



## CORPORATE PARTICIPANTS

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

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

**Mr. Wilson Watzko** – Controller Officer

## PRESENTATION

**Operator:** Good morning and welcome to WEG's conference call on the results of 4Q 21.



We inform you that we are transmitting this conference call accompanied by the slides in our investor relations website at the web address [ri.weg.net](http://ri.weg.net) and after it finishes the audio will be available in our investor relations website. Should you need any assistance during this call please request the help of the operator by typing star zero (\*0).



Any predictions contained in this document or any statements that may be made during this call about future events, business prospects, projections and operating and financial goals of the company and the potential future growth of WEG are based on beliefs and expectations on the company's Management based on information currently available. Such statements involve risks and uncertainties and therefore they depend on circumstances that may or may not occur.

Investors should understand that general economic conditions, industry conditions and other operating

factors may affect the future performance of WEG and conduct to results that differ materially from those expressed in such forward-looking statements. We would like to remind you that this conference call is being held in Portuguese with simultaneous translation into English.

With us here at Jaraguá do Sul are André Luis Rodrigues, General Director, Financial and Administrative Officer; Wilson Watzko, André, Controller and André Salgueiro, Finance and Investor Relations Officer.

Mr. Rodrigues, you may continue.

## Mr. André Luís Rodrigues – Chief Financial Officer

Good morning everyone. It is a pleasure to be here with you once again for the earnings conference call of WEG.

### 4Q21 Highlights

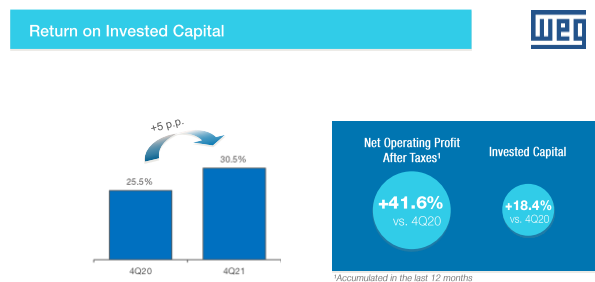


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Let us start with the highlights of the quarter, when the net operating revenue grew by 33.7% when compared to 4Q 20. The continuation of the economic recovery worldwide was the material fact for the results presented, with an increase in demand for industrial equipment in several regions, important where we operate in the international market.

Good performance in providing solutions related to renewable energy equipment has also contributed significantly, especially in Brazil where not solar and wind power generation businesses had a significant growth when compared to the same period of last year

Another highlight of the quarter was EBITDA, which grew by 14.7% reaching 1.1 billion BRL. The EBITDA margin closed the quarter at 17.2% with a drop of 2.9 p.p. when compared to last year. This movement was expected due to the increases in costs of materials and also to the mix of products sold. Throughout the presentation André Salgueiro will give more details about this performance.

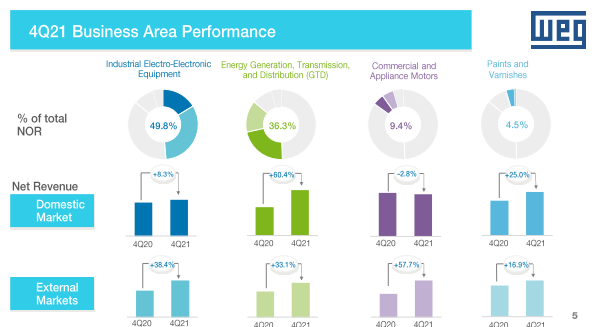


Finally, we had another quarter of development of ROIC when compared to the same period of last year, as we will see better in the next slide. It has grown by 5 p.p. when compared to 4Q 20 reaching 30.5%. The improvement in our operating performance shown by the combination of the growth of revenue and EBITDA margin more than offset the higher need for working capital and increase in investments in fixed assets in the period.

Now I turn the floor over to André Salgueiro.

**Mr. André Salgueiro - Finance and Investor Relations Officer**

Thank you, André. On the slide 5 I showed the development of our business areas in the markets where we operate starting with Brazil, where the activity in industrial electro-electronic equipment continued positive in this quarter. We had a good demand for short-cycle products such as low voltage motors, reducers and serial automation equipment, with highlights for the segments of agricultural machine and equipment, water and sanitation.



Sales of long-cycle products such as medium voltage electric motors and automation panels have also grown, especially in mining and pulp and paper industries.

In the area of GTD we presented a growth in virtually all businesses, especially with the gradual return of sales for wind turbines, distributed solar generation kits and electric generators for other energy sources.

The T&D business also delivered high levels driven by large transformers in substations for projects related to transmission auctions, along with sales of transformers for distribution and industrial networks.

Commercial and appliance motors despite the good sales volume presented in segments of food and beverage and agribusiness leveling the demand for motors destined to the segment of appliance, such as washing machines, impacted the performance of this quarter. As anticipated, this movement was expected after a strong recovery seen in 2Q 20.

In paints and varnishes the demand remained hot with the highlights for the segments of the road tools and agricultural tools.

In the international market the performance of electro-electronic and industrial equipment was influenced by the resumption of industrial investments in the last quarters.

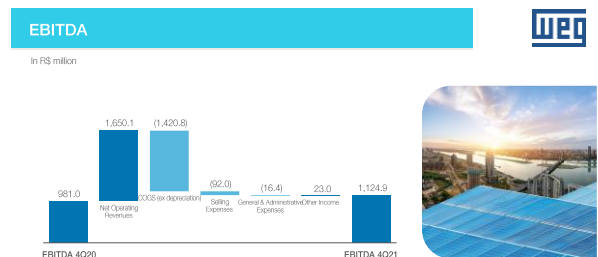
We noticed an important increase in sales of short-cycle equipment or equipment manufacturers, the OEMs, with a pulverized demand among the several industrial segments.

Long-cycle equipment have also increased in sales, confirming the signs of recovery of our order portfolio reported in the last quarters, with improvement in sales in general and new orders in projects in the segments of oil and gas, mining and water and sanitation.

In GTD we presented another positive quarter with important T&D projects happening in strategic areas for WEG, such as North America and Africa.

In commercial and appliance motors we have seen the continuation in the growth for the demand of our products, explained by the acceleration of the economic recovery and gain of market share in the United States and Mexico. Pumps and compressors were the highlights of this quarter.

Finally, in paints and varnishes sales grew in Latin American countries such as Chile through exports from Brazil, and in Mexico where we started our operations of our new plant of paints in the end of 2020.



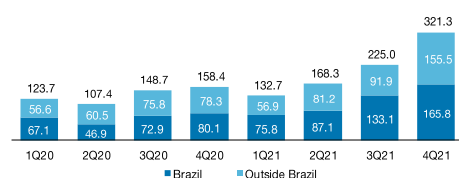


On slide 6 we see the development of EBITDA in 4Q 21 with a growth of 14.7% when compared to the same period of last year. EBITDA margin closed the quarter at 17.2% presenting a reduction of 2.9 p.p. when compared to 4Q 20, confirming our expectations regarding this movement.

The challenges in the global supply chain with the consequent increase of costs of raw materials, along with the change in the mix of products especially due to the revenue from projects of wind power resulted in a reduction of margins, operating margins in this quarter.

#### Investments (CAPEX)

In R\$ million



Finally, on slide 7 we show the development of our investments. In 4Q 21 investments reached 321.3 million, 52% in Brazil with higher concentration in projects to increase capacity, improve processes and productivity gains at Jaraguá do Sul plant; and 48% to units abroad, continuing investments in our plants in the United States, India, China and Mexico confirming the acceleration and increase of investments expected for 2H TY.

With this I end my part and I turn the floor over to André.

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

Before we move on to the Q&A session, I would like to speak about some of our last achievements and comment on our prospects for the remainder of the year.

Recent Achievements	Outlook
<ul style="list-style-type: none"> <li>WEG included in the 2022 portfolio of the ISE B3 index, for the 10th consecutive year</li> <li>New investments: <ul style="list-style-type: none"> <li>Expansion of the Linhares/ ES plant, with 14,000 m<sup>2</sup></li> <li>New factory in Santo Tirso / Portugal, with 22,700 m<sup>2</sup></li> </ul> </li> <li>Positive results in 2021, even in a scenario of great challenges: <ul style="list-style-type: none"> <li>NOR growth of 34.9%</li> <li>EBITDA margin of 19.9%</li> <li>ROIC at 30.5%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Revenue growth due to: <ul style="list-style-type: none"> <li>Positive long-cycle global backlog</li> <li>Good prospects for short-cycle, foreign market</li> <li>New businesses and new geographies</li> </ul> </li> <li>Higher interest rates and lower GDP growth in Brazil could impact short-cycle demand</li> <li>Healthy margins, but with possible volatility due to increased costs and mix of products sold</li> <li>CAPEX budget of R\$ 1.5 billion due: <ul style="list-style-type: none"> <li>Increase capacity in Brazil and abroad</li> <li>Postponement of some projects in 2021</li> </ul> </li> </ul>

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With regards to our achievements I would like to highlight the following things: first we were selected for

the 10th consecutive year to be part of the ISE Index of B3. That is important the acknowledgement of the

culture and efforts regarding the responsibility and sustainability in the company's business.

We announced recently new investments to increase capacity: in Brazil the expansion of the Linhares plant in Espírito Santo State with an investment of 178 million BRL to be executed up to 2023 focusing on commercial electric motors; and the new plant in Santo Tirso in Portugal dedicated to manufacture special industrial electric motors of low, or rather medium and high voltage with an estimated investment of €23 million and expected to be completed by 2024.

In 2021 we closed with very positive results, despite the challenging scenario. We recorded a record growth of 34.9% in net, annual net revenue; we reached and EBITDA margin consolidated of 19.9%, adjusted by nonrecurring effects of ICMS credit on the calculation basis of PIS COFINS and it reached 18.6%.

Despite the challenges in the global supply chain and constant increases in cost of raw materials throughout the year we managed to maintain profitability at the same level of 2020.

And ROIC of 30.5%, which is a very important indicator for the company.

Finally, on the prospects for the remainder of the year we expect to have another year of growth of revenue especially due to the positive portfolio of long-cycle equipment globally, both in industrial electro-electronic equipment and GTD, the good prospects for short-cycle in the external market and the development of new businesses in new areas we entered.

It is important to highlight that the prospects of higher interest rates and lower growth of GDP in Brazil can impact the demand for products of short cycle throughout the year. Our operating margins should remain healthy, but possibly with some volatility due to the dynamic of businesses of WEG.

To support the current levels of growth we approved a capital budget of 1.5 billion BRL, which is significantly higher than the one realized in the latest years due to the increase for the production capacity that will be conducted in Brazil, the United States, Mexico, India, Portugal and China, and due to the postponement of some projects of 2021.

I now and the presentation and please we can move on to the Q&A session.



André Luís Rodrigues  
Chief Financial Officer



André Meneguetti Salgueiro  
Finance and Investor  
Relations Officer

+55 47 32766106  
ri@weg.net



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## Q&A SESSION

### Operator

Ladies and gentlemen, we will now start the Q&A session. In order to ask a question please press star one. To remove your question from the queue type star two.

Our first question comes from Daniel Gasparetti from Credit Suisse.

### Mr. Daniel Gasparetti - Credit Suisse

Good morning everyone, thanks for the call. I have two questions, first I would like to understand, how do you see the margin in 2022? In the conversations we had we see a consolidated EBITDA margin similar to 2021, except for the recurring, nonrecurring events, and usually 1Q is a little bit lower.

So how do you see the composition of margin throughout the year? And where would it come from? Price adjustments or some changes? That is the first.

The second question I would like to talk a bit about GD. We see a 4Q in the domestic market a bit slower in activity; I would like to understand whether that was a reflex of the supply chain that affects the dynamic of sales in 4Q.

And how do you see 2022? If in the change of the regulatory framework there will be some change in that. Thank you.

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

Hello Daniel, this is André Rodrigues speaking. I will talk about margins expectations for the beginning of this year. Well, the first point to highlight is that our

margin analysis is always looking at longer periods. We are careful enough to say that there may be variations among quarters, so the right thing to do is to make the analysis with longer periods in mind.

The things that could exert pressure on margins remained the same, nothing has changed since what we said throughout last year. We still have pressure from increase in costs and mix of products, especially the return of wind turbines that have more significance in revenues could exert pressure on the margins in the year.

On the other side, the positive aspects are the exhilaration of the demand in the international market, and also the composition of sales prices that could help to recompose the margins. We do not provide guidance regarding margins; but I can tell that we will continue to work to deliver margins above the market average, and right now in the beginning of the year we do not expect the year margin to be reduced in addition to what was seen in 2021.

### Mr. André Salgueiro - Finance and Investor Relations Officer

Gasparetti good morning, this is André Salgueiro speaking, thank you for the questions. As for the solar generation and your question on GD, in fact the business has evolved and grown for some time now; but when we look at 4Q more specifically there was the effect of supply chain on it - and I would like to remind you that way back in the beginning of 4Q around October, November, we had the closing of a port, a harbor in China and the energy crisis that caused some impacts, especially in October and November; but in December that went back to normal, and so we entered 2022 with that chain reestablished. It was a very specific thing that happened in the first two months of the quarter. Today we do not have that concern anymore.

As for the second part of your question yes, there was, the law was enacted in the beginning of the year. According to the new law the projects implemented throughout 2022 continue with the full benefit and to 2045. So people are really trying to anticipate some of these projects.

So we do expect some pre-buys, some larger purchases because of this anticipation of purchases; but this change in the regulations started in the end of 2019, so many people already made their purchases in expectation of the enactment of the law. So this could have some effect during this year - but we do not know yet exactly how much.




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**Daniel Gasparetti from Credit Suisse**

Okay thank you very much for your answers.

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**Operator**

The next question comes from Rogério Araújo from UBS BB.

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**Mr. Rogério Araújo - UBS BB**

Good morning everyone, André, Salgueiro, thank you for the opportunity. I would like to explore a bit more this acceleration in revenue growth that we have seen especially in the international market, and mainly driven by industrial electro-electronic segment.

Based on your orders portfolio do you see an incremental acceleration during the next quarters or has the sales level reached a high level and will remain closed to that?

And still about revenues, wind has low comparable basis, so I would like to understand when the equipment will be delivered again so we can have a comparable basis.

And finally if you could give us an update how are these segments with high growth potential within the WEG such as wind in India; solar outside Brazil; electric vehicles; the share of industrial segment outside Brazil, especially Europe; transformer in the United States, does it still have a high growth potential? And any other division which I may have forgotten to mention. If you could just give some detail about that so we can understand this acceleration in growth if it could come from any of these initiatives, thank you.

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**Mr. André Salgueiro - Finance and Investor Relations Officer**

Hello Rogério, thank you for the question. Let us start talking about the dynamics of the foreign market. I think it is too early to talk about an additional acceleration as compared to what we have now. We said during this live presentation that the external market has had a performance that was better than we expected. In 2H 20 we said after the pandemic we may have the international market with the same performance of revenues post-pandemic in 2021 as we had in 2019, and surprisingly it was better, and that

was due to some reasons: first we said that in short... In long-cycles I am sorry, in long-cycles with start this year as we started 2021 with a very good portfolio for our high-voltage vehicles in the external market in T&D.

But when we look at other areas of WEG, industrial equipments for example, I may say that important areas of our industrial business continue to recover, such as the United States and Europe. The demand for our products is very scattered among our manufacturers of machines and equipment, so it is different to point out which industry is growing more; but we know that important segments for the demand of long-cycle, such as oil and gas and mining, is at a high internationally.

We also disclosed to you the development of new segments such as water and sanitation abroad that has helped; and the company has positioned itself to grow abroad working to increase capacity and opening commercial companies in other countries. We started with an organization in Kazakhstan, Poland, we are finishing the low-voltage motors plant in India.

When we see the TD we see a positive demand in our products and solutions, especially in production and transmission in North America and generation in Europe and India. This is what is explaining the good performance we have internationally.

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**Mr. André Salgueiro - Finance and Investor Relations Officer**

This is Salgueiro speaking Rogério. As for wind, revenues have returned starting at the end of 2Q LY, and then it has continued to grow; 3Q was a bit better and 4Q increased, and we said in the past that sales in 2021 would be an important part of the first contract that we disclosed to the market with Aliança.

For 2022 we have announced a backlog that is complete for the year. The portfolio currently goes to about half of 2023; due to that we have a positive expectation for wind projects throughout 2022, even for future years. The demand of the market is high and we believe this business will continue to develop in the short and medium term.

As for your last question, you addressed many topics; but let me see if I can explain. We separate in three main avenues of growth: the first is going international, internationalization and the growth of business that are mature for WEG in Brazil and we have the opportunity to grow abroad, such as the plant of low-voltage industrial motors in India; we expanded T&D capacity in the United States; André mentioned some examples of



commercial activities. So we are working on mature businesses such as industrial area, automation, generation. So yes, there is a lot of opportunity to be pursued in the mature businesses of the company.

When we moved to new businesses, which is where we concentrate our developments right now, the main are the three ones we always mention: electric mobility, which has a large development here in Brazil in terms of powertrains for heavy-duty electric vehicles and recharge stations; there is the energy storage business, which is also growing here in Brazil and with focus in Brazil and the United States; and digital business. So these are the main opportunities.

And just to complement, the renewables area is also an area that we are well-established here in Brazil, so we are looking for opportunities abroad - and the wind turbines in India is an example. They are now being certified and we expect it to be finished until the end of this year, and then we will start the sales process; and then the solar energy area we are trying to go international starting with Latin American countries.

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#### **Mr. Rogério Araújo - UBS BB**

Perfect that is very clear, thank you André, Salgueiro.

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#### **Operator**

The next question is from Lucas Lage from XP Investimentos.

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#### **Mr. Lucas Lage - XP Investimentos**

Good morning André Rodrigues, Salgueiro. I would like to understand pricing. Have you done, made any increase in price in 2H 21? What do you expect to do in 1H 22 and what segments? Maybe motors, maybe appliances? So I would like to understand the price positioning in these segments.

And the second point is when we look at the revenue turnover when compared to invested capital it is at the highest level of recent years, which indicates a good utilization of capacity. So you are at a capacity level close to its limit, especially here in Brazil. If this Capex 65% higher for 2022 is necessary to increase capacity, despite the increase in raw material prices. So follow-up on margin and the capital investments, thank you.

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#### **Mr. André Salgueiro - Finance and Investor Relations Officer**

Hello good morning. Lucas, I do not know if everyone had the same problem; but for us your voice was chopping, we are not so sure if we understood 100% your question; but the first point is a follow-up on margin including price composition, if so I can talk about that.

And the second one is about the capacity and usage of plants and the Capex foreseen for expansion in the coming years. Please confirm if this is what you asked.

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#### **Mr. Lucas Lage - XP Investimentos**

Yes, the margins and Capex budget close to the limit today.

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#### **Mr. André Salgueiro - Finance and Investor Relations Officer**

Okay. We did still have a hard time understanding you but let us address those points. Okay, in terms of price and recomposition of margins what we always say is that the industry usually is a pass through regarding some costs, especially materials, and obviously in short-cycle, short-cycle are products for which we have a price list, so from time to time when needed we try to readjust prices - and we have been doing that since 2020.

The long-cycle we also adjust prices and costs; but when we speak of projects, then because there are projects involved it takes longer. So you update costs for the new projects and the pipeline is being delivered, and with time we have an equalization of prices. So looking from that point of view you can also check that on the breakdown of costs and materials over the total of costs, so in theory that should resume normal levels along the next quarters.

As for your second question, in fact we are operating today with a capacity with a high level and a high growth, utilization of our capacity is high, and a high level of revenue, we had historical highs in 2021. If we consider the exchange rate in 94, 95 we can see that we have, this is the year we have grown the most.

We have had investments, the Capex and 21 was almost 850,000,000 and now for 2022 we approved a capital budget of 1.5 billion. We always say that we may not be able to deliver 100% of the approved budget; but that is the goal given the need for



investments in order to continue to increase capacity to meet the growth in demand that we see at the end. That growth will happen both in Brazil and abroad.

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**Mr. Lucas Lage - XP Investimentos**

Okay perfect André. That is it thank you.

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**Operator**

The next question comes from Lucas Barbosa from Santander.

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**Mr. Lucas Barbosa – Santander**

Good morning everyone, congratulations on the earnings, thank you for the question.

My question is about working capital. There have been large increases and a large portion of it is in inventory of production, products in work in progress and exports, so there has been a high increase in inventory levels. Any specific thing in productions that are, in products that are in production that has affected inventory levels? And in the process of import any global things? If you could explain what happened and talk about normalization, if you expect any accommodation or leveling for this year.

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

Lucas good morning. So let us talk about working capital, and despite the increased that happened in the last quarters capital, working capital is somewhat lower than historical levels that WEG has always presented. This for sure there was an increase in inventory, which I will talk about shortly; but the improvement in the long-cycle dynamics has helped in the average term of trade receivables and advances from customers to offset that.

In the last quarter there was an increase in inventories, and the reason for that is highly concentrated on the increase of costs and implicit inflation in our inventories. Also due to the pandemic, in order to ensure that no client would have problems in receiving our products we anticipated the purchase of components given the volatility of the global supply chain, and in some cases the difficulties with freight, which delayed many deliveries so they concentrated and arrived at the end of the year.

So as I said, to ensure the needs of manufacturing inputs we increased our safety inventory levels in some areas, which led to an increase in working capital. Of course, there are specific actions taken at moments when you have very low visibility of the supply chain, we had to be more conservative; but throughout the year the trend is for levels and the values of inventory to be reduced as soon as we get comfortable regarding the safety of the supply chain and the reliability of the supply chain.

And when you have a long-cycle products you have more products being produced, and that increases our inventory levels; but the main villain of this increase is the situation that we had after the pandemic with difficulties in receiving supplies, high demand of some commodities and we had to position ourselves to ensure that we would continue to operate, as Salgueiro said, without compromising the deliveries to our clients at the high capacity of production.

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**Mr. Lucas Barbosa – Santander**

Okay thank you very much, that was very clear, have a good day.

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**Operator**

The next question is from Marcelo Motta from J.P. Morgan.

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**Mr. Marcelo Motta - J.P. Morgan**

Good morning. I have two questions, if you could comment on domestic industrial equipment, we have seen a slightly lower growth when compared to year on year with the historical levels at 8%. I would like to understand this quarter, I mean is this due to market dynamics? Should we expect some recovery? Because the comment does not say anything about what might have caused the decrease.

And looking at Capex, of course 2022 had some Capex that remained from last year and 20; but for 2023 does it make sense to maintain that level of Capex at 1.5 billion or should it be like an average of the last three years? Just to understand that going forward, thank you.



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**Mr. André Salgueiro - Finance and Investor Relations Officer**

This is Salgueiro speaking Motta, good morning. As for industrial electro-electronic equipment in Brazil well, the activity in the end is still positive, we see still good demand, so there has been no new effects. The only thing is that at the yearend we can see some seasonality in December that could have some effect.

And also for long-cycle projects from one quarter to the other there may be some mismatches. So these are two points of attention; but it is important to look at the company in a longer time frame in order to understand these effects - but from the demand point of view we still see a very, a good demand from the end. Of course, we do not imagine large growth leaps such as those happened in the end of 2020 and 1H 21; but we do not see any signs as we do in commercial and appliances, for example.

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

Motta, as for the Capex in a long-term view it is important to remember that usually the company invests around 3 to 5% in Capex of the net operating revenue. This year it will be slightly above that because we had a carryover as Salgueiro said, slightly over 50 million that came from last year.

So in order for us to be able to see if it is going to be closer to which level, 3 or 5, it will depend on the performance of our products and some strategic decisions of the company that causes us to be more aggressive in terms of investment and if we make an acquisition in a certain segment we use less cash regarding Capex. So we do not see any change in behavior in terms of this percentage that we usually operate at; but the increase in capacity we are making, the construction of new plants, that could in the long run reduce this percentage as compared to what we are doing this year.

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**Mr. Marcelo Motta - J.P. Morgan**

Perfect, thank you very much.

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**Operator**

The next question is from Victor Mizusaki from Bradesco BBI.

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**Mr. Victor Mizusaki - Bradesco BBI**

Good morning, congratulations on the performance. I have two questions: lately we have seen a quick development in the process of offshore wind power projects in Brazil. This investment plan at 1.5 billion for 2022 does it include any investment in this segment for wind turbines?

And the second question is regarding WTU. Last year you completed the capacity growth; I do not know if you could comment on the usage rate and the entry of new orders?

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**Mr. André Salgueiro - Finance and Investor Relations Officer**

Hello Victor, good morning. Regarding offshore wind power we do not have that technology in our portfolio currently, and to this moment we do not have any study in that direction. We are now in the second generation of onshore wind turbines, so that is the 4.2 machine we are working with, and we are highly focused in the domestic market; and we have announced that we will also work with the Indian market, and this market of India has a lot of potential to be developed on onshore projects. This is why, where we are so far.

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

As for WTU the dynamics we have reported in the last quarters has not changed. It is doing very well with a good number of orders coming, which led to the construction of the third plant in the United States that was opened last year; and now we are investing to increase the capacity of one of the plants in the United States.

All of that because first, we are the leaders in providing energy transformers and distribution in the renewables, solar and wind segment in the United States, which is doing very well; and secondly there is an important opportunity to be explored: the supply of these transformers for large concessionaires in the United States and industrial segments. These are areas in which WEG has low exposure and with the increase in capacity we will have new opportunities, because increase in capacity at WTU makes us invest to increase capacity and Mexico, where we developed some equipments that have high synergy with the United States.



So as I said nothing has changed in terms of the dynamics and things are going fine.

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**Mr. Victor Mizusaki - Bradesco BBI**

Okay great, thank you.

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**Operator**

The next question is from Fernanda Recchia from the BTG Pactual.

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**Ms. Fernanda Recchia - BTG Pactual**

Hello everyone, thank you for having the question. I have two questions, first I would like to explore on the tax rate that is 3% or 13%, last year there was an increase. To help us with the modeling what should we expect in terms of tax rate and why was it reduced? It was more of a geography issue or was there any change in benefit?

Also the second question is about a potential impact on reduction of IPI in terms of the income statement and cash flow. So how big would that reduction be or give us some light on these questions we are having here, thank you.

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**Mr. André Salgueiro - Finance and Investor Relations Officer**

Hello Fernanda, good morning. Regarding the actual income tax rate there was no change. The only point that we would like to reinforce is that quarter on quarter there may be a change or some variation due to mismatches of percentages from one quarter to the other; but when you look at the one-year period in theory it should remain within the trend levels; and looking at the annual earnings comparing 21 to 2020 it has not changed much.

You have to take into account that in 2Q 21 that was the ICMS credit over the basis of PIS COFINS, which raised it a bit. So once this is normalized you will see that there has been no major change on that indicator on an annual basis. So that is the benefits, due to the benefits we had they did not change in that period.

As for IPI it is hard to comment on. First these are feasibility studies and some news published in the media; so we do not make any detailed analysis. Let us wait to see how it develops. We are interested in

some products - not all products in our portfolio - but there are some that we do, and a reduction could be beneficial; but let us wait for the discussions and in the future if this passes then we can have a broader discussion about the possible impacts.

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**Ms. Fernanda Recchia - BTG Pactual**

Okay thank you.

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**Operator**

The next question is from Renata Cabral from Citibank.

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**Ms. Renata Cabral – Citibank**

Hello everybody, thank you for our question. First I would like to have a follow-up on the wind generation. Last year a prototype was sent to India, and you mentioned that the plant would start its operations in 2H of the year; and should we expect revenues starting in 2023 in the beginning of the year?

Second question could you give us some update on the development of ROIC? Year on year it increased by 30%, so I would like to know what to expect, thank you.

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**Mr. André Salgueiro - Finance and Investor Relations Officer**

Good morning Renata. As for wind projects in India, we are now in the process of certification of the turbine. The turbine has arrived in India some months ago and we are certifying the plant and it was installed some weeks ago. We are now connecting the turbine and then we will start the simultaneous tasks. These tests will take some months, so we expect that to happen during the year of 2022. We expect to have the turbine approved through, during 2H 22 and after that we will start to work on a more active commercial effort looking for some type of supply.

When this business will start to generate revenue will depend on the first contract. We do not have a contract in our portfolio; as we advance in the certification our commercial efforts will increase - but we do not know the timing, the precise timing now. I would certainly say it will not be for this year because we are still working on the turbine certification.

WEG S.A.

Conference Call - Earnings Results 4th Quarter 2021

February 17, 2021 – 11:00 a.m. São Paulo (BRT)

Transcript of the simultaneous translation from Portuguese into English



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

As for the ROIC, after delivering an exceptional ROIC of 30.5% it is hard to make projections, also because the fact that the company operates in several countries with different dynamics in terms of capital allocation.

But we expect to deliver consistent ROIC levels. There may be some changes or oscillations in the future, oscillations in margins, exchange rate and Capex could bring some volatility with time. But we do expect a stabilization at attractive levels, above the levels before pandemic.

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**Ms. Renata Cabral – Citibank**

Okay perfect, thank you.

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**Operator**

We now end the Q&A session and I turn the floor over to Mr. André Rodrigues for his final remarks.

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

Thank you very much everyone for attending our conference call and we will see you soon in our next call for the earnings of 2022, have a good day.

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**Operator**

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

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