WEG S.A.
Conference Call - Earnings Results 3rd Quarter 2026
October 22nd, 2026 – 11:00 a.m. São Paulo (BRT)
Transcript of the simultaneous translation from Portuguese into English

CORPORATE PARTICIPANTS

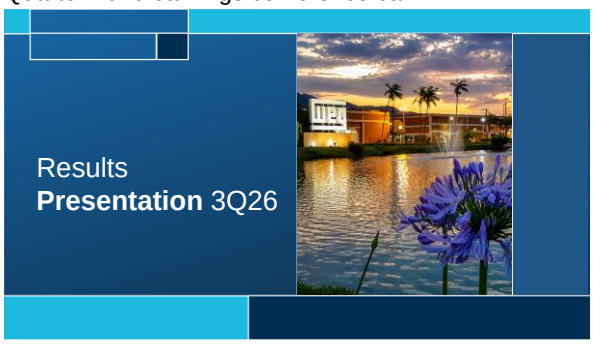
Mr. André Luís Rodrigues – Chief Financial Officer

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

Mr. Felipe Scopel Hoffmann – IR Manager

PRESENTATION

Operator: Good morning and welcome to WEG's 3rd Quarter 2026 earnings conference call.



I would like to highlight that simultaneous translation is available on the platform. To that end, click the 'Interpretation' button, 'Globe' icon at the bottom of your screen. Please note that we are broadcasting this conference and a replay of the audio will be available on our investor relations website after the event.

Please note that this conference call is being broadcast live and the audio recording will be available at our investor relations website. During the company's presentation, all participants will have their microphone muted. We will then proceed to the question-and-answer session.

To pose a question, please click on the 'Raise Hand' icon at the bottom of your screen to join the queue. When your name is called, a request to unmute your microphone Please accept the request and turn on your microphone and proceed with your question.

If you have more than one question, please pose them all at once. If we are unable to answer all your questions, send your questions to our IR relations e-mail at ri@weg.net.

We would like to emphasize that any forecast contained in this document or any statements made during this conference call regarding future events, business outlook, operating and financial projections and targets, and WEG's future growth potential represent the beliefs and expectations of WEG's management based on currently available information.



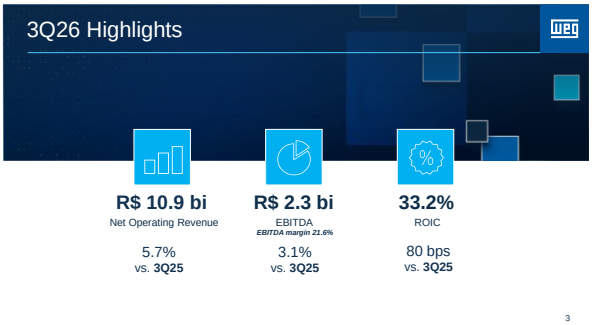
These statements involve risks and uncertainties and therefore depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions, and other operating factors may affect where future performance and lead to results that differ materially from those anticipated in such forward-looking statements.

Joining us today in are André Luís Rodrigues, vice-president of finance and administration, André Menegueti Salgueiro, finance and investor relations officer, and Felipe Scopel Hoffmann, investor relations manager.

Mr. André Rodrigues, you may proceed, sir.

Mr. André Luís Rodrigues – Chief Financial Officer

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



I will begin with the quarterly highlights on slide 3, where net operating revenue returned to growth, increasing 5.7% compared to 3Q25.

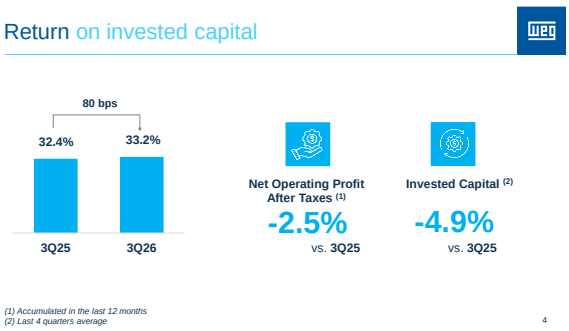
In Brazil, we resumed growth, reflecting continued deliveries of long-cycle projects, particularly in transmission, distribution and automation systems. Nevertheless, growth was affected by lower demand for short-cycle equipment, combined with the absence of

new utility scale solar generation projects when compared with the same period last year.

In international markets, we delivered another quarter of double-digit growth in USD. International revenue accounted for 62.5% of total revenue, highest level ever. In energy generation, transmission, and distribution, the T&D segment in North America continued to perform well in terms of deliveries, supported by growing demand for generators.

Additionally, our industrial electroelectronic equipment business also contributed to growth supported by sustained industrial activity, particularly in the oil and gas and ventilation and refrigeration systems.

Our EBITDA margin remained healthy, closing the quarter at 21%. EBITDA reached 2.3 billion BRL, an increase of 3.1% compared to 3Q25. Through the presentation, André Salgueiro will provide further details on these figures.

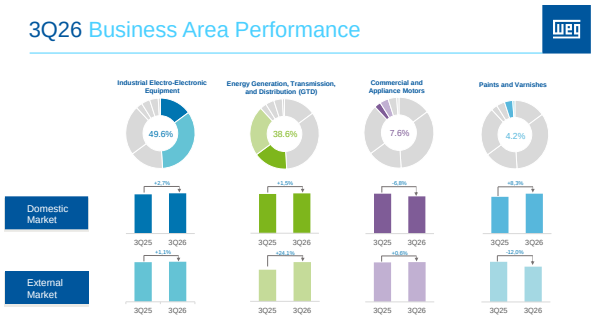


Our ROIC, one of our key financial indicators, increased by 0.8 p.p., reaching 33.2% at the end of the quarter, as we will see on the next slide. With growth compared to 3Q25, ROIC remains at a high level, reinforcing the quality of our investments, our discipline in capital allocation and the consistency of our long-term strategy. I will now hand the floor over to André Salgueiro to continue

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

Thank you, André, good morning, everyone. On slide 5, I will present the revenue performance in our business areas. In Brazil, we saw fluctuations in industrial activity across several segments, with larger investments being postponed and a greater focus on maintenance.

Long-cycle equipment such as automation systems recorded strong delivery volumes, especially in the pulp and paper segment.



In GTD, we had another positive quarter in the T&D business driven by transformer deliveries for transmission, auction projects and distribution networks. Please remember that during this quarter, we began operating the expanded Betim plant, strengthening our production capacity for large power transformers in the generation business.

Despite the normalization of the comparison base, revenue was still negatively affected.

In commercial and appliance motors, quarterly revenue reflected demand volatility in some important segments, particularly air conditioning motors, despite positive demand in the washing machine segment.

In paints and varnishes, sales of our main products remain strong, especially demand for liquid coatings in the oil and gas segment.

In the international market, demand remains positive for short-cycle equipment such as low-voltage electric motors and standard automation products, particularly in the oil and gas, mining and ventilation cooling systems for data center segments.

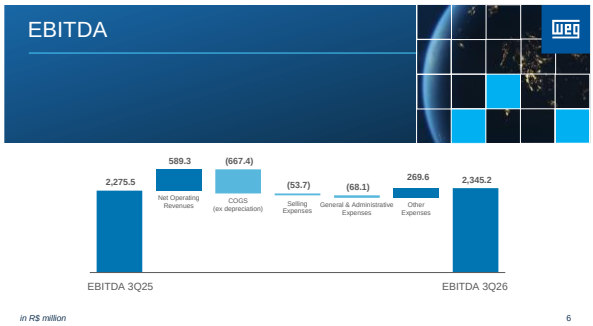
Long-cycle equipment also contributed to this performance, including high-voltage motors and automation panels. We also recorded strong order intake, building a healthy order backlog for the coming quarters.

In GTD, opportunities in the North American T&D market continue to support growth, particularly projects aimed at strengthening the US power grid infrastructure.

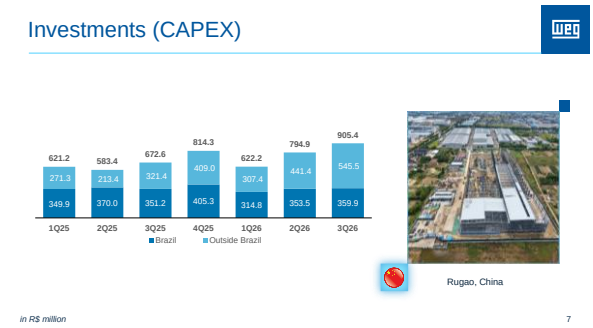
In the generation business, we highlight the strong performance of Marathon's generator business. supplying backup power generation for data centers, as well as the contribution from our European operations.

In commercial and appliance motors, our North American operations performed well, with growth compared to 3Q25.

In paints and varnishes, revenue fluctuated due to softer demand in important segments such as oil and gas, and we had the impact of exchange rate.



On slide 6, we show you the EBITDA evolution. Our EBITDA margin remains healthy, closing the quarter at 21.6%, mainly supported by a favorable sales mix. This was achieved despite challenges from higher costs of certain raw materials, personal expenses remaining at elevated levels due to the expansion of production capacity underway since the beginning of the year, and the high import tariffs in the US.



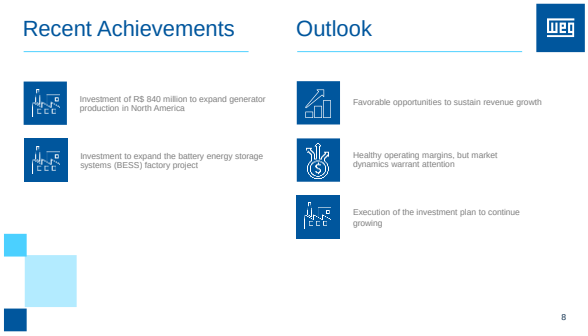
On slide 7, we show the evolution of our capital expenditures totaling 905 million, with 40% invested in Brazil and 60% abroad. In Brazil, we continued investing to expand our T&D production capacity; we also made progress on investments to increase production capacity in Jaraguá do Sul and Guaramirim, as well as investments, invest vertical integration in Linhares.

Internationally, we made investments in transformer plants in Mexico, Colombia, and the U.S., as well as the expansion of high motor production capacity in China.

Mr. André Luís Rodrigues – Chief Financial Officer

On slide 8, before we move on to the Q&A session, I would like to highlight that in September we announced an expansion of our new battery energy storage systems manufacturing plant, currently under construction in Itajaí - Santa Catarina. The plant will have total estimated investments of 330 million BRL and an annual production capacity of 4 GWh, meeting the growing demand for solutions related to the energy transition.

In September we announced a new investment of approximately 840 million BRL to expand generation production capacity in North America. The project aims to meet growing demand for power generation solutions for critical applications in the US, particularly driven by the expansion of data centers.



Finally, I would like to briefly discuss our outlook for the rest of the year. We remain confident in a favorable environment for continued revenue growth, supported by the strong performance of our traditional businesses and opportunities in new business areas.

We continue to see healthy operating performance and a favorable sales mix; however, it is important to remain attentive to market conditions, particularly raw material costs, which could put pressure on operating margins.

We are maintaining a robust investment plan to modernize and expand our production capacity, and we are including the startup of major new facilities. These investments will support our revenue growth strategy over the coming years.This concludes the presentation; we can now go on to the question-and-answer session.



Q&A SESSION

Operator

We will now go on to the question-and-answer session. Should you wish to ask a question, click on the 'Raise Hand' icon at the left of the screen to join the queue. When announced, a request to activate your microphone will appear on your screen, then you can proceed with your question. We kindly ask you to make all your questions at once.

To begin our first question, we have Alberto Valerio from UBS. You may proceed, Alberto.

Alberto Valerio - UBS

Good morning, Felipe, André and André, thank you for taking my question. My first question is about the good performance of the international market, especially GTD (24% YoY). If you could give us a breakdown, if this refers to generators or the Marathon generators in the USA with an impact or additional capacity in T&D? How much does T&D represent as a part of this whole? That would be interesting to know.

And a follow up on the question, if the generators of the USA are below the margin of WEG, if they take away some of the margin of WEG or if the WEG is above your average margin at WEG. Thank you.

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

Hello Alberto, this is André Salgueiro here. Well, this is another quarter where the GTD is a highlight in terms of growth, and the novelty of this quarter is the good performance of the generator sector. This is what most contributed to the growth of the sector, more than T&D.

T&D has had good performance thanks to the investments we have made, and the outlook for T&D is ever more positive for the coming year with the entry into operation of the plants in Mexico and Colombia - but we have seen an important response from the generator business.

And we announced an investment a bit before the WEG Day, the new generating plant in North America, to support the good performance we see not only now, but in the short and long horizon.

As a breakdown, T&D represents two-thirds of the international market. Now with the generator dynamic, we will have to see the growth of each of our businesses. We can't give you a full breakdown, but we have had greater growth in the generators. This was important in generation for 3Q26.

Now regarding profitability, the business of Marathon has been good since the acquisition. We were somewhat below the margins of WEG; we're working to enhance the productivity and gains of scale - and the margin has improved quarter on quarter, but it continues to be a business in generator and motors that are running with margins that are somewhat below the normal company margin.

Alberto Valerio - UBS

Thank you, thank you very much.

Operator

Our next question comes from Rogerio Araujo from Bank of America. You may proceed, Rogerio.

Rogerio Araujo - Bank of America

Hello André, Salgueiro, Felipe, thank you for taking our question. We have two questions at our end, first of all that postergation or delay of investments in Brazil. Do you think this is temporary? Does it relate to this electoral period, or does it relate to an economic slowdown that could remain longer? Is it stabilizing, not yet? What happened during the previous years in terms of elections? That's the first question.

The second question, a follow-up of Alberto and margin. Now the idea of construction, the EBITDA margin dropped 1.3 p.p. vis-a-vis the 2Q, despite the profit of North America transformers increasing well, 30%.

If you could speak about the potentially negative vectors. You have already spoken about the alternator mix, but if you could speak about the increase in copper price that you have not passed on yet, if you will pass this on; the US tariffs; what is happening in terms of your inventory; the cost of ramp up of T&D, or if you are at a peak of volume of cost of personnel before you start up your new plants; and the weaker deliveries in the

domestic market. Once again, if you could refer to all of these points, thank you very much.

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

Rogerio, good morning, this is André Salgueiro, thank you for the questions. I will answer the first question and then André will address the margins. It's a bit difficult in practice to have that reading of where the impact comes from, exactly. We have seen a slowdown; not in all businesses because paint and varnishes is still speeding up - but all the other businesses had a retraction in Brazil this quarter.

And when we look at commercial motors and appliances, this is normally a segment where we see this reflection earlier on. Even in industrial equipment we have observed a slowdown in the reducers, automation and motors as well.

And there's a context that you mentioned, the very high interest rates that do have a reflex on this dynamic; and the political environment, the elections, they normally bring about uncertainty or investment decisions are held on to make later.

Now our backlog is one or two months ahead, so now we have to follow up on the evolution of the coming months to observe this dynamic by looking at 4Q and especially at 2027.

Mr. André Luís Rodrigues – Chief Financial Officer

Rogerio, thank you for the question. I'll begin speaking about margins. Margin variations do happen between quarters, and that is why at WEG we analyze the margin behavior during longer periods.

If we think about the accrued margin in 9M25, we reach a figure of 20%; in 2026, we reached 20.9%. We are in a very different context vis-a-vis last year.

To give you some color when we compare September 2025 to September of this year, in the international market we had an increase of 40% in copper, in steel an increase of more than 20%.

Yes, we are being impacted by the tariffs. Now, session 232 in Mexico began to tariff the transformers that are exported to the USA. Although there has been a drop in the margin compared to 2Q26, it's within the expectations and the levels that we deem to be high levels.

In this quarter specifically, the main factors impacting margin are the increase in raw material. There is a mismatch in some cases, it did have an impact; and we have been reporting an impact in personnel expenses pre-operationally for the plants that are under construction.

And I don't know if I will recall your entire second question, but in Betim, well, the transformers have begun to produce and Mexico, Colombia, which are two greenfields, will come into operation in 1Q27.

We will have to hire people, work with training. We're working with highly specialized labor, which of course will have an impact. Besides the impact of import tariffs, of course, that came stronger in 3Q compared with 2Q26.

On the other hand, we have a positive dynamic in our long-cycle equipment, and a lower contribution of renewable energy projects in wind and solar energy.

We also have transformers that are not part of our construction contracts. This is a very general overview of the behavior of our margins.

Operator

Our next question comes from Marcelo Motta from JP Morgan. Marcelo, you may proceed.

Marcelo Motta - JP Morgan

Good morning, everybody, thank you for taking my question. I'd like to hear you remarking on tariffs. There's that idea that companies that exported to the United States will have some sort of a reimbursement. I don't know if there are any details that you could share of what has come in during this quarter - if anything has come in - or if you should wait for the end of the year, because this will stretch out until 2027.

And if you could speak about the auction, if it will be held this year; simply to remind us the competitive edge that you have and the expectation you have for this auction. These are our two questions.

André Luís Rodrigues - Finance and Administration VP

Motta, thank you very much. Now to speak about tariffs and BESS, things have changed since the last time we conversed. We are seeking the reimbursement, taking all necessary measures with the authority. The process is underway; there is no defined date for the conclusion. We will acknowledge those entries as soon as they take place. In March, the reimbursement truly was not very material.

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

Motta, regarding the BESS, the auction, what I would like to underscore is that the auction will be important to help us to develop that market in Brazil. Our positioning is to focus on the auction of this year exclusively. Now, the decision for investments and the construction of the new plant, if you think about the development of this business in the mid and long term, this is a very important business to bring about stabilization for the problems that we observe presently.

Having said that, we do hope the auction will happen this year. It has been set for the beginning of December. There is important information that so far has not been disclosed, for example, the issue of volume and specific rules. This should come out in the coming weeks, and we're getting ready to address that process in the best way possible with a recent announcement of our expansion of investment.

We doubled out the capacity of the plant that had been announced at the beginning of the year, and now we have an additional CapEx of 330 million to give us an annual capacity of 4 GW, and the plant should be ready in 2HNY.

Regarding our differentials, they're the points we always reinforce: what WEG has with all of the players, especially in Brazil, recognition of our brand, technical skill, engineering. Through this, WEG is able to support these projects; and from the viewpoint of products, we do have a competitive product and adequate technology for the market needs. This is how we are able to position ourselves to make the most of the opportunities, not only in the coming auction, but in coming years.

Marcelo Motta - JP Morgan

Thank you, thank you very much.

Operator

Our next question comes from Gabriel Rezende from Itaú BBA. You may proceed, Gabriel.

Gabriel Rezende - Itaú BBA

I would like to go back to the discussion of margin. I will address the vectors that you mentioned, we can think about them for 4Q. I don't know if the company will anticipate a price transfer before 4Q, perhaps this could offset the negative vectors.

And if you could speak about the dynamic of the freight cost, just to know if this line item could become more relevant in 4Q. There has been an increase in freight because of geopolitical reasons, and this has altered the dynamic, of course.

Now to speak about tariffs, if you could remind you, if you believe WEG will become more competitive in a scenario where the tariffs between Brazil and the USA are reduced drastically, and where tariffs for other countries are maintained.

What can we think about for the sell side… this on to our customers.

Mr. André Luís Rodrigues – Chief Financial Officer

Hello Gabriel, I will begin answering your questions. All of these offenders we saw in 3Q will continue, and WEG will work on productivity gains to mitigate the impact.

If we think about market agreements, these agreements can be once again assessed. The increases in freight cost, of course this is due to geopolitical reasons, and because it is difficult to deliver raw material the entire year, all of this has an impact - but we have long-term contracts with the companies that transport our products and this helps us mitigate this adverse scenario.

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

Gabriel, if we look inside, and as part of the question that you made of the impacts going forward, now the increase in raw material continues. It began at the end of last year and we are making adjustments in our commercial strategy to be able to pass this on through time.

This has already been done during the year. As André mentioned, we have freight issues as well, and the increase in the cost of personnel, evidently, as the new plants come into operation, as happened with Betim, the commercial will begin and this will tend to go back to normalization.

The normalization in Brazil began in 2HTY, and we will see normalization in Mexico and Colombia the coming year, when the plants come into operation and when they begin to generate revenue and growth in the operations.

Gabriel Rezende - Itaú BBA

Thank you, thank you very much. About becoming more competitive when it comes to the tariffs?

Mr. André Luís Rodrigues – Chief Financial Officer

Gabriel, doubtlessly in a scenario of tariff reduction, all of WEG's competitive edge, such as scale, marketing, and the industrial park that we have worldwide will allow the company to be ever more competitive.

Gabriel Rezende - Itaú BBA

Thank you, thank you very much.

Operator

Our next question comes from Lucas Laghi from XP Investments. You may proceed.

Lucas Laghi - XP Investimentos

Good morning, everybody. Thank you for taking my questions. First of all, I would like to congratulate you, well, for 40 years at WEG; success to Paulo, Sérgio in the succession process of WEG Energy as well.

Now, the question is thinking about your investment cycle for the coming years. You have announced several investments in the last few years: transformers, alternators, a great deal has been announced. Now I know you don't share this information in numbers, but very broadly, do you foresee a higher potential of return, a higher or lower potential of return in those areas where you're allocating capital in places where entry barriers might be tougher? Can you allocate investments? Simply to understand the marginal returns that you will have for the present-day investments, if there's a specific product line that is missing in your portfolio that could become a priority investment in coming years. You mentioned this at WEG Day, or if we can go back and think about something more concrete, M&As as your next cycle of growth? I think these are the two points referring to your CapEx cycle going forward at WEG.

Mr. André Luís Rodrigues – Chief Financial Officer

Lucas, I will speak a bit about the investments and the impact on ROIC. WEG has always paid a great deal of attention to investments, and year after year we enhance the level of investments, delivering a very healthy ROIC.

At the beginning of an operation, especially at this moment where we are building greenfields, this will have an impact on the short-term ROIC. When we speak about expansions and in the short-cycle products, you don't need to invest very much in facilities in that case, and you begin to have a higher profitability.

So yes, we do have businesses, some businesses that begin with a somewhat lower ROIC, but at the end, after the maturation and growth phase of the businesses, we will always attempt to reach a high ROIC, above the market average, which is a level that we have put in place during the last few years.

Now regarding the product line as well, nowadays, based on what we said at WEG Day, there is a new business that will demand significant investments in terms of our ROIC. We have found excellent opportunities, we have invested to enhance our product portfolio in some cases, as in the last few years.

We have increased the production capacity of transformers in the last few years, and we have made additional investments to complete our product portfolio in compensators and of course, in whatever the market demands. So we will have a significant investment for new businesses going forward.

Lucas Laghi - XP Investimentos

Thank you, thank you, André, Rodrigues.

Operator

Our next question comes from Lucas Marquiori from BTG Pactual. You may proceed.

Lucas Marchiori - BTG Pactual

Thank you, good morning, everybody. We have two points at our end, first, in the segment of industrial equipment internationally, if you could give us an explanation of the size of the high-voltage motors, the cooling motors, that are part of your portfolio. What is happening with your order logbook? If you could give us more information on these two product lines? It would be interesting because you have mentioned these two topics in interactions and in the release.

A second more generic point, I would like to hear your vision about short-term challenges having a more appreciated exchange rate, which is the impact this would have on the company? Will the company adjust the capital base invested in different regions, if this will translate into price? And if the exchange appreciation has become another challenge, and which would be the short-term impact on your business? It would be interesting to hear your comments.

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

This is Salgueiro here. I will answer the first question; André will speak about the exchange rate. In electroelectronic and industrial equipment, the long-cycle part has a breakdown of 80%-20%. most of the long cycle should present something below 20%. But if we're making a comparison with motors, we will be very close to that 80-20 breakdown.

Regarding this breakdown for ventilation systems, it's somewhat more difficult to have an approximate figure. It depends a great deal of sales. 65 to 70% are carried out through OEMs. In some OEMs, we know who the final customer is, in others, it is more difficult to know.

What we can say is that when we look at cooling for data centers, this is a business that has grown a great deal, practically doubled vis-a-vis last year with a very positive dynamic going forward. Now for the total industrial equipment, to give you that breakdown is somewhat more difficult for the dynamic I have just referred to.

Mr. André Luís Rodrigues – Chief Financial Officer

Let's speak a bit about the exchange rate, Lucas. In the mid and long term, the impact is smaller. Now, we could have an impact of greater depreciation in the short term, but we can make adjustments in our business when we speak about revenue. When we convert our sales in Brazil based on the current exchange rate, obviously there is an impact. A depreciation of the BRL will mean higher revenues and the contrary will have a contrary effect on our revenues.

Now when it comes to cost, the impact happens subsequently, later on. In our purchases of raw material, we make an adjustment in the exchange rate and as the inventory is consumed, it impacts the company results. And this lag in the margin of costs and others will of course have an impact in the short term.

What we see in the exchange rate, differently from what happened during the pandemic, is that this process of appreciation has been happening during the year and we end up having a situation where we have lower

volatility compared to when the exchange rate was a bit jumpier. And at each of these moments of appreciation, depreciation, we have to seek the guarantee of having healthy margins throughout the process.

Operator

To continue, let's go on to the next question, a question in English from Jens from Morgan Stanley. You may proceed.

Jens Spiess - Morgan Stanley

Hello. Yes. Thank you for… Hello, can you hear me? Well, I only have one question on the tariffs and the reimbursements that you might be getting. If you could, first of all, give us an update; and secondly, would you expect a single installment, or would it be in several installments into the future? Thank you.

Mr. André Luís Rodrigues – Chief Financial Officer

Hello, Jens. I will answer in Portuguese, most of our participants speak Portuguese. As we have already remarked, yes, we do have a process when it comes to the recovery of these tariffs. This will happen in tranches, and they will be divided into different periods. The reimbursement is not carried out in a single time, but throughout a specific period, and until that moment what we had in 3Q was truly a very small amount, immaterial for the company results

Jens Spiess - Morgan Stanley

Perfect, thank you.

Operator

To continue on, our next question comes from André Mazini from Citi. You may proceed.

André Mazini - Citibank

Thank you, Rodrigues, Salgueiro. Two questions, first about our growth of GTD in Brazil. Now there has been a negative impact. Going forward, which is the remaining parcel of the auctions that has already been contracted that are still missing? In other words, if there is still a relevant backlog that will be converted into revenue going forward.

And a second question about the Chinese companies. Evidently, they're highly competitive in industrial equipment and photovoltaic panels and others, but the Chinese are not leaders in low voltage - and WEG is. So the question, can you have a higher share than the Chinese? And what do you have to do going forward to maintain your leadership in this type of competition?

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

Thank you for the questions, Mazini. I will answer the first one about GTD domestically and then the question about the Chinese. The good news is that the domestic market was suffering, and we changed that trend this quarter with the solar business. We still have had a drop of revenue - less than it dropped in 1HTY -, but supported with robust growth in the T&D business.

So in practice, when we look at this dynamic going forward, this will be the trend of what we will see in the coming quarters.

Now, in mid-year we began a ramp up of the expansion of the Betim plant. There's new capacity that was added recently, and in thesis, the T&D business will increase the pace of growth vis-a-vis previous quarters, considering the new investments that are being made. And the coming year, we have an expansion in the plant at Gravataí, an important investment for the T&D business in Brazil.

Additionally to the solar business and T&D, we have other generation businesses, thermal and hydric generation, with a positive impact; and the expectation is in terms of energy storage, a positive expectation. It has already presented good growth. Although this is a small business, depending on what happens until the end of the year, with the expectation of the auction we could have a significant contribution in 2027.

Mr. André Luís Rodrigues – Chief Financial Officer

Mazini, to speak about the Chinese competitors, there is no doubt about the Chinese capacity to compete internationally. Now WEG was not built overnight, but throughout history.

When the company was founded, the decision was made to expand the company in the international market. They were convinced that to become a competitive company, you had to compete with the best. So we entered that process to compete with the best companies at that time and to develop in terms of that line.

Through time, we have had competitive edges: we speak about the verticalization, our scale. All of this has contributed and continue to contribute a great deal. No company in the world has reached the level of verticalization that WEG has reached.

And to compete not only with the Chinese, but with the large manufacturers of equipment and distribution, you have to innovate - and WEG has a very strong culture of innovation. We have created a dedicated in-house team for that. We have global partnerships to always seek the best technology internationally.

Last year, when WEG decided to enter the solar business, it joined a research company in Germany for the development of solar equipment to have further development. This is what we do in all of our businesses.

When we made the decision to go to China, this was a strategic decision. Differently from other companies that use China as a base of production, WEG went to China to produce in China and compete in China. So we began with the mentality of a Chinese plant. This is a highly streamlined company, built by Chinese engineers and Chinese equipment. More recently, by observing that market, we made the decision to create a dedicated center in research and development in China.

To think that in Jaraguá do Sul we have full competency to imagine what a market in the rest of the world wants is foolish. So we joined a recently developed center, a development center in China to become ever more competitive to compete with these large companies

André Mazini - Citibank

Thank you, thank you. A very full and very interesting response, have a good day.

Operator

To continue, our next question comes from Daniel Federle from BBI. Federle.

Daniel Federle - Bradesco BBI

Thank you and good morning to everybody. We have two questions to understand the margin dynamic going forward. First, thinking about your expansions.

Mr. André Luís Rodrigues – Chief Financial Officer

Daniel, I'm sorry, your audio is cutting. We truly have not understood your question. If you could begin once again, we would be very grateful.

Daniel Federle - Bradesco BBI

He's referring to a disparity, a gap in terms of past transfers. If the transfer is not adequate to 3Q, when are you planning to carry out that price catch up? Thank you very much.

Mr. André Luís Rodrigues – Chief Financial Officer

Daniel, I apologize, but would it be possible for you to repeat your question? Your audio was cut. We all only heard the beginning of the question and the end of the question.

Daniel Federle - Bradesco BBI

Very well, I will repeat it. Regarding the contracting in Mexico and Bolivia, if they have already begun or if they will only begin in 4Q, if you imagine headwinds in terms of your margin and price and cost. The costs are increasing, the prices as well. 3Q reflects a great

disparity, a gap in terms of price and cost. When will you catch up? When will you close this gap?

Mr. André Luís Rodrigues – Chief Financial Officer

Daniel, regarding the new units in Mexico and Colombia, the contracting of teams began at the beginning of the year. We have to train operators in transformers, which is very specialized role

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

Now regarding the commercial strategy, we cannot share the details with you, but whenever we have fluctuations in our cost structure, we have a way of passing on this cost; and sometimes we can do this at a faster pace, otherwise we will take longer. The market is the one that dictates prices and we have to follow market prices. But when we do have significant fluctuations in the cost structure - not only at WEG - we will transfer on that price in some way or another.

Daniel Federle - Bradesco BBI

Thank you, thank you very much.

Operator

At this point, we would like to end the question-and-answer session. We remind you that should you have any doubts, please send your question to our IR. I will now return the floor to Mr. André Rodrigues for the company's closing remarks. You may proceed.

Mr. André Luís Rodrigues – Chief Financial Officer

I would like to once again thank all of you for your attendance, and to carry out a very special thanks Carlos Prinz and João Paulo Gualberto da Silva. We announced them as part of our succession plan, a new stage for the company. These are new professionals with enormous value that contributed during 30, 40 years to the areas where they worked in the company. They have strong international experience, they have very strong careers, and more importantly, in this process they were able to train successors. I think an executive becomes a full executive when they are able to develop their successors - and both of these people did this in a truly brilliant way. Our special thanks to the two of them, we hope them a great deal of success.

And success to Sergio Scarpinelli, Paolo Sinoti, executives who are highly prepared to continue on in the company. We thank João Paulo and Carlos, and we wish all of you an excellent day.

Operator

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