Y 2014 Earnings Call

Company Participants

- Romel Erwin de Souza, Chief Executive Officer
- Ronald Seckelmann, Vice President of Finances and Investor Relations, and Vice President of Subsidiaries
- Sergio Leite de Andrade, Commercial Vice President Officer
- Wilfred Bruijn, Managing Director

Other Participants

- Ivano Westin, Analyst
- Leonardo Correa, Analyst
- Marcos Assumpcao, Analyst
- Milton Sullyvan, Analyst
- Ricardo Schweitzer, Analyst
- Thiago Lofiego, Analyst

Presentation

Operator

Good morning, ladies and gentlemen, thank you so much for standing by. Welcome to Usiminas Conference Call to discuss the results of the Fourth Quarter of 2014 and the Year 2014. All participants are now connected in listen-only mode, and later we will begin the Q&A session, when further instructions will be given. (Operator Instructions) We would like to remind you that this conference call is being recorded.

This presentation together with the slide are being broadcast on the Internet at www.usiminas.com/ri. You will be able also to find a copy of the release of the company. Participants who are listening to the conference in English may also ask questions directly to the speakers.

Before proceeding, let me mention that forward-looking statements that may be made during this conference call are made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Actual performance could differ materially from that anticipated in any forward-looking comments as a result of macroeconomic conditions, market risks and other factors.

With us today are Usiminas Executive Board; Mr. Romel Erwin, CEO and Technology and Quality VP; Mr. Seckelmann, Finance and Investor Relations VP and Vice President of Subsidiaries; Mr. Leite, Commercial Vice President; Mr. Chipoletti, Industrial Vice President;

Mr. Takamatsu, Corporate Planning VP; Mr. Wilfred Bruijn, Managing Director of Mineracao Usiminas; Mr. Takaki, Managing Director of Usiminas Mecanica; and Ms. Morgan, Head of IR.

We will now turn the floor over to Mr. Erwin, who will make a brief statement. Later, Mr. Seckelmann give comments on the results of the fourth quarter of 2014 and the year 2014. After that, the executives will be available to take any questions the audience might have.

I now turn the floor over to Mr. Romel Erwin.

Romel Erwin de Souza {BIO 17406447 <GO>}

Good afternoon. We, the executives of Usiminas are today here with you in this conference call to make a presentation relating to the results of the fourth quarter of 2014 and the year 2014. After the presentation, we will be available to, in an open and transparent way, talk about the results.

Brazilian industrial production ended in 2014 with an accumulated drop of 3.2% according to IBGE. It was an atypical year, the economy was impacted by the World Cup and by the election, and steel-intensive industries have slowed down and the drop was by 11% vis-a-vis 2013.

This is a case, for instance, of the automobile industry, of the agricultural machinery sector and also of the distribution sector. This drop in the apparent consumption of flat steel products was even stronger in Q4, confirming a trend we saw in the middle of the year.

We may consider the seasonality, which is natural for that period, Q4, but the result is compelling. In Q4, it is estimated that the Brazilian flat steel market has slowed down by 13% relative to Q3 and 18% relative to Q4 2013.

In these adverse conditions, our commercial and financial indicators have been affected. However, consolidated EBITDA margin was stable in Q4 relative to Q3. Additionally, net debt EBITDA was at comfortable levels. A lower sales volume in the quarter was partially offset by a greater share of the domestic market in our sales mix.

In a scenario over depressed market, cost control differentiation through quality and excellence in service are essential strategies of management. Our challenge is to balance lower costs and the need to maintain the company's operating performance.

A good example was achieved in our mining business in Q4. We managed to decrease the cost of goods sold per ton having to do with actions geared to reduce costs, to improve operations and to increase the yield in iron ore extraction. This allowed us to counter the negative impact of the drop in international ore prices.

In terms of consolidated results for 2014, the generation of EBITDA and our EBITDA margins were above the results of 2013. The company also had better operating results as a result of initiatives aimed at improving efficiency and productivity and at reducing costs.

The sale of energy surplus and assets also contributed to this result. However, in the main business unit, steel making, even if we take out the sale of energies and energy and assets we managed to improve EBITDA by 17% and EBITDA margin by 2%. It grew from 9% to 11% relative to 2013.

At Usiminas we strive to maintain an offer differentiated products and services, thus reinforcing our leadership in the domestic market. Actions geared to optimize costs were conducted in a transparent and responsible way. We were also very careful in controlling working capital. And these are important strategies of our management. We are aware of the adverse scenario and the complexity of the challenges ahead of us. They will be overcome through teamwork, which has always been one of the hallmarks of Usiminas. Thank you.

I'll now turn the floor over to Mr. Seckelmann.

Ronald Seckelmann {BIO 3722329 <GO>}

Good morning to all. I'm going to make some brief comments in comparison to quarter-on-quarter and year-on-year. You may follow my comments on the slides.

The first slide is on page two and it compares quarter-on-quarter. And we can see here that there was a drop in operational sales indicators for steel and iron ore, and also in financial indicators. EBITDA and profit. The fourth quarter was worst relative to the third quarter.

On the next slide, we have the same indicators year-on-year. Again, we see a decrease in operational indicators. We sold less steel year-on-year and the same for iron ore, but there was an improvement in financial indicators. There was a slight increase in EBITDA by 3% year-on-year and a major increase in profits. Profits in 2013 was meager and it's shot up to R$208 million in 2014.

On page four, we see sales of steel in the last five quarters, the end of last year and the end of 2014. Quarter-on-quarter we saw a retraction in sales. And just to give you a little bit of context, the apparent consumption in Q4 2014 was 13% below Q4 2013. We see that our sales follows this trend. And what allowed us to improve the quarter a little bit was the better mix in the market. We sold more to the domestic market and we exported less.

On page five, you see the sales volume of steel in the last four years and since 2012 that has been dropped. The mix saw an improvement more -- we sold more to the domestic markets in 2013, less in 2014, and this has to do with the deterioration of the industrial sector in Brazil and the slowdown in the GDP growth. That is economic conditions where we operate has deteriorated.

On page six, we see the trends of EBITDA for steel-making in the last five quarters and we see very clearly here that 2014 had two additional scenarios. In the first semester, we had a fairly good decent semester and then we saw a slowdown in May 2014, which was expected because of the World Cup. But the problem was, everybody expected a resumption of growth as of August and that never came. The second semester was very disappointing in terms of economic activity and this is clearly seen in our performance for the steel making business. The second semester was very bad.

On page seven, we see the results of steel making business year-on-year. And here, we see that there was a substantial improvement in the results of 2014 relative to 2013. Even if we exclude the impact of the sales of surplus electrical energy, we still have a better result in the steel making business relative to 2013.

The chart on page eight compares at the sales volume of iron ore and we see a reduction in the second semester of 2014 relative to the first. In the first semester we saw exports which didn't happen in the second semester and we also saw a reduction in the sales of the domestic market in the second semester of 2014.

On page nine, we see the sales volume of iron ore in the last four years. 2013 saw high volumes with an expressive share in the domestic market and this was not the case in 2014. We could have exported in 2014 some 8 million tons if we hadn't experienced logistics restrictions. This presented us from increasing the export volume.

The charts on page 10 shows the trend for the mining business quarter-on-quarter. And here we see a combination of two negative effects, not only the volume dropped substantially but also the price dropped substantially between the first and the second semester. There was a substantial deterioration. This was partially offset by the exchange rate, which improved by approximately 12% quarter-on-quarter.

On page 11, we see the EBITDA and EBITDA margins for the mining business and you'll see a deterioration between 2013 and 2014. In 2014, we saw small contribution from the sales of surplus electric energy.

On page 12, we see the consolidated results quarter-on-quarter. And here again, we see that the first semester of 2014 was the strong semester in terms of results with the strong contribution from the mining business and from the steel making business and the second semester was extremely weak with a drop in volumes in steel making and in ore and a drop in the prices of iron ore as well.

If we look at the consolidated results year-on-year, we see a growth in EBITDA from -- in 2014 relative to 2013 and we see a more expressive contribution of the sales of surplus electrical energy. When we look at steel making, we see that this business improved even without the sale of energy surplus. But in terms of consolidated results, if we exclude the sales of energy surplus we would see lower results relative to 2013.

On page 14, we see the working capital and it becomes clear that the level of working capital at the end of 2014 clearly reflects the seasonality of our business. It is very close to the level we had at the end of 2013, it is practically the same, 2.4 billion relative to 2.5 billion in 2013.

On page 15, we see the days of inventory in terms of steel is under control. At the end of 2014, in terms of days of inventory, we had practically the same level as we had in the fourth quarter of 2013 and this obviously reflect the seasonality of our inventory.

On page 16 you see our indebtedness. And I would like to remind you that in Q4 2014, we saw depreciation of the dollar by 8% and our net debt decreased. One-third of our total debt is denominated in foreign currency. Leverage increased, because the EBITDA in the last 12 months has dropped. Our leverage level is two times the EBITDA level, but this is very comfortable for Usiminas.

On page 17, we see SG&A or rather G&A, these are general and administrative expenses, and this has dropped in absolute numbers and also dropped slightly as a percentage of the net revenue, but this nominal dropped by 12%, that has reflected a real drop. Inflation was 6.5%, so the real drop was close to 18%, 19%.

And the last slide has our CapEx, 1.1 billion in 2014 with a little bit of carryover from 2013. And if we normalize that, we would have 1 billion, which is very close to our total depreciation.

These were the comments I had to make. And we now are going to open for the Q&A session. Thank you very much.

Questions And Answers

Operator

Ladies and gentlemen, we will begin now the Q&A session. (Operator Instructions) Our first question comes from Mr. Thiago Lofiego from Merrill Lynch.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Good afternoon. I have actually two questions. The first one has to do with the mining business. Could you make any comments about the take-or-pay contracts that you have with Porto and MRS? Are you negotiating to reduce the tariffs or to review the contracts?

And also about the mining business, is there room for further reduction in costs? You did a very good job in Q3. Should we expect more reduction in costs?

The second question has to do with working capital. Can you tell us what we can expect in terms of gains in working capital in 2015, also in your workflow, in your cash flow there was a positive account for R$198 million relating to bonds. Can you explain what this positive cash variation is all about?

A - Wilfred Bruijn {BIO 16707173 <GO>}

Hi, Thiago. Good afternoon. Relative to the contracts, the take-or-pay contracts, the logistics chain has -- and sales commitments with percentages that may vary either we are talking about road transportation, rail transportation or the port. I'll start with the port. Our contract with the port has not hit the take-or-pay level, because the port is not operating yet. So it's the other way around. There is actually a fine going on because the port has not started yet.

In the case of MRS, I cannot give you details, these are confidential contracts. But the concept is that each one of the users of MRS declares an annual volume, actually volumes for several years. There is a certain flexibility in the volumes but not so much. I mean there is room for small adjustments, but MRS has to prepare itself to serve clients in the volumes we pass [ph]. They therefore make investments and if these volumes are not performed by the clients, there is a provision for the payment of take-or-pay.

In 2014, this was a very high deal. It is shown in the balance sheet of Mineracao Usiminas and the thing is they were prepared to perform volumes provided for via this Sudeste Port, but the port was not opened. And as a result, we had to pay the take-or-pay fee not only to MRS but also to the loading terminal and to our road logistics chain. These are very expensive amounts.

For 2016, our expectation is that we will not pay any take-or-pay fee, because of the volumes that we have declared for 2015.

As regards to cost reduction, as we said in the previous conference call, we now have greater visibility and we see the improvements in operations. The costs that have been reduced and also some suppliers who we have been negotiating with, they were aware of the new prices of iron ore. So many factors converged and with few have the possibilities. If we could, there is more in 2015. To further the dilute overheads and there we have contributed to further reduction in the cost.

As regard to working capital, working capital should follow the same trend that you see on page 14. This should be seen also in 2015. We should see an increase in working capital in the next two quarters. At the end of Q3, working capital should decrease until Q4. This is the seasonality of our business that is reflected in our working capital needs.

Third quarter is usually the best in the year, then we see a slowdown towards Q4. We should end 2015 at the same level that we ended 2014, maybe slightly above, but it's not going to be significant. And as regard, we have 197 million in the cash flow.

I would like you to please talk to our IR team. I will be unable to take this question now.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Thank you so much, Bill; thank you so much everybody.

Operator

Our next question is from Mr. Assumpcao from Itau BBA.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

Good afternoon to all. My question has to do with the sale of energy. Could you give us a little bit more color about your expectations in that regard for 2015? We are seeing a drop in prices in the spot prices of energy. And also can you make comments about the price of steel, internationally? What is the premium with this international price and with the dollar that is now at 2.85? We saw a reduction in exports in Q4, but with an exchange rate at 2.85 is Usiminas going to increase its exports in the first quarter?

A - Romel Erwin de Souza {BIO 17406447 <GO>}

This is Romel speaking, Marcos. As regard with sale of energy in 2015, if this happens to be just marginally in 2014 we had a considerable volume of energy sold because of the price of energy. We sold energy at R$800 per megawatt. With the change in the price of energy, which dropped to R$388, I mean we generated a lot of energy through buying fuel with the current spot prices in the chamber for the sale of electrical energy. It won't make sense for us to buy fuel to increase the volume of energy sales. So for 2015, if we sell energy the contribution will be really marginal.

A - Sergio Leite de Andrade {BIO 6771322 <GO>}

Good afternoon, Marcos. As regards international prices, in the last few weeks, we have seen a drop in international prices driven mainly by China. By the increase in China exports, we saw that in the last few months. And in January, China exported record volumes of steel. So today what we see is a drop in international steel prices. Also we are seeing a depreciation of the reals, the dollar now is at 2.85 reals.

If we combine that, what you called premium now is at 10% to 15%. Also you raise the point relating to the exchange rate of 2.85. Of course, our exports become more competitive. If theirs exchange rate is maintained at this level, we may export more, but this in fact will be seen in Q2 only.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

Thank you very much, Sergio. Thank you very much, Romel.

Operator

Our next question comes from Mr. Sullyvan from Brasil Plural.

Q - Milton Sullyvan {BIO 19085202 <GO>}

Good afternoon. Thank you very much. My first question has to do with the covenants. Can you remind us of what the covenants are? Do you see any break of covenants as a risk to the company? And also could you comment on the possibility of negotiating prices in the domestic markets? The exchange rate is very volatile, exports could be more risky, so do you see any chance of improving prices in the domestic market?

A - Romel Erwin de Souza {BIO 17406447 <GO>}

This is Romel speaking. As regards to the covenants, 80% of our debt is bound by financial covenants. Most of the covenants has to do with net debt with EBITDA -- over EBITDA at 3.5 times. Some contracts have covenants for coverage of interest and so on, but not all of them. We feel very comfortable with this level. The company uses this indicator in a very careful manner and we are not concerned as of now relative to the new period which goes from the end of June this year and the end of the year. There is no underlight [ph] in our panel relating to the covenant.

And as regard the prices in the domestic markets, at the end of 2014 relative to 2013, the price was 8.5% above the levels of 2013. For 2015, the scenario for prices is the following.

First, at the end of December, we closed the deals with the car makers for 2015 and the scenario was for stable prices. At the end of January, we increased prices for distribution at 5%. With the exchange rate at 2.85 and with the international prices in the low, we are operating with a premium from 10% to 15%. Should this conditions be maintained prices will be stable.

Operator

Our next question is from Mr. Westin from Credit Suisse.

Q - Ivano Westin {BIO 17552393 <GO>}

The first point has to do with the demand for steel in the domestic markets. Data disclosed yesterday by IABR show that the volume of sales should decrease by 10% year-on-year for flat steels. And the exports of semi-finished should drive 71% year-on-year. What do you expect for the year, especially for Q1 in terms of sales volumes in the domestic markets? And do you expect any type of recovery relative to Q4 2014? If you expect a recovery, where will it come from?

And also relative to CapEx for 2015, what is the breakdown for mining and steel making? And is there still any reminder of CapEx for the coke plants?

A - Romel Erwin de Souza {BIO 17406447 <GO>}

As regards the domestic demands last year as the Aco Brasil Institute published, there was a significant drop in demand, by 10% approximately.

For 2015, we see a lot of uncertainty. We read focus bulletin every week and we see a drop in the projection for GDP growth. There is the talks now about the drop by 0.42 in the GDP with the greater share of drop for the industrial GDP.

Last year as we saw drop in those steel intensive sectors, a drop by two digits. But it's still early to talk about the prospects for 2015. There is a risk that is increasingly high for a drop in the apparent consumption of steel in 2015. This is a scenario of risk for 2015, because of the economic activity in Brazil.

As regards Q1, our expectation in terms of volume is for a total volume in Q1, that will be slightly above Q4 2014 and the domestic market will account for a greater share than in Q4 2014. It is still early to make comments about our expectations for the year, but we will strive to have volumes higher in 2015 relative to 2014. And of course we expect to be more competitive when exporting, because of the exchange rates.

Q - Ivano Westin {BIO 17552393 <GO>}

If you allow me to just make a remark relating to this point. This marginal increase quarter-on-quarter that you expect in the domestic market, what products or what sectors are you going to sell more too? You think you're going to gain share from a competitor or how do you expect to have this positive delta?

A - Romel Erwin de Souza {BIO 17406447 <GO>}

We expect to gain share relative to imports. And I wouldn't highlight any specific sector. What we see in Brazil and this was also the case last year is that, all sectors that consumes steel had slowed down. For 2015, the expectation is slightly better for wind farms and wind producing towers, also in big diameter pipes because of sanitation work. But in the other sectors, we expect similar performance to 2014, we don't expect the other sectors to grow.

As regards to CapEx for 2015, in 2013 and 2014 CapEx was stabilized at 1 billion, slightly less in 2013, there was a small carry over to 2014. While CapEx was slightly above 20 -- slightly above 1 billion and for 2015 1 billion or slightly higher than that, but in that region. 850 will be invested in steel making and 150 in our other business lines, especially mining. In the first semester of the year, there will be some investments in the coking plants number two -- no, the other investments have been completed.

Operator

(Operator Instructions) Our next question comes from Mr. Leonardo Correa from BTG Pactual.

Q - Leonardo Correa {BIO 16441222 <GO>}

Good afternoon to all. Thank you so much for the call. My first question goes to Romel. If we were to look at this strategy with all the changes in the management in the last few months, Romel, is there anything that you would highlight in terms of changes, maybe, mainly in the commercial policies, in the operational side, any change relative to what had been going on in the last few years or do you see continuity with what had been done in Usiminas before?

And as regard to other points, can I ask Bill about the mining business? We saw the expected increase in margins above the expected in the mining business, and I just wanted some feedback. So what would be the breakeven today? If we look at the price at $63 for iron ore, what would be the breakeven price for the operations to be able to export at breakeven level? And then relative to Solutions, the result was impacted in Q4 and can you tell us if there is any possibility of passing prices through, are you seeing difficulties in passing through prices to the distribution? Are there any measures in place to reduce costs, to reduce the cost push in Solutions Usiminas?

A - Romel Erwin de Souza {BIO 17406447 <GO>}

This is Romel speaking. We have been working as it is before. We continue to focus on reducing costs, improving quality, gaining efficiency, improving our product mix. This is the direction, this is what we focus on. There has been no changes. We are all aligned to look for greater efficiency and better results.

A - Wilfred Bruijn {BIO 16707173 <GO>}

This is Bill speaking. As regards to the market scenario with the price of 63, I have some comments here. This is one of the variables which we take into account when we calculate our profitability, then we have to look at the exchange rate which has been working in our favor. The exchange rate is in our favor, because almost all of our costs chain is in reals, the port is in dollars and the sea freight is also in dollars. This was priced at $25, but has decreased to $10. I'm referring here to freights, to sea freight.

We expect freights to be between $12 to $15 in 2015. I was looking at some data throughout this week and the fleet of Capesize ships should increase by 30%. Today, we have Capes in Hong Kong, Singapore and South Africa. And there they have no place to dock. There is greater supply than the supply of -- than the demand, there is less cargo for this type of ship. So this is good for us.

Then we have to deal with port cost. We have contract with the Sudeste port, but the port is not opened yet. That's going to open shortly. And the other ports to remain competitive, we'll have to follow the markets and we will have to reduce their costs as compared with the prices that we saw in 2013 or at the beginning of 2014.

Another important component is our operational cost. And this is something under our control and we have been acting on a daily basis through control costs, to improve the processes and the efficiencies. We continue to pursue cost reductions.

Today, it is a challenge -- really the challenging scenario. The exchange rate is in our favor, the price of sea freight also in our favor and we will be able to have a level of profitability in the domestic markets and in the export market as well.

As regard Solutions, as Ronald said, in 2014 we saw negative results. EBITDA was zero. The first semester was good, the second semester was very bad and EBITDA was zero at the end of 2014. In 2015, we will strive to generate EBITDA. We have been working in the industrial front to reduce costs and in the sales front.

At the end of 2014, we closed two branches which were running losses, one in Camacari and one in Serra. And we are taking actions to reduce costs and make Solutions more competitive.

Also you asked us about the pass through of prices. Since last year, the competition is very fierce at the distribution end. Three factors have been impacting the competition in the distribution business. First, the increase of exports or imports which has an impact on distribution. And then the shrinking of the market with the reduction of apparent consumption of flat steels in Brazil. And also in 2014, we saw a new entrant who was very strong in the distribution market.

So these three factors made competition even fiercer in the distribution business. This should continue in 2015. We have been able to pass price increases through to the distribution, not all of it, but part of it, but we have been able to increase prices little by little.

Q - Leonardo Correa {BIO 16441222 <GO>}

And just one more thing. You talked about imports and if we look at the IABR data on imports, almost 200,000 tons of flat steels were imported. And do you think this is sustainable? Are there factors that could reduce this imports in the next few months?

A - Sergio Leite de Andrade {BIO 6771322 <GO>}

In 2014, there was an increase in imports by 22%. It's a significant increase and the ideal thing is that imports should be below 10%, the penetration of the imports is at 15% now. We are working with the scenario where we will see a drop in this import share. We believe it's going to be between 10% and 15%. So we expect a drop in imports.

And two factors are very important. First, the scenario today is of risk of drop in demand. So for importers importing becomes a more risky operation. We are seeing material being imported into the country at cost that are higher than the prices in the domestic market.

The other factor is the perspective of a depreciation of the reals and this of course poses an exchange rate risk to importers. I believe imports will drop in 2015, because of these two factors.

Operator

Our next question comes from Mr. Lofiego from Merrill Lynch.

Q - Thiago Lofiego {BIO 16359318 <GO>}

I have two questions. Sergio, can you confirm the sales price for hot rolled products when you talk about 10%, 15% of premium? And Ronald, can you talk about CapEx? You gave us a figure, but I just wanted to understand the dynamics? If it is necessary, can you go below

R$1 billion in 2015 if that is required because of leverage levels? And what else could you do to contain leverage?

A - Sergio Leite de Andrade {BIO 6771322 <GO>}

Thiago, I'm going to ask you to talk to our IR team relative to the price that we are considering for hot rolled products. I don't have this numbers at the top of my head, okay?

A - Ronald Seckelmann {BIO 3722329 <GO>}

As regard to CapEx, if we need to, we can work with CapEx in a different way, establishing priorities and expanding the horizon and restricting the CapEx, 1 billion is more or less the CapEx that we expect for the next few years. We can postpone a small amounts that is forecasted for 2015 to 2016 or 2017. We can do that. It is possible.

But although we monitor the covenants from a very close range, we are not yet concerned about leverage. Leverage is going to rise, but it's not going to reach the limit established in the covenants.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Thank you very much. Your explanation was very clear.

Operator

Our next question comes from Mr. Schweitzer from Votorantim Bank.

Q - Ricardo Schweitzer {BIO 17931515 <GO>}

Good afternoon. I would like to talk very briefly about the sale of surplus energy. Whenever you talk about the sale of energy, we think that this would come from the processing of gases from the steel making products. But you say that 217 million of EBITDA adjusted for the mining business, a part of it comes from the sale of energy. Considering that in Q4, you've reported 90 million in the consolidated results coming from the sale of surplus energy, I would like to know how much of that comes from the mining business?

And then about the Sudeste port, can you give us an update relative to when the port will begin operation? And how does that affect your expectations relative to the volume of ore in 2015?

A - Ronald Seckelmann {BIO 3722329 <GO>}

As regards to the sale of energy, the contribution of the sale of energy to the results of the mining company was 22 million in Q4. Part of this energy you see, the mining business is a free consumer. So, they have a contract to meet all of its demand.

When the mining business is not working at full capacity, it has a surplus of energy, because of its contract. This surplus is then showed. This energy is not generated by the gases which are created in the steel making business, so the adjusted EBITDA for mining was 2 million if we deduct the sale of energy.

A - Wilfred Bruijn {BIO 16707173 <GO>}

Yes, that is correct. This is Bill, Ricardo. About the Sudeste port, we have been talking to the managers of the Sudeste port, we have a very good relationship with them and we talk a lot about the prospects of when the port is going to start operating. As they say to the public, they still need to obtain some permits.

From an operations point of view, the port will be ready, but some documents are lacking. Some documents have to be validated by the Navy and other agencies and we expect that in the middle of Q2 or at the end of Q1 we could see the port operating. This will be a great news. We don't know when that is going to happen, we have just an indication and we are therefore adjusting our production plan and we are waiting to see when we will have more certainty about it.

I don't think it's going to be operational in the first semester, to be honest. So we won't be able to work at full capacity, which would have been great. But once the port is open, then of course there is going to be a ramp up phase, then we will escalate the amounts of ore that we will send to the port. But we hope that the port will be open very shortly.

Q - Ricardo Schweitzer {BIO 17931515 <GO>}

So your production plan today has an assumption that Sudeste will be operating in the second semester, right?

A - Wilfred Bruijn {BIO 16707173 <GO>}

Well, today we have very strong indications that the port will be operating in the second semester. What I said here is that this may happen before and this allows us to calibrate our production plan.

Q - Ricardo Schweitzer {BIO 17931515 <GO>}

And can you tell us about the volumes that you expect for the second semester?

A - Wilfred Bruijn {BIO 16707173 <GO>}

In addition to what was said before, we also have other ports that we operate from in the region of Itaguai. And we can operate through these ports. So this fact together with the combination of the exchange rates of the cost of the sea freight costs, our operational cost and the international price of ore, this will determine our volume. I cannot tell you now, what this volume is going to be.

Operator

Our next question comes from Mr. Sullyvan from Brasil Plural.

Q - Milton Sullyvan {BIO 19085202 <GO>}

This is a more specific question about the 1 billion maintenance CapEx for 2015? Can you tell us how much of this CapEx has to be approved by the Board?

A - Ronald Seckelmann {BIO 3722329 <GO>}

I don't have this amount to give to you, but according to our bylaws, CapEx above R$15 million have to be proved by the Board. So a significant part of this 1 billion in CapEx has to be taken for the approval of the Board. Some of this CapEx has to do with projects that have been approved by the Board, so it's difficult for me to give you this information off the top of my head.

Operator

Since there are no further questions, I would like to turn the floor over to Mr. Seckelmann for his final remarks.

A - Ronald Seckelmann {BIO 3722329 <GO>}

I just wanted to thank you very much for attending this conference call. I know it's still Carnival and also I would like to thank you all very much for the questions, that gave us the chance to provide clarification which is relevant to all. Thank you very much, and I hope you with us in the next conference call.

Operator

The Usiminas Conference Call is now ended. Thank you so much for participating, and have a good afternoon. Thank you.