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| Item | Description of Item  |
|------|--|
| 1.   | Interim financial statements as of March 31, 2003 and for the three-month period then ended, prepared in accordance with accounting practices adopted in Brazil, in Brazilian reais (convenience translation into English from the Portuguese-language version filed with the Brazilian Comissao Nacional de Valores).   |
| 2.   | Management's discussion and analysis of results of operations relating to the interim financial statements prepared under accounting practices adopted in Brazil as of March 31, 2003 and for the three-month period then ended, in Brazilian reais (convenience translation into English from the Portuguese-language version filed with the Brazilian Comissao Nacional de Valores). |
| 3.   | Interim financial statements as of June 30, 2003 and for the six-month period then ended, prepared in accordance with accounting practices adopted in Brazil, in Brazilian reais (convenience translation into English from the Portuguese-language version filed with the Brazilian Comissao Nacional de Valores).  |
| 4.   | Management's discussion and analysis of results of operations relating to the interim financial statements prepared under accounting practices adopted in Brazil as of June 30, 2003 and for the six-month period then ended, in Brazilian reais (convenience translation into English from the Portuguese-language version filed with the Brazilian Comissao Nacional de Valores).    |

Companhia Energetica de Minas Gerais - CEMIG

Interim Financial Statements  
Together with Independent Accountants' Report on Special Review

March 31, 2003

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT ACCOUNTANTS' SPECIAL REVIEW REPORT

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To the Shareholders and the Board of Directors of  
Companhia Energetica de Minas Gerais - CEMIG  
Belo Horizonte - MG  
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1. We have performed a special review of the quarterly information, presented in Brazilian reais, of Companhia Energetica de Minas Gerais - CEMIG and subsidiaries as of March 31, 2003 and for the quarter then ended, prepared under the responsibility of the Company's management, in accordance with accounting practices adopted in Brazil, consisting of the individual (Company) and consolidated balance sheets, the individual (Company) and consolidated statements of income, management's discussion and analysis and relevant information.
2. We conducted our review in accordance with specific standards established by the Brazilian Institute of Independent Accountants (IBRACON), together with the Federal Accounting Council, which consisted principally of: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the Company and its subsidiaries as to the principal criteria adopted in the preparation of the quarterly information, and (b) review of the information and subsequent events that had or might have had significant effects on the Company's and its subsidiaries' financial position and results of operations.
3. Based on our special review, we are not aware of any material modifications that should be made to the quarterly information referred to in paragraph 1 above for it to be in conformity with accounting practices adopted in Brazil and accounting standards issued by the Brazilian Securities Commission (CVM), specifically applicable to the preparation of mandatory quarterly financial information.
4. As mentioned in Note 4 to the quarterly information, as of March 31, 2003, the Company and its subsidiaries have recorded, in current and noncurrent assets, accounts receivable in the amount of R\$93,732,000 and R\$463,357,000 respectively and, in current liabilities, accounts payable in the amount of R\$457,875,000, related to energy sale and purchase transactions within the Wholesale Energy Market - MAE. Such amounts were recorded based on calculations prepared and information made available by the MAE. Those amounts are subject to change, depending on the outcome of the claims currently in progress in court, filed by electric energy companies, concerning the interpretation of the market rules in force, as well as review by independent accountants engaged by MAE of those amounts.
5. Executive Act No.14, issued on December 21, 2001 and converted into Law No. 14,438 on April 26, 2002, regulates, among other matters, recovery of the economic and financial equilibrium of Brazilian electric energy distribution, transmission and generating companies as guaranteed under their respective concession agreements. Detailed information and the impacts of such regulation on the financial position and results of operations of the Company and its subsidiaries related to the General Agreement for the Electric Energy Sector are disclosed in Notes 3 and 4 to the quarterly information.

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6. The individual (Company) and consolidated balance sheets as of December 31, 2002, presented for comparative purposes, were audited by us, as set forth in our report dated March 27, 2003, issued without qualification and including comments regarding the matters discussed in paragraphs 4 and 5 above and about noncompliance with certain restrictive covenants in loan agreements. The individual (Company) and consolidated statements of income for the quarter ended March 31, 2002, presented for comparative purposes, were reviewed by other independent accountants whose special review report thereon, dated May 15, 2002, was issued without qualification and including comments regarding: (i) the recording of assets and liabilities related to special rate adjustments, recovery of Parcel "A" cost variations and transactions within the Wholesale Energy Market - MAE which were pending review and approval by ANEEL (National Electric Energy Agency), and (ii) negotiations at the time with the Minas Gerais State Government about the payment delay of amounts receivable related to the credit assignment contract for the remaining balance of the CRC (Recoverable Rate Deficit) account.
7. The translation of this quarterly information into English has been made for the convenience of readers outside Brazil.

Belo Horizonte, May 15, 2003

/S/ Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

/S/ Jose Carlos Amadi

Jose Carlos Amadi  
Engagement Partner

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

COMPANHIA ENERGETICA DE MINAS GERAIS - CEMIG

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UNAUDITED BALANCE SHEETS  
MARCH 31, 2003 AND DECEMBER 31, 2002  
(Expressed in thousands of Brazilian reais - R\$)  
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A S S E T S  
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Consolidated

-----  
March 31,                      December 31,  
2003                                      2002  
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CURRENT ASSETS:

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|  |            |            |
|--|------------|------------|
| Cash and cash equivalents  | 278,340    | 122,975    |
| Accounts receivable  | 861,224    | 882,421    |
| Consumers - Special rate adjustment  | 269,977    | 257,577    |
| Concessionaires - Energy transportation  | 20,386     | 18,271     |
| Distributors - Energy supply   | 93,732     | 82,476     |
| Recoverable taxes  | 76,145     | 21,322     |
| Materials and supplies   | 19,787     | 20,663     |
| Prepaid expenses - CVA   | 1,555      | 225,833    |
| Electricity Rationing Plan - Bonus paid to consumers and adoption costs incurred | 27,312     | -          |
| Receivables from Federal Government - Revenue losses from low-income consumers   | 63,956     | 42,386     |
| Other  | 109,261    | 145,848    |
|  | -----      | -----      |
|  | 1,821,675  | 1,819,772  |
|  | -----      | -----      |
| NONCURRENT ASSETS:   |            |            |
| Receivable from Minas Gerais State Government                                    | 819,899    | 754,960    |
| Consumers - Special rate adjustment  | 1,145,441  | 1,149,563  |
| Prepaid expenses - CVA   | 521,332    | 195,208    |
| Tax credits  | 539,795    | 540,839    |
| Marketable securities  | 72,506     | 53,138     |
| Electricity Rationing Plan - Bonus paid to consumers and adoption costs incurred | 24,643     | 52,083     |
| Distributors - Energy supply   | 463,357    | 462,640    |
| Recoverable taxes  | 91,083     | 81,583     |
| Escrow deposits  | 66,878     | 66,317     |
| Other  | 96,351     | 106,248    |
|  | -----      | -----      |
|  | 3,841,285  | 3,462,579  |
|  | -----      | -----      |
| PERMANENT ASSETS:  |            |            |
| Investments  | 686,330    | 608,657    |
| Property, plant and equipment  | 7,915,158  | 7,897,782  |
| Deferred charges   | 23,991     | 25,096     |
|  | -----      | -----      |
|  | 8,625,479  | 8,531,535  |
|  | -----      | -----      |
| Total assets   | 14,288,439 | 13,813,886 |
|  | =====      | =====      |

The accompanying condensed notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

COMPANHIA ENERGETICA DE MINAS GERAIS - CEMIG

UNAUDITED BALANCE SHEETS  
MARCH 31, 2003 AND DECEMBER 31, 2002

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(Expressed in thousands of Brazilian reais - R\$)

### LIABILITIES AND SHAREHOLDERS' EQUITY

|  | Consolidated      |                      | Ma |
|--|-------------------|----------------------|----|
|  | March 31,<br>2003 | December 31,<br>2002 |    |
| <b>SHORT-TERM LIABILITIES:</b>                   |                   |                      |    |
| Suppliers  | 1,084,685         | 1,274,725            |    |
| Taxes payable                                    | 277,023           | 150,757              |    |
| Loans and financing                              | 949,654           | 834,203              |    |
| Payroll and related charges                      | 103,543           | 108,515              |    |
| Dividends and interest on capital                | 204,274           | 211,106              |    |
| Employee post-retirement benefits                | 176,981           | 180,992              |    |
| Regulatory charges                               | 151,090           | 93,856               |    |
| Other  | 104,989           | 106,492              |    |
|  | 3,052,239         | 2,960,646            |    |
| <b>LONG-TERM LIABILITIES:</b>                    |                   |                      |    |
| Loans and financing                              | 1,752,981         | 1,716,489            |    |
| Debentures                                       | 913,047           | 834,052              |    |
| Employee post-retirement benefits                | 1,603,588         | 1,656,488            |    |
| Suppliers  | 354,758           | 334,295              |    |
| Reserve for contingencies                        | 333,971           | 315,045              |    |
| Taxes payable                                    | 331,005           | 216,640              |    |
| Other  | 85,418            | 70,313               |    |
|  | 5,374,768         | 5,143,322            |    |
| <b>MINORITY INTEREST</b>                         | 28,742            | 29,035               |    |
| <b>SHAREHOLDERS' EQUITY:</b>                     |                   |                      |    |
| Capital  | 1,621,538         | 1,621,538            |    |
| Capital reserves                                 | 4,032,222         | 4,032,222            |    |
| Income reserves                                  | 113               | -                    |    |
| Retained earnings                                | 151,694           | -                    |    |
|  | 5,805,567         | 5,653,760            |    |
| Funds for future capital increase                | 27,123            | 27,123               |    |
|  | 5,832,690         | 5,680,883            |    |
| <b>Total liabilities and shareholders equity</b> | 14,288,439        | 13,813,886           | 1  |

The accompanying condensed notes are an integral part of these financial statements.

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

COMPANHIA ENERGETICA DE MINAS GERAIS - CEMIG

UNAUDITED STATEMENTS OF INCOME

FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2003 AND 2002

(Expressed in thousands of Brazilian reais - R\$, except for per share data)

|   | Consolidated                           |           |
|---|--|-----------|
|   | Three month periods<br>ended March 31, |           |
|   | 2003                                   | 2002      |
| OPERATING REVENUES:   |  |           |
| Electricity sales   | 1,457,840                              | 1,179,895 |
| Special rate adjustment   | -                                      | 315,164   |
| Other operating revenues  | 125,922                                | 80,968    |
|   | 1,583,762                              | 1,576,027 |
| DEDUCTIONS FROM OPERATING REVENUES:   | (495,704)                              | (337,223) |
| Net operating revenues  | 1,088,058                              | 1,238,804 |
| OPERATING EXPENSES:   |  |           |
| Personnel   | (157,384)                              | (133,275) |
| Materials and supplies  | (20,239)                               | (15,971)  |
| Outside services  | (64,739)                               | (51,503)  |
| Charges for use of water resources  | (11,444)                               | (8,673)   |
| Electricity purchased for resale  | (291,933)                              | (359,974) |
| Use of basic transmission network   | (77,206)                               | (64,891)  |
| Depreciation and amortization   | (140,464)                              | (132,423) |
| Employee post-retirement benefits   | (6,529)                                | (54,250)  |
| Operating provisions  | (40,497)                               | (14,245)  |
| Fuel consumption quota - CCC  | (92,718)                               | (69,537)  |
| Gas purchased for resale  | (25,807)                               | (17,915)  |
| Employee profit sharing   | (4,079)                                | (4,125)   |
| Other   | (31,930)                               | (36,190)  |
|   | (964,969)                              | (962,972) |
| Income from operations before equity in subsidiaries and<br>financial income (expenses) | 123,089                                | 275,832   |
| EQUITY IN SUBSIDIARIES  | -                                      | -         |
| FINANCIAL INCOME (EXPENSES)   |  |           |
| Financial income  | 294,532                                | 150,764   |
| Financial expenses  | (136,474)                              | (84,260)  |
|   | 158,058                                | 66,504    |

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|  |             |             |
|--|-------------|-------------|
| Income from operations                     | 281,147     | 342,336     |
| NON-OPERATING EXPENSES, NET                | (9,309)     | (6,977)     |
| Income before taxes on income              | 271,838     | 335,359     |
| Income and social contribution tax credits | (120,415)   | (115,280)   |
| Income before minority interest            | 151,423     | 220,079     |
| MINORITY INTEREST                          | 271         | (132)       |
| NET INCOME FOR THE PERIOD                  | 151,694     | 219,947     |
| NUMBER OF THOUSANDS OF SHARES              | 162,084,691 | 158,931,714 |
| INCOME PER THOUSAND SHARES - R\$           | 0.00094     | 0.00138     |

The accompanying condensed notes are an integral part of these financial statements.

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

COMPANHIA ENERGETICA DE MINAS GERAIS - CEMIG

UNAUDITED CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS  
AS OF MARCH 31, 2003

(Amounts expressed in thousands of Brazilian reais - R\$, unless otherwise indicated)

1) THE COMPANY AND ITS OPERATIONS

Companhia Energetica de Minas Gerais - CEMIG ("CEMIG" or the "Company"), a company organized under the laws of the Federative Republic of Brazil, is an electric power utility concessionaire and public utility controlled by the Government of the State of Minas Gerais, Brazil (the "State Government"). Its principal activities are the construction and operation of systems used in the generation, transmission, distribution and sale of electric energy, as well as in certain related business activities.

The Company has equity interests in the following operating companies:

- o Sa Carvalho S.A. ("Sa Carvalho") (100.00% interest) - Its principal activities are the production and sale of electric energy from the Sa Carvalho hydroelectric power plant, as an electric energy public service concessionaire;
- o Usina Termica Ipatinga S.A. ("Ipatinga") (100.00% interest) - Its principal activities are the production and sale of electric energy, as an independent power producer, at the Ipatinga thermoelectric power plant located at the facilities of Usinas Siderurgicas de



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Minas Gerais - USIMINAS;

- o Companhia de Gas de Minas Gerais - GASMIG ("GASMIG") (95.19% interest) - Its principal activities are the operation, production, acquisition, storage, transportation and distribution of natural gas and related products. GASMIG was granted a concession by the Minas Gerais State Government to distribute gas in the State of Minas Gerais;
- o Empresa de Infovias S.A. ("Infovias") (99.92% interest) - Its principal activities are rendering telecommunications services and developing activities related thereto, through multiservice networks using optical fiber cable, coaxial cable, and other electronic equipment. Infovias owns 64.91% of the capital stock of Way TV Belo Horizonte S.A., a cable TV and internet services provider in the State of Minas Gerais; and
- o Efficientia S.A. - ("Efficientia") (100.00% interest) - Its principal activities are rendering efficiency, optimization and energy solutions services to energy supply facilities. Efficientia S.A. initiated operations in the first quarter of 2003.

Additionally, the Company has a 100.00% interest in each of the following pre-operating stage companies:

- o Horizontes Energia S.A. - Its principal activities are expected to be the production and sale of electric energy, as an independent power producer, at the Machado Mineiro and Salto do Paraopeba hydroelectric power plants, located in the State of Minas Gerais, and the Salto Voltao and Salto do Passo Velho hydroelectric power plants, located in the State of Santa Catarina.
- o Cemig PCH S.A., Cemig Capim Branco Energia S.A. and UTE Barreiro S.A. - Their principal activities are expected to be the production and sale of electric energy, as independent power producers.

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### 2) PRESENTATION OF THE FINANCIAL STATEMENTS

The accounting practices, methods and criteria used by the Company in the preparation of these quarterly financial statements are consistent with those applied in the financial statements as of and for the year ended December 31, 2002, including consolidation criteria.

The financial statements of controlled companies used to calculate the equity and consolidation are dated March 31, 2003, except those with respect to GASMIG, which are dated February 28, 2003.

### 3) CONSUMERS - SPECIAL RATE ADJUSTMENT

In December 2001, the Federal Government, through the Camara de Gestao da Crise de Energia Eletrica (the Federal Government's electric energy crisis committee or the "Energy Crisis Committee"), and the electricity distribution and generation concessionaires entered into an agreement entitled Acordo Geral do Setor Eletrico ("General Agreement of the Electricity Sector"). This agreement was entered into to ensure the economic and financial equilibrium of

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the concession contracts and to reimburse concessionaires for lost revenues related to the period when the Electricity Rationing Plan was in force, through a special rate adjustment.

Law No. 10,438, of April 26, 2002, and the Energy Crisis Committee's Resolution No. 91, of December 21, 2001, established a special rate adjustment applicable as of December 27, 2001. The rate increases were set forth in the Energy Crisis Committee's Resolution No. 130, of April 30, 2002, as follows:

- I. an increase of 2.90% for rural and residential consumers (excluding low-income consumers), street lighting and high tension industrial consumers whose costs related to electric energy represent at least 18.00% of average production cost and meet certain criteria, related to charge and demand energy factors which were determined in the Resolution.
- II. an increase of 7.90% for all other consumers.

The special rate adjustment mentioned above is being applied to reimburse concessionaires for the following items:

- a. Billing losses in the period from June 1, 2001 to February 28, 2002, representing the difference between the Company's estimated revenue, assuming that the Electricity Rationing Plan had not been implemented, and the actual revenue earned during the rationing period, as established by ANEEL (National Energy Authority). The computation does not include overdue payment losses, which the Company does not expect to be material, and the State VAT.
- b. Variation in Parcel "A" Items (uncontrollable costs as established by the concession contracts) related to the period from January 1, 2001 to October 25, 2001. The amount to be reimbursed is equal to the difference (positive or negative) between the Parcel "A" costs effectively paid and the estimated Parcel "A" costs used for purposes of computing the most recent annual rate adjustment.
- c. Amounts to be paid to generators for energy purchased on the MAE from June 1, 2001 to February 28, 2002, at a price exceeding R\$49.26/MWh. This asset includes the related taxes and charges on revenues; however, such taxes and charges are not required to be transferred to the generators. Accordingly, taxes and charges are excluded before transferring these amounts to generators. These amounts may change, depending on the litigation currently in progress, filed by market agents, including the Company, related to the interpretation of the market rules in force.

Under ANEEL Resolution No. 484 of August 29, 2002, the special rate adjustment will be in force for a maximum period of 82 months, January 2002 to October 2008. However, management has determined that the special rate adjustment would not be sufficient to recover CEMIG's rationing losses. This determination was based on certain assumptions, the most relevant of which relate to rate adjustments, inflationary rates, SELIC (Brazilian Central Bank overnight interest rate) and CEMIG's growth in the energy market. Accordingly, the Company recorded a provision relating to rationing losses.

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Considering that the assumptions used in management's determination may change throughout the recovery period, management is periodically reviewing these projections, and consequently, the provision mentioned in the prior paragraph.

Recovery of credits through the special rate adjustment, under ANEEL Resolution No. 89 of February 25, 2003, is being made as follows: (i) credits mentioned in item "a" have been in the process of being recovered since January 2002; (ii) credits mentioned in items "a" and "c" have been in the process of being recovered simultaneously since January 2003, in the proportion of 69.22% and 30.78%, respectively; and (iii) credits mentioned in item "b" will be the last to be recovered.

The amounts which will be realized through the special rate adjustment described in items "a" and "b" above are being restated based on SELIC until the month of their effective recovery.

50% of the credits described in item "c" above is being monetarily restated based on SELIC as from January 1, 2003. The remaining 50% will be monetarily restated after the conclusion of the MAE settlement, estimated to occur after the completion of audit work. These procedures were established by ANEEL Resolution No. 36, as of January 29, 2003.

Through Resolutions No. 480 to 482, as of August 29, 2002, ANEEL approved the amounts of billing losses and recovery of variations of the Parcel "A" items.

Despite ANEEL Resolution No. 483, of August 29, 2002, which approved the amounts to be paid to generators for the energy purchased on the MAE during the rationing period, CEMIG recorded such transactions based on updated information provided by MAE in October 2002, which resulted from the MAE's revision of the calculation criteria and which are higher than amounts approved in the mentioned Resolution.

ICMS (State VAT) on the special rate adjustment, related to future billings, which is estimated at R\$400,780, only becomes an obligation once the customers are billed. However, because the Company's only responsibility is to transfer this tax from consumers to the State tax authorities, the Company did not record this obligation in advance.

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The amounts to be recovered through the special rate adjustments mentioned in items "a", "b" and "c" are as follows:

|  | Principal | SELIC<br>restatement |
|--|-----------|----------------------|
| Billing losses during the Electricity Rationing Period | 876,848   | 189,843              |
| Amounts collected                                      | (262,594) | -                    |

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|  |           |          |
|--|-----------|----------|
|  | 614,254   | 189,843  |
| Recovery of spot market amounts by generators                                | 456,176   | 13,045   |
| Amounts collected  | (11,361)  | -        |
|  | 444,815   | 13,045   |
| Recovery of uncontrollable cost variations relating to Parcel "A"            | 245,299   | 95,863   |
|  | 1,304,368 | 298,751  |
| ( - ) Provision for losses on the realization of the special rate adjustment | (177,627) | (10,074) |
|  | 1,126,741 | 288,677  |
| Current assets   |           |          |
| Noncurrent assets  |           |          |

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The proceeds of Special rate adjustments to be paid to generators, as described in item "c", are as follows:

|                                  | Company and Con   |                      |
|----------------------------------|-------------------|----------------------|
|                                  | March 31,<br>2003 |                      |
|                                  | Principal         | SELIC<br>restatement |
| Amounts to be paid to generators | 418,269           | 12,056               |
| ( - ) Transference made          | (4,410)           | -                    |
|                                  | 413,859           | 12,056               |
| Short-term liabilities           |                   |                      |
| Long-term liabilities            |                   |                      |

4) WHOLESALE ENERGY MARKET - MAE

(a) Obligations and rights from MAE transactions

As established by the General Agreement of the Electricity Sector, the

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difference between the amounts paid to generators and distributors related to MAE transactions during the period in which the Electricity Rationing Plan was in force and the amount of R\$49.26/MWh will be reimbursed through the special rate adjustment.

According to ANEEL Resolution No. 36, dated January 29, 2003, after March 2003, distribution concessionaires should collect and transfer, on a monthly basis, the special rate adjustment amounts to generators and distributors, including CEMIG, that have amounts receivable.

Of the Special rate adjustment credits to be transferred from distribution concessionaires to CEMIG, corresponding to approximately R\$8,263 as of March 31, 2003, CEMIG had received R\$3,739. Some distribution concessionaires are not transferring to CEMIG the Special rate adjustments because they believe, based on ANEEL Resolution No. 36 and ANEEL Technical Note No. 004/2003, that CEMIG is challenging the General Agreement of the Electricity Sector because it is contesting the methodology applied to calculate CEMIG's obligations resulting from MAE transactions (see item "b" of this note) and for this reason, such distribution concessionaires are prevented from transferring such amounts.

However, CEMIG does not believe that the injunction granted in December 2002, contesting the methodology applied to calculate the CEMIG's rights and obligations, represents a challenge of the General Agreement of the Electricity Sector. Therefore, the Company is contesting restrictions included in ANEEL Resolution No. 36 and ANEEL Technical Note No. 004/2003, to eliminate any sanction or restriction on CEMIG's ability to receive amounts due.

The amounts to be received from distribution concessionaires are recorded in Current and Noncurrent Assets, under Distributors - Energy supply.

50% of CEMIG's rights and obligations are being monetarily restated based on the SELIC variation, as from January 1, 2003. The remaining 50% will be monetarily restated after the conclusion of MAE settlement.

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CEMIG's rights and obligations related to MAE transactions, are set forth below:

ASSETS  
Current  
Distributors - Energy supply  
Noncurrent  
Distributors - Energy supply

LIABILITIES  
Current  
Suppliers

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The MAE's revision of certain assumptions used to calculate the stated amounts, differences between CEMIG's estimates and the effective values, and judicial claims currently in progress, filed by market agents, related to the interpretation of the market rules in force, may change the amounts recorded.

(b) Financial settlement of the MAE transactions

On February 18, 2003, CEMIG settled part of its outstanding obligations relating to MAE transactions, in the amount of R\$335,482, using financing provided by BNDES.

CEMIG is required to settle the remaining outstanding MAE amounts after the completion of an audit on the amounts due by the agents and additional financing to be provided by BNDES.

The amounts paid to MAE were calculated according to an injunction granted to CEMIG on December 25, 2002, determining that CEMIG should be considered as both a distributor and generator for purposes of recording of MAE transactions, notwithstanding ANEEL Resolution No. 447, of August 23, 2002, which determined that CEMIG should be considered as a distribution concessionaire only, not considering its generation activities.

The amounts provided by MAE, in accordance with the injunction, represented a R\$122,000 decrease in CEMIG's net liabilities. However, because the methodology to be used to calculate CEMIG's rights and obligations is still pending, the Company opted to keep the amounts previously recorded, according to ANEEL Resolution No. 447.

5) CASH AND CASH EQUIVALENTS

|                        | Consolidated      |                      |                   |
|------------------------|-------------------|----------------------|-------------------|
|                        | March 31,<br>2003 | December 31,<br>2002 | March 31,<br>2003 |
| Banks                  | 135,123           | 20,162               | 132,162           |
| Short term investments | 143,217           | 102,813              | 51,348            |
|                        | 278,340           | 122,975              | 183,510           |

The majority of the short-term investments of CEMIG and its subsidiaries are invested in Bank Deposit Certificates and debentures issued by third parties (Note 28), indexed primarily to the CDI (Interbank Certificate of deposit rate) variation.

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6) ACCOUNTS RECEIVABLE

| Consolidated                    |         |   |  |
|---------------------------------|---------|---|--|
| Consumer Class                  | Current | Past due<br>accounts - up<br>to 90 days | Past due<br>accounts -<br>over 90 days |
| Residential                     | 182,924 | 112,925                                 | 13,757                                 |
| Industrial                      | 127,413 | 31,601                                  | 78,308                                 |
| Commercial                      | 85,474  | 46,627                                  | 14,653                                 |
| Rural                           | 22,677  | 11,076                                  | 5,067                                  |
| Public authorities              | 12,168  | 22,666                                  | 14,228                                 |
| Public lighting                 | 12,574  | 33,978                                  | 27,049                                 |
| Public services                 | 7,666   | 31,710                                  | 27,375                                 |
| Subtotal - Consumers            | 450,896 | 290,583                                 | 180,437                                |
| Supply to other concessionaries | 9,207   | -                                       | -                                      |
| Allowance for doubtful accounts | -       | -                                       | (69,899)                               |
|                                 | 460,103 | 290,583                                 | 110,538                                |

| Company                         |         |   |  |
|---------------------------------|---------|---|--|
| Consumer Class                  | Current | Past due<br>accounts - up<br>to 90 days | Past due<br>accounts -<br>over 90 days |
| Residential                     | 182,924 | 112,925                                 | 13,757                                 |
| Industrial                      | 125,329 | 31,601                                  | 78,119                                 |
| Commercial                      | 73,026  | 46,133                                  | 13,220                                 |
| Rural                           | 22,677  | 11,076                                  | 5,067                                  |
| Public authorities              | 12,168  | 22,666                                  | 14,228                                 |
| Public lighting                 | 12,574  | 33,978                                  | 27,049                                 |
| Public services                 | 7,666   | 31,710                                  | 27,375                                 |
| Subtotal - Consumers            | 436,364 | 290,089                                 | 178,815                                |
| Supply to other concessionaries | 9,207   | -                                       | -                                      |
| Allowance for doubtful accounts | -       | -                                       | (68,472)                               |
|                                 | 445,571 | 290,089                                 | 110,343                                |

7) RECOVERABLE TAXES

| Consolidated      | Compa                |
|-------------------|----------------------|
| March 31,<br>2003 | December 31,<br>2002 |
|                   |                      |

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|                                    |        |        |
|------------------------------------|--------|--------|
| Current Assets                     |        |        |
| State VAT - ICMS                   | 32,232 | 17,978 |
| Income and social contribution tax | 39,874 | 2,842  |
| Other                              | 4,039  | 502    |
|                                    | 76,145 | 21,322 |
| Noncurrent Assets                  |        |        |
| State VAT - ICMS                   | 91,083 | 81,583 |

The balances of income and social contribution taxes are primarily related to withheld amounts on short-term investments and prepaid tax in 2003 in amounts greater than due amounts. The credits will be offset in 2003.

The State VAT assets of the Company and its subsidiaries will be recovered through offset against State VAT liabilities. Most of the balance recorded as noncurrent assets is subject to a 48-month compensation period, as established by Supplementary Federal Law No. 102/00. The Company is in a legal dispute with the Minas Gerais State Government in order to compensate tax credits in the amount of R\$18,843, also recorded as Other - Noncurrent assets.

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8) PREPAID EXPENSES - CVA

The balance of the recoverable variation account of Parcel "A" items - "CVA", refers to the difference, beginning October 26, 2001, between the estimated Parcel "A" costs of the Company, used in defining rate adjustments, and payments in respect of parcel "A" items actually made. The variations will be recovered in subsequent annual rate adjustments.

However, as a result of Executive Act No. 116, issued on April 4, 2003, the compensation of the "CVA" costs was postponed for 12 months from April 8, 2003, the date of the next scheduled rate increase.

Additionally, the "CVA" balance, for which compensation was postponed, plus the CVA balance to be calculated for the next 12 months, as from April 8, 2003, will be reimbursed through an increase in electric rates for a period of 24 months, beginning April 8, 2004.

The mentioned Executive Act included in "CVA" the variations of the Energy Development Fund (a fund created by the Federal Government for energy development and competitiveness of energy produced through wind farms, small hydroelectric power plants, biomass, natural gas and coal) as from February 10, 2003.

Consolidated and Comp



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|  | Principal | SELIC Restatement |
|--|-----------|-------------------|
| System service charges - ESS                   | 131,813   | 3,689             |
| Itaipu Binacional electricity purchase tariff  | 351,218   | 34,202            |
| Itaipu Binacional electricity transport tariff | 2,983     | 524               |
| Fuel usage quota - CCC                         | (99,045)  | (8,693)           |
| Tariff for use of basic transmission network   | 55,918    | 6,231             |
| Energetic Development Account - CDE            | 40,455    | -                 |
| Charges for use of water resources             | 3,382     | 210               |
|  | -----     | -----             |
|  | 486,724   | 36,163            |
|  | -----     | -----             |

Current  
Noncurrent

The above-mentioned amounts are updated based on the SELIC rate from the payment date to effective recovery through annual rate adjustments.

The amounts to be compensated, recorded as Current Assets, refer to variations of uncontrollable costs that were included in the annual rate adjustment on April 8, 2002 and are being transferred monthly to operating expenses on a linear basis.

The System service charges - ESS for the period from September 2000 to December 2002 were accrued based on definitive information provided by MAE and for the period from January 2003 to March 2003, were accrued based on Company estimates and are subject to change. These amounts will be monetarily restated based on SELIC, as from the effective payment (a portion was settled in February 2003, as described in Note 4, item b). The amounts recorded may change due to MAE's revision of certain assumptions used to calculate the stated amounts and judicial claims currently in progress, filed by market agents, related to the interpretation of the market rules in force.

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9) RECEIVABLE FROM MINAS GERAIS STATE GOVERNMENT

The remaining balance of the CRC Account (Recoverable Rate Deficit) was transferred to the State Government in 1995, through the CRC Credit Assignment Contract, pursuant to Law No. 8,724/93. This balance is payable monthly, over 17 years beginning June 1, 1998, and accrues annual interest of 6% and is subject to restatement based on the IGP-DI (General Price Index).

In 2002, CEMIG entered into the following amendments with the Minas Gerais State Government:

(a) Second Amendment of the CRC Credit Assignment Contract, signed on October 14, 2002

This Amendment refers to 149 installments, maturing from January 1, 2003 to May 1, 2015, in the total amount of R\$1,415,497, as of March 31, 2003. These

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installments are subject to annual interest of 6% and are updated based on the IGP-DI.

Due to the non-inclusion in the Second Amendment of effective guarantees that would assure the realization of the aforementioned asset, CEMIG recorded an allowance for losses in 2002 that represents the total amount of the referred amendment.

Due to the full allowance recorded, the financial income related to monetary variation and interest on the Second Amendment, from January to March 2003, in the amount of R\$94,288, was excluded from the statement of income for 2003. However, in compliance with the Brazilian tax legislation, CEMIG has recorded the federal payable taxes on the mentioned financial income.

The installments of the mentioned Amendment, due from January 1 to May 1, 2003, totaling R\$68,517, including monetary variation, interest and fine were not paid. Company management is negotiating the collection of the aforementioned past due amount with the Minas Gerais State Government, under the conditions established by the contract.

(b) Third Amendment of the CRC Credit Assignment Contract, signed on October 24, 2002

The installments originally due from April 1, 1999 to December 1, 1999 and from March 1, 2000 to December 1, 2002 totaling R\$819,899 as of March 31, 2003, including interest and fines over past due installments, were renegotiated with the Minas Gerais State Government to annual interest rate of 12.00% and are updated based on the IGP-DI. They will be paid in 149 monthly installments from January 2003 to May 2015. This Amendment established an additional guarantee which now allows the Company to retain dividends and interest on capital to be paid to the Minas Gerais State Government, as a Company shareholder.

The installments of the Third Amendment, due from January 1 to May 1, 2003, totaling R\$52,281, including monetary variation, interest and fine were not paid. Company management is negotiating the collection of the aforementioned past due amount with the Minas Gerais State Government, under the conditions established by the contract.

The projection of the Company's future operations indicates that the dividends attributable to the Minas Gerais State Government will be sufficient to assure the full realization of the asset related to the Third Amendment.

Management will monitor future events, which may impact the Company's dividend payment projection, in order to conclude if the above-mentioned guarantee is still effective or an additional allowance under this amendment is necessary.

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### 10) INCOME AND SOCIAL CONTRIBUTION TAXES

#### (a) Tax credits

The Company and its subsidiaries have tax credits recorded as noncurrent assets. The income tax credits are recorded at a 25.00% rate and social

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contribution tax credits are recorded at a 9.00% rate. The composition of the balances is as follows:

|  | Consolidated      |                      |
|--|-------------------|----------------------|
|  | March 31,<br>2003 | December 31,<br>2002 |
| Tax credits on:                                    |                   |                      |
| Tax loss carryforwards                             | 254,000           | 233,724              |
| Employee post retirement benefits                  | 79,548            | 113,081              |
| Reserve for contingencies                          | 135,338           | 126,799              |
| Accrual for voluntary termination program - PDV    | 9,214             | 9,214                |
| Allowance for doubtful accounts                    | 23,318            | 19,750               |
| Reserve for PASEP/COFINS - Special Rate Adjustment | 26,404            | 26,214               |
| Other  | 11,973            | 12,057               |
|  | 539,795           | 540,839              |

CEMIG's Board of Directors approved, on March 27, 2003, the analysis made by CEMIG's Financial and Investor Relations Office on the projected future results of operations, adjusted to present value. According to such analysis, the Company may be able to realize the tax credits set forth above over a ten-year maximum period, in compliance with CVM Resolution No. 371, published on June 27, 2002. CEMIG's Fiscal Council, on March 27, 2003, received such study for consideration.

In accordance with CEMIG's estimates, future taxable income is expected to permit realization of the tax credits, as of March 31, 2003 as follows:

|              | Consolidated | Company |
|--------------|--------------|---------|
| 2003         | 117.886      | 117.782 |
| 2004         | 114.461      | 114.032 |
| 2005         | 96.812       | 94.632  |
| 2006         | 32.032       | 28.320  |
| 2007         | 34.412       | 30.130  |
| 2008 to 2010 | 123.702      | 115.853 |
| 2011 to 2012 | 20.490       | 17.936  |
|              | 539.795      | 518.685 |

CEMIG has tax credits not recognized in its financial statements, in the amount of R\$19,364, resulting from management estimates that certain obligations, due to their nature, will be realized in a period over ten years.

Additionally, Infovias has tax credits not recognized in its financial statements, in the amount of R\$5,902, resulting from estimates of future

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results of operations approved by the Company's Board of Directors.

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(b) Reconciliation of income tax and social contribution tax expenses

The reconciliation between the nominal expense of income tax (25% rate) and social contribution tax (9% rate) and the effective expense presented in the statement of income is as follows:

|  | Consolidated                    |           |
|--|---------------------------------|-----------|
|  | Three months ended<br>March 31, |           |
|  | 2003                            | 2002      |
| Income before taxes on income  | 271,838                         | 335,359   |
| Income and social contribution expenses - nominal                      | (92,425)                        | (114,022) |
| Tax effects on:  |                                 |           |
| Allowance for losses on receivable from Minas Gerais State Government  | (32,037)                        |           |
| Reversal of social contribution tax on additional monetary restatement | (2,331)                         | (1,605)   |
| Equity pick-up in subsidiaries   | -                               | -         |
| Contributions and grants not deductible                                | (957)                           | (749)     |
| Other  | 7,335                           | 1,096     |
| Income and social contribution tax expenses in income statement        | (120,415)                       | (115,280) |

11) BONUS, NET OF SURCHARGE, AND COSTS TO BE REIMBURSED AS A RESULT OF THE ELECTRICITY RATIONING PLAN

Through the Energy Crisis Committee, the Federal Government established electric energy consumption targets for all consumers of areas affected by the Electricity Rationing Plan in force during the period from June 2001 to February 2002. A financial bonus was established for residential consumers whose electric energy consumption was lower than the target, and surcharges were established for all consumers whose consumption exceeded the target, calculated based on the effective consumption in excess of such target, as established by the Energy Crisis Committee. The balances related to the bonus, costs and surcharge, to be reimbursed by the Federal Government, are as follows:

Bonus paid to consumers that consumed less than the target consumption  
 Costs incurred related to the adoption of the Electricity Rationing Plan in excess  
 of the 2.00% surcharge on consumer tariffs.

Current  
 Noncurrent

Part of the surcharges, in the total amount of R\$24,101, were not collected from consumers since they were subject to a judicial dispute during the Electricity Rationing Plan. As a result, ANEEL has not reimbursed the Company for the bonuses relating to the unbilled surcharge. This issue is under negotiation with ANEEL, and CEMIG does not expect losses on the realization of this amount.

In conformity with ANEEL Resolution No. 600, dated October 31, 2002, the operation costs related to the adoption of the Electricity Rationing Plan in excess of the 2.00% surcharge on consumer rates are expected to be recovered, after approval by ANEEL, through an increase in electricity rates in force after April 8, 2003.

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12) RECEIVABLES FROM FEDERAL GOVERNMENT - REVENUE LOSSES FROM LOW-INCOME CONSUMERS

The new classification criteria established by the Federal Government for low-income consumers resulted in a decrease in revenues from electricity sales to final customers in the amount of R\$63,956 (R\$42,386 in 2002 and R\$21,570 in 2003), due to the lower rate applied to those customers.

The loss on revenue in 2002 will be reimbursed by the Federal Government according to criteria not yet established. Accordingly, in compliance with ANEEL's request, CEMIG recorded these losses under this caption against electricity sales to final customers in 2002 and 2003.

13) INVESTMENTS

|                        | Consolidated      |                      |
|------------------------|-------------------|----------------------|
|                        | March 31,<br>2003 | December 31,<br>2002 |
| Equity in subsidiaries |                   |                      |

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|   |         |         |
|---|---------|---------|
| Empresa de Infovias S.A.                  | -       | -       |
| Companhia de Gas de Minas Gerais - GASMIG | -       | -       |
| Usina Termica Ipatinga S.A.               | -       | -       |
| Sa Carvalho S.A.                          | -       | -       |
| Horizontes Energia S.A.                   | -       | -       |
| Cemig Capim Branco Energia S.A.           | -       | -       |
| Cemig PCH S.A.                            | -       | -       |
| UTE Barreiro S.A.                         | -       | -       |
| Efficientia S.A.                          | -       | -       |
|   | -----   | -----   |
|   | -       | -       |
| In consortiums                            | 666,363 | 588,910 |
| Goodwill on purchase of Infovias          | 9,510   | 9,510   |
| Other investments                         | 10,457  | 10,237  |
|   | -----   | -----   |
|   | 686,330 | 608,657 |
|   | =====   | =====   |

(a) The principal information related to consolidated subsidiaries as of March 31, 2003, is as follows:

| Subsidiaries                               | March 31, 2003     |         |                  |
|--|--------------------|---------|------------------|
|  | Cemig Interest (%) | Capital | Sharehold equity |
| Empresa de Infovias S.A.                   | 99.92              | 291,000 | 2                |
| Companhia de Gas de Minas Gerais -GASMIG * | 95.19              | 46,067  |                  |
| Usina Termica Ipatinga S.A.                | 100.00             | 74,634  |                  |
| Sa Carvalho S.A.                           | 100.00             | 86,833  |                  |
| Horizontes Energia S.A.                    | 100.00             | 62,871  |                  |
| Cemig Capim Branco Energia S.A.            | 100.00             | 1       |                  |
| Cemig PCH S.A.                             | 100.00             | 1       |                  |
| UTE Barreiro S.A.                          | 100.00             | 1       |                  |
| Efficientia S.A.                           | 100.00             | 10      |                  |

In the first quarter of 2003, CEMIG made payments relating to a capital increase in Infovias in the amount of R\$26,568.

The independent accountants' report on the financial statements of Infovias, as of December 31, 2002, included comments on: (i) deferred income and social

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contribution taxes for which realization was based on management profit projections which depend on contracts which are under negotiation; and (ii) need of additional resources from shareholders or third-parties to fund its operations, as well as to ensure the recoverability of its assets at the amounts recorded in its financial statements, until Infovias' own operating revenues reach a level sufficient to absorb these amounts. The interim financial statements of Infovias for the quarter ended March 31, 2003 are still being prepared.

### (b) Consortiums

CEMIG and its subsidiary, Cemig Capim Branco Energia S.A., are partners with other companies in certain consortiums for electricity generation projects. The consortiums, which are not separate legal entities, were created to manage the related concession contracts. The Company maintains accounting records of its share in the consortium assets which are jointly managed with the other consortium partners, as follows:

|  | CEMIG's<br>Participation | March |
|--|--------------------------|-------|
|  |                          |       |
| In Operation                                     |                          |       |
| Porto Estrela Hydroelectric Power Plant          | 33.33%                   |       |
| Igarapava Hydroelectric Power Plant              | 14.50%                   |       |
| Funil Hydroelectric Power Plant                  | 49.00%                   |       |
| Under Construction                               |                          |       |
| Queimado Hydroelectric Power Plant               | 82.50%                   |       |
| Aimores Hydroelectric Power Plant                | 49.00%                   |       |
| Total Company                                    |                          |       |
| Cemig Capim Branco S.A.                          |                          |       |
| Capim Branco Hydroelectric Power Plants I and II | 21.05%                   |       |
| Total Consolidated                               |                          |       |

The realization of Consortiums investments will occur simultaneously with depreciation on the Consortiums', Property, Plant and Equipment, calculated on a straight-line basis, according to rates established by ANEEL.

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### 14) PROPERTY, PLANT AND EQUIPMENT

|  | Consolidated      |                      |
|--|-------------------|----------------------|
| Annual average<br>depreciation rate<br>% | March 31,<br>2003 | December 31,<br>2002 |

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|   |      |             |             |
|---|------|-------------|-------------|
| In service                                |      |             |             |
| Generation-                               |      |             |             |
| Hydroelectric                             | 2.47 | 5,514,557   | 5,512,899   |
| Thermoelectric                            | 1.83 | 215,223     | 216,656     |
| Transmission                              | 3.08 | 1,029,931   | 1,021,836   |
| Distribution                              | 5.21 | 6,729,971   | 6,680,138   |
| Administration                            | 9.63 | 268,091     | 266,601     |
| Other                                     | 7.48 | 384,242     | 379,014     |
|   |      | 14,142,015  | 14,077,144  |
| Accumulated depreciation and amortization |      |             |             |
| Generation                                |      | (2,166,849) | (2,131,769) |
| Transmission                              |      | (472,454)   | (465,022)   |
| Distribution                              |      | (2,714,350) | (2,654,365) |
| Administration                            |      | (139,889)   | (133,596)   |
| Other                                     |      | (43,516)    | (34,978)    |
|   |      | (5,537,058) | (5,419,730) |
| Total in service                          |      | 8,604,957   | 8,657,414   |
| Construction in progress-                 |      |             |             |
| Generation                                |      | 277,937     | 220,360     |
| Transmission                              |      | 121,824     | 107,312     |
| Distribution                              |      | 439,330     | 442,921     |
| Administration                            |      | 38,076      | 33,000      |
| Other                                     |      | 34,949      | 22,206      |
| Total construction in progress            |      | 912,116     | 825,799     |
| Total                                     |      | 9,517,073   | 9,483,213   |
| Special liabilities                       |      | (1,601,915) | (1,585,431) |
| Total, net                                |      | 7,915,158   | 7,897,782   |

Special liabilities refers primarily to consumers' contributions to support construction necessary to meet energy supply orders. Our obligation to satisfy these Special liabilities depends on ANEEL's disposition at the end of the distribution concessions through reduction of residual value of Property, plant and equipment to define the value that the Federal Government will pay to concessionaires. According to accounting principles and electric energy sector legislation in force in Brazil, these amounts are not subject to updating, amortization or depreciation.

15) SUPPLIERS

|                       | Consolidated      |                      |
|-----------------------|-------------------|----------------------|
|                       | March 31,<br>2003 | December 31,<br>2002 |
| Short Term            |                   |                      |
| Electricity suppliers |                   |                      |
| Furnas                | 448,902           | 259,437              |



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|                               |           |           |
|-------------------------------|-----------|-----------|
| Wholesale Energy Market - MAE | 457,875   | 770,578   |
| Transfer to Generators        | 71,157    | 83,974    |
| Other                         | 34,177    | 30,636    |
|                               | -----     | -----     |
|                               | 1,012,111 | 1,144,625 |
| Supplies and services         | 72,574    | 130,100   |
|                               | -----     | -----     |
|                               | 1,084,685 | 1,274,725 |
|                               | =====     | =====     |
| Long Term                     |           |           |
| Electricity suppliers -       |           |           |
| Transfer to Generators        | 354,758   | 334,295   |
|                               | =====     | =====     |

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The amounts to be paid related to energy purchased on the spot market and system service charges - ESS during the period from September 2000 to December 2002 were recorded based on information provided by MAE. The amounts related to the period from January 2003 to March 2003 were accrued based on Company estimates. A portion of these liabilities were settled in February 2003 (Note 4).

The amounts recorded may change due to MAE's revision of certain assumptions used to calculate the stated amounts and judicial claims currently in progress, filed by market agents, including the Company, related to the interpretation of the market rules in force.

As of March 31, 2003, CEMIG had overdue amounts to be paid to Furnas, relating to purchase of energy from Itaipu, in the amount of R\$203,511, which R\$101,140 was paid on April 2003.

16) TAXES PAYABLE

|                         | Consolidated      |                      |
|-------------------------|-------------------|----------------------|
|                         | March 31,<br>2003 | December 31,<br>2002 |
|                         | -----             | -----                |
| Current                 |                   |                      |
| Income Tax              | 66,548            | 20,559               |
| Social Contribution Tax | 23,839            | 27,856               |
| ICMS (State VAT)        | 134,084           | 44,982               |
| COFINS (tax on revenue) | 25,995            | 29,646               |
| INSS (social security)  | 12,694            | 11,828               |
| Other                   | 8,768             | 8,930                |
|                         | 5,095             | 6,956                |
|                         | -----             | -----                |
|                         | 277,023           | 150,757              |
|                         | =====             | =====                |
| Long Term               |                   |                      |

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|                         |         |         |
|-------------------------|---------|---------|
| Income Tax              | 195,333 | 111,651 |
| Social Contribution Tax | 70,320  | 40,195  |
| COFINS                  | 46,743  | 46,255  |
| PASEP                   | 18,609  | 18,539  |
|                         | -----   | -----   |
|                         | 331,005 | 216,640 |
|                         | =====   | =====   |

The federal taxes recorded under long-term liabilities refer to net deferred obligations on assets and liabilities in accordance with the General Agreement of Electricity Sector. The increase in net obligations is due to the payment of a portion of MAE obligations in February 2003.

The Company negotiated with certain financial institutions to prepay part of the State VAT on December 30, 2002, originally due on January 2, 2003, totaling R\$76,000. The Company realized a financial gain in this transaction, based on the Interbank certificate of deposit rate- CDI variation.

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17) LOANS, FINANCING AND DEBENTURES

Composition of loan, financing and debentures by currency and indexes is as follows:

|   | Consolidated      |                      |
|---|-------------------|----------------------|
|   | March 31,<br>2003 | December 31,<br>2002 |
|   | -----             | -----                |
| Currency -  |                   |                      |
| U.S. dollar   | 1,829,372         | 1,994,957            |
| EURO  | 34,247            | 73,037               |
| Unit of account (basket of currencies)                              | 41,509            | 51,053               |
|   | -----             | -----                |
|   | 1,905,128         | 2,119,047            |
| Indice Geral de Precos - IGP-M (General Price Index)                | 1,177,289         | 1,076,252            |
| Indice Interno da Eletrobras - FINEL (Eletrobras<br>Internal Index) | 151,196           | 154,028              |
| UFIR (Tax Reference Unit)   | 159,995           | 152,228              |
| SELIC (Brazilian benchmark interest rate)                           | 336,339           | -                    |
| Other   | 49,805            | 37,815               |
|   | -----             | -----                |
|   | 1,874,624         | 1,420,323            |
| Escrow accounts (1)   |                   |                      |
| Income based on CDI (Interbank certificate of deposit)<br>rates     | (59,156)          | (52,130)             |
| Income based on U.S. dollar variation                               | (104,914)         | (102,496)            |

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|           |           |
|-----------|-----------|
| (164,070) | (154,626) |
| 3,615,682 | 3,384,744 |

(1) Refers to restricted use funds for payment of foreign currency-denominated financing, in compliance with Brasil - BACEN (Brazilian Central Bank) Resolution No. 2,515 of June 29, 1998.

The variations in the principal currencies and indexes used to restate the loans, financing and debentures are as follows:

| Currency                               | Quarterly Variation % | Indexes  |
|--|-----------------------|--|
| U.S. dollar                            | (5.10)                | Indice Geral de Precos - IG (General Price Index)        |
| Euro                                   | (0.94)                | Indice Interno da Eletrobras (Eletrobras Internal Index) |
| Unit of account (Basket of currencies) | 0.53                  |  |

Certain of the Company's loan, financing and debenture contracts, in the total amount of R\$510,946 as of March 31, 2003, of which R\$328,613 are classified as long-term liabilities, contain certain financial covenants that, in the event of noncompliance, may cause the amounts due under the contracts to become immediately due. In addition, the Company has financing contracts that contain cross-default clauses. The Company has obtained waivers from the creditors that are parties to contracts that contain covenants with respect to which it is not in compliance. These waivers affirm that such creditors will not exercise their rights to demand either accelerated or immediate payment of the total amounts due as of December 31, 2002, March 31, 2003 and for most contracts, June 30, 2003. The Company believes that the noncompliance with the debt covenants was an unusual event, and that its operations for 2003 are expected to allow full compliance with debt covenants. Loan, financing and debentures are classified as current and long-term liabilities according to the original contract terms, in compliance with the waivers obtained.

18) RESERVE FOR CONTINGENCIES

CEMIG and its subsidiaries are party to certain legal proceedings in Brazil arising in the normal course of business and relating to tax, labor, civil and other issues.

The Company believes that any loss in excess of the amounts provided for, in respect of such contingencies, will not have a material adverse effect on the Company's results of operations or financial position.

For those contingencies for which an adverse outcome has been deemed probable,

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CEMIG has recognized reserves for losses:

The composition of provisions recorded is as follows:

|                            | Cons<br>March 31<br>2003 |
|----------------------------|--------------------------|
| Labor claims               | 7                        |
| Civil lawsuits - Consumers | 9                        |
| Social contribution tax    | 9                        |
| Finsocial (tax on revenue) | 1                        |
| Civil lawsuits - Others    | 2                        |
| Other                      | 2                        |
|                            | 33                       |

Certain details relating to such reserves are as follows:

(a) Labor claims

The labor claims relate principally to overtime and hazardous occupation compensation. The total exposure for those matters is estimated to be R\$95,776, as of March 31, 2003 (R\$87,133 as of December 31, 2002). The Company recorded in the first quarter ended March 31, 2003 reserve in the amount of R\$6,914 (R\$910 in the first quarter of 2002). CEMIG determines the amounts to be reserved based on the nature of the group of claims and the most recent court decisions.

(b) Civil lawsuits - Consumers

A number of industrial consumers have brought legal action against the Company seeking refunds of amounts paid to CEMIG as a result of a rate increase that became effective during the Brazilian government's economic stabilization "Cruzado Plan" in 1986, alleging that such increases violated the price controls instituted as part of that plan. CEMIG determines the amounts to be reserved based on the amount billed subject to consumers' claims and recent court decisions.

The total estimated exposure to the Company for those claims, fully provided for, was R\$91,533 as of March 31, 2003 (R\$85,727 at December 31, 2002).

(c) Social contribution tax

The Company is deducting the amounts of depreciation, amortization and write-off of supplementary monetary restatement of property, plant and equipment, for purposes of computation of social contribution tax. The Company estimates that its potential exposure in this matter is approximately R\$96,495, as of March 31, 2003 (R\$93,137 at December 31, 2002). The amount is fully provisioned.

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### (d) Finsocial (tax on revenue)

In 1994, CEMIG was fined by the Brazilian federal tax authorities due to the exclusion of State VAT from the Finsocial calculation, a tax on billing extinguished in 1992. The Company estimates that its potential exposure in this matter is approximately R\$19,558 as of March 31, 2003 (R\$19,393 at December 31, 2002). The amount is fully provisioned.

### (e) Other

Other reserves are related to a number of lawsuits involving the Federal Government, pursuant to which the Company is disputing the constitutionality of certain federal taxes that have been assessed against it and other general claims arising in the ordinary course of business.

### (f) Legal proceedings in which a favorable outcome is probable

CEMIG has other relevant legal proceedings with respect to which the Company believes that a favorable outcome is probable. Certain details relating to such matters are as follows:

#### (i) Litigation involving FORLUZ with possible financial effects on CEMIG

The Company is defending, together with FORLUZ, a claim brought by its employees' labor union ("Sindieletro") contesting the suspension of increases in the Company's required contribution to the pension fund pursuant to periodic monetary restatements. The total amount sought in this claim is R\$633,878. No reserve has been recorded for this claim, since the Company believes that it has a meritorious defense to such claim and, consequently, does not expect to incur losses related thereto.

In addition, some of Forluz's participants are contesting a change in the pension fund's contribution adjustment index from IGP-DI to IPCA of IPEAD (consumer price index calculated by Minas Gerais Accounting Management and Economic Research Institute of Minas Gerais Federal University). The total amount sought in this claim is R\$281,985. Management believes that if the outcome is not favorable to Forluz, the additional obligation will be guaranteed by Forluz's surplus, and does not expect to incur losses related to such claim. Therefore, and considering that FORLUZ has a meritorious defense to such claim, no accrual has been recorded for this claim.

#### (ii) Income and social contribution taxes on post retirement benefits

On October 11, 2001, the Brazilian federal tax authorities issued an assessment notice relating to a R\$232,155 discrepancy with respect to tax credits recorded by CEMIG in 2001 that had been partially recovered during the year. These credits result from the change in accounting method for recording post-retirement benefit liabilities, as required by CVM Deliberation No. 371/00. CEMIG is defending the tax assessment notice administratively against the tax authorities. No reserve has been recorded as a result of this notice, since the Company believes that the procedures which generated the tax credits are legally sound.

The tax credits mentioned in the preceding paragraph were offset against federal taxes paid in 2001 and 2002. As a result, the Brazilian federal tax authorities issued a decision against such offset due to the tax assessment mentioned above. CEMIG's total potential exposure as of March 31, 2003 is approximately R\$177,835. No reserve for contingencies has

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been made to cover any liabilities that may result from the tax assessment, since CEMIG believes that it has solid legal grounds, which support the procedures adopted.

### (iii) COFINS

The Company began contesting the payment of COFINS (tax on revenue) beginning in 1992. As a result of an unfavorable court ruling, the Company paid R\$239,266 of COFINS tax on July 30, 1999.

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The Federal Government is claiming that the Company owes approximately R\$136,388 in additional fines and interest relating to the non-payment of COFINS. The Company is contesting such claims. No reserve has been recorded for this claim, since the Company believes that it has a meritorious defense against such claim and, consequently, does not expect to incur losses related thereto.

### (iv) Regulatory agency acts

ANEEL has a regulatory proceeding pending against CEMIG claiming that CEMIG owes the Federal Government R\$197,206 because of a miscalculation of credits in the amount of the cumulative rate deficit (CRC) applied to reduce amounts owed to the Federal Government. The Company believes that it has a meritorious defense against such claim and has therefore recorded no reserve in respect thereto.

On January 16, 2003, ANEEL sent a notice to the Company alleging that it had failed to obtain necessary ANEEL authorization relating to the Company's 5-year contract with Infovias related to the furnishing of data and rendering of services related to geo-technology services. ANEEL may seek to impose a fine upon the Company relating to this matter. The maximum applicable penalty is a fine in an amount equal to 2.00% of CEMIG's revenues during the 12-month period immediately prior to the imposition of the fine. The Company believes that it has a meritorious defense to such claim and has therefore recorded no accrual in respect of such claim.

### (v) Civil lawsuits - Consumers

Various consumers brought civil class-action claims against CEMIG contesting rate adjustments applied in prior years, including the special rate adjustment and the Emergency Capacity Charge (Encargo de Capacidade Emergencial) applied starting in 2002. The Company believes that it has a meritorious defense to such claims and has therefore recorded no reserve.

The Company is a defendant, with others enterprises of Consortium of Capim Branco I and Capim Branco II hydroelectric power plants, in a class action lawsuit contesting the construction of such plants. Additionally, the Brazilian Attorney General's Office brought a lawsuit seeking to nullify the Aimores Power Plant concession. Management believes that it has a meritorious defense to these lawsuits and, consequently, does not expect them to prevent the construction and operation of mentioned plants and the realization of related assets.

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### 19) EMPLOYEE POST-RETIREMENT BENEFITS

Since 1973, the Company has been the sponsor of Fundacao Forluminas de Seguridade Social - FORLUZ, a non-profit entity with the purpose of providing its associates, participants and their dependants with additional income to supplement the government pension, in accordance with the pension plan to which they are linked.

FORLUZ offers its associates the following supplementary pension plans:

Mixed Benefit Plan - A defined contribution plan for normal retirement and a defined benefit plan for coverage of active participant's disability and death. The Company's contribution is equivalent to the associate's monthly basic contributions and is the only plan available for new participants.

Settled Benefit Plan - Includes all retired participants who opted for this plan and the balances, at the option date, of active participants who opted for migrating from the Defined Benefit Plan to the above-mentioned Mixed Benefit Plan.

Defined Benefit Plan - Benefit plan adopted by FORLUZ up to 1998, in which the Federal Government Social Security benefit is supplemented in relation to the actual average salary of the employee's final years of service in the Company.

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In addition to the pension plans provided by FORLUZ, the Company also pays part of the life insurance premium for its retirees and of the health care plan for employees, retirees and their dependants. These plans are also managed by FORLUZ.

The changes in net post-retirement liabilities are as follows:

|  | Defined Benefit<br>Pension Plan | Health |
|--|---------------------------------|--------|
| Net liabilities as of December 31, 2002            | 1,392,088                       | 198,   |
| Net periodic cost recorded in the income statement | (8,276)                         | 6,     |
| Contributions paid                                 | (56,231)                        | (4,    |
|  | 1,327,581                       | 200,   |
| Net liabilities as of March 31, 2003               | 1,327,581                       | 200,   |

Part of the deficit in FORLUZ's actuarial reserves in the amount of R\$1,537,044 as of March 31, 2003 (R\$1,495,334 at December 31, 2002) was recognized as obligations payable by the Company. These obligations are being amortized through monthly installments, through June 2024, calculated under the fixed-installment system ("Price Table"), subject to annual restatement in accordance with the salary correction index for the Company's employees (not including productivity) included in the defined benefit plan and subject to IPCA - IPEAD for other plans, plus 6% per year.

### 20) SHAREHOLDERS' EQUITY

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The change in shareholders' equity is as follows:

Balance as of December 31, 2002  
 Reversal of dividends  
 Net income for the quarter ended March 31, 2003  
  
 Balance as of March 31, 2003

In September 1999, the State of Minas Gerais filed a lawsuit seeking to nullify the shareholders' agreement signed in 1997 with Southern Electric Brasil Participacoes Ltda. On August 7, 2001, the Minas Gerais State Court of Appeals declared the shareholders' agreement null and void. Southern Electric Brasil Participacoes Ltda. appealed the decision which was rejected by the Minas Gerais State Court of Appeals on October 2001. Southern Electric Brasil Participacoes Ltda. has appealed the Court's latest decision.

### 21) ELECTRICITY SALES

The composition of electricity sales to final customers by class is as follows:

|                                 | Consolidated                    |           |                                 |           |
|---------------------------------|---------------------------------|-----------|---------------------------------|-----------|
|                                 | (Not reviewed by accountants)   |           |                                 |           |
|                                 | No of consumers                 |           | MWh                             |           |
|                                 | Three months ended<br>March 31, |           | Three months ended<br>March 31, |           |
|                                 | 2003                            | 2002      | 2003                            | 2002      |
| Residential                     | 4,655,848                       | 4,517,756 | 1,698,335                       | 1,500,186 |
| Industrial                      | 68,255                          | 68,087    | 5,259,841                       | 5,196,928 |
| Commercial                      | 518,529                         | 506,064   | 886,503                         | 808,195   |
| Rural                           | 344,001                         | 326,009   | 343,294                         | 298,132   |
| Public authorities              | 43,831                          | 42,055    | 119,439                         | 96,120    |
| Public lighting                 | 2,145                           | 2,713     | 249,302                         | 173,569   |
| Public services                 | 6,870                           | 6,591     | 240,987                         | 221,824   |
| Own consumption                 | 1,339                           | 1,377     | 14,214                          | 11,302    |
| Unbilled, net                   | -                               | -         | -                               | -         |
|                                 | 5,640,818                       | 5,470,652 | 8,811,915                       | 8,306,256 |
| Supply to other concessionaries | 4                               | 4         | 52,168                          | 89,633    |
| MAE transactions                | -                               | -         | -                               | -         |
| Total                           | 5,640,822                       | 5,470,656 | 8,864,083                       | 8,395,889 |



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|                                 | Consolidated                    |           |                                 |           |
|---------------------------------|---------------------------------|-----------|---------------------------------|-----------|
|                                 | (Not reviewed by accountants)   |           |                                 |           |
|                                 | No of consumers                 |           | MWh                             |           |
|                                 | Three months ended<br>March 31, |           | Three months ended<br>March 31, |           |
|                                 | 2003                            | 2002      | 2003                            | 2002      |
| Residential                     | 4,655,848                       | 4,517,756 | 1,698,335                       | 1,500,186 |
| Industrial                      | 68,253                          | 68,085    | 5,084,837                       | 4,965,690 |
| Commercial                      | 518,529                         | 506,064   | 886,503                         | 808,195   |
| Rural                           | 344,001                         | 326,009   | 343,294                         | 298,132   |
| Public authorities              | 43,831                          | 42,055    | 119,439                         | 96,120    |
| Public lighting                 | 2,145                           | 2,713     | 249,302                         | 173,569   |
| Public services                 | 6,870                           | 6,591     | 240,987                         | 221,824   |
| Own consumption                 | 1,339                           | 1,377     | 14,214                          | 11,302    |
| Unbilled, net                   | -                               | -         | -                               | -         |
|                                 | 5,640,820                       | 5,470,650 | 8,636,911                       | 8,075,018 |
| Supply to other concessionaries | 4                               | 4         | 52,168                          | 89,633    |
| MAE transactions                | -                               | -         | -                               | -         |
| Total                           | 5,640,820                       | 5,470,654 | 8,689,079                       | 8,164,651 |

22) OTHER OPERATING REVENUES

|                                   | Consolidated                    |        |
|-----------------------------------|---------------------------------|--------|
|                                   | Three months ended<br>March 31, |        |
|                                   | 2003                            | 2002   |
| Use of basic transmission network | 58,130                          | 38,070 |
| Gas sales                         | 43,975                          | 24,059 |
| Fuel consumption quota            | 3,755                           | 8,543  |
| Regulated services                | 1,629                           | 1,545  |
| Services rendered                 | 14,587                          | 3,658  |
| Rent and leasing                  | 3,592                           | 3,648  |
| Other                             | 254                             | 1,445  |
|                                   | 125,922                         | 80,968 |

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23) DEDUCTIONS FROM OPERATING REVENUES

|  | Consolidated                    |         |
|--|---------------------------------|---------|
|  | Three months ended<br>March 31, |         |
|  | 2003                            | 2002    |
| State VAT (ICMS) on sales to final consumers | 321,698                         | 241,891 |
| Tax on billing - COFINS                      | 47,434                          | 45,256  |
| Global reserve for reversion quota - RGR     | 30,412                          | 35,768  |
| Tax on billing - PASEP                       | 25,667                          | 9,805   |
| Emergency capacity charge                    | 70,229                          | 4,447   |
| Other  | 264                             | 56      |
|  | 495,704                         | 337,223 |

CEMIG collected, in March 2003, retroactive amounts related to the Emergency capacity charge for the period from July 2, 2002 to August 10, 2002, in the amount of R\$29,985. This charge was not collected in the prior year due to a class action injunction which did not allow the amounts to be collected. On April 2003, CEMIG collected the remaining parcel, in the amount of R\$16,483.

CEMIG pays the State VAT on the Special rate adjustment according to collection of the amounts in power bills.

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24) ELECTRICITY PURCHASED FOR RESALE

|  | Co  |
|--|-----|
| Itaipu Binacional (through FURNAS)               |     |
| Energy traded on spot market - MAE               |     |
| Initial contracts                                |     |
| Special rate adjustment - transfer to generators |     |
| Other  |     |
|  | 200 |

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The electricity acquired from ITAIPU is denominated in US dollars and the prices are defined by ANEEL.

### 25) OTHER EXPENSES

|  | Consolidated                    |       |
|--|---------------------------------|-------|
|  | Three months ended<br>March 31, |       |
|  | 2003                            | 2002  |
| Fuel consumption quota                     | 3,693                           | 8,54  |
| Rentals and leasing                        | 3,122                           | 3,92  |
| Grants and donations                       | 2,815                           | 2,96  |
| Advertising                                | 1,422                           | 3,43  |
| ANEEL inspection fee                       | 2,911                           | 2,88  |
| Own consumption - Electric energy          | 2,958                           | 2,30  |
| MAE contribution                           | 832                             | 2,10  |
| Technological and scientific national fund | 3,225                           | 2,61  |
| Other taxes (real estate, vehicle, etc.)   | 3,861                           | 2,27  |
| General expenses                           | 7,091                           | 5,13  |
|  | 31,930                          | 36,19 |

The fuel costs incurred for the purpose of electricity generation are reimbursed by Centrais Eletricas Brasileiras S.A. - ELETROBRAS and are recorded as other operating revenues.

### 26) FINANCIAL INCOME (EXPENSES)

|   | Consolidated                    |         |
|---|---------------------------------|---------|
|   | Three months ended<br>March 31, |         |
|   | 2003                            | 2002    |
| Financial income:   |                                 |         |
| Investment income earned  | 19,476                          | 30,149  |
| Late charges on past-due electricity bills                        | 13,385                          | 7,835   |
| Interest and monetary restatement on receivable from Minas Gerais |                                 |         |
| State Government  | 64,939                          | 41,838  |
| Monetary restatement on special rate adjustment                   | 74,139                          | 62,340  |
| Foreign exchange gains  | 108,319                         | 5,857   |
| Taxes on financial income (PASEP and COFINS)                      | (16,273)                        | (5,687) |
| Other   | 30,547                          | 8,432   |
|   | 294,532                         | 150,764 |

Financial expenses:

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|  |           |          |
|--|-----------|----------|
| Interest on loans and financing                  | (74,204)  | (56,513) |
| Monetary restatement - electricity suppliers     | (26,363)  | (15,708) |
| Foreign exchange losses                          | (2,491)   | (1,976)  |
| Monetary restatement on loans and financing      | (36,461)  | (4,056)  |
| Financial transaction tax ("CPMF")               | (8,704)   | (5,134)  |
| Provision for valuation of marketable securities | 25,905    | 5,400    |
| Other  | (14,156)  | (6,273)  |
|  | -----     | -----    |
|  | (136,474) | (84,260) |
|  | -----     | -----    |
|  | 158,058   | 66,504   |
|  | =====     | =====    |

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Financial charges and inflationary/exchange effects on financing of construction in progress during the three-month period ended March 31, 2003, in the amounts of R\$18,301 and R\$32,797, respectively, were transferred to Property, plant and equipment and Investments (R\$5.525 of financial charges and R\$359 of inflationary/exchange effects during the three-month period ended March 31, 2002).

The interest and monetary restatement on Receivable from Minas Gerais State Government, shown in the table above, are related to the Third Amendment signed with the Minas Gerais State Government, taking into account that a full provision for losses has been recorded on the Second Amendment. More information see Note 9.

27) PRINCIPAL TRANSACTIONS WITH RELATED PARTIES

The main balances and transactions with related parties are as follows:

|   | March 31, 2003                      |        |
|---|-------------------------------------|--------|
|   | -----                               | -----  |
|   | Minas Gerais<br>State<br>Government | FORLUZ |
|   | -----                               | -----  |
| ASSETS  |                                     |        |
| Current assets                                |                                     |        |
| Accounts receivable                           | 10,408                              | -      |
| Recoverable taxes                             |                                     |        |
| State VAT - ICMS                              | 23,851                              | -      |
| Other   |                                     |        |
| Advances for welfare benefits                 | -                                   | 17,641 |
| Noncurrent assets                             |                                     |        |
| Receivable from Minas Gerais State Government | 819,899                             | -      |
| Recoverable taxes                             |                                     |        |
| State VAT- ICMS                               | 79,368                              | -      |
| LIABILITIES                                   |                                     |        |

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|                                   |         |           |
|-----------------------------------|---------|-----------|
| Current liabilities               |         |           |
| Taxes payable-                    |         |           |
| State VAT - ICMS                  | 127,604 | -         |
| Dividends and interest on capital | 50,418  | -         |
| Employee post-retirement benefits | -       | 176,981   |
| Other                             |         |           |
| Transfer of contributions         | -       | 14,751    |
| Long-term liabilities             |         |           |
| Debentures                        | 27,106  | -         |
| Employee post-retirement benefits | -       | 1,603,588 |

Three months ended  
March 31, 2003

INCOME STATEMENT

|   |           |         |
|---|-----------|---------|
| Electricity sales to final customers  | 6,589     | -       |
| Deductions from operating revenues - State VAT (ICMS)                                 | (311,609) | -       |
| Employee post-retirement benefits   | -         | (6,529) |
| Personnel expenses  | -         | (8,421) |
| Financial income-   |           |         |
| Monetary restatement and interest on receivable<br>from Minas Gerais State Government | 64,939    | -       |
| Non-operating expenses-   |           |         |
| FORLUZ - management expenses  | -         | (1,380) |

The Accounts receivable from the Minas Gerais State Government in the amount of R\$10,408 are overdue. Management does not expect losses on the realization of this asset.

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28) FINANCIAL INSTRUMENTS

(a) Financial instruments

The financial instruments used by CEMIG, all recorded on its financial statements, are: Cash and cash equivalents, Accounts receivable, Receivable from Minas Gerais State Government, Marketable securities and Loans and financing.

These instruments are managed through monitoring policies and operational strategies focused on liquidity, profitability and safety. The Company operates with banks which meet financial strength and trustworthiness guidelines, according to pre-defined management criteria. The Company's control policy includes continually comparing rates with market levels. The investments of CEMIG and its subsidiaries in other securities, as of March 31, 2003, are as follows:

- o The swap transactions of CEMIG and its subsidiaries are purchased from financial institutions, in the amount of R\$2,165 and R\$17,845,

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respectively, through the transfer of public or private securities issued by third parties. These securities have repurchase clauses. The contracts define the repurchase final date and interest rate, which is based on the CDI. The Company and its subsidiaries have the right to call for early redemption of these securities without penalty or loss.

- o Hedge transactions are contracted by CEMIG to reduce the exchange rate risk from the valuation of the US dollar compared to the Brazilian real, in the amount of US\$14,387 thousand, equivalent to R\$48,241. The gain or loss on these operations arising from the differences between the actual exchange variation and the exchange variation agreed with financial institutions are recognized on the accrual basis.

As of May 14, 2003, CEMIG had hedge transactions, in the amount of US\$57,272 thousand, for short-term foreign debt, which replaced contracts' indexes from U.S. Dollar to CDI variation.

- (b) The Company has Brazilian National Treasury Notes acquired from the State Government of Minas Gerais, with final maturity on April 15, 2024, subject to restatement based on the U.S. dollar exchange variation and interest on the restated face value of 6.00% per year (from April 15, 2000 to maturity).

|              | March 31, 2003 |
|--------------|----------------|
|              | -----          |
| Face value   | 202,723        |
| Market value | 72.506         |

These securities are recorded at market value, determined based on a quotation from ANDIMA (National Association of Open Market Institutions). This asset is recorded under Marketable securities in noncurrent assets.

### 29) CORPORATE REORGANIZATION

Currently, CEMIG's electricity generation, transmission and distribution operations are vertically integrated into and directly operated by CEMIG. However, pursuant to CEMIG's principal concession agreements and in accordance with certain changes in the regulatory framework of the Brazilian electricity sector, CEMIG has to restructure its business, resulting in the "unbundling" of its generation, transmission and distribution operations into separate subsidiaries, each wholly owned by CEMIG. According to the concession agreements, CEMIG was to have completed the reorganization process by December 31, 2000.

ANEEL later granted the Company an extension to September 21, 2002 to complete the unbundling process.

The Minas Gerais State Government, the major shareholder, considering that the "unbundling" must be approved in advance by the State Legislature, submitted to the Minas Gerais State Legislature, on March 2, 2001, a bill proposing the restructuring of the Company into three companies, but as this legislation has

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not yet been adopted, the reorganization process has not yet been completed. Additionally, The Company has submitted an extension request to ANEEL, which has not yet been answered.

On November 11, 2002, ANEEL fined the Company the amount of R\$5,507, because CEMIG had not concluded the "unbundling". No accrual has been recorded for this claim, as the Company believes it has a meritorious defense against the fine and any other possible penalties that may be imposed regarding this matter.

### 30) SUBSEQUENT EVENTS

#### Periodic Rate Review

The periodic rate review process refers to the revision, every 5 years, of the authorized electricity rates that CEMIG may charge for the distribution of electric energy. In determining the authorized rates, ANEEL considers the Company's structural costs and market changes and return on its investments.

Due to the CEMIG periodic rate review occurred in the present year, the electricity rates were increased by an average of 31.53% and have been in force since April 8, 2003.

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### 31) STATEMENTS OF CASH FLOWS

The individual (Company) and consolidated statements of cash flows for the three-month periods ended March 31, 2003 and 2002 are presented for additional analysis and are not required as part of the basic interim financial statements.

|   | Consolidated                           |           |
|---|--|-----------|
|   | Three month periods<br>ended March 31, |           |
|   | 2003                                   | 2002      |
| <b>CASH FLOWS FROM OPERATIONS:</b>              |  |           |
| Net income for the period                       | 151,694                                | 219,947   |
| Items not affecting cash -                      |  |           |
| Depreciation and amortization                   | 140,464                                | 132,423   |
| Special rate adjustment                         | -                                      | (315,164) |
| Purchased energy from MAE - suppliers           | -                                      | (32,272)  |
| Energy purchased on spot market                 | -                                      | 42,986    |
| Disposals of property, plant and equipment, net | 7,561                                  | 6,464     |
| Equity in subsidiaries                          | -                                      | -         |
| Interest and monetary variations, net           | (128,368)                              | (78,657)  |
| Deferred income and social contribution taxes   | 1,044                                  | 35,720    |
| Provisions for operating losses                 | 16,948                                 | 12,662    |
| Employee post-retirement benefits               | 6,529                                  | 54,250    |

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|  |           |          |
|--|-----------|----------|
| Other  | (294)     | -        |
|  | -----     | -----    |
|  | 195,578   | 78,359   |
|  | -----     | -----    |
| (Increase) Decrease in assets -  |           |          |
| Accounts receivable  | 7,344     | (69,043) |
| Consumers - Special rate adjustment  | 55,787    | 42,769   |
| Recoverable taxes  | (54,823)  | 57,273   |
| Other current assets   | 10,020    | (6,017)  |
| Prepaid expenses - CVA   | (84,613)  | (29,709) |
| Other noncurrent assets  | (155)     | (11,031) |
|  | -----     | -----    |
|  | (66,440)  | (15,758) |
|  | -----     | -----    |
| Increase (Decrease) in liabilities -   |           |          |
| Suppliers  | (198,447) | 53,405   |
| Taxes payable  | 240,631   | 111,105  |
| Payroll and related charges  | (4,972)   | (13,572) |
| Regulatory charges   | 57,234    | (1,426)  |
| Loans and financing  | 7,532     | 27,353   |
| Employee post-retirement benefits  | (63,440)  | (41,046) |
| Electricity Rationing Plan - Bonus paid to consumers<br>and adoption costs incurred in excess of surcharge<br>applied to consumers | -         | (78,780) |
| Other  | 13,642    | (5,740)  |
|  | -----     | -----    |
|  | 52,180    | 51,299   |
|  | -----     | -----    |
| CASH PROVIDED BY OPERATING ACTIVITIES  | 181,318   | 113,900  |
|  | =====     | =====    |

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|                                     | Consolidated                           |           |
|-------------------------------------|--|-----------|
|                                     | Three month periods<br>ended March 31, |           |
|                                     | 2003                                   | 2002      |
|                                     | -----                                  | -----     |
| CASH FLOWS FROM FINANCING ACTIVITY  |  |           |
| Proceeds from long-term financing   | 393,227                                | 18,445    |
| Payments on loans and financing     | (170,573)                              | (100,489) |
| Special liabilities                 | 16,484                                 | 28,213    |
| Advanced billings of electric power | -                                      | (15,716)  |
| Dividends and interest on capital   | (6,719)                                | (421)     |
|                                     | -----                                  | -----     |
|                                     | 232,419                                | (69,968)  |
|                                     | -----                                  | -----     |
| TOTAL CASH PROVIDED                 | 413,737                                | 43,932    |
|                                     | -----                                  | -----     |



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|  |           |           |
|--|-----------|-----------|
| CASH USED IN INVESTING ACTIVITIES                |           |           |
| Additions to investments                         | (77,816)  | (48,803)  |
| Increase in property, plant and equipment        | (180,556) | (83,440)  |
| Increase in deferred charges                     | -         | (1,977)   |
|  | -----     | -----     |
|  | (258,372) | (134,220) |
|  | -----     | -----     |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS |           |           |
|  | 155,365   | (90,288)  |
|  | =====     | =====     |
| CHANGES IN CASH AND CASH EQUIVALENTS             |           |           |
| At beginning of the period                       | 122,975   | 696,088   |
| At end of the period                             | 278,340   | 605,800   |
|  | -----     | -----     |
|  | 155,365   | (90,288)  |
|  | =====     | =====     |

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Item 2

(Convenience Translation into English from the Original Previously Issued in Portuguese)

COMPANHIA ENERGETICA DE MINAS GERAIS - CEMIG

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS:  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2003 COMPARED TO THE THREE-MONTH  
PERIOD ENDED MARCH 31, 2002

(Amounts expressed in thousands of Brazilian reais, unless otherwise indicated)

Net Income

The Company and its subsidiaries (the "CEMIG Group") had net income of R\$151,694 in the three-month period ended March 31, 2003 compared to a net income of R\$219,947 in the three-month period ended March 31, 2002.

In the first three months of 2003, consolidated income was positively impacted by an increase in electricity sales and financial income arising from the appreciation of the Brazilian real against the U.S. dollar. In the prior period, the result was positively impacted due, primarily, to special rate adjustment revenue in the amount of R\$315,164.

Electricity gross sales

Electricity gross sales revenues were R\$1,457,840 in the three-month period ended in March 31, 2003 compared to R\$1,179,895 in the three-month period ended in March 31, 2002, an increase of 23.56%. This result was due primarily to:

- o an average rate increase of 10.51% starting in April 8, 2002;

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- o an increase in Emergency capacity charge collected in the three-month period ended in March 31, 2003;
- o a 5.55% increase in electricity volume to sold final customers.

### Electricity sales to final customers

-----

Electricity sales to final customers were R\$1,453,590 in the three-month period ended March 31, 2003 compared to R\$1,140,740 in the three-month period ended March 31, 2002, representing an increase of 27.43%. This increase resulted primarily from the rate increase of 10.51% in April 2002 and a 6.06% rise in volume of electricity sales. The Electricity Rationing Plan in force until February 2002 explains the significant change between both periods. Sales to industrial, residential and commercial customers, increased 1.21%, 13.21% and 9.69% respectively.

The Emergency capacity charge, collected in power bills, additionally contributed to the increase in electricity gross sales revenues: R\$70,229 in the three-month period ended March 31, 2003 compared to R\$4,447 in the three-month period ended March 31, 2002. The significant change between both periods resulted from the retroactive amounts collected, in March 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\$29,985, due to a class action injunction which did not allow the amounts to be collected in the prior year.

Volume of electricity sold to final consumers - GWh

[GRAPH OMITTED]

### Electricity supply to other concessionaires

-----

Electricity supply revenues from sales of electricity to other concessionaires were R\$4,250 in the three-month period ended in March 31, 2003 compared to R\$39,155 in the three-month period ended in March 31, 2002, representing a decrease of 89.15%. This decrease resulted primarily from revenues from energy traded in the spot market ("MAE"), in the prior period, in the amount of R\$32,273, corresponding to CEMIG's reimbursement for the difference between the amounts payable to MAE and the price of R\$49.26/MWh.

### Special rate adjustment revenue

-----

In accordance with the General Agreement of the Electricity Sector, CEMIG recorded in the three-month period ended March 31, 2002 additional revenue for the special rate adjustment for billing losses and a portion of expenses for energy purchased in the MAE, arising from the Electricity Rationing Plan, in the amount of R\$315,164. The amounts recorded as Special rate adjustment revenue are being collected by CEMIG through an additional rate increase in force for a maximum period of 82 months, since January 2002.

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### Operating expenses

Operating expenses were R\$964,969 in the three-month period ended in March 31, 2003 compared to R\$962,972 in the three-month period ended in March 31, 2002, an increase of 0.21%, due primarily to an increase in Personnel expenses and Fuel consumption quota, offset by a decrease in Electricity purchased for resale and Employee post-retirement benefits. The main variations in expenses are described below:

#### Personnel

-----

Personnel expenses were R\$157,384 in the three-month period ended in March 31, 2003 compared to R\$133,275 in the three-month period ended in March 31, 2002, an increase of 18.09%, due primarily to an increase in salaries of 11.45% in November 2002 and an increase of 2.22% in the average number of CEMIG's employees (11,417 employees in the three-month period ended in March 31, 2003 compared to 11,169 employees in the three-month period ended in March 31, 2002).

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#### Electricity purchased for resale

-----

Electricity purchased for resale was R\$291,933 in the three-month period ended in March 31, 2003 compared to R\$359,974 in the same prior period, representing a reduction of 18.90% as a result of a decrease in expenses for energy purchased in the MAE, R\$5,577 in the three-month period ended in March 31, 2003 compared to R\$61,018 in the three-month period ended in March 31, 2002. The higher amount of MAE expenses in the three-month period ended in March 31, 2002 was due to the higher free energy rates in effect during the Electricity Rationing Plan.

#### Outside services

-----

Outside services were R\$64,739 in the three-month period ended in March 31, 2003 compared to R\$51,503 in the three-month period ended in March 31, 2002, representing an increase of 25.70%, due to the adjustment of prices for service contracts, mainly related to delivery of bills to consumers and maintenance of distribution and transmission lines and electric equipment.

#### Employee post-retirement benefits

-----

Employee post-retirement benefit expenses were R\$6,529 in the three-month period ended in March 31, 2003 compared to R\$54,250 in the three-month period ended in March 31, 2002, a reduction of 87.96%. The decrease was due to a lower increase in projected benefit obligations compared to a higher profitability estimated for plan assets.

#### Operating provisions

-----

Operating provisions were R\$40,497 in the three-month period ended in March

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31, 2003 compared to R\$14,245 in the three-month period ended in March 31, 2002, an increase of 184.29%. This increase was due to the complementary provision for losses on recovery of special rate adjustment in the three-month period ended in March 31, 2003, in the amount of R\$10,074, and a provision for judicial contingencies of R\$14,492 in the three-month period ended in March 31, 2003 compared to R\$3,178 in the three-month period ended in March 31, 2002.

### Fuel consumption quota - CCC

-----

Fuel consumption quota - CCC expense of R\$92,718 in the three-month period ended in March 31, 2003 compared to R\$69,537 in the three-month period ended in March 31, 2002, representing an increase of 33.34%. Fuel consumption quota refers to operating costs of thermoelectric plants in the Brazilian isolated and interconnected energy system prorated among electric company concessionaires through ANEEL resolution.

### Financial income (expenses)

The main factors that impacted financial income (expenses) are as follows:

- o Foreign net exchange gains of R\$105,828 in the three-month period ended March 31, 2003 compared to R\$3,881 in the three-month period ended March 31, 2002, which are primarily related to loans and financing denominated in foreign currencies. In the three-month period ended March 31, 2003, the Brazilian real appreciated 5.10% against the U.S. dollar, compared to a 0.14% devaluation in the same period of 2002.
- o Monetary restatement expenses on loans and financing of R\$36,461 in the three-month period ended March 31, 2003 compared to R\$4,056 in the three-month period ended March 31, 2002 due primarily to an increase in inflation indexes used to restate loans and financing contracts in local currency. The IGP-M, which is the main index of contracts, presented a variation of 6.27% in the three-month period ended in March 31, 2003 compared to a 0.51% variation in the same prior period.

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- o Reversion provision for valuation to market value on National Treasury notes of R\$25,905 in the three-month period ended in March 31, 2002 compared to a reversion provision of R\$5,400 in the three-month period ended March 31, 2002 due to the lower discount imposed by financial markets on transactions involving Federal Government long-term bonds.

### Non-operating expenses, net

Non-operating expenses were R\$9,309 in the three-month period ended in March 31, 2003 compared to R\$6,977 in the three-month period ended in March 31, 2002, an increase of 33.42%. This increase was due primarily to losses on projects and net losses on deactivation and disposal of Property, plant and equipment.

### Income and social contribution taxes

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The CEMIG Group recorded income taxes expense of R\$120,415 in the three-month period ended in March 31, 2003, representing 44.30% on pre-tax income. In the prior period, the income taxes expense were R\$115,280, representing 34.38% on pre-tax income.

In the prior year, the CEMIG Group recorded a loss provision relating to all amounts due under the Second Amendment of the company's receivable from the Minas Gerais State Government. Therefore, the interest and monetary restatement on the mentioned amendment were not recorded in the statement of income since then. However, in compliance with the Brazilian tax legislation, CEMIG has recorded the federal taxes payable on the mentioned financial income. This fiscal procedure explains the increase on percentage of income taxes over pre-tax income.

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COMPANHIA ENERGETICA DE MINAS GERAIS - CEMIG  
-----

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF COMPANY OPERATIONS: FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2003 COMPARED TO THE THREE-MONTH PERIOD ENDED MARCH 31, 2002

Management's discussion and analysis of results of the consolidated operations also substantially covers the results of Company operations for the periods presented.

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COMPANHIA ENERGETICA DE MINAS GERAIS - CEMIG  
-----

OTHER RELEVANT INFORMATION

Information not reviewed by independent accountants

CORPORATE GOVERNANCE

CEMIG has sought to implement the best corporate governance practices in order to optimize its performance and to offer better assurance, through improvements in information disclosed to the markets and to all interested

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parties, including investors, employees and creditors, facilitating its access to capital. These practices mainly involve transparency, equitable treatment to shareholders and being accountable for the Company's actions.

Highlighted below are practices that CEMIG has already adopted:

- o The notices of general shareholders' meetings set forth in detail the meeting's agenda, including relevant items suggested by shareholders, and such meetings are held at convenient dates and times.
  - o The share register, which sets forth the number of shares owned by each shareholder, can be obtained at any time for a service charge, in accordance with Article 100 of Law 6,404 of December 15, 1976.
  - o Documentation necessary to evidence the ownership of shares of CEMIG is accurately maintained, in order to permit the participation of its shareholders or their representatives at shareholders' meetings.
  - o The Board of Directors, which has a unified term, has 11 technically qualified members, 2 of whom have finance and accounting experience. The Board of Directors seeks to advise CEMIG's executive officers to maximize its return on assets in order to aggregate value for the enterprise.
  - o The shareholders' agreement is accessible to all shareholders at CEMIG's headquarters.
  - o Preferred shares have priority in the redemption of capital and participate equally with the common shares in net income. At the Shareholders' meeting of April 30, 2002, the Company's Bylaws were changed and the preferred shares became entitled to a minimum annual dividend equal to the greatest of 10.00% of the preferred share capital or 3.00% of the book value of the preferred shares equity. The minimum dividends distributed cannot be less than 25.00% of the adjusted net income for the year, in accordance with Brazilian Corporate Law.
  - o On a quarterly basis, the Company discloses reports prepared together with the financial statements to its Fiscal Council, which analyzes and discusses the financial statements, including the related internal and external risk factors.
  - o In order to avoid conflicts of interest, the Board of Directors does not authorize its public accountants to provide consulting or other services to CEMIG.
  - o CEMIG provides to the members of its Fiscal Council all information that may contribute to analyze the Company's main issues.
- 6
- o The Company adopts, in addition to the financial statements prepared in accordance with accounting practices emanating from Brazilian corporate law and with accounting standards established by the CVM - Comissao de Valores Mobiliarios (Brazilian Securities Commission), generally accepted accounting principles in the United States, or US

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GAAP, in order to prepare financial statements to be filed with the United States Securities and Exchange Commission - SEC.

- o The memorandum of suggestions on accounting and internal control procedures provided to CEMIG by its independent accountants is submitted to the Board of Directors and to the Fiscal Council in order to evaluate the proposals and adoption of applicable measures.
- o Transactions with related parties are disclosed in CEMIG's financial statements.
- o CEMIG's investor relations policy seeks to provide access to a wide range of investors through:
  - o CEMIG's Internet home page, which is accessible to all investors and shareholders and contains material information related to CEMIG and its operations.
  - o Broad dissemination of the disclosure of CEMIG's results.
  - o Live conferences accessible to everyone through CEMIG's Internet home page.
- o CEMIG has adopted Level 1 of the corporate governance standards established by the Bolsa de Valores de Sao Paulo - BOVESPA (Sao Paulo Stock Exchange).
- o CEMIG has listed depository receipts on foreign stock exchanges, in New York and Madrid.
- o CEMIG regularly pays dividends to its shareholders in accordance with the provisions of its by-laws.

In addition, CEMIG is considering the adoption of additional corporate governance practices that will be disclosed on a timely basis.

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### FINANCIAL INDICATORS

Information not reviewed by independent accountants

#### SHARE VALUE

(Expressed in Brazilian reais per thousand shares)

| Item         | Unit      | March 31, 2003 | December 31, 2002 | March 31, 2002 |
|--------------|-----------|----------------|-------------------|----------------|
| Book value   |           | 35.99          | 35.03             | 44.81          |
| Market value | Common    | 19.27          | 23.50             | 32.11          |
|              | Preferred | 25.26          | 26.45             | 34.60          |

LIQUIDITY (excluding special liabilities)

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| Item              | Unit  | March 31, 2003 | December 31, 2002 | March 31, 2002 |
|-------------------|-------|----------------|-------------------|----------------|
| Current ratio     | Ratio | 0.60           | 0.61              | 0.80           |
| Overall liquidity | Ratio | 0.67           | 0.65              | 0.87           |

DEBT LEVEL (excluding special liabilities)

| Item                 | Unit | March 31, 2003 | December 31, 2002 | March 31, 2002 |
|----------------------|------|----------------|-------------------|----------------|
| Total assets         | %    | 59.18          | 58.67             | 47.54          |
| Shareholders' equity | %    | 144.97         | 142.65            | 90.83          |
| Permanent assets     | %    | 98.03          | 94.99             | 81.20          |

PROFITABILITY

| Item                                    | Unit | March 31, 2003 | December 31, 2002 | March 31, 2002 |
|---|------|----------------|-------------------|----------------|
| Shareholders' equity                    | %    | 2.67           | (14.51)           |                |
| Return on property, plant and equipment | %    | 1.92           | (12.67)           |                |
| Operating margin                        | %    | 11.31          | (10.27)           |                |
| Net margin                              | %    | 10.96          | (16.73)           |                |

OPERATING INDICES

Information not reviewed by independent accountants

INSTALLED CAPACITY

|                            | March 31, 2003 | March 31, 2002 |
|----------------------------|----------------|----------------|
| Installed capacity (in MW) | 5,704          | 5,675          |



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EFFICIENCY

| Item                   | Unit | For the three-month period ended |                |
|------------------------|------|----------------------------------|----------------|
|                        |      | March 31, 2003                   | March 31, 2002 |
| MWh (*) per employee   | MWh  | 761                              | 718            |
| Consumers per employee | No.  | 495                              | 482            |

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SERVICE QUALITY

| Item   | Unit  | For the three-month period ended |                |
|--|-------|----------------------------------|----------------|
|  |       | March 31, 2003                   | March 31, 2002 |
| Average time needed to restore electricity     | Hours | 5.48                             | 4.9            |
| Electricity outage time - average per consumer | Hours | 3.38                             | 4.0            |
| Outages experienced - average per consumer     | No.   | 1.75                             | 2.3            |

AVERAGE RATE

(Expressed in Brazilian reais per MWh)

| Description     | Including VAT  |                |
|-----------------|----------------|----------------|
|                 | March 31, 2003 | March 31, 2002 |
| Industrial      | 106.98         | 89.86          |
| Residential     | 303.58         | 254.13         |
| Commercial      | 257.56         | 217.41         |
| Rural           | 174.66         | 150.44         |
| Others          | 167.87         | 142.18         |
| Final Consumers | 166.97         | 138.63         |

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### SHAREHOLDERS WHICH OWN MORE THAN 5% OF VOTING CAPITAL AS OF MARCH 31, 2003

| -----<br>SHAREHOLDERS<br>----- |                                      |       |   |
|--------------------------------|--------------------------------------|-------|---|
| Number of shares               | Minas Gerais<br>State Government (*) | %     | Southern Electric Brasil<br>Part. Ltda. |
| -----                          |                                      |       |   |
| Common                         | 36,116,291,643                       | 50.96 | 23,362,956,173                          |
| Preferred                      | 102                                  | 0.00  | -                                       |
| TOTAL                          | 36,116,291,745                       | 22.27 | 23,362,956,173                          |
| -----                          |                                      |       |   |

(\*) Refers merely to Minas Gerais State Government's Shares, not considering shares of controlled companies by State Government.

### OWNERS OF SOUTHERN ELECTRIC BRASIL PARTICIPACOES LTDA. AS OF MARCH 31, 2003

| Item  | Name                  | Number of Sharequotas | %     |
|-------|-----------------------|-----------------------|-------|
| ----- |                       |                       |       |
| 1     | Cayman Energy Traders | 321,480,876           | 91.75 |
| 2     | 524 Participacoes S/A | 28,913,419            | 8.25  |
| ----- |                       |                       |       |

1 - Foreign Company

2 - Registered Company. Fundo Opportunity Alfa FIA has 99.99% of its capital.

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### CONTROLLING SHAREHOLDER, BOARD OF DIRECTORS, EXECUTIVE OFFICERS AND FISCAL COUNCIL MEMBERS INTEREST

| NAME                          | NUMBER OF SHARES |               |       |
|-------------------------------|------------------|---------------|-------|
|                               | March 31, 2003   |               |       |
|                               | Common           | Preferred     | Total |
| -----                         |                  |               |       |
| CONTROLLING SHAREHOLDER       | 36,119,657,399   | 3,030,572,489 | 35,4  |
| BOARD OF DIRECTORS            |                  |               |       |
| Wilson Nelio Brumer           | -                | 1             |       |
| Djalma Bastos de Moraes       | -                | 13,400        |       |
| Francelino Pereira dos Santos | -                | 1             |       |

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|  |       |         |
|--|-------|---------|
| Antonio Adriano Silva                          | -     | 1       |
| Flavio Jose Barbosa de Alencastro              | -     | 1       |
| Oderval Esteves Duarte Filho                   | 5,099 | -       |
| Marcelo Pedreira de Oliveira                   | 5,099 | -       |
| Joao Bosco Braga Garcia                        | 5,099 | -       |
| Sergio Lustosa Botelho Martins                 | 5,099 | -       |
| Maria Estela Kubistscheck Lopes                | -     | 1       |
| Alexandre Heringer Lisboa                      | -     | 1       |
| Fernando Lage de Melo                          | -     | 1       |
| Francisco Sales Dias Horta                     | -     | 1       |
| Marco Antonio Rodrigues da Cunha               | -     | 1       |
| Luiz Antonio Athayde Vasconcelos               | -     | 290     |
| Guilherme Horta Goncalves Junior               | -     | 1       |
| Geraldo Dannemann                              | 1     | 1       |
| Mario Lucio Lobato                             | 5,000 | -       |
| Carlos Suplicy de Figueiredo Forbes            | 4,079 | -       |
| Marc Leal Claassen                             | 5,099 | -       |
| Fernando Henrique Schuffner Neto               | -     | 101,218 |
| Franklin Moreira Goncalves                     | -     | 1       |
| EXECUTIVE OFFICERS                             |       |         |
| Djalma Bastos de Moraes                        | -     | 13,400  |
| Celso Ferreira                                 | -     | -       |
| Flavio Decat de Moura                          | -     | -       |
| Heleni de Mello Fonseca                        | -     | -       |
| Elmar de Oliveira Santana                      | -     | -       |
| Jose Maria de Macedo                           | -     | 112,962 |
| FISCAL COUNCIL                                 |       |         |
| Luiz Guarita Neto                              | -     | -       |
| Aristoteles Luiz Menezes Vasconcellos Drummond | -     | -       |
| Luiz Otavio Nunes West                         | -     | -       |
| Bruno Constantino Alexandre dos Santos         | -     | -       |
| Thales de Souza Ramos Filho                    | -     | -       |
| Ronald Gastao Andrade Reis                     | -     | -       |
| Marcos Eolo de Lamounier Bicalho               | -     | -       |
| Livia Xavier de Mello                          | -     | -       |
| Aliomar Silva Lima                             | -     | -       |

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NUMBER OF SHARES AVAILABLE ON MARKET AS OF MARCH 31, 2003

|                | Common         | %     | Preferred      | %     | Total           |
|----------------|----------------|-------|----------------|-------|-----------------|
| March 31, 2003 | 34,754,510,524 | 49.04 | 88,179,950,210 | 96.60 | 122,934,460,734 |
| March 31, 2002 | 34,078,640,578 | 49.04 | 86,464,819,612 | 96.60 | 120,543,460,190 |

Companhia Energetica de Minas Gerais - CEMIG

Interim Financial Statements  
Together with Independent Accountants' Report on Special Review

June 30, 2003

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT ACCOUNTANTS' SPECIAL REVIEW REPORT

To the Shareholders and the Board of  
Directors of Companhia Energetica de Minas Gerais - CEMIG  
Belo Horizonte - MG  
-----

1. We have performed a special review of the quarterly information, presented in Brazilian reais, of Companhia Energetica de Minas Gerais - CEMIG and subsidiaries (Company and consolidated) as of June 30, 2003 and for the quarter and semester then ended, prepared under the responsibility of the Company's management, in accordance with accounting practices adopted in Brazil, consisting of the balance sheets, statements of income and management's discussion and analysis.
2. We conducted our review in accordance with specific standards established by the Brazilian Institute of Independent Accountants (IBRACON), together with the Federal Accounting Council, which consisted principally of: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the Company and its subsidiaries as to the principal criteria adopted in the preparation of the quarterly information, and (b) review of the information and subsequent events that had or might have had significant effects on the Company's and its subsidiaries' financial positions and results of operations.
3. Based on our special review, we are not aware of any material modifications that should be made to the quarterly information referred to in paragraph 1 above for it to be in conformity with accounting practices adopted in Brazil and accounting standards issued by the Brazilian Securities Commission (CVM), specifically applicable to the preparation of mandatory quarterly financial information.

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4. As mentioned in Note 8 to the quarterly information, as of June 30, 2003, the Company and its subsidiaries have recorded, in current and noncurrent assets, accounts receivable in the amount of R\$140,444,000 and R\$436,073,000 respectively and, in current liabilities, accounts payable in the amount of R\$532,072,000, related to energy sale and purchase transactions within the Wholesale Energy Market - MAE. Such amounts were recorded based on calculations prepared and information made available by the MAE regarding transactions through March 2003 and based on Company estimates for transactions in April, May and June 2003. Those amounts are subject to change, depending on the outcome of claims currently in progress in court, filed by electric energy companies, concerning the interpretation of the market rules in force.
5. The balance sheets (Company and consolidated) as of March 31, 2003, presented for comparative purposes, were reviewed by us and our special review report, dated May 15, 2003, was issued without qualification and including comments regarding: (i) the matter discussed in paragraph 4 above, and (ii) the conversion of Executive Act No.14, issued on December 21, 2001, into Law No. 14,438 on April 26, 2002, that regulates, among other matters, the recovery of the economic and financial equilibrium of Brazilian electric energy distribution, transmission and generating companies as guaranteed under their respective concession agreements. Detailed information and the impacts of such regulation on the financial position and result of operations of the Company and its subsidiaries are disclosed in Notes 5 and 8 to the quarterly information. The statements of income (Company and consolidated) for the quarter and semester ended June 30, 2002, presented for comparative purposes, were reviewed by us, and our special review report, dated August 14, 2002 (except for item (ii), for which the date was January 21, 2003), was issued without qualification and including comments regarding: (i) the recording of assets and liabilities related to special rate adjustments, recovery of Parcel "A" cost variations and transactions within the Wholesale Energy Market - MAE, which were pending review and approval by ANEEL (National Electric Energy Agency), and (ii) renegotiation of the receivable from the Minas Gerais

State Government related to the CRC (Recoverable Rate Deficit) account, including the obtention of guarantees represented by the State Government's right to dividends as a shareholder for part of the asset and the recording by CEMIG of a loss provision in the amount of R\$1,045,325,000 for the remaining asset. Due to the recording of the loss provision, the quarterly information as of June 30, 2002 was revised by the Company on January 21, 2003.

6. The translation of this quarterly information into English has been made for the convenience of readers outside Brazil.

Belo Horizonte, July 31, 2003

/S/ Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

/S/ Jose Carlos Amadi

Jose Carlos Amadi  
Engagement Partner

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

COMPANHIA ENERGETICA DE MINAS GERAIS - CEMIG

UNAUDITED BALANCE SHEETS

JUNE 30, 2003 AND MARCH 31, 2003

(Expressed in thousands of Brazilian reais - R\$)

A S S E T S

|  | Consolidated     |                   |             |
|--|------------------|-------------------|-------------|
|  | June 30,<br>2003 | March 31,<br>2003 | June<br>200 |
| <b>CURRENT ASSETS:</b>   |                  |                   |             |
| Cash and cash equivalents  | 274,361          | 278,340           | 19          |
| Accounts receivable  | 996,981          | 861,224           | 97          |
| Consumers - Special rate adjustment  | 291,829          | 269,977           | 29          |
| Concessionaires - Energy transportation  | 21,511           | 20,386            | 2           |
| Distributors - Energy supply   | 140,444          | 93,732            | 14          |
| Recoverable taxes  | 64,471           | 76,145            | 5           |
| Materials and supplies   | 20,700           | 19,787            | 1           |
| Prepaid expenses - CVA   | 47,243           | 1,555             | 4           |
| Electricity Rationing Plan - Bonus paid to consumers and adoption costs incurred | 22,107           | 27,312            | 2           |
| Receivables from Federal Government - Revenue losses from low-income consumers   | 86,669           | 63,956            | 8           |
| Other  | 113,523          | 109,271           | 11          |
|  | 2,079,839        | 1,821,685         | 1,97        |
| <b>NONCURRENT ASSETS:</b>  |                  |                   |             |
| Receivable from Minas Gerais State Government                                    | 836,971          | 819,899           | 83          |
| Consumers - Special rate adjustment  | 1,115,819        | 1,145,441         | 1,11        |
| Prepaid expenses - CVA   | 449,987          | 521,332           | 44          |
| Tax credits  | 453,491          | 539,795           | 43          |
| Marketable securities  | 74,691           | 72,506            | 7           |
| Electricity Rationing Plan - Bonus paid to consumers and adoption costs incurred | 23,449           | 24,643            | 2           |
| Distributors - Energy supply   | 436,073          | 463,357           | 43          |
| Recoverable taxes  | 118,346          | 109,926           | 8           |
| Escrow deposits  | 67,984           | 66,878            | 6           |
| Accounts receivable  | 49,166           | -                 | 4           |
| Other  | 78,439           | 77,508            | 9           |
|  | 3,704,416        | 3,841,285         | 3,67        |
| <b>PERMANENT ASSETS:</b>   |                  |                   |             |
| Investments  | 736,984          | 686,320           | 1,34        |
| Property, plant and equipment  | 7,945,665        | 7,915,158         | 7,32        |

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|                  |            |            |       |
|------------------|------------|------------|-------|
| Deferred charges | 22,957     | 23,991     |       |
|                  | -----      | -----      |       |
|                  | 8,705,606  | 8,625,469  | 8,66  |
|                  | -----      | -----      | ----- |
| Total assets     | 14,489,861 | 14,288,439 | 14,31 |
|                  | =====      | =====      | ===== |

The accompanying condensed notes are an integral part of these financial statements.

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

COMPANHIA ENERGETICA DE MINAS GERAIS - CEMIG

UNAUDITED BALANCE SHEETS

JUNE 30, 2003 AND MARCH 31, 2003  
(Expressed in thousands of Brazilian reais - R\$)

LIABILITIES AND SHAREHOLDERS' EQUITY

|                                   | Consolidated     |                   |                  |
|-----------------------------------|------------------|-------------------|------------------|
|                                   | June 30,<br>2003 | March 31,<br>2003 | June 30,<br>2003 |
|                                   | -----            | -----             | -----            |
| <b>SHORT-TERM LIABILITIES:</b>    |                  |                   |                  |
| Suppliers                         | 1,202,346        | 1,084,685         | 1,170,5          |
| Taxes payable                     | 346,890          | 277,023           | 334,0            |
| Loans and financing               | 679,571          | 949,654           | 658,8            |
| Payroll and related charges       | 118,347          | 103,543           | 117,1            |
| Dividends and interest on capital | 202,973          | 204,274           | 202,5            |
| Employee post-retirement benefits | 244,257          | 176,981           | 244,2            |
| Regulatory charges                | 182,124          | 151,090           | 181,8            |
| Other                             | 143,452          | 104,989           | 141,8            |
|                                   | -----            | -----             | -----            |
|                                   | 3,119,960        | 3,052,239         | 3,051,0          |
|                                   | -----            | -----             | -----            |
| <b>LONG-TERM LIABILITIES:</b>     |                  |                   |                  |
| Loans and financing               | 1,625,723        | 1,752,981         | 1,547,0          |
| Debentures                        | 867,631          | 913,047           | 867,6            |
| Employee post-retirement benefits | 1,533,142        | 1,603,588         | 1,533,1          |
| Suppliers                         | 333,974          | 354,758           | 333,9            |
| Reserve for contingencies         | 357,415          | 333,971           | 357,4            |
| Taxes payable                     | 317,185          | 331,005           | 317,1            |
| Other                             | 90,071           | 85,418            | 88,3             |
|                                   | -----            | -----             | -----            |

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|   |            |            |          |
|---|------------|------------|----------|
|   | 5,125,141  | 5,374,768  | 5,044,7  |
|   | -----      | -----      | -----    |
| MINORITY INTEREST                         | 28,301     | 28,742     |          |
| SHAREHOLDERS' EQUITY:                     |            |            |          |
| Capital                                   | 1,621,538  | 1,621,538  | 1,621,5  |
| Capital reserves                          | 4,032,222  | 4,032,222  | 4,032,2  |
| Income reserves                           | 113        | 113        | 1        |
| Accumulated earnings                      | 535,463    | 151,694    | 535,4    |
|   | -----      | -----      | -----    |
|   | 6,189,336  | 5,805,567  | 6,189,3  |
| Funds for future capital increase         | 27,123     | 27,123     | 27,1     |
|   | -----      | -----      | -----    |
|   | 6,216,459  | 5,832,690  | 6,216,4  |
|   | -----      | -----      | -----    |
| Total liabilities and shareholders equity | 14,489,861 | 14,288,439 | 14,312,2 |
|   | =====      | =====      | =====    |

The accompanying condensed notes are an integral part of these financial statements.

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

COMPANHIA ENERGETICA DE MINAS GERAIS - CEMIG

UNAUDITED STATEMENTS OF INCOME  
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2003 AND 2002  
(Expressed in thousands of Brazilian reais - R\$, except for per share data)

|                                     | Consolidated                        |           |
|-------------------------------------|-------------------------------------|-----------|
|                                     | Six month periods<br>ended June 30, |           |
|                                     | 2003                                | 2002      |
|                                     | -----                               | -----     |
| OPERATING REVENUES:                 |                                     |           |
| Electricity sales                   | 3,343,434                           | 2,592,824 |
| Special rate adjustment             | -                                   | 261,425   |
| Other operating revenues            | 281,452                             | 183,004   |
|                                     | -----                               | -----     |
|                                     | 3,624,886                           | 3,037,253 |
| DEDUCTIONS FROM OPERATING REVENUES: | (1,081,371)                         | (755,903) |
|                                     | -----                               | -----     |
| Net operating revenues              | 2,543,515                           | 2,281,350 |
|                                     | -----                               | -----     |



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|  |                    |                    |
|--|--------------------|--------------------|
| OPERATING EXPENSES:  |                    |                    |
| Personnel  | (316,324)          | (265,182)          |
| Materials and supplies   | (41,546)           | (34,163)           |
| Outside services   | (139,112)          | (111,736)          |
| Charges for use of water resources   | (26,677)           | (22,176)           |
| Electricity purchased for resale   | (680,338)          | (662,237)          |
| Use of basic transmission network  | (156,801)          | (142,208)          |
| Depreciation and amortization  | (280,999)          | (270,843)          |
| Employee post-retirement benefits  | (23,753)           | (108,499)          |
| Operating provisions   | (80,213)           | (8,419)            |
| Fuel consumption quota - CCC   | (157,490)          | (160,004)          |
| Gas purchased for resale   | (76,746)           | (45,059)           |
| Employee profit sharing  | (23,166)           | (10,654)           |
| Energetic development account  | (37,308)           | -                  |
| Other expenses   | (72,949)           | (75,259)           |
|  | <u>(2,113,422)</u> | <u>(1,916,439)</u> |
| Income from operations before equity in subsidiaries and financial income (expenses) | 430,093            | 364,911            |
| EQUITY IN SUBSIDIARIES   | -                  | -                  |
| FINANCIAL INCOME (EXPENSES)  |                    |                    |
| Financial income   | 666,532            | 380,302            |
| Financial expenses   | (235,417)          | (687,132)          |
|  | <u>431,115</u>     | <u>(306,830)</u>   |
| Income from operations   | 861,208            | 58,081             |
| NON-OPERATING EXPENSES, NET  | (12,693)           | (1,059,172)        |
| Income (loss) before taxes on income   | 848,515            | (1,001,091)        |
| Income and social contribution taxes   | (313,765)          | (22,360)           |
| Reversal of interest on capital  | -                  | 120,000            |
| Income (loss) before minority interest   | 534,750            | (903,451)          |
| MINORITY INTEREST  | 713                | 8,655              |
| NET INCOME (LOSS) FOR THE PERIOD   | <u>535,463</u>     | <u>(894,796)</u>   |
| NUMBER OF THOUSANDS OF SHARES  | 162,084,691        | 162,084,691        |
| EARNINGS (LOSS) PER THOUSAND SHARES - R\$  | 0.00330            | (0.00552)          |

The accompanying condensed notes are an integral part of these financial statements.

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COMPANHIA ENERGETICA DE MINAS GERAIS - CEMIG

### UNAUDITED STATEMENTS OF INCOME

FOR THE QUARTERS ENDED JUNE 30, 2003 AND 2002

(Expressed in thousands of Brazilian reais - R\$, except for per share data)

|   | Consolidated              |             |
|---|---------------------------|-------------|
|   | Quarter<br>ended June 30, |             |
|   | 2003                      | 2002        |
| OPERATING REVENUES:   |                           |             |
| Electricity sales   | 1,885,594                 | 1,412,929   |
| Special rate adjustment   | -                         | (53,739)    |
| Other operating revenues  | 155,530                   | 102,036     |
|   | 2,041,124                 | 1,461,226   |
| DEDUCTIONS FROM OPERATING REVENUES:   | (585,667)                 | (418,680)   |
| Net operating revenues  | 1,455,457                 | 1,042,546   |
| OPERATING EXPENSES:   |                           |             |
| Personnel   | (158,940)                 | (131,907)   |
| Materials and supplies  | (21,307)                  | (18,192)    |
| Outside services  | (74,373)                  | (60,233)    |
| Charges for use of water resources  | (15,233)                  | (13,503)    |
| Electricity purchased for resale  | (388,405)                 | (302,263)   |
| Use of basic transmission network   | (79,595)                  | (77,317)    |
| Depreciation and amortization   | (140,535)                 | (138,420)   |
| Employee post-retirement benefits   | (17,224)                  | (54,249)    |
| Operating provisions  | (39,716)                  | 5,826       |
| Fuel consumption quota - CCC  | (64,772)                  | (90,467)    |
| Gas purchased for resale  | (50,939)                  | (27,144)    |
| Employee profit sharing   | (19,087)                  | (6,529)     |
| Energetic development account   | (37,308)                  | -           |
| Other expenses  | (41,019)                  | (39,069)    |
|   | (1,148,453)               | (953,467)   |
| Income from operations before equity in subsidiaries<br>and financial income (expenses) | 307,004                   | 89,079      |
| EQUITY IN SUBSIDIARIES  | -                         | -           |
| FINANCIAL INCOME (EXPENSES)   |                           |             |
| Financial income  | 372,000                   | 229,538     |
| Financial expenses  | (98,943)                  | (602,872)   |
|   | 273,057                   | (373,334)   |
| Income (loss) from operations   | 580,061                   | (284,255)   |
| NON-OPERATING EXPENSES, NET   | (3,384)                   | (1,052,195) |

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|  |             |             |
|--|-------------|-------------|
| Income (loss) before taxes on income     | 576,677     | (1,336,450) |
| Income and social contribution taxes     | (193,350)   | 92,920      |
| Reversion of interest on capital         | -           | 120,000     |
| Income (loss) before minority interest   | 383,327     | (1,123,530) |
| MINORITY INTEREST                        | 442         | 8,787       |
| NET INCOME (LOSS) FOR THE PERIOD         | 383,769     | (1,114,743) |
| NUMBER OF THOUSAND OF SHARES             | 162,084,691 | 162,084,691 |
| EARNINGS (LOSS) PER THOUSAND SHARE - R\$ | 0.00237     | (0.00688)   |

The accompanying condensed notes are an integral part of these financial statements.

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

COMPANHIA ENERGETICA DE MINAS GERAIS - CEMIG

UNAUDITED CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

AS OF JUNE 30, 2003

(Amounts expressed in thousands of Brazilian reais - R\$, unless otherwise indicated)

1) THE COMPANY AND ITS OPERATIONS

Companhia Energetica de Minas Gerais - CEMIG ("CEMIG" or the "Company"), a company organized under the laws of the Federative Republic of Brazil, is an electric power concessionaire and public utility, controlled by the Government of the State of Minas Gerais, Brazil (the "State Government"). Its principal activities are the construction and operation of systems used in the generation, transmission, distribution and sale of electric energy, as well as in certain related business activities.

The Company has equity interests in the following operating companies:

- o Sa Carvalho S.A. ("Sa Carvalho") (100.00% interest) - Its principal activities are the production and sale of electric energy from the Sa Carvalho hydroelectric power plant, as an electric energy public service concessionaire;
- o Usina Termica Ipatinga S.A. ("Ipatinga") (100.00% interest) - Its principal activities are the production and sale of electric energy, as an independent power producer, at the Ipatinga thermoelectric power plant located at the facilities of Usinas Siderurgicas de Minas Gerais - USIMINAS;

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- o Companhia de Gas de Minas Gerais - GASMIG ("GASMIG") (95.17% interest) - Its principal activities are the operation, production, acquisition, storage, transportation and distribution of natural gas and related products. GASMIG was granted a concession by the State Government to distribute gas in the State of Minas Gerais;
- o Empresa de Infovias S.A. ("Infovias") (99.92% interest) - Its principal activities are rendering telecommunications services and developing activities related thereto, through multiservice networks using optical fiber cable, coaxial cable and other electronic equipment. Infovias owns 64.91% of the capital stock of Way TV Belo Horizonte S.A., a cable TV and internet services provider in the State of Minas Gerais, and
- o Efficientia S.A. - ("Efficientia") (100.00% interest) - Its principal activities are rendering efficiency, optimization and energy solutions services to energy supply facilities. Efficientia S.A. initiated operations in the first quarter of 2003.

Additionally, the Company has a 100% interest in each of the following pre-operating stage companies:

- o Horizontes Energia S.A. - Its principal activities are expected to be the production and sale of electric energy, as an independent power producer, at the Machado Mineiro and Salto do Paraopeba hydroelectric power plants, located in the State of Minas Gerais, and the Salto Voltao and Salto do Passo Velho hydroelectric power plants, located in the State of Santa Catarina.
- o Cemig PCH S.A., Cemig Capim Branco Energia S.A. and UTE Barreiro S.A. - Their principal activities are expected to be the production and sale of electric energy, as independent power producers.

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- o Cemig Trading S.A. - Its principal activities will be related energy trading.

Additionally, CEMIG has minority interest of 48.50% in each of Central Termelétrica de Cogeração S.A. and Central Hidrelétrica Pai Joaquim S.A., each in pre-operating stage.

### 2) PRESENTATION OF THE FINANCIAL STATEMENTS

The accounting practices, methods and criteria used by the Company in the preparation of these quarterly financial statements are consistent with those applied in the financial statements as of and for the year ended December 31, 2002, including consolidation criteria.

The financial statements of companies mentioned in Note 1 were consolidated, except Central Termelétrica de Cogeração S.A. and Central Hidrelétrica Pai Joaquim S.A..

The financial statements of controlled companies used to calculate the equity and consolidation are dated June 30, 2003, except those with respect to GASMIG and Infovias, which are dated May 31, 2003.

### 3) CASH AND CASH EQUIVALENTS

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The composition of the balance is as follows:

|                        | Consolidated  |                | Company       |                |
|------------------------|---------------|----------------|---------------|----------------|
|                        | June 30, 2003 | March 31, 2003 | June 30, 2003 | March 31, 2003 |
| Banks                  | 136,888       | 135,123        | 135,000       | 132,340        |
| Short term investments | 137,473       | 143,217        | 61,809        | 51,630         |
|                        | 274,361       | 278,340        | 196,809       | 183,970        |
|                        | 274,361       | 278,340        | 196,809       | 183,970        |

The majority of the short-term investments of CEMIG and its subsidiaries are invested in Bank Deposit Certificates indexed basically to the CDI (Interbank Certificate of Deposit rate) variation.

#### 4) ACCOUNTS RECEIVABLE

| Consumer Class                  | Consolidated |   |  |                        |
|---------------------------------|--------------|---|--|------------------------|
|                                 | Current      | Past due<br>accounts - up<br>to 90 days | Past due<br>accounts -<br>over 90 days | Total<br>June 30, 2003 |
| Residential                     | 202,443      | 160,778                                 | 19,840                                 | 383,061                |
| Industrial                      | 166,943      | 64,495                                  | 100,690                                | 332,128                |
| Commercial                      | 96,252       | 51,571                                  | 15,652                                 | 163,475                |
| Rural                           | 28,909       | 12,806                                  | 4,756                                  | 46,471                 |
| Public authorities              | 15,042       | 20,978                                  | 13,025                                 | 49,045                 |
| Public lighting                 | 16,541       | 30,408                                  | 30,667                                 | 77,616                 |
| Public services                 | 9,006        | 8,335                                   | 90                                     | 17,431                 |
|                                 | 535,136      | 349,371                                 | 184,720                                | 1,069,227              |
| Subtotal - Consumers            |              |   |  |                        |
| Supply to other concessionaries | 10,009       | -                                       | -                                      | 10,009                 |
| Allowance for doubtful accounts | -            | -                                       | (82,255)                               | (82,255)               |
|                                 | 545,145      | 349,371                                 | 102,465                                | 996,981                |
|                                 | 545,145      | 349,371                                 | 102,465                                | 996,981                |

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| Consumer Class | Company |   |  |                        |
|----------------|---------|---|--|------------------------|
|                | Current | Past due<br>accounts - up<br>to 90 days | Past due<br>accounts -<br>over 90 days | Total<br>June 30, 2003 |

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|                                 |         |         |          |      |
|---------------------------------|---------|---------|----------|------|
| Residential                     | 202,443 | 160,778 | 19,840   | 38   |
| Industrial                      | 164,856 | 64,495  | 93,893   | 32   |
| Commercial                      | 83,696  | 51,571  | 15,463   | 15   |
| Rural                           | 28,909  | 12,806  | 4,756    | 4    |
| Public authorities              | 15,042  | 20,978  | 13,025   | 4    |
| Public lighting                 | 16,541  | 30,408  | 30,667   | 7    |
| Public services                 | 9,006   | 8,335   | 90       | 1    |
|                                 | -----   | -----   | -----    | ---  |
| Subtotal - Consumers            | 520,493 | 349,371 | 177,734  | 1,04 |
| Supply to other concessionaires | 10,009  | -       | -        | 1    |
| Allowance for doubtful accounts | -       | -       | (79,839) | (7   |
|                                 | -----   | -----   | -----    | ---  |
|                                 | 530,502 | 349,371 | 97,895   | 97   |
|                                 | =====   | =====   | =====    | ==   |

The Company has accounts receivable from Companhia de Saneamento de Minas Gerais - COPASA ("COPASA"), a State Government controlled company, in the total amount of R\$69,296, which are recorded as current and long term assets, in the amounts of R\$20,130 and R\$49,166 respectively, according to the Company's expected realization. Company management is negotiating the collection of the aforementioned past due amount and does not expect any loss on its realization.

5) CONSUMERS - SPECIAL RATE ADJUSTMENT

In December 2001, the Federal Government, through the Camara de Gestao da Crise de Energia Eletrica (the Federal Government's electric energy crisis committee or the "Energy Crisis Committee"), and the electricity distribution and generation concessionaires entered into an agreement entitled Acordo Geral do Setor Eletrico ("General Agreement of the Electricity Sector"). This agreement was entered into to ensure the economic and financial equilibrium of the concession contracts and to reimburse concessionaires for lost revenues related to the period when the Electricity Rationing Plan was in force, through a special rate adjustment.

Law No. 10,438, of April 26, 2002, and the Energy Crisis Committee's Resolution No. 91, of December 21, 2001, established a special rate adjustment applicable as of g December 27, 2001. The rate increases were set forth in the Energy Crisis Committee's Resolution No. 130, of April 30, 2002, as follows:

|\_ | an increase of 2.90% for rural and residential consumers (excluding low-income consumers), street lighting and high tension industrial consumers whose costs related to electric energy represent at least 18.00% of average production cost and meet certain criteria, related to charge and demand energy factors which were determined in the Resolution.

|\_ | an increase of 7.90% for all other consumers.

The special rate adjustment mentioned above is being applied to reimburse concessionaires for the following items:

- a. Billing losses in the period from June 1, 2001 to February 28, 2002, representing the difference between the Company's estimated revenue, assuming that the Electricity Rationing Plan had not been implemented, and the actual revenue earned during the rationing period, as established by ANEEL (National Energy Authority). The computation does not include overdue payment losses which the Company does not expect to be material.

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- b. Variation in Parcel "A" Items (uncontrollable costs as established by the concession contracts) related to the period from January 1, 2001 to October 25, 2001. The amount to be reimbursed is equal to the difference (positive or negative) between the Parcel "A" costs effectively paid and the

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estimated Parcel "A" costs used for purposes of computing the most recent annual rate adjustment.

- c. Amounts to be paid to generators for energy purchased on the MAE, from June 1, 2001 to February 28, 2002, at a price exceeding R\$49.26/MWh. This asset includes the related taxes and charges on revenues; however, such taxes and charges are not required to be transferred to the generators. Accordingly, taxes and charges are excluded before transferring these amounts to generators. These amounts may change, depending on the litigation currently in progress, filed by market agents, including the Company, related to the interpretation of the market rules in force.

Under ANEEL Resolution No. 484 as of August 29, 2002, the special rate adjustment will be in force for a maximum period of 82 months, January 2002 to October 2008. However management has determined that the special rate adjustment would not be sufficient to recover CEMIG's rationing losses. This determination was based on certain assumptions, the most relevant of which relate to rate adjustments, inflationary rates, SELIC (Brazilian Central Bank overnight interest rate) and CEMIG's growth in the energy market. Accordingly, the Company recorded a provision relating rationing losses.

Considering that the assumptions used in management's determination may change throughout the recovery period, management is periodically reviewing these projections, and consequently, the provision recorded mentioned in the prior paragraph.

Recovery of credits through the special rate adjustment, under ANEEL Resolution No. 89 of February 25, 2003, is being made as follows: (i) credits mentioned in item "a" have been in the process of being recovered since January 2002; (ii) credits mentioned in items "a" and "c" have been in the process of being recovered simultaneously since January 2003, in the proportion of 69.22% and 30.78%, respectively; and (iii) credits mentioned in item "b" will be the last to be recovered.

The amounts which will be realized through the special rate adjustment, described in items "a" and "b" above are being restated based on SELIC from the month of their effective recovery.

39% of the credits described in item "c" above are being monetarily restated based on SELIC as from January 1, 2003 and 45% as from July 2003, date of MAE settlement (after the conclusion of the audit work). The remaining 16% will be restated after the definition of MAE methodology applied to calculate the CEMIG's rights and obligations, according injunction granted by CEMIG, mentioned in Note 8, item "b".

Through Resolutions No. 480 to 482, as of August 29, 2002, ANEEL approved the amounts of billing losses and recovery of variations of the Parcel "A" items.

Despite ANEEL Resolution No. 483, as of August 29, 2002, which approved the amounts to be paid to generators for the energy purchased on the MAE during

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the rationing period, CEMIG recorded such transactions based on information provided by MAE and which are more updated.

ICMS (State VAT) on the special rate adjustment, net of provision for losses, related to future billings, which is estimated at R\$351,912, only becomes an obligation once the customers are billed. However, because the Company's only responsibility is to transfer this tax from consumers to the State tax authorities, the Company did not record this obligation in advance.

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The amounts to be recovered through the special rate adjustments mentioned in items "a", "b", "c" are as follows:

|   | Company and Co |                      |
|---|----------------|----------------------|
|   | June 30, 2003  |                      |
|   | Principal      | SELIC<br>restatement |
| Billing losses during the Electricity Rationing Period                    | 876,847        | 235,638              |
| Amounts collected   | (310,464)      | -                    |
|   | 566,383        | 235,638              |
| Recovery of spot market amounts by generators                             | 456,177        | 19,731               |
| Amounts collected   | (32,645)       | -                    |
|   | 423,532        | 19,731               |
| Recovery of uncontrollable cost variations relating to<br>Parcel "A"      | 245,299        | 115,658              |
|   | 1,235,214      | 371,027              |
| Provision for losses on the realization of the special<br>rate adjustment | (177,627)      | (20,966)             |
|   | 1,057,587      | 350,061              |
| Current   |                |                      |
| Noncurrent  |                |                      |

The proceeds of Special rate adjustments to be paid generators, as described in item "c", are as follows:

Company and Co



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|                                  | June 30, 2003 |                      |
|----------------------------------|---------------|----------------------|
|                                  | Principal     | SELIC<br>restatement |
| Amounts to be paid to generators | 418,269       | 18,100               |
| ( - ) Transference made          | (22,750)      | -                    |
|                                  | -----         | -----                |
|                                  | 395,519       | 18,100               |
|                                  | =====         | =====                |
| Short-term liabilities           |               |                      |
| Long-term liabilities            |               |                      |

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6) RECOVERABLE TAXES

|   | Consolidated     |                   |          |
|---|------------------|-------------------|----------|
|   | June 30,<br>2003 | March 31,<br>2003 | Jun<br>2 |
| Current Assets  |                  |                   |          |
| State VAT - ICMS  | 28,061           | 32,232            |          |
| Income and social contribution tax  | 26,931           | 39,874            |          |
| Other   | 9,479            | 4,039             |          |
|   | -----            | -----             |          |
|   | 64,471           | 76,145            |          |
|   | =====            | =====             |          |
| Noncurrent Assets   |                  |                   |          |
| State VAT - ICMS  | 99,503           | 91,083            |          |
| State VAT - ICMS - Under discussion with Minas<br>Gerais State Government | 18,843           | 18,843            |          |
|   | -----            | -----             |          |
|   | 118,346          | 109,926           |          |
|   | =====            | =====             |          |

The balances of income and social contribution taxes are primarily related to prepaid income and social contribution taxes in amounts greater than due amounts. The balances will be offset in 2003.

The State VAT assets of the Company and its subsidiaries will be recovered through offset against State VAT liabilities. Most of the balance recorded as noncurrent assets is subject to 48-month compensation period, as established

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by Supplementary Federal Law No. 102/00. The Company is in a legal dispute with the Minas Gerais State Government in order to compensate tax credits in the amount of R\$18,843.

### 7) PREPAID EXPENSES - CVA

The balance of the recoverable variation account of Parcel "A" items - CVA, refers to the difference, beginning October 26, 2001, between the estimated Parcel "A" costs of the Company, used in defining rate adjustments, and payments in respect of parcel "A" items actually made. The variations will be recovered in subsequent annual rate adjustments.

However, as a result of Executive Act No. 116, issued on April 4, 2003, the compensation of the "CVA" costs was postponed for 12 months, from April 8, 2003, the date of the previously scheduled rate increase.

Additionally, the CVA balance, for which compensation was postponed, plus the CVA balance to be calculated for the next 12 months, as from April 8, 2003, will be reimbursed through an increase in electric rates for a period of 24 months, beginning on April 8, 2004.

The mentioned Executive Act included in "CVA" the variations of the Energy Development Fund (a fund created by the Federal Government for energy development and competitiveness of energy produced through wind farms, small hydroelectric power plants, biomass, natural gas and coal) as from February 10, 2003.

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|  | Consolidated a |                      |                       |
|--|----------------|----------------------|-----------------------|
|  | Principal      | SELIC<br>Restatement | Total<br>June<br>2003 |
| System service charges - ESS                   | 168,880        | 5,761                | 174,                  |
| Itaipu Binacional electricity purchase tariff  | 257,387        | 45,760               | 303,                  |
| Itaipu Binacional electricity transport tariff | 3,237          | 496                  | 3,                    |
| Fuel usage quota - CCC                         | (88,271)       | (16,663)             | (104,                 |
| Tariff for use of basic transmission network   | 63,068         | 8,330                | 71,                   |
| Energetic development account                  | 43,601         | 1,682                | 45,                   |
| Charges for use of water resources             | 3,577          | 385                  | 3,                    |
|  | 451,479        | 45,751               | 497,                  |
|  |                |                      |                       |
| Current  |                |                      | 47,                   |
| Noncurrent                                     |                |                      | 449,                  |
|  |                |                      | =====                 |

The above-mentioned amounts are updated based on the SELIC rate from the payment date to effective recovery through annual rate adjustments.

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The amounts to be compensated, recorded in current assets refer to variations of uncontrollable costs that will be compensated as from the annual rate adjustment on April 8, 2004.

The System service charges - ESS for the period from September 2000 to March 2003 were accrued based on information provided by MAE and for the period from April 2003 to June 2003, were accrued based on Company estimates. These amounts will be monetarily restated based on SELIC, as from the effective payment (the initial portion was settled in February 2003 and the remaining portion was settled in July 2003, as described in Note 8, item b). Certain differences between Company's estimates and the effective amounts and the outcome of judicial claims currently in progress, filed by market agents, related to the interpretation of the market rules in force, may change the amounts recorded.

### 8) DISTRIBUTORS - ENERGY SUPPLY

#### a) Obligations and rights from MAE transactions

As established by the General Agreement of the Electricity Sector, the difference between the amounts paid to generators and distributors related to MAE transactions during the period in which the Electricity Rationing Plan was in force and the amount of R\$49.26/MWh will be reimbursed through the special rate adjustment.

According to ANEEL Resolution No. 36, dated January 29, 2003, distribution concessionaires should collect and transfer, on a monthly basis, the special rate adjustment amounts to generators and distributors, including CEMIG, that have amounts receivable since March 2003.

Of the Special rate adjustment credits to be transferred from other distribution concessionaires to CEMIG corresponding to approximately R\$31,302, from March 2003 to June 2003, which were received R\$11,689 in the period. The other distribution concessionaires are not transferring the entire amounts of the Special rate adjustments due to CEMIG because they believe, based on their interpretation of Article 9th of the ANEEL Resolution No. 36 and ANEEL Technical Note No. 004/2003, that CEMIG is challenging the General Agreement of the Electricity Sector because it is contesting the methodology applied to calculate CEMIG's obligations resulting from MAE transactions (sectioned in Item "b" of this note). For this reason, such distribution concessionaires are prevented from transferring such amounts due to CEMIG.

CEMIG, however, does not believe that the injunction granted on December 2002, contesting the methodology applied to calculate the CEMIG's rights and obligations, represents a challenge of the General Agreement of the Electricity Sector. Therefore, the Company is contesting the restrictions

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included in ANEEL Resolution No. 36 and ANEEL Technical Note No.004/2003, to eliminate any sanction or restriction on CEMIG's ability to receive amounts due.

The amounts to be received from distribution concessionaires are recorded in Current and Noncurrent Assets, under Distributors - Energy supply.

39% of CEMIG's rights and obligations within MAE are being monetarily restated based on the SELIC variation, as from January 1, 2003 and 45% as from July 2003, date of MAE settlement. The remaining 16% will be restated after the definition of MAE methodology applied to calculate the CEMIG's rights and

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obligations, according injunction grated by CEMIG, mentioned in this Note, Item "b".

CEMIG's rights and obligations related to MAE transactions, are set forth below:

|                              | June 30, 2003<br>----- | March 31, 2003<br>----- |
|------------------------------|------------------------|-------------------------|
| <b>ASSETS</b>                |                        |                         |
| Current                      |                        |                         |
| Distributors - Energy supply | 140,444                | 93,732                  |
| Noncurrent                   |                        |                         |
| Distributors - Energy supply | 436,073                | 463,357                 |
|                              | -----                  | -----                   |
|                              | 576,517                | 557,089                 |
|                              | =====                  | =====                   |
| <b>LIABILITIES</b>           |                        |                         |
| Current                      |                        |                         |
| Suppliers                    | 532,072                | 457,875                 |
|                              | -----                  | -----                   |
|                              | 532,072                | 457,875                 |
|                              | =====                  | =====                   |

Eventual differences between the CEMIG's estimates and the effective values and judicial claims currently in progress, filed by market agents, related to the interpretation of the market rules in force, may change the amounts recorded.

### b) Financial settlement of the MAE transactions

On February 18, 2003, CEMIG settled part of its outstanding obligations relating to MAE transactions, in the amount of R\$335,482, using funds provided by BNDES.

The remaining portion, in the amount of R\$372,545, was settled in July 2003. Part of the payment made was covered by a specific loan provided by BNDES in July 2003, in the amount of R\$176,483.

The amounts paid to MAE were calculated according to an injunction granted to CEMIG, on December 25, 2002, determining that CEMIG should be considered as both distributor and generator for purposes of recording of MAE transactions, notwithstanding ANEEL Resolution No. 447, of August 23, 2002, which determined that CEMIG should be considered as a distribution concessionaire only.

The amounts provided by MAE, in accordance with the injunction, represented an R\$134,509 decrease in CEMIG's net liabilities. However, because the methodology to be used to calculate CEMIG's rights and obligations is still pending, the Company opted to keep the amounts recorded according to ANEEL Resolution No. 447. The difference between the amounts paid and provisioned is recorded under Short-term liabilities, as Suppliers.

### c) Review of amounts recorded from MAE transactions

In accordance with MAE's review of certain assumptions adopted to calculate the rights and obligations of generators and distributors, CEMIG recorded the

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following adjustments in the second quarter of 2003:

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|   | Total<br>----- |
|---|----------------|
| <b>ASSETS</b>   |                |
| Noncurrent assets                                     |                |
| Prepaid expenses - CVA (System service charges - ESS) | 35,585         |
| Distributors - Energy supply                          | 23,734         |
|   | -----          |
|   | 59,319         |
|   | =====          |
| <br><b>LIABILITES</b>                                 |                |
| Short-term liabilities                                |                |
| Suppliers   | 68,534         |
|   | -----          |
|   | 68,534         |
|   | =====          |
| <br>Statement of income                               |                |
| Electricity sales - Suppliers                         | 21,318         |
| Operating expense - Electricity purchased for resale  | (30,533)       |
|   | -----          |
|   | (9,215)        |
|   | =====          |

### 9) RECEIVABLE FROM MINAS GERAIS STATE GOVERNMENT

The remaining balance of the CRC Account (Recoverable Rate Deficit) was transferred to the State Government in 1995, through the CRC Credit Assignment Contract, pursuant to Law No. 8,724/93. This balance is payable monthly, over 17 years beginning June 1, 1998, and accrues annual interest of 6% and is subject to restatement based on the IGP-DI (General Price Index).

In 2002, CEMIG entered into the following amendments with the Minas Gerais State Government:

(a) Second Amendment of the CRC Credit Assignment Contract, signed on October 14, 2002

This Amendment refers to 149 installments, maturing from January 1, 2003 to May 1, 2015, in the total amount of R\$1,424,589, as of June 30, 2003. These installments are subject to annual interest of 6% and are updated based on the IGP-DI.

Due to the non-inclusion in the Second Amendment of additional guarantees that would assure the realization of the aforementioned asset, CEMIG recorded an allowance for losses in 2002 that represents the total amount of the referred amendment.

Due to the full allowance recorded, the financial income related to monetary variation and interest on the Second Amendment, from January to June 2003, in

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the amount of R\$103,320, has not impacted the statement of income for 2003, considering that a provision for loss was recorded in the same amount. However, in compliance with the Brazilian tax legislation, CEMIG has recorded the federal payable taxes on the mentioned financial income.

The installments of the mentioned Amendment, due from January 1 to July 1, 2003, totaling R\$95,119, including monetary variation, interest and fine were not paid. Company management is negotiating the collection of the aforementioned past due amount with the Minas Gerais State Government, under the conditions established by the contract.

(b) Third Amendment of the CRC Credit Assignment Contract, signed on October 24, 2002

CEMIG and the Minas Gerais State Government signed this Amendment in order to reschedule the payment of the asset composed by the installments originally due from April 1, 1999 to December 1, 1999 and from March 1, 2000 to December 1, 2002. These installments, in the total amount of R\$836,971, including interest and fines, as of June 30, 2003, were renegotiated to annual interest rate of 12.00% and

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are updated based on the IGP-DI. They will be paid in 149 monthly installments from January 2003 to May 2015. This Amendment established an additional guarantee which now allows the Company to retain dividends and interest on capital to be paid to the Minas Gerais State Government, as a Company shareholder.

The installments of the Third Amendment, due from January 1 to July 1, 2003, totaling R\$72,925, including monetary variation, interest and fine were not paid. Company management is negotiating the collection of the aforementioned past due amount with the Minas Gerais State Government, under the conditions established by the contract.

The projection of the Company's future operations indicates that the dividends attributable to the Minas Gerais State Government will be sufficient to assure the full realization of the asset related to the Third Amendment.

Management will monitor future events which may impact the Company's dividend payment projection, in order to conclude if the above-mentioned guarantee is still effective or an additional allowance under this amendment is necessary.

### 10) INCOME AND SOCIAL CONTRIBUTION TAXES

#### (a) Tax credits

The Company and its subsidiaries have tax credits recorded as noncurrent assets. The income tax credits are recorded at a 25% rate and social contribution tax credits are recorded at a 9% rate. The composition of the balances is as follows:

|                 | Consolidated  |                |
|-----------------|---------------|----------------|
|                 | June 30, 2003 | March 31, 2003 |
| Tax credits on: |               |                |

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|  |         |         |
|--|---------|---------|
| Tax loss carryforwards                             | 181,206 | 254,000 |
| Employee post-retirement benefits                  | 56,723  | 79,548  |
| Reserve for contingencies                          | 142,893 | 135,338 |
| Accrual for voluntary termination program - PDV    | 8,611   | 9,214   |
| Allowance for doubtful accounts                    | 27,967  | 27,766  |
| Reserve for PASEP/COFINS - Special Rate Adjustment | 26,068  | 26,404  |
| Other  | 10,023  | 11,525  |
|  | 453,491 | 539,795 |
|  | 453,491 | 539,795 |

CEMIG's Board of Directors approved, on March 27, 2003, the analysis made by CEMIG's Financial and Investor Relations Office on the projected future results of operations, adjusted to present value. According to such analysis, the Company may be able to realize the tax credits set forth above over a ten-year maximum period, in compliance with CVM Resolution No. 371, published on June 27, 2002. CEMIG's Fiscal Council, on March 27, 2003, received such study for consideration.

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In accordance with CEMIG's estimates, future taxable income is expected to permit realization of the tax credits, recorded as of June 30, 2003, as follows:

|                    | Consolidated | Company |
|--------------------|--------------|---------|
|                    | -----        | -----   |
| 2003               | 138,414      | 138,414 |
| 2004               | 85,828       | 84,894  |
| 2005               | 33,544       | 31,294  |
| 2006               | 34,613       | 31,038  |
| 2007               | 36,601       | 32,752  |
| 2008 to 2010       | 109,002      | 102,747 |
| 2011 to June, 2013 | 15,489       | 12,272  |
|                    | 453,491      | 433,411 |
|                    | 453,491      | 433,411 |

CEMIG has tax credits not recognized in its financial statements, in the amount of R\$15,084, resulting from Management estimates that certain obligations, due to their nature will be realized in a period over ten years.

Additionally, Infovias has tax credits not recognized in its financial statements, in the amount of R\$5,814, resulting from Management estimates approved by the Company's Board of Directors.

(b) Reconciliation of income tax and social contribution tax expenses

The reconciliation between the nominal expense/benefit of income tax (25% rate) and social contribution tax (9% rate) and the expenses presented in the statement of income is as follows:

Consolidated

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|  | -----<br>Six months ended<br>June 30,<br>----- |             |
|--|--|-------------|
|  | 2003   | 2002        |
|  | -----  | -----       |
| Income (loss) before taxes on income                                   | 848,515  | (1,001,000) |
| Income and social contribution (expenses) benefits - nominal           | (288,495)                                      | 340,000     |
| Tax effects on:  |  |             |
| Allowance for losses on receivable from Minas Gerais State Government  | (35,129)                                       | (355,000)   |
| Reversal of social contribution tax on additional monetary restatement | (3,202)  | (4,000)     |
| Equity pick-up in subsidiaries   | -  |             |
| Contributions and grants not deductible                                | (1,433)  | (1,000)     |
| Other  | 14,494   |             |
|  | -----  | -----       |
| Income and social contribution tax (expenses) in income statement      | (313,765)                                      | (22,000)    |
|  | =====  | =====       |

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11) BONUS, NET OF SURCHARGE, AND COSTS TO BE REIMBURSED AS A RESULT OF THE ELECTRICITY RATIONING PLAN

Through the Energy Crisis Committee, the Federal Government established electric energy consumption targets for all consumers of areas affected by the Electricity Rationing Plan in force during the period from June 2001 to February 2002. A financial bonus was established for residential consumers whose electric energy consumption was lower than the target, and surcharges were established for all consumers whose consumption exceeded the target, calculated based on the effective consumption in excess of such target, as established by the Energy Crisis Committee. The balances related to the bonus, costs and surcharge, to be reimbursed by the Federal Government, are as follows:

|   | -----<br>Jun<br>----- |
|---|-----------------------|
| Bonus paid to consumers that consumed less than the target consumption  |                       |
| Costs incurred related to the adoption of the Electricity Rationing Plan in excess of the 2.00% surcharge on consumer tariffs |                       |
|   | -----                 |
|   | -----                 |
|   | =====                 |

Current  
Noncurrent



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Part of the surcharges, in the total amount of R\$23,449, were not collected from consumers since they were subject to a judicial dispute during the Electricity Rationing Plan. As a result, ANEEL has not reimbursed the Company for the bonuses relating to the unbilled surcharge. This issue is under negotiation with Ministry of Mines and Energy, and Management does not expect losses on the realization of this amount.

In conformity with ANEEL Resolution No. 600, dated October 31, 2002, the operation costs related to the adoption of the Electricity Rationing Plan in excess of the 2.00% surcharge on consumer rates is being recovered through a rate increase in force since April 8, 2003.

### 12) RECEIVABLES FROM FEDERAL GOVERNMENT - REVENUE LOSSES FROM LOW-INCOME CONSUMERS

The new classification criteria, established by the Federal Government, for low income consumers resulted in a decrease in revenues from electricity sales to final customers in the amount of R\$86,669 (R\$42,386 in 2002 and R\$44,283 in 2003), due to the lower rate applied to those customers. Accordingly, in compliance with ANEEL's request, CEMIG recorded these losses under this caption against electricity sales to final customers in 2002 and 2003.

In July 2002, Eletrobras reimbursed CEMIG of billing losses in the period from March 2002 to May 2003 in the amount of R\$79,838. The resources were used to pay part of Eletrobras previously conceded financing in the amount of R\$34,959 and to pay part of the Energy development account in the amount of R\$44,879.

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### 13) INVESTMENTS

|   | Consolidated     |                   |
|---|------------------|-------------------|
|   | June 30,<br>2003 | March 31,<br>2003 |
| Equity in subsidiaries                      |                  |                   |
| Empresa de Infovias S.A.                    | -                | -                 |
| Companhia de Gas de Minas Gerais - GASMIG   | -                | -                 |
| Usina Termica Ipatinga S.A.                 | -                | -                 |
| Sa Carvalho S.A.                            | -                | -                 |
| Horizontes Energia S.A.                     | -                | -                 |
| Cemig Capim Branco Energia S.A.             | -                | -                 |
| Cemig PCH S.A.                              | -                | -                 |
| UTE Barreiro S.A.                           | -                | -                 |
| Efficientia S.A.                            | -                | -                 |
| Cemig Trading S.A.                          | -                | -                 |
|   | -                | -                 |
| In consortiums for power plant construction | 717,095          | 666,363           |
| Goodwill on purchase of Infovias            | 9,510            | 9,510             |
| Other investments                           | 10,379           | 10,447            |
|   | 736,984          | 686,320           |

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(a) The principal information related to consolidated subsidiaries is as follows:

| Subsidiaries                               | June 30, 2003         |         |                   |
|--|-----------------------|---------|-------------------|
|  | Cemig<br>Interest - % | Capital | Sharehol<br>equit |
| Empresa de Infovias S.A. *                 | 99.92                 | 266,363 | 2                 |
| Companhia de Gas de Minas Gerais -GASMIG * | 95.17                 | 46,067  |                   |
| Usina Termica Ipatinga S.A.                | 100.00                | 74,633  |                   |
| Sa Carvalho S.A.                           | 100.00                | 86,833  |                   |
| Horizontes Energia S.A.                    | 100.00                | 62,871  |                   |
| Cemig Capim Branco Energia S.A.            | 100.00                | 1       |                   |
| Cemig PCH S.A.                             | 100.00                | 1       |                   |
| UTE Barreiro S.A.                          | 100.00                | 1       |                   |
| Efficientia S.A.                           | 100.00                | 10      |                   |
| Cemig Trading S.A.                         | 100.00                | 10      |                   |

(\*) Information as of May 31, 2003.

Income derived from equity in subsidiaries for the first six months of 2003 includes a R\$2,641 adjustment, due to the fact that the Company calculated its equity in subsidiaries in its December 31, 2002 financial statements using preliminary financial statements.

As of June 30, 2003, CEMIG had advances for a capital increase not yet converted into equity in Infovias in the amount of R\$17,914.

The special review report for the quarterly information as of June 30, 2003 of the independent accountants of Infovias is not yet completed. The independent accountants' special review report on the quarterly information of Infovias, as of March 31, 2003, included comments on: (i) deferred income and social contribution taxes and the maintenance of the recoverable State VAT - ICMS, which realization is based on future taxable income and the continuity of the investment plan; and (ii) need of additional resources from shareholders or third parties to fund its operations, as well as to ensure the recoverability of its assets at the recorded amounts in its financial statements, until Infovias' own operating revenues reach a certain level to absorb these amounts. The mentioned comments are applicable to Infovias and its controlled company, Way TV.

The Company has signed agreements with Infovias for the lease of CEMIG's network infrastructure, intra-company data transmission services, geo-referenced information and data supply. These agreements are still subject to approval by ANEEL.

ANEEL may seek to impose a fine relating to such agreements if it concludes

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that they are not in compliance with its regulations. The maximum penalty is a fine, in an amount equal to 2% of the Company's revenues during the 12-month period immediately prior to the imposition of such fine. Management believes that it has meritorious arguments to present to ANEEL in relation to this matter. Additionally, ANEEL may impose restrictions on the agreements' terms and conditions.

### (b) Consortiums

CEMIG and its subsidiary, Cemig Capim Branco Energia S.A., are partners with other companies in certain consortiums for electricity generation projects. The consortiums, which are not separate legal entities, were created to manage the related concession contracts. The Company and its subsidiary maintain accounting records of their share in the consortia assets, as follows:

|  | CEMIG's<br>participation in<br>energy generated | June 30,<br>2003 |
|--|---|------------------|
|  |   |                  |
| In Operation                                     |   |                  |
| Porto Estrela Hydroelectric Power Plant          | 33.33%  | 37               |
| Igarapava Hydroelectric Power Plant              | 14.50%  | 49               |
| Funil Hydroelectric Power Plant                  | 49.00%  | 160              |
| Under Construction                               |   |                  |
| Queimado Hydroelectric Power Plant               | 82.50%  | 170              |
| Aimores Hydroelectric Power Plant                | 49.00%  | 284              |
| Total Company                                    |   | 701              |
| Cemig Capim Branco S.A.                          |   |                  |
| Capim Branco Hydroelectric Power Plants I and II | 21.05%  | 15               |
| Total Consolidated                               |   | 717              |

The realization of Consortiums investments will occur simultaneously with depreciation on the Consortiums assets, under Property, Plant and Equipment, calculated on straight-line basis, according to rates established by ANEEL.

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### 14) PROPERTY, PLANT AND EQUIPMENT

|             | Consolidated                               |                   |
|-------------|--|-------------------|
|             | Annual average<br>depreciation<br>rate - % | June 30,<br>2003  |
|             |  | March 31,<br>2003 |
| In service  |  |                   |
| Generation- |  |                   |

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|   |      |             |             |
|---|------|-------------|-------------|
| Hydroelectric                             | 2.47 | 5,515,358   | 5,514,557   |
| Thermoelectric                            | 1.83 | 216,708     | 215,223     |
| Transmission                              | 3.08 | 1,089,967   | 1,029,931   |
| Distribution                              | 5.21 | 6,805,836   | 6,729,971   |
| Administration                            | 9.63 | 272,041     | 268,091     |
| Telecom                                   | 7.79 | 322,418     | 321,605     |
| Gas                                       | 5.96 | 64,309      | 62,215      |
|   |      | -----       | -----       |
|   |      | 14,286,637  | 14,142,015  |
| Accumulated depreciation and amortization |      |             |             |
| Generation                                |      | (2,200,447) | (2,166,849) |
| Transmission                              |      | (480,469)   | (472,454)   |
| Distribution                              |      | (2,777,471) | (2,714,350) |
| Administration                            |      | (146,426)   | (139,889)   |
| Telecom                                   |      | (35,082)    | (29,926)    |
| Gas                                       |      | (17,136)    | (13,580)    |
|   |      | -----       | -----       |
|   |      | (5,657,031) | (5,537,058) |
|   |      | -----       | -----       |
| Total in service                          |      | 8,629,606   | 8,604,957   |
|   |      | -----       | -----       |
| Construction in progress-                 |      |             |             |
| Generation                                |      | 354,525     | 277,937     |
| Transmission                              |      | 76,842      | 121,824     |
| Distribution                              |      | 419,438     | 439,330     |
| Administration                            |      | 37,731      | 38,076      |
| Telecom                                   |      | 22,438      | 18,827      |
| Gas                                       |      | 23,692      | 16,122      |
|   |      | -----       | -----       |
| Total construction in progress            |      | 934,666     | 912,116     |
|   |      | -----       | -----       |
|   |      | 9,564,272   | 9,517,073   |
|   |      | -----       | -----       |
| Special liabilities                       |      | (1,618,607) | (1,601,915) |
|   |      | -----       | -----       |
| Total                                     |      | 7,945,665   | 7,915,158   |
|   |      | =====       | =====       |

Special liabilities refers primarily to consumers' contributions to support construction necessary to meet energy supply orders. Our obligation to satisfy these Special liabilities depends on ANEEL's disposition at the end of the distribution concessions through reduction of residual value of Property, plant and equipment to define the value that the Federal Government will pay to concessionaires. According to accounting principles and electric energy sector legislation in force in Brazil, these amounts are not subject to updating, amortization or depreciation.

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|                                 | Consolidated     |                   |                 |
|---------------------------------|------------------|-------------------|-----------------|
|                                 | June 30,<br>2003 | March 31,<br>2003 | June 30<br>2003 |
| Short term                      |                  |                   |                 |
| Electricity supply              |                  |                   |                 |
| Eletrobras - Energy from Itaipu | 413,737          | 309,252           | 413,737         |
| Furnas                          | 44,004           | 139,650           | 44,004          |
| Wholesale Energy Market - MAE   | 532,072          | 457,875           | 532,072         |
| Transfer to Generators          | 79,645           | 71,157            | 79,645          |
| Other                           | 32,786           | 34,177            | 32,786          |
|                                 | -----            | -----             | -----           |
|                                 | 1,102,244        | 1,012,111         | 1,102,244       |
| Supplies and services           | 100,102          | 72,574            | 68,266          |
|                                 | -----            | -----             | -----           |
|                                 | 1,202,346        | 1,084,685         | 1,170,510       |
|                                 | =====            | =====             | =====           |
| Long term                       |                  |                   |                 |
| Electricity supply -            |                  |                   |                 |
| Transfer to Generators          | 333,974          | 354,758           | 333,974         |
|                                 | =====            | =====             | =====           |

The amounts to be paid for energy purchased on the spot market and System service charges - ESS from September 2000 to March 2003 were recorded based on information provided by MAE. The amounts related to the period from April 2003 to June 2003 were accrued based on Company estimates. In February and July 2003, the Company paid R\$335,482 and R\$372,545, respectively, as described in Note 8.

Eventual differences between CEMIG's estimates and the effective values and judicial claims currently in progress, filed by market agents, related to the interpretation of the market rules in force, may change the amounts recorded.

As of June 30, 2003, CEMIG had overdue amounts to be paid to Eletrobras, subject to exchange variation and monthly interest on 1%, relating to purchase of energy from Itaipu, in the amount of R\$236,414, of which R\$29,545 was paid in July 2003.

16) TAXES PAYABLE

|                         | Consolidated     |                   | Compa            |
|-------------------------|------------------|-------------------|------------------|
|                         | June 30,<br>2003 | March 31,<br>2003 | June 30,<br>2003 |
|                         | -----            | -----             | -----            |
| Short term              |                  |                   |                  |
| Income tax              | 84,670           | 66,548            | 83,958           |
| Social contribution tax | 38,961           | 23,839            | 37,025           |
| State VAT - ICMS        | 157,179          | 134,084           | 155,265          |
| COFINS - Tax on revenue | 32,091           | 25,995            | 31,300           |
| PASEP - Tax on revenue  | 13,594           | 12,694            | 13,185           |
| INSS - social security  | 8,799            | 8,768             | 8,510            |
| Other                   | 11,596           | 5,095             | 4,838            |
|                         | -----            | -----             | -----            |
|                         | 346,890          | 277,023           | 334,081          |

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|                         | =====   | =====   | =====   |
|-------------------------|---------|---------|---------|
| Long Term               |         |         |         |
| Income tax              | 185,899 | 195,333 | 185,899 |
| Social contribution tax | 66,924  | 70,320  | 66,924  |
| COFINS                  | 45,870  | 46,743  | 45,870  |
| PASEP                   | 18,492  | 18,609  | 18,492  |
|                         | -----   | -----   | -----   |
|                         | 317,185 | 331,005 | 317,185 |
|                         | =====   | =====   | =====   |

The federal taxes recorded under long-term liabilities refer to net deferred obligations on assets and liabilities in accordance with the General Agreement of Electricity Sector, which are due according to the realization of these assets and liabilities.

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17) LOANS, FINANCING AND DEBENTURES

Composition of the financing by currency and local currency by index is as follow:

|  | Consolidated     |                   |       |
|--|------------------|-------------------|-------|
|  | June 30,<br>2003 | March 31,<br>2003 |       |
|  | -----            | -----             | ----- |
| Currency -   |                  |                   |       |
| U.S. dollar  | 1,439,475        | 1,829,372         | 1     |
| EURO   | 66,597           | 34,247            |       |
| Unit of account (basket of currencies)                           | 39,185           | 41,509            |       |
|  | -----            | -----             | ----- |
|  | 1,545,257        | 1,905,128         | 1     |
| Indexes -  |                  |                   |       |
| Indice Geral de Precos - IGP-M (General Price Index)             | 1,107,713        | 1,177,289         | 1     |
| Indice Interno da Eletrobras - FINEL (Eletrobras Internal Index) | 146,478          | 151,196           |       |
| UFIR (Tax Reference Unit)  | 152,813          | 159,995           |       |
| SELIC (Brazilian benchmark interest rate)                        | 328,062          | 336,339           |       |
| Other  | 63,581           | 49,805            |       |
|  | -----            | -----             | ----- |
|  | 1,798,647        | 1,874,624         |       |
| Escrow accounts (1)  |                  |                   |       |
| Income based on CDI (Interbank certificate of deposit)           | (54,982)         | (59,156)          |       |
| Income based on U.S. dollar variation                            | (115,997)        | (104,914)         |       |
|  | -----            | -----             | ----- |
|  | (170,979)        | (164,070)         |       |
|  | -----            | -----             | ----- |
|  | 3,172,925        | 3,615,682         | 3     |
|  | =====            | =====             | ===== |

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(1) Refers to restricted use funds for payment of foreign currency-denominated financing, in compliance with Banco Central do Brasil - BACEN (Brazilian Central Bank) Resolution No. 2,515 of June 29, 1998.

The variations in the principal currencies and indexes used to restate the loans, financing and debentures are as follows:

| Currency                                  | Variation<br>From<br>April 1 to<br>June 30, 2003<br>% | Variation<br>From<br>January 1<br>to June<br>30, 2003<br>% | Indexes   |
|---|---|--|---|
| U.S. dollar                               | (14.35)   | (18.72)  | Indice Geral de Precos - IGP-M<br>(General Price Index)       |
| Euro                                      | (9.69)  | (10.54)  | Indice Interno da Eletrobras -<br>(Eletrobras Internal Index) |
| Unit of account (Basket of<br>currencies) | 1.70  | 2.23   | SELIC (Brazilian benchmark inte<br>rate)                      |

One of the Company's financing contracts, in the total amount of R\$413,159 as of June 30, 2003, of which R\$274,161 is classified under long-term liabilities and, contains certain financial covenants, with which we are not in compliance. Such noncompliance may cause the amounts due under the contract to become immediately due. In addition, the Company has financing contracts that contain cross-default clauses. The Company has obtained a waiver from a creditor that is party to two contracts containing debt covenants with respect to which the Company is not in compliance. The waiver affirms that such creditor will not exercise its rights to demand either accelerated or immediate payment of the total amounts due as of December 31, 2002, March 31, 2003 and June 30, 2003. The Company believes that such noncompliance with debt covenants was an unusual event, and that its operations for 2003 will allow the full compliance with all debt covenants. In order to avoid acceleration, the aforementioned waiver must be maintained in effect until the original terms of the contracts are fully met. Financing and debentures are

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classified as current and long-term liabilities according to the original contract terms, in compliance with the waiver obtained.

Infovias' financing from MBK Furukawa Sistemas S.A. / Unibanco, in the total amount of R\$91,632 as of May 31, 2003, of which R\$72,982 is classified under long-term liabilities, contains certain covenants that, in the event of noncompliance, may cause the amount due under the contract to become immediately due. Infovias has obtained a waiver from the creditors that are parties to this contract. The waiver affirms that such creditors will not exercise their rights to demand either accelerated or immediate payment of the total amount due. The waiver obtained must be renewed every quarter until the original terms of the restricted clauses are met. This financing is classified

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as short-term and long-term liabilities according to the original terms of the respective contracts, in compliance with the waiver obtained. CEMIG guarantees this contract and any payments made by CEMIG will be converted into preferred shares of Infovias.

### 18) RESERVE FOR CONTINGENCIES

CEMIG and its subsidiaries are party to certain legal proceedings in Brazil arising from the normal course of business and relating to tax, labor and civil and other issues.

The Company believes that any loss in excess of the amounts provided for, in respect of such contingencies, will not have a material adverse effect on the Company's results of operations or financial position.

For those contingencies for which an adverse outcome has been deemed probable, the Company has recognized reserves for losses, as follows:

|                            | Consolidated and Company |                   |
|----------------------------|--------------------------|-------------------|
|                            | June 30,<br>2003         | March 31,<br>2003 |
| Labor claims               | 81,772                   | 76,620            |
| Civil lawsuits - Consumers | 95,000                   | 91,533            |
| Social contribution tax    | 102,797                  | 96,495            |
| Finsocial (tax on revenue) | 19,726                   | 19,558            |
| Civil lawsuits - Others    | 30,289                   | 27,929            |
| Other                      | 27,831                   | 21,836            |
|                            | 357,415                  | 333,971           |

Certain details relating to such reserves are as follows:

#### (a) Labor claims

The labor claims relate principally to overtime and hazardous occupation compensation. The total exposure for those matters is estimated to be R\$102,215 as of June 30, 2003 (R\$95,776 as of March 31, 2003). The Company recorded in the first semester of 2003 a provision in the amount of R\$12,066 (R\$6,144 in the first semester of 2002). CEMIG determines the amounts to be reserved based on the nature of the group of claims and the most recent court decisions.

#### (b) Civil lawsuits - Consumers

A number of industrial consumers have brought legal action against the Company seeking refunds of amounts paid to CEMIG as a result of a rate increase that became effective during the Brazilian government's economic stabilization "Cruzado Plan" in 1986, alleging that such increases violated the price controls instituted as part of that plan. CEMIG determines the amounts to be reserved based on the amount billed subject to consumers' claims and recent court decisions.

The total estimated exposure to the Company for those claims, fully provided for, was R\$95,000 as of June 30, 2003 (R\$91,533 as of March 31, 2003). The amount is fully provided for.



(c) Social contribution tax

The Company is deducting the amounts of depreciation, amortization and write-off of the supplementary monetary restatement of property, plant and equipment, for purposes of computation of social contribution tax. The Company estimates that its potential exposure in this matter is approximately R\$102,797, as of June 30, 2003 (R\$96,495 as of March 31, 2003). The amount is fully provisioned.

(d) Finsocial

In 1994, CEMIG was fined by the Brazilian federal tax authorities due to the exclusion of State VAT from the Finsocial calculation, a tax on billing extinguished in 1992. The Company that its potential exposure in this matter is approximately R\$19,726 as of June 30, 2003 (R\$19,558 as of March 31, 2003). The amount is fully provisioned.

(e) Other

Other reserves are related to a number of lawsuits involving the Federal Government, pursuant to which the Company is disputing the constitutionality of certain federal taxes that have been assessed against it and other general claims arising from the ordinary course of business.

(f) Legal proceedings in which a favorable outcome is probable

CEMIG has other relevant legal proceedings with respect to which the Company considers that a favorable outcome is probable. Certain details relating to such matters are as follows:

(i) Litigation involving FORLUZ

The Company is defending, together with FORLUZ, a claim brought by its employees' labor union ("Sindieletro") contesting the suspension of increases in the Company's required contribution to the pension fund pursuant to periodic monetary restatements. The total amount sought in this claim is R\$656,484. No reserve has been recorded for this claim, since the Company believes that it has a meritorious defense to such claim and, consequently, does not expect to incur losses related thereto.

Sindieletro is contesting FORLUZ for changing the pension fund's contribution adjustment index from IGP-DI to IPCA of IPEAD (consumer price index calculated by Minas Gerais Accounting Management and Economic Research Institute of Minas Gerais Federal University). The total amount sought in this claim is R\$286,028. Considering that FORLUZ has a meritorious defense to such claim, no reserve has been recorded for this potential claim.

(ii) Income and social contribution taxes on post retirement benefits

On October 11, 2001, the Brazilian Federal Tax Authorities (Secretaria da Receita Federal) issued an assessment notice, in the amount of R\$237,494, arising from the utilization of tax credits that resulted from the amendment of the Company's 1997, 1998, 1999 and 2000 tax returns. The tax returns were amended as a result of a change in

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accounting method for recording post-retirement benefit liabilities. The additional liability that resulted from the accounting change was attributed to the tax year that was amended, resulting in net operating tax loss and social contribution negative basis carryforwards. No reserve has been recorded as a result of this notice, since the Company believes that the procedures which generated the tax credits are legally sound.

The tax credits mentioned in the preceding paragraph were offset against federal taxes paid in 2001 and 2002. Due to this offset, CEMIG was exposed to additional penalties in the amount of R\$184,881. No reserve for contingencies has been made to cover any liabilities that may result from the tax assessment, since CEMIG believes that it has solid legal grounds, which support the procedures adopted.

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### (iii) COFINS

The Company began contesting the payment of COFINS (tax on revenue) in 1992. As a result of an unfavorable court ruling, the Company paid R\$239,266 of COFINS tax on July 30, 1999. The Federal Government is claiming that the Company owes approximately R\$141,675 in additional fines and interest relating to the non-payment of COFINS. The Company is contesting such claims. No reserve has been recorded for this claim, since the Company believes that it has a meritorious defense against such claim and, consequently, does not expect to incur losses related thereto.

### (iv) Regulatory agency acts

ANEEL has a regulatory proceeding pending against CEMIG claiming that CEMIG owes the Federal Government R\$200,033 due to a miscalculation of credits in the amount of the cumulative rate deficit (CRC) applied to reduce amounts owed to the Federal Government. On October 31, 2002, ANEEL issued a final decision against the Company. The Company believes that it has a meritorious judicial defense against such claim and has therefore recorded no reserve in respect thereto.

### (v) Settlement of MAE obligations

In December 2002, CEMIG filed a lawsuit against ANEEL and MAE contesting the amounts charged during the settlement process carried out by the MAE in December 2002 and January 2003. This process was intended to settle the outstanding amounts that the Company and other electric concessionaires owed to MAE in connection with spot market energy purchases as from September 2000.

As a result of the lawsuit filed, CEMIG did not settle its outstanding MAE obligations at the date determined by MAE. The Company has filed an additional lawsuit to prevent the imposition of a fine relating to the non-compliance with the MAE determination. Such fine, if imposed, would amount to approximately R\$4,048. The Company expects to be successful in this lawsuit and, accordingly, no provision has been recorded for this contingency.

### (vi) Civil lawsuits - Consumers

Various consumers have brought civil claims against CEMIG contesting rate adjustments applied in prior years, including rate subsidies granted to low-income consumers and the Special rate adjustment. It is

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not possible at the present time to estimate the amounts involved in these claims. The Company believes that it has a meritorious defense and, therefore, no provision has been recorded to such claims.

The Company is a defendant in five lawsuits contesting the Emergency capacity charge. The Company collects the Emergency capacity charge from its customers on behalf of Comercializadora Brasileira de Energia Eletrica - CBEE, a Federal Government agency set up to supply energy to utilities in the event of future shortages. It is not possible at the present time to estimate the amounts involved in these claims. No accrual has been recorded for these claims since the Company believes that it has a meritorious defense.

The Company is a defendant, with CVRD, Comercial e Agricola Paineiras and Companhia Mineira de Metais, in a class action lawsuit, brought by the citizens of the State Minas Gerais. This lawsuit seeks to nullify the environmental licenses relating to the Capim Branco I and Capim Branco II hydroelectric power plants. The Company believes that it has a meritorious defense to this lawsuit.

The Company is also a defendant together with CVRD, in a class action lawsuit, brought by the citizens of the State of Minas Gerais. This lawsuit seeks to nullify the environmental license relating to Aimores hydroelectric power plant as well as the related concession. Management believes that it has a meritorious defense to this lawsuit.

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In addition to the matters described above, CEMIG and its subsidiaries are involved as a plaintiff or defendant in a variety of routine litigation arising from the normal course of business. Management believes that it has an adequate defense in respect of such litigation and that any losses therefrom would not have a material adverse effect on the consolidated financial position and results of operations of the Company.

### 19) EMPLOYEE POST-RETIREMENT BENEFITS

Since 1973, the Company has been the sponsor of Fundacao Forluminas de Seguridade Social - FORLUZ, a non-profit entity with the purpose of providing its associates, participants and their dependants with additional income to supplement the government pension, in accordance with the pension plan to which they are linked.

FORLUZ offers its associates the following supplementary pension plans:

Mixed Benefit Plan - A defined contribution plan for normal retirement and a defined benefit plan for coverage of active participant's disability and death. The Company's contribution is equivalent to the associate's monthly basic contributions and is the only plan available for new participants.

Settled Benefit Plan - Includes all retired participants who opted for this plan and the balances, at the option date, of active participants who opted for migrating from the Defined Benefit Plan to the above-mentioned Mixed Benefit Plan.

Defined Benefit Plan - Benefit plan adopted by FORLUZ up to 1998, in which the Federal Government Social Security benefit is supplemented in relation to the actual average salary of the employee's final years of service in the Company.

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In addition to the pension plans provided by FORLUZ, the Company also pays part of the life insurance premium for its retirees and of the health care plan for employees, retirees and their dependants. These plans are also managed by FORLUZ.

The changes in net post-retirement liabilities are as follows:

|  | Pension plan and<br>supplementation of<br>retirement<br>----- | Health care<br>----- | Lif<br>----- |
|--|---|----------------------|--------------|
| Net liabilities as of March 31, 2003               | 1,327,581   | 200,390              |              |
| Net periodic cost recorded in the income statement | 2,418   | 6,383                |              |
| Contributions paid                                 | (14,955)  | (4,113)              |              |
|  | -----   | -----                |              |
| Net liabilities as of June 30, 2003                | 1,315,044<br>=====  | 202,660<br>=====     |              |

Part of the deficit in FORLUZ's actuarial reserves in the amount of R\$1,601,007 as of June 30, 2003 (R\$1,537,044 as of March 31, 2003) was recognized as obligations payable by the Company. These obligations are being amortized through monthly installments, through June 2024, calculated under the fixed-installment system ("Price Table"), subject to annual restatement in accordance with the salary correction index for the Company's employees (not including productivity) included in the defined benefit plan and subject to IPCA - IPEAD for other plans, plus 6% per year.

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### 20) SHAREHOLDERS' EQUITY

The change in shareholders' equity is as follows:

|  |                    |
|--|--------------------|
| Balance as of March 31, 2003                   | 5,832,690          |
| Net Income for the quarter ended June 30, 2003 | 383,769            |
|  | -----              |
| Balance as of June 30, 2003                    | 6,216,459<br>===== |

In September 1999, the State of Minas Gerais filed a lawsuit seeking to nullify the shareholders' agreement signed in 1997 with Southern Electric Brasil Participacoes Ltda. On August 7, 2001, the Minas Gerais State Court of Appeals upheld the March 2000 lower court ruling declaring the shareholders' agreement null and void. Southern Electric Brasil Participacoes Ltda. appealed the decision which was rejected by the Minas Gerais State Court of Appeals on October 9, 2001. Southern Electric Brasil Participacoes Ltda. has appealed the Court's latest decision.

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21) ELECTRICITY SALES

The composition of electricity sales to final customers is as follows:

|                                 | Consolidated                  |           |                              |            |
|---------------------------------|-------------------------------|-----------|------------------------------|------------|
|                                 | (Not reviewed by accountants) |           |                              |            |
|                                 | No of consumers               |           | MWh                          |            |
|                                 | Six months ended<br>June 30,  |           | Six months ended<br>June 30, |            |
|                                 | 2003                          | 2002      | 2003                         | 2002       |
| Residential                     | 4,663,858                     | 4,559,274 | 3,315,583                    | 3,123,939  |
| Industrial                      | 68,477                        | 68,110    | 10,713,332                   | 10,794,168 |
| Commercial                      | 518,266                       | 509,599   | 1,722,015                    | 1,641,481  |
| Rural                           | 351,753                       | 329,619   | 758,441                      | 713,061    |
| Public authorities              | 44,233                        | 42,567    | 249,323                      | 216,945    |
| Public lighting                 | 2,153                         | 2,733     | 497,480                      | 412,464    |
| Public services                 | 6,897                         | 6,658     | 480,218                      | 466,709    |
| Own consumption                 | 1,337                         | 1,364     | 27,443                       | 24,425     |
| Unbilled, net                   | -                             | -         | -                            | -          |
|                                 | 5,656,974                     | 5,519,924 | 17,763,835                   | 17,393,192 |
| Supply to other concessionaries | 4                             | 4         | 103,411                      | 158,412    |
| MAE transactions                | -                             | -         | -                            | -          |
| Total                           | 5,656,978                     | 5,519,928 | 17,867,246                   | 17,551,604 |

|                    | Company                       |           |                              |            |
|--------------------|-------------------------------|-----------|------------------------------|------------|
|                    | (Not reviewed by accountants) |           |                              |            |
|                    | No of consumers               |           | MWh                          |            |
|                    | Six months ended<br>June 30,  |           | Six months ended<br>June 30, |            |
|                    | 2003                          | 2002      | 2003                         | 2002       |
| Residential        | 4,663,858                     | 4,559,274 | 3,315,583                    | 3,123,939  |
| Industrial         | 68,471                        | 68,108    | 10,351,732                   | 10,379,266 |
| Commercial         | 518,266                       | 509,599   | 1,722,015                    | 1,641,481  |
| Rural              | 351,753                       | 329,619   | 758,441                      | 713,061    |
| Public authorities | 44,233                        | 42,567    | 249,323                      | 216,945    |
| Public lighting    | 2,153                         | 2,733     | 497,480                      | 412,464    |
| Public services    | 6,897                         | 6,658     | 480,218                      | 466,709    |
| Own consumption    | 1,337                         | 1,364     | 27,443                       | 24,425     |
| Unbilled, net      | -                             | -         | -                            | -          |

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|                                 | -----     | -----     | -----      | -----      |
|---------------------------------|-----------|-----------|------------|------------|
| Supply to other concessionaries | 5,656,968 | 5,519,922 | 17,402,235 | 16,978,290 |
| MAE transactions                | 4         | 4         | 103,411    | 158,412    |
|                                 | -         | -         | -          | -          |
| Total                           | 5,656,972 | 5,519,926 | 17,505,646 | 17,136,702 |
|                                 | =====     | =====     | =====      | =====      |

22) OTHER OPERATING REVENUES

|                                   | Consolidated     |         | Comp     |
|-----------------------------------|------------------|---------|----------|
|                                   | Six months ended |         | Six mont |
|                                   | June 30,         |         | June     |
|                                   | 2003             | 2002    | 2003     |
|                                   | -----            | -----   | -----    |
| Use of basic transmission network | 122,940          | 79,756  | 122,940  |
| Gas sales                         | 114,799          | 63,071  | -        |
| Fuel consumption quota            | 4,358            | 16,102  | 4,358    |
| Regulated services                | 3,561            | 3,560   | 3,561    |
| Electricity services              | 8,802            | 7,842   | 8,749    |
| Telecom and cable TV services     | 16,341           | 2,728   | -        |
| Rent and leasing                  | 9,669            | 8,997   | 9,669    |
| Other                             | 982              | 948     | 982      |
|                                   | -----            | -----   | -----    |
|                                   | 281,452          | 183,004 | 150,259  |
|                                   | =====            | =====   | =====    |

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23) DEDUCTIONS FROM OPERATING REVENUES

|  | Consolidated     |         | C     |
|--|------------------|---------|-------|
|  | Six months ended |         | Six m |
|  | June 30,         |         | J     |
|  | 2003             | 2002    | 2003  |
|  | -----            | -----   | ----- |
| State VAT - ICMS on sales to final consumers | 704,129          | 542,058 | 680,1 |
| COFINS - Tax on revenue                      | 107,404          | 88,568  | 103,2 |
| Global reserve for reversion quota - RGR     | 71,352           | 64,659  | 70,8  |
| PASEP - Tax on revenue                       | 58,512           | 19,190  | 56,3  |
| Emergency capacity charge                    | 139,228          | 41,237  | 137,4 |

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|       |           |         |         |
|-------|-----------|---------|---------|
| Other | 746       | 191     | 1       |
|       | -----     | -----   | -----   |
|       | 1,081,371 | 755,903 | 1,048,2 |
|       | =====     | =====   | =====   |

CEMIG collected, in the first semester of 2003, retroactive amounts related to the Emergency capacity charge for the period from July 2, 2002 to October 10, 2002, in the amount of R\$46,468, due to a class action injunction which did not allow the amounts to be collected in the prior year.

CEMIG pays the State VAT on the Special rate adjustment according to collection of the amounts in power bills.

24) ELECTRICITY PURCHASED FOR RESALE

|                                    | Consolidated and Company     |         |
|------------------------------------|------------------------------|---------|
|                                    | Six months ended<br>June 30, |         |
|                                    | 2003                         | 2002    |
|                                    | -----                        | -----   |
| Itaipu Binacional (through FURNAS) | 558,225                      | 475,033 |
| Energy traded on spot market - MAE | 39,428                       | 109,966 |
| Initial contracts                  | 69,325                       | 74,509  |
| Other                              | 13,360                       | 2,729   |
|                                    | -----                        | -----   |
|                                    | 680,338                      | 662,237 |
|                                    | =====                        | =====   |

In 2003, the electricity volume purchased by the Company through initial contracts was reduced by 25%, in accordance with the timetable for deregulation of the electric energy sector, that establishes an annual reduction of electricity volume purchased through initial contracts from 2003 and 2006.

The electricity acquired from ITAIPU is denominated in US dollars and the prices are defined by ANEEL.

25) OPERATING PROVISIONS

|  | Consolidated                 |         |
|--|------------------------------|---------|
|  | Six months ended<br>June 30, |         |
|  | 2003                         | 2002    |
|  | -----                        | -----   |
| Allowance for doubtful accounts  | 31,160                       | (3,162) |
| Provision for losses on the realization of the Special rate adjustment | 20,965                       | -       |
| Labor claims   | 12,066                       | 6,144   |
| Judicial claims - class actions  | 13,404                       | 3,847   |

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|       |        |       |
|-------|--------|-------|
| Other | 2,618  | 1,590 |
|       | -----  | ----- |
|       | 80,213 | 8,419 |
|       | =====  | ===== |

The reversal of the Allowance for doubtful accounts in the previous period was due from the collection of overdue credits of industrial consumer that were reserved.

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26) ENERGY DEVELOPMENT ACCOUNT

The Energy Development Account - CDE was created by Law No. 10,438/02 to foster energy development of States and the competitiveness of energy produced through wind farms, PCHs (small hydroelectric power plants), biomass, natural gas and coal. The amounts to be paid by CEMIG were defined by ANEEL Resolution No. 42 as of January 31, 2003.

27) OTHER EXPENSES

|  | Consolidated                 |        | Com            |
|--|------------------------------|--------|----------------|
|  | Six months ended<br>June 30, |        | Six mon<br>Jun |
|  | 2003                         | 2002   | 2003           |
|  | -----                        | -----  | -----          |
| Fuel consumption quota                   | 4,286                        | 16,104 | 4,286          |
| Rentals and leasing                      | 8,517                        | 7,566  | 7,929          |
| Grants and donations                     | 5,712                        | 6,938  | 5,712          |
| Advertising                              | 3,600                        | 10,619 | 3,371          |
| ANEEL inspection fee                     | 6,736                        | 5,772  | 6,656          |
| Own consumption - Electric energy        | 6,043                        | 5,509  | 5,215          |
| MAE contribution                         | 1,730                        | 3,775  | 1,730          |
| Energetic efficiency expenses            | 6,472                        | 4,556  | 6,310          |
| Other taxes (real estate, vehicle, etc.) | 8,202                        | 2,871  | 6,669          |
| General expenses                         | 21,651                       | 11,549 | 18,253         |
|  | -----                        | -----  | -----          |
|  | 72,949                       | 75,259 | 66,131         |
|  | =====                        | =====  | =====          |

The fuel costs incurred for the purpose of electricity generation are reimbursed by Centrais Eletricas Brasileiras S.A. - ELETROBRAS and are recorded as other operating revenues.

28) FINANCIAL INCOME (EXPENSES)

| Consolidated                 |
|------------------------------|
| Six months ended<br>June 30, |
| -----                        |



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|  | 2003      | 2002      |
|--|-----------|-----------|
| Financial income:  |           |           |
| Investment income earned   | 14,953    | 95,095    |
| Late charges on past-due electricity bills   | 25,715    | 19,037    |
| Interest and monetary restatement on receivable from Minas Gerais State Government | 82,011    | 97,326    |
| Monetary restatement on special rate adjustment                                    | 146,415   | 137,546   |
| Monetary restatement of CVA  | 52,122    | 6,031     |
| Monetary restatement - Distributors - Energy supply                                | 24,738    | 8,803     |
| Foreign exchange gains   | 355,845   | 29,441    |
| Taxes on financial income (PASEP and COFINS)                                       | (38,682)  | (14,398)  |
| Other  | 3,415     | 1,421     |
|  | 666,532   | 380,302   |
|  | 666,532   | 380,302   |
| Financial expenses:  |           |           |
| Interest on loans and financing  | (150,463) | (123,673) |
| Monetary restatement - Electricity supply  | (25,819)  | (34,835)  |
| Monetary restatement of CVA  | (11,078)  | -         |
| Foreign exchange losses  | (14,654)  | (344,439) |
| Monetary restatement on loans and financing  | (32,110)  | (16,060)  |
| Financial transaction tax ("CPMF")   | (16,044)  | (12,128)  |
| Reversion (Provision) for valuation of marketable securities                       | 45,543    | (20,828)  |
| Interest on capital  | -         | (120,000) |
| Other  | (30,792)  | (15,169)  |
|  | (235,417) | (687,132) |
|  | (235,417) | (687,132) |
|  | 431,115   | (306,830) |
|  | 431,115   | (306,830) |

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Financial charges and inflationary/exchange effects on financing of construction in progress during the first semester of 2003, in the amounts of R\$38,031 and R\$38,654, respectively, were transferred to Property, plant and equipment, and Investments (R\$11,557 of financial charges and R\$14,441 of inflationary/exchange effects during the first semester of 2002).

The interest and monetary variation on the above mentioned Receivables from Minas Gerais State Government are related, primarily, to the Third Amendment signed with the Minas Gerais State Government, considering that a full provision for losses has been recorded on the Second Amendment. More information in Note 9.

29) PRINCIPAL TRANSACTIONS WITH RELATED PARTIES

|                | June 30, 2003                       |
|----------------|-------------------------------------|
|                | Minas Gerais<br>State<br>Government |
|                | FORLUZ                              |
| ASSETS         |                                     |
| Current assets |                                     |

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|  |         |           |
|--|---------|-----------|
| Accounts receivable  | 33,464  | -         |
| Recoverable taxes  |         |           |
| State VAT - ICMS   | 23,268  | -         |
| Other  |         |           |
| Advances for welfare benefits  | -       | 14,916    |
| Noncurrent assets  |         |           |
| Receivable from Minas Gerais State Government                          | 836,971 | -         |
| Recoverable taxes  |         |           |
| State VAT- ICMS  | 88,171  | -         |
| State VAT - ICMS - Under discussion with Minas Gerais State Government | 18,843  | -         |
| Accounts receivable  | 49,167  | -         |
| LIABILITIES  |         |           |
| Short term liabilities   |         |           |
| Taxes payable-   |         |           |
| State VAT - ICMS   | 155,265 | -         |
| Dividends and interest on capital                                      | 50,418  | -         |
| Employee post-retirement benefits                                      | -       | 244,257   |
| Other  |         |           |
| Transfer of contributions  | -       | 26,161    |
| Long-term liabilities  |         |           |
| Debentures   | 27,010  | -         |
| Employee post-retirement benefits                                      | -       | 1,533,142 |

Six months ended  
June 30, 2003

|  |           |          |
|--|-----------|----------|
| INCOME STATEMENT   |           |          |
| Electricity sales to final customers   | 15,231    | -        |
| Deductions from operating revenues - State VAT - ICMS                              | (680,184) | -        |
| Employee post-retirement benefits  | -         | (23,753) |
| Personnel expenses   | -         | (16,606) |
| Financial income-  |           |          |
| Interest and monetary restatement on receivable from Minas Gerais State Government | 185,331   | -        |
| Provision for losses on account receivable from Minas Gerais State Government      | (103,320) | -        |
| Financial expenses-  |           |          |
| Monetary restatement of debentures   | (1,503)   | -        |
| Non-operating expenses-  |           |          |
| Provision for losses on account receivable from Minas Gerais State Government      | -         | -        |
| FORLUZ - management expenses   | -         | (3,123)  |

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The account receivable from Minas Gerais State Government, in the amount of R\$82,630 as of June 30, 2003, which includes accounts receivable from COPASA, are overdue. Management does not expect losses on the realization of this asset.

30) FINANCIAL INSTRUMENTS

The financial instruments used by CEMIG, all recorded on its financial

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statements, are: Cash and cash equivalents, Accounts receivable, Receivable from Minas Gerais State Government, Marketable securities and loans, financing and debentures, and gains and losses from the transactions are fully recorded.

These instruments are managed through monitoring policies and operational strategies focused on liquidity, profitability and safety. The Company operates with banks which meet financial strength and trustworthiness guidelines, according to pre-defined management criteria. The Company's control policy includes continually comparing rates with market levels.

As of June 30, 2003, CEMIG and its subsidiaries have short term investments with interest rate swap, in the amount of R\$5,840 and R\$14,286. These short term investments have repurchase clauses and interest rate based on the CDI (Interbank Certificate Rate). The Company and its subsidiaries have the right to call for early redemption of these securities without penalty or loss.

### a) Derivatives

The Company has derivative financial instruments in order to protect its operations from exchange rate risk. The derivative financial instruments are not used for speculative purposes. CEMIG's subsidiaries have no derivative financial instruments as of June 30, 2003 and March 31, 2003.

As of June 30, 2003, the Company has derivative financial instruments ("swaps") with financial institutions, in connection with potential exchange losses resulting from the devaluation of the Brazilian real compared to U.S. Dollar, in the amount equivalent to US\$98,701 thousand. The Company did not have swaps in amounts considered significant as of March 31, 2003.

The principal amounts of the derivative financial instruments are not recorded in the balance sheet. The net unrealized losses from these operations, in the amount of R\$17,747, were recorded as a credit to Other - Short term liabilities, in counterpart of a debt to Financial expenses - Investments earned.

The unrealized gains (losses) from derivative financial instruments are recorded on an accrual basis, which may result in significant differences when compared to the estimated market value of such instruments, due to the fact that the market value represents the present value of future gains and losses incurred in these operations.

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The table below presents the Company's derivative financial instruments, the gains (losses) recorded and the respective estimated market value of these instruments as of June 30, 2003:

|                         |                              |                 | Principal Value Contracted US\$ thousand |
|-------------------------|------------------------------|-----------------|--|
| CEMIG's rights<br>----- | CEMIG's obligations<br>----- | Length<br>----- |  |

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|   |  |                               |                                    |
|---|--|-------------------------------|------------------------------------|
| US\$<br>Plus interest rate<br>(1,0% 14,2% per year) | R\$<br>Indexed to CDI variation<br>(100% CDI)                          | From 07/2003<br>to<br>12/2003 | 57,708                             |
| US\$  | R\$<br>Indexed to pre-fixed interest rates<br>(3.7% to 26.6% per year) | From<br>07/2003 to<br>11/2003 | 40,993<br>-----<br>98,701<br>===== |

b) The Company has Brazilian National Treasury Notes acquired from the Minas Gerais State Government, with final maturity on April 15, 2024, subject to restatement based on the U.S. dollar exchange variation and interest on the restated face value of 6.00% per year (from April 15, 2000 to maturity).

|                        |         |
|------------------------|---------|
| June 30, 2003<br>----- |         |
| Face value             | 173,645 |
| Market value           | 74,691  |

These securities are recorded at market value, determined based on a quotation from ANDIMA (National Association of Open Market Institutions). This asset is recorded under Marketable securities in noncurrent assets.

### 31) CORPORATE REORGANIZATION

Currently, CEMIG's electricity generation, transmission and distribution operations are vertically integrated into and directly operated by CEMIG. However, pursuant to CEMIG's principal concession agreements and in accordance with certain changes in the regulatory framework of the Brazilian electricity sector, CEMIG has to restructure its business, resulting in the "unbundling" of its generation, transmission and distribution operations into separate subsidiaries, each wholly owned by CEMIG. According to the concession agreements, CEMIG was to have completed the reorganization process by December 31, 2000.

ANEEL later granted the Company an extension to September 21, 2002 to complete the unbundling process.

The Minas Gerais State Government, the major shareholder, considering that the "unbundling" must be approved in advance by the State Legislature, submitted to the Legislature, on March 2, 2001, a bill proposing the restructuring of the Company into three companies, but as this legislation has not yet been adopted, the reorganization process has not yet been completed. Additionally, The Company has submitted an extension request to ANEEL, which has not yet been answered.

On November 11, 2002, ANEEL fined the Company the amount of R\$6,046, because CEMIG had not concluded the "unbundling". No accrual has been recorded for this claim, as the Company believes it has a meritorious defense against the fine and any other possible penalties that may be imposed regarding this matter.

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### 32) SUBSEQUENT EVENTS

a) Financing obtained from BNDES for settlement of MAE transactions:

On July 1, 2003, CEMIG obtained financing from BNDES, in the amount of R\$176,483, for settlement of obligations arising from MAE transactions during the period which the Electricity Rationing Plan was in force. The financing will be paid through 55 monthly installments as from August 15, 2003. It bears interest of 1% per year and monetary variation based on SELIC and it is guaranteed by 1.36% of the Company's monthly electricity sales to final customers.

b) Settlement of obligations pursuant to the Energy Development Account

The obligations pursuant to the Energy Development Account, in the amount of R\$84,055, from January to June 2003, recorded under Regulatory charges in Short term liabilities, were entirely settled by the Company in July 2003. Part of the funds used in this settlement were obtained from the collection of Receivables from Federal Government - Revenue losses from low income consumers as described in Note 12.

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### 33) STATEMENTS OF CASH FLOWS

The individual (Company) and consolidated statements of cash flows for the six-month periods ended June 30, 2003 and 2002 are presented for additional analysis and are not required as part of the basic interim financial statements.

|  | Consolidated                        |           |
|--|-------------------------------------|-----------|
|  | Six month periods<br>ended June 30, |           |
|  | 2003                                | 2002      |
| <b>CASH FLOWS FROM OPERATIONS:</b>   |                                     |           |
| Net income (loss) for the period   | 535,463                             | (894,796) |
| Items not affecting cash -   |                                     |           |
| Depreciation and amortization  | 280,999                             | 270,843   |
| Special rate adjustment  | -                                   | (261,425) |
| Purchased energy from MAE - Suppliers  | (21,318)                            | (32,272)  |
| Energy purchased on spot market  | -                                   | 42,986    |
| Disposals of property, plant and equipment, net                                  | 21,385                              | 11,208    |
| Equity in subsidiaries   | -                                   | -         |
| Interest and monetary variations, net  | (451,122)                           | 51,965    |
| Deferred income and social contribution taxes                                    | 87,348                              | (99,404)  |
| Provisions for operating losses  | 48,951                              | 19,845    |
| Provision for losses on account receivable<br>from Minas Gerais State Government | -                                   | 1,045,325 |
| Employee post-retirement benefits  | 23,753                              | 108,499   |
| Other  | (733)                               | (9,773)   |
|  | -----                               | -----     |

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|  |           |           |
|--|-----------|-----------|
|  | 524,726   | 253,001   |
|  | -----     | -----     |
| (Increase) Decrease in assets -  |           |           |
| Accounts receivable  | (194,886) | (216,267) |
| Consumers - Special rate adjustment  | 124,941   | 120,426   |
| Recoverable taxes  | (62,888)  | (35,216)  |
| Receivables from Federal Government - revenue losses<br>from low-income consumers  | (44,283)  | -         |
| Electricity Rationing Plan - Bonus paid to consumers<br>and adoption costs incurred in excess of surcharge<br>applied to consumers | -         | (87,565)  |
| Prepaid expenses - CVA   | 19,534    | (47,921)  |
| Judicial deposits  | -         | (48,801)  |
| Other noncurrent assets  | 61,551    | (44,667)  |
|  | -----     | -----     |
|  | (96,031)  | (360,011) |
|  | -----     | -----     |
| Increase (Decrease) in liabilities -   |           |           |
| Suppliers  | (90,800)  | 109,467   |
| Taxes payable  | 288,530   | 194,063   |
| Payroll and related charges  | 9,832     | 1,866     |
| Regulatory charges   | 44,667    | (2,461)   |
| Loans and financing  | (97,524)  | 128,720   |
| Employee post-retirement benefits  | (83,834)  | (68,500)  |
| Other  | 56,987    | (23,142)  |
|  | -----     | -----     |
|  | 127,858   | 340,013   |
|  | -----     | -----     |
| CASH PROVIDED BY OPERATING ACTIVITIES  | 556,553   | 233,003   |
|  | -----     | -----     |

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|                                     | Consolidated                        |           |
|-------------------------------------|-------------------------------------|-----------|
|                                     | Six month periods<br>ended June 30, |           |
|                                     | 2003                                | 2002      |
|                                     | -----                               | -----     |
| CASH FLOWS FROM FINANCING ACTIVITY  |                                     |           |
| Proceeds from long-term financing   | 407,358                             | 147,512   |
| Payments of loans and financing     | (335,732)                           | (227,257) |
| Special liabilities                 | 33,176                              | 67,410    |
| Advanced billings of electric power | -                                   | (30,370)  |
| Advance for future capital increase | -                                   | 11,526    |
| Dividends and interest on capital   | 128                                 | (367)     |
|                                     | -----                               | -----     |
|                                     | 104,930                             | (31,546)  |
|                                     | -----                               | -----     |
| TOTAL CASH PROVIDED                 | 661,483                             | 201,457   |

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|  |           |           |
|--|-----------|-----------|
| CASH USED IN INVESTING ACTIVITIES                |           |           |
| Additions to investments                         | (128,018) | (187,629) |
| Increase in property, plant and equipment        | (381,794) | (285,099) |
| Increase in deferred charges                     | (285)     | (10,260)  |
|  | (510,097) | (482,988) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 151,386   | (281,531) |
| CHANGES IN CASH AND CASH EQUIVALENTS             |           |           |
| At beginning of the period                       | 122,975   | 705,844   |
| At end of the period                             | 274,361   | 424,313   |
|  | 151,386   | (281,531) |

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Item 4

(Convenience Translation into English from the Original Previously Issued in Portuguese)

COMPANHIA ENERGETICA DE MINAS GERAIS -- CEMIG

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS:  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2003 COMPARED TO THE SIX-MONTH PERIOD  
ENDED JUNE 30, 2002

(Amounts expressed in thousands of Brazilian reais, unless otherwise indicated)

Net Income (loss)

The Company and its subsidiaries ("the CEMIG Group") had 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 first six months of 2003, consolidated income was positively impacted mainly due to an increase in electricity sales and in financial income arising from appreciation the Brazilian real against the U.S. dollar. In the same period of 2002, the result was negatively impacted due primarily to 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.

Electricity sales

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 June 30, 2002, an increase of 28.95%. This result was due primarily to:

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

### Electricity sales to final customers

-----

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

The increase in gross electricity sales was additionally impacted by Emergency capacity charge collected in power bills of R\$139,228 in the six-month period ended June 30, 2003 compared to R\$41,237 in the six-month period ended June 30, 2002 (this charge started being collected in March 2002). The significant change between these 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 these amounts to be collected in the such period.

Volume of electricity sold to final consumers - GWh

[GRAPHIC OMITTED]

### Electricity supply to other concessionaires

-----

The revenues arising from the electricity supply to other concessionaires were R\$29,747 in the six-month period ended in June 30, 2003 compared to R\$49,372 in the six-month period ended in June 30, 2002, a decrease of 39.75%. This decrease is primarily a result of higher revenues from energy traded in the spot market ("MAE") in the prior period, due to the Electricity Rationing Plan in force in January and February of 2002.

### Special rate adjustment revenue

-----

In accordance with the General Agreement of the Electricity Sector, CEMIG recorded in the six-month period ended in June 30, 2002 revenue for the special rate adjustment for billing losses and a portion of expenses for energy traded on the MAE, arising from the Electricity Rationing Plan, in the amount of R\$261,425. The amounts recorded as Special rate adjustment revenue are being collected by CEMIG through an additional rate increase in force for a maximum period of 82 months, since January 2002.

### Operating expenses



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The 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%, due primarily to a 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

-----

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 primarily to an increase in salaries of 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

-----

Electricity purchased for resale was 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,

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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 were due to the significant higher rates presented during that period, principally in January and February, months in which the Electricity Rationing Plan was in force.

### Depreciation and amortization

-----

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 primarily to the launch of additional distribution network and lines.

### Outside services

-----

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 equipment.

### Employee post-retirement benefits

-----

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

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ended in June 30, 2002, representing a reduction of 78.11%. The decrease in expenses is due basically to the estimate, for the year of 2003, of a lower increase in projected benefit obligations compared to a higher profitability expected for plan assets.

### Operating provisions

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 additional 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 was a result of significant overdue amounts collected from an industrial customer.

### Fuel consumption quota - CCC

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 June 30, 2002, representing a reduction of 1.57%. Fuel consumption quota refers to operating costs of thermoelectric plants in the Brazilian energy system prorated among electric concessionaires through ANEEL resolution.

### Gas purchased for resale

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 gas prices increase partially offset by a 10.03% reduction in the volume of gas acquired, 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 as a result of lower purchase volumes from thermoelectric plants.

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### Financial income (expenses)

The main factors that impacted the financial items are as follows:

- o 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 the debentures issued on November 2001, the proceeds of which were applied to CEMIG's Investment Plan during 2002, in connection with the reduction in revenues. Additionally, losses from unredeemed financial instruments denominated in U.S. dollars contributed to the decrease of 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.
- o 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

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- exchange losses of R\$314,998 in the six-month period ended in June 30, 2002. These gains 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.
- o 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, as restated by SELIC, in the six-month period ended in June 30, 2003 compared to the prior period.
  - o 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 increase in its inflationary restatement indexes in the six-month period ended in June 30, 2003. The Índice Geral de Precos - IGP-M (General Price Index), the main index applicable to 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.
  - o Reversion of the provision for valuation of 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.
  - o Interest on capital declared in the six-month period ended in June 30, 2002 in the amount of R\$120,000.

### Non-operating expenses, net

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.

### Income and social contribution taxes

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. This result is primarily due to the provision for loss recorded in the amount of R\$1,045,325, which was not considered a deductible expense for Income and Social Contribution Tax purposes.

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COMPANHIA ENERGETICA DE MINAS GERAIS - CEMIG

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### OTHER RELEVANT INFORMATION

Information not reviewed by independent accountants

### CORPORATE GOVERNANCE

CEMIG has sought to implement the best corporate governance practices in order to optimize its performance and offer more protection, through improvements in information disclosed to the markets and to all interested parties, including investors, employees and creditors, facilitating its access to capital. These practices mainly involve transparency, equitable treatment of shareholders being accountable for the Company's actions.

Highlighted below are practices that CEMIG has already adopted:

- o The notices of general shareholders' meetings set forth in detail the meeting's agenda, including relevant items suggested by shareholders, and such meetings are held at convenient dates and times.
- o The share register, which sets forth the number of shares owned by each shareholder, can be obtained at any time for a service charge, in accordance with Article 100 of Law 6,404 of December 15, 1976.
- o Documentation necessary to evidence the ownership of shares of CEMIG is accurately maintained, in order to permit the participation and vote of its shareholders or their representatives at shareholders' meetings.
- o The Board of Directors, which has a unified term, has 14 technically qualified members, 9 of whom have finance, economic, law and accounting experience. The Board of Directors seeks to advise CEMIG's executive officers to maximize its return on assets in order to aggregate value for the enterprise.
- o In accordance with Law 10,303 of October 31, 2001, and the major shareholder's decision in compliance with the best corporate governance practices, minority shareholders owners of preferred shares have elected a member of the Board of Directors.
- o The shareholders' agreement is accessible to all shareholders at CEMIG's headquarters.
- o Preferred shares have priority in the redemption of capital and participate equally with the common shares in net income. At the Shareholders' meeting of April 30, 2002, the Company's Bylaws were changed and the preferred shares became entitled to a minimum annual dividend equal to the greatest of 10% of the preferred capital according to the Brazilian corporate law or 3% of the book value of the preferred shares. The minimum dividends cannot be less than 25% of the adjusted net income for the year, in accordance with Brazilian corporate law.
- o On a quarterly basis, the Company discloses reports prepared together with the financial statements to its Fiscal Council, which analyzes and discusses the financial statements, including the related internal and external risk factors.

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- o In order to avoid conflicts of interest, the Board of Directors does not authorize its public accountants to provide consulting or other services to CEMIG.
- o CEMIG provides to the members of its Fiscal Council all information that may be needed to analyze the Company's main issues.
- o The Company adopts, in addition to the financial statements prepared in accordance with accounting practices emanating from Brazilian corporate law and with accounting standards established by the CVM - Comissao de Valores Mobiliarios (Brazilian Securities Commission), generally accepted accounting principles in the United States, or US GAAP, in order to prepare financial statements to be filed with the United States Securities and Exchange Commission - SEC.
- o The memorandum of suggestions on accounting and internal control procedures provided to CEMIG by its public accountants is submitted to the Board of Directors and to the Fiscal Council in order to evaluate the proposals and adoption of applicable measures.
- o Transactions with related parties are disclosed in CEMIG's financial statements and are conducted on an arm's length basis.
- o CEMIG's investor relations policy seeks to provide access to a wide range of investors through:
  - o CEMIG's Internet home page, which is accessible to all investors and shareholders, contains material information related to CEMIG and its operations.
  - o Broad dissemination of the disclosure of CEMIG's results.
  - o Live conferences accessible to everyone through CEMIG's Internet home page.
- o CEMIG has adopted Level 1 of the corporate governance standards established by the Bolsa de Valores de Sao Paulo - BOVESPA (Sao Paulo Stock Exchange).
- o CEMIG has listed depositary receipts on foreign stock exchanges, in New York and Madrid.
- o CEMIG regularly pays dividends to its shareholders in accordance with the provisions of its by-laws.

In addition, CEMIG is considering the adoption of additional corporate governance practices that will be disclosed on a timely basis.

### FINANCIAL INDICATORS

#### SHARE VALUE

(Expressed in Brazilian reais per thousand shares)

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| Item         | Unit      | June 30, 2003 | March 31, 2003 | June 30, 2002 |
|--------------|-----------|---------------|----------------|---------------|
| Book value   |           | 38.35         | 35.99          | 36.32         |
| Market value | Common    | 21.10         | 19.27          | 29.79         |
|              | Preferred | 26.35         | 25.26          | 32.00         |

LIQUIDITY (excluding special liabilities)

| Item              | Unit  | June 30, 2003 | March 31, 2003 | June 30, 2002 |
|-------------------|-------|---------------|----------------|---------------|
| Current ratio     | Ratio | 0.67          | 0.60           | 0.75          |
| Overall liquidity | Ratio | 0.70          | 0.67           | 0.68          |

DEBT LEVEL (excluding special liabilities)

| Item                 | Unit | June 30, 2003 | March 31, 2003 | June 30, 2002 |
|----------------------|------|---------------|----------------|---------------|
| Total assets         | %    | 57.10         | 59.18          | 55.11         |
| Shareholders' equity | %    | 133.09        | 144.97         | 122.75        |
| Permanent assets     | %    | 95.04         | 98.03          | 88.12         |

PROFITABILITY

| Item                                    | Unit | June 30, 2003 | March 31, 2003 | June 30, 2002 |
|---|------|---------------|----------------|---------------|
| Shareholders' equity                    | %    | 9.43          | 2.67           |               |
| Return on property, plant and equipment | %    | 6.74          | 1.92           |               |
| Operating margin                        | %    | 16.91         | 11.31          |               |
| Net margin                              | %    | 16.58         | 10.96          |               |

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## OPERATING INDICES

### INSTALLED CAPACITY

|                            | June 30, 2003 | June 30, 2002 |
|----------------------------|---------------|---------------|
| Installed capacity (in MW) | 5,713         | 5,675         |

### EFFICIENCY

| Item                   | Unit | For the six-month period ended |               |
|------------------------|------|--------------------------------|---------------|
|                        |      | June 30, 2003                  | June 30, 2002 |
| MWh (*) per employee   | MWh  | 1.533                          | 1.510         |
| Consumers per employee | No.  | 495                            | 488           |

(\*) excludes energy transactions on spot market

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### SERVICE QUALITY

| Item   | Unit  | For the six-month period ended |               |
|--|-------|--------------------------------|---------------|
|  |       | June 30, 2003                  | June 30, 2002 |
| Average time needed to restore electricity     | Hours | 4.81                           | 4.28          |
| Electricity outage time - average per consumer | Hours | 5.12                           | 5.93          |
| Outages experienced - average per consumer     | No.   | 2.91                           | 3.48          |

### AVERAGE RATE

(Expressed in Brazilian reais per MWh)

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Including VAT

| Description     | June 30, 2003 | June 30, 2002 |
|-----------------|---------------|---------------|
| Industrial      | 120.35        | 94.66         |
| Residential     | 332.07        | 267.40        |
| Commercial      | 281.77        | 230.08        |
| Rural           | 182.42        | 150.41        |
| Others          | 184.81        | 152.77        |
| Final Consumers | 182.71        | 144.48        |

SHAREHOLDERS WHICH OWN MORE THAN 5% OF VOTING CAPITAL  
AS OF JUNE 30, 2003

| ACIONISTA                               | COMMOM SHARES  | %     | PREFERRED SHARES | %    | T |
|---|----------------|-------|------------------|------|---|
| Minas Gerais                            |                |       |                  |      |   |
| State Government                        | 36,116,291,643 | 50.96 | 102              | -    | 3 |
| Other State's entities                  | 3,365,756      | -     | 3,030,572,387    | 3.31 |   |
| State's Total                           | 36,119,657,399 | 50.96 | 3,030,572,489    | 3.31 | 3 |
| Southern Electric Brasil<br>Part. Ltda. | 23,362,956,173 | 32.96 | -                | -    | 2 |

OWNERS OF SOUTHERN ELECTRIC BRASIL PARTICIPACOES LTDA.  
AS OF JUNE 30, 2003

| Item | Name                  | Number of Share quotas | %     |
|------|-----------------------|------------------------|-------|
| 1    | Cayman Energy Traders | 321,480,876            | 91.75 |
| 2    | 524 Participacoes S/A | 28,913,419             | 8.25  |

1 - Foreign Company

2 - Registered Company. Fundo Opportunity Alfa FIA has 99.99% of its capital.



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CONTROLLING SHAREHOLDER, BOARD OF DIRECTORS, EXECUTIVE OFFICERS AND FISCA  
COUNCIL MEMBERS INTEREST AS OF JUNE 30, 2003 AND 2002

| NAME                                | NUMBER OF SHARES |               |     |
|-------------------------------------|------------------|---------------|-----|
|                                     | June 30, 2003    |               |     |
|                                     | Common           | Preferred     |     |
| CONTROLLING SHAREHOLDER             | 36,119,657,399   | 3,030,572,489 | 36, |
| BOARD OF DIRECTORS                  |                  |               |     |
| Wilson Nelio Brumer                 | -                | 1             |     |
| Djalma Bastos de Moraes             | -                | 13,400        |     |
| Francelino Pereira dos Santos       | -                | 1             |     |
| Antonio Adriano Silva               | -                | 1             |     |
| Flavio Jose Barbosa de Alencastro   | -                | 1             |     |
| Oderval Esteves Duarte Filho        | 5,099            | -             |     |
| Marcelo Pedreira de Oliveira        | 5,099            | -             |     |
| Joao Bosco Braga Garcia             | 5,099            | -             |     |
| Sergio Lustosa Botelho Martins      | 5,099            | -             |     |
| Aecio Ferreira da Cunha             | 5,866            | 1,461         |     |
| Francisco Roberto Andre Gros        | -                | 1             |     |
| Mario Lucio Lobato                  | 5,000            | -             |     |
| Maria Estela Kubistscheck Lopes     | -                | 1             |     |
| Alexandre Heringer Lisboa           | -                | 1             |     |
| Luiz Antonio Athayde Vasconcelos    | -                | 290           |     |
| Marco Antonio Rodrigues da Cunha    | -                | 1             |     |
| Francisco Sales Dias Horta          | -                | 1             |     |
| Guilherme Horta Goncalves Junior    | -                | 1             |     |
| Geraldo Dannemann                   | 1                | 1             |     |
| Luiz Felipe Leal da Fonseca Junior  | 1,000            | -             |     |
| Carlos Suplicy de Figueiredo Forbes | 4,079            | -             |     |
| Marc Leal Claassen                  | 5,099            | -             |     |
| Arnaldo Jose Vollet                 | -                | 1             |     |
| Fernando Lage de Melo               | -                | 1             |     |
| Eduardo Lery Vieira                 | -                | 1             |     |
| Andre Luis Garbuglio                | 1,000            | -             |     |
| Fernando Henrique Schuffner Neto    | -                | 101,218       |     |
| Franklin Moreira Goncalves          | -                | 1             |     |
| EXECUTIVE OFFICERS                  |                  |               |     |
| Djalma Bastos de Moraes             | -                | -             |     |
| Francisco Sales Dias Horta          | -                | -             |     |
| Celso Ferreira                      | -                | -             |     |
| Flavio Decat de Moura               | -                | -             |     |
| Heleni de Mello Fonseca             | -                | -             |     |
| Elmar de Oliveira Santana           | -                | -             |     |
| Jose Maria de Macedo                | -                | 112,962       |     |

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| NAME   | NUMBER OF SHARES |           |
|--|------------------|-----------|
|  | June 30, 2003    |           |
|  | Common           | Preferred |
| FISCAL COUNCIL                                 |                  |           |
| Luiz Guarita Neto                              | -                | -         |
| Aristoteles Luiz Menezes Vasconcellos Drummond | -                | -         |
| Luiz Otavio Nunes West                         | -                | -         |
| Bruno Constantino Alexandre dos Santos         | -                | -         |
| Thales de Souza Ramos Filho                    | -                | -         |
| Beatriz Oliveira Fortunato                     | -                | 10        |
| Augusto Cezar Calazans Lopes                   | -                | -         |
| Ronald Gastao Andrade Reis                     | -                | -         |
| Marcos Eolo de Lamounier Bicalho               | -                | -         |
| Aliomar Silva Lima                             | -                | -         |

NUMBER OF SHARES AVAILABLE ON MARKET

(EXCLUDES SHARES OF MINAS GERAIS STATE GOVERNMENT)

|            | Common         | %     | Preferred      | %     | Total          |
|------------|----------------|-------|----------------|-------|----------------|
| 06/30/2003 | 34,754,510,524 | 49.04 | 88,179,950,210 | 96.68 | 122,934,460,73 |
| 06/30/2002 | 34,754,711,629 | 49.04 | 88,180,156,856 | 96.68 | 122,934,868,48 |

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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

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Date: August 21, 2003