

WEG S.A.

Conference Call - Earnings Results 4th Quarter 2023

February 22, 2024 – 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

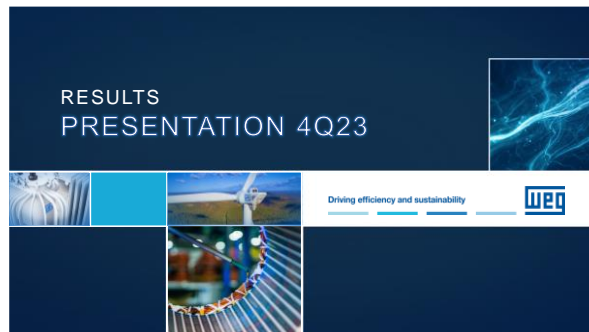
**Mr. André Meneguetti Salgueiro** – Finance Director and Investor Relations Officer

**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 4Q23.



We would like to inform you that we are trying to broadcast this conference and then the audio will be available on our IR website. To those of you who may need simultaneous interpretation, we have this tool available on the platform. To access, all you have to do is to click on the 'Interpretation' button on the lower Zoom bar and choose the language of your choice. For those listening to the teleconference in English, there is the option to mute the original audio in Portuguese by clicking on 'Mute Original Audio'.

During the company's presentation, all participants will have their microphones muted and we will then begin the Q&A action. To ask questions, use the 'Raise Hand' button to join the queue, and then a request to activate your microphone will appear on the screen. If you have more than one question, we recommend that you ask them all at once. If we do not have enough time to answer all questions live, feel free to submit your questions to our e-mail: [ri@weg.net](mailto:ri@weg.net), which we will answer to after the end of the conference call.



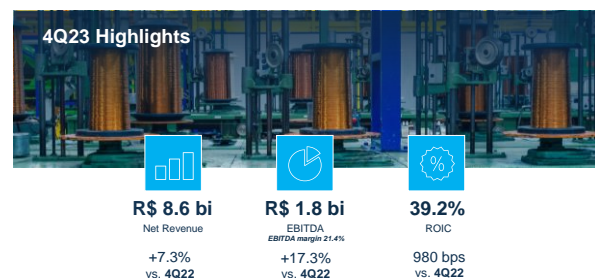
We highlight that any forecasts in this document or any statements that may be made during the conference call about future events, the business perspective, operational and financial projections and goals and potential for future growth of WEG are mere beliefs and expectations of WEG's management, based on the information currently available to us. These statements involve risks and uncertainties, and therefore depend on circumstances that may or may not occur. Investors should understand that general economic conditions, market conditions and other operating factors may affect the future performance and lead to results that differ materially from those.

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

Mr. André Rodrigues, you may proceed, you have the floor.

## Mr. André Luís Rodrigues – Chief Financial Officer

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



WEG's teleconference results, and I start with the highlight for 1Q, where the net operational revenue had an increase of 7.3% when compared to 4Q22. We have had a good result this quarter, motivated by the continued good performance of the long-cycle business,



in addition to the good demand for our products and services.

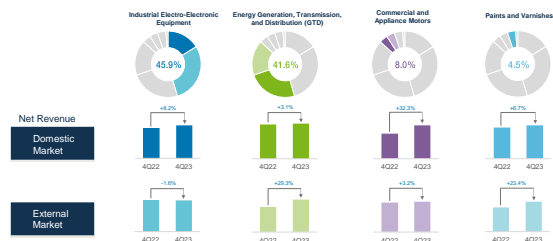
Here in Brazil, we continued with positive sales of long-cycle equipment, especially in the businesses related to transmission and distribution, and also wind power generation.

In the foreign market, the area of power generation, transmission and distribution stands out with a good volume of deliveries in the transmission and distribution area, especially in the north, in North America, in addition to the good demand of the generation business in India and the US.

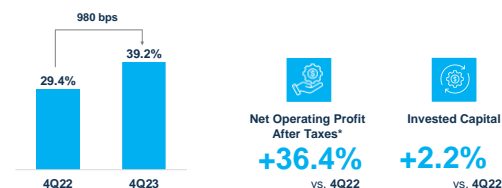
EBITDA reached 1.8 billion BRL, an increase of 17.3% compared to 4Q22. The EBITDA margin ended the quarter at 21.4%, an increase of 1.9 p.p. compared to the same period last year. Throughout the presentation, André Salgueiro will give more details about this performance.

electrical panels for the mining and water and sanitation segments.

**4Q23 Business Area Performance** % of total NOR



**Return on Invested Capital** ROIC



\*Accumulated in the last 12 months

In slide 4, we can see that ROIC reached at 39.2%, an increase of 9.8 p.p. when compared to 4Q22, a very positive result of the company's main financial indicator due to the good operating performance, supported by the revenue growth, improved margins and better control of the network, the need for working capital in the period. Also, ROIC was positively impacted by the recognition of tax incentives recognized in the quarter. Disregarding this non-recurring impact, the ROIC would have been 36%.

I now turn over to André Salgueiro.

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

Thank you, André, good morning, everyone. In slide 5, I present the evolution of the revenue of the business areas in the markets where we operate.

In Brazil, industry activity remains positive for short-cycle equipment, especially in serial automation and gearbox products. We also observed the continuity of good performance in long-cycle equipment, such as

In GTD, we observed another quarter of evolution in the TD business, driven by the deliveries of large transformers and substations for projects related to transmission auctions and distribution networks, in addition to the good performance of the wind-generation business with important deliveries in the quarter.

On the other hand, distributed solar generation revenue, despite an important evolution compared to 3Q23, remained below the same period of the previous year.

In commercial engines and appliances, the strong growth in sales in the quarter signals a resumption of activity in some segments, such as air conditioning, motor pumps, machinery for the sector.

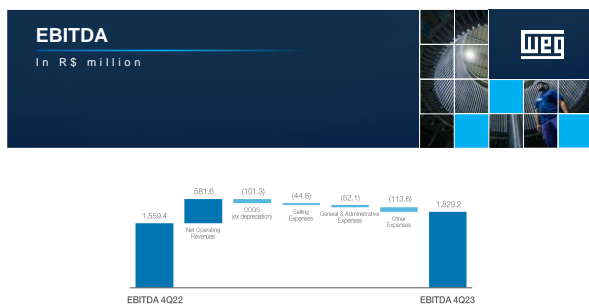
In paints and varnishes, we observed a continuity in the resumption of demand spread between different segments, with emphasis on the maintenance and civil construction markets.

In the foreign market, we had a good performance in local currencies in most markets. For short-cycle industrial electronic equipment, good results in serial automation products with emphasis on the oil and gas segments; for long-cycle segment focus on automation system, especially in water and sanitation and mining segments.

In GTD, we continue to take advantage of the positive momentum for T&D operations, with a good performance in North America and emphasis on sales of transformers for renewable energy generation parks, wind and solar, and power utilities.

In commercial engines and appliance, revenues grew compared to the same period of the previous year, despite the impact of exchange variation. Highlight for commercial engine operation in the US, reflecting market share gains.

And to wrap up, we had good results overseas and also good volume of exports from Brazil to Latin American countries.



In slide 6, we can see the evolution of EBITDA. It grew 17.3%, ending the quarter at 21.4%, 1.9 p.p. higher than the same period of the previous year. This is mainly a reflection of the accommodation of the costs of raw material combined with the change in the mix of products sold.



Finally, in slide 7 we show the evolution of our investments. We invested 439 million BRL this quarter, 36% in production units in Brazil and 64% abroad. In Brazil, we have advanced with investments in the expansion of factories for industrial motors, electric-traction motors and battery packs.

Abroad, we continue to increase the production capacity of motor and transformer factories in Mexico and the expansion of the low-voltage motor factory in China. I now turn over to André.

I now turn over to André.

**Mr. André Luís Rodrigues – Chief Financial Officer**

In slide 8, before the Q&A I would like to talk about some of our latest accomplishments and comment about our outlook for 24.

Regarding the achievements, I highlight that in December we announced the succession process of the executive presidency as of April 24, with the transition of Harry after 16 years leading the company, and who will be appointed by the controlling shareholder to the Board of Directors; and the appointment of Alberto Kuba as our new CEO.

Also in December, we disclosed investments to expand transformer production capacity in Brazil, Mexico and Colombia in the amount of 1.2 billion BRL, expected to be concluded by December 26 to increase our production capacity in Brazil. These investments will strengthen us in the international market, preparing us to meet the growing demand for L&D solutions abroad.

**RECENT ACHIEVEMENTS**

- Announcement of the Company's new Chief Executive Officer, Alberto Kuba
- New investments to expand transformer production capacity in Brazil, Mexico and Colombia
- WEG recognized as Leadership level by the Carbon Disclosure Project

**OUTLOOK**

- Long cycle order backlog remains positive, but the global macroeconomic scenario demands attention
- Healthy operating margin dynamics and positive returns
- Expect to integrate the industrial electric motors and generators businesses acquired from Regal Rexnord

This month we were informed that we improved our grade to A- and advanced to the leadership category in the evolution of the Carbon Disclosure Program, the main rating agency on company decarbonization management, demonstrating the consistency and evolution of WEG in its commitment to decarbonization.

Finally, I would like to talk a little bit about the outlook for the rest of the year. We continue with a good order backlog for long-cycle equipment, both in Brazil and abroad, both for industrial equipment and GTD projects, and even so we remain attentive to the global macroeconomic scenario and possible risks and volatilities in our operations.

We continue with a healthy operating dynamic, maintaining the operational efficiency of our units, and together with a good mix of products sold should continue to support healthy operating margins and a positive return on invested capital for the rest of the year.

We continue with actions related to the purchase of Regal Rexnord industrial engines and generator businesses, such as the approval of regulatory entities in the countries where the operations are located, and we maintain a positive expectation for the completion of the acquisition process and the beginning of the transition and consolidation process of the new business.

I close here and I turn over to the operator, so we can move to the Q&A session.




---

## Q&A SESSION

---

### Operator

We will now start the Q&A session. Keep in mind that to ask questions, you must click on the 'Raise Hand' button on the lower screen of your Zoom bar. When announced, a request to activate your microphone will appear on the screen.

And now we move on to our first question, which is from Lucas Marchiori from BTG. Lucas, we're going to open your audio for you to ask your question. Please Lucas, please proceed.

---

### Mr. Lucas Marchiori – BTG Pactual

Thank you very much, good morning, everyone. I actually have two specific questions here, the first one could you explain a little bit about the tax incentive gain in Switzerland? Is this going to be acknowledged in Q4 or is it a one isolated event? And I would also like to know if this will somehow compensate the changes in transfer price. So, at the end of the day, I want to understand whether there is anything to decrease the impact in that line.

And also, you were talking about the integration of Regal, and I would like to ask you to comment about the integration of Gefran. It was an operation that had a low margin, and I wanted to better understand what is their level of margin so that we can have an idea of how fast this integration was; and anything that you could tell us to help us understand how it took place, thank you very much.

---

### Mr. André Luís Rodrigues – Chief Financial Officer

Hello Lucas, this is André Rodrigues, thank you very much for your question. I will talk a little bit about this new structure in Europe involving Switzerland.

Basically, this new structure was for us to optimize the operations of the trade and holding in Europe, and so we created a trading in Switzerland. We will have to constitute organizations responsible for all of the business activities in the region: stock management, logistics, market development, marketing in the region, among other responsibilities.

And in addition to these optimizations and regulatory issues, the tax incentive received in Switzerland also contributed for our decision to create an organization there. The business structure is totally aligned to the Brazilian rules of prices and transfers, and all of the guidelines of OCDE and the expectation of impact regarding the effective, effective tax rates will not change and will be around 50% of the benefit we received in the last years. So, this was the rationale behind it.

Now regarding the question about Gefran, yes, we concluded the transaction and it was a smaller when compared to the current scenario we have in the engine part. We have four operations: one in Italy; another in Germany; two smaller ones in China and India, which were just concluded; also, we have the administrative aspects in Portugal, Europe and all of the synergisms regarding the purchase of raw materials and the volume of purchases carried out by WEG.

So, this topic has already been concluded. We do not disseminate our margins, but I would like to say that they are in line with what was expected.

---

### Mr. Lucas Marchiori – BTG Pactual

Well, thank you very much, André.

---

### Operator

Thank you, Lucas, for your question. Our next question is from Luis Otávio, Itaú. We're going to open your microphone, Luis, for you to ask your questions. Please, Luis, proceed.

---

### Mr. Luis Otávio – Itaú

Good morning, André, congratulations for your results. I wanted to discuss the margins in the sector. The company itself already has an expectation of retraction. You have indicated that these margin levels are not what the company expects to have in the future, and we can already see a decrease when we look at different areas in the international market, and more specifically about the business of electric and electronic parts.



So, when we compare it in Siemens and ABB, we can see that in the last two or three quarters these margins have been decreasing, and as you know there was an expectation for this to happen in the short term. But for the time being, we haven't seen this yet, it has surprised us.

And there's something I wanted to talk to you about here, the T&D revenue and profitability, and so the question is in this regard. So, we are talking about industrial engines, everything that is included in electric and electronic indeed pulling the margins down, but that's offset, but improvements in the T&D operations in here. We're talking about a positive surprise. I wanted to better understand this first aspect.

Another direct question: this, has this segment surprised you as well or is it in line with what you were expecting? Is it a surprise or is it according to your budget and your estimates?

---

**Mr. André Luís Rodrigues – Chief Financial Officer**

Thank you for your question, Luis. I wanted to make it clear that not necessarily short-cycle margins had a decrease in the last quarters. Sometimes we have stabilization, but in the current scenario we can still see some accommodation when compared to 23, but the performance expectation is that it will be better than 2020 - 2022.

The margins were good, in line with 3Q23. Oscillations can happen from one quarter to the other. We also have a contribution of the long-cycle businesses, which has helped us with that, and so we are very proud to be able to deliver another quarter with differentiated margins - and of course, our objective is to deliver margins that are above the market level levels.

We were not surprised by the results as you asked, it will be an opportunity for the future. We, as companies, continue developing a long-term strategy to capture good opportunities. When I say that in the past we had some actions, and in the case of Brazil we made an important purchase in 2020, the former Toshiba plant in Betim. It is a very modern unit from the point of view of construction, and it still had space for expansions. We are going to make new investments in that.

Balteau also concludes this process. It has very specific machines and devices, and also, we have the demand in distribution.

In North America, with the purchase of two assets from Crompton Greaves led us to increase our capacity. We have a third plant in the US, we increased our capacity in Mexico and more recently we have the businesses

we want to develop in Colombia and Mexico to support this process.

So, it wasn't a surprise. The company was able to understand this movement. We are prepared for it, and we can understand that this market dynamics will remain positive for a very long time - and we will be able to explain it on WEG Day.

---

**Mr. Luis Otávio – Itaú**

Thank you.

---

**Operator**

Thank you, Luis, for your question. Our next question is from Lucas Laghi from XP. Lucas, we're going to open your audio for you to ask your question.

---

**Mr. Lucas Laghi – XP Investimentos**

Good morning and congratulations for the results. I wanted to explore two things with you regarding the external GTD, thinking about the T&D business in the US and more specifically regarding transformers, which seems to be the main growth driver in the short run. Also, that's something you shared with us on Investor Day.

But we have seen some comments by the industry due to problems in the chain with the transformers for US clients with prolonged lead time, which has generated some discomfort. I wanted to understand if this is a generalized problem in the supply chain prolonging or maybe delaying deliveries or if that is an opportunity; and if the problem is effectively related to the problem itself, and then we have a distributed capacity production so that we can capture this opportunity with a prolonged lead time. So, this is the first thing I wanted to ask.

And then the second thing, in the T&D market in the US we've seen an acceleration in investments with new production capacity in the US. We have a large competitor announcing their first US plant, and so I wanted to understand if this is somehow concerning in terms of the competition market or is this something that we should be seeing in the future that should not worry about in the short term, especially in the transformer business, which seems to be to be very heated in the US. So, these are the two things I wanted to ask you regarding the T&D market, especially in the US, thank you very much.

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

Well, Lucas, good morning and thank you for your question. Actually, the first thing I wanted to say is that we see it more as an opportunity. The fact is that the T&D dynamic is very positive in North America as a whole - especially in the US - because of the whole context that that I shared with you: renewable investments, investments in electrification, electric mobility; and then on top of that, we have the incentives for investments in grid, renewables and so on and so forth.

And with that the demand for transformer has significantly decreased in the past few years, and it is only natural that you have a very robust demand and an offer - going into the second part of your question - we have investments made in the region, and it's natural that part of this demand is supplied by equipment coming from outside the region, and that affects the lead time for deliveries. But we do not see it as a risk in the supply chain.

The problem is not a lack of components or freight, as we saw during the pandemic; I would say that it's more a lack of local capacity. It's important to keep in mind that WEG is established in the region, as André mentioned before, with plants in Mexico and three plants in the US.

We have a verticalized productive process which brings some operational advantages, and we've announced relevant investments with a new plant in a new area for us to increase our productive capacity and continue growing to meet this demand. It is not a trend that will last a long time; it will be maintained robust and constant for a longer period of time, so this is more or less the rationale.

And going into the second question, with clients competing in the region, it's only natural for us to see this happen - but because the demand is very high, we don't see it as a risk. We have an opportunity to continue investing, working and growing our business in the future.

**Mr. Lucas Laghi – XP Investimentos**

Well, thank you, André, thank you very much and I wish you have a good day.

**Operator**

Thank you, Lucas, for your question. Our next question is from André Mazini, analyst from Citi. We're going to

open your audio, André, so you can ask your question. Please move on.

**Mr. André Mazini - Citibank**

Hello Rodrigues, thank you for the call and congratulations for your results. The question on margins: would it be fair to say that the margins are higher than in the past because of the mix, which is a little bit higher? Our impression is that the long-cycle was perhaps 30% and is now 40%; and so is this mix, this long-cycle mix continuing in the future?

And another quick question on the new taxes on the imports of assembled solar panels. Does that change your strategy or perhaps we can localize production more? We know, is it, actually I wanted to know if it's worthwhile to bring it from China, because it's still less expensive to import from China.

**Mr. André Luís Rodrigues – Chief Financial Officer**

Well, André, thank you for your question. Let's talk about the margins first. I would say that the main factors that justify the behavior of this margin in this level is that, first of all, we can say that the stability of the cost of our raw materials as we've seen is that there has been an accommodation in the past quarters. The changes in the product mix with different profiles, we mentioned solar energy, whose margin is lower, but it's still a good return on invested capital.

We also have a better representativeness of the long cycle and improved margins in the past markets. This is a very positive T&D moment and we're working for a while with improved margins and operations abroad, which have contributed with this positive impact. It's very important to highlight that we continue with cost reduction investments, and all of this has justified this excellent behavior of this margin.

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

Regarding the second question on the import of solar panels, this brings in new dynamics for the market. From a practical point of view, the industry as a whole has a local production of panels, but the volume is relatively low in terms of solar panels here in Brazil; and even if it were more competitive, today we do not have a capacity to meet the demand of the internal capital. And because of the costs in China, we do not see any significant changes in the market.



Prices went down significantly, but a good part of the industry uses imported materials. This is a market condition and therefore we do not see a significant interference in the short term, but we have to think about the capacity of production of panels here in Brazil. We know that China is very competitive in this regard, and so we think that imported panels is something that will remain significant in Brazil in the upcoming years.

---

**Mr. André Mazini - Citibank**

Well, thank you very much and have a good day.

---

**Operator**

Thank you, André, for your question. Our next question is from Rogerio Araujo from Bank of America. Rogerio, we're going to open your audio for you to ask your question. Please proceed.

---

**Mr. Rogerio Araújo - Bank of America**

Hello, good morning, André, Salgueiro, thank you for the opportunity. I have two questions, first a T&D follow up. Could you share with us a little bit about this relevant gain in revenue and whether there is a high component aspect? Can you give us any guidelines?

And looking ahead, with all of the expansion in capacity, especially on WEG Day, I want... what you shared on WEG Day, I would like to know what is your expectation of volume for the upcoming years and the potential. Let's suppose the demand is very strong and you can reach your maximum capacity. What is the volume expansion you expect per year?

---

**Mr. André Luís Rodrigues – Chief Financial Officer**

Thank you for your question, Rogerio, this is André Rodrigues. We may have the two components, volume and price. Whenever we have an opportunity, we always share the dynamics in the long cycle. When the demand is high and the cost goes up - this has happened in the recent past - we have WEG's expansion in terms of revenue, we have the price component and the volume component - and this is why we are trying to reach our maximum capacity.

Regarding the future, the answer is very simple: if we have a demand, WEG is ready to increase its capacity. We announced some investments on the WEG Day, but we still have an opportunity, or we still have enough space to increase our capacity in Brazil. After we

purchased a plot of 640,000 m<sup>2</sup> in Mexico, we have a huge availability of area to continue expanding. The modular model allows us to adjust our capacity according to the demand. So, if the demand is there, we will be ready for expansion in the next few years.

---

**Mr. Rogerio Araújo - Bank of America**

Thank you very much, André. The second question is regarding the short cycle. Do you see a decrease in your backlog in terms of volume, price or both, and how relevant is it? Also in the segment, you talked about expanding your revenue in automation in Brazil and abroad. Could you give us more details? Have you had an expansion of market share? And the potential looking ahead. Thank you very much.

---

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

Well, Rogerio, this is Salgueiro. The short cycle - actually this is a comment that we've been making - we have a scenario of stability and volatility; we need to qualify them a little bit better. So, in our release we included more positive signs for automation businesses and also the gearboxes, which have been more efficient here and in the external market. We've seen a good evolution also because of our market share evolution here in Brazil.

So according to the motion drive strategy, that gives us some opportunities and when we look according to the different geographies, the demand is a bit different. The demand is robust in Europe, but there is some volatility; we go to Asia, the demand is a little bit lower. I think that this is a general thing. In terms of motors, in short cycle we have a scenario of stability outside Brazil. I would say that the dynamics is very similar to automation and gearboxes in the US and Europe, but we still see some volatility; in Asia Pacific it's a little bit lower.

As you well know, we usually have two or three months of visibility, whose evolution we will have to monitor. Good news for the quarter is that when we look at short-cycle businesses and appliances, we can see that it has restarted, and eventually things can improve when looking ahead - but we will have to look at it for the next quarters.

---

**Mr. Rogerio Araújo - Bank of America**

Perfect, it's very clear, thank you very much.

**Operator**

Well, thank you for your question, Rogerio. Our next question is from Gabriel from Bradesco BBI. We're going to open your microphone. Please proceed. Gabriel, please proceed.

We will move on to the next question and then return to Gabriel. The next question is from Marcelo Motta from JP Morgan. We're going to open your audio for you to ask your question. Please proceed, Marcelo.

**Mr. Marcelo Motta – JP Morgan**

Good morning, everyone, I have two questions. Could you comment a little bit about tax benefits? We're talking about 7.4 and we would like to know what you consider to be the impact in terms of margins and to what extent that would help expand your business.

And what happens with the antitrust and if you start with integration? I would like to hear your feedback about it.

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

Well, this is very recent in news, and it has in fact been in the media, but it's too early to issue an opinion and we will have to see what will happen. The fact is that it can be positive for us. It has to do with exports. We used this benefit in the past, which has decreased and it's now 0.1%, but it tends to increase to 2 and 3%. This is a benefit that we'll be seeing for exports here in Brazil, but it's too early for me to give you exact figures. When we have a better position, I think that we can go back to you with better estimates.

**Mr. André Luís Rodrigues – Chief Financial Officer**

Regarding the purchase process, the approval process is taking place as expected. We're working hard with that and we are prepared with all of the teams, we are ready to go to start the integration. We're moving according to our schedule, so we think that it's going to be something between three and six months. We do not foresee that it will take a long time, and then we will start our integration process.

**Mr. Marcelo Motta – JP Morgan**

Perfect, thank you very much.

**Operator**

Thank you, Marcelo, for your question. Our next question is from Victor, Bradesco BBI. We're going to open your microphone, Victor. Please, Victor, proceed.

**Mr. Victor Mizusaki - Bradesco BBI**

Hello, good morning. I have two questions, the first one regarding CAPEX for 24. We can see an approval for this year, and my first question is what changes can be expected with Regal approval in 2Q or in 1H? Will we have any significant changes?

And the second question has to do with the operation in Switzerland. You are transferring the trading operation from Austria to Switzerland, right?

**Mr. André Luís Rodrigues – Chief Financial Officer**

Well, hello, Victor, thank you for your question. Regarding CAPEX, we have an approval in our capital, the amount is significantly higher than it was in recent years. Everything we do looking at the long term is meant to support the company, and we will have over half of the investments made in Brazil and the rest overseas.

We have to take into account electric mobility; we have increased our production, capacity automation; we had already announced the increase of our capacity of commercial engines and appliances on our WEG Day; we talked about the T&D expansion; Balteau today focuses more on the domestic market, we basically double our capacity.

We start looking for some countries in the region - and we know that there is a lot of opportunity overseas, always looking at increased capacity, low-voltage engines and the need of expansion of the plants in Mexico, for example, that can generate an opportunity; in India, we also announced an expansion of our unit in generators; and in the US we also have expansion opportunities in T&D.

In the short term, since today we have capacity which is not totally optimized in the engines, so we will not have to make relevant investments - but of course, there is always something in terms of modernization and capacity components to bring in WEG's model in the countries where we are purchasing these assets, but we do not see any significant investments for 24.

What you said is right. Over time the idea is to migrate our trading activities from Austria to the new operations in Switzerland.





---

**Mr. Victor Mizusaki - Bradesco BBI**

Thank you very much.

---

**Operator**

Thank you for your question, Victor. Our next question is from Alberto Valerio from UBS. We're going to open your audio for you to ask your question. Please proceed.

---

**Mr. Alberto Valério – UBS**

Thank you for taking my question and congratulations for the strong results when compared to your peers. Could you give us some details on what improved in the North America operations? Because there was a gain when we compare quarter over quarter; so, is this something that will remain in the future?

---

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

Hello, Alberto. Actually, when we look at the North America performance, and in one of the previous answers and within, or when we take into account the different locations, we will see it for all businesses – especially in the long cycle - in general we see good perspectives in geography.

In T&D we also have some important results in Mexico and US, which have been doing well in the past few years, and in 4Q we have had a positive response. We have generation, high and medium voltage; we also have the commercial engines and appliance segment, which had robust results in the past quarters and was even stronger in 4Q. In general, this area has been responding well and there are some segments that are pulling this.

---

**Mr. Alberto Valério – UBS**

Perfect, thank you very much.

---

**Operator**

Well, thank you, Alberto, for your question. Our next question is from Lucas Barbosa from Santander. Lucas, we're going to open your audio for you to ask your question. Please proceed.

---

**Mr. Lucas Barbosa – Santander**

Good morning, André and Felipe, and thank you for the opportunity. I would like to talk about maritime freight. We've seen prices triple or even more than that in some specific areas, and so my question is could you tell us what is, or how important it is and whether you are feeling the impact? Also does it affect your logistics or outsourcing or where you're going to manufacture?

---

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

Well, hello Lucas. Good morning, thank you for your question. Actually, in fact freight is something that has changed in the past few months, and I would say that it has to do with the conflict in the Middle East - and we can see the impact in operations, but I would say that today it is more concentrated in freights from Asia to Europe, and it's not generalized as we saw during the pandemic; and so, we have to monitor the evolution. But I would say that today it is more localized for part of the operation, and we do not have an expectation of having a very high impact.

---

**Mr. Lucas Barbosa – Santander**

Perfect, thank you very much and good morning.

---

**Operator**

Good morning, Lucas, for your question. Our next question is from Ygor Araujo. Ygor, we're going to open your audio for you to ask your question. Please proceed.

---

**Mr. Ygor Araújo – Genial Investimentos**

André, congratulations for the results. So, we had two questions, one of them was asked just now about investments and production, and now talking a little bit about what is ongoing regarding the accelerated depreciation. Have you analyzed the impact in terms of tax shield and how would that offset other effects in terms of transfer, and all of the things that have to be approved by the Congress? I just wanted to understand the big picture, thank you very much.

---

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

Hello Ygor, good morning. Well, in terms of accelerated depreciation, there's a lot to be discussed, but we have to wait for the final results, and that could impact

WEG S.A.

Conference Call - Earnings Results 4th Quarter 2023

February 22, 2024 – 11:00 a.m. São Paulo (BRT)

Transcript of the simultaneous translation from Portuguese into English



be very positive. We have to wait for the result, and eventually later on with more information in hand we will have better accessibility. And in case this happens, this will be very positive for the industrial segment as a whole, and not only for the company.

---

**Mr. Ygor Araújo – Genial Investimentos**

Thank you very much everyone.

---

**Operator**

Thank you for your question, Ygor. Our next question is from Luan from the Brazil Bank. Please ask your question once we open your microphone, please proceed. Luan, please proceed with your question.

We think that Mr. Luan is having problems with the microphone, and since we no longer have questions in line, we are going to close our Q&A session, and now I turn over to André Rodrigues for his final considerations. Please, Mr. André, proceed.

---

**Mr. André Luís Rodrigues – Chief Financial Officer**

Well, I would like to thank everyone for their participation and wish you all a good day.

---

**Operator**

WEG's teleconference is now over, and we thank you all for your participation. Have a good day.

---