

Edgar Filing: ENERGY CO OF MINAS GERAIS - Form 6-K

ENERGY CO OF MINAS GERAIS

Form 6-K

November 10, 2003

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

Report of Foreign Private Issuer

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

For the month of November, 2003

Commission File Number 1-15224

Energy Company of Minas Gerais

(Translation of registrant's name into English)

Avenida Barbacena, 1200
30190-131 Belo Horizonte, Minas Gerais, Brazil

(Address of principal executive offices)

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

Form 20-F X Form 40-F

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

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

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

Yes No X

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

CEMIG
A Melhor Energia do Brasil.

Cemig : Growth and Prospects

Mr. Wilson Nelio Brumer

Chairman

Board of Directors

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A Melhor Energia do Brasil.

Disclaimer

- o Certain statements contained in this presentation are "Forward-Looking Statements" within the meaning of the US Securities Laws, and are thus prospective and subject to risks and uncertainties. "Forward-Looking Statements" are matters that are not historical facts and are beyond our control. For a discussion of risks and uncertainties as they relate to us, please refer to our 2002 Form 20F, and in particular Item 3 under "Key information - Risk Factors".

All figures comply with BRGAAP

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Key Issues

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Streamlined Operations

- o New Strategic Directives
- o Corporate Governance
- o Growth and Goals
- o Regulatory Review

All figures comply with BRGAAP

4 Streamlined Operations

CEMIG
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Keys to our Success

- o Unchanged business focus
- o Low risk business model
- o Pursue financial strength
- o Careful evaluation of non-regulated business opportunities
- o Highest standards of Corporate Governance and integrity

All figures comply with BRGAAP

5 Streamlined Operations

Regulated business assets are the Major Part of CEMIG

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CEMIG
Compania Energetica de Minas Gerais

| Electric Energy | | | Natural Gas Distribution | | | Telecommunications | | |
|---|--|--|--|--|--|---|--|--|
| Non-regulated Investment R\$ 301 million | | | Investment R\$ 92 million GASMIG | | | Investment R\$ 250 million Empresas Infovias | | |
| Sa Carvalho | | | | | | W@y TV | | |
| Ipatinga | | | | | | | | |
| Horizontes | | | | | | | | |
| UTE Barreiro | | | | | | | | |
| Cemig PCH | | | | | | | | |
| Public Service PPE R\$ 7.322 million | | | | | | | | |
| Power Plants | | | | | | | | |
| Transmission Grid | | | | | | | | |
| Distribution Network | | | | | | | | |

- Cemig owns:
- o 100% of the electric energy
 - o 95% stake in Gasmig and
 - o 99% stake in Infovias

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| | | |
|---|------------------------------|--|
| | ----- | |
| | Power Plants under Consortia | |
| - | Investment | |
| | R\$ 701 million | |
| | ----- | |

All figures comply with BRGAAP

6 Streamlined Operations

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Minas Gerais State is the Majority Shareholder

[GRAPHIC SHOWING SHARE OWNERSHIP AS OF JUNE 30, 2003 OMITTED]

| | |
|----------------------------|-----------------|
| Outstanding shares | 162,153,819,025 |
| ON | 70,874,167,923 |
| PN | 91,279,651,102 |
| ADR (as of June 30th 2003) | |

All figures comply with BRGAAP

7 Streamlined Operations

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Cemig Has a Low-risk Business Structure

- o Cost-efficient generating assets
- o 98% hydropower plant park
- o Supply 60 % of the total client demand

- o Sizable transmission grid
- o Covers 100% of Minas Gerais
- o Installed transformation capacity of 15,163 MVA

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- o High service continuity
 - o Lowest operating cost in the industry
 - o Sixth-largest generating capacity in Brazil
 - o Installed Capacity:
5,742 MW, 7.01% market share
 - o Effective capacity:
3,330 MW
 - o Transformer capacity:
6,145 MVA
- o Transmission grid
 - o Largest electricity dis
 - o Supplies 96% of e
 - o 5.7 million clien
 - o Sales represent 1
 - o total electricity
 - o Distribution netw
 - o Subtransmis
 - o Urban and r
 - o grid: 334,

All figures comply with BRGAAP

8 Streamlined Operations

A Profitable Quarter

| Values in million of Reais | | | | | |
|---|--------------|---------|--------|---------|---------|
| 2003 | | | | | |
| | Year to Date | 2nd Q. | 1st Q. | Year | Year to |
| Net Revenue | 2,544 | 1,456 | 1,088 | 5,119 | 2, |
| Operating Expenses | (2,113) | (1,148) | (965) | (4,593) | (1, |
| EBIT | 431 | 308 | 123 | 525 | |
| EBITDA | 712 | 449 | 263 | 1,076 | |
| Financial Result | 431 | 273 | 158 | (616) | (|
| Non-Operating Result | (13) | (4) | (9) | (27) | |
| Extraordinary Loss | - | - | - | (1,045) | (1, |
| Income Tax, Social Contribution and Deferred Income Tax | (314) | (194) | (120) | (71) | |

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| | | | | |
|------------------------------|-----|-----|-----|---------|
| Interest on Capital Reversal | - | - | - | 220 |
| Minority Interest | - | - | - | 12 |
| Net Income | 535 | 383 | 152 | (1,002) |

All figures comply with BRGAAP

9 Streamlined Operations

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Quarterly Retail Sales Decreased 2% YoY

- o Total quarterly retail sales dropped 2% YoY
- o Weak residential consumption:
 - Down 0.4% 2Q03 over 2Q02
 - Down 4.8% 2Q03 over 1Q03
- o YoY quarterly industrial consumption down 3.4% due to clients with power projects.

[BAR CHART SHOWING QUARTERLY RETAIL SALES FOR THE FIRST, SECOND, THIRD AND FOURTH QUARTERS OF 2002 AND THE FIRST AND SECOND QUARTERS OF 2003 OMITTED.]

[BAR CHART SHOWING QUARTERLY INDUSTRIAL CONSUMPTION FOR THE FIRST, SECOND, THIRD AND FOURTH QUARTERS OF 2002 AND THE FIRST AND SECOND QUARTERS OF 2003 OMITTED]

[BAR CHART SHOWING QUARTERLY RESIDENTIAL CONSUMPTION FOR THE FIRST, SECOND, THIRD AND FOURTH QUARTERS OF 2002 AND THE FIRST AND SECOND QUARTERS OF 2003 OMITTED.]

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10 Streamlined Operations

Cemig Has Extremely Solid Fundamentals

- o Strong cash flow
- o Low leverage

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- o Six-month EBITDA of R\$ 711 million
- o Six-month EBITDA margin up to 28%
- o Growing operating income: 18% up from R\$ 365 million
- o Debt-to-equity ratio
- o Debt maturity
 - o Short-term (12 R\$ 680 million)
 - o Long-term: R\$ 2,494 million

| Debt | 2003 | | | 2004 | 2005 |
|------------------|---------|-----------|---------|---------|---------|
| | Paid | To Mature | TOTAL | | |
| Foreign Currency | 207,534 | 298,176 | 505,710 | 623,240 | 170,727 |
| Local currency | 113,937 | 74,853 | 188,790 | 151,615 | 626,358 |
| Total | 321,471 | 373,029 | 694,500 | 774,855 | 797,085 |

Values in R\$ thousand

All figures comply with BRGAAP

11 Streamlined Operations

Outstanding Debt as of June 30, 2003

[BAR CHART COMPARING EBITDA, DEBT AND NET REVENUE IN 1998, 1999, 2000, 2001, 2002 AND THE FIRST

The goals of the restructuring plan are to:

|
| Ou

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| | | | | | |
|--------------------------------------|--------|--------|--|--|--------|
| o Reduce FX debt | | | | | |
| o Extend the term of the local debt | | | | | R\$ mi |
| o Hedge short-term FX debt. | | | | | . |
| Ratios are in the historical levels: | | | | | |
| | Jun 03 | Dec 03 | | | |
| Net Debt/EBITDA: | 2.8 | 1.5 | | | --> US |
| EBITDA/Interest: | 3.6 | 5.7 | | | |

All figures comply with BRGAAP

12 Streamlined Operations

Addressing Cash Flow Management

Liquidity is a concern:

| | Description |
|--|--|
| <ul style="list-style-type: none"> -- Short-term loans <ul style="list-style-type: none"> o Maturing debt rollover o Short-term hedge transactions -- BNDES CVA-related loan still pending -- Tight cash flow management -- Curb expenditures | <ul style="list-style-type: none"> 1 - Operating Activities Net Income (Loss) Depreciation and Amortization Extraordinary Revenue for Rationing Loss Energy Purchased on MAE Energy Purchased at Spot Market Net Asset Disposal Equity Income Long-term Interest and Monetary Variation Deferred Income Tax and Contribution Loss Provision CRC Loss Provision Post-employment Obligations 2 - Changes in Current Assets 3 - Changes in Current Liabilities 4 - Cash Provided by Operating Activities 5 - Financing Activities Proceeds of New Debt Debt Repayment Special Obligations Advanced Sales Dividends and Interest on Equity 6 - Total Cash Available 7 - Investment Activities Investments PP&E 8 - Net change of cash At the Beginning of the Year On June 30, 2003 Total Cash Available |

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All figures comply with BRGAAP

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Key Issues

- o Streamlined Operations
 - New Strategic Directives
- o Corporate Governance
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- o Regulatory Review

All figures comply with BRGAAP

14 New Strategic Directives

Strategic Directives

Key strategy: deliver sustainable growth and add value to current shareholder investment through:

- o Portfolio analyses
 - Reviewing business plans
 - o Internal business value
 - o Size business to market reality
 - Careful business opportunity evaluation
- o Target setting
 - Streamline operations
 - Reduce WACC
 - Focus on total shareholder value
- o Business organization
- o Corporate Governance be
 - Focus on the share
 - New dividend polic
 - o Higher divid
- o Performance management
 - Performance monito
 - Evaluation of busi
 - o Training pro
 - o Technology
 - Balanced scorecard

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- Improve core competency
 - o Strengthen relationships with customers

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Key Issues

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All figures comply with BRGAAP

16 Corporate Governance

Corporate Governance as a Cultural Value

- | | |
|--|--|
| <ul style="list-style-type: none">o Understand the market perception<ul style="list-style-type: none">o Transparencyo Scrutinyo Comprehensive IR programo Guidanceo Broaden the investor baseo Social responsibility<ul style="list-style-type: none">o Pursuit of environmentally sound projects | <ul style="list-style-type: none">o Board membership<ul style="list-style-type: none">o 14 memberso 6 memberso PN shareholderso Highly educatedo Politicianso Economistso Business leaders |
|--|--|

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- o Universality of service for the concession territory
- o Affordable rates
- o Dividend policy which meets shareholder interest
- o Continual scanning for global class practices
- o Account
- o Electri
- o Researc
- o Strengthened tiers of gove

All figures comply with BRGAAP

17 Corporate Governance

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Related Party Transactions

- o Arms length relationship with the majority shareholder
- o Face problems directly
- o Seek viable solutions for CRC receivables
 - o Repay dividend-backed contract
 - Total amount: R\$ 837 million
 - Due in 2003: R\$ 117 million
 - o Negotiate the accrued contract with Minas Gerais State Government and the Federal Government
 - Total amount: R\$ 1,425 million
 - o Address tax charges

All figures comply with BRGAAP

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Key Issues

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19 Growth and Goals

Drivers of Value Creation at CEMIG

| Drivers | Six months ending June 30, 2003 |
|--|---------------------------------|
| Operating Income (R\$ million) | 431 |
| Retail Sale Revenue Growth (%) | 29 |
| Free Cash Flow (R\$ million) | 197 |
| WACC (%) | 14 |
| Total Shareholder Value (%) | 4.7 |
| Market Capitalization (R\$ million) | 3,901 |
| EBITDA Margin (%) | 28 |
| Customer Satisfaction Index (%) | 71.1 |
| Sales to Final Consumers as % of Total Sales | 91.1 |
| Electricity Distribution Market Share (%) | 12.15 |

All figures comply with BRGAAP

20 Growth and Goals

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Scenario for CEMIG's EBITDA from 2003 to 2008

[EBITDA GRAPHIC OMITTED]

-----> | Average yearly |
| consumption |
| growth ranging |
| from 1% to 3% |
| causes expressive |
| impacts on the |
| Company's results. |
----->

Prices as of June 2003
Additional rate recovery of 10%

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Deferred CVA and rate revision in 2008

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21 Growth and Goals

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Strategic Actions to Meet Shareholder Long-term Interest

[GRAPHIC OMITTED]

See disclaimer

All figures comply with BRGAAP

22 Growth and Goals

Capital Expenditure

4-year Plan Amounts to R\$4.2 Billion

| Items | Actual | | Estimated | | |
|-----------------|--------|------|-----------|------|------|
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| Power Projects | 448 | 434 | 351 | 216 | 97 |
| Transmission | 76 | 95 | 99 | 252 | 308 |
| Subtransmission | 79 | 48 | 64 | 161 | 186 |
| Distribution * | 248 | 215 | 411 | 446 | 431 |

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| | | | | | |
|-------------------------|-------|-----|-------|-------|-------|
| Other Facilities | 35 | 31 | 66 | 44 | 38 |
| Non-electric Facilities | 189 | 75 | 53 | 4 | 4 |
| Total afforded by Cemig | 1,074 | 898 | 1,045 | 1,123 | 1,064 |

Expansion Afforded by

| | | | | | |
|-----------|-------|-----|-------|-------|-------|
| Consumers | 76 | 84 | | | |
| TOTAL | 1,150 | 982 | 1,045 | 1,123 | 1,064 |

o Funds to finance part of distribution expansion will come from Federal Government and Eletrobras

Values in millions of reais

See disclaimer

All figures comply with BRGAAP

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Key Issues

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CEMIG has Adopted a Cooperative Approach

Summary of the proposal disclosed by the Federal Government

The major objectives are to:

- o ensure a sustainable growth for the generating capacity
- o rate affordability

Key aspects:

- o Creation of a "Virtual Pool"

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- Execution of the capacity auctions
- Coordination of the distributors' power purchase agreement
- o Vertical separation of the distribution business
- o Federal Government-driven long-term planning
 - Long-term generating capacity growth forecast
- o Bidding process for new power plants based on lower price
- o Roles of free customer and independent power producer lose substance

All figures comply with BRGAAP

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Proposed Regulatory Framework

Generation

Distribution

Benefits

- Long-term contracts
- Lowest revenue bid-based concession auction
- Capacity auctions
- No operating risks
- Higher capacity reserve

- No compe
- Guarante

Threats

- Price review every 5 years
- New inflation adjustment index
- Poor credit quality of the distributors
- Penalties on poor asset operation
- Concession expiration

- No self
 - Penalties
 - Higher p
 - Guarante
 - Delinque
-

All figures comply with BRGAAP

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Keys to our Success

- o Unchanged business focus
- o Low-risk business model

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- o Pursue financial strength
- o Careful evaluation of non-regulated business opportunities
- o Highest standards of Corporate Governance and integrity

All figures comply with BRGAAP

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A Melhor En

Committed to the Best Practices of Corporate Governance

[CIG LISTED NYSE LOGO]

[LEVEL 1 BOVESPA LOGO]

[DOW JONES SUSTAINABILITY INDEXES

[LATIBEX LOGO]

[INSTITUTIONAL INVESTOR LOGO]

- o BOVESPA Level I: CMIG3 and CMIG4
- o NYSE Level II ADR: CIG
- o Latibex: XCMIG
- o Dow Jones Sustainability Index 2000, 2001 and 2002

Best Corporate Governance
In Latin America for Electric
Utilities

All figures comply with BRGAAP

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

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Title: Chief Financial Officer
and Investor Relations Officer

Date: November 10, 2003