



## CORPORATE PARTICIPANTS

**Mr. André Luís Rodrigues** – CFO and IRO

**Mr. Wilson Watzko** – Controller Officer

**Mr. André Salgueiro** – Investor Relations Manager

## PRESENTATION

**Operator:** Good morning and welcome to WEG's conference call on the results for 2Q 21.



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. If you need support during the conference call please request assistance from an operator by typing star zero (\*0).



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 dependent 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 this simultaneous translation into English.

With us today in Jaraguá do Sul are Mr. André Luís Rodrigues, Chief Financial Administrative Officer and Investor Relation to Officer; Wilson Watzko, Controlling Officer and André Meneguetti Salgueiro, Investor Relations Manager at WEG.

Mr. André Rodrigues you may proceed, sir.

## Mr. André Luís Rodrigues – CFO and IRO

Good morning everyone. It is a pleasure to be with you once again in this earnings conference call to discuss WEG's results.

### 2Q21 Highlights



3

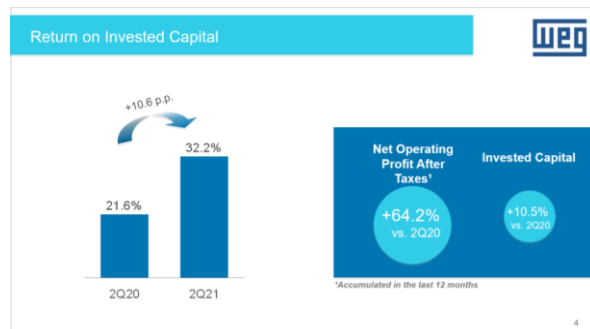
We are going to start with highlights for the quarter, the first being the net operating revenue, which grew by 41.4% compared to 2Q 20. The continued for this commercial performance observed in the domestic market and the acceleration of industrial activity in the foreign market were key to this result. The good 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 markets and operating segments, together with an increase in the market share in important markets for the company. We would like to remind you of the weak comparison basis with 2Q 20, both in Brazil and abroad, a period in which we had the greatest impacts of the pandemic on our short-cycle businesses, which contributed to this strong growth presented in these businesses.

Another highlight in the quarter was our EBITDA, which grew by 90.2% and reached 1.4 billion. The EBITDA margin increased 6.2 p.p. reaching 42.2%. It is



important to highlight that these numbers consider the nonrecurring impacts of the recognition of credits referring to the exclusion of ICMS tax from the PIS and COFINS tax basis. EBITDA without the effect of these credits would have been 1.1 billion with an EBITDA margin of 19%. Throughout the presentation André Salgueiro will provide more details about this performance.

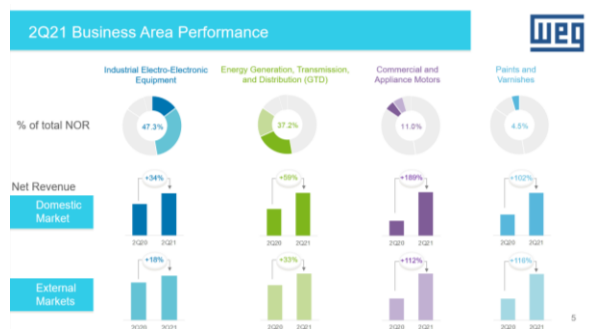


Finally, we had another quarter of ROIC evolution as we will see in detail on the next slide, which grew by 10.6 p.p. over 2Q 20 reaching 32.2%. The consistency of this indicator in recent quarters reflects the improvement in our operating performance, demonstrated by the combination of revenue growth and expansion of EBITDA margin, together with the good management of working capital in the past 12 months.

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

### Mr. André Salgueiro – Investor Relations Manager

Thank you André, good morning everyone. On slide 5 I show the evolution of our business areas in the markets 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 agribusiness, civil construction and mining segments were the main highlights of this quarter.

Supplies of 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, the good demand for distributed solar generation and the continued delivery of T&D 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, agribusiness 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 segments.

In the external market in the industrial electrical and electronic equipment area we observed and acceleration in the pace of economic recovery in all regions where we operate. Sales volumes for our main customers in segments such as mining, oil and gas and water and wastewater confirmed this movement.

Additionally, it is worth noting that the signs of recovery reported in the previous quarter are being confirmed, with improvement in the placement of orders for long-cycle equipment in recent months.

In GTD we presented another quarter of evolution in the T&D business, with relevant project 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 present 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.

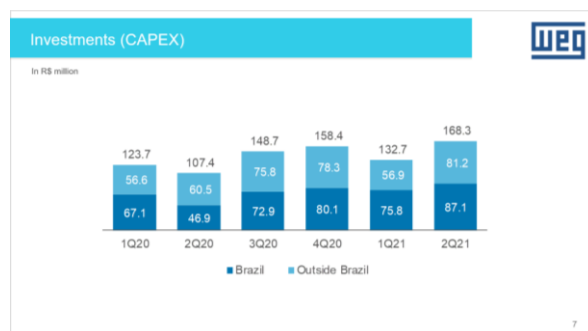


\*Excluding the positive effects of tax credits relating to the exclusion of ICMS from the PIS and COFINS calculation basis



Slide 6 shows the evolution of EBITDA in 2Q 21, where we presented a growth of 90.2% in relation to the same period of the previous year. Excluding the positive impacts 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 p.p. compared to 2Q 20.

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 the improvement in the margin in some important operations abroad.



Finally, on slide 7 we show the evolution of our investments. In 2Q 21 investments reached 168.3 million, of which 52% were allocated to Brazil and 48% to units abroad, proceeding with the investments in our factories in Brazil, China, Mexico and the United States.

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

## Mr. André Luís Rodrigues – CFO and IRO

Thank you André. Before moving on to the question-and-answer session I would like to mention some of our recent achievements and make some comments on our prospects for the remainder of the year.

### Recent Achievements

- Awards for "Melhor Empresa da Bolsa" and "Melhor do Setor de Bens Industriais" in the ranking "Melhores da Bolsa 2021", created by InfoMoney and Stock Pickers.
- 2nd place overall and highlighted in the "Sustainability" category of the "Broadcast Empresas 2021" award

### Outlook

- New variants of COVID-19 still creates some uncertainties in the market
- Increased material costs should put pressure on margin in coming quarters
- Improvement in order intake indicates fast recovery in the external markets
- Decent long cycle equipment backlog, mainly in GTD, should continue supporting growth in Brazil

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 Stock Pickers based on a 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 the most value for shareholders in the Broadcast Empresas 2021 Award, and we were also awarded in the Special Sustainability category.

Finally about the prospects for the year it is important to highlight that the pandemic has not been completely overcome. New variants of COVID-19 and the increase in the number of cases in some regions still generate market uncertainties.

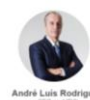
Another point to note is that the recent increases in raw material costs are likely to put pressure on margins in the coming quarters. Anyway, we continue to expect to deliver healthy margins this year.

On the other hand, the improvement in the number of orders placed signals an acceleration in the recovery in the external market.

And in Brazil the good portfolio of long-cycle equipment, especially in GTD, 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.

### Contacts – Investor Relations



André Luís Rodrigues  
CFO and IRO  
+55 (47) 3278-8106  
ar@weg.net



André Meneguetti Salgueiro  
Senior Relations Manager  
+55 (47) 3278-8167  
am@weg.net

<http://ir.weg.net>

<https://www.facebook.com/ir.weg>

[twitter.com/weg\\_ir](https://twitter.com/weg_ir)

## Q&A SESSION

### Operator

Ladies and gentlemen, we can now begin the question-and-answer session. To ask a question please enter star one. To remove the questions from the list press star two.

Our first question comes from Lucas Esteves with Santander.



Next question comes from Marcelo Mota with J.P. Morgan Bank.

---

**Mr. Lucas Esteves - Santander**

Good morning sir, 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 are protected in relation to your results, and what are the possible impacts in a 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 impacts 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 and pass through inflation costs and if you are willing to share this risk with your clients, thank you.

---

**Mr. André Luís Rodrigues – CFO and IRO**

Hello Lucas, thank you very much for your question, this is André Rodrigues speaking. In relation to raw material costs since LQ LY 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 indexed to the foreign exchange rates, and we have also seen some price increases in the metal plates and other inputs, and this can impact in the short term on our results.

In terms of cost structure of materials this happens very similarly to all competitors, and since we are talking about the global commodities the impacts are very similar throughout the industry. So it is 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.

---

**Mr. Lucas Esteves - Santander**

Thank you, you answered my question, thank you.

---

**Operator**

---

**Mr. Marcelo Mota - J.P. Morgan**

Good morning everyone, I have two questions. I would like you to make some comments on the long-cycle portfolio, you were saying that you are 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, GTD. So I would like to understand whether you have reported some gains in market share, if this revenue in USD is something sustainable. I would like you to make some comments on the external market as a whole, thank you.

---

**Mr. André Salgueiro - IR Manager**

Hello Mota, thank you very much for your question, this is André Salgueiro speaking here. First of all let us talk about the portfolio in this operation that we like to talk with. Especially when we talk about long-term cycle we make this separation of GTD and the electro-electronic equipment.

GTD 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 GTD we have been disclosing our moves and we said that we 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 is a portfolio that has been maintained, 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 the portfolio.

In relation to the performance of the external market, what we saw this quarter was an acceleration of the resumption of the activities. As for short-cycle products we see something that happened in Brazil in 2Q LY, when we saw the very strong recovery as of 3Q LY as for automation orders, commercial and appliance motors, and we see the main economies in Brazil and some countries in Europe also growing with important perspective GDP growth, so the perspective is a very positive.

Putting this all together 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 2Q in terms of demand, which will be very positive for the company.

---

**Mr. Marcelo Mota - J.P. Morgan**

Perfect, thank you André, good morning

---

**Operator**

Our next question comes from Victor Mizusaki with Bradesco BBI.

---

**Mr. Victor Mizusaki - Bradesco BBI**

Hello good morning, Congratulations on the results. I have two questions, the first one is to André 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 2Q, 3Q, how can this help WEG's result? Thank you.

---

**Mr. André Luís Rodrigues - CFO and IRO**

Hello Victor, thank you very much for the question. About the tax reform, I will talk about tax reform and then Salgueiro will continue answering your questions.

It is 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, 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 is too early for us to have a final decision on this topic.

---

**Mr. André Salgueiro - IR Manager**

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 is important to remember that all the volumes, sales aspects that are being disclosed to the market by MAN and Volkswagen, we have expectations of volumes and units for the trucks to be delivered in next month, 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.

---

**Mr. Victor Mizusaki - Bradesco BBI**

Okay thank you.

---

**Operator**

Our next question comes from Renata Cabral with Citi.

---

**Ms. Renata Cabral - Citibank**

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 that the comparison basis of 2Q LY was weaker as you mentioned, and you mentioned the recovery of short-cycle products.

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.

---

**Mr. André Luís Rodrigues - CFO and IRO**

Renata, to talk about the dynamics in Brazil we have to separate according to the business areas that comprise WEG. When we talk about industrial electro-electronic equipment in Brazil there was a high demand in all products in Brazil and this impacts WEG directly.



Transcript of the simultaneous translation from Portuguese into English

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 the 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 these improvements 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 a very good performance in comparison to the previous quarters, and also we saw a demand of alternators.

In addition, we can also mention the maintenance of large-sized transformers for substations and important projects related to auctions on 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 were we mostly felt the impacts of the pandemic, short-cycle products.

In 2H TY the volume continues to be good, durable goods continue to grow such as air conditioner, household appliances and food segments, and also in relation to paints and varnishes the demand for these products continued to be very high, especially civil construction, oil and gas and sanitation. So this would be a general scenario of what happened in 2Q in Brazil.

---

**Ms. Renata Cabral - Citibank**

Okay perfect, thank you very much.

---

**Operator**

Our next question comes from Regis Cardoso with Credit Suisse.

---

**Mr. Régis Cardoso - Credit Suisse**

Thank you André, Salgueiro and Rodrigues for the opportunity to ask questions. There are two topics that I

would like to address. The first one is related to 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 is it reasonable to believe that will be a margin reduction for 2Q?

Another topic I would like you to talk is the revenue, had a surprise, a positive surprise, and 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 people looking for gains in distributed generation? Has there been higher demand for solar energy or is there the problem of the draught in Brazil that has led to a higher portfolio or more demand?

I am 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?

---

**Mr. André Luís Rodrigues - CFO and IRO**

Thank you very much. I am going to start and then Salgueiro will answer the second part of your question. Let us talk about margins first. This is connected to the expectations related to raw material increases and also the mix, the change in the mix of products 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 long-cycle products shows that we are going to have a positive 2H TY in terms of demand and occupation of our plants.

And excluding the favorable impact of the ICMS credit tax and considering all the volatility that we have today, we expect 2021 to show healthy operating margins, not very different from what we had last year.

---

**Mr. André Salgueiro - IR Manager**

Regis, this is Salgueiro now speaking. In relation to the top line the demand is coming above what we expected last year, you are right, and there is one point which is 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 us but everybody was surprised, so this is the first point.



And one account of this we can see that demand, especially in the external market, is a bit stronger than we expected. So this has accelerated, and this is what I commented in one of the answers I gave: we saw a strong recovery in 3Q LY and this is something that we also saw in some regions, 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 the long-cycle products, 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 a 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 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 be very well-prepared to take advantage of those opportunities to gain in market share in regions where we operate.

---

**Mr. Régis Cardoso - Credit Suisse**

Okay that was very clear, thank you very much, congratulations on the results, have a good day.

---

**Operator**

Our next question comes from Thais Cascello with Itaú.

---

**Ms. Thais Cascello - Itaú**

Hello good morning. I would like to talk about margin. You have already addressed this very, in a very clear way; but my question is a little bit more objective: when we look at the margin that you reported in 2Q could you provide us an idea of - you can talk about gross margin or you can also use EBITDA margin to answer this - how much this has been impacted by the increase in the cost of raw materials and mix of products?

And the second question is related to the perspective of investments. I think Rodrigues has already given some important information on an article that was published by Valor Econômico; but I would like to talk a little bit more about your prospects.

---

**Mr. André Salgueiro - IR Manager**

Hello Thais good morning, this is André 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 2Q in relation to 1Q without the effect of ICMS credit tax we had a reduction in the margin, and in this reduction it includes the increase of raw material costs and also the mix, which is a 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.

---

**Mr. André Luís Rodrigues - CFO and IRO**

In relation to investment the CapEx was about 1 billion BRL, 62% of this amount for the external market and 38% for the market in Brazil.

The 1H has already gone. We invested a little bit more than 300 million and we believe that the execution of the remainder or what was expected for 2H 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 am 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 the 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 which is more updated, we believe that 2H TY will amount to 500 million as investment, so 200 million below 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.



**Ms. Thais Cascello - Itaú**

Okay thank you.

---

**Operator**

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

---

**Ms. Catherine Kiselar - Banco do Brasil**

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?

---

**Mr. André Salgueiro - IR Manager**

Hi Catherine, this is André Salgueiro speaking. In relation to the question related to the competitive environment I could not hear your voice so clearly; so I am 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 affect the competitive environment, André 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 a 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 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 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.

---

**Ms. Catherine Kiselar - Banco do Brasil**

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 products?

---

**Mr. André Luís Rodrigues - CFO and IRO**

Hello Catherine, this is André Rodrigues. Very good question, let us provide you with some updates on what is happening in the digital businesses of WEG. We are always reporting that this is a process of the company, it is the journey on which we are building step-by-step according to our philosophy.

We have to focus, 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 reading and conductivity, where we provide products 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 will 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 connected solutions that were developed by V2COM. These are helped by the 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 software development and the WEG Knowledge, which is our platform; and the WEG Digital Solutions, which is a unit of WEG, is all an ecosystem that integrates equipment and tools, storing 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 these solutions are put together so as to be more productive.

---

**Ms. Catherine Kiselar - Banco do Brasil**

Excellent, thank you very much, have a good day everyone.





---

**Operator**

Our next question comes from Igor Araújo with Genial Investimentos.

---

**Mr. Igor Araújo - Genial Investimentos**

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 or perspectives for the segment.

Yes I heard there was a comment saying that this is the segment that grows the most, so how do you see yourselves in the market? What are the prospect expectations you have for this market?

---

**Mr. André Salgueiro - IR Manager**

Hi Igor good morning, this is André 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 stronger pace than we had seen in 1Q; but we have to take into consideration that the comparison basis in terms of 2Q 20 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 good performance 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. 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 gearboxes and substation equipment.

In this part of centralized generation the contribution was not so important for our revenues; but we have an important agreement with VALE, Sol do Cerrado, where we are going to start providing gearboxes in 2H TY. So this is probably going to show some growth for the future.

---

**Mr. Igor Araújo - Genial Investimentos**

Can you provide us with a vision of how much this represented on the GTD in the domestic market?

---

**Mr. André Salgueiro - IR Manager**

Unfortunately we do not break down the revenues of GTD per business unit. 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 GTD area.

---

**Mr. Igor Araújo - Genial Investimentos**

Okay thank you Salgueiro, have a good day.

---

**Operator**

Ladies and gentlemen, we would like to remind you that if you wish to ask a question press star one.

We have now closed the question-and-answer session. I would like to give the floor back to Mr. André Rodrigues for his final remarks.

---

**Mr. André Luís Rodrigues - CFO and IRO**

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.

---

**Operator**

WEG's conference call is now closed. We would like to thank you for your participation and have a nice day.