ENERGY CO OF MINAS GERAIS
Form 6-K
August 07, 2003

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of August, 2003

Commission File Number 1-15224

Energy Company of Minas Gerais
(Translation of registrant's name into English)

Avenida Barbacena, 1200
30190-131 Belo Horizonte, Minas Gerais, Brazil
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F X Form 40-F ____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ____ No X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

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BUSINESS NEWS

IMMEDIATE RELEASE

CEMIG REPORTS SECOND QUARTER 2003 EARNINGS

Belo Horizonte, Brazil, August 4, 2003 - Companhia Energetica de Minas Gerais - CEMIG - (NYSE: CIG; BOV: CMIG4, CMIG3 and LATIBEX: XCMIG), a leading fully-integrated electricity company in Brazil and its subsidiaries ("Grupo CEMIG") today reported net income of R$535,463 in the six-month period ended June 30, 2003 compared to a net loss of R$894,796 in the six-month period ended in June 30, 2002.

In the 2003 period, the consolidated income was positively impacted by an increase in electricity sales and in financial income arising from valuation of the Brazilian real against the U.S. dollar. In the 2002 period, the result was negatively impacted by the provision for losses on receivables from Minas Gerais State Government and financial expenses arising from devaluation of the Brazilian real against the U.S. dollar.

Djalma Bastos de Morais, CEMIG's CEO, said: "We are continuing the Company's recovering process after the rationing. The quarterly result, a net income of R$384 million, shows, a significant improvement compared to the previous quarters, as a result of the guidance emanated from the Board of Directors and of the actions taken by the Board of Executive Officers, which always aim at maximizing shareholder value. We also continued our capital expenditure that reached R$525 million, which allowed us to not only to continue our expansion projects, but also to connect new customers, enabling us to accomplish our goal of connecting all customers within the Minas Gerais state."

CEMIG's CFO, Flavio Decat de Moura stated that: "despite the difficult climate we faced last year because of the Real devaluation and the delay of the financial resources promised in the ambit of the General Agreement of the Electricity Sector, we are gradually improving CEMIG's financial performance. We continue to aim towards returning to prior levels. Our indebtedness reached R$3,173 million compared to R$3,616 at the end of the first quarter, a reduction of 12.2%, which brought the debt over shareholders' equity ratio to 33%, a very positive level. We still have some pending matters related to the General Agreement of the Electricity Sector, besides the latest progress. Nevertheless, we can assure our shareholders that the cost-cutting and capital expenditure revision actions already taken will result in significant gains in the next quarters. We have

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confidence that, if the conjuncture remains stable and we would receive all predicted resources, we will be presenting results that we judge will be very attractive to investors."

Electricity gross sales were R$3,343,434 in the six-month period ended in June 30, 2003 compared to R$2,592,824 in the six-month period ended in June 30, 2002, an increase of 28.95%. This result was due to:

- o rate average increase of 10.51% starting in April 8, 2002 (full effect in 2003);
- o rate average increase of 31.53% starting in April 8, 2003
- o increase in Emergency capacity charge collected in the six-month period ended in June 30, 2003;
- o 1.78% increase in electricity volume sold to final customers.

Electricity gross sales to final customers were R$3,313,687 in the six-month period ended in June 30, 2003 compared to R$2,543,452 in the six-month period ended in June 30, 2002, representing an increase of 30.28%. This increase resulted from the rate increase of 10.51% and 31.53% in April 2002 and 2003, respectively, and a 2.12% rise in electricity sales volume. The most representative markets, residential and commercial markets increased 6.13% and 4.91% respectively, and industrial market decreased 0.75%.

The increase in electricity gross sales was additionally impacted by Emergency capacity charge collected in power bills, R$139,228 in the six-month period ended in June 30, 2003 compared to R$41,237 in the six-month period ended in June 30, 2002 (this charge started being collected in March 2002). The significant change between periods is a result of the retroactive amounts collected in 2003, of part of the Emergency capacity charge related to the period from July 2, 2002 to October 8, 2002, in the amount of R$46,468, due to a injunction which did not allow that amount to be collected in the 2002 period.

Operating expenses were R$2,113,422 in the six-month period ended in June 30, 2003 compared to R$1,916,439 in the six-month period ended in June 30, 2002, an increase of 10.28%, mainly due to an increase in Personnel expenses, Gas purchased for resale and Operating provisions in counterpart of a decrease in Employee post-retirement benefits. The main variations in expenses are described below:

Personnel expenses were R$316,324 in the six-month period ended in June 30, 2003 compared to R$265,182 in the six-month period ended in June 30, 2002, an increase of 19.29%, due mainly to salary increases of

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11.45% in November 2002, an increase of 0.63% in the average number of CEMIG's employees (11,420 employees in the six-month period ended in June 30, 2003 compared to 11,348 employees in the six-month period ended in June 30, 2002), and a reduction in Personnel expenses transferred to Construction in progress.

Electricity purchased for resale were R$680,338 in the six-month period ended in June 30, 2003 compared to R$662,237 in the six-month period ended in

June 30, 2002, representing an increase of 2.73%. This variation is a result of an increase in expenses for energy purchased from Itaipu, R$558,225 in the six-month period ended in June 30, 2003 compared to R$475,033 in the six-month period ended in June 30, 2002, partially offset by a decrease in MAE transaction expenses, R$39,428 in the six-month period ended in June 30, 2003 compared to R$109,966 in the six-month period ended in June 30, 2002. The higher MAE expenses in the six-month period ended in June 30, 2002 is due to the significantly higher rates presented during that period, principally in January and February, months in which the Electricity Rationing Plan was in force.

Depreciation and amortization expenses were R$280,999 in the six-month period ended in June 30, 2003 compared to R$270,843 in the six-month period ended in June 30, 2002, representing an increase of 3.75%, due basically to the launch of additional distribution network and lines.

Outside services were R$139,112 in the six-month period ended in June 30, 2003 compared to R$111,736 in the six-month period ended in June 30, 2002, representing an increase of 24.50%, due to the adjustment of service contract prices, mainly related to delivery of bills to consumers, maintenance of facilities and electric equipments.

Employee post-retirement benefit expenses were R$23,753 in the six-month period ended in June 30, 2003 compared to R$108,499 in the six-month period ended in June 30, 2002, representing a reduction of 78.11%. The decrease in expenses is due basically to the estimate for 2003 of a lower increase in projected benefit obligations, compared to a higher profitability expected for plan assets.

Operating provisions were R$80,213 in the six-month period ended in June 30, 2003 compared to R$8,419 in the six-month period ended in June 30, 2002, representing an increase of 852.76%. This increase is due to the

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complementary provision for losses on realization of the special rate adjustment, in the amount of R$20,966, recorded in the six-month period ended in June 30, 2003 and to the Allowance for doubtful accounts of R$31,160 recorded in the six-month period ended in June 30, 2003 compared to a reversion of R$3,162 recorded in the six-month period ended in June 30, 2002. The reversion in Allowance for doubtful accounts recorded in the prior period is the result of significant overdue amounts collected from an industrial customer.

Fuel consumption quota expenses were R$157,490 in the six-month period ended in June 30, 2003 compared to R$160,004 in the six-month period ended in June 30, 2002, representing a reduction of 1.57%. Fuel consumption quota refers to operating costs of thermoelectric plants in the Brazilian isolated and interconnected energy system prorated among electric concessionaires through ANEEL resolution.

Gas purchased for resale expenses were R$76,746 in the six-month period ended in June 30, 2003 compared to R$45,059 in the six-month period ended in June 30, 2002, an increase of 70.32%. These expenses refer to gas purchased by GASMIG. This variation is a result of a gas price increase, partially offset by a 10.03% reduction in the volume of gas acquired, in the amount of 199,628 thousand m3 in the six-month period ended in June 30, 2003, compared to 221,876 thousand m3 in the six-month period ended in June 30, 2002, resulting from lower purchases from thermoelectric plants.

Financial income was impacted by the main factors described as follows:

- Investment income earned in the amount of R$14,953 in the six-month period ended in June 30, 2003 compared to R$95,095 in the six-month period ended in June 30, 2002. In the prior period, there was a higher volume of investments because of debentures issued on November 2001, whose proceeds were applied in CEMIG's Investment Plan during the year of 2002, justifying the reduction in revenues. Additionally, losses from not redeemed financial instruments denominated in U.S. dollars contributed to the decrease of the Investment income in the six-month period ended in June 30, 2003, as the Company recorded an expense in the amount of R$17,747.

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- Foreign net exchange gains in the amount of R$341,191 in the six-month period ended in June 30, 2003 compared to foreign net exchange losses of R$314,998 in the six-month period ended in June 30, 2002, which are principally related to loans and financing denominated in foreign currencies. In the six-month period ended June 30, 2003, the Brazilian real appreciated 18.72% over the U.S. dollar, compared to a 22.58% devaluation in the same period of 2002.
- Net revenues from monetary restatement of CVA amounting to R$41,044 in the six-month period ended in June 30, 2003 compared to R$6,031 in the six-month period ended in June 30, 2002. This variation is a result of higher average balance of CVA, basis to be restated by SELIC, in the six-month period ended in June 30, 2003 compared to the same prior period.
- Interest and monetary restatement expenses on loans and financing amounting to R$182,573 in the six-month period ended in June 30, 2003 compared to R$139,733 in the same prior period. This increase is due to the higher debt level denominated in local currency and the raise in its inflationary restatement indexes in the six-month period ended in June 30, 2003. The Indice Geral de Precos - IGP-M (General Price Index), main index of these contracts, presented a variation of 5.89% in the six-month period ended in June 30, 2003 compared to a 3.48% variation in the same prior period.
- Reversion of the provision for valuation marketable securities of Brazilian National Treasury Notes in the amount of R$45,543 in the six-month period ended in June 30, 2003 compared to a provision of R$20,828 in the six-month period ended in June 30, 2002, due to the lower discount imposed by financial markets on transactions involving Federal government long-term bonds.
- Interest on capital declared in the six-month period ended in June 30, 2002 in the amount of R$120,000.

Non-operating expenses were R$12,693 in the six-month period ended in June 30, 2003 compared to R$1,059,172 in the six-month period ended in June 30, 2002. This variation is due to a provision for loss recorded in the prior period, in the amount of R$1,045,325, related to the Second Amendment of

Credit Assignment Contract for CRC signed with the Minas Gerais State Government.

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The CEMIG Group recorded income tax expenses of R$313,765 in the six-month period ended in June 30, 2003, representing 36.98% of pre-tax income.

In the six-month period ended in June 30, 2002, the income tax expenses were R$22,360 in relation to a pre-tax loss of R$1,001,091. Basically this result is due to the provision for loss recorded in the amount of R$1,045,325, which was considered a not deductible expense for Income and Social Contribution Tax purposes.

Certain statements and assumptions contained herein are forward-looking statements based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results could differ materially from those expressed or implied in such statements.

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Chart I

Statement of Income (consolidated)
Values in million of Reais

	2003				
	Year to Date	2nd Q.	1st Q.	Year	4th Q.
Net Revenue	2,544	1,456	1,088	5,119	1,298
Operating Expenses	(2,113)	(1,148)	(965)	(4,593)	(1,186)

EBIT	431	308	123	525	111
EBITDA	712	449	263	1,076	254
Financial Result	431	273	158	(616)	142
Non-Operating Result	(13)	(4)	(9)	(27)	(7)
Extraordinary loss	-	-	-	(1,045)	-
Income tax, social contribution and deferred income tax	(314)	(194)	(120)	(71)	(198)
Interest on capital reversal	-	-	-	220	100
Minority interest	-	-	-	12	1
Net Income	535	383	152	(1,002)	149

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Chart II

Operating Revenues (consolidated)
Values in million of Reais

	2003					
	Year to Date	2nd Q.	1st Q.	Year	4th Q.	3
Retail Sales	3,314	1,860	1,454	5,458	1,515	
Extraordinary Revenues	-	-	-	275	6	
Wholesale	30	26	4	534	45	
Transmission Grid Revenue	123	65	58	185	51	
Others	158	90	68	300	129	
Deductions	(1,081)	(585)	(496)	(1,633)	(448)	
Net Revenues	2,544	1,456	1,088	5,119	1,298	

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Chart III

Operating Expenses (consolidated) Values in million of Reais	2003				
	Year to Date	2nd Q.	1st Q.	Year	4th Q.
Energy Purchased	681	389	292	1,733	2
Labor	339	182	157	553	1
Depreciation and amortization	281	141	140	551	1
CCC	157	64	93	345	
Transmission Grid Charges	157	80	77	298	
Outsourced Services	139	74	65	265	
Forluz - Employee post-retirement benefits	24	17	7	145	(1
Other Expenses	335	201	134	703	3
Total	2,113	1,148	965	4,593	1,1

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Chart IV
Breakdown of electricity sales (consolidated)

	No. of consumers		MWh	
	June 30th		6 months ending June 30th	
	2003	2002	2003	2002
Residential	4,663,858	4,559,274	3,315,583	3,123,93
Industrial	68,477	68,110	10,713,332	10,794,16
Commercial, services and other	518,266	509,599	1,722,015	1,641,48
Rural	351,753	329,619	758,441	713,06
Others	53,283	51,958	1,227,021	1,096,11
Own consumption	1,337	1,364	27,443	24,42
Unbilled supply, net	-	-	-	
Wholesale	4	4	103,411	158,41
Transaction on the MAE	-	-	-	
CONSOLIDATED TOTAL	5,656,978	5,519,928	17,867,246	17,551,60

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Chart V

Financial Result breakdown (consolidated)
Values in million of Reais

	2003				
	Year to Date	2nd Q.	1st Q.	Year	4
Financial Income					
Investment income earned	15	(4)	19	236	
Charges on overdue bills	26	13	13	43	
CRC assignment agreement - interest on arrears and monetary variation	82	17	65	308	
Monetary restatement of Parcel A costs	224	150	74	199	
Foreign exchange gains	356	248	108	75	
PASEP and COFINS on financial income	(39)	(23)	(16)	(45)	
Others	3	(28)	31	51	
	667	373	294	867	
Financial Expenses					
Interest on loans and financing	(150)	(76)	(74)	(251)	
Foreign exchange losses	(15)	(12)	(3)	(803)	
Monetary restatement losses - Loans and financing	(32)	4	(36)	(101)	
Financial transaction tax ("CPMF")	(16)	(7)	(9)	(28)	
Marketable security loss provision	45	19	26	(61)	
Advance sales of electric energy	-	-	-	(10)	
Others	(68)	(28)	(40)	(8)	
	(236)	(100)	(136)	(1,262)	
Interest on capital	-	-	-	(220)	(
	431	273	158	(615)	

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Chart VI

Related party transactions Values in million of Reais	06/30/2003 State of Minas Gerais Government
ASSETS	
Current Assets	
Customers and distributors	1
Tax Recoverable -	
State VAT recoverable	2
Noncurrent assets	
Account receivable from Minas Gerais State Government	83
Tax Recoverable -	
VAT recoverable	8
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current Liabilities	
Taxes, fees and charges	
VAT - ICMS payable	15
Interest on capital and Dividends	5
Long-term liabilities	
Debentures	2
	2nd QUARTER 2003
FINANCIAL	
Electricity sales	1
Deductions from operating revenues - ICMS	(680
Financial Income-	
Monetary restatement and interest on CRC assignment agreement	18

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Chart VII

Share ownership

	Number of shares as of June 30,		
Shareholders	Common	%	Preferred

State of Minas Gerais	36,119,657,399	51.0	3,030,572,489	
Southern Electric Brasil Part. Ltda.	23,362,956,173	33.0	-	
Other	35,827,856	0.1	131,656,501	
Local	9,045,406,902	12.8	47,462,819,554	5
Foreign	2,310,319,593	3.3	40,654,602,558	4
Total	70,874,167,923	100.0	91,279,651,102	10

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Chart VIII

BALANCE SHEETS (consolidated)
ASSETS
Values in million of Reais

	2003	
	06/30/2003	03/31/2003
CURRENT ASSETS		
Cash and cash equivalents	274	278
Consumers and Distributors	1,046	861
Dealership - Rate adjustment	292	270
Dealership - Energy transportation	22	20
Dealers - Transactions on the MAE	140	94
Tax recoverable	64	76
Rationing Bonds and costs	22	27
Materials and supplies	21	20
Prepaid expenses - CVA	47	2
Receivable from Federal Government - Loss revenue related to low-income customers	87	64
Other	96	110
	2,111	1,822
NONCURRENT ASSETS		
Account receivable from Minas Gerais State Government	837	820
Consumers - Rate adjustment	1,116	1,145
Prepaid expenses - CVA	450	521
Tax credits	453	540
Marketable securities - Available for sale	75	73
Rationing - Bonds and adaptation costs	23	25
Dealers - Transactions on the MAE	436	463
Recoverable taxes	118	110
Escrow account in connection with litigations	68	67
Other receivables	79	77
	3,655	3,841
PERMANENT ASSETS		
Investments	737	686
Property, plants and equipment	7,946	7,915
Deferred charges	23	24
	8,706	8,625

TOTAL ASSETS	14,472	14,288

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BALANCE SHEETS (consolidated)
LIABILITIES AND SHAREHOLDERS' EQUITY
Values in million of Reais

	2003	
	06/30/2003	03/31/2003
CURRENT LIABILITIES		
Suppliers	1,202	1,
Taxes payable	347	
Loan, Financing and Debentures	680	
Payroll and related charges	119	
Interest on capital and dividends	203	
Employee post-retirement benefits	244	
Regulatory charges	182	
Profit Sharing	23	
Other	103	
	3,103	3,
LONG-TERM LIABILITIES		
Loan and Financing	1,626	1,
Debentures	868	
Employee post-retirement benefits	1,533	1,
Suppliers - wholesale	334	
Taxes, fees and charges	317	
Reserve for contingencies	357	
Other	90	
	5,125	5,
	-	
PARTICIPATION IN ASSOCIATE COMPANIES	28	
SHAREHOLDERS' EQUITY		
Paid-in Capital	1,622	1,
Capital reserves	4,032	4,
Retained earnings (losses)	535	
	6,189	5,
Funds for capital increase	27	
	6,216	5,
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	14,472	14,

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMPANHIA ENERGETICA DE MINAS
GERAIS - CEMIG

By: /s/ Flavio Decat de Moura

Name: Flavio Decat de Moura
Title: Chief Financial Officer
and Investor Relations Officer

Date: August 7, 2003