

Q3 2009 Earnings Call

Company Participants

- Djalma Bastos de Moraes, CEO
- Luiz Fernando Rolla, CFO & IR Officer
- Unidentified Speaker, Company Representative

Other Participants

- Gustavo Gattass, Analyst
- Henry Cobbe, Analyst
- Maria Carolina Carneiro, Analyst
- Vinicius Canheu, Analyst
- Vladimir Pinto, Analyst

Presentation

Unidentified Speaker

(Interpreted). Good morning, everyone. We are now beginning the video webcast of the results of the Third Quarter of the Energetica Company of Minas Gerais, CEMIG with the presence of our CEO, Dr. Djalma Bastos de Moraes, our CFO and our Investor Relations and participation controller, Dr. Luiz Fernando Rolla. The webcast can be followed through our website, <http://ri.cemig.com.vr>, or through a new layout of the site, more dynamic, visual. And if the broadcast is slow, the audio will be available too. The cast can be followed through the telephone, 11 46 86 341. We are now giving the floor to our CEO, Dr. Djalma Bastos de Moraes for his initial words.

Djalma Bastos de Moraes {BIO 2089645 <GO>}

(Interpreted). Good morning, ladies and gentlemen. It is with great pleasure that we meet again for the third time this year, always with good news. Initially, we apologize for the absence of our Development Secretary who had to go to Brasilia. There's going to be a hearing with the President. And unfortunately he is not here with us. But we're going to proceed as scheduled. And I'm certain that we are in agreement with exactly what he thinks of our objectives. We -- with the recent acquisitions and perspectives[ph], we have been -- actually that are in progress. So we are on a new level; absolute leadership in the consolidation of the industry; expressive growth in the transmission segment; creation of an unheard of structure for the expansion of the electric industry; strategic partnerships that are part of the growth model. Financial solidity puts CEMIG on the leadership of growth opportunities. And equality of credit makes possible the access to funds. We are -- consolidated results for the Third Quarter are as shown here. Our master strategic plan guides growth in all areas of activity. The business portfolio ensures growth and

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consolidated results, results rising from the commercial strategy focused on certain customers and taking advantage of market opportunities. The variation of our EBITDA reflects the increase of non-controllable expenses of Cemig D. But the important thing my friends is that our net profits for the Third Quarter, in comparison with the net income of the same quarter 2008, went up and this is a very important fact to be observed here. It was the peak of growth in 2008 that was the Third Quarter. And the reflection of the crisis upon the Company which showed a result not very good in the First Quarter is now consolidated in the Third Quarter. You observe that in the Third Quarter, independently of the factors that have to do with the crisis, it did grow. And this is important. It consolidates us in the industry. And I would like to make some remarks about facts that are in our -- that are in the media now. Recently, we had news that we would show an interest in assets in Rio de Janeiro. Evidently, we do have interests in Rio de Janeiro assets. We have an interest in complementing our great interest in Light company, even though we do not have still -- made effective the acquisition of Light assets. But we are with great interest and the conversations are already at a point, which I consider to be very advanced. And it is only natural that a company, a complementary company in the state of Rio. And the Light, has everything to do with us and, of course, we have an interest in other assets in Rio de Janeiro. So I would like to make you -- to ensure you that if you want to really be partners and invest in a company which we propose to be in the next years the second largest energetic group in the country, it is necessary for us to grow. And to grow in this way; with aggressiveness, transparency and this is what we have been showing. The Terna asset is an exceptionally good one for us. The asset, if it is made feasible, the Light asset, is also of great interest to us, it has much to do with our Company. And the complementary asset in which we are interested in Rio also has everything to do with us. So we have been working in order to offer you, investors, investment in the second largest group in this country. And as a Group, we have been working towards this. And we have had a relative success as our market performance shows. And these acquisitions also go to show. I'd like now to give the floor to Dr. Rolla. And apologize to you for my absence. I will have to leave now. But I will be at your service at any time. And in case Dr. Rolla calls upon me, I will be at your service at any time. I would like to thank you all. And thank you for the trust you have given this Company. The steps that we have taken, we have the guidance of our controller, of our governor, of Dr. Aecio Neves, Governor of the State of Minas Gerais. I'm certain we are on the right track to make feasible for you, gentlemen. and for us the second largest generating distributing transmission group in this country. Thank you very much.

Luiz Fernando Rolla {BIO 1852035 <GO>}

(Interpreted). Good morning, everyone. Thank you, Mr. CEO for these initial words. They are extremely important. From the point of view of the strategy of this Company this great message that you have given investors. And the trust that these strategies that we have adopted are bringing right results for our stockholders. I, as always, am going to focus the remainder of this presentation upon the results proper, which we have already publicized since last Friday. You are already know -- you know already through our normal publication of the results. But there are some aspects which we would like to stress and highlight. And as Dr. Djalma has said, as results come in from our growth strategies, it is a growth strategy that is extremely ambitious. However, with a concern -- great concern about the financial economic performance of this Company is concerned, it's ever present. It is a view of sustainability. And on the basis of this sustainability we are

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conducting all of our acquisitions. And as mentioned by our CEO, the Terna acquisition is inserted into this context. As you well know. And we are already have informed the market about the strategy vis-a-vis the transmission sector, it is an extremely attractive sector to us. And as a function of what has been possible to negotiate with Terna, we are going to capture a great synergy with this asset in such a way that the gains to be obtained from this acquisition are going to be made evident from the next year on. Of course, we still have the Fourth Quarter to consider, the impact of the acquisition of Terna. But on the whole, the great impact is going to come in the next year; in the upcoming year that is. And only mentioning a few figures that finally happened, on November 3, we paid BRL2.150 billion. This purchase is the first step towards the acquisition of Terna, which is the acquisition of the participation in Terna SpA, the Italian company, total capital of Terna Participations, 85% of the voting capital and 65% of the total capital. This amount of BRL2.15 billion is a value that corresponds to BRL37.14 per unit, which are the negotiation of shares -- of Terna shares on the stock exchange corresponding to two preferred shares plus one common share. This naturally leads us to a multiple of the EBITDA close to 7.6 times, which is exactly a figure that we consider to be very adequate. It is important to highlight that these values are not really our values that we had already announced previously when we made the announcement to the market. At that time, we would say that the price agreed upon was BRL40.29 deducted from the dividends to be paid, which would lead us to this BRL37, which gives us the multiple EBITDA at 7.6 times, which seems to be a quite fair amount, a fair value, for an asset of the magnitude that the Terna asset is. Now in this acquisition, we have done it in partnership with FIP Coliseu, which is the structure that we had drawn for great movements in the electric sector, which is the largest investment fund already made in the history of the electric industry in Brazil, something around BRL1,300 million, extremely attractive for investors. And naturally, we had a resounding success in this constitution of this FIP investment fund, because the quality of the investors that are with us is -- a lot has to be considered. And we have given these investors our view of Terna management. And growth. And enlargement. And the effective participation in the transmission industry is going to be our growth vehicle as of now. And this member participation of investors in this investment fund is going to allow us, in a very efficient manner, to be able to execute this strategy in a very effective way. It is a very innovative structure, which is going to guarantee to us a participation -- or to reach a market share much similar to that which we had envisioned in our long-term strategic plan which we are constantly mentioning to our stockholders and our analysts. This structure naturally use[ph] the institutional investors as well, together with CEMIG and the FIP Investment Fund. We made this acquisition through TAESA, which is a company of one specific purpose, constituted exactly in order to acquire the participation of Terna SpA. In Terna Participations today we already have a participation of 65% in the capital. Naturally the minority stockholders are going to participate in a public offer, which is going to be announced shortly to acquire the remainder of stock from Terna. And with that we conclude our acquisition of Terna. This is going to allow us to have a percentage of 49% in Terna Participations, which is now going to be TAESA, which is the Transmissora Alianca de Energia Eletrica, alliance electric energy transmit, which is going to be our growth vehicle we're going to use in the next -- in the upcoming months, whether in acquisitions or participations in bidding process or auctions. So you are going shortly to be informed about that. When we finish the public offer, CEMIG is going to have 100% of preferred shares and TAESA will start having in its common stock 49% of CEMIG and 51% on the part of the investment fund. This is a structure that we understand is very attractive, not only for CEMIG but also to the investors. And this leads us to good conditions to keep and maintain our credit quality to enjoy the acquisitions that we intend to make. And it may

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increase our participations in TBE as a consequence of the partnership that we have made in 2006. We had already announced the acquisition of participation in Brookfield and TBE. And we're now acquiring the parcel of MDU, which is an approximate amount of BRL100 million acquisition with a multiple quite similar to the one we have had in Terna. It is an investment that we also consider to be of real importance to CEMIG, because it naturally adds on to our strategy of participation and investments in partnerships with other investors. At a first moment we are minority and beginning there. As our partners give up their participation, CEMIG will gradually have more participation. This is a participation that we are purchasing in ENTE and ERTE. We are acquiring a participation of 13.3% in both companies. And in ECTE, which we have -- for which we have other partners and then we[ph] have preference. We can buy up to 10% and this is going to be defined very shortly as the partners manifest their decision to also invest. So this is an investment that is in line with our strategy, not only in terms of the industry but also the financial strategy to make feasible these acquisitions in the long run. This operation still depends upon the approval of ANEEL and the BNDES or the National Development Bank, because they are also participants in this transaction, in this deal. And after ANEEL, BNDES' approval then we will be concluding this acquisition. As I said, the segment of transmission to us is extremely strategic. It produces a cash flow which is quite predictable for us. For our long-term investors this predictability of the cash flow is essential. We have to make decisions -- investment decisions or large investment decisions with many years in advance and only stability and predictability in the cash flow can really help us to make these decisions. And the transmission industry, due to its features and the contracts -- the long-term contracts that are signed up with several users of the transmission lines, gives us this ability to predict. Today we already, including TERNA, we have a participation in the market share that would be equivalent to 14% in the transmission business, which takes us or leads us to the conduction of a greater participation in upcoming years as we include Brookfield and also Terna in the 100%. And there will be a rise in our participation, our participation in the transmission segment in the cash flow for CEMIG. By means of this acquisition CEMIG manages 8,000 kilometers of transmission lines, becoming the third largest transmission company in the electric industry. Naturally, we have been working diligently in order to guarantee or to ensure that this expansion is financed in as effective a way as possible. We have a concern and you know this, we have announced this in some previous moments. But our concern to maintain our credit quality on the level that we enjoy today even with the acquisition of BRL2.7 billion of debts for the financing of these acquisitions, not only Terna but other acquisitions in which we are involved. Standard & Poor's evaluated our credit rating exactly on the level that we imagined we would be, which is AA for all segments of our Company. And this is a commitment that we make which was already put on our bylaws. But today we have some indicators whose performance is already included in our bylaws in such a way that we're going to keep this great status that Standard & Poor's has publicized vis-a-vis this promissory note that we are putting on the market. Moody's had already made some time ago this specification, this franking[ph]. And this gives us the tranquility that we are on a path so that we can, in a more effective way, we can conduct our expansion. This expansion, of course, is not only through acquisitions. We have projects in which we understood our quality for the Company geared towards sustainability, which we also conduct in partnership with some other investors, which was the case of the Baguari Hydroelectric Plant, or the HB, which has a capacity -- total capacity of 140 MW and we have a participation there of 34%. The other partners, ANEEL, Neoenergia and Furnas we have been able to outpace within schedule the commissioning of this plant which already starts to add more available capacity to CEMIG for its investors. We had already announced also the acquisition of the

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wind farm -- the wind plant in Ceara, the set of wind generation of Parajuru. We have had the construction of the first group of air generators, giving us a total of 28.8 megawatts of installed capacity. CEMIG has 49% of this total, which, as I said, also in partnership with some other investors. It is a strategic presence, as you can see, for us in the wind sector. We have this view, this vision of sustainability, of alternate sources of energy and wind energy, eolic energy, is the best positioned vis-a-vis other alternatives. We have a great potential in Brazil, 140 gigawatts capacity to be implemented and we, up until the end of the year, will be also commissioning 70.8 megawatts more of capacity. Besides the impact in partnership with other partners 400 more megawatts and we intend to participate in the bidding process that we intend -- that we should have sponsored by ANEEL. By means of that, we -- with these investments that we have made our generation capacity should reach 6,754 megawatts. Up until the end of the year we're going to add 70 megawatts more so that we should be going over 6,800 megawatts capacity, which gives us the comfort to say that we have been growing in a well-balanced way and a very parsimonious way so as to add the predictability of the cash flow, which we had referred to a while ago. Now the investment program that we have been making already our forecast 2009 would be around BRL970 million. We have already employed up until September 2009 somewhere around BRL420 million. There is a gap there in some projects such as Sub-Transmission and Distribution, which does not execute the total value there. But consolidating the acquisitions we have made, we're going to go well over the value that was approved by the Board. By the end of September we have already included BRL505 million on account of the acquisition of Brookfield's parcel. We're going to add BRL100 million more because of MDU. We had already invested in the Second Quarter BRL213 million in the acquisition of the wind farms. And now, with this investment of BRL1 billion in partnership with the investment fund and the acquisition of Terna we have reached the amount of BRL1.8 billion. These investments naturally are going to add great value to CEMIG in the next -- and, of course, we intend to reflect that on our results and we are going to literally[ph] report them, especially to our shareholders. Of course, all of this movement that is underway, which is the result of our strategic plan already approved by the Board since 2004. And which has brought a great value to our stockholders. By means of that the recognition of the market is quite strong. For the 10th year in a row we have had CEMIG included in the Dow Jones Sustainability Index and this time as a leader in the super utilities sector. The participation of CEMIG in this index is extremely strong as an indicator of the rightfulness of its strategies. We have as a matter of principle in every decision made the sustainability. And sustainability is an environmental responsibility sole[ph] responsibility, besides the economic financial results. And the fact that we have remained in this ranking for so long shows that our actions are in line with what is expected our Company, that is turned[ph] towards sustainability. And OEKOM, another company that has sustainability as a goal, is classified as prime, which means that we are among the companies that have one of the best sustainability practices in the world. Naturally, the institutions that are analyzed by OEKOM represent assets around BRL90 billion (sic; see presentation), which gives us the certainty that we are already on the right track. In telecommunications we had some recognition. The telecom yearly book included Infovias. Infovias is a company that serves users of the telecommunication industry, even CEMIG itself. And we have obtained great success in that as well. We also obtained on the part of analysts. And we thank them for their support, two very important recognitions; the best open capital company, the best publicly traded company are companies which normally make their presentations to the investment market in Brazil. and decides the best investor relations professional. So this is the recognition that we are very proud of. And recently we had one more, which was obtained from ABRACONEE

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which is the association of accountants in the electric industry, as the best balance sheet in the electric sector among publicly traded companies, going to show our concern with transparency that CEMIG has with its analysts and investors. Now, naturally these first slides we had intention to present the highlights that we have obtained. It's not every quarter that we can present an acquisition of a Terna and an additional acquisition of participation in TBE. But we have been working very hard to carry out our strategic plan. And as our CEO has announced, we still have some opportunities that are being negotiated and can maybe result when we announce in the Fourth Quarter 2009 more novelty to you. But what's important is that this strategy is being reflected upon our results and this is what I intend to show as of now. So let us go to the Third Quarter results. As you can see, we had a sales volume, consolidated that is, slightly lower than last year's. It is extremely important to compare. As our CEO has announced, we are now comparing with the Third Quarter 2008, which was the peak of the 2008 growth. Beginning in the Third Quarter we had the drastic decline, not only in the economic activity in this country but, as a consequence, the consumption of electricity. And comparing the Third Quarter 2009 showing that we have already absorbed largely this impact. And this slight reduction that we had of 1.99% is not significant with respect to the volume of energy that we have been selling. All of this is the very good result of our trading strategy. We have had great success in the commercialization of our energy. All of our strategies adopted had, as a result, quite strong growth. However our distributor had some impacts and these impacts come not only from the tariff revision but also from the economic crisis. So the distributor is going to take a while longer to recover. We believe that this can be occurring in the upcoming quarters. But you can notice that from Cemig GT we had a growth of 1.16%, which is a quite solid growth in spite of a small reduction of our free customers, which we had. As a result of the financial crisis, some customers asked us to reallocate this energy and we did so through allocating it in the regulated market. This strategy was fantastic in terms of results, because the price of energy, which was sold in the regulated market, was significantly larger than the energy sold to the customers, to the clients. So we had a very reasonable gain here in revenues as you are going to notice in the future quarters. There is a gain which we consider to come from the efficiency of our trading strategy, as you can see, based on this commercialization sales strategy we had substantial gains, not only in the regulated market and ACL as a function of this growth strategy. Moving on, we cannot say the same about our distributor. The distributor had a result, a little more pre-occupying[ph], a 1.7% reduction in sales as compared to the quarter 2008, which is still a very favorable result, because we are comparing with a very high base, which is the Third Quarter 2008. We had as a performance a positive performance, a growth of the residential segment 8%. The commercial also had fantastic growth, 4.5%, which goes to show that really the crisis did not affect the economic activity here in this country, in spite of the reduction that occurred in the industrial segment. Everything indicates that the industrial segment. And the most affected one, was the one that had to do with exports. And it has to do with the economic activity within the country. We still had a very strong performance. If we extrapolate from -- purge from the industrial consumption the impact caused by the exit of our three customers, you see that the performance of the distributor was practically the same as last year; that is even then quite strong. As you can see, the sales -- adjusted sales by this factor were practically the same, both in the Third Quarter last year and in the present quarter. It is a performance which we also think contributed a little towards the mitigation of the results of our tariff revision. Today the growth of classes[ph] is contributing to the reduction of -- a revenues reduction which we had last year. Today residential segment occupies a higher percentage vis-a-vis the total sales. Therefore, it did influence the gains of 8% together

with the commercial, which today together -- commercial together with residential goes over 50% thus reducing the impact of the industrial sector, which gives us comfort that if we keep the trend -- if the trend keeps on going the distributor's until[ph] (inaudible) results and then next year. Now let us talk a little now about revenues and expenses. And what has to do with revenues we had a very good performance, 8.68% growth. But naturally the growth of the net revenues does not necessarily mean income growth. Especially in terms of the distributor, the model of -- the regulation model that is in place passes most of the costs over. So this increase of revenues which has been shown is accompanied by an increase in costs. So it does not reflect upon the final result. This graph, unfortunately, we had some problems. These are values which are (inaudible), unfortunately, are not accurate. So we're going to correct those values and we're going to send over to you as soon as we revise this graph. But this increase is a real one. It's absolutely correct. And only the segmentation, only the breakdown is that we're going to revise. So this total 8.68% is a value -- it's a figure that really gives us great confidence that we are -- where we'd be, recovering the results, not only for CEMIG but also of our distributor company. Expenses had a very similar behavior. As I said, this growth that you can see there of expenses -- this growth comes basically comes basically from our distributor, because of the tariff revision. As can be seen, most value of growth here is purchased energy and purchased energy coming from the activities of our distributor. That is personnel has a slight increase as well. But this comes from -- this is originated in the low performance of the investment program of the distributor, which resulted in a transfer to operational expenses of a larger amount. Second comes part of the VR[ph], which we marked[ph] in the second. So in terms of the -- it's a voluntary resignation program had an impact. And we also felt that this voluntary resignation program also shows that we can have the strategy the consolidate the results of our distributor and a little more accessible to you in the upcoming quarters. But as I said, it has still brought some impacts coming from our acquisition. Let us now talk about the EBITDA; we had a reduction of 1.6% in our EBITDA compared with the Third Quarter 2008. I said the great impact originates in our distributor company, which had a reduction, a significant one. Again, because of the tariff revision and the gains of the other companies was not enough to buffer this effect and to compensate for the investments of the reduction of the distributor. We're going to have additional gains here in the area of transmission already in the next quarter. So the contribution of TBE is going to be larger as well as Terna, which is going to be added on. So certainly the performance in the Fourth Quarter is going to be better -- slightly better than the one we attained Third Quarter. This is a reasonable performance within the conditions we have mentioned and we believe that a great part of this result is a result of our strategy. It's a consequence of our strategy. We have been adding value, maintaining a volume on the level of generation -- cash generation which is quite expressive and which has no similar in the electric industry at large. So this leads us to conclude that the CEMIG strategy is correct. The growth given by Cemig Generation within the Group makes up for the result of our distributor. So who contributes more significantly into our results is GT, circumstantially because naturally both transmission segments are going to grow as well as the distribution segment is going to grow as a result of the improvement that we expect from the distributor in the next year. With that, as you can notice last year we have gradually recovered our margin -- EBITDA margins. Our distributor still is not contributing the way it could, because we had our resignation program and this ran into our redundancy program. It's going to bring enough savings so that we can recover the level that we had prior to this in 2008. Naturally, we did have a result much in line with the market expectations. But already the beginning of next quarter we are going to have the impact of the new acquisitions and we believe that

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we're going to overcome very easily this, to surpass that is the percentage that we had this quarter. So the result shows reaction-ability vis-a-vis adversities as the tariff revision which we went through. Let us take a look at the net income as Dr. Djalma, CEO, has mentioned. We had a growth of 9.88%, leaving BRL516 million in the Third Quarter last year to BRL567 million 2009. So this result is an extremely positive to us, especially because this result comes from an economic recovery of the economy in the area of action of CEMIG. And therefore, it shows the great growth that we can have under favorable conditions. This profit that CEMIG is showing was obtained especially because of the contribution of our Cemig GT besides the investments that have been made in TBE in the Second Quarter, which are already partially being reflected upon the Third Quarter. So those are results that are aligned with the strategy that the Company has enforced. And this will allow us to maintain our dividend policy and expansion within that which we had prescribed for ourselves. So as you can say today, as a result, our Cemig GT has a quite strong percentage in the quarter in the generation of the net income, having reduced substantially the participation of Cemig Distribution. Again, as a result of the tariff revision imposed upon us, a tariff reduction around 20%. The investments that we have been making in RME and TBE naturally are going to give us additional gains in such a way as to make up for the negative results of our distributor company. That -- you can notice that the net -- the income had a recovery comparatively with the Third Quarter 2008. The First Quarter was really a matter of (inaudible) pre-occupying[ph]. But beginning the Second Quarter we're already going back to the level that allowed us even to overcome or to surpass the market. This great result basically as a result of the commercial strategy that was adopted, which allowed us to keep our income growth independently of the results of our distributor. This is very interesting income profit, which is going to allow us to proceed with our investments. Cash generation also was very strong; we also had growth of cash generation. In spite of the investments that we have made, we already included the investments here in Brookfield. Were it not for this investment, we would have surpassed the performance of 2008. But what is important to note is that our cash flow continues strong. And based upon the operational performance of this Company, we have had the ability to finance companies, although this is not reflected here yet. But given the quality of our financial development -- performance, we have had this ease to invest, the facility to invest. And this significantly shows how CEMIG has run in a very conservative way its cash flow management without going beyond the limits imposed upon by its bylaws. And this can be seen in our debt profile. You can see that today we have a more elongated profile[ph], which is one that gives us much comfort for the year 2010. It is -- what is due is below BRL1 billion. Of course, these dues that we are projecting for 2012 and '13, we're going to elongate within our policy. So that it is a very positive performance for CEMIG. So if you look at the profile of our debt, you can see that the rate indexers (inaudible) CDI which accounts for 65% of our debt and which contributed especially to the reduction of our interest rates. This trend towards the reduction of the interest rates we are capturing as a function of this better performance of CDI. Of course, we still have some debt in US dollars which corresponds to 4%. And yen, which is 1%, which reduces the risk -- the exchange risks. But we are practically with CDI and as for TJLP (sic; see presentation) which is this 11% that you can see there. So the performance of our debt has been quite strong and as you can see in the Third Quarter, we had not included the debt coming from the acquisition of Terna; the performance is extremely positive. And we were at a point in which we could acquire that debt without going beyond the limits imposed by our Board through its bylaws. You can see that Cemig GT, which is absorbed in all of this investment, has the financial situation and in the financial performance which is quite strong and interest coverage more than 7 times, the net debt

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over EBITDA below 1 time and the total debt doesn't reach 33%, which is a quite strong performance. And was exactly prepared in order to absorb this investment. And so we are now, with a net index to be classified, thus adding BRL2.7 billion debt and that's in that as an AA. And this is the commitment that we -- in our administration, we have with our stockholders; that of guaranteeing an expansion -- a very vigorous expansion. But always with the financial performance on the conservative side. As I said at the beginning and was stressed by our CEO, our business portfolio is very well balanced. As you well know, we have as a goal to have the cash generation met by EBITDA proportionally coming from 40% of our generation, 20% of our transmission and the remainder of business, 40% in this quarter. We have not had yet this condition to do that, because we still do not reflect here the investments from Terna and Brookfield. In the next quarter this percentage is going to be slightly larger. Therefore, we would be already within that which we had prescribed and it's going to be quite near[ph] to this 20%. Today, in the Third Quarter, we had a participation of TBE which is small, in spite of the fact that in the total consolidation, the percentage is large but it's going to contribute even more and we're going to add here Terna, which is going to contribute with expressive amounts here to generation, which is going to allow us to change this level here from 11% to somewhere around 20% which is why, if I can design this well, 20% which we intend to have a participation in the cash flow of our transmission. Just closing our participation here, I would only like to show you the result of this strategy. Today CEMIG has a participation in a market that is quite significant. In distribution we have already gone beyond 12%; we're the largest distributing company -- distributor on the market; the third largest transmission group. Today we reached a participation of 10% and the third largest generation group. We have a market share around 7%. And an action that is quite great in every state. As you can see, if we have Minas Gerais as our headquarters, as it were, our basic action, which is where we have practically a very strong activity whether in generation, whether in transmission or serving large clients. But we have an effective participation in States. For example, the generation we have participation in four different States; Santa Catalina; Rio de Janeiro; Espiritu Santo; and Minas Gerais. As for transmission, we have a participation in several States in the country, whether in the north or south east or south, which is a very effective participation. We already have like a national sized company. We consider ourselves not only a utility responsible for supplying energy to the State of Minas Gerais. But a company that seeks opportunities throughout the whole country and also Latin America. We cannot forget the (inaudible) that we took investing in the transmission line in Chile, which should be commissioned in December. Now this map shows exactly the result of our strategy. The strategy that was mentioned by Dr. Djalma, CEO, based upon the principle of adding value and growth with quality. And keeping its view of sustainability naturally with the ambition to become the largest energy group in this country in 10 years. This is the commitment that the Company has with its shareholders whose interests are strategic. These were the slides that I'd like to bring to you, ladies and gentlemen. initially. And I now place myself at your service for any questions that you may have or may want to ask us about this presentation. Thank you very much.

Questions And Answers

A - Unidentified Speaker

(Interpreted). Thank you, Dr. Luiz Fernando. We will now begin our Q&A session. And the questions may be asked through the telephone 11 4688 6341 or by e-mail to

ri@cemig.com.br. We're going to begin with some questions that are being asked over the phone.

Operator

(Interpreted). Ladies and gentlemen. we shall now begin the questions and answers.
(Operator Instructions) Our first question comes from Mr. Vinicius Canheu from Credit Suisse.

Q - Vinicius Canheu {BIO 6300903 <GO>}

(Interpreted). Good afternoon, everyone, Rolla[ph] (inaudible) thank you. I have two questions about the debt -- CEMIG's debt. In the beginning of the call, Dr. Djalma mentioned other acquisitions and you re-stressed[ph] the importance of keeping the financial covenants of CEMIG. I'd like to understand, especially given what is in the bylaws of the Company, how restricted is this debt clause? Thinking whether the next acquisitions for the next year my question is depending upon the opportunity, if you could ask for a waiver of this covenant as you did this year vis-a-vis CapEx? And the second question is if you already envisage the -- if it's going to be some accounting impact the sales option that FIP, the investment fund, has with CEMIG and the acquisition of Terna Participacoes[ph], if this is going to have an accounting impact. And if this is taken into account in the calculation of the debt? Thank you very much.

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

(Interpreted). Vinicius, thank you for your question. It helps us to respond to questions that naturally investors have a concern about which has to do with CEMIG and its debt profile. Now our strategic plan was built in an extremely well-balanced way. It provides for a growth through investments, whether acquisitions or little projects. And a growth based upon the cash generation. We have a limit of 40% of the EBITDA as investments including our acquisitions. What happens with this indicator is that as a result of our -- all the opportunities that may show up, we have not been able to restrict our investments to 40% of EBITDA. We have used the strategy to incorporate a structure in partnerships with other investors, financial investors, as you saw in the acquisition of Terna. And this reduces the need for resources to invest. This strategy, we have been keeping as our top priority for our next investments. And this significantly contributes for this indicator and the investment program over EBITDA is kept close to 40%. What happens is, as we have spent the last three years without being able to (inaudible) an acquisition, because of several reasons, the market was still not mature, or was not mature yet for these acquisitions, we have accumulated a volume of acquisitions that is quite large. So we had to request a waiver in order to go beyond those limits. And this did happen in 2009 and very likely, with the growth of our EBITDA for 2010, maybe it's not going to be necessary to ask for such a waiver again. But if large-sized acquisitions show up or from now on we are going to have, because of this specific indicator, to request a waiver again. What we cannot go beyond in any way is the indicators of debt which are the net debt over total capitalization which, in accordance with our Board and our bylaws, we have a range which goes from 40% to 50% of debt. And this parameter our Board does not allow us to go beyond. So hence, these are creative structures that we have reduced -- been able to design. Likewise the net debt over EBITDA[ph] indicator in accordance with our bylaws, we can vary from 2 to 2.5 times EBITDA. We have tried to keep within this level and these

FINAL

two indicators are points that are extremely strategic to our Board. And the Board will not allow us to go beyond those values, because it maintains the quality of credit that CEMIG has a credit rating at a level that is sufficient to have access to the investment market. So to associate CEMIG within this cost that you see being obtained in the Third Quarter. So our indicators are indicators that are extremely rigid and which only by means of this justification of the accumulation of acquisitions; one of the indicators was authorized by the Board, that is. And so to be actually gone beyond. So for that reason we had to go to the Stockholders' Assembly in order to request this authorization. This is a very rigid commitment, a very strict one and we understand the strategic plan built, firstly, has feasibility in the long run and this is what we are pursuing. We have no intention of revising these commitments that are part of our internal regulations that were placed upon us by our shareholders. We are convinced that we are going to carry out all of our expansion within established limits.

Q - Vinicius Canheu {BIO 6300903 <GO>}

(Interpreted). As for the debt, it's quite clear, how about the accounting; the impact upon the accounting you have in your results upon the sales option that Coliseu, an investment fund has in the Taesa participation?

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

Now as for any backs[ph] in the accountancy, it's going to be proportionate of participation in investment. Our participation investment is 49% plus, after the public offer, the relative percentage to preferred shares. So the economic value to be recognized is around 65%. This is backed[ph] that way are going to absorb from this assessment.

Q - Vinicius Canheu {BIO 6300903 <GO>}

(Interpreted). Well thank you very much.

Operator

(Interpreted). Our next question comes from Maria Carolina Carneiro from Santander.

Q - Maria Carolina Carneiro {BIO 16342681 <GO>}

(Interpreted). Good afternoon, I'd like to talk about auctions. First, you reiterated the interest in continuing participation in wind energy, which is going to take place in December. It's going to be provided by ANEEL. Would you please reiterate the prospect for this auction vis-a-vis the ceiling price that was publicized more than you consider in the project that's in the instant[ph] (inaudible) auction, given the ceiling price? And as for the Bellamonte[ph] auction, you said you were studying the possibility to have participation in a project that was maybe greater than the participation you had (inaudible) projects. So I'd like to know whether you reiterate this position, whether you are still considering having an interest in this, even after the new acquisitions that you announced. So that would be the first question about the auctions. And second, I'd like you to give us an update about the free market's prospects. What is the environment like? And if you have seen some demand from customers, you've seen some companies already have (technical difficulty)

some interested in (inaudible) contracts. So could you give us a perception of this market for -- in 2010? That's it.

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

(Interpreted). Thank you, Carolina for your questions. Obviously our participation in this wind energy auction is in line with our view[ph] of sustainability. We have already invested in some plants. And it makes every sense to us now to participate in this bidding process. So we have already signed some covenants with some contracts -- some prospection[ph] contracts with some partners of wind potentials. And based upon these studies, we are now developing some projects that we understand can be very competitive in this bid process. Of course, given the price that was quoted by ANEEL, we still consider some projects that are still very competitive at this level. So we're still going to participate. We're not going to participate in all of them because -- evidently, because not all projects can still deliver a return that is enough for us to absorb a price of BRL188 per megawatt hour. But this is part of our strategy. We're going to try and participate within that context that we already participate in bids with a minimum return. And if it's not possible to obtain this minimum return, we're going to wait for other opportunities. Now as for the Bellamonte issue, Bellamonte we understand it is a great opportunity in the same way as Madeira[ph] plans, Bellamonte represents a strategic investment for the Company, because not only of its size but also because of its position in the Amazon region. We have had some negotiations so as to put together a group that is competitive for this auction. Naturally, negotiations are still underway and are going to continue up until auction time. And we still await for the unfolding of certain developments on the part -- the definitions on the part of the Federal Government. And especially in what has to do in environmental licensing, which should be coming out today or throughout the week at most. Now as for the free market, as we said, we have had a recovery. It was quite strong in the Third Quarter and this already is due to a recovery -- an economic recovery on the country and the fact that the reactivation on this economic activity we have had more demand for contracts. Naturally, we already have practically sold all of our capacity for 2012. So we don't have a need to -- reason to be concerned about these contracts. So what we're going to try and do is to take advantage of sales opportunities. This is the strategy that we have used in the last two years and we have obtained very positive results. So we are on the market. We know the market and I say we have 100% of our capacity already sold for 2012. And in this context, if there is an effective recovery in the next years, we may adopt some slightly differentiated strategy, because of the recapturing of opportunities.

Q - Maria Carolina Carneiro {BIO 16342681 <GO>}

(Interpreted) Thank you very much.

A - Unidentified Speaker

(Interpreted) I'd like to repeat that considering the number of people that are interested in asking questions, the questions please limit yourself to one question per person, a very objective question because we have only 15 minutes and we're going to try to answer all the questions also if possible. Thank you.

Operator

(Interpreted) Our next question comes from David from Raymond James. The next question, Gustavo Gattass, UBS Pactual

Q - Gustavo Gattass {BIO 1702868 <GO>}

(Interpreted). I'm going to try to keep one objective question. I'd like to understand about Cemig GT. What is the sales price, the implied sales price for other concession holders, who have a strong leverage[ph] from the second and Third Quarters? I'd like to understand from you what happened there. If there is something extraordinary or there was something, in fact, extraordinary in the Second Quarter that we did not notice?

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

(Interpreted). Gustavo, yes, the negative variation on those sales has to do with at auction we were part of (inaudible) at the beginning of the year, the short-term bid. Some of the products last only four months and so the comparison is negative[ph]. That's the only reason for which we will have a negative variation in these sales.

Q - Gustavo Gattass {BIO 1702868 <GO>}

(Interpreted). Okay. So I can imagine -- I didn't understand. The magnitude is relatively great. But this is -- that's it. Thank you very much. No. Thank you.

Operator

(Interpreted) Our next question comes from Mr. Vladimir Pinto from Bradesco.

Q - Vladimir Pinto {BIO 1554020 <GO>}

(Interpreted). Good afternoon, everyone, I'd like to ask about the return of the values that were charged extra from customers in the last years, which has caused polemics and controversy. We have seen some declarations from Dr. Djalma. I'd like to know the Company's position vis-a-vis that. And if you have an estimate of values that would have been charged -- overcharged. So what do you predict?

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

(Interpreted) President Djalma was very clear in his declaration, his statement. Evidently CEMIG is a Company that is concerned with the application, the enforcement of regulations and laws. We are very legalistic. So somehow it is concluded that there was excessive billing. CEMIG are going to return this money; to refund the money. On the other hand, we understand that there was no such thing and ANEEL in its statement to the press has shown very firmly that there was no overbilling, there was no undue interpretation or any mistakes in the application of the tariff. So therefore, nothing had been unduly billed. So if by any chance somebody proves that there was undue billing, CEMIG, as always, is going to obey and abide by what is decided. But we understand that all this controversy that was created has brought great concern to distributor companies, because we are simply doing what the legislation and regulations decide, which was not decided upon by the companies that are being implied. So this is a thing in which we are very -- it is -- if anybody concludes that it's really -- there was any undue billing, CEMIG has

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no intention to retain revenues to which it's not entitled. But in the technical evaluation that we have done, we understand that this did not happen.

Q - Vladimir Pinto {BIO 1554020 <GO>}

(Interpreted). Thank you very much.

Operator

Excuse me; our next question comes from Mr. Henry Cobbe from Nevsky.

Q - Henry Cobbe {BIO 5513843 <GO>}

Hi there, thanks very much for the call. You mentioned that you expect post the incorporation of Terna that you would be consolidating 65% of the economic value. Just looking at your 49% of the ordinary shares and assuming you buy 100% of the preference shares, I get to something more like 61%. So could you just explain? Will you be acquiring all of the minority ordinary shares as well? Could you just describe how you get 65%? And secondly, perhaps you could give us an update on the total headcount as at the end of June 2009 and September 2009 on a consolidated basis. Thank you.

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

(Interpreted). Thank you very much Henry Cobbe for your question. I'm going to translate the first question. You're concerned about the statement that the economic impact of the acquisition of Terna, 65%. This percentage Henry has two hypotheses in origin. First, the public offer, which is going to be made a minority is going to take place. And second, that 100% of these investors are going to be selling their shares to Taesa. Now if this does happen, the minority investors today are in the possession of a unit. And this unit is made up of two preferred shares and one ordinary share. This makes 100% of preferred shares offer in the hands of the market. What we are saying is that what's occurring, this public offer, this PO, the ordinary shares, which are going to be the object of such an acquisition, such a purchase, are going to be shared in the proportion 49%, 51%; 49% for CEMIG, 51% for the investment fund. And 100% of preferred shares are going to remain with CEMIG. So the economic value of CEMIG would be 65%. It would be the 49% of ordinary shares plus 100% of preferred shares. This may change, as I said, not only because of the success of the PO. But also some other strategies that we might change. But as for the second question, which is the number of employees, the headcount at the end of the year, we already have -- we've completed our redundancy program. At the end when we've finished this program, by September 2010 we should count in today's figures -- we should reduce the number of employees in Cemig GT and Cemig D and Cemig H to 9,200 employees. This is up until September 2010 -- until the end of the year in the Third Quarter. We still did not put it here in our presentation. But we're going to publicize that to everyone on the market. I think it's below 10,000 employees but the purpose is to reach in September 2010, a number of employees around 9,200, which gives us a very coherent performance; it's coherent with the best performance in this industry.

Q - Henry Cobbe {BIO 5513843 <GO>}

Okay. And for end of September 2009, what's the last quarter?

FINAL

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

(Interpreted). We're going to publish this. But I believe it's already under 10,000 already.

Q - Henry Cobbe {BIO 5513843 <GO>}

Thank you very much.

Operator

(Interpreted). We'll now close the session of questions and answers. We'd like to give the floor to Luiz Fernando Rolla for his final remarks.

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

(Interpreted) Prior to concluding this conference call, I have one question that was asked us by Xian Xian Cheng[ph] from Wellington Management about our guidance for 2009. We have published last May an interval for bidding 550 to 100 within a certain context which we imagine would happen, especially Terna, which naturally we imagined would happen in a speedier way, which unfortunately did not happen. It was not possible to conclude prior to November 3. This has sort of dislocated or displaced the result of our projections for EBITDA. Besides we have said 100% participation in Terna, at the time it was what we had in our hands. And we finally had a participation of our Coliseu fund which reduced our participation in the investment. So we now have to probably make some adjustment. We had also some non-recurring factors, factors such as the redundancy program, which brought an impact of about BRL200 million[ph], for which we have to adjust. My idea is that in a few weeks we'll do the revaluation of this business and to publish that -- publicize that to you, I believe, like, in two or three weeks at most, we will be able to revise our guidance for 2009. This is what we intended to do. As for this topic, I'd like to say in the way of final remarks that to give you a message of assuredness and tranquility to our stockholders, what we see in our results -- the quarterly results is the sequence -- the growing sequence of good results. These results, based upon actions that we have adopted and taken, aligned with the strategies that we have announced. We haven't anything[ph] beyond that which had been communicated to you. It's a growth strategy, the way we grow. All the preoccupations with our performance, we think, we are seeking through the implementation of our strategic plans. All of you know the plan. You know all of the restrictions that we imposed upon ourselves. So as to give the market the tranquility that everything that is being done has a sense, has a meaning, has a direction and it has principally added value for our shareholders. So we are seeking growth opportunities. Yes we are. But not in any haphazard manner without taking into account not only the benefits coming from the acquisition. But also the impact that such an acquisition would have upon our activities. We always try to capture synergies; those assets that will bring us more benefits. Therefore, it is a very calm and tranquil position. And I know that some investors and some analysts are concerned much about the position of acquisitions. But the message I'd like to convey is that of tranquility. What we have been doing, really, is going to be to CEMIG a great benefit, not only in the consolidation of its position in the industry. But also as a Company that has depreciated qualifications in order to support its own growth and to be able to reach its objectives within a vision of sustainability in the long-term. This was the message I'd like to bring to

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all of you and I thank you for your attention for this period in which we share here. Thank you very much and you have a good day.

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