

CORPORATE PARTICIPANTS

Mr. André Luís Rodrigues – Chief Financial Officer

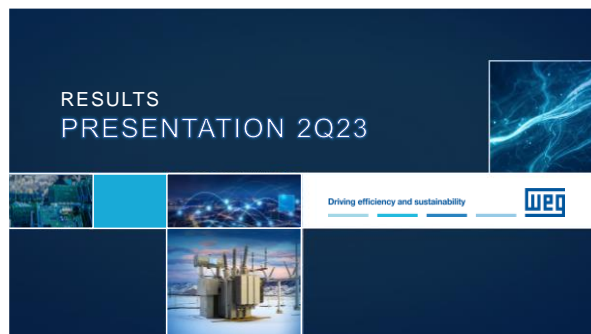
Mr. André Meneguetti Salgueiro – Finance Director and Investor Relations Officer

Mr. Wilson Watzko – Controller Officer

Mr. Felipe Scopel Hoffmann – IR Manager

PRESENTATION

Operator: Good morning and welcome to the conference Call on WEG and to release the results of 2Q23.



We are broadcasting this conference call accompanied by the slides at our investor relations site at ri.weg.net. After the conference the audio will be available at our IR website. Should you require any assistance during the conference call please request the help of an operator by pressing *0.



Any of the forecasts contained in this document or forward-looking statements that may be made during the conference call referring to future events, the business outlook, operational goals and projections and the potential of growth of WEG are based on the beliefs and expectations of the WEG Management, as well as on information currently available. These forward-looking statements involve risks and uncertainties and

therefore dependent circumstances that may or may not occur.

Investors should understand that overall economic conditions, industry conditions and other operating factors could impact the future performance of WEG and lead to results that differ materially from those expressed in such forward-looking statements.

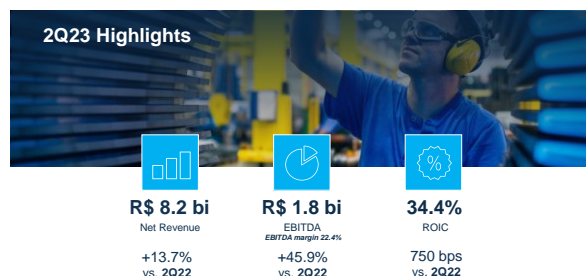
We would like to remind you that this conference call is being presented in Portuguese with simultaneous translation into English.

Today with us in Jaraguá do Sul we have Mr. André Luís Rodrigues, Administrative and Financial Officer; André Meneguetti Salgueiro, Finance Director and Investor Relations Officer; Wilson Watzko, Controller Officer and Felipe Scopel Hoffmann, Investor Relations Manager.

Mr. André Rodrigues, you may take the floor.

Mr. André Luís Rodrigues – Chief Financial Officer

Good morning, everybody, and it is a pleasure to be with you once again for WEG's earnings conference call.



I start with the highlights of the quarter, where net operating revenue grew 13.7% compared to 2Q 22. We posted another quarter of growth reflecting the good performance of the long-cycle business and our good demand for the products in the main regions where we operate.

In Brazil we continue to perform positively with good demand for industrial equipment. In long-cycle equipment we saw good sales volume, especially in the transmission and distribution business.

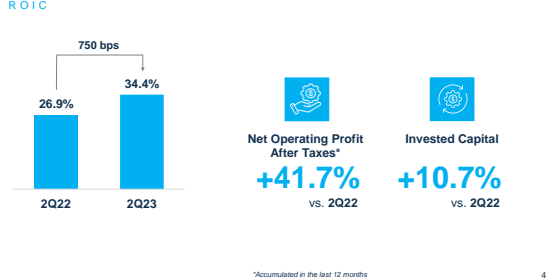
In the external market the GTD business contributed significantly, especially the T&D supplies in North America. We also observed good results in the other markets of operation, mainly in the mining and oil and gas segments, in the industrial electric and electronic equipment area.

EBITDA reached 1.8 billion BRL with an increase of 45.9% compared to 2Q22. EBITDA margin ended the



quarter with A growth of 4.9%, a 22.4% increase vis-à-vis the same period last year. Throughout the presentation André Salgueiro will provide more details on this performance.

Return on Invested Capital



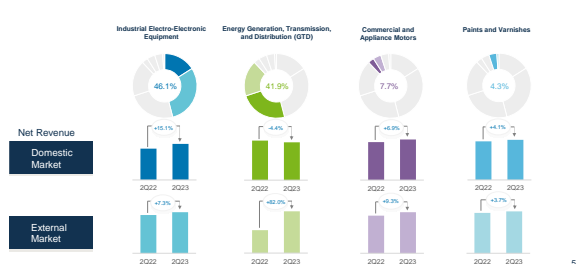
Finally, ROIC, as we will see in the next slide, reached 34.4%, an increase of 7.5 p.p. compared to 2Q22. The improvement of our operating performance supported by the revenue growth and enhanced margins more than offset the increase in fixed assets investments, coupled with better control of working capital requirements in the period.

I would like to give the floor to André Salgueiro.

Mr. André Meneguetti Salgueiro – Finance Director and Investor Relations Officer

Well, thank you André and good morning, everyone. On slide 5 I present the evolution of the business areas in the markets where we operate. In Brazil we continue to have a positive industrial activity with good demand for short-cycle products, with an emphasis on serial automation products mainly for the mining and pulp and paper segments.

2Q23 Business Area Performance



Long-cycle equipment such as medium-voltage electric motors and automation panels also showed good result, especially in oil and gas, mining and pulp and paper segments.

In the GTD area we observed another quarter with good performance in the T&D business, driven by deliveries of large transformers and substations for projects linked to transmission and distribution network auctions.

The distribution distributed solar generation business, despite showing revenue growth compared to 1Q22 declined compared to the same period last year.

In commercial engines and appliance, we observed improved sales in several segments with a decrease in sales in the quarter.

In paint and varnishes, we continued with a good demand in recent quarters, with an emphasis in the oil and gas and maintenance segments.

In the foreign market industrial activity remains positive in most of the regions where we operate, with an emphasis on short-cycle equipment such as low-voltage electric motors and serial automation products mainly in North America. For long-cycle equipment we also see good revenue level, especially for projects in oil and gas and the mining segments.

In the GTD business we continue to enjoy positive momentum for T&D operations with good performance in both Mexico and the US. In the generation business we highlight our operation in Europe as we delivered some important quarters this project, in addition to building a healthy order book for the coming quarters.

In commercial and appliance motors we saw growth in demand for our products in important regions where we operate, especially in the US operations.

In paint and varnishes revenues in overseas operations showed growth, offsetting lower exports activity from Brazil in the quarter.



In slide number 6 we show the evolution of EBITDA, which grew 45.9% vis-à-vis 2Q22. EBITDA margin ended the quarter at 22.4%, 4.9 p.p. higher than the same period the previous year. This result is mainly a reflection of the cost accommodation observed in the last quarters, along with the change in the product mix of products sold, mainly impacted by the drop in solar energy and the better profitability of long-cycle products and foreign operations.



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Finally, on slide number 7 we show you the evolution of our investments. We invested R\$445 million in this quarter, 34% in production units in Brazil and 66% in industrial parks and other facilities abroad.

In Brazil we highlight the investment in the expansion of industrial engines, electric traction engines and battery packs factories, while abroad we continue with the expansion of the motors and transformer factories in Mexico, with the construction of a new motor factory in Portugal and the expansion of high-voltage motor and generator factory in India.

This concludes my part and I return the floor to André.

Mr. André Luís Rodrigues – Chief Financial Officer

Well, before we go on to the question-and-answer session I would like to refer to some of our latest achievements and comment on our outlook for the rest of the year.

Regarding achievements I would like to highlight we announced earlier this month agreements with Alupar and 2W Ecobank for wind power self-production, which in addition to guaranteeing the supply of energy at WEG will also contribute to achieving the decarbonization targets assumed last year.

RECENT ACHIEVEMENTS

- Agreement with Alupar and 2W Ecobank for self-production of wind power
- Investment of R\$ 49 million to expand production capacity of the manufacturing plant located in Manaus, Brazil
- Best Placed in the Broadcast Companies Award 2023, and also the Special Award for Sustainability

OUTLOOK

- Positive long-cycle order backlog in Brazil and abroad
- Maintenance in the positive operational dynamics
- Uncertainty regarding the global macroeconomic scenario demands attention

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The two contracts represent 90% of energy consumption in Brazil, and together with other projects under execution in India and China add up to 75% of our global energy consumption in 2022 from renewable sources.

We recently announced investments to expand the production capacity of the Manaus plant. The 48 million BRL project will be carried out over the next three years and will enable the production of a new line of electric motors for air-conditioners.

In June we were among the top three in the Broadcast Companies Award presented by Agência Estado as companies that most generated value for shareholders. We also received the special award in the Sustainability category.

Finally, on the outlook for the rest of the year.

Finally, I would like to speak about the outlook for the rest of the year. We continue with a good order backlog for long-cycle equipment, both in the industrial area and GTD, especially in the T&D projects which will be a key part of our business, both in Brazil and abroad.

We continue with a positive dynamic controlling the price of our main raw materials and with a favorable evolution of cost. We should be able to grow sustainably. It is important to be attentive to the global macroeconomic scenario and the potential risks for our operations.

Despite this we do maintain our forecast for sustainable growth and a positive demand for most of our businesses.

With this I would like to end the presentation and, operator, we can now continue for the question-and-answer session.

Q&A SESSION

Operator

Ladies and gentlemen, we will now go on to the question-and-answer session.

Should you wish to pose a question please press *1. To withdraw your question from the queue press *2.

Please hold while we pool for questions.

Our first question comes from Lucas Laghi from XP Investimentos. You may proceed, sir.

Mr. Lucas Laghi - XP Investimentos

Good morning to all of you and thank you for another call. I would like to hear a bit more about your revenue dynamic, and I would like to hear about this geography by geography. You have had consistent growth year on year, but I think that the exchange rate ended up not being of any help in that sense. What is it that you foresee there in terms of costs and if you could look at that creation of backlog, what you can explain to us a semester by semester.

Well, you said that this already reflects the strategy that you have, the commercial strategy; and if we look at the domestic market we see, what is happening with this solar distribution? What will happen if we have a somewhat more active market? Will there be a one-time concentration of wind deliveries because of this or what is it that you are coping? Thank you and after that I would like to pose some additional questions.

Mr. André Meneguetti Salgueiro – Finance Director and Investor Relations Officer

Good morning and thank you so much for your question. You did approach several points here; I will try to cover them all. Should I have forgotten something please remind me of this in your follow-up. In terms of industrial electro-electronic equipment Brazil continues to have a very positive performance. We had a growth of 15.1% compared to the last quarter. The dynamic continues to be positive and we see that we have a very good occupation in this sense; now for the long-cycle projects, especially automation panels and oil and gas continue to be very positive areas, and they are supporting our growth in Brazil.

Now when we look at these businesses outside of Brazil they have continued to grow at a lower rate, perhaps 7.3%. There is no impact of the exchange rate, it is what we had mentioned: in most of the regions our sales continue to be positive, but in some areas, we begin to feel signs of volatility, especially in Europe where we have observed signs of volatility for some time already, especially in the long-cycle in Europe with volatility in the last quarters. In this last quarter we had a dynamic in China with a certain drop and this has also contributed to the somewhat lower growth in this business unit outside of Brazil.

Now when we think of the GTD sector the significant factor continues to be solar energy, although it has

showed a minor evolution compared to 1Q. This does represent a slight drop.

Now what refers to 1Q is due to the concentration of the delivery of wind equipment, and 1Q is always this way because of the timing because this is when we have a concentration of our projects.

Now regarding 2Q the impact is great when it comes to the fall of the solar area, as also happened in this quarter.

Mr. Lucas Laghi - XP Investimentos

Now to close regarding the more volatile demand that you have in Europe there is a positive highlight at the end of 2Q and we see that in Europe, although this equipment has been a main component of the revenues what is it that has increased your revenues in Europe this quarter? And do you see any new signs of any improvement in the situation in Europe in general? Thank you very much.

Mr. André Meneguetti Salgueiro – Finance Director and Investor Relations Officer

Well, regarding Europe, Europe has had a very significant performance this year with the resumption of growth in regions outside of Brazil. Now all this growth is concentrated in the GTD area. There are some very important projects when it comes to generation in Europe now for 2HTY.

And most of the revenues ended coming from Europe because of Gefran, and of course compared to the base in the past this will be of great help to grow when we think about the region. Now this great highlighting Europe is linked to these two highlights: first of all generation as part of GTD, and secondly this is also due to Gefran, the acquisition.

Mr. Lucas Laghi - XP Investimentos

Thank you, thank you very much.

Operator

The second question comes from André Mazini from Citibank. You may proceed, sir.



Mr. André Mazini - Citibank

Good morning and thank you for the call and congratulations for your results. I have a question on the recall that became very relevant in the media approximately 3 months ago in terms of aerogenerators. What is going to happen in the market? And for you a recall of this type does it open more room for other strategies, a greater diversification because of the loss of reputation? And what has led to recall of this sort?

Well, people buy from third parties and if you have made any changes and you are looking inwards? Now that the reality has changed completely can you understand something more because of this external event when it comes to your company? Thank you very much.

Mr. André Luís Rodrigues – Chief Financial Officer

Well, hello André, this is André Rodrigues and thank you for the question. We do not have information on the supply, nothing above and beyond what has been disseminated, and of course we cannot take a positioning when it comes to issues of the competition.

When we are speaking about aerogenerators we are referring to highly complex equipment; the installation is very complex as well, and as happened with this specific competitor there are problems eventually with other competitors as well, and these one-time problems in these machines yes, of course can occur.

In the case of WEG, we are not aware of problems in our serial equipment. Of course, there is a risk that we are under exposure when it comes to the total revenue of the company.

Mr. André Mazini - Citibank

Well thank you, thank you very much, André, for the answer.

Operator

Our next question comes from Régis Cardoso from Credit Suisse. You may proceed, sir.

Mr. Régis Cardoso - Credit Suisse

Good morning, Salgueiro, Rodrigues. We have two questions at our end first to understand the dynamic of revenues. You had a positive balance in the top line in

the quarter-on-quarter comparison and this has drawn attention. We thought that because of the appreciation of the BRL and because of the accommodation of commodities in general, especially steel with a certain reduction, that all of this would be a headwind against the growth of revenues.

Now the question is the following: if you have had any type of concentration in the delivery of projects of GTD in the external market, and there is a growth in revenues during 2Q. Is this recurrent? Is this a good proxy to be able to forecast the growth of future quarters? Or is there a commercial environment, a more favorable demand that will allow us to see a stronger topline trend?

And perhaps you could also remark on the growth of the top line and the division between the volume and price. I later have some additional questions, thank you.

Mr. André Meneguetti Salgueiro – Finance Director and Investor Relations Officer

Good morning Régis, this is Salgueiro and thank you for your question. When it comes to the dynamic of revenues, I can give you an initial response. In fact, in GTD in the external market yes, we did have a concentration of some important projects, especially for generation in Europe.

Part of the revenues of this quarter will not appear in our portfolio with the same magnitude when it comes to delivery in coming quarters, and of course this is natural. We should recall the long-cycle dynamic. Sometimes we are producing and the concentration may take place in the delivery in one quarter or another. This may happen one or other time, and I can state that part of this performance therefore is the performance of Europe because of this concentration.

Now to convey information that we usually share with you, the break in the short-cycle this quarter reached 46%, and this was an important evolution. It shows that this evolution is fully aligned with what we have been going on through the last quarters. The long-cycle portfolio, as this portfolio evolves well, this concentration may end up happening.

When it comes to that breakdown of volume and price at WEG it is very difficult to work with that breakdown because we have a large series of products with different forms, motors with different sizes and power; therefore, it is somewhat difficult to work with this analysis in a consolidated way.

Now we did not have greater variations in price vis-à-vis last year and most of our growth and performance are based on higher volumes.



Mr. Regis Cardoso - Credit Suisse

Well thank you. Now if we think of the logic of margin evolution, the stronger margin for 2Q had this evolution because of a concentration of long-cycle projects of GTD abroad and it may not be recurrent in the future quarters; or is it due to a dynamic of fall of costs, the prices remained normal? Will this be sustainable or could this be something temporary because of the price and cost conditions? I simply would like to understand the recurrence of these margins if possible.

Mr. André Luís Rodrigues – Chief Financial Officer

Régis, this is André Rodrigues here. First, to speak about the future we need to speak about what happened in 2Q. Now the margins evolutions in 2Q are due to some of the factors we had already announced: the change of cost of some raw materials; a different product mix with a different profile, all of this can also have an impact on one quarter vis-à-vis another. The delivery, the portfolio for long-cycle and the exposure of our business with solar and wind that predominantly tends to have lower margins.

What also contributed was a better occupation of our plants and our operations overseas. We have several initiatives underway to enhance profitability abroad. Now that idea of the representativeness of the long-cycle this is also very important, and throughout the year 2022 we did mention that we had price recomposition enhancing the margins of the long-cycle products.

Now for the WEG dynamic, because of these variations that we have between one quarter and another it is very difficult to say that the margin of a specific quarter will be recurrent. What is important here and we do want to think about margins. We have delivered one more quarter with a margin that sets itself aside, but for the year we have the expectation that the performance will be better compared to other years - but we can never say that a specific margin of the quarter will be, benchmark for other quarters.

Mr. Regis Cardoso - Credit Suisse

Well thank you, thank you very much Salgueiro and Rodrigues and thank you for the call.

Operator

Our next question comes from Lucas Marchiori from BTG Pactual. You may proceed, sir.

Mr. Lucas Marchiori - BTG Pactual

Good morning and thank you for the call, we have two questions at our end. I am going to refer to this, I think you mentioned in your last answer referring to the competitor this morning and it seems that the situation of margins in this segment reflects what is happening globally because of commodities.

Now I am somewhat concerned with the pricing in this case that the pricing has not been as efficient as it should be under these market condition that perhaps you should transfer some of these changes in the prices of commodities. Now I would like to know what is happening especially in exported products, more competitive products in Europe, if there should be some sort of price accommodation, this is my first question.

The second question very brief, I have understood the accommodation of prices in the commodities and what has happened with margin, a margin enhancement overseas, especially in Mexico and perhaps one or another operation overseas. If you could qualify in which of the operations you are ramping up your margins with a greater speed?

Mr. André Luís Rodrigues – Chief Financial Officer

Well, thank you for the question. Now regarding pricing, readjustments of course can be made in accordance the market conditions. We carry out price increases and readjustments at the beginning of the year to offset these increases that tend to appear. The last month and this year specifically these price increases occurred precisely because of this trend that we observed in raw materials.

But pricing does not have very much to do with demand. Well, demand is very active. We can work with a specific level of prices and up to this moment, except for some adjustments that have been put in place we have been able to maintain that level of pricing. We are going to have to follow up on what happens going towards the future.

Now the improvements in the margin these have happened in a very general way in all our business units, it is one of our objectives to enhance our margins. Well, the example of T&D in the Americas in the whole.

We had always informed you that we were working with the margin enhancement, with the synergies in the operations of the US and to have gains and of course this can happen. So, we also have a better occupation of our facilities and we see this in China, which is, well,



we had the shutdown because of the pandemic, especially in 2H we had a drop vis-à-vis 1H 22 and there was an impact on margin. With the resumption of the conditions of demand this also aids and affects our company, and Gefran as well had an improvement in margin during 1HTY.

Mr. Lucas Marchiori - BTG Pactual

Very good, thank you very much.

Operator

The next question comes from Bruno Amorim from Goldman Sachs. You may proceed, sir.

Mr. Bruno Amorim - Goldman Sachs

Good morning to all of you and thank you for taking my question. I have a follow-up on that discussion of dynamic and margin evolution focusing more on the cost side. For some quarters already we are living with lower prices in raw material, in commodities, and I would like to know if all the benefit of the this has been reflected in your costs in 2Q because of the hedges of your raw material inventories, or are there incremental benefits going forward?

If you could also remind us on the hedge policy of the company and which is the status of the hedges that you are using in your portfolios at present, thank you.

Mr. André Luís Rodrigues – Chief Financial Officer

Well, Bruno, in a certain way yes, it has been reflected, but it will depend on the dynamic going forward, on what happens with the price of commodities. When it comes to the hedges for the main raw material yes, we of course do work with protection for the prices; and long-cycle projects each case, each contract will have its specific rules. The company has worked on this for some time already.

Mr. Bruno Amorim - Goldman Sachs

Well, thank you.

Operator

The next question comes from Rogério Araujo from Bank of America. You may proceed, sir.

Mr. Rogério Araujo - Bank of America

Good morning and thank you for taking my question. I would like to speak further about this segment in the United States, if there has been revenue evolution and margin evolution in this 2Q that can help explain the external GTD.

Now looking forward if you could speak about the very strong demand forecast that we have in coming years because of the evolution of renewable energy.⁵⁴ Which is the outlook of supply for the WEG facilities, which is your capacity, if you have expansion projects? I am aware that you have already worked with three expansions in the last few years, but do you have plans to further expand your capacity and pricing as well? Is there room to enhance this segment? Thank you very much.

Mr. André Luís Rodrigues – Chief Financial Officer

Rogério, when it comes to demand yes, the demand is very positive and everything that we do in our surveys and the positioning of our customers show that this is not just a short-term demand, yes, and this demand for T&D equipment in North America will continue in the middle and long run.

And because of this the company has been preparing itself for some time. We began with the facilities in Mexico. In the past we felt that at some point in time this demand would become stronger in the United States, and of course this demanded significant changes from WEG in the cities of Washington in Missouri. We imagine that this demand would come in 2020. In 2021 we inaugurated the third unit in the same city, and now in the United States we are concluding an expansion in one of our existing facilities.

Now additionally to this what we have done in the United States is to work on the synergy that we have in operations with Mexico. Of course, we have better labor and it is possible to produce some components in Mexico and send them to the United States for the conclusion or finishing up the equipment. We are also working on our capacity expansion in Mexico to face up to this demand. We have investments that are under way and to continue with this we also have some surveys to enhance this capacity, especially in Mexico, to be able to comply with new demands in that sector. This of course is very positive news for us.



Mr. Rogério Araujo - Bank of America

Thank you very much and has 2Q been of help? Have you had an evolution quarter on quarter?

Mr. André Luís Rodrigues – Chief Financial Officer

Yes, it has been of help.

Mr. Rogério Araujo - Bank of America

Thank you very much.

Operator

The next question comes from Andressa Varotto from UBS. You may proceed.

Mrs. Andressa Varotto - UBS

Good morning, André e others for taking my question. I have two very quick questions here, I would like to refer to the market of distributed solar energy in Brazil, where we begin to observe a recovery of this segment and some new projects for generation and the drop-in interest rates should help in the sector. Now there is a new regulatory law and I would like to know if you had any update regarding expectations on the next few months.

Mr. André Meneguete Salgueiro – Finance Director and Investor Relations Officer

Thank you, Andressa, for the questions. When it comes to solar generation, we mentioned at the beginning that all of this had a growth on GTD in Brazil, because the solar generation had a drop since last year, and this drop is more concentrated in GTD, distributed generation. This is a segment that is suffering more because of these regulatory changes and because of the increase in interest rates and the credit crunch that Brazil has suffered in the last few months. This has impacted the movement of this in the last few quarters.

When we look at the solar business, solar distribution has grown vis-à-vis last year, has become relevant, and this growth in central solar generation is helping us to think about the weaker performance in distributed generation.

Now the solar, the central solar generation should continue to evolve. We should have significant changes during 2H, and in terms of GD we do expect some evolution during the year, but in the coming months we are going to depend on how this evolution will take place. This business is working a bit laterally with an evolution month after month. Of course, there is a drop in interest rates, there will be a reflection on the consumer that will have greater activity, and most of the equipment is already part of the system. When we put all of this into an analysis, we do think there will be a resumption, but when we look at the numbers, we truly do not know how 2HTY will be.

Mr. André Luís Rodrigues – Chief Financial Officer

Now regarding the rule of the transfer price (1152) there is a great deal to update vis-à-vis what we said in the last quarter. Now there is a new methodology, transfer price plus other factors. Presently we are concluding studies to compare margins with outside consultants to have a more precise information on which will be the impact of this. In the coming months we should have more updated information.

Mrs. Andressa Varotto - UBS

Well thank you, thank you very much.

Operator

The next question comes from Victor Mizusaki from Bradesco BBI. You may proceed, sir.

Mr. Victor Mizusaki - Bradesco BBI

Good morning and congratulations for your results. I have two questions, the first if you could speak about the transmission area at the end of June, if you already had your partnership signed and the bids for suppliers. Of course, this will take longer to take place.

Now the second question we are following up on the discussion of a positive incentive in the white line, in white appliances. How would this affect you? Thank you very much.

Mr. André Meneguete Salgueiro – Finance Director and Investor Relations Officer

Thank you for the questions, Victor. Now regarding the transmission auction, we had an auction that was held



recently with 16 billion of investments. WEG did not have a precontract with the partners of the auction. What we were able to observe is that most of the project lots did not have signed precontracts, this means that many of them are still open in the market, and it is natural that beginning now we will be able to work closer with those who won the bids and initiate a commercial conversation. We are more aligned with some of the winners of this auction.

Now to put this in context this is the first auction, there is a forecast for a second auction at the end of the year and a third option that had also been forecasted for this year but has been postponed for 2024. When we put together all the investments of these three auctions the expectation for investments will be quite expressive, and this is a boost to continue developing the T&D business in Brazil in the coming years.

Now the timing of these projects for implementation is normally five years and the purchase of equipment can take place in the first, second or third year according to the progress of each project, and of course we will follow this will materialize.

Regarding the white line appliances, in the commercial part we have seen an evolution of our revenue especially in Brazil vis-à-vis last year. Last year was a difficult year for that segment. We have observed some growth, but we can say that there has been a more recent program disseminated by the government. If in fact this materializes it will represent an additional opportunity in this market and a greater opportunity for growth for the company and that business line.

Mr. Victor Mizusaki - Bradesco BBI

Thank you very much.

Operator

Our next question comes from Daniel Gasparete from Itaú BBA. You may proceed, sir.

Mr. Daniel Gasparete - Itaú BBA

Good morning, everybody and thank you for taking my question. I have two as well. I would like to go back to the long-cycle comments. I think that the representativity of this segment has become very clear. I would like to know which is the evolution of this. I imagine that the contracts will be made at higher costs. Now André made a comment that you have a delivery at the end of the year, and I would like to know if you are forecasting a level of margins that is like what you

have had or if you will have a new cost and price structure for the long-cycle projects.

Now secondly to speak about solar energy and the representativity of the central distributed energy compared to GD, the central area has a higher margin distributed. Will this continue this way or if there are other factors that could modify or change your margin levels in this case.

Mr. André Meneguete Salgueiro – Finance Director and Investor Relations Officer

Gasparete, thank you for the questions. Now when we speak about the long-cycle it will depend on each different business. We do not have a single rule, why? Because in some cases and some businesses we use different formulas to set forth the contract with the customer, to set forth the price, but that price in the contract already has a formula that eventual alterations whether it upwards or downwards will be transferred to the price.

We have other contracts, other businesses where we basically sell based on everything indexed to inflation and the variation of other costs. As André mentioned in the initial response, in some cases depending on the time of the contract we could also use a hedge structure for protection of raw material or exchange rate. So as a rule everything will depend on the business per se that we are dealing with.

Now let us speak about the long-cycle as a whole and there is a component that defines the contract and the pricing for the customer. If we have a dynamic of reduction or drop we can generate better margins than the margins we had expected from that contract, and the same holds true if we have a contract, if we had an increase in our cost structures the margins generated can be somewhat worse, of course, than what we had expected, and nowadays we are living through this dynamic. On the average many of the contracts we have were signed last year when the cost structure was higher, and this enables us to have an impact on our margins.

Well, presently we are normalizing everything based on the present-day cost structure. Until the delivery of the projects there will be minor variations, they should be considered stable, but everything will depend on the cost structure and the evolution going forward.

Regarding the solar business, when we look at GD compared to GTD and profitability, in GC the market profile is somewhat lower, more comparable to the wind-generation business, and the company works with integrators and the profitability in that case tends to be lower. Now as a counterpoint that we always mention,



although the margins are somewhat lower they are interesting from the viewpoint of invested capital, and we are interested in developing that business of course.

Mr. Daniel Gasparete - Itaú BBA

That was very clear, thank you very much, have a good day.

Operator

Our next question comes from Ygor Araujo from Genial Investimentos. You may proceed, sir.

Mr. Ygor Araujo - Genial Investimentos

Good morning, everybody, congratulations for your results, you have shown the good work that you are carrying out. I had several questions I had set aside; you have referred to most of them so these will be follow-ups basically.

In T&D I would like to know if our calculations make sense. You referred to 50 million in the coming months that you would be making in investments and we used 15% of these investments geared to substations for transmission. Does this make sense?

I have another two questions, one related to the oil and gas sector. The sector has performed very strongly and we have verified this through the entities, but which are the great destinations for exports for you specifically?

And the third question also speaking about the backlog and the rupture of your backlog, can you give us a vision of which will be that breakdown between long-cycle and short-cycle in the coming 12 months? I know that this is very difficult to do, but with the portfolio that you have at present perhaps you can give us a clearer direction, thank you very much.

Mr. André Meneguete Salgueiro – Finance Director and Investor Relations Officer

Hello Ygor, thank you for the questions. When it comes to the auctions it is very difficult to speak about our share. This will depend on the size of the project and perhaps we only sell the equipment for transformers as part of the package, and if it is, it could be another turnkey project when we are going to work with a substation.

Now what we see in the market is more towards the figure that you proposed, perhaps somewhat below that. It is difficult to give you a specific figure because of

the different dynamic of each project and each lot that was part of the auction. We do not know if we will only be selling the equipment or if we will have a turnkey project for the substations.

When it comes to the oil and gas segment this is a market that is quite dynamic at present and we have a dedicated team looking at the opportunities in that sector. In Brazil we are making investments because of the pre-salt exploration, and it is important to underscore and that often the project is in Brazil, can be in Brazil but the sale will not necessarily be done in Brazil; it could be done in Europe, where we are going to sell to a shipbuilder in Asia and then the platform will be brought for operation here in Brazil.

So, we have the shale gas industry that continues to have a positive demand and is very dynamic. We have other projects in the Middle East, in the North of Africa as well where we have obtained good contracts in the last few quarters.

Now in terms of the share for the long and short-cycles it is very difficult to estimate this going forward. What we see is that long-cycle is gaining relevance in the last few quarters. It is 46% at present, the highest level in the last few years. The long-cycle portfolio continues to be positive, and as we mentioned we see activity in some regions for the short-cycle.

So, in the very short term there should not be a significant change. If we look at the mid-and-long terms the more natural breakdown, a breakdown that we see historically would be something closer to 60-40, 35-65. Everything will depend on the quarter.

Mr. Ygor Araujo - Genial Investimentos

Well, thank you Andre and once again congratulations for your results.

Operator

The next question comes from Marcelo Motta from J.P. Morgan. You may proceed, sir.

Mr. Marcelo Motta - J.P. Morgan

Good morning. Two questions at our end referring to margin. Is there still a positive contribution for WEG? What is it that you can say about this and the same regarding T&D in North America. Now in Mexico as you have enhanced capacity are you at the point where you could be or is it still potential for enhancing margins in the coming quarters? Thank you.



Mr. André Luís Rodrigues – Chief Financial Officer

Marcelo, thank you for the question. Regarding these two specific units, the T&D part in North America well, with these increases in capacity and with the occupation of the facilities, the plants, I think we are operating at a very satisfactory margin level. Of course, WEG will always work with efficiency programs, cost control programs, but the work is well advanced there.

Now Gefran, which is a recent acquisition, is a smaller company compared to the T&D businesses in North America. Everything will depend how much will be able to grow in this business, and the growth of course could bring us an enhancement in our margin structure as it stands at present.

And in terms of the plan the occupation of some operations we can say that we are at a satisfactory margin level, reminding you of course that Gefran since the acquisition has already benefited from the WEG chain of supply structure. It is a company that did not have the size of WEG and it has become part of the WEG contract, and we now have a more advantageous position when it comes to negotiating with suppliers.

Mr. Marcelo Motta - J.P. Morgan

Well thank you, thank you very much.

Operator

At this point we would like to conclude our question-and-answer session. I will return the floor to Mr. André Rodrigues for his closing remarks. You may proceed, Mr. Rodrigues.

Mr. André Luís Rodrigues – Chief Financial Officer

Once again, I would like to thank all of you for your participation in our conference call. I wish you a good end of the week and I do hope to see you once again at our next earnings release in 3Q23.

Operator

The WEG conference call ends here. We would like to thank all of you for your attendance, have a very good day.
