

CORPORATE PARTICIPANTS

Mr. André Luís Rodrigues – Chief Financial Officer

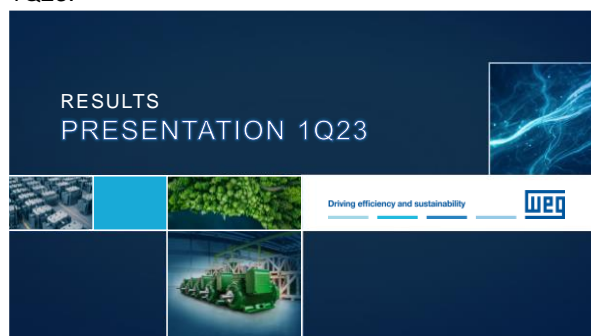
Mr. André Meneguetti Salgueiro – Finance Director and Investor Relations Officer

Mr. Wilson Watzko – Controller Officer

Mr. Felipe Scopel Hoffmann – IR Manager

PRESENTATION

Operator: Good morning and welcome to the conference Call on WEG and to release the results of 1Q23.



This call is being webcast with the accompanying slides at our investor relations website: ri.weg.net and after it is finished the audio file will be available at our investor relations website. Should you need assistance during the call please request for help of an operator by typing *0.



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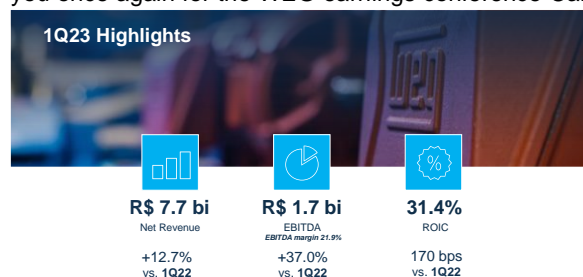
We kindly remind you that this conference call is being held in Portuguese with simultaneous translation into English.

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

Please, André Rodrigues, you may start.

Mr. André Luís Rodrigues – Chief Financial Officer

Good morning, everyone. It is a pleasure to be we do you once again for the WEG earnings conference Call.



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We start with the highlights of the quarter, in which the net operating revenue grew 12.7% compared to 1Q22. We delivered one more quarter with positive results in most of our businesses, reinforcing our strategy of product diversification and global presence, which allows us to take advantage of opportunities in our markets.

In Brazil the positive result comes from the good performance both in short-cycle businesses such as low-voltage electric motors and automation components, as well as in long-cycle businesses such as high-voltage motors, automation panels and transformers. However, the distributed solar generation business as expected had a reduction in revenue in this quarter, mainly influenced by the change in the regulation of the sector that came into force in January of this year.

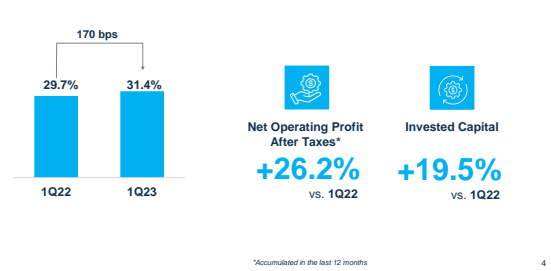
In the foreign market we posted good revenue growth mainly influenced by good demand in the industrial electro-electronic equipment area, in addition to the good performance of the energy generation, transmission and distribution area, especially in the



transmission and distribution business in North America.

The EBITDA was 1.7 billion BRL, a growth of 37% compared to 1Q22. The EBITDA margin ended the quarter at 21.3%, an increase of 3.8 p.p. compared to the same period of last year. During the presentation André Salgueiro will give more details about this performance.

Return on Invested Capital



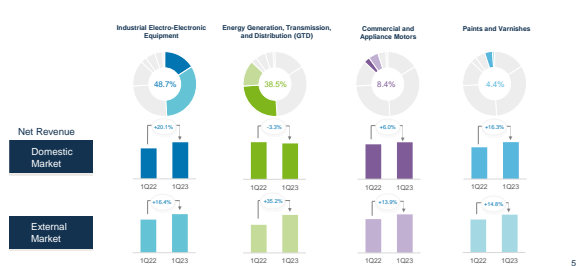
Finally, the ROIC as well as, as we will see in the next slide, reached 31.4%, an increase of 1.7 p.p. compared to 1Q22. The improvement in our operating performance supported by revenue growth and improved margins, more than offset the greater need for working capital and the increase in investments in fixed assets in the period.

I now give the floor to André Salgueiro.

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

Thank you, André, good morning, everyone. On slide 5 I present the development of our business areas in the markets where we operate. Starting at Brazil with positive activity in the industrial electronic equipment area as a result of good demand for short-cycle products, such as low-voltage electric motors and serial automation equipment, with emphasis on the mining and oil and gas segment.

1Q23 Business Area Performance



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

In the GTD area despite the good performance of the T&D business, we saw a reduction in demand for distributed solar generation, which impacted this quarter's revenue. The anticipation of orders in 2022 and the entry into force of the new GD legal framework on January 7 of this year contributed to the lower revenue of these business. Despite the additional challenges we believe in the potential for continued development in this sector, especially when also considering centralized solar generation.

In commercial and appliance motors we observed a resumption of activity with positive demand in sectors such as washing machines despite volatility in demand, and inventory adjustments in some important segments such as motors for air-conditioning.

In paints and varnishes demand continued to be strong with emphasis on the segments of mining and oil and gas.

At the external market we saw good economic and industrial activity in the various regions where we operate, with demand for short-cycle equipment spread across the different industrial segments where we operate, with emphasis in North America. There was also good performance in long-cycle equipment, especially in the oil and gas, mining and water and sanitation segments.

In the GTD business we continue to take advantage of the opportunities present in the T&D market in North America. In the generation business we highlight the good performance of our operation in India, in addition to the building of a robust backlog for the coming quarters.

In commercial appliance motors we saw growth in demand for our products with emphasis on the good performance of operations in North America.

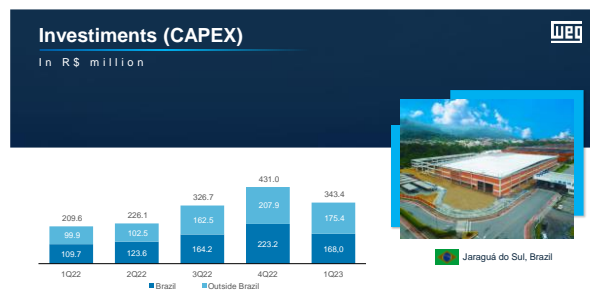
In paints and varnishes exports from Brazil to Latin American countries and sales from our operations abroad contributed to this quarter's growth.



Slide 6 shows the evolution of EBITDA, which grew 37% in relation to 1Q 22. The EBITDA margin ended the quarter at 21.9%, 3.8 p.p. higher when compared to the



same period of last year. This result is mainly a reflection of the accommodation of costs observed in recent quarters, together with the change in the mix of products sold, mainly impacted by the difference in the margin of the industrial segment, which showed greater growth in relation to GTD.



Finally, on slide 7 we show the evolution of our investments. We invested 343.4 million BRL in the quarter in modernization and expansion of our production capacity, machinery and equipment and new products. 49% were allocated to production units in Brazil and 51% to industrial parks and other facilities abroad.

In Brazil we highlight our investments in the expansion of factories for industrial motors and electric traction motors; and abroad we continued with the expansion of the motor and a transformer factory in Mexico, in addition to the expansion of the factory in India to produce wind turbines.

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

Mr. André Luís Rodrigues – Chief Financial Officer

Before we move on to the Q&A session, I would like to talk about some of our latest accomplishments and comment on our outlook for the remainder of the year.

Regarding the achievements, I would like to highlight that we announced investments to expand battery pack production capacity in Brazil totaling 100 million BRL over the next years. The investments will be made in Jaraguá do Sul industrial park and involve expansion of the current manufacturing building and the construction of a new factory, scheduled for 1H24.

RECENT ACHIEVEMENTS

Investments to increase battery pack production capacity in Brazil

OUTLOOK

Positive long-cycle order backlog in Brazil and abroad

Improvement in the operational dynamics

Uncertainty regarding the global macroeconomic scenario demands attention

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

We continue with a robust order backlog in the long-cycle projects, both in industrial area and GTD, especially in T&D projects which will contribute to growth in Brazil and abroad.

The accommodation of raw material costs combined with the normalization of supply chains and a more favorable product mix should continue to favor operational dynamics.

But it is always important to keep an eye on the global macroeconomic scenario and the possible risks and volatilities, both in the local and international scenarios. Even so we maintain our growth expectations with positive demand in most of our businesses.

This concludes my presentation. Operator, we can proceed to the Q&A session.

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Q&A SESSION

Operator

Ladies and gentlemen, we will now start the Q&A session.

In order to ask a question please press *1. To remove your question from the queue press *2.

Our first question comes from Lucas Marchiori from BTG Pactual.



Mr. Lucas Marchiori - BTG Pactual

Hello everyone, good morning, thank you for the call.

There is one topic I would like to discuss regarding margins. I think this has been the major surprise in the quarter. I would like to understand from the two Andrés that there is a bit of cost accommodation, as well as improved mix of products.

I understand that the lower pressure on costs and maybe at the end of the day the margin changes, and that would fit the discussion at the beginning of the year saying that margins should be going down slowly or in line with last year's margin.

Given the dynamics of, the favorable dynamics of the industry, do you somehow think that margin can be flat until the end of the year instead of decreasing?

And if so, how much do you expect, how much would come from the improved pressure on costs and how much it comes from mix of products? I would like to hear from you on that, thank you.

Mr. André Luís Rodrigues – Chief Financial Officer

Hello Lucas, this is Rodrigues speaking. Well, let us talk about the margin. In our release we said that there were some factors that had a positive impact on the margin, a very positive margin for the company. First was cost accommodation of most of our raw materials, the normalization of the global supply chain also impacted that.

And it is good to remember, it is worth remembering that the change in the mix of products, depending on what we are talking about has a different margin profile. For example, industrial segment had a larger growth when compared to T&D or GTD, especially in terms of renewable energy, solar and wind, because as we always say the margin for that is lower than the average margin of the company.

Also, the impact on the margin was the prices. The prices were improved, of long-cycle, with the accommodation of the costs of raw materials in the last quarters. And when we are in the movement of increasing costs the margins are under pressure and when the costs are stabilized margins tend to increase, so that was positive.

Also, a better occupation of the plants, of factories, that improves operations and has an impact on margins as well. So, this is an overview of the positive effects on margins.

In terms of prices this movement can lead to future reduction? Well, adjustments can be made according to market conditions, but it is worth remembering that in addition to the costs of materials and other costs there are other costs such as personnel that also cause increases, and the inflation of latest years also includes, is included in that.

We also had the normalization of international freight costs, which contributed to that and as these factors are, go back to normal and according to market conditions, of course we will assess future price adjustments on a case-by-case basis - but it is always important to remember that we always try to preserve the company's profitability.

In terms of what we can see about future margins we are still in 1Q, so we were cautious in the beginning of the year. There are microeconomic issues that need to be better analyzed in the future, but if everything continues according to the current performance it is possible we may deliver better margins or similar to margins that we had in previous years.

Mr. Lucas Marchiori - BTG Pactual

Okay, perfect André, thank you very much for the call, good day.

Operator

The next question comes from Josh Milberg from Morgan Stanley.

Mr. Josh Milberg - Morgan Stanley

Good morning, everyone and thank you for the call. My questions refer to the electro-electronic area. First could you comment on the market share evolution given the granularity about the individual products, especially about automation and reducers? Because I believe you mentioned there is major room for improvement when compared to your positioning in the past, that is the first question.

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

Hi Josh, good morning, thank you for the question, this is André Salgueiro speaking.

When we look at electro-electronic and industrial equipment, as you pointed out well, we have three main the blocks of products: industrial motors, automation,



and reducers. So, the company has an important market share in Brazil, we are among the leaders in most of these products.

And when we look at the foreign market or external market, we see that low-voltage industrial engines or motors had an important evolution. We said that during WEG Day WEG became the second largest market share with 10% in the global market.

But when we look at the other markets, especially drives and automation and reducers, our global market share is relatively small, lower than 1% or 1%. So that brings, talks about the opportunity we have when we look at the industrial engines.

We will use the market share we have in industrial motors to leverage on drivers and reducers, as well as our brand knowledge. So as we evolve and gain market share in the motors engine, motors business, due to the pandemic we had an interval in that development, but it is a very developing sector and so we will continue with drivers and reducers - but it is a gradual process, year-on-year, and we will have to work in order to attain such an evolution.

Mr. Josh Milberg - Morgan Stanley

Okay thank you for your detailed answer, André.

My second question refers to the domestic market. You said that long-cycle has helped, but sanitation is not one of them. So, could you give us an update on the law 21 and how would be the share of the company for the next quarters? Thank you.

Mr. André Luís Rodrigues – Chief Financial Officer

Hi Josh, this is André Rodrigues speaking. Undoubtedly water and sanitation sector has always been important for WEG, and the framework will bring additional opportunities for the company. This legal framework is important for Brazil as a whole. The changes in the format that are being discussed will, should improve demand for improvements, although it could impact on the projects schedule.

We have an updated portfolio of products for this market, we have energy-efficient solutions, solutions to control water losses and to regularize the supply of water, and these things got a bit delayed. We feel that because orders are a bit below our initial expectations, but as I said in the beginning this legal framework is important for Brazil, and although there was a delay it will be important soon.

Mr. Josh Milberg - Morgan Stanley

Okay perfect, thank you very much.

Operator

The next question comes from Lucas Laghi from XP Investimentos.

Mr. Lucas Laghi - XP Investimentos

Good morning, congratulations on your results. I would like to know about the dynamics of revenue. We saw some investors were a bit afraid of this sequential drop in revenues since 4Q. In the history there is a seasonal effect: the revenue in 1Q is usually lower than in 4Q and then it continues to grow on the second half of the year.

I would like to understand whether that makes sense for this year, and what is the reason for this seasonality that we see that usually the revenues in 1Q are usually lower? And we see that demand seems strong, that is the first point.

And the second point more specifically regarding the domestic market that is pretty much stable in the quarterly comparison. I would like to understand why the drop in the solar distributed generation and T&D what was the breakdown of that? Thank you.

Mr. André Luís Rodrigues – Chief Financial Officer

Lucas, this is André Rodrigues speaking. I think you provided the dynamic correctly. If we look at the variations or the changes between quarters it is important to highlight that that happens. It depends a lot on the long-cycle portfolio, the industrial projects that are delivered, the GTD variations. So, if you look at the historical average from 2011 until last year, from 2011 to 2020 always the last quarter of the year has a better performance than 1Q of the following year. This is because usually in the last quarter we concentrate deliveries of projects that create this seasonality. There is an increase in revenue in the last quarters of the year.

And due to the pandemic and all this dismantling of our supply chains and the dynamics, in the years of 2021 and 2022 there was a change in that dynamic. So, the normal trend based in the past is for 1Q of the year to have lower revenue than the previous quarter, which is 4Q of the previous year.

So, the right way to analyze that is quarter-on-quarter comparison. So what we had is an issue in GTD and



André Salgueiro could give you more information about this impact on the revenue from solar generation.

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

Well, we do not break down the specific revenue by business with in GTD - but this is a fact, it was included in the release. We can say that the solar had a drop in revenue in this quarter, both compared to 1Q LY as well as to 4Q. Even the drop compared to 4Q was even higher than when compared to the same period of last year, 1Q22.

Wind also showed a slight accommodation due to delivery of projects, but it was very similar to 1Q LY, but all the other businesses in there had a good performance of growth: hydro, electrical, especially T&D. So, if we exclude solar effect this business would have grown two low digits when compared to 1Q LY. So that can you give you an idea of the size of the impact of the solar performance, or the solar in the performance of this quarter.

Mr. Lucas Laghi - XP Investimentos

Oh, that was very helpful, thank you for your answer, have a good day.

Operator

The next question is from Andressa Varotto from UBS BB.

Andressa Varotto - UBS BB

Hello good morning, thank you for the question.

I have two questions; one is a follow-up about the solar GD. We said that some projects could have less incentives in GD and migrate to centralized generation. How do you see this opportunity to capture this volume of GD in the centralized generation?

And another question is you highlighted in the release the India generation business, so my question is there any contribution from the wind turbine and could you give us an overview about opportunities in that market? Thank you.

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

Hello Andressa, thank you for the questions. Regarding solar energy indeed the dynamic for this year will be slightly different. We had distributed generation with a much greater performance than centralized distribution and in the beginning of the year there was a change in legislation, so the incentives decreased.

In addition to the change in the law there was an increase in interest rate, which also impacted credit facilities for the sacrament, which is important; and there was a credit crisis in Brazil in the end of last year, beginning of this year that restricted access to credit in general and that impacted the distributed generation business.

But looking at the portfolio for the future we see a performance of centralized distribution much better this year than last year. So, a part of this accommodation that we will see in distributed generation will be offset by centralized distribution, especially in 2H TY, where we have a more concentrated delivery of centralized distribution projects happening.

Mr. André Luís Rodrigues – Chief Financial Officer

As for your second question about the impact of India wind turbines, we are still in the certification process of our machine in India. It is going very well, but we need a few more months in other to finish this process. What happened in India was a result of the good demand for equipment related to the generators and wind turbines that we also produce in India.

Mrs. Andressa Varotto - UBS BB

Thank you very much.

Operator

The next question comes from Pedro Fontana from Bradesco BBI.

Mr. Pedro Fontana - Bradesco BBI

Hello André, Salgueiro, congratulations on the results, thank you for taking my question.

You had mentioned some of the avenue growth, growth of avenue for the company, generators in India, WEG is also working on electric mobility projects. So I would like to see your long-term view for opportunities for growth in coming years, thank you.

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

Hello Pedro, this is Salgueiro speaking, thank you for the question. There is a slide in the presentation in which we talk about growth avenues. There are three, I will focus on two that fit your question. First one is about internationalization, and that is closely related to the fact of gaining market share and space in products that we already have in our portfolio but improving our market share in the global market. So, when I talk about the strategy of motion drive that is a practical example of that. We do have an important share in industrial motors and now we would like to increase sales of reducers and automation.

But this is only an example. There are other products that are in our portfolio, hydro and thermal generation, T&D, wind, solar. For all the products there is some internationalization strategy. We do not want to go global on everything, but in areas that have a better outlook. So, this is a major opportunity for growth in coming years.

The second one is new businesses. Why new businesses? Because throughout the history of the company WEG has been able to develop and open new businesses, launch new products and that has - from time to time - and that has helped in our long-term growth.

Today we are working on the electric mobility business as you mentioned very well, as well as powertrain for trucks and buses, recharge stations and more recently battery packs. We also have the digital business, as well as developments regarding energy storage.

This is just to give you an example of concrete cases of businesses that are under development or developed, and we have the mission and will, we are willing to continue to develop new businesses, so in the future we will enter with new products in new segments that make sense for us.

Mr. Pedro Fontana - Bradesco BBI

Okay, thank you very much.

Operator

The next question comes from Daniel Gasparete from Itaú BBA.

Mr. Daniel Gasparete - Itaú BBA

Good morning, everyone, thank you for the call. I have two questions as well, first regarding the external market. In the opening you mentioned that you are quite excited about this market. I would like to know more from you how was the volume of strong 4Q, strong 1Q. Is there any bottleneck for delivery of projects? Is this something that will grow?

And the second question is building on André's comment about increased margin in long-cycle. We are looking at your construction agreements margins. There is a significant increment in that margin, close to 15% now moving to 21. I would like to understand in terms of mix or some projects of long-cycle with higher margins, or maybe wind with higher margins? Just to understand whether there was any other effect in addition to the mix of products.

Mr. André Luís Rodrigues – Chief Financial Officer

This is André Rodrigues speaking, Daniel. First let us talk about how we see the external market. First, we must separate long-cycle from short-cycle dynamics. In long-cycle products nothing has changed from what we said in the other quarters. The demand is very strong. In electro-electronic industrial equipment, the demand is very positive. In T&D we have been talking for some time now that the demand in the United States, Central America and Mexico is very positive for this business.

So, no major change in long-cycle business, and the outlook for the future is very positive. We start one more year with an order backlog very well built and now we just must execute on it and deliver throughout this year.

And when we moved to the short-cycle we have to analyze by region, starting with North America where we have a very positive performance both in industrial and low-voltage motors, as well as in commercial motors. So far, the dynamic is positive. It is natural that at some point in time there will be an accommodation, but it will happen at a higher level than happened last year, so remembering that visibility of short-cycle is three months forward, so it is a positive outlook.

When we move to Asia there was an increase in the closing of China that had some consequences for WEG and for everyone that operates in the country. So 1H LY was very positive, then in 2H of the year there has been a reduction and the prospects of opening of the country.

And now with that opening if it takes place, there is a recovery. So, if we compare 1H TY to 1H LY obviously there would be a reduction because last year was very positive, but that is expected to continue growing and with this opening 2H TY we will be able to recover the lower trend in 1H TY.



When we moved to Europe, we should analyze that there has always been a concern in Europe with the energy, and energy Europe was able to reorganize itself in the energy sector, but the war continues. So, we do expect some volatility and that should continue in coming months.

That applies to the dynamic of short-cycle. So, in North America it is a positive dynamic, Asia we can also say that we opened the low-voltage motor factory in India, which will bring future growth. So, Asia is in a recovery process, but we should be a bit more cautious regarding Europe in about future outlook.

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

Gasparete, regarding the construction contracts that you mentioned in 22, in practical terms that is directly related to the long-cycle business. We have a reported a good dynamic in that, and when that happens the margin tends to expand because the demand is positive and you have full capacity, and it is more important for the customer to have the product available - so pricing improves.

I would say that this will happen in the period for more than one year and it is now reflected in a more structural way in the earnings. At first it was reflected in the building of the backlog and now it comes to results. So, in terms of mix there has been no significant change. But not everything is long-cycle, but for most of long-cycle - especially T&D, solar, wind and new energy, wind turbines, and other large-scale machinery, so there is an improvement in pricing with time.

And, there is a movement of cost accommodation. So as we evolve and new contracts are signed the profitability increases, so this explains the change in the margin of 22, when we look at the figures of 1Q23 when compared to last year.

Mr. Daniel Gasparete - Itaú BBA

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

Operator

The next question comes from Bruno Amorim from Goldman Sachs.

Mr. Bruno Amorim - Goldman Sachs

Good morning, everyone, thank you for the question. I would like to make a follow-up on solar. There are

several dynamics impacting that line of business and you emphasize the pre-by. Many of the purchases that were supposed to be made of this year were made last year, we discussed that already.

And, in this segment there has been changes in the regulation. You explained that despite that the segment continues to be attractive. So now I would like to learn more how much of this change was from pre-by when compared to the decrease in the demand. Was this majorly pre-buy because that would be buying this 1Q LY? Because if so, we can make the case that for next year those that are supposed to buy in 24 will buy in 2024 so that we will have growth for next year. So just to understand how much from what we see now is temporary and maybe there will be a structural downward trend in the demand for this sector.

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

Thank you for your question, Bruno. Well, it is difficult to break down that exactly. What we can say though is that we do foresee an impact, a reduction in revenue, and we also noticed a strong increase in revenue during last year, which means that in a way there was a pre-buy effect, so a part of the revenue that was expected for this year happened last year.

But there is also an important portion - not so significant - but that are the new plants from 1 to 5 MW that were more affected by the change in the regulation. So, this type of project will continue throughout this year, because there is this period for people or projects that entered until January 7, so something will happen this year although in a smaller volume. But then in the future these projects tend to disappear and a part of them prior to Andressa's answer that will migrate to centralized distribution, because they were doing smaller projects to benefit from that incentive and now, they will migrate to centralized energy distribution.

In solar in general there will be an accommodation this year due to decisions made last year, but when we look at the business in the medium and long run, structurally speaking we believe it has, all conditions are favorable.

And another important aspect is interest rate and the credit facilities that also had an impact and let us see how that evolves; and the fact that the energy price, I mean the reservoirs are very high, we are operating with the green flag, green tariff. So, if you calculate that, calculations that you made a downpayment and financed being small amounts with what you saved in the energy bill, that no longer happens. So, when the market for credit and interest rate decreases and there is more credit available in the market, then that could



make sense again. So all of that has to be analyzed but let us see how this will evolve towards the future.

Mr. Bruno Amorim - Goldman Sachs

Just a quick follow-up: thinking about the track for this year this segment of small projects tends to be reduced more significantly throughout the year, maybe for next year? So 1Q is not still the bottom, so it will drop a bit more still before it starts to go up? Is this the trend or not necessarily?

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

I would say that is 2Q we will have to wait. There may be a movement of some accommodation, but for 2H TY, when we start having larger deliveries of centralized distribution there should be a growth when compared to previous quarters.

Mr. Bruno Amorim - Goldman Sachs

Okay thank you.

Operator

The next question comes from Régis Cardoso from Credit Suisse.

Mr. Régis Cardoso - Credit Suisse

Thank you. If you allow me, I have more follow-ups if you allow me, one of them is about the ramp-up of wind plant in India. What should we expect in terms of ramp-up? This is a plant that will be fully operational in 2H TY? It is still under the certification process, but I would like to have an idea about terms of the ramp-up period. Is it a gradual ramp-up or it will be fully operational quickly?

The other topic is that there is a competitor of yours that left the engines, NEMA motors market. Do you have any (inaudible 46:19) on that that you could share? And do you see an opportunity on this same type of market in Europe where maybe they were stronger? This is another follow-up topic.

And a third topic is about the backlog of projects. You were commenting on the seasonality of 4Q; now thinking about T&D and the long-cycle do you expect any growing or seasonal distribution throughout the year we should keep an eye on? Thank you.

Mr. André Luís Rodrigues – Chief Financial Officer

Hi Régis, this is under André Rodrigues, let us talk about the windfarms in India. As Andressa, as I told Andressa we are now in the certification process. We are starting investments to expand the medium and high-voltage factory in India to start to produce these wind turbines in the future. So, for this year we do not have any revenue expectation for wind. Our plans were always to certify the machines until the end of this year to start the commercial development to have deliveries throughout 2024 - but there is no expectation of revenue even for the future, this is a new business we are starting in the country.

So we do not doubt the wind potential of India, but WEG is always very cautious when it starts a new business. We have to develop suppliers for tower assembly, so it is natural that the first levels of contracts will be low, so we will start to structure our business. So we do not have an expectation of revenue from the wind business in 2023.

As for the movement in the competition yes, undoubtedly one important competitor left in the United States, Standard NEMA, and we became the second in market share last year. This was a reflection not only of this movement, but of all the work that WEG has done to develop new markets, to have a stronger international presence - and being at the same level of quality and technical assistance as international companies.

There is no doubt that this is happening at WEG. We look at the dynamics of certain markets, we know what is going on and we know about our performance. So yes, it is a result of the increase in market share.

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

As for the backlog we do see a backlog of long-cycle projects that is significant for this year. This dynamic has not changed, it is a robust and positive backlog and we are adding new projects, especially in T&D we have a very healthy portfolio or backlog, both in Brazil and abroad.

And that is also reflected in the investments we are making. We are investing in Brazil to increase the productive capacity of transformers and in Mexico and the United States to increase the production capacity given the positive T&D demand scenario, not just for this year but in the long-term.

We have industrial projects, important projects: mining, oil and gas, pulp and paper projects. In addition to T&D we do have a built backlog portfolio or backlog for wind



and we do have an important backlog for thermal generation projects to happen during this year.

And the centralized distribution for solar is also positive for this year. So in terms of backlog we have a good outlook for the next quarters.

Mr. Régis Cardoso - Credit Suisse

Thank you and still about this last point is there any seasonality concentration in the last quarter? Any different dynamics?

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

I would say that from the order backlog there is not so much seasonality. Seasonality depends on the investment decision made by customers that could happen any time during the year, but it is natural that you commit to deliver projects until the end of the year, so there is always some concentration of project delivery at the end of the year. This is why in one of the previous answers André explained that this dynamic in the drop of revenue in 1Q of the year when compared to the last quarter of the previous year happens. So we, that explains the movement and then the deliveries continue to grow as the year evolves.

Mr. Régis Cardoso - Credit Suisse

Okay thank you very much for your answers.

Operator

The next question comes from André Mazini from Citibank.

Mr. André Mazini - Citibank

Hello Rodrigues and Salgueiro, thank you for the call.

My question is about the battery pack chain. How do you, how is WEG positioned in this? Is the manufacturing of the cell, the module, and the pack? I want to understand, you are concentrating on the pack, only on the final part; what are the partners that he you use to buy the cell, the module? LG Chem from South Korea, Panasonic? And you are positioned only in the end of this change.

And the other is about powertrain. The powertrain the car companies are still defining whether they will have the powertrain built in house, especially in the light

market; are you, do you believe they are more (incomprehensible 53:31) to outsourcing? And the light vehicles are still making up their minds. How is that decision process in terms of electric mobility happening?

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

Thank you for your question, Mazini. As for the battery packs we do have some exposure in that business for some time, and we have announced for this quarter an additional investment of 100 million BRL to increase our productive capacity of battery packs in Jaraguá do Sul.

Like you said we do not intend to produce the battery cells, we will buy them as we are, we will continue to buy them from the market. Unfortunately, it cannot give you the number, the names of our partners due to contract issues, but they come from Asia and we assemble the packs here in Brazil. We place the cells in the pack and all the cabling and electronic and ventilation systems, we add all that and provide a complete solution to our customers.

The main focus is electric mobility market, especially electric buses in Brazil in coming years, but we can also use that to develop the batteries that we will need or that are being connected to the energy storage projects. These are the new fronts; this is a relatively new business and will develop in coming years.

As for powertrain we are focused on heavy vehicles. The e-Delivery is a partnership we have had for some time and recently we have made some partnerships to develop electric buses in Brazil. So, our focus is on heavy vehicles with some specific applications in lower volume - but the major focus is on heavy vehicles, and given your comment that heavy vehicles tends to outsource the production of components more, as we see happening here in Brazil. So, we end up making the most of this opportunity to develop, by developing powertrain for these vehicles.

When we move to light vehicles the car companies, some of them are developing their own powertrains, others are outsourcing that - but this noy our focus. So probably what will happen is a mix, but I do not know how much will be made by the car companies themselves or car manufacturers and how much will be outsourced, it is hard to say.

Mr. André Mazini - Citibank

Okay, thank you very much for your answers.

**Operator**

The next question comes from Gabriel Frazão from Bank of America.

Mr. Gabriel Frazão - Bank of America

I would like to ask you some color on MP 1152 in Congress, as well as if you have any calculation of the impact of this that you could share with us, thank you.

Mr. André Luís Rodrigues – Chief Financial Officer

Hello Gabriel, this is André Rodrigues. Well, we are keeping a close eye on this bill of law that changes the rule for transfer right, price in Brazil. Well, first it is a provisional measure. It is expected to become a bill of law by the beginning of June and that will be mandatory starting in January in 2024.

There is a movement to make it mandatory in January of 25, but from what we have heard it will be 24. There is a change in the current transfer price and cost-plus margin, with arms length basis. The arms length concept allows for five ways for harmonization and that could have an impact on the effective rate, if it passes and is implemented as it is now.

The portion of our operations that will be impacted is shown on the difference on rates in our financial statements. It is very early to disclose how, an estimate of how much that will, because there are many uncertainties in time for passing that bill and what are the five types of methodologies, which one will be implemented. But anyhow we do believe that part of the existing benefit will be reduced - but it will continue to make sense even after this bill of law passes.

And we have to wait to see whether it passes and throughout June, if there is a decision made until the end of June we will be able to give you more information in the next call.

Mr. Gabriel Frazão - Bank of America

Okay thank you very much.

Operator

The next question comes from Jonathan Koutras from J.P. Morgan.

Mr. Jonathan Koutras - J.P. Morgan

Good morning, Rodrigues, Salgueiro. I have a simple question, if the expectation of 1.6 billion for 2023 is maintained.

And the second one in Brazil we have seen in the past the wind turbines segment, this would then happen and the margins for this segment, thank you.

Mr. André Luís Rodrigues – Chief Financial Officer

Hi Jonathan. Regarding CapEx WEG's plan is always a long-term plan. So 1.6 that we foresee for this year I do not know if we will be able to execute all this volume of CapEx, but there is no change in the projects where we estimate to invest in.

This year we expect to change the profile of investments. Lately it has been concentrated in the external market, this year the original plan is for 55% to be invested in Brazil and 45% abroad. When we say Brazil, the focus is on increasing capacity, in expanding the industrial factory related to electric mobility as Salgueiro said. This is a business that is gaining strength in the company, as well as an investment of 100 million BRL in battery packs.

Also in this investment, given the good demand for distribution business, we expect to increase the production capacity of our factory in Betim. We do have an area for that and in the transformers that there is also good demand for that equipment.

Abroad the focus is on Mexico, especially to increase the capacity of T&D components to supply our plants in the United States with an increase in capacity of WTU in the US that is in course. Last year we opened the new plant, and in parallel we also will increase the capacity of our Portugal plant. These are the most important investments. Also, India we will increase the plan for medium voltage plant to start producing the wind turbines.

So today there has been no change in our original plans in terms of CapEx for this year.

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

Jonathan, regarding recent announcements about some competitors in the wind generation business, these are recently, relatively recent news. I think is too early to say that this is affecting the demand for the next quarters, but if you look at the medium and long-term you have a competitive environment with fewer players. That is positive, but we cannot say we see in effect of



that on our portfolio or on the demand for the next quarters so far.

Mr. Jonathan Koutras - J.P. Morgan

Okay, thank you very much and congratulation on your results.

Operator

This ends the Q&A session. We would like to turn the floor over to Mr. André Rodrigues for his final remarks.

Mr. André Luís Rodrigues – Chief Financial Officer

I would like to thank you all for attending this call again and we will see each other in the next conference call in July, thank you very much.

Operator

The conference call from WEG has now ended. We thank you all for attending and have a good day.
