CORPORATE PARTICIPANTS

Mr. André Luís Rodrigues – Chief Financial Officer

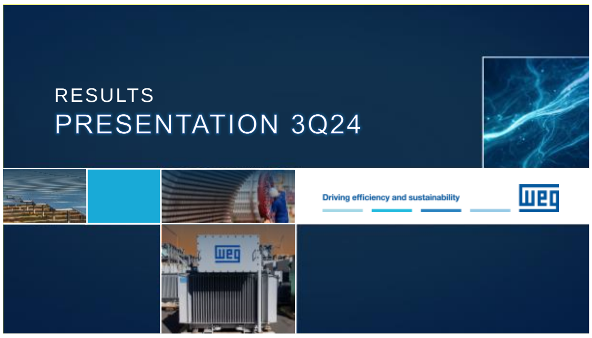
Mr. André Menegueti Salgueiro – Finance Director and Investor Relations Officer

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 3Q24.



I'd like to point out that simultaneous interpretation is available on the platform. Just click on the 'Globe' icon at the bottom of the screen and select 'English'. We would like to inform you that we are streaming this conference call and after its end the audio will be available on our IR website.

During the company's presentation, all participants will be in listen-only mode. We'll then start the Q&A session.

To ask questions, click on 'Raise Your Hand' at the bottom of your screen to join the queue. When you are announced, a prompt to activate your microphone will appear on the screen and you must then turn on your microphone to ask questions.

If you have more than one questions, we recommend that you ask them all at once. If we don't have time to answer all the questions live, feel free to send your questions to our e-mail address: ri@weg.net, and we'll reply after the end of the conference call.

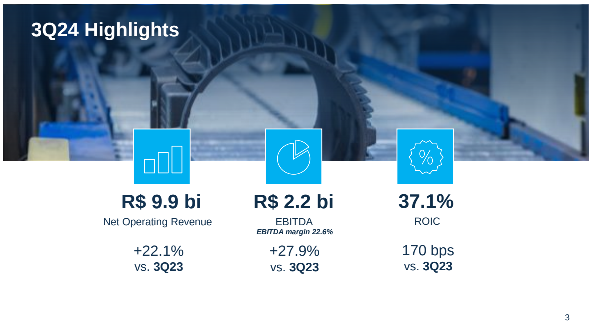
We emphasize that any forecasts in this document or any statements that may be made during the conference call regarding future events, business outlook, operational and financial projections and targets, as well as WEG's future growth potential are mere beliefs and expectations of WEG's Management and based on current available information. Forward-looking statements involve risks and uncertainties, and therefore depend on circumstances that may or may not occur. Investors should understand that general, economic and industry conditions and other operating factors may affect WEG's future performance and lead to results that will be materially different from those in this forward-looking statement.

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

Mr. André Rodrigues, you may proceed.

Mr. André Luís Rodrigues – Chief Financial Officer

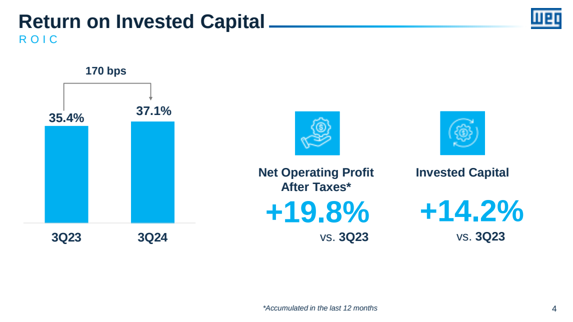
Good morning, everybody, and it is a pleasure to be with you once again for WEG's earnings conference call.



I will start with the highlights of the quarter on slide 3, where net operating revenue grew by 22.1% compared to 3Q23. In Brazil, we saw growth with continued deliverance of solutions in transmission and distribution, as well as improved demand in low-voltage electric motors, gearboxes and commercial motors and appliance, despite the lower level of revenue from wind and solar energy businesses.

In the international market, revenue growth was mainly supported by the good volume of deliveries in transmission and distribution in North America, as well as continued good industrial activity, especially in oil and gas and water and sanitation. In addition, the consolidation of recently acquired businesses of the Marathon, Rotor and Cemp industrial motors and generators had a positive impact on the quarter's performance. EBITDA reached 2.2 billion, up 27.9% on 3Q23. The EBITDA margin ended the quarter at 22.6%, an increase of 1.1 p.p. over the same period last year. Along the presentation, André Salgueiro will elaborate on these points

In addition, the consolidation of recently acquired businesses of the Marathon, Rotor and Cemp industrial motors and generators had a positive impact on the quarter's performance. EBITDA reached 2.2 billion, up 27.9% on 3Q23. The EBITDA margin ended the quarter at 22.6%, an increase of 1.1 p.p. over the same period last year. Along the presentation, André Salgueiro will elaborate on these points.



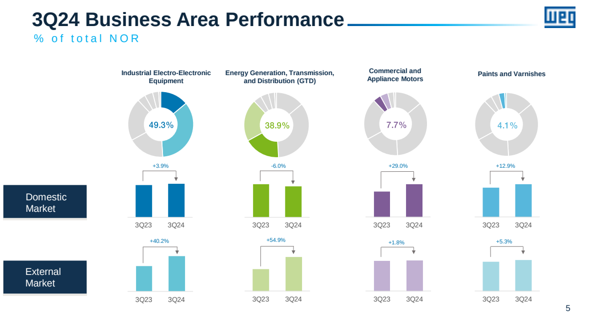
While the Return on Invested Capital reached 37.1%, an increase of 1.7 p.p. compared to 3Q23, as we can see in more detail on the next slide. Here you see that growth in revenue and maintenance of healthy operating margins more than offset the growth of invested capital, whose expansion is largely explained by the acquisitions made and the investments in fixed assets in the period. An important point to note is that Return on Invested Capital was positively impacted by the recognition of tax incentives recognized in 4Q23; excluding this non-recurring effect, ROIC would have been 34.3%.

Now, I'll turn the floor to André Salgueiro so that he can carry on with the presentation.

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

Thanks, André, good morning, everyone. On slide 5, I show you the development of revenue in our business areas.

In Brazil, industrial activity continued to be positive with a pickup in demand for short-cycle equipment such as electric motors and gearboxes, despite fluctuations in deliveries of long-cycle equipment projects, such as medium-voltage electric motors and automation panels.



GTD positive quarter for the T&D business, mainly driven by deliveries of large transformers and substations for projects connected to transmission auctions and distribution networks. Despite this, we saw a drop in revenue in this quarter, mainly due to lower deliveries of wind turbines due to an already announced reduction in the current order book, as well as lower revenue in the solar generation business, mainly due to a reduction in the cost of solar panels and consequent impact on the prices of products sold.

In commercial motors and appliance, we saw sales growth in several of the markets where we operate, particularly in air conditioning, washing machine and motor pump segments.

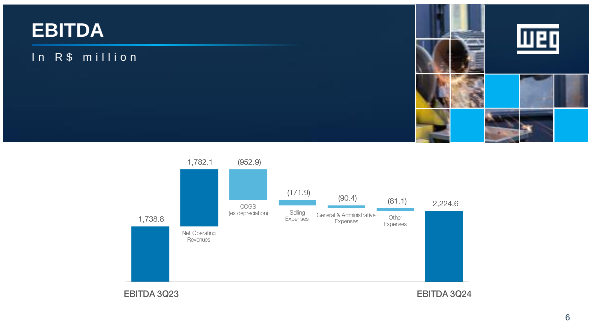
In paints and varnishes demand continued to be strong, especially in the powder coating segment for machine manufacturers and the water and sanitation segment.

In the international market, we continue to see good performance from short-cycle equipment in industrial electric and electric-electronic equipment, such as low-voltage electric motors and serial automation products, especially in oil and gas and water and sanitation areas. Long-cycle equipment also saw an increase in sales, especially automation panels, as a result of the good order book built in recent quarters. Remember that the incorporation of the industrial motor business of Marathon, Rotor and Cemp brands also contributed to the performance of revenues in this quarter.

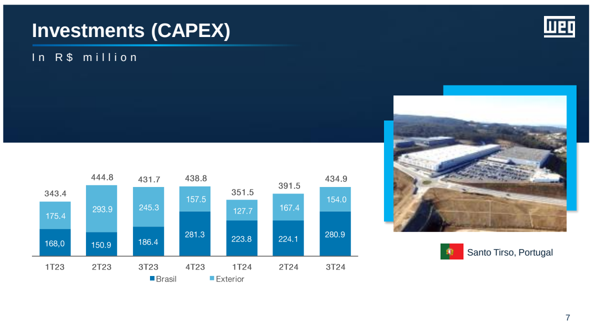
In GTD, opportunities in the T&D market in North America and the good performance of the generation business in the other markets where we operate were the main highlights for the growth in revenue. It should be noted that the generator business acquired from Marathon also contributed to the revenue performance of this business area.

In commercial motors and appliance, flat sales in the other markets compared to last year, despite a positive contribution from the operations in Mexico and China, affected sales growth.

In paints and varnishes, we saw revenue growth mainly driven by the Mexican operation, despite the lower sales performance in South America.



Slide 6 shows the evolution of our EBITDA, which grew by 27.9%. EBITDA margin ended the quarter at 22.6%, an improvement compared to the same period last year. This reflects the current mix of products sold as well as improved margin on long-cycle equipment, due to good demand for these products.



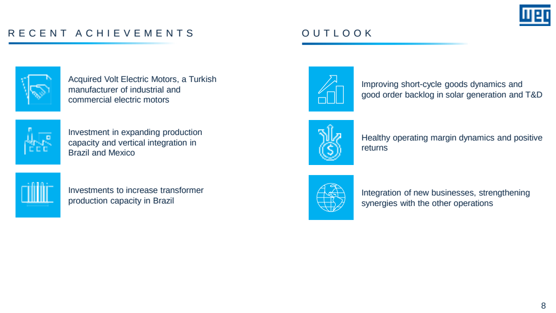
Finally, on slide 7 we show the evolution of our investments, which had a total of 435 million, 65% of which in Brazil and 35% abroad.

In Brazil, we continue to expand our industrial motor and electric traction motors facilities, as well as increasing our transformer production capacity. Abroad, we highlight the investment increase in the production capacity of the motor and transformer factories in Mexico.

That completes my part and I hand the floor back to André.

Mr. André Luís Rodrigues – Chief Financial Officer

Thanks, André. On slide 8, before we move on to the Q&A session, I'd like to talk about some of our latest achievements and comment on our outlook for the remainder of the year.



On achievements I would to highlight: first, we recently announced the acquisition of Volt Electric Motors, a Turkish manufacturer of industrial and commercial electric motors in the amount of 88 million USD. Under the terms of the agreement, WEG will take full control of Volt, which has a manufacturing facility of 27,000 m² and a team of 690 employees. Remember, completion of the transaction is subject to the fulfillment of certain conditions precedent, including regulatory approvals that are necessary for the transaction.

We also announced investments in verticalization processes in Mexico with the construction of a new manufacturing unit for wires.

And in Brazil with the expansion of the wire plant in Itajaí and the expansion of our foundry unit in Guaramirim. In total, investments of approximately 670 million are planned over the next five years.

Also in September, we announced another investment to expand transformer production capacity in Brazil, where approximately 543 million will be invested in the manufacturing units of Betim and Gravataí, with completion scheduled for 26.

Finally, I'd like to say a few words about the outlook for the remainder of the year. The recent improvement in the dynamics of short-cycle equipment and the good order book in transmission, distribution and solar should continue to support revenue growth, even in a scenario of lower contribution from the wind business.

We continue to have a positive operating momentum with a good mix of products sold, maintaining the operational efficiency of our units, which should continue to support good operating margins and a healthy Return on Invested Capital.

We continue to integrate the newly acquired business, Marathon, Cemp and Rotor, seeking operational efficiencies and working to strengthen synergies with current operations, with a focus on business growth and improving the profitability of the new businesses.

That completes our presentation. Please, operator, we can move on to the Q&A session.

Q&A SESSION

Operator

We'll now start the Q&A session. Just as a reminder, if you want to ask a question, click on 'Raise Your Hand' at the bottom of the screen to join the queue; when you are announced a prompt to activate your microphone will appear, and then you turn on your microphone to ask questions. We kindly ask you that you should ask all questions at once.

Our first question comes from Danielle Gasparete from Itaú BBA. Mr. Gasparete, please turn on your mic.

Mr. Daniel Gasparete - Itaú BBA

Can you hear? Can you hear me now? Ok, great. Well, thanks everyone, good morning, thanks for the call. I have two questions, the first is about the momentum for the domestic market, especially industrial. How do you see this market? Do you think it's picking up? You talked about the concentration of deliveries of long-cycle equipment; how do you see the ramp up of this line for the coming months and quarters?

And also, the dynamics that you have for SME and other expenses. We saw significant increase in this quarter compared to 2Q and also 3QLY. You mentioned in the release that has to do with the integration of maritime freight expenses, but I would like you to tell me, what do you think the trend is going to be for the next months? Because it did draw our attention; and the growth of gross margin, do you think may flow into EBITDA when you start to absorb synergies? Thank you very much.

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

Hi, Gasparete, good morning, this is André Salgueiro, I'm going to answer your first question about the development or the electric-electronic equipment in the domestic market and then André is going to talk about SG&A. The domestic market of electric-electronic equipment industrial showed growth, but with a slightly different dynamics between short and long-cycle equipment.

We did mention there in the release and we see short-cycle more positive. It had already been good in the first quarters of the year in terms of gearboxes and automation products, and we saw this now happening in 3Q with industrial motors. And the visibility that we have, we always say that short-cycle it is a short book, but it does seem to have an outlook that is good for the coming months. So industrial equipment, a positive outlook that should be growing along the next quarters.

When we take a look at long-cycle in industrial equipment, we have a situation of lower growth - even a small drop -, but due to the concentration of important projects that we had last year (pulp and paper), large projects in which we had deliveries and did not repeat this year. So long-cycle is slightly below 3QLY for this reason.

So, when you take a look at the long-cycle for the future, we see an improvement relatively positive. There are some pulp and paper projects that should enter our pipeline for the coming quarter, but this is a book that is being built for next year. So, I would say more positive in the short term for short-cycle, but certainly, the long-cycle is going to have good results for next year.

Mr. André Luís Rodrigues – Chief Financial Officer

Gasparete, this is Rodrigues is speaking talking about the behavior of SG&A in the quarter. Basically, we had three main events that led to an increase in 3Q24, but undoubtedly, the main driver was the increase of, for the increase of expenses was the consolidation of industrial motors and generators from Marathon. Remember that this was not on the comparison base for last year, and if we exclude these amounts on the comparison base, the behavior of WEG's business without the acquisition were basically along the same line with an increase in sales expenses. We are going through a moment where freight costs are increasing in recent months, and that eventually impacted overall our sales expenses divided by revenues - and this is almost a cost that is proportional: the more you sell, the more expenses, and therefore you have to divide this amount by the amount of revenues.

And we cannot forget the exchange impact. We had a devaluation of the BRL of 13%, so when you think of the expenses in other currencies, we do have this impact.

For the future, undoubtedly, as we mentioned on WEG Day and we repeat, Marathon process is carrying on, and along the next quarter we believe we are going to have benefits in expenses as a whole.

Mr. Daniel Gasparete - Itaú BBA

Very good. Thank you very much for your answers and I wish you a good day.

Operator

Carrying on, our next question comes from Lucas Laghi from XP. Lucas, please turn on your mic in and you can move on.

Mr. Lucas Laghi – XP Investimentos

Good morning, everyone, thanks for taking my question. I would like a follow up on profitability. I think that SG&A is clear to me, but I would like also to take a look at Cogs. We've seen sequential improvements in profitability in terms of covenants, and I would like to know if there's anything that we should monitor that may change the dynamics in recent quarters. I think it has to do with product mix. T&D continues to grow, probably contributing to improvement.

You talked about short-cycle equipment that is doing well, so what could pressure Cogs related to materials and explain these points in terms of gross margin? Is there anything that we are not mapping, that we are missing?

And in the long term, I'd like to know, in battery warehousing solutions do you still have something missing in terms of product developing? Is it a new line of revenue of WEG to become more relevant according to market?

And in terms of your structure to increase capacity for this product, when the market does start growing? I think that abroad it is growing, but in Brazil I think it should grow more substantially. So gross margins for the future and also the dynamics for the remainder of the business.

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

This is Salgueiro, Lucas, thanks for your question. Gross margin and cost of goods sold, Cogs. I think what's most important is materials for us, and when we look into materials you haven't had much fluctuation in recent quarters. There's always one thing or the other, but nothing different from previous years, I would say that the fluctuation is within expected.

So, I would say that what impacts us the most is indeed the mix, that shows some fluctuation. We were in a movement of lower share of solar generation, and in the release of 3Q we see this business and this movement in wind generation. We are delivering the last project in the book, and until the end of the year we are going to complete deliveries.

So, the main factor, I would say, to monitor, is the mix effect and also the particular dynamics of each business. You talked about T&D, and we have been saying that for a while now, not only T&D because this is recent; especially long-cycle equipment when we have an improvement in terms of demand, we tend to evolve also in terms of profitability, and that helps. So, follow the specific dynamics of each of the segments I think is the most important thing.

Mr. André Luís Rodrigues – Chief Financial Officer

And, Lucas, talking about BES, we had the presentation, of having the presentation on WEG Day, and Alberto had the opportunity of really exploring the business. We believe it is an excellent opportunity for the company. We continue to develop solutions for the storage of energy for batteries; we also see a good prospect for the development of the business in the medium and long term, and also for battery systems in auctions in Brazil, as we have already announced, but we do have very high hopes for the business.

Abroad, you know, the outlook is positive. The market is heated abroad as well, and WEG is broadening its offer of advanced solutions and products. So, I think we are very prepared for that. Today we have the complete portfolio, residential applications to very large projects, and all that brings to us a connection with the potential use in the several stages of the electric system: generation, transmission, distribution and consumption.

And also, the positive note of WEG is that we are always seeking more verticalization of the final product, and therefore bringing improvements in the development of several components; and certainly, as we showed on

WEG Day, we are prepared to seize the opportunities that will come for the development of this business in Brazil and abroad.

Mr. Lucas Laghi – XP Investimentos

Thank you very much and have a good day.

Operator

Our next question comes from Lucas Marchiori from BTG Pactual. Lucas, you may go on.

Mr. Lucas Marchiori - BTG Pactual

Thank you, hello, good morning, thanks for the call, I have two questions. Just as you talked a bit about demand for industrial equipment, I'd like you to talk about energy, domestic GTD. You had some contracts, I understood, in 3Q; do you think the baseline is normal for 1Q or is still an impact of phase-out of these large projects for 4Q and beyond?

And also, the effective rate. I think in 4Q last year you had booked the benefit of Switzerland; are you going to have the same effect on 4QNY? Or what can you say for us to think of the effective rate from here on? Thank you very much.

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

Hi, Lucas, good morning. GTD domestic market, well, we had in this quarter a drop in revenue, especially because on the one hand we have T&D that has positive performance - and for some time now - and we had the dynamic that until 2Q wind generation was growing; and as of 3Q, because of the reduction of deliveries, wind started to go down in terms of revenues and solar was already showing a drop in revenues - and continued so despite the improvement in deliveries and volumes of solar projects.

So solar now is more an effect of normalization of prices, especially because of the drop of inputs that we had last year, and that was passed through prices.

Looking forward, we have a slightly different dynamics from 3Q for the following: T&D I don't think there's a difference. The trend is to continue with the positive dynamics for the coming quarters and years. On the other hand, we have wind that continues to show a phase-out, and if we have something it's going to be very little to be delivered last next year - but most of what has to be delivered is going to happen in 4Q, and the level of revenue is going to be lower than 3Q and 4QLY. So, wind tends to continue to show a drop.

On the other hand, for solar we are already with projects in our book, large projects for centralized generation or GD, but working with different mills. So, we have a positive book with signs of growth as of 4Q. We announced an important project with Kroma of 630 million BRL that is going to start deliveries in 4Q, so we have a dynamic of solar picking up growth.

So overall. We have most of our businesses showing growth, and wind with the phase-out in delivering less projects.

Mr. André Luís Rodrigues – Chief Financial Officer

Talking about the effective rate, the rate of the quarter was in line with our expectations, with the benefit, part of the benefit that we announced in our operations in Austria that we announced in the end of last year, the expectations that the effective rate would be 20, 21%, I think it was in line with that.

And as for your question about the benefits that we had with the implementations in Switzerland last year, that happened in the last quarter last year and we do not have anything forecasted for this year. It was a one-off 4Q not to be repeated this quarter. So, the effective rate is probably going to be in line with what we have been announcing.

Mr. Lucas Marchiori - BTG Pactual

Very clear, thank you very much.

Operator

Our next question comes from João Frizo from Goldman Sachs. You may move on.

Mr. João Frizo – Goldman Sachs

Good morning, everyone, thanks for taking my questions. Two questions as well, quick points, first expectation of CapEx for the coming years. We saw announcements that you're going to make an investment of almost 2 billion in this for the coming years, so I would like to know from now on. Historically, you had 3 to 5 of revenues in CapEx; are you going to continue in this range? Should we expect to going more to the cap, or you're going to stay in the mid zone?

And second, competitive dynamic in GTD in the US. This is a segment that is very heated, it is an area of growth for you, but I would like to know, you are underground, so I would like to know what competition is like.

Mr. André Luís Rodrigues – Chief Financial Officer

Hi, João, thanks for your question. I would like to use the opportunity just to clarify a piece of news that was announced in an event last year, saying that WEG would invest 1.8 billion BRL in businesses related to Mission 3. The information was corrected immediately; in fact, the 1.8 billion is the amount that we invested or we announced as investment related to Mission 3, and not of what WEG is going to invest in the future, so this is point one.

As for CapEx for 2025, we always have worked with a margin of investment from 3 to 5% of our revenues. João, we are still finalizing our budget for next year. I think there is a large amount of investments announced. We also gave you some color on WEG Day, and when we complete this exercise in terms of budgeting, we are going to have more precise data. But undoubtedly, as we announced, it is an increase of our expectation of 1.9 billion BRL for the company - but as soon as we have a closed number, we are going to announce that.

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

And João, as for GTD the question was more focused on the US, but I'm going to talk about the international market as a whole. This is the area, the business area that has grown the most for some time now, especially because of the good momentum of the T&D business, and I can say that T&D has a more positive view for the American market - but also very good performance in Mexico, Colombia and South Africa, where we have operations outside Brazil.

And we also have a good momentum for generation that includes the United States, that is performing relatively well, but the weight of T&D in GTD in the foreign market is even greater than in the domestic market. So, most of the good momentum is a reflex of the positive demand of T&D.

And that is the pitch that we have been providing for some time. The demand has been positive for some time, it's improving quarter on quarter and the signs are positive for the mid-long term. We shouldn't see any change in the dynamics for the short period, because we already have our order book for next year and part of it for 26. So, we still see demand for transformers and T&D equipment as a whole that is quite positive, so that should carry on along the next quarters.

Mr. João Frizo – Goldman Sachs

Thank you very much, have a good day.

Operator

Our next question comes from Rogerio Araujo from Bank of America. You may go on.

Mr. Rogerio Araujo - Bank of America

Hello, gentlemen, good morning, thanks for taking my question. I'd like to explore margin trends and the factors that may drive that. We saw basically main drivers that are positive, just the thinking quarter on quarter: one is the depreciation of the BRL, 27% depreciation quarter on quarter supporting exporting margins; T&D, a positive dynamic that you just mentioned, we have seen global peers verbalizing the same; third, a lower mix of renewable energy; and fourth, a recent improvement for the demand of electric motors that you also mentioned in your release.

As we see a more or less flat margin quarter on quarter, if we try to remove Regal, we are trying to see what is dragging numbers down quarter on quarter. So, if you could help us out, you talked about year on year less delivery of electric-electronic industrial projects in the domestic market; has its affected margin greatly?

And another factor is the acquisition of Regal, if you had a margin fluctuation that was quite relevant; and anything else that you can mention just for us to try and think what is dragging numbers now, because positive drivers are very clear, thank you very much.

Mr. André Luís Rodrigues – Chief Financial Officer

Hi Rogerio, thanks for your question. I'd like to start answering your question first by saying that the margin of 22.6 in the quarter was very good, it was a growth of 22% compared to the same quarter last year. One thing that is important to take into consideration is that you had the reduction of .03 p.p. compared to 2Q, but in 2Q we consolidated two months of the acquisition of Marathon businesses; this quarter we accounted for the full quarter. So structurally, we already mentioned that Regal has its business in motors and generators with a margin below those of WEG.

So, another important point that we always like to highlight whenever the opportunity appears, that for WEG a quarter analysis is a very difficult business, because it involves the mix of long-cycle equipment order books, and you have fluctuations in the different quarters. So, we always reinforce that for the company it's important to analyze margins in the longer term, more on a year-on-year basis, and this year we have the expectation of delivering margins compared to previous periods better than what we had in the past.

And then somehow what impacts, or has impacted and may impact margins for the future are: first, Regal businesses, as we announced in the question; admin expenses on sales that do have an impact, because these are companies that have higher expenses than WEG, so this is something that we should observe.

We had an improve in gross margin, but partially that was returned in admin expenses that we are going to work on - but structurally, with the visibility that we have today we don't see much fluctuation; we see a positive dynamic in terms of T&D demand; the product mix with, you know, the removal of solar for next year becomes favorable, and WEG is going to continue investing in all its programs for the reduction of costs and expenses along time.

But still, we always have to monitor other factors that may impact margin: exchange fluctuations, we always mention that; costs in commodities in longer periods, and also volatility in the global economy that can also affect the whole process.

But when we think of expectations for the coming quarters, we do not see any relevant change from what we see right now - but of course, we have to monitor these variables from close.

Mr. Rogerio Araujo - Bank of America

Very clear, André, thanks for your answer.

Operator

Our next question comes from Alberto Valero from UBS. You may go on.

Mr. Alberto Valerio - UBS

Thanks for taking my question, good morning, everyone, congratulations on your results. On my side, I would like to talk a bit about pricing, Rodrigues and Salgueiro, if you could give us some color in terms of competition. I think GTD it was quite, you know, well detailed, but if you could talk a bit about the US domestic in the regions where Regal operates, if you can increase prices slightly, if you have other competition; and also in Brazil, thank you very much.

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

Hi Alberto, thanks for your question, this is Salgueiro. Well, price dynamics, how do we work? We always say that short-cycle projects, especially when we have price tables, we like, you know, to adjust in the beginning of the year and then we try to follow, you know, along the year just to see if we need further adjustments - but ideally, we would like to keep prices relatively stable, not to have to adjust them all the time.

So, we didn't have much change here. The only exception was that in the beginning of the year, because of all the price movements that we had in the past - especially because of the first impact of the pandemic - , we adjusted prices more frequently in the beginning of the year. We did it, and then by mid-year we reviewed the process, especially because of the exchange rate and some impacts on our cost structure. So, we did restructure prices in some segments in Brazil, especially short-cycle industrial motors and paints and varnishes.

The foreign market in the short-cycle we didn't have much change along the year, so very similar to what you're familiar with; and long-cycle, then long-cycle is priced project by project. When you price the project, you already consider the current market conditions, the current structure and the current demand, and whether the market is heated or not. So, it highly depends on each one of the businesses - but we have been working, especially in more heating markets… heated markets with T&D to adjust prices as the time goes on - but it is case by case, project by project.

Mr. Alberto Valerio - UBS

Very clear. So, we should expect a new price table by the beginning of 2025, right?

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

Yes, usually it is in the beginning of the year that we are going to study that, as I mentioned. In the beginning of this year, we decided not to make any adjustments. So, it will depend on the studies conducted in the beginning of the year.

Mr. Alberto Valerio - UBS

Very clear, Salgueiro, thank you very much.

Operator

Our next question comes from Andre Mazini from Citi. You may go on.

Mr. Andre Mazini - Citibank

Thanks, Rodrigues, Salgueiro, for taking my questions, I also have two. First, the decrease in the ambition of OEMs to adopt electric vehicles. Most recently this month we saw Volvo, an OEM that is very much concerned with emissions, saying that it's not going to meet its target of 100% EV in their lineup for 2030, GM had also promised 100% EVs for 2030 and saying it's not.

Does it change your plans a little? I know that in powertrain you are more in medium-sized vehicles, but chargers probably more for light vehicles. So, does it change the adoption curve that you had expected? So that's my first question.

And second, follow-ups on margins. You talked about synergies with Marathon, the light drops in margins and increase of SG&A has to do with the consolidation of Marathon. What kind of synergies and timing do you see for the future?

And freight costs, increase in cost. We saw some container routes increasing from Asia to Americas; so, when you talk about freights, are you talking about container prices? Thank you very much.

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

Hi, Mazini, good morning, thanks for your questions. Ok, EVs. I think the short answer is that our strategy does not change, and for some reasons: in fact, we have been monitoring the market. Much of the discussion is mostly centered on 100% EVs, but we believe that part of the market… and we are discussing which part of the market is going to have some component of electric vehicles, especially hybrid vehicles. The hybrid plug-in has to be charged, it needs a charging structure if it is at home, in the office or even a fast charge on a road or on a highway, so we continue to focus on the development of this business.

We did talk about it in Kuba's presentation on WEG Day, recharge stations, and here you're talking about all the market from light vehicles to heavy vehicles, and we are going to continue to develop the business.

Powertrain, our focus has always been heavy vehicles, both trucks, light and medium vehicles for urban distribution, but also in the development of the bus market in Brazil, which is a market that continues to develop, so we see an interest in the development of this market. From time to time, we have been announcing some investments in city administrations throughout Brazil, so that it is demand that is just starting, but tends to increase along time.

And here we have the opportunity to offer not only the powertrain, but also battery packs, all the intelligence of the software that controls energy flows on buses. So, it's a huge opportunity for the development of this market in the coming years.

Mr. André Luís Rodrigues – Chief Financial Officer

And Mazini, talking about integration with Marathon, we also… we already mentioned, it's a journey that started when we completed the signing, but we are focused on three very important fronts: the first are short-term actions that can enable us to gain competitiveness, and we started optimizing and standardizing projects and materials. It's just the beginning of the journey, but we are already seeking opportunities, reviewing the whole supply chain process, certifying suppliers, bringing more opportunities for global negotiations for the size of WEG in the procurement of main components and materials.

We also identified and we are going to start working on improving processes for stamping in the manufacturing of motors that can bring gains for the coming year, and certainly the opportunity of better managing inventory, and this has been doing… has been done the WEG way with a committee of integration. So, this is a first front, more related to shop floor, industrial processes.

But undoubtedly the commercial part of it is very important, and here we are talking about many things, and we mentioned that, from procurement… since the beginning of acquisition, we are working very much to improve relationship with Marathon sales reps. They had a slightly different structure in the US, much more directed to the US. We have good reps, very experienced, with excellent relationship with local customers - and we are reinforcing that - and they are essential in this process.

We have actions directed to the distribution of inventory. WEG's differentiator, especially in North America, is the closeness of our inventory rivals to our customers, and if we reinforce that, especially with reps, we are going to have very good opportunities in the future, in addition to trying to simplify product lines to reduce complexity in components and improve the supply chain, therefore bringing inventory optimization.

And the last front - and I'm being very simplistic here, but anyway - is everything that involves admin structures. We are already implementing in North America our WEG's business service model to address transactional services that until the end of this year, beginning of next year is already going to be implemented, and so this model will bring a reduction in costs and improvement in efficiency for transactional activities.

And for the next year, with the carve-out of automation systems and the beginning of implementation of our ERP - that will take a bit more time, about 2 1/2 years - , we are going to have more synergies and improvements for the margin structure in the businesses acquired from Marathon.

And very quickly going back to margin, as I just mentioned we do not have an expectation of relevant changes for margins in the short term. Some points have to be monitored, as I mentioned, product mix, but the positive note is that we continue with a very good demand for long-cycle products, and we will continue to monitor whatever fluctuations we may have in our industry - as I mentioned, exchange rates fluctuations, volatility hurts margin in the short term, commodity prices and how this is all going to behave for the future; some volatility in some geographies around the world economically speaking.

Mr. Andre Mazini - Citibank

Very clear. Just a follow up for freight that you did mention in G&A: is it sea freight, that is containers for ships or was it something else?

Mr. André Luís Rodrigues – Chief Financial Officer

As a whole sea freight, yes, but also internal, domestic freights in the geographies in which we operate. So not only containers.

Mr. Andre Mazini - Citibank

Ok thank you very much, Rodrigues, Salgueiro.

Operator

Our next question comes from Marcelo Motta from JP Morgan. Marcelo.

Mr. Marcelo Motta - J.P. Morgan

Good morning, everyone, thanks for taking my question, it's about tariffs in the US. You're talking about the election, and what do you think is going to happen for tariffs for products outside the US? How are you positioned? What can you observe in terms of what's coming out in the media and what measures can you take? I don't know, perhaps to concentrate production more in the US and Mexico, for you not to have too much tariff on especially T&D?

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

Hi, Motta, good morning, this is Salgueiro speaking. Well, it's hard to talk about it without the definition of the election. Of course, we are monitoring whatever is happening in the US, but we like to have a definition before taking action.

Anyhow, speaking more generically, we do have some situations that may bring us some protection, especially the fact that we have a production platform that is well concentrated in the region - and we are not talking only about Mexico; we are also growing our activities in the US in last years with the acquisition of WTU, the transformer business in 2017.

And now with the acquisition of Marathon we brought an important industrial footprint for industrial motors and generators for us to manufacture locally, in the US. And we have to monitor to see what's going on. But overall, I would say that most of what we sell in the North American region is already manufactured in the region between Mexico and the US: I would say 2/3 of revenues are already manufactured locally; of course, a third comes from elsewhere, but given that we have the manufacturing footprint very well spread throughout the world, we do have flexibility for any adjustments to adapt to a new situation, or any impact that we may have due to changes in tariffs for the next years.

Mr. Marcelo Motta - J.P. Morgan

Very well, thank you very much.

Operator

Our next question comes from Victor Mizusaki from Bradesco BBI. You may go on.

Mr. Andre Ferreira - Bradesco BBI

Good morning, everyone, this is Andre Ferreira from Victor's team, and I have two questions: first, given the Regal integration cost, I would like you to comment the EBITDA margin of Regal in 3Q, because it seems to me that you had a contraction of margins quarter on quarter.

And still talking about Regal, how much of the growth of industrial motors and GTD abroad is related to Regal's consolidation?

And the second question that recently WEG made several announcements of investments in transformers, and I would like to know how much that involves an expansion of capacity, thank you very much.

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

Hi André, good morning. Well, Regal's acquisition, in practice we do not disclose profitability of operations. What André mentioned overall in his answer and when we did announce the acquisition, we announced this number. This is an operation that runs at a margin level that is below our average margin, so our work here is to be able to improve profitability in the coming years based on everything that André Rodrigues mentioned in one of the previous answers.

As for growth ex-Regal, ex-Marathon, we also disclosed this number. This is in our release and you have the details, but in practice, electric-electronic industrial equipment in USD excluding the acquisition grew by 8.2%; and GTD (also in USD) excluding the acquisition, ex-acquisition - and here I'm talking only about the international market for both -, 21.5%. But you have the details, the percentages in our release, both in USD and in BRL.

Mr. André Luís Rodrigues – Chief Financial Officer

And Andre, as for T&D capacity, we announced basically two different blocks, everything that we are doing in terms of the main investments for this business area: the first announcement was in the end of last year on WEG Day. The package that was announced was an intention of us increasing capacity by 50%; and with recent announcements in the last month, then you're talking another 50%. So, in the next three years after all investments are completed, we would be basically increasing our production capacity for T&D by 100% in the geographies where we have the assets.

Mr. Andre Ferreira - Bradesco BBI

Very clear, thank you.

Operator

Carrying on, our next question is going to be in English from Jens Spiess from Morgan Stanley. Jens, your mic is cleared, you can you may go on.

Mr. Jens Spiess – Morgan Stanley

Thank you. Yes, my question is related to previous questions regarding the US election. I know that the outcome is obviously uncertain at the moment, but you mentioned that around 1/3 of your sales in the region are produced abroad, but could you maybe specify how much of the production is produced in Mexico and shipped to the US? Just to get a sense of how much that is specifically, thank you.

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

Hi Jens, thanks for your question. I'm going to keep speaking Portuguese just for you to continue listening to simultaneous interpretation. Well, James, the breakdown is more or less the following - I'm talking about round numbers: of everything that we sell in the region, and in the region we are talking about North America (that is we are talking about Canada, US and Mexico), 2/3 is produced in the region, and out of the 2/3, it's basically 50% manufactured in Mexico and 50% in the US currently; and then 1/3 comes from outside the region - obviously most of it from Brazil -, but eventually we also have things being manufactured in

Europe and even other geographies that are then imported to North America.

Within North America, US is the most representative market, so I would say 80%; and then so you have a general overview of the breakdown of the dynamics.

Perhaps an important factor that is interesting for us to share with you - and we did talk about that at the acquisition of Marathon - is that the plants of the assets that we brought are running on average with a utilization capacity of 50%, that is you have 50% idleness at the plants. So eventually if we have to migrate manufacturing, we do have the flexibility to use these new plants in the process.

Mr. Jens Spiess – Morgan Stanley

Perfect, thank you.

Operator

Well, we are now closing the Q&A. I would like to turn the floor to André Rodrigues for the final considerations… for his final remarks, I'm sorry. André.

Mr. André Luís Rodrigues – Chief Financial Officer

Well, everyone, thanks again for attending and I wish you all an excellent day and see you soon.

Operator

WEG's conference call is now closed. We thank you for attending and wish you a very good day.
