help us hold this position for other possible acquisitions that we might identify in the short term.

Now the cost of the real debt has grown in line with the growth of the CEMIG rate. Naturally we have had indications from the government that this trend is going to be reversed in the short term. And therefore this value of 7.3% of real average cost tends to fall, to decline in the short term in line with the CEMIG reduction once the pressures, the inflation pressures are going to be more or less under control.

With that the most significant indicators of our debt are reasonably within the limits that we thought were adequate. We cannot forget, however, that our business is capital intensive, which results in great amounts to be invested in the long run. And naturally are going to be reflected upon our cash flow in the same time.

However, given the concern that we have of keeping this financial health of the Company some of those indicators, especially the net debt over EBITDA and our debt level, we try to keep it within the limits that we have defined for ourselves and the bylaws, which guarantees that the financial health of CEMIG is preserved, thus guaranteeing the sustainability of its investments.

Even considering CEMIG GT, which made a great investment effort in the last years, especially in the last two years, as we reduce part of this debt which is already coming up in the next seven, eight months, we will be going back making CEMIG GT go back to the standards that it had prior to the acquisition of Taesa, showing that the investment has brought the adequate return that we imagined it was going to bring to CEMIG.

Therefore, in a general way we can say that the strategy that we have chosen to implement was a successful one, which added substantial value to our shareholders. Of course that all of these decisions follow a basic principle, which is -- that is we make and reflect upon these decisions, our views, our vision of sustainability.

That is why CEMIG has implemented environmental programs that have resulted in the recognition, not only by in the community where we are. But also of the investor market through the several rates and the indices that measure the sustainability of companies. Both in Bovespa and Dow Jones we have had a constant presence, an impeding constant, firm presence since the creation of these indices, which gives us the opportunity to say that CEMIG follows its long-term vision of sustainability. And the vision that we have been preserving for future generations, the resources that we've been using today.

Let us now focus our presentation upon some indicators of the Second Quarter results in order to try and show you what happened indeed in this last three months. All of these results, as I said, show and are a direct reflection of the strategy that we have adopted, both the business structure and the managerial practices that we have implemented. All of them have produced additional benefits every quarter. And this quarter as you can see the volume of sales, cumulative sales volume has grown substantially. That is not as substantially as that. But it did grow effectively in those classes of consumers that bring in more revenue for the Company.

As for example residential sector we had an increase of 100 gigawatts hour and also especially the industrial segments, which resulted in the growth of 450 gigawatts hour. We -- this was made up a little with the -- or by the reduction on the CCEE market exactly the liquidation market of differences.

This is a very volatile market and this quarter we had a very great variation. But it does not reflect because of its low prices a very significant impact upon our revenues, as you might, as you may see. If we took this amount out from or took it off the balance sheet the growth would still be, would be substantially bigger than this 1% that you saw there.

Now changing to each segment, in the case of CEMIG GT, which is our largest company, generation and transmission which has a part of -- has some interest in Taesa, the growth of sales was very significant in this case. That was 9% and a result that was supported by our sales policy. As you can see within this chart we have a market share, ACL market which is very great, even going beyond the 50% share and the total sales by CEMIG GT. And this extremely relevant participation because contracts are all long-term contracts which are now to sign new commitments with these consumers. So as to add a little more capacity as the customers grow and need more capacity, generation capacity in order to support their own growth.

And CEMIG with these contracts will also guarantee this growth that you can see there. Obviously part of this 9% increase is substantially from free clients and these long-term contracts really allow the warranty or the guarantee of this growth in the long run.

Now and with respect to CEMIG D, which is the regulator market, we had a 6% decline, decrease. But it is a little artificial because if you look at this chart there you are going to see that the reduction of liquidation in the CCEE market, which is -- that was what was responsible for the reduction. If we look only at the final customers market we're going -- we'll be seeing a 5% growth, a real growth in the Second Quarter of 2011, which represents an extremely positive variation for our market.

Attention -- our attention is called to the growth of the commercial market, which reached 9%. But also a very solid growth in the residential sector. And naturally the industrial segment felt the impact of the crisis we've been going through. The internal market has still managed to give a 2% support to sustain us to this growth. But on the whole the growth was well above the average, which means that the market in which we act has been very dynamic and has actually made this growth possible within our distributor, especially the part that serves Minas Gerais, that portfolio of these customers today shows a very positive balance, which again guarantees smaller volatility in the generation of revenues.

And the revenues have been in a very regular way and which has given strong cash generation. Then you see in this chart there that we had growth, a revenues growth, a strong one of 11% as compared to the same period last year and that is most of this growth was from final consumers, again showing the solidity of this growth, which is a result of the factor result from a very active economy which we have observed in this state of Mina Gerais and in the city of Rio de Janeiro, which have given very positive results in this year of 2011 as a counterpoint the period of relative stability in the recent years.

Its operational expenses have grown. They have grown proportionately, not proportionately to revenue. We had a growth of 7% and this growth, 7% growth. We're going to see in details what this growth has caused. We have had some cost pressures, one of them coming from the inclusion of a new interest in Light and Taesa. But as you can see most are non-controllable costs, especially purchased power and power purchased from two sources of growth, one sales and the other one in trying to service this growth in the regulated market. Therefore, totally the cost has passed over to final customers.

And this aspect we have to be careful when evaluating it because upon the interpretation of IFRS these costs are included as they take place in the quarter and not appearing in the CVA composition that there was in the past. We had the control of the operational -- of controllable expenses that was very effective. We did not have costs pressure in this aspect, which again shows that the actions of improvement, efficiency improvement we have implemented have yielded good benefits to the quarterly results.

We had in fact a reduction of BRL2 million in expenses in terms of personnel, which again shows that our program of voluntary resignation has brought effective benefits because it included in the recent years all of the growth of these personnel expenses of the payroll, which has been adjusted for inflation. So it is this a result in terms of efficiency in what hinges on the operational expenses. We have had very -- a greater control over operational expenses as a function of the fact that we've been seeking effectively to become the market benchmark.

The business portfolio has been very active in the generation of cash. We see here the EBITDA of BRL1.268 billion as the effective participation of CEMIG GT of 45%, of CEMIG D 31%, Light already reaching 5%. I remember that we have been proportionately consolidating Light and naturally it had a higher performance than there is (inaudible). But the contribution of all companies that we have acquired has substantially grown in such a way that our strategy of maintaining a certain proportionality of 40/20/40 between the three segments in which we are present has given a very effective result. You can see here that in the net profits details here 55% of the profits coming from generation, 45% coming from our distributor.

And this is a guarantee that the volatility of our net profits in the long term has really endangered and is reduced. And it actually is explained by these principles of risk mitigation in the investments that we made. And such risk mitigation can be seen by this cash flow demonstration. The cash generation that we had in the Second Quarter was very effective, as you can see. We have reached values well above BRL3 billion leaving a position of BRL2.7 billion in the beginning of the period, which shows a cash generation of 10%. And only in these three months showing the virility and the robustness of the assets which we operate. And these assets are still going to yield more cash generation up until the end of the year.

The investments that we have made are turned towards the generation of cash, all of them aimed at this minimum adequate return so that we can always continue adding cash to our Company. It guarantees that of the resources so that we can continue investing this year. We have already closed the year, or the quarter, revised until last June with BRL800 million. We have planned for -- until the end of the year of BRL2.2 billion to BRL2.95 billion. And it seems that we're going to be able to make it until the end of the year in such a way that they are going to begin to yield results beginning next year, most of the investments that we have made. But with that some indicators, business indicators are reaching very significant values, as you can see.

Total assets are around BRL35 billion. The net capital reaches BRL12 billion and BRL0.5 billion. Our market expectation goes well beyond our capital level, our equity. We had a reduction as a function of this market observation. But we have already overcome that several times, the value of BRL20 billion, the market value showing that the trust of the investors in the strategy that CEMIG has adopted so as to guarantee its growth has been very well recognized by these investors.

Our debt has been very small as a function of this net equity and the purpose is always to be below 50% of debt level so that we can continue investing in the electric power segment and because of the opportunities that we have. As you can see, the investors in general have spared us actually in the last months from the devaluation that really went rampant in all stock exchanges in the world.

Bovespa has fallen by 10% this year. It may even have a little greater in the recent years. This value is from June 30th. So we were still with a value and the value has been reduced a little. But we increased the gap between the value of our shares and the so-called devaluation of the Bovespa rate index, which means that investors have had strong confidence in the strategy that we have adopted.

More on -- very clear demonstration of that is that we have reached in the month of June, July that is, a part as of -- in informing investors increasing -- their presence here around 77%, which represents a record participation of foreign investors in our actions, both as the floated and the Bovespa.

And also in the New York Stock Exchange, these shares have been very liquid and they have shown, as you can see on the graph, adequate value which if added to the yield of our shares are going to make the investments of these investors a very handsome one. And naturally well above the value or the devaluation, the valuation and devaluation of other shares on the market, which places us in a position of leadership in the electric industry, not only in Brazil. But also from abroad.

These were actually the pieces of information that we would like to give you and bring for our discussion this afternoon. And I am now placing myself at your service for questions that you might deem necessary to ask about these results or the CEMIG strategy that we have adopted, which has produced such bright figures as the ones that we have presented to you all in these few minutes. Well thank you very much.

Questions And Answers

Operator

(Operator Instructions) We have now our first question comes from Felipe Leal from Merrill Lynch.

Q - Felipe Leal {BIO 2015017 <GO>}

Good afternoon, everyone. Hola. I had two doubts here which I would like to clarify. The first has to do with the investment program. You talked about the fact that you think you're going to be able to reach what you had for cash for 2011, or you may fall a little short, especially when it comes to distribution which you invested a little under BRL300 million in the quarter. And you have plans to invest BRL1.3 billion for the full year.

And the second doubt has to do with Renova. You mentioned here that CEMIG and Light are going to allow access to special customers. I would like to understand whether the 400 megawatts that were higher from Renova were through Light, or is this a combination of Light and CEMIG?

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

Thank you, Felipe, for your questions. Just allow me to find here on the screen -- to bring up to the screen in our investment program. Here you talk about the BRL312 million, referring -- BRL300 million referring to distribution as compared to BRL1.3 billion that we had proposed. The fact is that we have a structure that is already set up so as to reach this execution.

That is we have very little doubt that at the end of the year we shall have a performance that is quite close to what was forecast in spite of this seemingly great distance. But the fact is that the contracts that were signed were contracts that in which there is disbursement in the long term. And they have begun the construction and certainly we shall have disbursements enough in order to reach this level that is planned for. That is why I said that it's probable, it's likely that we reach this value of BRL2.3 billion for the full year.

Now what we said about Renova is that CEMIG together with Light within this segment that the renewable power is competitive and it has its market reserve, as it were. The volume of customers is quite great and it naturally is going to have every condition to be able to reach the goals that were set which we had announced.

And Light, for example, was going to take up 400 megawatts. And we were thinking exactly about placing in this context of CEMIG Group Light is naturally going to have a very effective participation, a very effective participation. I apologize for my cell phone. But CEMIG is going to have a very effective action in the sales of those 400 megawatts. And the Group as a whole is going to give its own contribution so as to guarantee that Light will have a success selling best generation capacity of 400 megawatts.

Operator

Excuse me. Our next question comes from Mr. Vinicius Canheu of Credit Suisse.

Q - Vinicius Canheu {BIO 6300903 <GO>}

Good afternoon. Thank you for the call. My question has to do with this story having to do with Belo Monte interests of CEMIG. Now the Company, well, said there is no negotiation to acquire this participation of Belo Monte and I'd like to understand whether there was, there is any interest of CEMIG and participating on the project. And if there is, what really changed the vis-a-vis the beginning because after the auction you said in the video conference call that the price was not attractive that -- so what could have changed since then for CEMIG to have some interest in the project and eventually might even have some participation in it?

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

Thank you for your question. And this is an issue that we have repeatedly told our investors about. CEMIG have in a general way -- I'm talking -- I'm not talking specifically about the Belo Monte project. But in general CEMIG has analyzed the acquisition opportunities and our have interests in assets, not only in generation. But also transmission and distribution.

We -- you saw during the presentation that we made two acquisitions, one through Taesa and the other one through Light of assets that naturally meet the basic requirement for our decision making, which is return. That is we are seeking adequate return on these investments. And any other asset that we analyzed has to meet this requirement.

And so when we analyzed the Belo Monte project under the conditions that were proposed at the auction we decided that it was not attractive because it did not reach the minimum adequate return on investment. Therefore, we of course did not actually avoid analyzing the project is the project is offered CEMIG.

What we can say is that we do not have any way to comment on the rumor that was actually publicized in the media. So we cannot do this because not only of the transparency position that CEMIG has. But also the legal obligations that if CEMIG were indeed had. And had anything concrete we should have publicized that through the relevant facts. So we actually don't avoid the analysis of any asset.

If this asset is offered we are going to analyze it with the same promptness and with which we have invested, analyzed the other investments, the other assets today, or it had not been attractive to us. And if by any chance something changes during this time we can really reanalyze it and see whether it meets the minimum requirements for return, which are Board requires, demands actually.

Operator

Excuse me. Your next question comes from Mr. Marcio Prado from Santander.

Q - Marcio Prado {BIO 15398968 <GO>}

Good morning, everyone. Thank you for the call. We're talking about price of energy or power. And CEMIG has always been a player that has been able to anticipate price variations. And I remember the last year your price curve has lowered a little bit. And in fact we see the spot continuing too. We had auctions of new energy, other BRL100 per kilowatt hour, also wind energy and the thermal energy very competitive as well.

We would like you to comment this last auction if you thought that it could have had lower prices than what you had really anticipated last year. And what would be if there is any policy or strategy it does seem it intends to implement because the Company is well contracted to 2013. But for 2014 the level of non-contracts is not as high. Thank you.

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

You're right. We maybe we have been first of companies that recognized the market had this inflection, this trend at the end of last year, beginning of this year. And we already estimated that the average price power was going to decline because of the excess capacity that we saw was available on the market. But from the non -- the effects that happened only reinforced our perception.

You saw that we had several auctions there that did not have any success with prices that were set. We have always had a pressure, a very low pressure and this is resulted in amounts that are very low as what we saw in last year's auction for wind energy.

Now energy, wind energy especially has had a technological evolution which has given, made possible this price reduction, together with the availability of equipments, which is also a factor that allows for the generation of power at very low costs. And all of that has contributed so that the market, the present day market has to date we estimate to be within between BRL100 and BRL105 per megawatt hour.

So in these cases even less than that is we're going to see in an A3 auction last week, both of wind energy and also hydraulic energy but that isn't very low. And this is a matter of concern because actually compromises the feasibility of our product -- the next projects because the costs are growing, especially environmental costs, the social costs have grown and they have become maybe the greatest uncertainty of all projects, which is a counterpoint to this decrease in price tendency.

So this is a quite a matter of concern and we understand that because of a speedier, quicker growth of resident economy in the next three to four years, in spite of the fact that the outlook's not been as positive because of the global crisis. We see there the growth of the global economy being reduced significantly in the upcoming four to five years because of the crisis. But we also had a very strong local market with a growing trend. And you saw the sales of our distributor very robust, very solid.

And we believe that this internal market can give us sustainability to the growth of the consumption of electric power. And up in this need to have more energy. So if it does not happen we are going to have a greater extension of this price limit and bring it down a little bit. But we believe that by 2013, '14 when a greater portion of our contracts is going to be on higher or non-contracted. So it's still going to have a slightly more favorable environment for the proprietors of generation capacity.

And this is the vision that we have, the view that we have, very likely in the next and upcoming 12 months the prices should be at the present value with of course some oscillation around BRL100. This is the perception that we have today and which greatly coincides with what the one we had in the beginning of the year.

Q - Marcio Prado {BIO 15398968 <GO>}

Thank you, Rolla.

Operator

We have a question from Vladimir Pinto from Bradesco.

Q - Vladimir Pinto {BIO 1554020 <GO>}

Good afternoon, Luiz, Velez. My question has to do with dividends. Last year we had extraordinary dividends paid at the end of the year. Is there any possibility of this repeating itself in 2011 given that the main investments that are being made by Light and Taesa -- so will sort of make the cash reduce its level?

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

We like to pay dividends. We love it. Last year we had a very strong performance because of the availability of cash. This year we had to make some more investments you saw there. Our investment program is closing the acquisitions and reaching BRL2.3 billion -- with the acquisitions that is reaching BRL2.3 billion. The cash is likely to -- in spite of -- within like having very strong cash, I don't believe we're going to have room to pay additional dividends by 2011.

Our dividend policy is always in the first instance to pay 50% of profits. And in the case of more availability of cash we pay extraordinary dividends in case there are available resources. And we do not believe that this may happen, as I said, at the end of year, our priority is to reduce the debt of our GT and this is going to make the cash that you saw available of BRL3 billion is slightly reduced.

So this is going to make the GT performance improve a little so that the expense on interests is going to be reduced, which releases a little more cash so that next year, next time around when there is more availability of cash we can pay additional dividends. But our policy is this and very likely this year we should not have any room for additional payments of dividends.

Operator

We have now closed the question-and-answer session. I would like to give the floor now to Luiz Fernando Rolla for his final remarks. Please, Dr. Rolla?

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

Thank you very much. I'd like to first of all thank you for the time you've given to this conference call. I reinforce our message of trust to our shareholders and investors that CEMIG has brought results coming from the correctness of the strategies adopted by the directors and the Board of the Company, which is a long-term strategy which has been carried out masterfully in the last years. And which is going to bring additional benefits to the Company in the future.

You investors may rest assured that the value of your investments is going to increase, even a matter of great concern of our company. And we are going to seek the investments that add more value to our shares. So all of this within an investment discipline that is very rigorous which allows us to continue growing and adding value to the investments.

So I once again thank you for your attention and I hope to meet you in the upcoming quarters when we will be here once again bringing again good news to our investors and shareholders. Thank you very much. Have a good afternoon.

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