

## Q2 2021 Earnings Call

### Company Participants

- Andre Luis Rodrigues, Chief Administrative, Member Of The Executive Board Officer And Financial Officer
- Andre Meneguetti Salgueiro, Investor And Press Relations Manager

### Other Participants

- Analyst
- Catherine Kiselar, Analyst
- Lucas David, Analyst
- Marcelo Motta, Analyst
- Regis Cardoso, Analyst
- Unidentified Participant
- Victor Mizusaki, Analyst

### Presentation

#### Operator

Good morning and welcome to WEG's Conference Call on the results for the second quarter 2021. We would like to inform you that we are broadcasting this conference call accompanied by the slides on our Investor Relations website at [ri.weg.net](http://ri.weg.net), and after its conclusion the audio file will be available on our IR website. (Operator Instructions) Any estimates contained in this document or any forward-looking statements that may be made during this conference call about future events, the business perspective, the operational and financial projections and goals, and the potential for future growth of WEG, constitute mere beliefs and expectations from the management based on the information currently available. These involve risks, uncertainties as they refer to future events and therefore depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors could affect WEG's future performance and could lead to results that differ materially from those expressed in such forward-looking statements. We would like to remind you that this conference call is being conducted in Portuguese with the simultaneous translation into English. With us today in Jaragua do Sul are Mr. Andre Luis Rodrigues, Chief Financial Administrative Officer and Investor Relations Officer, Wilson Watzko, Controlling Officer, and Andre Meneguetti Salgueiro, Investor Relations Manager at WEG. Mr. Andre Rodrigues, you may proceed, sir.

**Andre Luis Rodrigues** {BIO 17964192 <GO>}

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Good morning, everyone. It's a pleasure to be with you once again in this earnings conference call to discuss WEG's results. We are going to start with highlights for the quarter, the first being in the net operating revenue, which grew by 41.4% compared to the second quarter 2020. The continued positive commercial performance observed in the domestic market and the acceleration of industrial activity in the foreign market were key to this result. The demand for our short cycle businesses in Brazil and the maintenance of long cycle businesses mainly in the GTD area significantly contributed to this result. In the external market, we observed an acceleration in the recovery of industrial activity confirming the signs of improvement reported in the previous quarter. We have shown revenue growth in our main market and operating segment, together with an increase in the market share in important markets for the company. We'd like to remind you of the weak comparison basis with the second quarter 2020, both in Brazil and abroad, a period in which we have the greatest impact of the pandemic on our short cycle businesses, which contributed to the strong growth presented in these businesses. Another highlight in the quarter was our EBITDA which grew by 90.2% and reached BRL1.4 billion. The EBITDA margin increased 6.2 percentage points reaching 42.2 percentage. It's important to highlight that these numbers consider the non-recurring impact of the recognition of credits referring to the exclusion of ICMS tax from the PIS and COFINS tax basis. EBITDA without the effect of this credit would have been BRL1.1 billion with that -- an EBITDA margin of 19% [ph] Throughout the presentation Andre Salgueiro will provide more details about this performance. Finally, we had another quarter of ROIC evolution as we we will see in detail on the next slide, which grew by 10.6 percentage points over the second quarter 2020, reaching 32.2%. The consistency of this indicator in recent quarters reflects the improvement in our operating performance demonstrated by the combination of revenue growth and expansion of EBITDA margin together with the good management of the working capital in the past 12 months.

I turn the floor over to Mr. Salgueiro for him to continue the presentation.

### **Andre Meneguetti Salgueiro**

Thank you, Andre. Good morning, everyone. On Slide 5, I show the evolution of our business areas in the market where we operate, starting with Brazil where demand in the Industrial electro electronic equipment area continued to be strong, supported by the high demand of short cycle products such as low-voltage electric motors, serial automation equipment and gearboxes. The agri-business, civil construction and mining segments were the main highlights of this quarter. Supplies of a long cycle equipment such as e-houses and automation panels also contributed with important supplies for segments such as mining and oil and gas. In the GTD area we showed growth in all our businesses where we highlight the beginning of the supply of the new wind turbine, good demand for distributed solar generation and the continued delivery of TD [ph] projects linked to the transmission line auctions held in recent years.

In Commercial and Appliance Motors, sales volume remained high with the durable consumer goods, agri-business and food segments being the main destinations for our products. Demand in paints and varnishes also continued to be strong, especially in the oil and gas sanitation wastewater and civil construction segment. In the external market in the industrial electrical and electronic equipment area, we observed the net acceleration in the pace of economic recovery in all regions where we operate. Sales volumes for our

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main customers in segments such as mining, oil and gas and water and wastewater confirm this movement. Additionally, it's worth noting that the signs of recovery reported in the previous quarter are being confirmed with improvement in the placement orders for long cycle equipment in recent months. In DTDs, we present another quarter of evolution in the T&D business with relevant projects being delivered in the United States, Colombia, and also in South Africa. We also highlight the generation business where we are successfully expanding sales of steam turbine, products and services in Europe. In the area of commercial and appliance motors we saw significant growth in demand for our products, a move explained by the acceleration of economic recovery and gain in market share, especially in the United States and Mexico.

Finally, in paints and varnishes we presents an advance in sales in Latin American countries with an emphasis on Mexico, where we started operations of our new plant at the end of 2020.

Slide 6 shows the evolution of EBITDA in the second quarter 2021 where we presented a growth of 90.2% in relation to the same period of the previous year. Excluding the positive impact from the accounting of credits referring to the exclusion of ICMS tax from the PIS and COFINS tax basis, EBITDA grew 49.2% in the period. EBITDA margin ended the quarter at 24.2%. EBITDA margin excluding ICMS credits was 19%, an increase of 1 percentage point compared to the second quarter 2020. We recorded another quarter of improvement compared to the same period of the previous year, reflecting the rationalization of costs and expenses, better occupation of plants, together with improvement in the margin in some important operations abroad.

Final, on slide 7, we show the evolution of our investments. In the second quarter 2021, investments reached BRL168.3 million of which 52% were allocated to Brazil and 48% to units abroad, proceeding with investments in our factories in Brazil, China, Mexico and the United States.

With this I finish my part and give the floor back to Andre.

**Andre Luis Rodrigues** {BIO 17964192 <GO>}

Thank you, Andre. Before moving on to the question-and-answer session, I would like to mention some of our recent achievements and make some comment on our prospects for the remainder of the year. Regarding the achievements I would like to highlight two recognitions that we had recently. WEG was the big winner of the best companies on the stock exchange 2021 award created by InfoMoney and StockPickers based on our ranking prepared by Ibmecc and Economatica, we were awarded in the categories of Best Companies in the stock exchange market and best in the capital goods sector. We were also ranked second among the companies that generated most value for shareholders in The Broadcast Empresas 2021 award, and we were also awarded the special sustainability category.

Finally, about the prospects for the year. It's important to highlight that the pandemic has not being completely overcome. New variants of COVID 19 and the increase in the

number of cases in some regions still generate market uncertainties. Another point to note is that the recent increases in the raw material costs are likely to put pressure on margins in the coming quarters. Anyway, we continue to expect to deliver healthy margins this year. On the other hand, the improvement in the number of orders placed signals and acceleration in the recovery in the external market. And in Brazil, the good portfolio of long cycle equipment especially in DTD is likely to continue to support revenue growth in the coming quarters. So we are confident that we will have another year of good growth for the company. I will end our presentation here. Please operator we can proceed with the question-and-answer session.

## Operator

Ladies and gentlemen. We can now begin the question-and-answer session. (Operator Instructions) Our first question comes from Lucas David with Santander.

## Questions And Answers

### Q - Lucas David

Good morning, sir, and congratulations on your results and thank you for the opportunity of asking a question. Considering the cost material increased prices, I would like you to provide some more information about how much you're protected in relation to your results and what are the possible impacts in general way. And talking about wind turbines, we understand this is a very important driver for the growth in the next periods. I would like to know what are the contracts already made, and what are the impact on the margins of those contracts. And also in terms of new projects, would you like to change any structure so that you would include the pass through inflation clauses, and if you are willing to sure this risk with your clients. Thank you.

### A - Andre Luis Rodrigues {BIO 17964192 <GO>}

Hello, Lucas. Thank you very much for your question. This is Andre Rodrigues speaking. In relation to raw material costs, since the last quarter of last year, we have been noticing an increase in costs in the main raw materials. I believe this is something that we have been reporting for a while now, and this has been happening in Brazil for some months, especially raw materials index to the foreign exchange rates. And we have also seen some price increases in the metal plate and other inputs. And this can impact in the short term on our results in terms of cost structure of materials. This is --- it just happens very similarly to all competitors. And since we are talking about global commodities, the impacts are very similar throughout the industry. So it's a phenomenon that is happening in all industry.

In relation to wind turbines, our contracts of wind generation vary from client to client depending on the negotiation we had. As a rule, we always have a protection for FX variation and we have clauses of adjustments depending on the client, depending on the lead time, and the period of effectiveness of each contract. We can always discuss points related to financial balance depending on the case.

## Q - Lucas David

Thank you. Yeah, it sounds you answered to my question. Thank you.

## Operator

Next question comes from Marcelo Motta with JP Morgan Bank.

## Q - Marcelo Motta {BIO 16438725 <GO>}

Good morning, everyone. I have two questions. I would like you to make some comment on the long cycle portfolio. You're saying that you're receiving new orders. And the second is related to long cycle but more focused on the external market. We have seen some recovery, important recovery, revenues, DTD. So I would like to understand whether you have reported some gains in market shares? If this revenue in dollars is something sustainable? I would like you to make some comments on the external market as a whole. Thank you.

## A - Andre Meneguetti Salgueiro

Hello, Motta. Thank you very much for your question. This is Andre Salgueiro speaking here. First of all, let's talk about the portfolio and this operation that we like to talk with -- especially when we talk about long long-term cycle, we make the separation DTD and the electro electronic equipment. DTD has a positive portfolio since last year and we continue maintaining the pace of this portfolio along 2021, especially as a result of the business of T&D whose performance has been very positive especially in Brazil, but also in North America. But in Brazil because wind generation projects are resuming. So we have a positive portfolio for 2021 and also 2022. As for DTD, we have been disclosing our moves and we said that we have already had a positive portfolio for 2021 and this portfolio is being built for the year 2022.

As for Industrial electro electronic Equipment, we started to report some volatility last year when we had some variations in the orders of long cycle products and then we started to see some normalization in the placement of orders. And the news for this quarter is that this has been confirmed. So we have been receiving orders both in Brazil and abroad, and this portfolio that has been maintain, it has been growing every month and we can have a very good visibility for the quarters to come. And the demand comes especially from the strong resumption not only in Brazil but also abroad, especially in the industry connected to commodities that are very focused on long cycle products, steel Industry, pulp and paper, mining. And this is something that has been happening both in Brazil and abroad. So this is the current situation of portfolio.

In relation to the performance of external market, what we saw this quarter was an acceleration of the resumption of the activities. As for short cycle product, we are -- we see something that happened in Brazil in the second quarter last year when we saw the very strong recovery as of the third quarter of last year as far automation, orders, commercial and appliance motors. And we see the main -- economies in Brazil and some countries in the Europe also growing with important perspective GDP growth. So the prospects are very positive. Putting this all altogether, we expect that we are going to continue posting good performance in our sales both in Brazil and abroad. So this is the

expectation that we have today. And the visibility of new -- expansion of our portfolio, we expect to have the second quarter in terms of demand which will be very positive for the company.

**Q - Marcelo Motta** {BIO 16438725 <GO>}

Perfect. Thank you, Andre. Good morning.

**Operator**

Our next question comes from Victor Mizusaki with Bradesco BBI.

**Q - Victor Mizusaki** {BIO 4087162 <GO>}

Hello, good morning, congratulations on the results. I have two questions, the first one is to Andre in terms of the tax reform and how can this impact WEG. And the second one is related to Volkswagen started to deliver using the e-delivery. And we think about this second quarter, the third quarter, how can this help WEG's result. Thank you.

**A - Andre Luis Rodrigues** {BIO 17964192 <GO>}

Hello. Victor, thank you very much for the question. About the tax reform, I'll talk about tax reform and then Salgueiro will continue answering your questions. It's difficult to measure all the possible impact of the tax reform in Brazil. We have to monitor all the discussions, and as we have some definitions and decisions on the main topics such as the reduction of the income tax reduction, and we then can evaluate the scenario and all the directions that the company must take. When we have the final text of this tax reform, we will be able to disclose this information to all of you. I think it's too early for us to have a final decision on this topic.

Victor, in relation to e-delivery, I think the big news is that -- is the production -- the commercial production of the truck that started in June. It's important to remember that all the volumes, sales aspects that are being disclosed to the market by Mum [ph] and Volkswagen, we have expectations of volumes and units for the trucks to be delivered in the next months. And this has been included in our planning. But these are all incipient volumes. We do not have any expectations of any major contribution in the short term. As we say this is a business for the medium and long-term. The volumes are going to start at low volumes and then they will gain force as time goes by.

**Q - Victor Mizusaki** {BIO 4087162 <GO>}

Okay, thank you.

**Operator**

Our next question comes from (inaudible) with Citi.

**Q - Unidentified Participant**

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Good morning, everyone. Thank you very much for the opportunity to ask questions and congratulations on the results. My question is related to the domestic market. The performance this quarter was very good, even considering the comparison basis of the second quarter of last year was weaker, as you mentioned. And you mentioned the recovery of short cycle product. Could you provide some details on the dynamics for the local market and what do you expect along the year, if there is a demand that was held back? Do you expect any sustainable performance in the short-cycle? And some colors on the GTD area, please.

**A - Andre Luis Rodrigues {BIO 17964192 <GO>}**

Hinata [ph] Well, to talk about the dynamics in Brazil, we have to separate according to the business area that comprise WEG. When we talk about electric -- industrial electric -- electronic equipment in Brazil, there was a high demand in all products in Brazil and this impacts WEG's complete -- directly. When we talk about mining, civil construction and other aspects we see the demand of short cycle. And then we are referring to gearboxes and serial automation equipment. When we look at Brazil considering the industrial electro electronic equipment, the supply of long cycle such as e-houses and automation panels, they continue contributing positively in this last quarter. And the highlight was mining and oil and gas. And long cycle orders as Mr. Salgueiro said, we have -- we continue to see improvement along the quarter.

When we talk about GTD, we see that there has been a growth of 59.4% in this quarter. All businesses had growth in the quarter and we started supplying wind turbines, we saw good demand for solar distributed energy, and this is very good performance in comparison to the previous quarters. And also, we saw demand of alternators. In addition, we can also mention the maintenance of large size transformers for substations, an important project related to auctions and all the infrastructures of transmission that were held in the past years.

Now moving on and when we talk about appliances, we can say that the comparison basis was weak, and this is something that was mostly affected in the past -- in the recent period, both in Brazil and abroad. And these where -- we mostly felt the impact of the pandemic short cycle product in the second half of the year, the volume continues to be good, durable goods continue to grow such as air conditioner, household appliances and food segments. Also in relation to paints and varnishes, the demand for these products continue to be very high, especially civil construction, oil and gas, and sanitation. So this will be a general scenario of what happened in the second quarter in Brazil.

**Q - Unidentified Participant**

Okay, perfect. Thank you very much.

**Operator**

Our next question comes from Regis Cardoso with Credit Suisse.

**Q - Regis Cardoso {BIO 20098524 <GO>}**

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Thank you, Andre Salgueiro, Rodrigues for the opportunity to ask questions. There are two topics that I would like to address. First one is related slide 8 when you say that the increase in costs must press down the margins. I would like to know if this comparison is year-on-year or can -- is it reasonable to believe that will be an -- margin reduction for the second quarter. Another topic I would like you to talk is the revenue. A surprise, a positive surprise, an upside in the pipeline. I think we have addressed some of those topics but I would like you to discuss what changed in terms of expectations that we discussed in the previous calls. What do you believe has been positive, surprise, is there a gain in the market share in the international market? What has been the positive surprises, or have been [ph] people looking for gains in distributed generation. Has there been higher demand for solar energy or is there the problem of the drought in Brazil that has led to a higher portfolio or more demand. I'm trying to understand in fact why were we so surprised at the top line? Could you help us in the perspectives -- in relation to the expectations of last year. Thank you very much.

#### **A - Andre Luis Rodrigues {BIO 17964192 <GO>}**

I'm going to start and then Salgueiro will answer the second part of your question. Let's talk about margins first. This is connected to the expectations related to raw material increases and also the mix -- the change in mix of product that we sell, especially with the return of wind generation products and services. On the other hand, the acceleration of the demand in the external market and the improvement in the long cycle product shows that we are going to have a positive second half of the year in terms of demand and occupation of our plants. And excluding the favorable impact of the ICMA as a credit, tax and -- because due to all the volatility that we have today we expect 2021 to show healthy operating margins, not very different from what we had last year.

#### **A - Andre Meneguetti Salgueiro**

(inaudible) This is Salgueiro now speaking. In relation to the top-line, the demand is coming above what we expected last year. You're right. And there is one point which related to the macro aspects. If we think about the growth in Brazil and also in the main economies, such as China and some countries in Europe, The GDP expectation is increasing. So this Includes the resumption of the economic activity which was stronger than everybody expected not only ones, but everybody was surprised. So this is the first point.

And on account of this, we can see that the demand, especially in the external market is much -- is a bit stronger than we expected. So with -- this has accelerated and this is what I commented in one of the answers I gave. We saw a strong recovery in the third quarter of last year and this is something that we also saw in some regions in some other countries, and this is also contributing. And more recently we have been able to see an improvement in the dynamics of the projects of long cycle product and this is all going to help us increase our revenue along the next quarters. And this has already been materialized but we expect this for the future. I believe these are the main differences. So going back to specific point of your question, I believe that what is implicit here is that we are gaining market share in some countries, in some important regions. When we look at our figures in China, or our figures in some other markets, we realize that we are growing faster than the market and WEG is very well structured. Our business model makes us to

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be very well prepared to take advantage of those opportunities to gain market shares in the regions where we operate.

**Q - Regis Cardoso** {BIO 20098524 <GO>}

Okay. That was very clear, thank you very much. Congratulations on the results. Have a good day.

**Operator**

Our next question comes from (inaudible).

**Q - Analyst**

Hello, good morning.

**Q - Unidentified Participant**

I would like to talk about margin you have already addressed is very -- in a very clear way. But my question is a little bit more objective. When we look at the margin that we reported in the second quarter, could you provide us some idea of -- or you can talk about gross margin or you can also use EBITDA margin to answer this. How much of this has been impacted by the increase in the cost of raw materials and the mix of product. And the second question is related to the perspective of investments. I think Rodrigues has already given some important information on the article that was published by Valor Economico, but I would like to talk a little bit more about your prospects.

**A - Andre Meneguetti Salgueiro**

Hello, (inaudible) Good morning. This is Andre Salgueiro speaking. Yes, unfortunately we cannot provide this breakdown of how much is cost, and how much is related to mix because we have a very important mix component in the variation. And if we had this breakdown, we would show the margin of some segments and this is something that we do not usually disclose. When we look at the margin of the second quarter in relation to the first quarter without effect of ICMS credits tax, we had a reduction in the margin. And in this reduction, it's -- it includes the increase of raw material costs and also the mix a little bit different than we had especially because we had the introduction of the wind turbine services whose margin is a bit lower than the average margin of WEG for other businesses. So we have the two effects included in this result.

In relation to investment, the CapEx was about BLR1 billion. 62% of this amount for the external market and 38% for the market in Brazil. In the first semester -- the first semester has already gone, we invested a little bit more than BLR300 million, and we believe the execution of the remainder of what was expected for the second half is going to be very difficult to be realized. So this is going to become a carryover for the future, and there is a reason for that. The pandemic still brings some difficulties, I'm going to give you some examples. Part of the investment was for the low voltage product plant in India, and India is a country which is suffering a lot from the COVID due to new rules for work. So the civil construction of the new plant was affected negatively and we have to count on a limited number of workers and there was a delay involved. The transformer plant in United States

also had some effect, and some supplies -- suppliers delayed the delivery of some equipment. And the new vision -- the new vision that we have, a little bit more updated, we believe that the second half of the year will amount to BRL500 million as investments, so BRL200 million below of what we have invested year-on-year. And once again, a large part of the investment, since I talked about the increase of capacity in the United States and India, but we also have to include the capacity of development in China, and we started producing in China in 2019. And we also have to consider the modernization of some plants and we also increased the capacity of some units in Brazil, such as by motors and appliances as well.

### Q - Analyst

Okay, thank you.

### Operator

Our next question comes from Catherine Kiselar with Banco Do Brasil.

### Q - Catherine Kiselar {BIO 20979709 <GO>}

Good morning, everyone. Congratulations on the results. My question is about the competition. How do you see the competition in terms of prices and margins? Do you see any threats? I would like to understand that the resumption of market share will affect the margins. So, could you provide some information on this?

### A - Andre Meneguetti Salgueiro

Hi, Catherine. This is Andre Salgueiro speaking. In relation to the question related to the competitive environment, I couldn't hear your voice so clearly so I'm going to elaborate on this. So if I do not answer any part of your question let me know. In relation to the competition, we have been working in order to maintain and gain more market share in all the regions, in all the countries where we operate. This is our long-term strategy. So what we always seek is to be as competitive as possible so that we can gain this market share in other markets and other regions.

And in relation to the margin impact and how can this possibly effect the competitive environment. Andre Rodrigues, when he talked about the margin, he talked about the cost structure. The cost structure of our business is very connected to the commodities especially the metal related commodities that as a rule, they are commodities whose prices are defined at the global level. So the cost structure that we have causes an impact similar to how other players are affected. So what is the difference? The difference is the business model, the fact that we are verticalized, we -- and we try to be as efficient, as productive as possible and this is part of our DNA. And as the time goes by we can go deeper into those topics. Because of the cost structure is very similar, we do not see a lot of pressure or many important changes in the competitive environment as a result of this. So the competitive environment is more related to our business model.

### Q - Catherine Kiselar {BIO 20979709 <GO>}

Thank you. My second question is related to WEG digital. Can you provide us with a follow-up on the Digital WEG and also the portfolio of product?

### **A - Andre Luis Rodrigues** {BIO 17964192 <GO>}

Hello Catherine, this is Andre Rodrigues. Very good question. Let's provide you with some updates on what's happening in the digital businesses of WEG. We are always reporting that this is a process of the company to journey on which we are building step by step according to our philosophy. We have two focus -- focuses. One is the asset management and the other is execution management, both of them are complementary to provide solutions to our clients and help them on this journey to enter the 4.0 Industry. When we talk about asset management we can mention the solutions of monitoring equipment, data rating and connectivity where we provide product by means of our traditional business units and also using all the competence and expertise of the companies we work with, and providing the computing vision that all help us in this process. When we talk about execution management, we focus on productivity of the operations by means of solutions that were in-house developed and also connective solutions that were developed by D2 Com. These are helped by acquisitions we have recently made. We have enabling technologies that have been organized to empower with tools for our clients. We can mention Artificial Intelligence developed by WEG, our softer development and our -- the WEG Knowledge which is our platform, and WEG Digital Solution which is a unit of WEG is all an eco-system that integrates equipment and tools, store in data, and transforming the information, making it possible to monitor, control and automate all the operations, doing analysis in real time. All this is done together with the competence that we have in the development of industrial products that are made by WEG. So all of those solutions are put together so as to be more productive.

### **Q - Catherine Kiselar** {BIO 20979709 <GO>}

Excellent. Thank you very much. Have a good day everyone.

### **Operator**

Our next question comes from Igor Araujo with (inaudible).

### **Q - Analyst**

Good morning, everyone. Congratulations on the results. You even touched upon this topic but I would like to ask a question about solar energy. I would like to know what are the prospects for the -- or prospective for the segment? Yes, I heard that there was a comment saying that this is the segment that grows the most. So how this year trails [ph] in the market? What are the prospect expectations you have for this market?

### **A - Andre Meneguetti Salgueiro**

Hi, Igor. Good morning. This is Andre Salgueiro speaking. WEG in solar energy can be divided into two parts. We operate in distributed solar energy where WEG is one of the market leaders in this segment in Brazil. So the GD continues to evolve. We are well positioned to take the opportunities that come up, and it started to grow at a very -- at a stronger pace than we had seen in the first quarter. But we have to take into consideration

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that the comparison basis in terms of the second quarter of 2020 was a bit weak because of the pandemic, but we see a lot of development, this is something that grew a lot at WEG in the past few years and it still presents a good performance in August this year. So we believe that our operating model by means of the integrators that are spread across the country bring competitive advantages in this segment for the long term. So we are well positioned and we believe that this is a segment that has been growing well in the last years and we have been monitoring this growth. WEG also operates in the centralized energy generation and some years ago we started to offer equipment and then we started to offer turnkey solutions, and more recently we were successful to sell some important equipment, especially solar -- Central Central gearboxes and substation equipment. In this part of centralized generation, the contribution was not so important in -- for our revenues, but we have an important agreement with (inaudible) where we are going to start providing gearboxes in the second -- second half of the year. So this is probably going to show us with some growth for the future.

### Q - Unidentified Participant

Can you provide us with a vision of how much of this represented on the DTD [ph] in the domestic market.

### A - Andre Meneguetti Salgueiro

Unfortunately, we do not break down the revenues of DTD per business units. So what we always say, and this is something that we have been mentioning in the past few years is that solar business has been developed a lot in the past few years and this is a very important business in the DTD area.

### Q - Unidentified Participant

Okay. Thank you, Salgueiro. Have a good day.

### Operator

(Operator Instructions) We have now closed the question and answer session. I would like to give the floor back to Mr. Andre Rodrigues for his final remarks.

### A - Andre Luis Rodrigues {BIO 17964192 <GO>}

Thank you very much once again for taking part in this conference and I hope to have your attendance in the next earnings call in October. Have a good day.

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