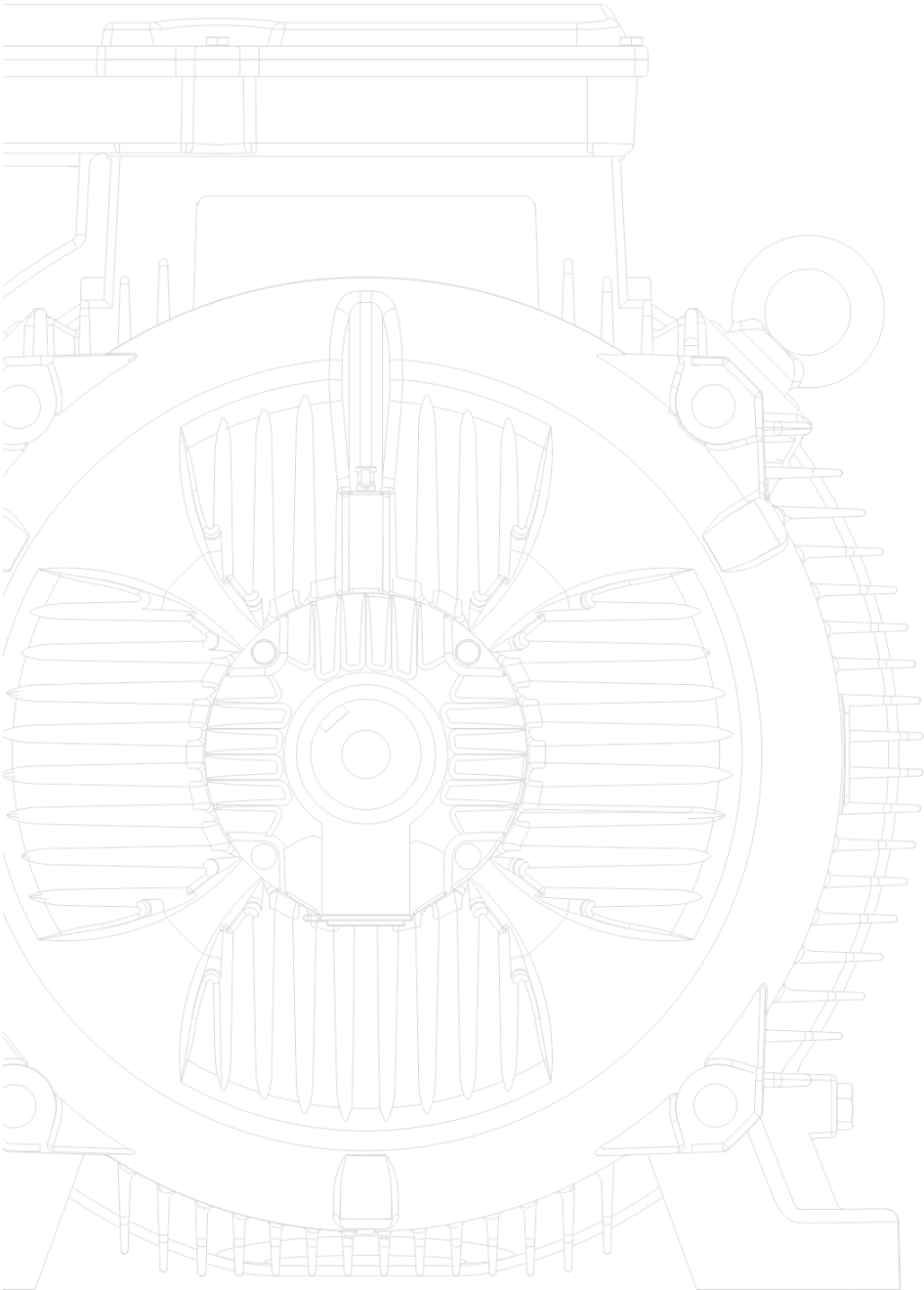


WEG S.A.

Financial statements

December 31, 2021 and 2020



FINANCIAL STATEMENTS

December 31, 2021 and 2020



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MANAGEMENT REPORT

December 31, 2021



WEG S.A. MANAGEMENT REPORT December 31, 2021

We hereby present to our shareholders the Consolidated Financial Statements of the WEG Group and WEG S.A. for the year ended December 31, 2021.

SCENARIO

The beginning of 2021 brought many uncertainties due to the atypical year experienced in 2020 due to the pandemic. Despite this scenario, there was consensus on the expected recovery in the world's main economies after the development of vaccines against COVID-19. Said expectation was exceeded throughout the year, especially in the industrial business and segments where the company operates. According to the projection of the International Monetary Fund (IMF¹), world GDP should grow by 5.9%, versus a drop of 3.1% in 2020.

This recovery process was accompanied by many challenges, such as the price escalation of major commodities and other raw materials, logistics conditions and the global supply chain, which are among the main operational challenges observed in 2021.

The behavior of the economy was also positive in Brazil, continuing the recovery observed in the second semester of 2020, confirming the expected economic growth for the year. Brazilian GDP is expected to grow 4.7% according to the IMF, compared to a drop of 3.9% in the previous year. Despite the recovery presented, the domestic macroeconomic scenario showed signs of deceleration throughout the year, with a potential water and energy crisis that raised energy costs for industry and final consumers, high inflation and consecutive increases in the basic interest rate.

ECONOMIC AND FINANCIAL ASPECTS

OPERATING REVENUE

In 2021, the consolidated net operating revenue reached R\$ 23,563.3 million, accounting for a growth of 34.9% over 2020.

Domestic market: Net operating revenue in the domestic market reached R\$ 10,742.4 million, accounting for 45.6% of total net operating revenue and presenting a growth of 40.8% in relation to the previous year.

Foreign market: The foreign market recorded a 30.3% growth in net operating revenue, reaching R\$ 12,821.0 million and accounting for 54.4% of total net revenue. In local currencies, weighted by the importance of each market, revenue from the foreign market grew 23.4% in the year.

We present below the performance in each of WEG's business areas.

Industrial electro-electronic equipment

The Industrial Electro-electronic Equipment business includes low and high voltage electric motors, gearboxes, drives & controls, industrial automation equipment and services, solutions for electric mobility, for Industry 4.0 and maintenance services. Electric motors and other products and solutions in this business area are used in practically all industrial segments (i.e., equipment such as compressors, pumps and fans). We compete with our products and solutions in the main worldwide markets.

We have observed a recovery in practically all short-cycle equipment throughout the year, reaching levels higher than those observed in the period prior to the pandemic. The good demand in the Brazilian market, especially in the agribusiness and mining segments, and the fast recovery in the foreign market, especially the recovery in the volume of purchases from manufacturers of pumps, compressors and ventilation systems, were important factors for the good result presented, with emphasis on the increase in sales of low voltage motors, reducers and serial automation equipment.

1. World Economic Outlook (WEO) Report, January 2022

MANAGEMENT REPORT

December 31, 2021



Long-cycle equipment, after a fluctuation at the beginning of the year, recorded good evolution in the second semester of the year, with a gradual improvement in demand for the company's products and solutions, with an increase in the backlog and revenue. Products such as automation panels, electrical centers and medium voltage motors recorded an increase in demand in important segments such as oil & gas, mining, pulp & paper and water & sanitation, both in Brazil and abroad.

Energy Generation, Transmission, and Distribution (GTD)

The products and services included in the GTD segment are electric generators, alternators, wind turbines, solar generation, hydraulic and thermal steam turbines (biomass), transformers, substations, control panels and systems integration services. Generally, process maturation times in this industry are longer, with longer investment decisions and longer design and manufacturing times.

This area has presented significant growth in Brazil, where part is directly linked to the growing demand for renewable energy generation and its transmission and distribution. Highlights to the distributed solar generation (DG) business, which continues recording good growth, as well as transformers and substations delivered for projects linked to energy generation and transmission auctions held in recent years. It is also important to mention the revenue resumption from new wind turbines in 2021.

In the foreign market, we recorded another year of good results, with the continuity of relevant deliveries of transformers and substations in the US and Mexico, representing an important contribution from the synergy between our operations in North America. In the generation business, we highlight our steam turbine business in Europe, where we are succeeding in the process of expanding sales of products and services within the region.

Commercial and Appliance Motors

Businesses in this area mainly include single-phase motors for consumer durables such as washing machines, air conditioners, water pumps, etc. In Brazil, we are market leaders with the main manufacturers of this type of equipment. In recent years, we have started to internationalize this area with a complete portfolio of products to serve our global clients. In this short-cycle business, changes in consumer demand are quickly transferred to the industry, with almost immediate impacts on production and revenue.

In Brazil, we have observed continued good demand for our products, a fact that boosted sales in important segments such as white goods, motor pumps and commercial compressors. It is worth highlighting that during the second semester of the year, the level of orders received indicated an accommodation to normal market levels, mainly in the appliance segment, a trend that was expected after the strong recovery presented in this business area. On the other hand, in the foreign market, we managed to present a good performance, reflecting market share gains in markets such as the US and Mexico, as well as an improvement in the economic scenario in the other regions where we operate.

Paints and varnishes

In this area of activity, including liquid paints, powder paints and electro-insulating varnishes, our focus is on industrial applications and on the Brazilian market, with a gradual expansion to Latin America. Target markets range from white goods manufacturers to the shipbuilding industry, among others. We seek to maximize the scale of production and the effort to develop new products and new segments. Characterized as a short cycle business, changes in our clients' demand are quickly reflected on our production and revenue.

The positive performance in the domestic market was justified by the demand in several important segments, especially road implements, agricultural machinery, household appliances and civil construction. Said performance was possible due to the fast recovery of economic activity observed in Brazil in 2020. In the foreign market, despite the difficulties still imposed by the pandemic, we managed to advance in our sales strategy in Latin America, both in industrial paints and in paints for automotive refinishing.

COST OF GOODS SOLD

Cost of Goods Sold (COGS) increased 38.0%, reaching R\$ 16,602.4 million, with a gross margin of 29.5%. The increases in the costs of the main raw materials comprising our cost structure, especially steel and copper, together with the change in the product mix, were decisive factors for the reduction in operating margins this year, despite the continued cost reduction efforts and process improvements, which provided productivity gains, especially in our operations abroad.

MANAGEMENT REPORT

December 31, 2021



SALES, GENERAL AND ADMINISTRATIVE EXPENSES

Consolidated Sales, General and Administrative Expenses totaled R\$ 2,609.2 million, accounting for an increase of 20.7% compared to 2020, mainly driven by the exchange-rate changes on expenses from operations abroad. When analyzed in terms of operating revenue, expenses decreased compared to 2020, reaching 11.1% (12.4% in 2020), as a result of efforts to increase productivity implemented in recent years. It is worth highlighting that adjustments made since the beginning of the pandemic continue to contribute to controlling expenses, albeit to a lesser extent when compared to the previous year, mainly in relation to the reduction in expenses with business trips.

EBITDA

The breakdown of the EBITDA (earnings before interest, taxes, depreciation and amortization) calculation, according to CVM Instruction 527/2012, as well as the EBITDA margin, are presented in Table 1. It is important to emphasize that EBITDA was positively impacted in 2021 by the recognition of credits related to the exclusion of ICMS from PIS and COFINS calculation basis. Excluding this non-recurring effect, EBITDA would have totaled R\$ 4,372.0 million, with an EBITDA margin of 18.6%.

Table 1 – EBITDA and EBITDA margin calculation

Amounts in R\$'000	2021	2020	%	2019	%
Net operating income	23,563,338	17,469,557	34.9%	13,347,434	76.5%
Net income for the year	3,585,947	2,340,873	53.2%	1,614,581	122.1%
Net income before minority	3,657,480	2,395,957	52.7%	1,632,455	124.0%
(+) IRPJ and CSLL	672,555	350,692	91.8%	171,996	291.0%
(+/-) Financial income (loss)	(171,693)	69,676	n.a.	43,283	n.a.
(+) Depreciation/Amortization	520,178	451,359	15.2%	396,783	31.1%
EBITDA	4,678,520	3,267,684	43.2%	2,244,517	108.4%
EBITDA margin	19.9%	18.7%	1.2 pp	16.8%	3.1 pp

FINANCIAL INCOME (LOSS)

In 2021, the net financial income (loss) was positive by R\$ 171.7 million (negative by R\$ 69.7 million in 2020). This net result arises from financial revenues of R\$ 992.7 million (R\$ 1,020.4 million in 2020), and financial expenses of R\$ 821.0 million (R\$ 1,090.1 million in 2020). This result is mainly explained by the positive impact of the recognition of tax credits referring to the exclusion of ICMS from the PIS and COFINS calculation basis, in the amount of R\$ 138.9 million in the year, and by the increase in short-term investments.

NET INCOME

The Consolidated Net Income to the shareholders of WEG S.A. reached R\$ 3,585.9 million, 53.2% above the amount of R\$ 2,340.9 million obtained in 2020. The return on initial shareholders' equity (December 31, 2020) was 31.0% in 2021 (26.9% in 2020) and the net margin reached 15.2% (13.4% in 2020). The net income was also positively impacted in 2021 by the recognition of tax credits related to the exclusion of ICMS from PIS and COFINS calculation basis. In addition to the effects on EBITDA and on the financial result, we also recorded an increase in income tax on these credits of R\$ 154.2 million. Excluding these non-recurring effects, net income would have been R\$ 3,294.7 million in 2021, with a net margin of 14.0%.

RETURN ON INVESTED CAPITAL

The Return on Invested Capital (ROIC) in 2021 increased by 5.0 p.p. compared to 2020, reaching 30.5%. Growth of Net Operating Income After Taxes (NOPAT) more than offset the increase in capital employed, which expanded due to a greater need for working capital, and investments in property, plant and equipment and intangible assets throughout 2021.

MANAGEMENT REPORT

December 31, 2021



CASH AND CASH EQUIVALENTS AND INDEBTEDNESS

The ability to identify and take advantage of investment opportunities with attractive returns is one of the main characteristics of WEG's business model. Said ability is provided by the Company's financial soundness, which allows us to take advantage of investment opportunities when they emerge, which is evidenced by the solid capital structure and the maintenance of access to competitive resources and sources of financing with the main financial institutions in Brazil and abroad.

Cash and cash equivalents, short-term investments, and derivative financial instruments, invested in top-tier banks and mostly in local currency, are presented in Table 2. Likewise, the total gross financial debt is presented with a breakdown between short and long term in reais (R\$) and other currencies, resulting in the company's net cash at the end of 2021.

The company's cash position was mainly impacted by the increase in the need for working capital due to the challenges of the global supply chain presented throughout the year. Our financial flexibility was essential to guarantee a good supply of raw materials and adequate logistics for the continuity of our business, a decisive factor for the good commercial performance presented.

Table 2 – Cash and cash equivalents and Financing

Amounts in R\$'000	December 2021		December 2020		December 2019	
Cash and cash equivalents and short-term investments	3,217,135		4,484,934		3,390,271	
Short term	3,217,135		4,484,934		3,390,271	
Derivative financial instruments	392,013		504,629		170,613	
Financings	(1,789,115)	100%	(1,686,580)	100%	(2,284,969)	100%
Short term	(1,052,044)	59%	(642,284)	38%	(936,370)	41%
In reais (R\$)	(7,769)		(12,289)		(87,566)	
In other currencies	(1,044,275)		(629,995)		(848,804)	
Long-term	(737,071)	41%	(1,044,296)	62%	(1,348,599)	59%
In reais (R\$)	(35,818)		(48,193)		(107,930)	
In other currencies	(701,253)		(996,103)		(1,240,669)	
Net cash	1,820,033		3,302,983		1,275,915	

INVESTMENTS (CAPEX)

Investments in property, plant and equipment for the expansion and modernization of production capacity totaled R\$ 847.3 million in 2021, 55% of which were allocated to assets in Brazil and 45% to industrial parks and other subsidiaries abroad.

We highlight the investments in process improvement and automation in our operations in Brazil to meet the growing demand in recent years, as well as investments abroad, such as the construction of the new transformers plant in the USA, the third in the country, the continued expansion of the industrial electric motor plant in China, the increase in the production capacity of motors in Mexico, and the start of construction of the new industrial motor plant in India.

It is important highlighting our ability to adjust the speed of execution of the investment program to the actual market demand, always seeking to maximize the return on invested capital.

INVESTMENTS IN RESEARCH, DEVELOPMENT AND INNOVATION

We spent R\$ 548.8 million in research, development and innovation (RD&I) in 2021, accounting for 2.3% of net operating revenue. The RD&I program focuses on the development of new products, the continuous improvement of products already available, application engineering and the improvement of industrial processes, always seeking to maintain our technological leadership position in the market.

MANAGEMENT REPORT

December 31, 2021



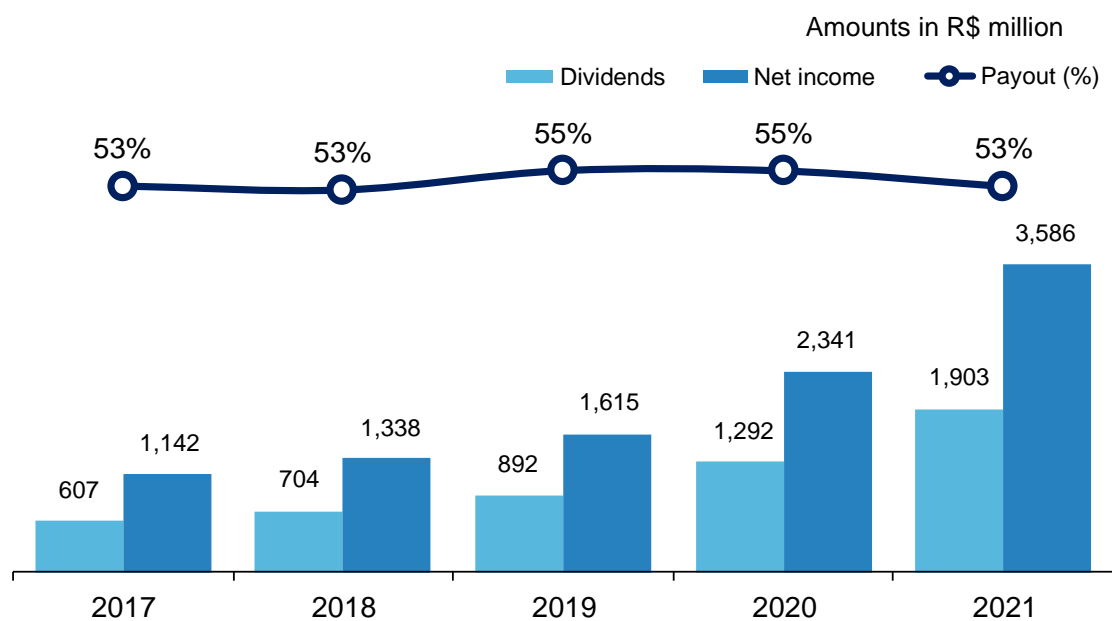
DIVIDENDS AND INTEREST ON OWN CAPITAL

Management will propose to the Annual Shareholders' Meeting the allocation of R\$ 1,903.0 million for the payment of dividends and interest on own capital, as remuneration to shareholders on the income for the year 2021, representing 53.1% of net income before statutory adjustments.

As of August 11, 2021, we paid dividends related to shareholder remuneration that were declared during the first semester of the year (interim dividends and interest on own capital), totaling R\$ 820.8 million. The payment of dividends referring to the second semester (complementary) of R\$ 1,082.2 million will occur on March 16, 2022.

Pursuant to our profit sharing policy, we declare interest on own capital quarterly and dividends based on the profit obtained each semester; that is, six proceeds each year, paid semi-annually.

Net Income, Dividends and Pay-out (%)



CAPITAL MARKET

As of December 31, 2021, the Company had a total of 4,197,317,998 common shares, traded on B3 S.A. – Brasil, Bolsa, Balcão under the ticker WEGE3. The performance of the company's shares at the end of the last trading day of 2021, considering dividends and interest on own capital declared in the period, is presented in Table 3.

It is worth recalling that, at the Annual and Extraordinary Shareholders' Meeting held on April 27, 2021, the split of all shares, with no par value, issued by the Company was approved, so that each current share shall be represented by two (2) shares of the same type and without modification of the capital. The shareholding position considered for the split of the common shares issued by the Company was that of April 27, 2021.

Table 3 – Capital Market

	2021	2020 *	HA %
Quotation (R\$)	32.98	37.87	-12.9%
Traded financial amount (in thousands of reais)	85,699,573	83,878,118	2.2%
Number of traded shares (thousand)	1,812,304	1,534,870	18.1%
Equity value per share (VPA)	3.34	2.84	17.6%
Market value (R\$ billion)	138.4	159.0	-12.9%

* Values adjusted for the split occurred in 2021.

MANAGEMENT REPORT

December 31, 2021



ACQUISITIONS

Acquisition of Balteau Produtos Elétricos

On September 14, 2021 we announced an agreement for the acquisition of the entire capital stock of Balteau Produtos Elétricos Ltda., a manufacturer of instrument transformers and measuring sets located in the municipality of Itajubá, State of Minas Gerais State.

A traditional company in its segment, with long history operating in Brazil, Balteau has a manufacturing site of 11,800 m² with state-of-the-art equipment and facilities. With a workforce of 350 employees, the company specializes in the design, manufacturing, electrical testing and technical services of current transformers and capacitive voltage transformers up to 550 kV, inductive voltage transformers up to 145kV, and measurement sets up to 36kV, products that WEG does not currently have in its portfolio. In 2020, its net revenue was R\$ 121.7 million.

The consolidation of the transaction is subject to the fulfillment of certain precedent conditions.

FINANCIAL AND INVESTOR RELATIONS

On December 2, 2021, we announced the appointment of Mr. André Meneguetti Salgueiro as Chief Financial and Investor Relations Officer, effective as of January 1, 2022.

HUMAN RESOURCES

The Company ended the year with a total of 36,987 employees, an increase of 10.9% compared to the previous year. The distribution of employees by geographic region is presented in Table 4.

Table 4 - Employees

	2021	2020	HA %
Total employees	36,987	33,342	10.9%
North America	5,083	4,450	14.2%
South America	26,694	23,939	11.5%
Europe	1,926	1,702	13.2%
Africa	620	640	-3.1%
Pacific Asia	2,664	2,611	2.0%

OUTLOOK

The process of industrial and economic recovery in the foreign market should continue gradually in 2022, creating a positive business environment for the company. Investments in increasing capacity in recent years should help supporting this growth and gaining market share. The world GDP growth forecast is 4.4%, according to the IMF.

In Brazil, despite projected growth below the world average of 0.3% according to the IMF, the expectation is that the long-cycle portfolio, both in industrial electrical and electronic equipment as well as in the generation, transmission and distribution businesses, will contribute to a positive result throughout the year. In the short-cycle business, analysts expect that there will be some accommodation, especially in the commercial and appliance motors, which are more sensitive to economic activity. However, the company will continue working to create new growth opportunities, due to the development of new products and solutions.

Therefore, we will continue to expand our presence in new markets and our product line, both organically, with the construction of new plants, expansion and modernization of existing operations and investments in research, development and innovation, as well as inorganically, with strategic partnerships and possible acquisitions. In 2022, our capital budget foresees investments of R\$ 1,458.4 million in property, plant and equipment and R\$ 36.9 million in intangible assets, values relatively higher than those recorded in 2021, since we need to continue investing to support the revenue growth presented in recent years and make important investments that were postponed in 2021 due to the pandemic.

MANAGEMENT REPORT

December 31, 2021

**AUDIT SERVICES**

In conformity with CVM (Brazilian Exchange and Securities Commission) Instruction 381/03, we inform you that the Company and its subsidiaries and jointly-owned subsidiaries adopt the formal procedure of consulting independent auditors KPMG Auditores Independentes (“KPMG”) to make sure that provision of other services does not affect its independence and objectivity required to perform independent audit services. In this sense, KPMG issues a declaration of independence in its audit report annually, pursuant to NBC TA 260 (R2) of the Federal Accounting Council, in which the company declares that, as provided for by the independence rules adopted by the Brazilian Securities and Exchange Commission, there is no relationship between KPMG, its associates and affiliates and the Company that could affect independence. This declaration is submitted to the Board of Directors of WEG. The policy of the Company and its subsidiaries of hiring independent auditors ensures that there is no conflict of interest, loss of independence or objectivity.

During the year 2021, we engaged KPMG to perform the audit of the financial statements and specific management consulting services, as presented in Table 5.

Table 5 - Audit and Management Consulting Services

Amounts in R\$'000	2021	VA %
Audit of Financial Statements	4,337.9	89.9%
Management Consulting	487.5	10.1%
Grand total	4,825.4	100.0%

ARBITRATION CHAMBER

The company is subject to arbitration in the court of arbitration of the market, pursuant to an arbitration clause contained in its Bylaws.

Jaraguá do Sul (SC), February 2022.

THE MANAGEMENT.

FINANCIAL STATEMENTS IN 2021

Balance sheet at December 31, 2021 and 2020

In thousands of reais, unless otherwise indicated



	Notes	PARENT COMPANY		CONSOLIDATED	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
Assets					
Current assets					
Cash and cash equivalents	5	232,548	390,133	2,714,427	3,892,140
Short-term investments	6	502,708	482,215	502,708	592,794
Derivative financial instruments	30	-	-	409,337	206,849
Trade receivables	7	-	-	4,317,393	3,417,251
Inventories	8	-	-	6,497,048	3,737,529
Recoverable taxes	9	5,247	2,978	890,290	339,283
Dividends and interest on own capital receivable		595,697	379,596	-	-
Other current assets		118	-	614,743	370,297
		1,336,318	1,254,922	15,945,946	12,556,143
Non-current assets					
Derivative financial instruments	30	-	-	-	318,291
Judicial deposits	18.d	4,657	4,657	82,235	70,155
Deferred taxes	11	5,799	5,527	421,900	360,390
Recoverable taxes	9	-	-	322,931	31,214
Other non-current assets		-	-	103,350	117,995
Investments	12	12,469,374	10,443,777	1,265	1,023
Property, plant and equipment	13	4,045	4,132	5,101,051	4,598,730
Right-of-use in leases	14	-	-	403,721	278,480
Intangible assets	15	10	-	1,550,388	1,595,475
		12,483,885	10,458,093	7,986,841	7,371,753
TOTAL ASSETS		13,820,203	11,713,015	23,932,787	19,927,896

See the accompanying notes to the financial statements.

FINANCIAL STATEMENTS IN 2021

Balance sheet at December 31, 2021 and 2020

In thousands of reais, unless otherwise indicated



	Notes	PARENT COMPANY		CONSOLIDATED	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
Liabilities					
Current liabilities					
Trade payables	16	306	-	2,120,338	1,249,368
Loans and financing	17	-	-	1,052,044	642,284
Derivative financial instruments	30	-	-	17,324	14,011
Social and tax liabilities		13,286	8,115	537,852	496,185
Income tax and social contribution		45	74	129,609	111,072
Dividends and interest on own capital payable		194,780	134,987	195,272	136,007
Advance from customers		-	-	2,267,484	1,714,656
Profit sharing		-	-	384,272	335,428
Leases		-	-	73,268	63,994
Billing for future delivery		-	-	273,578	263,294
Provision for product warranty		-	-	259,409	251,595
Accounts payable – foreign subsidiaries		-	-	363,386	249,933
Other current liabilities		2,085	1,944	254,048	354,217
		210,502	145,120	7,927,884	5,882,044
Non-current liabilities					
Loans and financing	17	-	-	737,071	1,044,296
Derivative financial instruments	30	-	-	-	6,500
Leases		-	-	249,245	223,532
Provision for contingencies	18.a	4,730	4,730	643,171	612,705
Deferred taxes	11	-	-	71,892	69,625
Taxes payable		-	-	130,623	3,972
Other non-current liabilities		-	-	162,229	154,924
		4,730	4,730	1,994,231	2,115,554
Total liabilities		215,232	149,850	9,922,115	7,997,598
Shareholders' equity					
Controlling shareholders					
Capital	20.a	5,504,517	5,504,517	5,504,517	5,504,517
Capital reserves		(119,560)	(124,345)	(119,560)	(124,345)
Stock option plan	22	13,567	11,512	13,567	11,512
Treasury shares	20.d	(11,216)	(15,779)	(11,216)	(15,779)
Profit reserves		4,485,565	2,782,943	4,485,565	2,782,943
Equity valuation adjustment		322,893	343,843	322,893	343,843
Other comprehensive income		2,548,168	2,331,007	2,548,168	2,331,007
Additional dividends proposed		861,037	729,467	861,037	729,467
		13,604,971	11,563,165	13,604,971	11,563,165
Non-controlling shareholders		-	-	405,701	367,133
Total shareholders' equity		13,604,971	11,563,165	14,010,672	11,930,298
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		13,820,203	11,713,015	23,932,787	19,927,896

See the accompanying notes to the financial statements.

FINANCIAL STATEMENTS IN 2021

Statement of income | Years ended December 31, 2021 and 2020

In thousands of reais, unless otherwise indicated



	Notes	PARENT COMPANY		CONSOLIDATED	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
Net revenue	23	-	-	23,563,338	17,469,557
Cost of products sold and services rendered	25	-	-	(16,602,381)	(12,032,050)
Gross income		-	-	6,960,957	5,437,507
Sales expenses	25	-	-	(1,833,204)	(1,506,817)
Administrative expenses	25	(8,833)	(6,164)	(776,007)	(654,469)
Other income (loss)	26	(5,916)	(2,942)	(193,403)	(463,767)
Equity in net income of subsidiaries	12	3,605,739	2,359,471	-	3,870
Income (loss) before financial income (loss) and taxes		3,590,990	2,350,365	4,158,343	2,816,324
Financial revenues	27	126	(7,063)	992,739	1,020,426
Financial expenses	27	(4,027)	(2,769)	(821,046)	(1,090,101)
Income before taxes		3,587,089	2,340,533	4,330,036	2,746,649
Current taxes	28	(1,414)	(324)	(693,854)	(500,450)
Deferred taxes	28	272	664	21,298	149,758
Net income for the year		3,585,947	2,340,873	3,657,480	2,395,957
Attributable to:					
Controlling shareholders	33			3,585,947	2,340,873
Non-controlling shareholders				71,533	55,084
Earnings per share attributable to controlling shareholders	33				
Basic earnings per share (in R\$)	33.a			0.85459	0.55796
Diluted earnings per share (in R\$)	33.b			0.85447	0.55773

See the accompanying notes to the financial statements.

FINANCIAL STATEMENTS IN 2021

Statement of comprehensive income | Years ended December 31, 2021 and 2020

In thousands of reais



	PARENT COMPANY		CONSOLIDATED	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Net income	3,585,947	2,340,873	3,657,480	2,395,957
Amounts that may be subsequently reclassified to income (loss) for the year				
Hedge accounting (net of taxes)	4,058	16,360	4,923	18,310
Change in ownership interest	-	1,782	-	1,782
Accumulated currency translation adjustments	213,103	1,418,339	213,429	1,420,588
Total comprehensive income attributable to:	3,803,108	3,777,354	3,875,832	3,836,637
Controlling shareholders			3,803,108	3,777,354
Non-controlling shareholders			72,724	59,283

See the accompanying notes to the financial statements.

FINANCIAL STATEMENTS IN 2021

Statement of changes in shareholders' equity | Years ended December 31, 2021 and 2020

In thousands of reais



	Capital reserve		Stock option plan	Treasury shares	Profit reserve		Equity valuation adjustment	Additional dividends proposed	Retained earnings (loss)	Other comprehensive income			Shareholders' equity			
	Capital	Goodwill reserve			Revaluation of subsidiaries' assets	Legal reserve	Capital Budget reserve			Deemed cost	Translation adjustment	Changes in ownership interest	Hedge accounting	Controlling shareholders	Non-controlling shareholders	Total
January 1, 2020	5,504,517	(105,306)	3,630	12,857	(11,419)	147,645	1,559,607	359,298	351,892	-	911,776	(6,070)	(11,180)	8,717,247	212,743	8,929,990
Payment of dividends	-	-	-	-	-	-	-	-	(351,892)	-	-	-	-	(351,892)	-	(351,892)
Treasury shares sold	-	6,604	-	-	7,402	-	-	-	-	-	-	-	-	14,006	-	14,006
Treasury shares acquired	-	-	-	-	(11,762)	-	-	-	-	-	-	-	-	(11,762)	-	(11,762)
Pricing of stock options	-	-	-	(1,345)	-	-	-	-	-	(5,653)	-	-	-	(6,998)	-	(6,998)
Capital transactions	-	(29,273)	-	-	-	-	-	-	-	-	-	-	-	(29,273)	95,107	65,834
Reversal of dividends in prior years	-	-	-	-	-	-	-	-	-	902	-	-	-	902	-	902
Equity valuation adjustment:																
Realization of deemed cost, net of taxes	-	-	-	-	-	-	-	(15,455)	-	31,742	(16,287)	-	-	-	-	-
Accumulated translation adjustments	-	-	-	-	-	-	-	-	-	-	1,434,626	-	-	1,434,626	2,249	1,436,875
Hedge Accounting – Cash flow, net of taxes	-	-	-	-	-	-	-	-	-	-	-	16,360	-	16,360	1,950	18,310
Change in ownership interest	-	-	-	-	-	-	-	-	-	-	-	1,782	-	1,782	-	1,782
Net income for the year	-	-	-	-	-	-	-	-	-	2,340,873	-	-	-	2,340,873	55,084	2,395,957
Proposed allocations:																
Legal reserve (Note 20.c)	-	-	-	-	-	117,043	-	-	-	(117,043)	-	-	-	-	-	-
Dividends (Note 20.b)	-	-	-	-	-	-	-	-	729,467	(998,866)	-	-	-	(269,399)	-	(269,399)
Interest on own capital (Note 20.b)	-	-	-	-	-	-	-	-	-	(293,307)	-	-	-	(293,307)	-	(293,307)
Capital budget reserve	-	-	-	-	-	-	958,648	-	-	(958,648)	-	-	-	-	-	-
December 31, 2020	5,504,517	(127,975)	3,630	11,512	(15,779)	264,688	2,518,255	343,843	729,467	-	2,330,115	(4,288)	5,180	11,563,165	367,133	11,930,298
Payment of dividends	-	-	-	-	-	-	-	-	(729,467)	-	-	-	-	(729,467)	-	(729,467)
Treasury shares sold	-	5,107	-	-	4,563	-	-	-	-	-	-	-	-	9,670	-	9,670
Pricing of stock options	-	-	-	2,055	-	-	-	-	-	(5,264)	-	-	-	(3,209)	-	(3,209)
Capital transactions	-	(322)	-	-	-	-	-	-	-	-	-	-	-	(322)	(34,156)	(34,478)
Reversal of dividends in prior years	-	-	-	-	-	-	-	-	-	452	-	-	-	452	-	452
Equity valuation adjustment:																
Realization of deemed cost, net of taxes	-	-	-	-	-	-	-	(20,950)	-	24,470	(3,520)	-	-	-	-	-
Accumulated translation adjustments	-	-	-	-	-	-	-	-	-	-	216,623	-	-	216,623	326	216,949
Hedge Accounting – Cash flow, net of taxes	-	-	-	-	-	-	-	-	-	-	-	4,058	-	4,058	865	4,923
Net income for the year	-	-	-	-	-	-	-	-	-	3,585,947	-	-	-	3,585,947	71,533	3,657,480
Proposed allocations:																
Legal reserve (Note 20.c)	-	-	-	-	-	179,297	-	-	-	(179,297)	-	-	-	-	-	-
Dividends (Note 20.b)	-	-	-	-	-	-	-	-	861,037	(1,524,728)	-	-	-	(663,691)	-	(663,691)
Interest on own capital (Note 20.b)	-	-	-	-	-	-	-	-	-	(378,255)	-	-	-	(378,255)	-	(378,255)
Capital budget reserve	-	-	-	-	-	-	1,523,325	-	-	(1,523,325)	-	-	-	-	-	-
December 31, 2021	5,504,517	(123,190)	3,630	13,567	(11,216)	443,985	4,041,580	322,893	861,037	-	2,543,218	(4,288)	9,238	13,604,971	405,701	14,010,672

See the accompanying notes to the financial statements.

FINANCIAL STATEMENTS IN 2021

Statement of cash flows – Indirect method | Years ended December 31, 2021 and 2020

In thousands of reais



	PARENT COMPANY		CONSOLIDATED	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Operating activities				
Income (loss) before taxes	3,587,089	2,340,533	4,330,036	2,746,649
Depreciation, amortization and depletion	87	87	520,178	451,359
Stock option plan expenses	2,083	(383)	10,712	12,118
Equity in net income of subsidiaries	(3,605,739)	(2,359,471)	-	(3,870)
Allowance for credit risk	-	-	(12,816)	8,064
Provision for tax, civil and labor liabilities	-	-	30,466	61,127
Provision for inventory losses	-	-	(10,632)	54,031
Provision with product warranty	-	-	7,813	83,257
Write-off of non-current assets	-	-	10,593	7,869
Accrued interest on loans and financings	-	-	(943)	8,269
Yield on short-term investments	(21,966)	(19,015)	(23,029)	(35,423)
Profit sharing – employees	-	-	544,367	406,706
Tax credit - Exclusion of ICMS from PIS/COFINS calculation basis	-	-	(506,942)	-
	(38,446)	(38,249)	4,899,803	3,800,156
(Increase) decrease in accounts receivable	57,914	(1,162)	(1,357,761)	487,751
(Increase) in inventories	-	-	(2,673,253)	(439,340)
Increase (decrease) in accounts payable	(49,625)	11,922	1,223,148	785,538
Income tax and social contribution	(1,442)	(285)	(675,317)	(420,956)
Payment of profit sharing – employees	-	-	(477,235)	(283,117)
Net cash flow derived (invested) in operating activities	(31,599)	(27,774)	939,385	3,930,032
Investment activities				
Investments	275	-	-	-
Acquisition of property, plant and equipment	-	-	(780,849)	(481,104)
Acquisition of intangible assets	-	-	(66,495)	(77,442)
Business acquisition – business combination (net of cash)	-	-	-	(144,335)
Short-term investments	-	(269,550)	(57,864)	(604,346)
Redemption of short-term investments	1,473	623,980	170,979	1,491,202
Receipt in the sale of property, plant and equipment and intangible assets	-	-	50,359	23,400
Receipt of dividends/interest on own capital	1,524,106	880,011	-	-
Net cash flow derived (invested) in investment activities	1,525,854	1,234,441	(683,870)	207,375
Financing activities				
Loans and financing obtained	-	-	503,206	211,487
Payment of loans and financing	-	-	(241,149)	(1,674,612)
Interest paid on loans and financing	-	-	(52,680)	(11,784)
Treasury shares	4,563	(4,360)	4,563	(4,360)
Payment of dividends/interest on own capital	(1,656,403)	(881,220)	(1,657,345)	(881,332)
Net cash flow invested in financing activities	(1,651,840)	(885,580)	(1,443,405)	(2,360,601)
Exchange rate change on cash and cash equivalents	-	-	10,177	169,290
Net increase (decrease) in cash and cash equivalents	(157,585)	321,087	(1,177,713)	1,946,096
Cash and cash equivalents at January 1	390,133	69,046	3,892,140	1,946,044
Cash and cash equivalents at December 31	232,548	390,133	2,714,427	3,892,140

See the accompanying notes to the financial statements.

FINANCIAL STATEMENTS IN 2021

Statement of added value | Years ended December 31, 2021 and 2020

In thousands of reais



	PARENT COMPANY		CONSOLIDATED	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Revenues	-	-	26,495,863	19,593,434
Sale of merchandise, products and services	-	-	26,450,075	19,544,415
Other revenues	-	-	32,972	57,083
Provision with loss with clients' credits	-	-	12,816	(8,064)
Inputs acquired from third parties	(2,422)	(439)	(15,038,641)	(10,542,543)
Cost of products and services, energy, outsourced services and other	(318)	(840)	(15,023,409)	(10,466,072)
Other	(2,104)	401	(15,232)	(76,471)
Gross added value	(2,422)	(439)	11,457,222	9,050,891
Depreciation, amortization and depletion	(87)	(87)	(520,178)	(451,359)
Net added value produced by the Entity	(2,509)	(526)	10,937,044	8,599,532
Added value received as transfers	3,605,865	2,352,408	1,360,852	1,024,296
Equity in net income of subsidiaries	3,605,739	2,359,471	-	3,870
Financial revenues	126	(7,063)	992,739	1,020,426
Tax credit - Exclusion of ICMS from calculation basis of PIS/COFINS	-	-	368,113	-
Total added value payable	3,603,356	2,351,882	12,297,896	9,623,828
Distribution of added value	3,603,356	2,351,882	12,297,896	9,623,828
Personnel	10,322	7,028	5,196,751	4,251,902
Direct remuneration	9,826	5,772	4,431,268	3,608,543
Benefits	264	1,078	617,350	513,339
FGTS (severance indemnity fund)	232	178	148,133	130,020
Taxes, duties and contributions	3,060	1,212	2,611,530	1,877,758
Federal	3,060	1,212	2,291,552	1,658,582
State	-	-	285,729	187,984
Municipal	-	-	34,249	31,192
Third-party capital remuneration	4,027	2,769	832,135	1,098,211
Interest	4,027	2,769	816,227	1,085,327
Rentals	-	-	15,908	12,884
Remuneration of own capital	3,585,947	2,340,873	3,657,480	2,395,957
Dividends	1,524,728	998,866	1,524,728	998,866
Interest on own capital	378,255	293,307	378,255	293,307
Retained earnings	1,682,964	1,048,700	1,682,964	1,048,700
Non-controlling retained earnings	-	-	71,533	55,084

See the accompanying notes to the financial statements.



1 COMPANY'S INFORMATION

WEG S.A. ("Company") is a publicly-held corporation headquartered at Avenida Prefeito Waldemar Grubba, 3300, in Jaraguá do Sul - State of Santa Catarina (SC), Brazil, holding company comprising the WEG Group ("Group"), which is primarily engaged in the production and sale of capital goods such as electric motors, generators and transformers; gear units and geared motors; hydraulic and steam turbines; frequency converters, motor starters and maneuver devices; control and protection of electric circuits for industrial automation; power sockets and switches; electric traction solutions for heavy vehicles, SUV vehicles, locomotives, and sea transportation electric propelling; solutions for the generation of renewable and distributed energy, exploring all opportunities in small hydro, thermal, biomass, wind and solar energy power plants; solutions for the industry 4.0; UPSs and alternators for groups of generators; conventional and movable electric substations; industrial electrical and electronic systems; and industrial paint & varnish, and paints for automotive repainting. The operations are performed through manufacturing facilities located in Brazil, Argentina, Colombia, Mexico, United States, Portugal, Spain, Austria, Germany, South Africa, India, and China, with commercial activities carried out in more than 135 countries.

The Company's shares are traded on B3 under the ticker "WEGE3" and has been listed in the corporate governance segment called Novo Mercado (New Market) since June 2007.

The Company has American Depositary Receipts (ADRs) – Level I that are traded on the over-the-counter or OTC market in the United States, under the ticker "WEGZY."

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The individual and consolidated financial statements ("financial statements") were prepared considering every relevant information of the Company that corresponds to those used by the Management on its administration and prepared in accordance with the International Financial Reporting Standards (IFRS) and accounting practices adopted in Brazil (BR GAAP) implemented in Brazil by the Accounting Pronouncement Committee ("CPC"), approved by the Brazilian Securities and Exchange Committee ("CVM") and the Federal Accounting Committee ("CFC").

The financial statements were prepared using historical cost as the value base, except for the fair value appraisal of certain financial instruments, when required by the standard.

The approval and authorization of these individual and consolidated financial statements was given by the Board of Directors in a meeting held on February 15, 2022.

2.1 Consolidation basis

The consolidated financial statements are prepared jointly with those of the parent company, using consistent accounting policies, and are composed of the financial statements of the direct and indirect subsidiaries.

All balances, unrealized revenues, expenses, gains and losses arising from transactions among Group's subsidiaries.

A change in the ownership interest in a subsidiary which does not result in loss of control is accounted for as a transaction between shareholders in shareholders' equity.

Income (loss) for the year and comprehensive income are attributed to the parent company's shareholders and non-controlling interest of consolidated companies.

The subsidiaries that comprise the consolidated financial statements are presented in the Note 12.

2.2 Business combinations

When acquiring a business, the Company evaluates assets and liabilities assumed with the purpose of classifying and allocating them according to contractual covenants, economic circumstances and pertinent conditions, up to one year after the acquisition date.

Goodwill is initially measured as being the excess of consideration transferred in relation to net assets acquired (identifiable assets and assumed liabilities). If consideration is lower than fair value of net assets acquired, the difference is recognized as gain in statement of income.

After initial recognition, the goodwill is carried at cost less any accumulated loss for the impairment losses, which is tested on an annual basis. For impairment testing purposes, goodwill acquired in a business combination is, from the acquisition date, allocated to each cash-generating units of the Company that are expected to benefit by the synergies of combination, regardless of other assets or liabilities of the acquiree being allocated to those units.

The parent company's financial information is recognized under the equity method in the individual financial statements of the subsidiary.



2.3 Foreign currency translation

a) Functional currency of Group's companies

Consolidated financial statements are being presented in Real (R\$), functional currency of the parent company and subsidiaries located in Brazil.

The functional currency of subsidiaries abroad is determined based on the country in which it operates, and is translated into the presentation currency (R\$) on the date of the financial statements.

b) Transactions and balances

Transactions in foreign currency are recorded at the exchange rate of the functional currency in force on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate of the functional currency in force on the date of financial statements. All differences are reported in the statement of income or other comprehensive income. Non-monetary items measured based on historical cost in a foreign currency are translated using the foreign exchange rate prevailing on the dates of the initial transactions. Non-monetary assets that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

c) Translation of balance sheets of Group's foreign companies

The assets and liabilities of foreign subsidiaries are translated into reais (R\$) at the exchange rate on the date of financial statements, and the corresponding statements of income are translated based on average monthly foreign exchange rate. Foreign exchange differences derived from this translation are accounted for in other comprehensive income as accumulated translation adjustment in shareholders' equity. In a possible sale of a foreign subsidiary, the accumulated translation amount recognized in shareholders' equity, referring to said foreign subsidiary, is recognized in the statement of income.

2.4 Cash and cash equivalents

They include balances in checking accounts and short-term investments with 90-day liquidity that are recorded at cost plus income earned up to the balance sheet closing date, in accordance with the rates agreed with the financial institutions and do not exceed their market or realization value.

2.5 Short-term investments

These are investments with liquidity of over 90 days, classified as fair value through profit or loss, considering that they may be held to maturity. However, they can be used for other purposes. These short-term investments are recorded at cost plus income earned up to the balance sheet closing date, in accordance with the rates agreed with the financial institutions and represent its fair values.

2.6 Trade receivables

They correspond to trade accounts receivable for the sale of goods or provision of services in the normal course of activities, stated at the present and realization value. The allowance for doubtful accounts is calculated based on an analysis of credit risk, market liquidity and credit level, and is sufficient to cover expected losses on amounts receivable.

2.7 Inventories

Inventories are valued and stated at the average acquisition or production cost that does not exceed the net realizable value. The Company and its subsidiaries cover the costs of its inventories by absorption using the weighted moving average.

Provision for inventories due to: realization, low turnover and obsolete inventories are recorded in accordance with the Company's policies. Imports in transit are stated at the accumulated cost of each import.

2.8 Property, plant and equipment

Property, plant and equipment are valued at acquisition and/or construction cost, net of depreciation, except for land, which is not depreciated.

Expenses with maintenance or repairs, which do not materially increase the useful life of the assets, are expensed when incurred. Gains and losses due to the disposal are calculated by comparing sales price with book value, and are recognized in the statement of operations.

Depreciation is calculated by the straight-line method, which considers the estimated useful lives of the assets and it is periodically reviewed to adapt the depreciation rates according to the need.

The book values of property, plant and equipment assets are reviewed on each balance sheet date for indication of impairment. If such indication occurs, the Company recognizes a reduction in the book balance of this asset, if necessary.



2.9 Right-of-use in leases

All leases in which the Company and its subsidiaries act as lessees are recognized in the balance sheet under right-of-use asset, with a contra entry to lease liabilities, except for short-term and low-value leases, which are recognized as an expense in a straight-line basis during the lease term.

The right-of-use asset is measured at cost, net of accumulated depreciation and impairment loss, adjusted for any remeasurement of the lease obligation. Depreciation is calculated based on the useful life of the asset or the contractual term. The lease obligation is measured at the present value of the lease payments of the agreement, restated monthly by the discounted interest and settled by the lease payments made.

2.10 Intangible assets

They are valued at the acquisition cost, less amortization. Intangible assets with defined useful lives are amortized taking into consideration estimated period for generation of future economic benefits. Goodwill based on expected future profitability, with no defined useful life, was amortized up to December 31, 2008. As of 2009, goodwill is subject to impairment test on an annual basis or whenever there are signs of possible loss in economic value.

2.11 Research, development and innovation

Expenses on research activities are recorded in income (loss) when incurred, and development and innovation expenses comprising opportunities to gain scientific and technological knowledge or product improvements are capitalized and amortized over the estimated benefit period.

2.12 Provisions for contingencies

Provisions are recognized when the Company and its subsidiaries have a present obligation, as a result of past events, and it is likely that an outflow of funds will be necessary to settle the obligation; and the amount can be reliably estimated. Provisions are periodically reviewed, observing their natures and based on the opinion of legal advisors.

2.13 Provision for guarantees

A provision for warranties is recognized when the products or services to which they refer are sold, based on historical data and warranty periods.

2.14 Profit sharing

The Company and its subsidiaries provide for profit sharing for employees and management based on programs that establish annual operating targets and are approved by the Board of Directors. The amount of profit sharing is recognized in the income (loss) for the year in accordance with the achievement of targets.

2.15 Dividends and interest on own capital

Dividends and interest on own capital are recognized in liabilities based on the minimum dividends defined by the Company's Bylaws. Any amount above minimum mandatory amount is recognized as liability when approved by the Board of Directors and ad referendum of Ordinary General Meeting.

Dividends proposed to the Board of Directors remain recorded in shareholders' equity under additional dividends.

2.16 Pension plan

The Company and its subsidiaries sponsor a supplementary pension plan, which ensures risk benefits and a programmed term benefit. Risk benefits (disability, death pension, sickness benefit and annuity for death) are structured as a defined benefit plan and fully funded by the sponsor, under the PAYG financial system. The programmed term benefit (reversible monthly lifetime income and permanent financial monthly income) is structured in the form of variable contribution and paid for by the participants and the sponsor, under the financial capitalization system. The actuarial commitments with the benefit plan are recorded and provisioned based on actuarial calculations, periodically prepared by an independent actuary, and are covered by the collateral assets of the benefit plan. Actuarial calculations are made using actuarial, financial and economic assumptions, such as mortality table, mortality table of individuals with permanent disability, effective annual interest rate and historical data on events, death, disability and illness, occurred in the periods prior to the calculation of the corresponding costs.

2.17 Financial instruments

The main financial instruments of the Company and its subsidiaries include:

- a) **Cash and cash equivalents:** Presented at cost plus income, which is equivalent to fair value;
- b) **Short-term investments:** The fair value of such assets nears the values recorded in the balance sheets. short-term investments are classified as fair value through profit or loss, as they are held to maturity;



- c) Loans and financing:** The main purpose of this financial instrument is to generate funds for the expansion projects of the Company and its subsidiaries and occasionally meet its short-term cash flow requirements.
- Loans and financing in domestic currency: they are classified as financial liabilities measured at amortized cost and recorded at their restated amounts, in accordance with the contracted rates. These loans' market values are equivalent to their book values as they are financial instruments with exclusive financial lease characteristics from specific funding sources.
 - Loans and financing in foreign currency: are financing contracted to support the working capital of commercial operations in Brazil and in subsidiaries abroad and are updated according to the contracted rates.
- d) Derivatives:**
- Operations with Non Deliverable Forwards (NDF) and SWAPs - recognized at fair value in assets and/or liabilities with a corresponding entry in the financial result in the statement of income.
 - Designated as hedge accounting – Derivative financial instruments are held to hedge risk exposures of foreign currency. This hedge, as well as the economic relationship, are documented on the date of hedge accounting designation. The effective portion of changes in the fair value of these derivative financial instruments is recognized immediately in other comprehensive income, while the non-effective portion is immediately recognized in the income (loss).

2.18 Treasury shares

They are recognized at cost, and deducted from shareholders' equity. No gain or loss is recognized in the income statement on the purchase, sale, issuance or cancellation of the Company's equity instruments. Any difference between the book value and the remuneration is recognized in other capital reserves.

2.19 Share-based plan

- a) Long-Term Incentive Plan ("ILP Plan")** – The Company grants shares to its directors and managers, which will only be delivered after grace periods. The shares are measured at the share value based on the grant date and are recognized as expenses under Other income (loss) in the statement of income for the year, with a contra entry to a capital reserve in shareholders' equity as the grace periods for deliveries of actions are carried out.
- b) Stock Option Plan** – The Company granted stock options to its statutory directors, which they only exercise after vesting periods. Options are measured at fair value based on the grant date using the Black-Scholes-Merton pricing model. They are recognized as expenses under Other income (loss) in the statement of income for the year, with a contra entry to a capital reserve in shareholders' equity as the terms of the option exercise periods are realized.

Changes and reversals subsequent to the acquisition calculation are measured prospectively only when there are: (i) change in strike price of granted options; and (ii) change in the number of options expected to be granted.

2.20 Government grants and assistance

Government grants are recognized when all corresponding contractual conditions have been met. When the benefit is related to an expense item, the grant is recognized as revenue for the period the benefit was granted, on a systematic basis in relation to the costs offset by such benefit. When the benefit is related to an asset, it is recognized as deferred revenue and recorded in the income (loss) equal amounts throughout the estimated useful life of the corresponding asset.

2.21 Revenue from contracts with customers

Revenue is recognized to the extent that the company transfers control of the goods and services to the client, usually when the client receives the product or service.

It is measured at fair value of received or receivable consideration, excluding discounts, rebates, taxes or charges over sales.

2.22 Revenue from contract with customer - Construction contracts

When the results of a construction contract are reliably estimated, revenues and costs are recognized based on the stage of completion of the contract at the end of the period, considering the legal possibility of requiring payment by the client or the delivery of the product to the client (transfer of control), and measured based on the proportion of costs incurred in relation to the estimated total costs of the contract. There is no alternative use for the assets sold.

2.23 Taxes and contributions

a) Current and deferred income tax and social contribution

The current and deferred income tax and social contribution of the Company and its subsidiaries in Brazil are calculated based on the rates of 25% and 9%, respectively, and consider the offsetting of tax losses and negative basis limited to



30% of taxable income, except for subsidiaries located abroad, where the tax rates valid in the countries in which these subsidiaries are located are followed.

Deferred taxes are recognized in relation to the temporary differences between the book values of assets and liabilities for financial statement purpose and the related amounts used for taxation purposes.

b) Other taxes

They are net of taxes, revenues, expenses and assets, except when taxes on purchases of assets or services are not recoverable from tax authorities, in which case, the tax is recognized as part of the acquisition cost of the asset or expense item, as applicable.

2.24 Segment information

Management defines the operating and geographic segments of the Company and its subsidiaries based on reports internally generated as business management information. The Company's Management is structured and systematized with information on operations considering the industry, energy, foreign and consolidated segments.

2.25 Statement of added value

The Company prepares the Statements of Added Value as required by Brazilian legislation, as part of its individual and consolidated financial statements and as supplementary information for IFRS purposes.

2.26 Hyperinflationary economy

Non-monetary items are monetarily restated as of the acquisition or revaluation date to the closing date of the financial statements, with the exception of non-monetary items recognized at current values at the end of the financial statements period, which are not monetarily restated. Deferred taxes are measured after the restatement of non-monetary items, as of the date of acquisition or revaluation to the date of the opening balances, and then restated until the closing date of the financial statements.

Monetary items are not restated as they are already expressed in terms of the current currency unit at the end of the reporting period.

Gains and losses in net cash position are recognized in the income (loss).

The Company adopts said procedures in Argentina, a country with a hyperinflationary economy.

2.27 New pronouncements effective as of January 1, 2021

In 2021, the following revisions of Accounting Pronouncements were issued, already effective for the year 2021:

a) Review of Technical Pronouncements 17/2021: Amendments in Technical Pronouncements: CPC 06 (R2), CPC 11, CPC 38, CPC 40 (R1) and CPC 48 due to Benchmark Interest Rate Reform.

b) Review of Technical Pronouncements 18/2021: Amendments in the Technical Pronouncement CPC 06 (R2) - COVID-19-related benefits granted to leaseholders under lease agreements that go beyond June 30, 2021.

The changes were evaluated by the Company's Management, with no impact on the Financial Statements.

2.28 New pronouncements to become effective as of January 1, 2022

Management has been monitoring the pronouncements that have already been issued, but will only be effective as of January 1, 2022 and concluded that it should not have a significant impact on the Company's financial statements.



3 ACCOUNTING ESTIMATES

Financial statements include the use of estimates that considered evaluations and judgments of the Management, past and current events, assumptions about future events, and other objective and subjective factors. Significant items subject to these estimates are:

- a) analysis of credit risk to determine the allowance for doubtful accounts (Note 30);
- b) determination of provision for inventory losses (Note 8);
- c) recoverability analysis of non-financial assets: main assumptions related to the determination of values in use (Note 15);
- d) deferred income tax and social contribution: considering the availability of future taxable income against which deductible temporary differences and tax losses can be used (Note 11); and
- e) provisions for contingencies (Note 18).

The settlement of transactions involving these estimates may result in significantly different amounts described in the financial statements due to the lack of precision inherent to the process of their estimate. These estimates are periodically reviewed.

4 EXCLUSION OF ICMS FROM PIS AND COFINS CALCULATION BASIS

The Company has lawsuits for its subsidiaries claiming the recovery of the amounts taxed in the inclusion of ICMS in the PIS and COFINS calculation basis.

On March 15, 2017, the Federal Supreme Court decided for the unconstitutionality of including State VAT (ICMS) in the Social Integration Program (PIS) and Contribution to Social Security Financing (COFINS) calculation basis.

The subsidiaries WEG Equipamentos Elétricos S.A., WEG Drives & Controls Automação Ltda and Hidráulica Industrial - Indústria e Comércio Ltda. obtained favorable outcomes in their lawsuits, with final and unappealable decisions establishing that, for the calculation of amounts unduly paid, the ICMS amount highlighted in the shipment invoices must be excluded for the calculation of the PIS and COFINS credit.

After the judgment of the motion for clarification and modulation by the Federal Supreme Court (STF) held on May 13, 2021, the Company managed to present sufficient elements for a reliable measurement of the amount of the tax credit to be actually recovered and recognized.

In this sense, until December 31, 2021, the Company recognized R\$ 532,184, of which R\$ 13,561 under Gross revenue (year 2021), R\$ 368,113 under Other Operating Revenues and R\$ 150,510 under Financial Revenues, as follows:

Subsidiary	Principal value	Interest	Total
WEG Equipamentos Elétricos S.A.	362,927	143,995	506,922
WEG Drives & Controls Automação Ltda.	16,430	6,515	22,945
Hidráulica Industrial - Indústria e Comércio Ltda.	2,317	-	2,317
TOTAL	381,674	150,510	532,184

The Company maintains lawsuits against other subsidiaries with the same purpose, which are still pending and decisions are not expected.



5 CASH AND CASH EQUIVALENTS

	PARENT COMPANY		CONSOLIDATED	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
a) Cash and banks	5	6	529,822	584,332
b) Short-term investments	232,543	390,127	2,184,605	3,307,808
In domestic currency:	232,543	390,127	1,845,024	2,756,033
Bank deposit certificate (CDB) and repurchase and resale agreements	232,543	390,127	1,845,024	2,756,033
In foreign currency:	-	-	339,581	551,775
TOTAL	232,548	390,133	2,714,427	3,892,140

Investments in Brazil:

Short-term investments in Brazil are mainly represented by funds invested in private securities of top-tier institutions. They are remunerated at the average rate of 101.16% of CDI (102.41% of CDI as of December 31, 2020).

6 SHORT-TERM INVESTMENTS

	PARENT COMPANY		CONSOLIDATED	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Current assets	502,708	482,215	502,708	592,794
Bank deposit certificate (CDB) and Funds	502,708	482,215	502,708	592,794
TOTAL	502,708	482,215	502,708	592,794

Short-term investments are remunerated at the floating average rate of 104.16% of CDI (103.20% of CDI as of December 31, 2020).



7 TRADE RECEIVABLES

	CONSOLIDATED	
	12/31/2021	12/31/2020
a) Breakdown of balances:		
Domestic market	1,775,558	1,399,934
Foreign market	2,590,601	2,078,899
SUBTOTAL	4,366,159	3,478,833
Provisions with losses on clients' credits	(48,766)	(61,582)
TOTAL	4,317,393	3,417,251
b) Actual losses with client credits in the year	13,129	19,562
c) Maturity date of trade notes:		
Falling due	3,949,897	3,097,118
Overdue (days):	416,262	381,715
up to 30	236,004	217,894
31-90	89,559	69,990
91-180	27,672	34,928
>180	63,027	58,903
TOTAL	4,366,159	3,478,833

Changes in provision with losses on clients' credits are as follows:

Balance at 01/01/2020	(53,518)
Losses written off in the year	19,562
Formation of provision for the period	(48,466)
Reversal of provision for the year	20,840
Balance at 12/31/2020	(61,582)
Losses written off in the year	13,129
Formation of provision for the period	(33,935)
Reversal of provision for the year	33,622
Balance at 31/12/21	(48,766)

8 INVENTORIES

	CONSOLIDATED	
	12/31/2021	12/31/2020
Finished goods	874,861	619,886
Work in progress	964,547	537,750
Raw materials and other	1,342,445	616,709
Imports in transit	362,378	74,603
Provision for losses with low turnover inventories	(47,115)	(43,019)
Total inventories in domestic market	3,497,116	1,805,929
Finished goods	1,484,588	899,065
Work in progress	864,977	692,901
Raw materials and other	760,922	464,917
Provision for losses with low turnover inventories	(110,555)	(125,283)
Total inventories in foreign market	2,999,932	1,931,600
GRAND TOTAL	6,497,048	3,737,529

Changes in the provision for slow-moving inventory are as follows:

Balance at 01/01/2020	(114,271)
Formation of provision for the period	(112,879)
Reversal of provision for the year	58,848
Balance at 12/31/2020	(168,302)
Formation of provision for the period	(73,876)
Reversal of provision for the year	84,508
Balance at 31/12/21	(157,670)

Inventories are insured and their coverage is determined according to values and involved risk level. The recording and reversal of provisions for low-turnover inventory losses are recorded under cost of goods sold.



9 RECOVERABLE TAXES

	PARENT COMPANY		CONSOLIDATED	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
BRAZIL	5,247	2,978	1,029,203	215,569
Income tax and social contribution	5,247	2,978	42,951	54,155
IPI	-	-	135,663	55,798
PIS/COFINS	-	-	121,840	26,380
PIS/COFINS - Exclusion of ICMS from calculation basis	-	-	514,029	-
ICMS (value added tax)	-	-	125,262	7,169
ICMS over acquisitions of property, plant and equipment	-	-	41,223	28,808
Financial credit of Information Technology Act	-	-	30,537	21,772
REINTEGRA	-	-	14,673	14,640
Other	-	-	3,025	6,847
FOREIGN	-	-	184,018	154,928
Income tax	-	-	50,163	30,402
VAT	-	-	112,005	105,216
Other	-	-	21,850	19,310
TOTAL	5,247	2,978	1,213,221	370,497
Current assets	5,247	2,978	890,290	339,283
Non-current assets	-	-	322,931	31,214

The credits will be realized by the Company and its subsidiaries during the normal tax calculation process, and there are also credits subject to refund and/or offsetting.

10 RELATED PARTIES

Products and raw materials purchase and sale and service contracting transactions were carried out, as well as loans and fund raising financial transactions between the Group's companies, which are eliminated in the consolidation and Management's remuneration.

Amount of existing balances:

	PARENT COMPANY		CONSOLIDATED	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
ASSETS AND LIABILITIES				
Current liabilities	1,580	1,462	34,987	19,319
Contracts with Administrators	-	-	6,137	5,339
Profit sharing - Administrators	1,580	1,462	28,850	13,980

STATEMENT OF INCOME ACCOUNTS

	PARENT COMPANY		CONSOLIDATED	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Management fees:				
a) Fixed (fees)	3,086	2,760	25,257	25,551
Board of Directors	1,612	1,394	3,224	2,788
Executive Board	1,474	1,366	22,033	22,763
b) Variable (profit sharing)	3,086	2,760	25,257	25,122
Board of Directors	1,612	1,394	3,224	2,788
Executive Board	1,474	1,366	22,033	22,334

Additional information:

a) Commercial operations

The purchase and sale of inputs and products are carried out under conditions established between the parties;

b) Management of funds



Financial and commercial transactions between the Group's companies are recorded and supported by the Group's convention. The contracts entered into with Directors are remunerated at 95.0% of the CDI change (95.0% of the CDI change as of December 31, 2020);

c) Sureties and guarantees

WEG S.A. granted guarantees and sureties to subsidiaries abroad, in the amount of US\$ 17.0 million (US\$ 23.3 million on December 31, 2020);

d) Management remuneration

The members of the Board of Directors were remunerated in the amount of R\$ 3,224 (R\$ 2,788 as of December 31, 2020) and the Executive Board in the amount of R\$ 22,033 (R\$ 22,763 as of December 31, 2020), for its services, corresponding to the total amount of R\$ 25,257 (R\$ 25,551 as of December 31, 2020).

The share of 0% to 2.5% of the consolidated net income is expected to be distributed to the Directors, provided that minimum operational performance targets are met. Performance targets refer to Return on Invested Capital (60% weight) and EBITDA growth (40% weight). The corresponding provision is recognized in the income (loss) for the year in the amount of R\$ 25,257 (R\$ 25,122 on December 31, 2020) under "other operating expenses". Directors receive benefits common to the exercise of their duties.

11 DEFERRED TAXES

Deferred Income and Social Contribution tax credits and debits were calculated in accordance with CVM Resolution 599/09, which approved Technical Pronouncement CPC 32 (IAS 12) – Income Taxes.

a) Breakdown of amounts:

	PARENT COMPANY		CONSOLIDATED	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Tax losses of IRPJ	-	418	99,670	109,219
CSLL negative calculation basis	564	628	14,158	14,949
Temporary differences:				
Provisions:				
Labor and civil contingencies	-	-	94,229	87,350
Taxes challenged in court	1,608	1,608	91,572	56,185
Losses with clients' credits	-	-	16,198	14,289
Losses with inventories without turnover	-	-	29,690	30,792
Product warranties	-	-	67,863	68,641
Indemnities with labor and contractual terminations	-	-	63,412	58,512
Freight and sales commissions	-	-	19,263	11,922
Outsourced services	-	-	55,012	48,568
Projects in progress – Foreign subsidiaries	-	-	55,469	40,939
Employees' profit sharing	-	-	114,711	104,643
Revenues to be carried out	-	-	39,208	47,070
Incentivized accelerated depreciation	-	-	(7,569)	(6,695)
Difference in amortization of tax x accounting goodwill	(3)	(3)	(42,482)	(37,865)
Difference for tax x accounting depreciation (useful life)	(12)	(13)	(261,509)	(241,269)
Other	4,927	4,203	44,752	37,018
Deemed cost of property, plant and equipment	(1,285)	(1,314)	(143,639)	(153,503)
TOTAL	5,799	5,527	350,008	290,765
Non-current assets	5,799	5,527	421,900	360,390
Non-current liabilities	-	-	(71,892)	(69,625)

As of December 31, 2021, deferred taxes were recorded in the consolidated in the amount of R\$ 59,243 (R\$ 183,866 as of December 31, 2020), and the amount of R\$ 21,298 (R\$ 149,759 as of December 31, 2020) was recorded in the income (loss) and R\$ 37,945 (R\$ 34,107 as of December 31, 2020) was recorded in the shareholders' equity.

b) Estimated term for realization

Management estimates that deferred taxes arising from temporary differences will be realized in the proportion to the realization of contingencies, losses and projected obligations.

Regarding the deferred tax credits, recorded on tax losses and negative basis of social contribution, Management estimates that they should be realized in the next 5 years, in view of the projection of future taxable income.

WEG S.A.
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021
(Amounts expressed in thousands of reais unless otherwise indicated)



12 INVESTMENTS

12.1 - Investments in subsidiaries

Company	Country	Shareholders' equity Net	Income (loss) for the year	Interest in capital (%)				Equity in net income of subsidiaries		Equity value of the investment	
				12/31/2021		12/31/2020		12/31/2021	12/31/2020	12/31/2021	12/31/2020
				Direct	Indirect	Direct	Indirect				
WEG Equipamentos Elétricos S.A. (*)		11,256,698	3,204,330	100.00	-	100.00	-	3,219,784	2,086,583	11,256,698	9,293,103
RF Reflorestadora Ltda.		149,069	(832)	100.00	-	100.00	-	(832)	2,236	149,069	149,910
WEG Amazônia S.A.		85,821	43,558	0.02	99.98	0.02	99.98	7	4	14	12
WEG Administradora de Bens Ltda.		14,842	663	79.33	20.67	99.06	0.94	382	292	11,635	12,928
WEG Logística Ltda.		217,085	24,942	-	100.00	-	100.00	-	-	-	-
WEG Linhares Equip. Elétr. S.A.		542,620	168,148	-	100.00	0.01	99.99	1	1	3	2
WEG Drives & Controls Aut. Ltda.		862,996	346,159	100.00	-	100.00	-	346,158	244,782	862,996	805,266
WEG Partner Holding Ltda.		1	-	0.10	99.90	0.10	99.90	-	-	-	-
WEG-Cestari Redut.Motorredut. S.A.		104,976	26,495	-	50.01	-	50.01	-	-	-	-
Hidráulica Indl.- Ind. e Com. Ltda.		226,158	7,003	-	100.00	-	100.00	-	-	-	-
Agro Trafo Adm. de Bens Ltda.		1,688	805	91.75	8.25	91.75	8.25	738	116	1,549	1,068
Paumar S.A. Indústria e Comércio		419,869	76,402	38.87	61.13	38.87	61.13	29,698	18,484	163,204	162,888
WEG-Jelec Oil and Gas Sol.Aut.Ltda.		11	-	-	100.00	-	100.00	-	-	-	-
Geremia Redutores Ltda.		-	7,576	-	-	-	50.01	-	-	-	-
PPI Multitask Sistem. e Autom. S.A.		4,307	1,005	-	51.00	-	51.00	-	-	-	-
Multitask Soluções em Automaç.S.A.		1,628	1,199	-	51.00	-	51.00	-	-	-	-
V2COM Participações S.A.		34,971	9,003	-	51.00	-	51.00	-	-	-	-
V2 Tecnologia Ltda.		35,590	9,453	-	51.00	-	51.00	-	-	-	-
V2 Ind. e Com. de Equip. Elet. Ltda.		-	(423)	-	-	-	51.00	-	-	-	-
Mvisia Deserv. Inovadores S.A.		8,166	(1,256)	-	51.03	-	51.03	-	-	-	-
Birmind Automação e Serviços S.A.		7,376	(1,680)	-	51.00	-	51.00	-	-	-	-
Zest WEG Group Africa (PTY) Ltd.		248,591	21,827	-	100.00	-	100.00	-	-	-	-
Zest Energy (Pty) Ltd.		270	-	-	100.00	-	100.00	-	-	-	-
Zest WEG Manufacturing (Pty) Ltd.		877	(1,823)	-	100.00	-	100.00	-	-	-	-
Zest WEG Electric (Pty) Ltd.		194,322	21,652	-	74.80	-	74.80	-	-	-	-
ENI Electric/Instrumentations Eng. Cont.(Pty)		1,299	4,771	-	86.67	-	86.67	-	-	-	-
ZEST WEG Investment Company (Pty) Ltd.		145,353	16,185	-	64.70	-	64.70	-	-	-	-
WEG Germany GmbH		73,420	(512)	-	100.00	-	100.00	-	-	-	-
Watt Drive GmbH		6,786	(1,262)	-	100.00	-	100.00	-	-	-	-
Wurttembergische Elektromotoren GmbH		26,913	2,660	-	100.00	-	100.00	-	-	-	-
Antriebstechnik KATT Hessen GmbH		(39,109)	(14,389)	-	100.00	-	100.00	-	-	-	-
TGM Kanis Turbinen GmbH		86,329	9,633	-	42.86	-	42.86	-	-	-	-
WEG Equipamentos Electricos S.A.		187,360	23,533	10.45	89.55	10.45	89.55	8,430	6,141	19,563	13,050
Pulverlux S.A.		29,746	10,415	-	100.00	-	100.00	-	-	-	-
WEG Australia Pty Ltd.		78,556	6,483	-	100.00	-	100.00	-	-	-	-
Watt Drive Antriebstechnik GmbH		128,621	(3,975)	-	100.00	-	100.00	-	-	-	-
WEG International Trade GmbH		1,123,117	1,130,567	-	100.00	-	100.00	-	-	-	-
WEG Holding GmbH		5,891,379	1,610,848	-	100.00	-	100.00	-	-	-	-
WEG Benelux S.A.		90,732	11,739	-	100.00	-	100.00	-	-	-	-
WEG Central Asia LLP		2,126	997	-	100.00	-	100.00	-	-	-	-
WEG Chile S.A.		57,877	17,162	8.00	92.00	8.00	92.00	1,373	828	4,630	5,537
WEG (Nantong) Electric Motor Co., Ltd.		458,384	30,323	-	100.00	-	100.00	-	-	-	-
Changzhou Sinya Electromotor Co., Ltd.		(42,858)	(29,751)	-	100.00	-	100.00	-	-	-	-
Changzhou Yatong Jiewei Elect., Lt.		(36,327)	(18,173)	-	100.00	-	100.00	-	-	-	-
Wuxi Ecovi Technology Co., Ltd.		5,124	(572)	-	100.00	-	100.00	-	-	-	-
WEG (Changzhou) Aut. Equip. Co., Ltd.		(22,883)	(9,190)	-	100.00	-	100.00	-	-	-	-
The First Drive Technology Co., Ltd.		-	(4,092)	-	100.00	-	100.00	-	-	-	-
WEG (Jiangsu) Electric Equip. Co., Ltd.		456,991	64,970	-	100.00	-	100.00	-	-	-	-
WEG Singapore Pte. Ltd.		6,894	1,536	-	100.00	-	100.00	-	-	-	-
WEG Colombia S.A.S.		170,725	27,129	-	100.00	-	100.00	-	-	-	-
WEG Middle East Fze.		(21,309)	6,726	-	100.00	-	100.00	-	-	-	-
WEG Iberia Industrial S.L.		107,555	14,553	-	100.00	-	100.00	-	-	-	-
Autral S.L.U.		(12,609)	1,365	-	100.00	-	100.00	-	-	-	-
WEG Electric Corp.		1,254,841	158,942	-	100.00	-	100.00	-	-	-	-

WEG S.A.
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Company	Country	Shareholders' equity Net	Income (loss) for the year	Interest in capital (%)				Equity in net income of subsidiaries		Equity value of the investment	
				12/31/2021		12/31/2020		12/31/2021	12/31/2020	12/31/2021	12/31/2020
				Direct	Indirect	Direct	Indirect				
Electric Machinery Company LLC	United States	134,376	1,200	-	100.00	-	100.00	-	-	-	-
FTC Energy Group Inc.		-	(9)	-	-	-	100.00	-	-	-	-
Bluffton Motor Works, LLC		436,105	6,862	-	100.00	-	100.00	-	-	-	-
WEG Transformers USA LLC	France	279,632	48,219	-	72.00	-	72.00	-	-	-	-
WEG France SAS		57,211	4,088	-	100.00	-	100.00	-	-	-	-
Zest WEG Group Ghana Ltd.		13,503	2,868	-	100.00	-	100.00	-	-	-	-
E & I Electrical Ghana Ltd.	Gana	(2,040)	39	-	90.00	-	90.00	-	-	-	-
WEG Industries (India) Private Ltd.		260,575	(9,411)	-	100.00	-	100.00	-	-	-	-
WEG (UK) Ltd.		45,235	8,193	-	100.00	-	100.00	-	-	-	-
WEG Italia S.R.L.	Italy	76,188	3,762	-	100.00	-	100.00	-	-	-	-
WEG Electric Motors Japan Co. Ltd.	Japan	5,241	266	-	95.00	-	95.00	-	-	-	-
WEG South East Asia SDN BHD	Malaysia	(8,630)	(7,840)	-	100.00	-	100.00	-	-	-	-
WEG México S.A. de C.V.	Mexico	1,109,624	77,233	-	100.00	-	100.00	-	-	-	-
WEG Transform. México S.A. de C.V.		160,080	61,325	-	72.00	-	72.00	-	-	-	-
Voltran S.A. de C.V.		149,477	23,916	-	72.00	-	72.00	-	-	-	-
WEG Equipos Eléctricos S.A. de C.V.		-	542	-	-	-	100.00	-	-	-	-
WEG Power Systems S.A. de C.V.	Mozambique	-	927	-	-	-	72.00	-	-	-	-
Zest WEG Group Mozambique, Lda		(1,552)	(396)	-	100.00	-	100.00	-	-	-	-
Zest WEG Group Namibia Ent. (Pty) Ltd.		Namibia	230	(36)	-	100.00	-	100.00	-	-	-
WEG Peru S.A.	Peru	25,086	(1,057)	0.05	99.95	0.05	99.95	-	4	13	13
WEG Poland Sp. z.o.o.	Poland	312	(510)	-	100.00	-	-	-	-	-	-
WEGEuro Ind. Eléctrica S.A.	Portugal	194,205	43,568	-	100.00	-	100.00	-	-	-	-
WEG Rus LLC	Russia	27,357	11,583	-	100.00	-	100.00	-	-	-	-
WEG Scandinavia AB	Sweden	31,813	4,377	-	100.00	-	100.00	-	-	-	-
ENI Electrical Tanzania (Pty) Limited	Tanzania	(294)	(94)	-	100.00	-	100.00	-	-	-	-
WEG Elektrik Sanayi Anonim Şirketi	Turkey	701	(551)	-	100.00	-	-	-	-	-	-
WEG Industrias Venezuela C.A.	Venezuela	(4)	3	-	100.00	-	100.00	-	-	-	-
E & I Zambia Ltd.	Zambia	2,138	3,670	-	50.00	-	50.00	-	-	-	-
TOTAL								3,605,739	2,359,471	12,469,374	10,443,777

(*) Equity in net income of subsidiaries companies adjusted for unrealized profits on related party transactions.

The Company's consolidated financial information includes the individual financial information of WEG S.A. and all its subsidiaries. The subsidiaries are fully consolidated as of the date control is obtained. Dividends and interest on own capital received from subsidiaries are considered and valued as investment activities in individual financial statements.

Subsidiaries with negative shareholders' equity are capitalized periodically according to each country's legislation.

12.2 Other investments

The Company and its subsidiaries have recorded other investments in the amount of R\$ 1,265 (R\$ 1,023 as of December 31, 2020).

12.3 Acquisition

Balteau Produtos Eléctricos Ltda.

On September 14, 2021, the Company announced an agreement to acquire Balteau Produtos Eléctricos Ltda., a manufacturer of transformers for instruments and measurement assemblies, located in Itajubá, Minas Gerais. The acquisition is not part of the financial statements of December 31, 2021, due to the approval of Brazil's anti-trust regulatory agency (CADE), which took place on January 24, 2022.

12.4 Corporate event in 2021

V2 Tecnologia Ltda.

In February 2021, the company V2 Indústria e Comércio de Equipamentos Eletrônicos Ltda. was taken over by the company V2 Tecnologia Ltda. The purpose of this restructuring is simplification and synergy of the technical and administrative services, and reduction of operating costs and administrative expenses.

WEG-Cestari Redutores e Motorreductores S.A.

In November 2021, the company Geremia Redutores Ltda was taken over by the company WEG-Cestari Redutores e Motorreductores S.A., with the aim of simplifying the corporate structure and improving operational organization.



Mergers in Mexico

In October 2021, the companies WEG Equipos Eléctricos S.A. de C.V. and WEG Power Systems S.A. de C.V. were taken over by the companies WEG México S.A. de C.V. and Voltran S.A. de C.V. (respectively), to simplify the corporate structure.

13 PROPERTY, PLANT AND EQUIPMENT

	PARENT COMPANY		CONSOLIDATED	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Land	1,440	1,440	498,296	508,645
Constructions and facilities	5,639	5,639	2,267,573	2,127,181
Equipment	-	-	5,962,541	5,142,824
Furniture and fixtures	-	-	202,426	186,089
Hardware	-	-	203,314	177,206
Construction in process	-	-	298,537	449,906
Reforestation	-	-	61,242	59,816
Other	-	-	155,399	83,271
Total property, plant and equipment	7,079	7,079	9,649,328	8,734,938
Accumulated depreciation/depletion	(3,034)	(2,947)	(4,548,277)	(4,136,208)
	Annual depreciated rate (%)			
Constructions and facilities	02-03	(3,034)	(2,947)	(712,513)
Equipment	05-20	-	-	(3,494,644)
Furniture and fixtures	07-10	-	-	(137,346)
Hardware	20-50	-	-	(140,783)
Reforestation	-	-	-	(27,798)
Other	-	-	-	(35,193)
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	4,045	4,132	5,101,051	4,598,730

a) Summary of changes in property, plant and equipment - Consolidated:

Class	12/31/2020	Transfer among classes	Acquisitions	Net write-offs	Deprec. and depletion	Foreign exchange effect	12/31/2021
Land	508,645	(15,504)	-	(1,241)	-	6,396	498,296
Constructions/facilities	1,496,662	42,230	28,812	(2,689)	(58,986)	49,031	1,555,060
Equipment	1,954,005	344,557	416,667	(16,069)	(289,943)	58,680	2,467,897
Furniture and fixtures	58,117	(26)	18,161	(779)	(10,794)	401	65,080
Hardware	52,722	779	27,288	(527)	(18,232)	501	62,531
Construction in process	449,906	(371,447)	207,167	-	-	12,911	298,537
Reforestation	32,650	-	1,427	-	(633)	-	33,444
Advances to suppliers	20,539	(3,710)	69,123	-	-	1,356	87,308
Other	25,484	2,519	12,204	(2,127)	(5,819)	637	32,898
Total	4,598,730	(602)	780,849	(23,432)	(384,407)	129,913	5,101,051

Previous year	12/31/2019	Transfer among classes	Allocation of PPA - Geremia	Consolidated TGM Kanis	Acquisitions	Net write-offs	Deprec. and depletion	Foreign exchange effect	12/31/2020
Total	3,776,561	(82)	15,763	42,805	625,651	(17,541)	(323,394)	478,967	4,598,730

b) Construction in progress – The Company has investments in construction in progress as of December 31, 2021 in the amount of R\$ 298,537 (R\$ 449,906 as of December 31, 2020) and the most relevant investments in Mexico unit, which amounted to R\$ 76,002 (R\$ 316,558 as of December 31, 2020).

c) Amounts offered as collateral – Property, plant and equipment were offered as collateral for loans, financing, and labor- and tax-related lawsuits in the consolidated amount of R\$ 32,977 (R\$ 31,166 at December 31, 2020).



d) Impairment test – The assessment of the recoverability indicators of the PP&E of the Company and its subsidiaries did not result in the need to recognize a loss in the financial year ended December 31, 2021.

14 RIGHT-OF-USE IN LEASES

The Company and its subsidiaries adopted the Technical Pronouncement CPC 06 (R2) (IFRS 16) Leases, which introduces a single model of accounting of leases in the balance sheet to lessees.

	CONSOLIDATED	
	12/31/2021	12/31/2020
Real estate	574,910	391,123
Machinery and equipment	32,481	23,765
Hardware	925	885
Vehicles	32,475	26,703
Total lease	640,791	442,476
Accumulated depreciation	(237,070)	(163,996)
Real estate	(200,285)	(138,580)
Machinery and equipment	(16,788)	(11,049)
Hardware	(591)	(369)
Vehicles	(19,406)	(13,998)
TOTAL NET	403,721	278,480

a) Summary of changes in right-of-use in leases:

Class	12/31/2020	Transfer among classes	Additions	Net write-offs	Depreciation	Foreign exchange effect	12/31/2021
Real estate	252,543	91,569	122,867	(12,929)	(80,232)	807	374,625
Machinery and equipment	12,716	(32)	8,972	(189)	(6,186)	412	15,693
Hardware	516	-	-	-	(204)	22	334
Vehicles	12,705	351	9,284	(289)	(8,888)	(94)	13,069
Total	278,480	91,888	141,123	(13,407)	(95,510)	1,147	403,721

Previous year	12/31/2019	Transfer among classes	Additions	Net write-offs	Depreciation	Foreign exchange effect	12/31/2020
Total	204,623	-	113,394	(9,692)	(82,400)	52,555	278,480



15 INTANGIBLE ASSETS – CONSOLIDATED

	Amortization/number of years	Cost	Accumulated amortization	12/31/2021	12/31/2020
Software license	5	253,941	(178,981)	74,960	65,534
Right-of-use of property	30–80	-	-	-	85,237
Trademarks and patents	5	77,789	(70,494)	7,295	9,144
Projects	5	93,963	(42,829)	51,134	47,583
Other	5	286,844	(232,153)	54,691	69,267
Subtotal		712,537	(524,457)	188,080	276,765
Goodwill in the acquisition of subsidiaries	-	1,383,661	(21,353)	1,362,308	1,318,710
TOTAL		2,096,198	(545,810)	1,550,388	1,595,475

a) Summary of changes in intangible assets:

Class	12/31/2020	Transfer among classes	Additions	Net write-offs	Amortization	Foreign exchange effect	12/31/2021
Software license	65,534	(1,217)	27,855	(473)	(17,125)	386	74,960
Right-of-use of property	85,237	(91,888)	-	-	(1,952)	8,603	-
Trademarks and patents	9,144	325	3	-	(2,301)	124	7,295
Projects	47,583	3,152	38,637	(37,025)	(1,273)	60	51,134
Other	69,267	(1,658)	-	(22)	(17,610)	4,714	54,691
Subtotal	276,765	(91,286)	66,495	(37,520)	(40,261)	13,887	188,080
Goodwill in the acquisition of subsidiaries	1,318,710	-	-	-	-	43,598	1,362,308
Total	1,595,475	(91,286)	66,495	(37,520)	(40,261)	57,485	1,550,388

Previous year	12/31/2019	Transfer among classes	Allocation of PPA - Geremia	Consolidated TGM Kanis	Additions	Net write-offs	Amortization	Foreign exchange effect	12/31/2020
Total	1,319,746	82	(15,763)	8,022	89,998	(13,728)	(45,565)	252,683	1,595,475

b) Breakdown of the balance of goodwill per cash-generating unit:

	12/31/2021	12/31/2020
Electric Machinery Company LLC	273,178	254,390
Commercial Motors and Appliance North America	227,651	211,994
WEG Equipamentos Elétricos S.A.	187,225	187,225
China Group	159,655	144,375
Industrial Gear Motors and Gear Trains	123,289	123,676
Zest WEG Group Africa (Pty) Ltd.	105,455	106,722
WEG Colombia S.A.S.	66,520	73,803
Paumar S.A. Indústria e Comércio	65,498	65,498
Other	153,837	151,027
TOTAL	1,362,308	1,318,710

Amortization schedule of intangible assets (except for goodwill)

	12/31/2021
2022	42,074
2023	38,267
2024	34,677
2025	28,330
2026	13,337
>2027	31,395
TOTAL	188,080



e) Recoverability test:

In 2021, the Company performed goodwill impairment tests. The tests are conducted annually, and are moved up if events or circumstances warrant such need.

The recoverable amount is calculated using the discounted cash flow method, according to existing information on the market in which each business operates, which have specific targets and goals based on conditions for achieving the assumptions in a way that shows improvement of consistent gradual performance. The main assumptions used by the Company to calculate the value in use are as follows:

- **Evaluation period:** the valuation of the cash-generating unit is performed for a five-year period, after which perpetuity of the operation is considered.
- **Growth rate:** the growth rate of revenues, costs and expenses was projected considering the budget for the first year, and, as of the second year, the forecast GDP and inflation specific to each market.
- **Discount rate:** the discount rate used was based on each country's Weighted Cost of Capital (WACC) of the average for companies in the same field of activity; in the Americas, the change was 7.72–50.02%; in Europe 7.05–8.84%; in Asia 9.37–13.23%; and in Africa at 15.91%.
- **Perpetuity:** considering the same growth rates (GDP and inflation) used in the projection of revenues, costs and expenses.
- **Investment:** investment estimates were prepared according to the realization (depreciation) of the assets in operation, with the aim of keeping the industrial complex up to date.
- **Sensitivity analysis:** scenarios of 10% change were considered for the discount rate, growth rate and perpetuity; in all cases, the value in use exceeds the book values of the cash-generating unit.

The asset recoverability tests of the Company and its subsidiaries did not result in a need to recognize loss in the year ended December 31, 2021.

16 TRADE PAYABLES

	CONSOLIDATED	
	12/31/2021	12/31/2020
Breakdown of balances:		
Domestic market	851,995	558,899
Foreign market	1,268,343	690,469
TOTAL	2,120,338	1,249,368



17 LOANS AND FINANCING

Description	Annual charges at 12/31/2021	CONSOLIDATED	
		12/31/2021	12/31/2020
IN LOCAL CURRENCY			
CURRENT		7,769	12,289
In reais (R\$), fixed rate			
Working capital		-	3,931
Property, plant and equipment	2.5–6% p.a.	1,068	2,369
In reais (R\$), floating rate			
Working capital		-	783
Working capital	116% and 119% CDI	6,701	5,156
Other			
Other		-	50
NON-CURRENT		35,818	48,193
In reais (R\$), fixed rate			
Working capital		-	5,050
Property, plant and equipment	2.5–6% p.a.	818	3,044
In reais (R\$), floating rate			
Working capital	116% CDI	35,000	40,000
Other			
Other		-	99
IN FOREIGN CURRENCY			
CURRENT		1,044,275	629,995
In US Dollars			
Working capital	Fixed: 3.7–3.9% p.a. Floating: LIBOR (+) 1.4% p.a.	937,467	442,044
Export pre-payment (PPE)	LIBOR (+) 0.65% p.a. 1.06% p.a.	1,047	-
In Euros			
Working capital	Euribor (+) 1.0% p.a.	10,278	16,069
In Mexican pesos			
Working capital	TIIE (+) 0.9% p.a.	53,209	50,984
In Colombian Pesos			
Working capital		-	37,141
In Rand (South Africa)			
Working capital	5.5–9.25% p.a.	28,877	80,160
Other Currencies			
Working capital	Domestic market rates	13,397	3,597
NON-CURRENT		701,253	996,103
In US Dollars			
Working capital	Fixed: 3.7–3.9% p.a. Floating: LIBOR (+) 1.4% p.a.	-	857,802
Export pre-payment (PPE)	LIBOR (+) 0.65% p.a. 1.06% p.a.	557,990	-
In Euros			
Working capital	EURIBOR	8,247	10,331
In Mexican pesos			
Working capital	TIIE (+) 0.9% p.a.	79,040	125,942
Other Currencies			
Working capital	Domestic market rates	55,976	2,028
TOTAL LOANS AND FINANCING		1,789,115	1,686,580
Total current		1,052,044	642,284
Total non-current assets		737,071	1,044,296

FINAME operations are guaranteed by sureties and liens.

a) Maturity date of long-term loans and financing:

	12/31/2021	12/31/2020
2022	-	864,701
2023	564,151	1,350
2024	139,659	136,854
>2025	33,261	41,391
TOTAL	737,071	1,044,296



b) Changes in loans and financing are as follows:

Balance at 01/01/2020	2,284,969
Funding	211,487
Provision for interest	8,269
Amortization	(1,674,612)
Interest payment	(11,784)
Exchange-rate change	868,251
Balance at 12/31/2020	1,686,580
Funding	503,206
Provision for interest	(943)
Amortization	(241,149)
Interest payment	(52,680)
Exchange-rate change	(105,899)
Balance at 31/12/21	1,789,115

18 PROVISIONS FOR CONTINGENCIES

The Company and its subsidiaries are parties in tax, labor and civil lawsuits and administrative proceedings, deriving from the normal course of business. The respective provisions were set up for lawsuits whose likelihood of loss was assessed as “probable” based on the estimate of the value at risk determined by the Company’s legal counsel. Company Management estimates that the provisions that have been set up for contingencies are sufficient to cover possible losses from the lawsuits in progress.

a) Balance of provisions for contingencies:

	PARENT COMPANY		CONSOLIDATED	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
(i) Tax:	4,730	4,730	292,232	285,528
- IRPJ and CSLL (a.1)	-	-	145,768	143,032
- INSS (National Institute for Social Security) (a.2)	4,730	4,730	60,015	59,803
- PIS and COFINS (a.3)	-	-	74,265	69,452
- Other	-	-	12,184	13,241
(ii) Labor	-	-	214,732	196,971
(iii) Civil	-	-	132,337	126,241
(iv) Other	-	-	3,870	3,965
TOTAL	4,730	4,730	643,171	612,705

b) Statement of changes for the year – Consolidated

	12/31/2020	Additions	Interest	Write-offs	Reversals	12/31/2021
a) Tax	285,528	11,575	1,733	-	(6,604)	292,232
b) Labor	196,971	36,343	2,579	(13,635)	(7,526)	214,732
c) Civil	126,241	36,131	3,105	(21,831)	(11,309)	132,337
d) Other	3,965	36	-	-	(131)	3,870
TOTAL	612,705	84,085	7,417	(35,466)	(25,570)	643,171
Previous year	12/31/2019	Additions	Interest	Write-offs	Reversals	12/31/2020
TOTAL	551,578	117,927	7,447	(49,903)	(14,344)	612,705

c) The provisions recorded are mainly related to:

(i) Tax contingencies

- (a.1) Refers to the lawsuit for the difference in the IPC of January 1989 (“Plano Verão”) on monetary correction of 16.24% and the lawsuit to exclude expenditures on RD&I projects from taxable income (“Lei do Bem”).
- (a.2) Refers to Contributions owed to Brazilian Social Security. The legal discussions refer to social security charges levied on private pension, profit sharing, education allowance, and others.
- (a.3) Refers to the non-approval – by Brazil’s Federal Revenue Service – of the request for offsetting the PIS and COFINS credit balance against federal tax debts.



(ii) Labor contingencies

The Company and its subsidiaries are being sued in labor lawsuits mainly involving discussions about additional pay for unhealthy working conditions, hazardous working conditions, among others.

(iii) Civil contingencies

These mostly correspond to civil lawsuits, including those for moral and aesthetic damages, occupational diseases, and compensation arising from work-related accidents.

d) Judicial deposits:

	PARENT COMPANY		CONSOLIDATED	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Tax	4,657	4,657	62,959	41,514
Labor and civil	-	-	13,732	23,905
Other	-	-	117	117
TOTAL AMOUNT OF RESTRICTED DEPOSITS	4,657	4,657	76,808	65,536
- Judicial Deposits not pegged	-	-	5,427	4,619
TOTAL JUDICIAL DEPOSITS	4,657	4,657	82,235	70,155

Judicial deposits not linked to contingencies are awaiting a court order to release the funds.

e) Possible contingencies:

The Company and its subsidiaries are parties to other discussions whose likelihood of loss is considered “possible” and for which no provisions for contingencies were formed.

As of December 31, 2021, the estimated amounts of such discussions totaled R\$ 951,530 (R\$ 432,599 as of December 31, 2020).

(i) Tax

- Taxation on profits earned abroad: Refers to tax assessment notices issued by the Brazilian Federal Revenue Service for the years 2007, 2008, 2013, 2015, 2016 and 2017, in the estimated amount of R\$ 751.5 million. The Company is disputing these administrative and judicial tax assessment notices, and the interim decisions at the judicial level obtained thus far have validated the tax treatment applied, leading the Company to maintain the same tax practice for the years 2018 to 2021, keeping the same level of exposure to this matter. The Company believes that it is likely that the tax authority will be judicially compelled to accept the tax treatment adopted.
- Incidence of the ICMS-ST tax on raw material purchase operations, in the amount of R\$ 26.9 million (R\$ 26.4 million at December 31, 2020);
- Incidence of Social Security Contribution on Dental Assistance, School Allowance, Technical Courses and Education Allowance, in the amount of R\$ 23.9 million (R\$ 23.7 million at December 31, 2020);
- Non-approval of IPI credits in the amount of R\$ 15.0 million (R\$ 14.8 million as of December 31, 2020);
- Other tax contingencies in the amount of R\$ 64.4 million (R\$ 37.5 million as of December 31, 2020).

(ii) Civil

- 3Z Movimentação Inteligente Ltda., in the estimated amount of R\$ 33.4 million (R\$ 29.2 million at December 31, 2020);
- Saraiva Equipamentos Ltda. and Saraiva Engenharia Ltda., in the estimated amount of R\$ 17.1 million (R\$ 17.1 million at December 31, 2020);
- Mapfre Seguros Gerais S.A. in the estimated amount of R\$ 12.0 million;
- Other civil contingencies in the amount of R\$ 7.3 million (R\$ 7.3 million as of December 31, 2020).

19 PENSION PLAN

The Company and its subsidiaries are sponsors of WEG Seguridade Social, which is primarily engaged in supplementing the retirement benefits provided by Brazil’s official Social Security system.

The Plan – administered by WEG Seguridade Social – includes the benefits of monthly income (retirement), annual bonus, supplementary sickness pay, supplementation of disability retirement, supplementation of the pension for death, supplementation of annual bonus, and survivor benefits.

The number of participants is 23,325 (21,043 as of December 31, 2020). The Company and its subsidiaries made contributions totaling R\$ 45,311 (R\$ 46,389 as of December 31, 2020).

Based on actuarial calculations performed by independent actuaries, with the aim of defining the net liability between the defined benefit obligation and the fair value of plan assets, according to the procedures established by CVM Resolution



695/12 – CPC 33 (R1) (IAS 19) Employee Benefits, we have not identified material post-employment liabilities to be recognized by the Company.

20 SHAREHOLDERS' EQUITY

a) Capital

The Company's capital is R\$ 5,504,517 (R\$ 5,504,517 as of December 31, 2020), represented by 4,197,317,998 nominative common shares with no par value, all with voting rights, including 1,306,348 shares under treasury as item "d".

At the Annual General Meeting and Extraordinary Meeting General of Shareholders ("AGM/EGM") held on April 27, 2021, the split of all shares (without par value) issued by the Company was approved, in such a way that each 1 (one) common share becomes represented by 2 (two) shares of the same type, with no change in capital stock. The shareholding position considered for the split of common shares issued by the Company is the one existing at April 27, 2021.

At the Meeting of the Board of Directors held on February 15, 2022, the board members approved to submit – to the AGM/EGM – a capital increase from R\$ 5,504,517 to R\$ 6,504,517, by absorbing R\$ 1,000,000 of the balance of profit reserve, without increasing the number of shares.

b) Dividends and interest on own capital

The Articles of Organization provide for the distribution of at least 25% of the adjusted net income, and Management proposed the following:

	12/31/2021	12/31/2020
NET INCOME FOR THE YEAR ATTRIBUTABLE TO CONTROLLING SHAREHOLDERS	3,585,947	2,340,873
(-) Legal reserve	(179,297)	(117,043)
(-) Reversal (complement) of provision for stock option plan	(5,264)	(5,653)
(+) Reversal of dividends from prior years	452	902
(+) Realization of revaluation reserve (1989) and deemed cost (2010)	24,470	31,742
CALCULATION BASIS FOR DIVIDENDS	3,426,308	2,250,821
First-semester dividends paid R\$ 0.15818/share (R\$ 0.12680 in 2020)	663,691	265,992
Interest on own capital for the first semester paid R\$ 0.04620/share (R\$ 0.0582 in 2020), Withholding Tax (IRRF) R\$ 23,565 (R\$ 21,544 in 2020)	157,101	143,627
Second-semester dividends R\$ 0.20520/share (R\$ 0.34936 in 2020)	861,037	732,874
Interest on own capital for the second semester was R\$ 0.04480/share (R\$ 0.06065 in 2020), Withholding Tax (IRRF) R\$ 33,173 (R\$ 22,452 in 2020)	221,154	149,680
Total dividends/interest on own capital for the year	1,902,983	1,292,173

Interest on own capital, pursuant to article 37 of the Articles of Organization and article 9 of Law 9249/95, will be attributed to mandatory dividends and will be paid as from March 16, 2022.

c) Formation of profit reserves:

- **Legal reserve** – Recorded in the amount of R\$ 179,297 (R\$ 117,043 at December 31, 2020), equivalent to 5% of net income for the year, complying with the limit of 20% of the capital;
- **Capital budget reserve** – Corresponds to the remaining amount of net income for the year R\$ 1,503,667, plus the balance of retained earnings R\$ 19,658 (due to the realization of deemed cost (2010), a complement of a provision of the stock option plan exercised and the reversal of dividends from previous years) that are allocated to the capital budget reserve for the investment plan for 2022.

d) Treasury shares

The shares acquired by the Company are held in treasury for use by the beneficiaries of the Stock Option Plan and the Company's Long-Term Incentive Plan, or subsequent cancellation/disposal.

As of December 31, 2021, the beneficiaries of the Stock Option Plan and the Company's ILP Plan were exercised in the amount of 531,548 shares. The Company holds 1,306,348 shares in treasury, at an average cost of R\$ 8.59 per share, in the total amount of R\$ 11,216 (R\$ 15,779 at December 31, 2020).



21 LONG-TERM INCENTIVE PLAN (ILP PLAN)

The EGM held on June 28, 2016 approved the share-based compensation plan, called Long-Term Incentive Plan (“ILP” Plan) in favor of its directors and officers.

(i) Plan

The Plan – managed by the Board of Directors – aims to grant shares issued by WEG S.A. (“Company”) characterized by B3 as “WEGE3” to directors and managers, with the objective of attracting, motivating and retaining them, as well as aligning their interests with the interests of the Company and its shareholders.

For the application of the ILP Plan, and the consequent granting of shares, each year it is an essential condition (trigger) that the Company – in the immediately preceding year – obtained at least 10% (ten percent) of Return on Invested Capital (ROIC).

The shares to be granted by the ILP Plan are limited to a maximum of 2% (two percent) of the total amount shares representing the Company’s capital stock.

The availability of shares granted to participants is established in clauses 7 and 8 of the ILP Plan, which sets out the criteria for determining the amount of shares to be granted and the grace period to be fulfilled.

The Plan may be terminated, suspended or amended, at any time, through a proposal approved by the Company’s Board of Directors.

(ii) Program

The Board of Directors may approve Long-Term Incentive Programs (“Programs”) annually, whereby the participants, the number of shares, the value per share, and other specific rules for each Program will be defined.

Programs

The participants in the programs are the officers of the Company and its subsidiaries headquartered in Brazil, excluding the officers of subsidiaries with third-party ownership interest.

The Programs were updated on April 27, 2021, in view of the split of all shares issued by the Company, with no par value, in such a way that each 1 (one) current share is now represented by 2 (two) shares of the same type, with the new market values being considered at the strike price and the increment of shares for the number of shares granted. Said update has no impact on the calculation made at the start of the Program.

Plan program	Number of shares granted	Share value (R\$)	Amount of expenses to be appropriated during the term (R\$'000)
2016	354,167	11.95	4,232
2017	297,069	19.25	5,719
2018	331,010	18.72	6,197
2019	184,468	37.48	6,914
2020	80,651	86.25	6,957

Summary of the transactions of the plan’s shares:

Plan program	12/31/2020	Granted	Split	Exercised	Canceled	In cash	<i>Number of shares</i>
							12/31/2021
2016	133,083	-	53,821	(74,113)	(5,149)	-	107,642
2017	171,313	-	96,027	(69,854)	(5,432)	-	192,054
2018	263,851	-	172,674	(83,428)	(7,749)	-	345,348
2019	152,641	-	139,063	(9,508)	(4,070)	-	278,126
2020	-	80,651	73,981	-	-	(6,670)	147,962
TOTAL	720,888	80,651	535,566	(236,903)	(22,400)	(6,670)	1,071,132

As of December 31, 2021, expenses in the amount of R\$ 9,443 (R\$ 9,600 s of December 31, 2020) were recorded under “other income (loss)” in the statement of income for the year as a contra-entry of capital reserve in the shareholders’ equity.



The shares exercised as at December 31, 2021 amounted to R\$ 8,629 (R\$ 12,500 at December 31, 2020), and the amount of R\$ 7,360 (R\$ 10,010 at December 31, 2020) was recorded under Capital Reserve in shareholders' equity, and the amount of R\$ 1,269 (R\$ 2,490 at December 31, 2020) as a complement to the provisioned amount was recorded under "Other Income" in the statement of income for the year.

22 STOCK OPTION PLAN

At the EGM held on June 28, 2016, voting participants approved the discontinuation of the Company's Stock Option Plan, approved at the EGM held on February 22, 2011 and subsequent amendments, respecting the agreements already signed and not yet concluded.

The Programs were updated on April 27, 2021, in view of the split of all shares issued by the Company, with no par value, in such a way that each 1 (one) current share is now represented by 2 (two) shares of the same type with the new market values being considered at the strike price and the increment of shares for the number of shares granted. Said update has no impact on the calculation made at the start of the Program.

Summary of the transactions of the plan's shares:

Plan program	<i>Number of shares</i>				
	12/31/2020	Split	Canceled	Exercised	12/31/2021
March 2015	27,862	-	-	(27,862)	-
August 2015	34,636	34,636	(4,160)	(65,112)	-
March 2016	59,088	33,834	(17,160)	(41,354)	34,408
TOTAL	121,586	68,470	(21,320)	(134,328)	34,408

Expenses on stock options are recorded during the vesting period.

Options exercised as of December 31, 2021 totaled R\$ R\$ 5,292 (R\$ 6,616 as of December 31, 2020), and recorded under "capital reserve" in the shareholders' equity in the amount of R\$ 28 (R\$ 962 as of December 31, 2020) and the amount of R\$ 5,264 (R\$ 5,653 as of December 31, 2020) as a supplement to the amount provisioned recorder under "retained earnings".

23 NET REVENUE

BREAKDOWN OF NET REVENUE	CONSOLIDATED	
	12/31/2021	12/31/2020
Gross revenue	26,860,062	19,926,694
Domestic market	13,411,640	9,596,916
Foreign market	13,448,422	10,329,778
Deductions	(3,296,724)	(2,457,137)
Taxes	(2,886,737)	(2,074,858)
Returns/Rebates	(409,987)	(382,279)
Net revenue	23,563,338	17,469,557
Domestic market	10,742,376	7,629,787
Foreign market	12,820,962	9,839,770
North America	5,494,049	4,410,683
South and Central America	1,602,795	999,298
Europe	3,324,661	2,756,114
Africa	861,785	658,956
Pacific Asia	1,537,672	1,014,719



24 CONSTRUCTION AGREEMENTS

Revenues and costs from construction contracts are recognized according to the execution of each project by the percentage of costs incurred method, considering the legal possibility of demanding payment by the customer or for the delivery of the product to the customer (transfer of control).

	CONSOLIDATED	
	12/31/2021	12/31/2020
Gross operating revenues recognized	2,037,705	1,286,258
Incurred costs	(1,768,818)	(1,011,372)
	12/31/2021	12/31/2020
Advances received	1,052,014	262,046

25 OPERATING EXPENSES BY TYPE AND FUNCTION

TYPE OF EXPENSE	CONSOLIDATED	
	12/31/2021	12/31/2020
	(19,404,995)	(14,657,103)
Depreciation, amortization and depletion	(520,178)	(451,359)
Personnel expenses	(4,228,440)	(3,532,359)
Raw materials and use and consumption material	(11,898,944)	(8,153,369)
Freight insurance expenses	(648,794)	(431,254)
Other expenses	(2,108,639)	(2,088,762)
	(19,404,995)	(14,657,103)
PURPOSE OF THE EXPENSE		
Cost of products sold and services rendered	(16,602,381)	(12,032,050)
Sales expenses	(1,833,204)	(1,506,817)
Administrative and general expenses	(776,007)	(654,469)
Other operating revenues/expenses	(193,403)	(463,767)

26 OTHER OPERATING REVENUES/EXPENSES

The amounts recorded refer to profit sharing, reversal/provision of tax lawsuits, and others, as shown below:

	CONSOLIDATED	
	12/31/2021	12/31/2020
OTHER OPERATING REVENUE	455,126	46,369
Recognition of tax credit - Exclusion of ICMS from PIS/COFINS calculation basis	368,113	-
Other	87,013	46,369
OTHER OPERATING EXPENSES	(648,529)	(510,136)
Profit sharing - Employees	(474,315)	(349,711)
Profit sharing - Foreign subsidiaries	(70,052)	(56,995)
Management profit sharing	(25,257)	(25,122)
Share-based plan	(10,712)	(12,118)
Other	(68,193)	(66,190)
TOTAL NET	(193,403)	(463,767)



27 NET FINANCIAL INCOME (LOSS)

	PARENT COMPANY		CONSOLIDATED	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
FINANCIAL REVENUES	126	(7,063)	992,739	1,020,426
Yield from short-term investments	38,630	22,713	123,013	84,885
Exchange rate change	-	-	597,254	765,582
Exchange-rate changes - Trade payables	-	-	53,635	82,298
Exchange-rate change – Trade receivables	-	-	385,350	286,726
Foreign exchange-rate - loans	-	-	71,759	85,878
Exchange-rate change - Other	-	-	86,510	310,680
PIS/COFINS over interest on own capital	(37,173)	(29,150)	(37,173)	(29,150)
PIS/COFINS on financial revenues	(1,819)	(1,141)	(20,401)	(7,203)
Derivatives	-	-	84,914	128,352
PROEX – Interest Rate Equaliz.	-	-	34,462	37,936
Accrued interest over tax credit - Exclusion of ICMS from PIS/COFINS calculation basis	-	-	150,510	-
Other revenues	488	515	60,160	40,024
FINANCIAL EXPENSES	(4,027)	(2,769)	(821,046)	(1,090,101)
Interest on loans and financing	-	-	(51,969)	(76,844)
Exchange rate change	(4)	-	(542,791)	(843,166)
Exchange-rate changes - Trade payables	-	-	(60,897)	(151,728)
Exchange-rate change - Trade receivables	-	-	(290,846)	(242,139)
Foreign exchange-rate - loans	-	-	(115,220)	(185,765)
Exchange-rate change - Other	(4)	-	(75,828)	(263,534)
Derivatives	-	-	(152,968)	(98,174)
Other expenses	(4,023)	(2,769)	(73,318)	(71,917)
NET FINANCIAL INCOME (LOSS)	(3,901)	(9,832)	171,693	(69,675)

28 PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION

The Company and its subsidiaries in Brazil calculate corporate income tax and social contribution according to the “taxable income” method, except for WEG Administradora de Bens Ltda. and Agro Trafo Miner., Agric., Pec. and Administradora de Bens Ltda., which calculate said taxes according to the “presumed profit” method. Provision for income tax was formed at the rate of 15% plus a surcharge of 10% and social contribution with rate of 9%. The taxes of subsidiaries abroad are recorded pursuant to each country’s legislation.

	PARENT COMPANY		CONSOLIDATED	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Reconciliation of income tax and social contribution:				
Income before income taxes	3,587,089	2,340,533	4,330,036	2,746,649
Nominal rate	34%	34%	34%	34%
IRPJ and CSLL calculated at nominal rate	(1,219,610)	(795,781)	(1,472,212)	(933,861)
Adjustments for calculation of effective income tax and social contribution:				
Income (loss) from investments in subsidiaries	1,225,951	802,220	24,285	14,882
Difference in tax rates on earnings abroad	-	-	399,621	318,611
Tax incentives	-	-	238,095	162,716
Interest on own capital	(8,031)	(7,422)	129,934	100,557
Other adjustments	548	1,323	7,721	(13,597)
IRPJ and CSLL on income	(1,142)	340	(672,556)	(350,692)
Current tax	(1,414)	(324)	(693,854)	(500,450)
Deferred tax	272	664	21,298	149,758
Effective rate - %	0.03%	-0.01%	15.53%	12.77%



29 INSURANCE COVERAGE

The Company and its subsidiaries have a Worldwide Insurance Program (WIP), within which we highlight the global policies implemented, including: Shipping (Exports, Imports, and Domestic), General Civil Liability and Products, Civil Liability - Directors and Officers (D&O), Operational/Property Risk, Environmental Pollution, Performance Bond, and Engineering Risk (Construction Work, Installation, Assembly and Commissioning). Insurance policies are issued only with top-tier multinational insurance companies. Below is the Maximum Indemnifiable Limit (MIL) of the policies that comprise the WIP:

Policy	Maximum Indemnity Limit (LMI)	Maturity
Operating risks (Property)	US\$ 36 million	03/31/2022
Loss of profit	US\$ 15 million (for Paint companies with a six-month indemnity period)	03/31/2022
General liability	US\$ 10 million	09/12/2022
Civil liability - Products	US\$ 40 million	09/12/2022
National Transportation	R\$ 12 million per shipment/accumulation/voyage	11/01/2022
International transport import/export	US\$ 6 million per shipment /accumulation/trip	11/01/2022
Environmental pollution	USD 15 million	09/12/2022
Contractual guarantee	As contractually stipulated	Pursuant to agreement / delivery
Engineering Risk - Installation and Assembly	According to the amount at risk of the contracts, limited to R\$ 200 million in Brazil, US\$ 30 million in Latin America (except Cuba), and US\$ 5 million in the United States	According to the work/supply schedule
Management civil liability (D&O)	US\$ 30 million	03/12/2022

30 FINANCIAL INSTRUMENTS - CONSOLIDATED

The Company and its subsidiaries valued their financial instruments (including derivatives) recorded in the financial statements, reporting the following amounts:

	BOOK VALUE	
	12/31/2021	12/31/2020
Cash and cash equivalents	2,714,427	3,892,140
Cash and banks	529,822	584,332
Short-term investments:	2,184,605	3,307,808
- In local currency	1,845,024	2,756,033
- In foreign currency	339,581	551,775
Short-term investments	502,708	592,794
Derivatives	409,337	525,140
- Non-deliverable forwards - NDF	13,937	2,919
- Designated as hedge accounting	395,400	522,221
Total – Assets	3,626,472	5,010,074
Loans and financing	1,789,115	1,686,580
- In local currency	43,587	60,482
- In foreign currency	1,745,528	1,626,098
Derivatives	17,324	20,511
- Non-deliverable forwards - NDF	728	8,221
- SWAP	3,197	6,500
- Designated as hedge accounting	13,399	5,790
Total – Liabilities	1,806,439	1,707,091

All financial instruments recognized in the consolidated financial statements at book value, which are, materially similar to amounts measured at fair value.



Category of financial instruments

Short-term investments and derivatives were classified as fair value through profit or loss; other financial instruments were classified as amortized cost.

Fair value hierarchy

Cash, banks and short-term investments were classified at level 1 of the hierarchy, while the other financial assets and liabilities were classified at level 2.

30.1 Risk factors

The risk factors of financial instruments are basically related to the following:

a) Credit risks

It arises from the possibility of subsidiaries not recovering amounts from transactions rendered or from credits held with financial institutions generated by short-term investments. To mitigate the risk derived from sales operations, Company's subsidiaries adopt the practice of analyzing its clients' economic and financial condition, defining a credit limit, and permanent following up on its outstanding positions. As for its short-term investments, the Company and its subsidiaries invest in low credit risk institutions. The maximum exposure to credit risk is the book values of the assets presented in the table above, in addition to the amount of R\$ 4,317,393 classified as trade accounts receivable. The Company believes that for the assets derived from trades receivable, there is a high risk of loss, in the amount of R\$ 41,742 and an average risk of loss of R\$ 7,024, considering the internal valuations performed from the perspective of the risk of non-receipt of these assets.

b) Foreign currency risks

The Company and its subsidiaries export and import goods in different currencies, and manage/monitor foreign exchange exposure, seeking to balance their financial assets and liabilities within the limits established by Management. The short/long (net) exchange exposure limit may be up to the equivalent of one month's worth of exports in foreign currencies, as defined by the Company's Board of Directors.

As at December 31, 2021, the Company and its subsidiaries carried out exports in the amount of US\$ 845.4 million (US\$ 549.6 million at December 31, 2020), representing a natural hedge for part of the debt and other costs pegged to other currencies, mainly in US dollars.

c) Debt charge risks

These risks arise from the possibility of subsidiaries incurring in losses due to fluctuations in interest rates or other debt indexes that might increase its financial expenses on loans and financing obtained in the market or decrease the financial revenues from subsidiaries' short-term investments. The Company and its subsidiaries continuously monitor market interest rates to assess the possible need to protect against the risk of volatility in these rates.

d) Liquidity risk

It is the risk of the Company not having sufficient net funds to honor its financial commitments due to a time or volume mismatch between foreseen receipts and payments. The table below summarizes the contractual obligations that may impact the Company's liquidity:

Contractual obligations	< 1 year	1–5 years	>5 years	Total at 12/31/2021
Loans and financing	1,052,044	727,071	10,000	1,789,115
Derivatives	17,324	-	-	17,324
Total – Liabilities	1,069,368	727,071	10,000	1,806,439



30.2 Derivative financial instruments

The Company and its subsidiaries have the following operations with derivative financial instruments:

Operation	Currency	Notional value	Purpose (hedge)
Non-deliverable forwards NDF	USD/BRL	73,000	Fluctuation in foreign exchange-rates in exports
	USD/EUR	60,000	
	USD/ZAR	12,618	Fluctuation in foreign exchange-rates in imports
	Total in USD	145,618	
	EUR/BRL	42,500	Fluctuation in foreign exchange-rates in exports
	EUR/COP	2,450	Fluctuation in foreign exchange-rates in financing
	EUR/ZAR	167	Fluctuation in foreign exchange-rates in exports
	Total in EUR	45,117	
	CNY/USD	900	
	CNY/EUR	3,000	Fluctuation in foreign exchange-rates in exports
Total in RMB	3,900		
	MXN/USD	2,500	
	GBP/EUR	305	Fluctuation in foreign exchange-rates in exports
SWAP	EUR	10,000	Fluctuation in interest rates of financing

The management of the Company and its subsidiaries maintains the permanent monitoring of derivative financial instruments through its internal controls.

The sensitivity analysis chart (item 30.3) should be read together with the other financial assets and liabilities expressed in foreign currency existing on December 31, 2021, since the effect of the estimated impacts of exchange rates on the NDFs and on the SWAPs presented will be offset, if effective, in whole or in part, with the oscillations on all assets and liabilities.

Management defined that, for the probable scenario (market value), the exchange rates used for the mark-to-market of financial instruments – valid as at December 31, 2021 – should be considered. These rates represent the best estimate for the future behavior of their prices, and represent the value at which the positions could be liquidated upon maturity.

The Company and its subsidiaries made the accounting records based on their market price on December 31, 2021 at fair value and on an accrual basis. These operations had a net negative impact of R\$ 68,054 (R\$ 30,178 positive at December 31, 2020) which was recognized as financial income. As of December 31, 2021, the Company and its subsidiaries do not have margins pledged as a collateral to outstanding derivative financial instruments.

Derivative financial instruments for hedge accounting

The Company formally assigned its transactions subject to hedge accounting to derivative financial instruments used to hedge the purchase of inputs and expenses denominated in foreign currency by documenting:

- Date of designation and identification of hedge relationship;
- Description of the purpose of the hedging and risk management strategy;
- Statement of compliance of hedge with the risk management;
- Description and identification of the derivative instrument and the hedged item;
- Description of covered risks and excluded risks;
- Description of actual hedge effectiveness assessment methods;
- Frequency of assessment of prospective effectiveness; and
- Description of hedge accounting policy

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The Company and its subsidiaries have the following operations with derivative financial instruments for hedge accounting:

Operation	Currency	Notional value	Purpose (hedge)
Non-deliverable forwards NDF	USD/BRL	43,177	Fluctuation in foreign exchange-rates in imports
	EUR/BRL	3,959	
	USD/EUR	63,400	Fluctuation in foreign exchange-rates in financing
	AUD/EUR	3,000	
	GBP/EUR	6,571	
	MYR/EUR	10,800	Fluctuation in copper quote rates
USD	3,326		
SWAP	USD	350,000	Exchange-rate fluctuations in export prepayment financing (PPE)

The Company and its subsidiaries made the accounting record based on the fair value at December 31, 2021 on the accrual basis. The accumulated amount net of taxes recorded as Other Comprehensive Income in shareholders' equity is positive R\$ 9,238 (positive R\$ 5,180 at December 31, 2020).

30.3 Sensitivity analysis

The tables below present the “cash and expense” effects, in reais (R\$), on the earnings from financial instruments in each of the scenarios.

a) Non-deliverable forwards (NDF) operations

Operation	Risk	Currency / Quotation	Notional value (in thousands)	Market value at 12/31/2021		Possible scenario, 25%		Remote scenario 50%	
				Average price	R\$'000	Average price	R\$'000	Average price	R\$'000
Non-Deliverable Forwards – NDF	USD increase	USD/BRL	73,000	5.7803	5,901	7.2254	(99,589)	8.6705	(205,080)
	USD decrease	USD/ZAR	234	16.5776	(28)	12.4420	(891)	8.2888	(1,862)
	USD increase	USD/EUR	60,000	1.1305	571	0.8493	(111,069)	0.5662	(334,349)
	USD decrease	USD/ZAR	12,384	22.5586	1,638	16.9190	(15,338)	11.2793	(32,645)
	Total in USD		145,618		8,082				
	EUR increase	EUR/ZAR	167	18.4110	(11)	13.8083	(737)	9.2055	(1,507)
	EUR increase	EUR/BRL	42,500	6.2816	4,434	7.8520	(62,308)	9.4224	(129,050)
	EUR decrease	EUR/COP	2,450	4,555.4400	540	3,416.5772	(3,283)	2,277.7181	(7,105)
	Total in EUR		45,117		4,963				
	GBP decrease	GBP/EUR	305	21.5176	(32)	16.1382	(1,638)	10.7588	(3,280)
	RMB increase	CNY/USD	900	6.4023	19	8.0569	(1,320)	9.6683	(2,671)
	RMB increase	CNY/EUR	3,000	7.2571	(30)	9.0714	(4,813)	10.8857	(9,595)
	MXN increase	MXN/USD	2,500	19.8745	176	24.8431	(2,746)	29.8117	(6,137)
	TOTAL					13,178			

b) SWAP operations:

Operation	Risk	Currency / Quotation	Notional value (in thousands)	Market value at 12/31/2021		Possible scenario, 25%		Remote scenario 50%	
				Average price	R\$'000	Average price	R\$'000	Average price	R\$'000
SWAP	SELIC decrease	EUR	100,000	Interest 0.98% p.a.	(3,197)	Interest 1.42% p.a.	(3,359)	Interest 1.70% p.a.	(3,520)
TOTAL					(3,197)				

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c) Hedge accounting operations:

Operation	Risk	Currency / Quotation	Notional value (in thousands)	Market value at 12/31/2021		Possible scenario, 25%		Remote scenario 50%	
				Average price	R\$'000	Average price	R\$'000	Average price	R\$'000
NDF	USD decrease	USD/BRL	43,177	5.6629	3,594	4.2472	(57,532)	2.8315	(118,659)
	USD decrease	USD/EUR	63,400	1.1696	(9,881)	0.8522	(127,450)	0.5681	(362,589)
	EUR decrease	EUR/BRL	3,959	6.5246	(699)	4.8935	(7,157)	3.2623	(13,615)
	COP decrease	COP/EUR	22,871,187	4,571.9726	780	3,515.2480	(9,501)	2,343.4987	(30,064)
	AUD decrease	AUD/EUR	3,000	1.5914	(221)	1.1716	(4,268)	0.7811	(12,360)
	GBP decrease	GBP/EUR	6,571	0.8601	450	0.6513	(15,496)	0.4342	(47,389)
	MYR decrease	MYR/EUR	10,800	5.0396	(945)	3.5332	(5,775)	2.3555	(15,436)
	Copper decrease	USD	3,326	8,939.42	147	7,287.24	(4,530)	4,858.19	(9,207)
TOTAL					(6,775)				
SWAP	USD decrease	USD/BRL	100,000	5.5805	(3,970)	4.1854	(142)	2.7903	(282)
	TOTAL					(3,970)			

d) Loan and financing transactions:

(i) Exchange-rate change:

Operation	Risk	Currency / Quotation	Notional value (in thousands)	Market value at 12/31/2021		Possible scenario, 25%		Remote scenario 50%	
				Average price	R\$'000	Average price	R\$'000	Average price	R\$'000
Working capital	USD increase	EUR/USD	166,667	1.1327	937,467	0.8495	(234,367)	0.5663	(468,734)
	TOTAL					937,467			
PPE (Export pre-payment)	USD increase	BRL/USD	100,000	5.5799	559,037	6.9749	(139,759)	8.3699	(279,519)
	TOTAL					559,037			

(ii) Interest

Operation	Risk	Currency / Quotation	Notional value (in thousands)	Market value at 12/31/2021		Possible scenario, 25%		Remote scenario 50%	
				Average rate	R\$'000	Average rate	R\$'000	Average rate	R\$'000
Working capital	LIBOR increase	USD	83,333	1.60413%	465,042	1.6552%	(326)	1.7062%	(653)
	TIIE increase	MXN	482,538	LIBOR+1.4% p.a.	132,249	LIBOR+1.4% p.a.	(124)	LIBOR+1.4% p.a.	(248)
	CDI increase	BRL	40,000	5.8850%	40,574	8.2563%	(1,062)	9.7275%	(2,122)
	CDI increase	BRL	1,111	TIIE+0.9% p.a.	1,127	TIIE+0.9% p.a.	(30)	TIIE+0.9% p.a.	(60)
TOTAL					638,992				
PPE (Export pre-payment)	LIBOR increase	USD	50,000	116% CDI	278,995	116% CDI	(2,907)	116% CDI	(3,017)
	TOTAL					278,995			



31 GOVERNMENT GRANTS AND ASSISTANCE

The Company and its subsidiaries obtained grants in the amount of R\$ 214,268 (R\$ 167,803 on December 31, 2020) deriving from tax incentives, recognized in the income (loss) for the year:

	CONSOLIDATED	
	12/31/2021	12/31/2020
Total government grants and assistance	214,268	167,803
a) WEG Linhares Equipamentos Elétricos S.A.	81,680	64,029
- ICMS stimulus credit	57,125	42,963
- Decrease in IRPJ	24,401	20,917
- Municipal investment	154	149
b) WEG Drives & Controls – Automação Ltda.	75,843	65,291
- ICMS stimulus credit	75,843	65,291
c) WEG Logística Ltda.	28,965	18,221
- ICMS stimulus credit	28,965	18,221
d) WEG Equipamentos Elétricos S.A.	18,138	14,336
- ICMS incentive credit	17,459	13,330
- Municipal investment	679	1,006
e) WEG Amazônia S.A.	9,642	5,926
- Decrease in IRPJ	9,286	5,636
- ICMS stimulus credit	356	290

There are no contingencies linked to these grants, and all conditions for obtaining government grants have been met.

32 SEGMENT INFORMATION

	Brazil				Foreign		Eliminations and adjustments		Consolidated	
	Industry		Electricity		12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
	12/31/2021	12/31/2020	12/31/2021	12/31/2020						
Revenue from sales of goods and/or services	12,303,958	8,320,484	3,876,170	2,706,028	19,257,160	14,684,123	(11,873,950)	(8,241,078)	23,563,338	17,469,557
Income (loss) before income taxes	5,874,359	3,812,098	2,073,015	1,492,574	3,635,611	1,776,834	(7,252,949)	(4,334,857)	4,330,036	2,746,649
Depreciation/ amortization / Depletion	167,879	159,931	66,034	64,332	295,418	239,740	(9,153)	(12,644)	520,178	451,359
	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Identifiable assets	7,483,320	4,571,164	3,761,205	2,698,026	14,074,568	11,188,936	(5,842,649)	(4,250,812)	19,476,444	14,207,314
Identifiable liabilities	2,761,833	1,718,765	1,674,427	1,294,934	6,835,911	5,474,767	(4,389,822)	(3,303,824)	6,882,349	5,184,642

Industry: Low- and medium-voltage single-phase and three-phase motors, drives and controls, industrial automation equipment and services, paints and varnishes.

Energy: Electric generators for hydroelectric and thermoelectric power plants (biomass), hydraulic turbines (SHPs), transformers, substations, wind turbines, control panels, systems integration services, as well as renewable and distributed energy solutions.

Abroad: This consists of operations carried out through subsidiaries located in different countries.

The eliminations and adjustments column includes the eliminations applicable to the Company in the context of the consolidated financial information.

All operating assets and liabilities are presented as identifiable assets and liabilities.

Reporting information is reported consistently with managerial reports used by the Management to evaluate the performance of each Company's segment.



33 EARNINGS PER SHARE

a) Basic

Earnings per share are basically calculated by dividing net income for the period attributed to holders of the parent company's common shares by the weighted average number of common shares available during the year.

	12/31/2021	12/31/2020
Income attributable to controlling shareholders	3,585,947	2,340,873
Weighted average number of common shares (adjusted with the split) held by shareholders (shares/thousand)	4,196,116	4,195,425
Basic earnings per share - R\$ (with splitting)	0.85459	0.55796

b) Diluted

Net earnings per share are calculated by dividing net income attributed to the Parent Company's common shareholders by weighted average number of common shares available in the year plus weighted average number of common shares that would be issued upon conversion of stock option plans and Long-term incentive (ILP plan).

	12/31/2021	12/31/2020
Income attributable to controlling shareholders	3,585,947	2,340,873
Weighted average of common shares (adjusted with the split) potential dilutive held by shareholders (shares/thousand)	4,196,700	4,197,165
Diluted earnings per share - R\$ (with splitting)	0.85447	0.55773



Board of Directors

Décio da Silva - President
Nildemar Secches - Vice-President
Dan Ioschpe
Martin Werninghaus
Miguel Normando Abdalla Saad
Sérgio Luiz Silva Schwartz
Siegfried Kreutzfeld

Audit Committee

Dan Ioschpe – Coordinator
Douglas Conrado Stange
Estela Maris Vieira de Souza

Executive Board

Harry Schmelzer Junior	Chief Executive Officer
Alberto Yoshikazu Kuba	Chief Industrial Motors Officer
André Luis Rodrigues	Chief Administrative and Financial Officer
André Meneguetti Salgueiro	Chief Financial and Investor Relations Officer
Carlos Diether Prinz	Chief Transmission and Distribution Division Officer
Daniel Marteleto Godinho	Chief Institutional Relations Officer
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João Paulo Gualberto da Silva	Chief China Division Officer
Julio Cesar Ramires	Chief Commercial Motors Officer
Manfred Peter Johann	Chief Automation Division Officer
Reinaldo Richter	Chief Paints Division Officer
Wilson José Watzko	Chief Controlling Officer

Accountant

Marcelo Peters
CRC/SC 039928/O-0

Tax Council

Effective

Alidor Lueders - President
Lucia Maria Martins Casasanta
Vanderlei Dominguez da Rosa

Alternate members

Ilário Bruch
Patricia Valente Stierli
Paulo Roberto Franceschi

CAPITAL BUDGET PROPOSAL

We propose to submit – for consideration at the AGM – a plan to set up a Capital Budget Reserve in the amount of R\$ 1,862,540 (under article 196 of Brazil's Corporations Act and article 202, §6 of Law 10303/01), in view of the Investment Plan/Capital Budget.

The Investment Plan / Capital Budget for 2022 provides for the following:

a) Investments (Property, plant and equipment) planned in the 2022 budget	1,458,378
- Machinery, equipment, tools and devices	582,728
- IT (hardware)	24,697
- Constructions and facilities	159,825
- Foreign subsidiaries	682,776
<i>Producers</i>	595,132
<i>Commercial</i>	87,644
- Other	8,352
b) Intangible assets	36,937
c) Working Capital Increase planned in the 2022 budget	367,225
Total estimated investments (a + b + c)	1,862,540
Sources of funds	1,862,540
- Own (capital budget reserve)	1,523,325
- Third parties (financing)	339,215

INDEPENDENT AUDITORS' REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS – NON-QUALIFIED

(A free translation of the original report in Portuguese)

To the Shareholders, Board members and Managers of
WEG S.A.
Jaraguá do Sul – SC

Opinion

We have audited the individual and consolidated financial statements of WEG S.A. (“Company”), identified as Parent Company and Consolidated, respectively, comprising the balance sheet as of December 31, 2021 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows, for the year then ended, as well as the corresponding notes, comprising the significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of WEG S.A. as of December 31, 2021, the individual and consolidated performance of its operations and its individual and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB).

Basis for opinion

Our audit was conducted in accordance with Brazilian and international standards on auditing. Our responsibilities under those standards are further described in the following section denominated “Auditor’s responsibilities for the audit of the individual and consolidated financial statements.” We are independent in relation to the Company and its subsidiaries, in accordance with the relevant ethical principles provided for in the Accountant’s Code of Professional Ethics and in professional standards issued by the Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

The key audit matters are those that, in our professional judgment, were the most significant in our audit of current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and, therefore, we do not express a separate opinion on these matters.

Assessment of the recoverable value for goodwill

See Notes 2.10 and 15 of individual and consolidated financial statements

Key audit matter

The Company has significant amounts of goodwill as a result of acquisitions made in prior years, which have an indefinite useful life and are subject to annual impairment testing with an annual minimum periodicity. The assessment of the recoverable value for goodwill involves uncertainties inherent to the process of determining the estimates used to calculate future cash flows and their discount to present

How our audit addressed this matter

Our audit procedures included, among others:
- With the support of our corporate finance experts, we evaluated the preparation procedures for projections of discounted cash flow, the assumptions and methodologies used by the Company in preparing the studies that support the recoverability analysis. We especially assess assumptions regarding revenue and cost growth, as well as discount rates. We have

<p>value of sundry cash generating units, which is the basis for the evaluation of the recoverable amount, mainly regarding the assumptions, revenue and cost growth, and discount rates.</p> <p>Due to the relevance of the goodwill amount, judgment and sources of uncertainty inherent to the process of determining future cash flow estimates discounted to present value, and the impact that any changes in the assumptions could generate in the amounts recorded in consolidated financial statements and possible effects that could affect the investment amount recorder under the equity method in individual financial statements, we consider this matter material for our audit.</p>	<p>compared Company's assumptions with data obtained from external sources, such as projected economic growth, cost inflation and discount rates. and</p> <p>- We analyze whether the disclosures made in the financial statements are adequate.</p> <p>Based on the evidence obtained by means of procedures summarized above, we consider acceptable the assumptions and methodologies used to estimate the recoverable value of these assets, as well as related disclosures in the context of individual and consolidated financial statements taken as a whole.</p>
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Revenue from contracts with customers	
See Notes 2.21, 2.22, 23 and 24 of individual and consolidated financial statements	
Key audit matter	How our audit addressed this matter
<p>The Company and its subsidiaries have several types of revenue, which must be recognized if certain criteria are met, and this may occur over time, to reflect the fulfillment of their performance obligations, or at a specific moment in time, when control of the goods or services is transferred to the customer.</p> <p>Measuring the amount of revenue to be recognized, and determining the appropriate timing to recognize such revenue by determining when the customer obtains control of the product for each sales transaction, and/or by measuring the advancement of Construction in Progress in relation to the fulfillment of the performance obligation satisfied over time, requires the exercise of judgment on the part of Management.</p> <p>This matter was considered significant for our audit, given the magnitude of the amounts involved and the risk of revenue recognition in an incorrect accounting period.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> - Obtaining an understanding of the flow of sales transactions considering the nature of the Company's different operations, and with the support of our information technology specialists, we assessed the design and implementation and effectiveness of the relevant internal controls, as determined by Management, that support revenue recognition; and - We conducted specific tests on a sample basis on certain revenue transactions, inspecting evidence of the occurrence, accuracy and adequate accounting thereof within the accrual period. <p>As a result of evidence from the procedures summarized above, we consider that the recognition of revenue transactions and respective disclosures are as acceptable in the context of individual and consolidated financial statements taken as a whole.</p>

Other matters

Statements of added value

Individual and consolidated statements of added value (DVA) for the year ended December 31, 2021,

prepared under responsibility of Company's Management, and presented as supplementary information for IFRS purposes, were submitted to audit procedures carried out together with the audit of Company's financial statements. To form our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in CPC 09 Technical Pronouncement - Statement of Added Value. In our opinion, these statements of added value were prepared, in all material respects, in accordance with the criteria defined in this Technical Pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Audit of financial statements for the prior year

Individual and consolidated balance sheets as of December 31, 2020 and individual and consolidated statements of income, comprehensive income, changes in shareholders' equity, cash flows and respective notes for the year then ended, presented as corresponding values in individual and consolidated financial statements for the current year, were previously examined by other independent auditors, who issued an audit report dated February 23, 2021, with no changes. The corresponding amounts related to the individual and consolidated statements of added value for the year ended December 31, 2020 were subject to the same audit procedures by those independent auditors and, based on their examination, they issued report without modification.

Other information accompanying individual and consolidated financial statements and the auditors' report

The Company's management is responsible for other information comprising Management Report.

Our opinion on the individual and consolidated financial statements does not include the Management Report and we do not express any form of audit conclusion on such report.

In connection with our audit of individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is, in a material way, inconsistent with the financial statements or with our knowledge gained in the audit or otherwise appears to be materially misstated. If, based on the works performed, we conclude that there is a material misstatement in the Management Report, we are required to disclose this fact. We have nothing to report in this regard.

Responsibilities of management and governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of individual and consolidated financial statements, Management is responsible for assessing the ability of the Company to continue as a going concern, disclosing, where applicable, the matters relating to its going concern and the use of this basis of accounting in preparing the financial statements, unless Management intends to wind-up the Company and its subsidiaries or cease its operations, or has no realistic alternative to avoid the closure of operations.

Those charged with governance of the Company and its subsidiaries are the people responsible for overseeing the process of preparation of the financial statements.

Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements

Our purposes are to obtain reasonable assurance that the individual and consolidated financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error, and to issue audit report containing our opinion. Reasonable assurance means a high level of security, but not a guarantee that an audit conducted in accordance with Brazilian and international auditing standards always detects any existing material misstatements. Misstatements may be due to fraud or error and are considered material when, individually or taken as a whole, can influence, within a reasonable perspective, the economic decisions of users taken based on these financial statements.

As part of the audit conducted in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain our professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may lead the Company and its subsidiaries to no longer remain as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Joinville, February 15, 2022

KPMG Auditores Independentes Ltda.
CRC SC-000071/F-8
Original report in Portuguese signed by
Felipe Brutti da Silva
Accountant CRC RS-083891/O-0 T-SC

TAX COUNCIL OPINION

The Fiscal Council of WEG S.A., in the performance of its legal duties, having examined the Management Report, the Financial Statements for the Fiscal Year ended 12/31/2021, and the proposals of the Management bodies for: (a) Allocation of net income; (b) Investment Plan/Capital Budget, and (c) proposal to increase the capital to be submitted to deliberation at the Shareholders' Meeting, from R\$ 5,504,516,508.00 to R\$ 6,504,516,508.00, through the take-over of part of the balance of the Profit Reserve/Profit Held for Investments account in the amount of R\$ 1,000,000,000.00, without increasing the number of shares and, based on the examinations performed, also considering the information and clarifications provided by Company Management throughout the year and by the representatives of the Independent Auditors, and also based on the report issued by KPMG Auditores Independentes on the Financial Statements, without reservations, dated February 15, 2022, believes that the aforementioned documents are in a position to be examined and voted on at the Annual General Meeting of Shareholders.

Jaraguá do Sul (SC), February 15, 2022.

ALIDOR LUEDERS LUCIA MARIA MARTINS CASASANTA VANDERLEI DOMINGUEZ DA ROSA

AUDIT COMMITTEE OPINION

Annual financial statements in 2021

The members of the Audit Committee of WEG S.A., in the exercise of their duties and legal responsibilities, as provided for in its By-Laws, have reviewed the Management Report and the financial statements for the fiscal year ended December 31, 2021, accompanied by the Preliminary Report of the Independent Auditor on the aforementioned financial statements, without reservation, dated February 15, 2022, and considering the information provided by WEG S.A. Management and by KPMG Auditores Independentes, unanimously agreed to recommend the approval thereof by the Board of Directors.

Jaraguá do Sul, February 15, 2022.

DAN IOSCHPE

DOUGLAS CONRADO STANGE

ESTELA MARIS VIEIRA DE SOUZA

STATEMENT OF THE EXECUTIVE OFFICERS ON THE FINANCIAL STATEMENTS AND THE INDEPENDENT AUDITOR'S REPORT

By this document, the Chief Executive Officer and other Directors of WEG S.A., a publicly-held company headquartered at Avenida Prefeito Waldemar Grubba, nº 3300, enrolled with EIN 84.429.695/0001-11, for purposes of the item V and VI of §1 of Article 25 of CVM Instruction 480, dated December 7, 2009, hereby declare that:

- (i) reviewed, discussed and agreed with the opinions expressed in the KPMG Independent Auditors' Report dated February 15, 2022, relating to the Financial Statements of WEG S.A. and Consolidated for the year ended December 31, 2021; and
- (ii) reviewed, discussed and agreed with the Financial Statements of WEG S.A. and Consolidated for the year ended December 31, 2021.

Jaraguá do Sul (SC), February 15, 2022.

Harry Schmelzer Junior	Chief Executive Officer
Alberto Yoshikazu Kuba	Chief Industrial Motors Officer
André Luis Rodrigues	Chief Administrative and Financial Officer
André Meneguetti Salgueiro	Chief Financial and Investor Relations Officer
Carlos Diether Prinz	Chief Transmission and Distribution Division Officer
Daniel Marteleto Godinho	Chief Institutional Relations Officer
Eduardo de Nóbrega	Chief China Division Officer
Elder Stringari	Chief International Division Officer
Hilton José da Veiga Faria	Chief Human Resources and Sustainability Officer
João Paulo Gualberto da Silva	Chief China Division Officer
Julio Cesar Ramires	Chief Commercial Motors Officer
Manfred Peter Johann	Chief Automation Division Officer
Reinaldo Richter	Chief Paints Division Officer
Wilson José Watzko	Chief Controlling Officer