CORPORATE PARTICIPANTS

Mr. André Luís Rodrigues – CFO and IRO

Mr. Wilson Watzko – Controller Officer

Mr. André Salgueiro – Investor Relations Manager

PRESENTATION

Operator: Good morning and welcome everyone to WEG's audio conference to discuss results about 4Q20.

We would like to inform you that we are broadcasting this audio conference along with the slide deck at our IR website at the following URL: ir.weg.net. After the audio conference the audio track will be available at our RI website as well. Should you need assistance during the call please request the help of an operator by pressing *0.

Any predictions contained in this document of possible forward-looking statements made during the conference about future events concerning the company's business perspective and operating and financial projections and also relating to the company's potential growth in the future are based on beliefs and assumptions on the part of the company's administration and are based on information currently available. These forward-looking statements involve risks and uncertainties and therefore depend on circumstances that may or may not materialize.

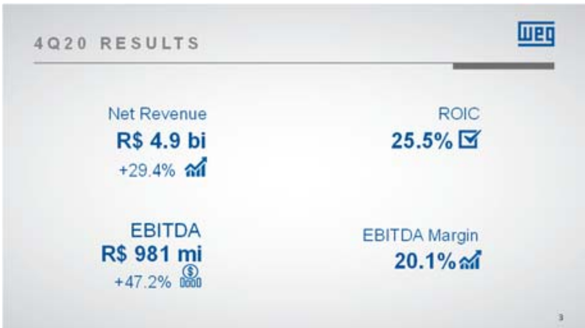
Investors should have in mind that general economic conditions, industry conditions and other operating factors might affect the future performance of WEG and lead to results that will differ materially from those expressed in these forward-looking statements. We would like now to remind you that this audio conference is being conducted in Portuguese with simultaneous translation into English.

Today with us in Jaraguá do Sul we have Mr. Andre Luis Rodrigues, CFO and IRO, Wilson Watzko, Controller and Andre Salgueiro, Investor Relations Manager of WEG.

Please Mr. Andre Rodrigues may carry on.

Mr. André Luís Rodrigues – CFO and IRO

Good morning everyone. It is a pleasure to be with you once again to discuss our results.



We will start with the highlights of the quarter talking about the net operating revenue, which grew by 29.4% vis-à-vis 4Q19. The continuity of the improvement of the economic activity was an important driver for this result, especially in Brazil, where the economic recovery observed as of 3Q20 has kept demand for our products and solutions at a high level.

In the external market we continue to observe a slow, gradual recovery in short-cycle businesses, which despite being slower than in Brazil has maintained a constant pace since the end of 2Q20.

As for industrial activity related to long-cycle projects we still present some level of volatility, reflecting a drop in revenue in the external market in local currency.

Another highlight was the EBITDA, which saw a growth of 47.2% reaching 981 million BRL.

EBITDA margin grew by 2.5 p.p. reaching the level of 20.1%. Throughout the presentation Andre Salgueiro will go into detail about this variation.

Lastly, we had another evolution in the quarter in terms of ROIC, Return on Investment as we see on the next slide, which saw growth of 5.3 p.p. compared to 4Q LY... of 2019 reaching 25.5%. The consistency of this indicator for the past quarters mirrors an improvement in our operating performance, showed or demonstrated by the combination of revenue growth and EBITDA margin expansion exceeding investments and also showing a small need for working capital in 2020.

I now turn the floor over to Mr. Salgueiro, who will continue.

Mr. André Salgueiro – Investor Relations Manager

Good morning everyone. On slide number five we have the evolution of our business areas in the markets where we have footprint starting by the business in Brazil, where the industrial electronic and electrical equipment was the great highlight.

The sales of short-cycle equipment remained up with a good demand for automated or automation equipment, where we have managed to increase our footprint in the market; and also in electric motors of low voltage, in part associated to a high demand for our products by the civil construction and agroindustry segments. We also kept good rhythm of deliveries in long-cycle projects with a highlight for pulp and paper, mining and oil and gas.

In GTD we had the maintenance of the good performance of the last quarters, with important projects being delivered especially in the T&D business, connected to the transmission lines auctions that were held in the past years.

Our distributed solar energy (GD) saw a good performance as well, thus contributing positively for the quarter results.

As in commercial motors and appliances, demand remained positive once again and in segments such as durable consumer goods, especially motors for the white line, food and civil construction have contributed significantly for this performance.

In paints and varnishes the good performance in the quarter happened in a more granular way, but we can highlight the good demand in segments such as civil construction, electro... Consumer electronics, repainting for automotives and sanitation.

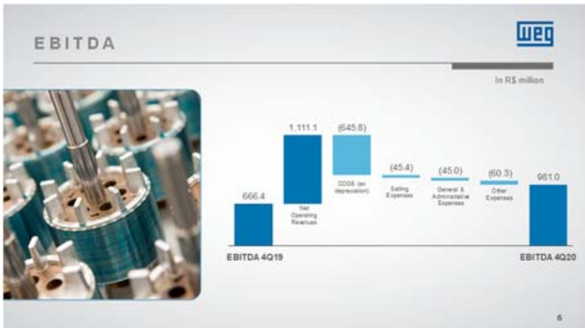
As in the external market, industrial electronic electrical equipment has seen a recovery of economic activity around the world after the initial impacts brought by the pandemic, in special for low-voltage motors. It is worth mentioning that this is happening at a slower pace than in Brazil and still below the business volume that we saw in the same period of last year.

Volatility of new orders for long-cycle as last quarter has impacted the growth of business in the quarter, with reductions in the project levels in some important sectors such as oil and gas, for example.

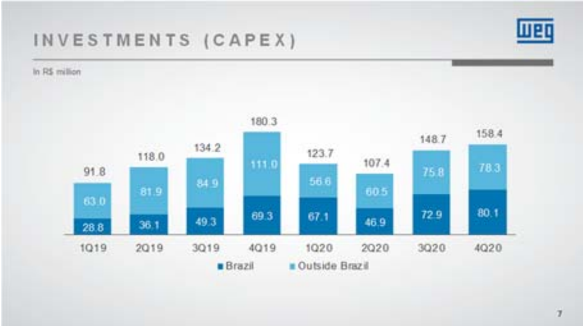
In the GTD area the growth rate was slower than in the past quarters, especially because of the reduction in the volume of projects in terms of the generation of energy. It is worth mentioning the continuity of important projects in the T&D area in North America, where synergies and market share, which is relevant in the US and Mexico, continue to make important contributions to this business area of the company.

As for appliances and commercial motors our sales are still recovering, a process which has started in the past quarter, with a highlight for the operations in the US and Mexico, where we have seen continuous increase in our market share.

Lastly, as for paints and varnishes the good performance was driven by an improvement in economic activity in Argentina and a more intense level of sales in Latin America and especially in Mexico, with the startup of our paint manufacturing plants in the country.



On slide number six we saw the evolution of our EBITDA in 4Q20, where we saw growth of 47.2% when compared to the same period of last year. EBITDA margin closed the quarter at 20.1% showing an evolution of 2.5 p.p. when compared to 4Q19. The margin gain came with the rationalization of expenses and costs, an improvement in the margins of long-cycle operations in Brazil in addition to better margins in some operations abroad.



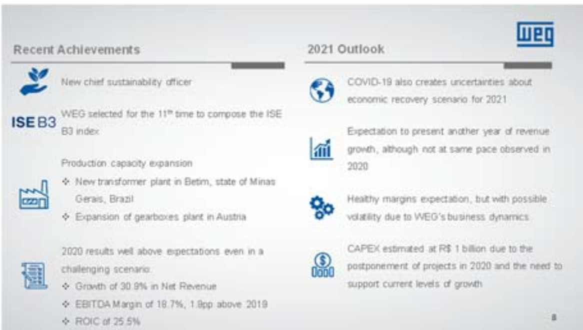
Finally, on slide number seven we saw the evolution of our investments. In 4Q20 investments reached the level of 158.4 million BRL, 51% of which were allocated to Brazil and 49% to our units located abroad, thus consolidating a return to investments to normal levels in the company, after a moment of suspension due to uncertainties brought about by the pandemic.

It is worth mentioning that our production system is based in what we call 'modular expansion', which allows us to adjust our CAPEX according to demand and thus maximizing return on invested capital.

With that I wrap up my part of the presentation and turn the floor back over to Andre.

Mr. André Luís Rodrigues – CFO and IRO

Thank you and before we move to the Q&A session I would like to reinforce some of our past accomplishments and also comment on our outlook for this year.



As for our accomplishments, we have created late last year the new sustainability officer at WEG, a new governance structure which aims at centralizing activities relating to ESG topics. Those topics have always been taken very seriously at the company and we believe that it has been incorporated to our culture; but due to the growing demand coming from different stakeholders we decided to create this new structure to address the topic at a more specific, deliberate way.

Another accomplishment related to ESG was the selection of our actions by the 11th consecutive time to compose the portfolio of the Sustainability Index at ISE of the B3.

We have also concluded last year some expansion works in terms of production capacity, including the acquisition of a new manufacturing plant for transformers in Betim, Minas Gerais, with the approval with no restrictions by the CADE last October and the expansion of our plants of motors in Austria.

We would like to highlight the results of 2020, which came out at a much higher level than expected, even amidst a scenario of great challenges: our net revenue saw a growth of 30.9% when compared to 2019 and our EBITDA margin reached 18.7% with a growth of 1.9 p.p. when compared to 2019; and our ROIC saw growth of 25.5%, the highest level in the past years.

As for the perspectives for 2021 we would like to reinforce that the pandemic still brings about several uncertainties about the scenario in terms of the economic recovery worldwide; but even amidst this scenario we expect to present another year of growth in revenues, albeit not the same levels we saw last year.

Operating margins should continue healthy, but with a possible volatility because of the dynamic of business at WEG.

And lastly our CAPEX, which as per our proposed budget reached 1 billion in the year, especially due to the delay of important projects which had been scheduled initially for 2020 and also because of the need of new investments to support the current levels of growth the company is experiencing.

I now close my presentation. Please operator back to you, we can start the Q&A session.

Q&A Session

Operator

Thank you. Ladies and gentlemen we will now start the Q&A session. To ask a question please press star one. To remove your question from the list please press star two.

And our first question comes from Mr. Alexandre Falcao, HSBC.

Mr. Alexandre Falcão – HSBC

Good morning, good morning Andre, everyone, Salgueiro, Rodrigues, good morning. My question has to do with the CAPEX item and also about capacity. We see a very strong growth. You had mentioned in the past the paint plant was at full capacity last year; I would like to understand given that improvement in the scenario do you expect some kind of restriction in terms of capacity? That is the first question.

The second question is about the price of commodities, copper specifically. Whenever we see those movements very fast on copper has been moving around, it tends to have pressure on margins, you tend to take a little longer to adjust prices when you have a fast increase in the input prices. Can we expect that for the first two quarters of 2021? Thank you.

Mr. André Luís Rodrigues – CFO and IRO

Hi Falcao, thank you for your questions. I will address about, the question about investments and then I will give it over to Salgueiro, who will touch upon copper and other commodities.

Well, first of we have announced that we need to increase our CAPEX for this year at around 1 billion, twice as much as we had been doing for the past years. Of course, last year we already planned on have a slightly higher volume; but the pandemic hit and we had to delay some of our investments.

Part of those investments take to an increase, or lead to an increase in capacity. I can cite the new unit for transformers in Missouri, which will increase our capacity in terms of transformers. That increase in capacity for transformers in the US will lead us to invest more in Mexico in boilers to meet the new capacity; new capacity increases, which are in the pipework, in the pipeline for China in terms of automation; investments in modernizations, development of new products.

The transformer plant in Betim also has increased our production capacity for transformers. We had no way of expanding; we would need another increase, or a new investment and that plant came about at a very timely moment. It is not only a matter of investing; we need to train personnel, we need to provide technical capacity, technical skills and that does not happen overnight as you know.

We have the plant in India of course, which also increased our capacity. So those are all new investments and also in line with our idea of penetrating in other countries.

In addition, we can also highlight the decision we made to increase our production capacity of commercial motors, because we understand that there is room for us to grow on that front and because of the high demand we have seen in the past quarters, in the past months rather, past months, which led us to seek other alternatives, investments that also have to do with modernizing and automation in existing plants, always seeking higher productivity levels of course. And so within that 1 billion we understand that 38% will be allocated in Brazil and 62% will be allocated outside of Brazil.

So as for the paint plant we also made a decision to invest in Mexico starting in greenfield project to also reach the Mexican market and also the American market, especially for paints.

Mr. André Salgueiro – Investor Relations Manager

Falcao good morning, this is Salgueiro speaking, thank you for your question. I will comment on the copper issue specifically. Copper is an important metal within our cost structure as you know. For copper we have a hedging mechanism: we look forward, 12 months forward and then we scale back with our hedge to have some kind of price predictability.

We know the price going up we cannot control that of course; but we do have those hedging mechanisms as I said, so that we can mitigate those impacts on the company. The hedging mechanism is important because it provides us with that potential predictability on prices, and allows us to make the necessary adjustments and the pass that on whenever necessary.

So as a rule that is what happens. Trying to give you the short answer we might have some isolated impacts; but the tendency is to pass that on in the mid-to-the-long run.

So here in Brazil we adjust prices. Last year we had an increase not only in copper, but also in other raw materials especially because of the foreign exchange variations. So we had two price readjustments throughout the year, in some businesses we had three price readjustments, so we were able to do that.

As for the external, international market that is not as easy to do. We tend to wait a bit until the main market players start showing their intentions, so the adjustments are not as constant abroad as they are in Brazil; but often times the foreign exchange variation offsets the impact. So briefly that is how we approach it.

Also relevant to mention is that the copper prices and metal prices going up mean that we have higher demand, so that important segments such as mining are important for WEG and we might have the chance of selling to other areas. So the commodity prices going up is something that is interesting to us.

Mr. Alexandre Falcão – HSBC

Okay thank you.

Operator

Our next question comes from Mr. Lucas Marchiori from BTG.

Mr. Lucas Marchiori – BTG Pactual

Hello everyone good morning, thank you for taking my question. I have two questions, my number one about the short-cycle products. I would like to have an idea about how much better are margins for short-cycle products with all the adjustments you made in terms of efficiency, productivity that you conducted throughout the pandemic?

We always had in mind that short-cycle products we have lower margins than long-cycle products and as, so we expected some kind of accommodation in the margin and that did happen in 3Q and 4Q. So I would like to understand whether short-cycle products have changed margin levels to see what we can expect going forward.

Second question, at the end of the presentation you comment about perspectives for 2021 and you do talk about a slowdown in growth in revenue. So what kind of slowdown drivers do you see going forward? This is expected to be a year of intense consumption of commodities, and as we see the short-cycle improving we should also expect higher numbers. So why do you see a slowdown in revenues? I know there is foreign exchange issues as well; but I would like to understand the dynamics a little better that led you to think of a slowdown in the short term.

Mr. André Salgueiro – Investor Relations Manager

Hi Lucas good morning, thank you for your question, Salgueiro speaking. I will address the margin for the short cycle and then I will comment on our perspectives for 2021.

As for margins we did show a slide where we show the margins dynamics for the short-cycle products vis-à-vis long-cycle products, and we tried to make clear that the margin variations for short-cycle products is slow, has a low variation, irrespective of the cycle, irrespective of the demand for that cycle.

So having said that we did have some improvements when you look at the consolidated numbers in terms of margins for short-cycle; but they are not as relevant as the improvements that we see for long-cycle operations and also on some other operations abroad. But that is happening because of efficiency issues right? That is the first thing to highlight.

In addition we had an impact coming from raw materials that went up, as we said. Last year we had an impact coming from the foreign exchange variations and we passed that on, there might be some mismatch in the short run; but as a whole that is offset in the mid-run. So short-cycle margins in Brazil have improved, but within a level which is not that considerable.

As for the external market we can really say that short-cycle margins have been improving; but that will emerge in the mid-to-the long run, because we want to bring those margins abroad closer to the ones we have here.

It seems it is interesting to remind you that our Manufacturing Execution Program is used to increase our efficiency levels and lead to productivity gains. That is a continuous, ongoing work that we concentrate on every year and in the mid-to the long run we see we can reap the results.

Mr. André Luís Rodrigues – CFO and IRO

Hi Lucas, I will address your first question. That is a complex panorama of growth for next year, not only for short-cycle but for long-cycle as well. The company is complex, as you know, and we have different dynamics according to the different markets, different industries that we serve. So based on what we can see looking forward early in the year still feeling the effects from the COVID 19, the difficulty in recovery in short-cycle products results.

After the recovery we saw in 3Q20, which was more intense in Brazil, all of that makes it difficult to predict if we are going to sustain that level of growth. So that is why we were very prudent and said: we do have an expectation of continued growth; but maybe not at the same level. It will be difficult to maintain that 31% level of growth that we saw last year, because we had an impact of the devaluation along the way.

We also report volatility levels as you saw in terms of long-cycle orders, but again, even in light of that scenario in the internal market we expect to continue to grow, because we understand that there is a possibility of seeing the Brazilian economy improving, and that is key for the development of our more mature businesses. If that comes to be we will have the necessary conditions to improve our short-cycle projects by renewing our plants and so on, and then after that we will be able to create a more favorable, more sustainable scenario for new plants, thus meeting higher demand for long-cycle products.

Some industries such as agriculture, infrastructure have been showing positive signs for this year, in 2021 we will also continue to deliver T&D products coming from the past years' auctions.

The solar generation business will not have the same growth we saw in the past two years, very strong growth, but that will still continue to be an opportunity business for WEG and we do believe in that business and we are going to be working to explore that further.

It is also worth mentioning the start of delivery of the new turbines of 4.2 GW placing WEG back in that market, and we cannot forget the continuous development of new products and new segments as well, example digital businesses, which will create additional growth opportunities, but of course, we will also be monitoring very closely the pandemic situation and the improvement of the Brazilian economy variations, and that scenario might affect those expectations.

As for the external market we have started the year in a different manner than we had last year. What is new? The vaccination processes are being deployed across some countries, not everywhere but across some countries; but that of course brings about an expectation of economic recovery, and we have been saying that the expectation for 2021 is to resume the same revenue levels we had in 2019.

Even amidst all those uncertainties we do believe that number one, T&D operations performance in North America, where we have a leading position and we are now starting in new segments such as renewables and industrials, and with this good, and the good portfolio of orders in Mexico will help us out on that respect.

We also have an opportunity to grow through access to new markets gaining market share, as we have already mentioned before, and in new geographies where we can also operate.

China is doing really well, we are having very positive expectation; we have increased capacity over there recently and we now have an opportunity to develop not only electric motors, but also automation solutions.

Our low-voltage motor unit in India also sees growth opportunities and also segments such as water and sanitation, which brought about good alternatives last year, and we should be keeping a close eye on mining. Mining last year started to recover.

So when we combine all of that WEG does believe that the company might grow this year, but not at the same levels we grew last year.

Mr. Lucas Marchiori – BTG Pactual

Okay, now it is much clearer, thank you Andre, thank you Rodrigues, Salgueiro, thank you and have a nice day everyone.

Operator

Our next question comes from Mr. Cardoso from Credit Suisse.

Mr. Regis Cardoso – Credit Suisse

Good morning, thank you Andre, congratulations on the results. Two topics I would like to address: number one about sustainability of the current return levels, is that something you have in mind? And about the renewable business growth.

As for sustainability I understand that 2020 saw these exchange rate variations, which affected and benefited the USD-tagged revenue and some, of course, domestic products, because of the passing on of those foreign exchange variations. Does that make sense? Should we expect the ROIC to drop in the coming years? And if you have an expectation of seeing that drop, but stay at the levels that you had in 2019.

Along with the return on invested capital question, could we see a longer hiatus for the long-cycle products because of the pandemic? It seems to be a more mitigated risk by now, or if it was an isolated effect on the operating side, again because of the foreign exchange. So that is the first question about how to sustain that level of ROIC.

Number two about your solar businesses especially in the US, if you could give us more color on how much that accounts for today, accounts for your total result. That seems to be experiencing a growth level which is above the average. If you could give us some more color on the growth of that business line specifically and if you expect that to continue to grow at the same pace going forward, thank you.

Mr. André Luís Rodrigues – CFO and IRO

Hello Regis thank you for your questions, I will try to address and let us see if we can address all your points. Starting with the question about the return on invested capital, so the question would be what are the factors that drove that performance in 2020 and if those drivers are sustainable.

Well, 2020 saw a combination of growth in revenues and an expansion in margins that, of course, drove the growth we had seen for the past quarters. We also have to highlight the investment strategy around investments with attractive returns that was also important and a lower need for working capital and also a drop in investments in fixed assets for the past 12 months.

The combination of all of that led to that final numbers, along with a good management of working capital and the CAPEX level kept at the same level. All of that helped our margins, and margins was better than expected earlier in the year.

Now 2021 can, and the question is can we sustain that level of 25.5%? I think that will be difficult. We are not likely to maintain that level in 21, not so much because of the results themselves, because we always work to deliver attractive margins of course; but because of the fact that we need to increase investments to support growth, we start new business areas. So we expect returns to drop when compared to 2020; but we are in a position to remain at a very attractive level anyway from the point of view of the, of what we have done in terms of improving results, in terms of recovering external market conditions. That all will help maintain good levels of return.

Also in 2021 several of the gains we had last year, such as reductions in work shifts, reduction in travel expenses, that of course had a positive impact and will have had an impact going forward, thus reducing our ROIC.

As you mentioned also there could be a gap in the long-cycle portfolio. We have been updating you all on the following: for the long cycle we need to have a good split at WEG, and I will take the opportunity posed by your question and say that because we are involved in several different businesses, businesses with very specific characteristics, how does that dynamic play out across different businesses, to address your point?

When we talk about wind generation projects we have a long backlog, which might be of 2, 3 or even 4 years for that product category; when we go to T&D businesses that timeline might range from 1 to 3 years depending on the contracts; the hydro generation business works around 1 to 2 years; solar plants usually have lower of the timelines, less than a year; and industrial projects have timelines of 6 months to a year.

And provided the gains we saw last year we closed last year and started 2021 with good revenue expectations. The comparison basis also needs to be taken into account, once we were in a moment where we had high demand for long-cycle products in Brazil. We talked about pulp and paper, mining, oil and gas in the foreign market; and as for electronic and electrical equipment for the industry we can still feel some volatility, as we have reported in the call for the previous quarter. The current portfolio sits slightly below the expectations.

As we mentioned since the beginning of the crisis, it is only natural that that happens in a scenario like this and we started feeling those signs by 3Q20. Some relevant sectors such as oil and gas, mining, sanitation, they decreased their investment basis because of the pandemic, of course.

On the other hand and now I touch upon what you mentioned when you said that we have tried to mitigate those risks, in terms of GTD we have an order portfolio which is quite healthy, which was put together throughout the past quarters with deliveries programmed or scheduled for 2021, 2023, and as I also mentioned wind generation projects, which are also in our portfolio of orders, that will contribute to the revenues of the year.

So when we combine all that, even with that high level of volatility in some sectors, especially in industrial electronic and electrical equipment for long-cycle, where people are still working on that portfolio, as I said for industrial segments if we manage to gain some orders until May we could feasibly deliver that this year. We have no evidence that we will see some drop in long-cycle as we saw in 2020, or compared rather with 2020, now that we have wind products back in our portfolio for 2021.

So with the visibility we have today we have no concern about that for 2021 concerning long-cycle to be sure.

Mr. André Salgueiro – Investor Relations Manager

Regis this is Salgueiro. As to your second question you asked about solar, but with that focus on WTU in the US that is an operation which is focused on renewables. Unfortunately we cannot disclose those numbers, we cannot give you that information of how much the company has grown on that front; but what we can simple state is that that is one of the companies which is growing way above the average growth. It is leading this strong growth in GTD for the company for the past years, especially in the international market and in North America, the US and Mexico specifically.

So it is doing really well. Since the acquisition in 2017 revenues more than doubled, so again it is doing really well. So that is why we continue to maintain our investment plans, we are expanding capacity, we are building a third plant to make room to address that renewables market, which is also doing really well, and also to start in the market for generators for the industrial market, where we do not have a footprint in the US yet. So it is a very promising business, especially with this new administration taking office. The new administration has a higher, more intense focus on renewables than the previous administration.

Operator

Next question comes from Mr. Victor Mizusaki from Bradesco BBI.

Mr. Victor Mizusaki – Bradesco BBI

Good morning, congratulations on the results. Andre, my question follows up on your final comment about the US. The US now resuming the Paris Agreement we should see an acceleration in renewables. Do you think WEG will have to make a greater effort to capture a higher market share in North America?

And also about the wind energy, we have the regulatory framework being discussed in Congress for wind energy generation. Do you expect any change in technology, in the framework for you to really answer that market? Thank you.

Mr. André Salgueiro – Investor Relations Manager

Hi Victor good morning, thank you for your questions. I will start with the US question and then Andre will address the second question. Just to be sure: today's position in the US is centralized in T&D, transformers and substations, where WEG leads the market in the US. So we have been selling solutions both for wind generation and as also for solar generation, and those are business which have seen considerable growth in the past years.

The new administration has a very positive stance in terms of continuing to invest, their very resumption of the Paris Agreement is a sign of that. But the US have been investing in renewables considerably for the last years. Last time I looked, last year for wind they added 20 gigs of energy, that is a very strong, robust number.

So the country had been investing already and the trend is that it will continue to do so, and we are very well positioned, as I said we have a very good footprint and we are investing to increase our capacity to continue to meet the demand from that segment, both in the US and in Mexico, where we also have a very good penetration and have had opportunities to make some sales.

Mr. André Luís Rodrigues – CFO and IRO

And Victor, this is Rodrigues speaking now, just to update you on the wind question and the change in technology that you mentioned in your question, 2021, for 2021 we have a contract with Aliança Energia as you know, which will bring revenue in 2021 most of it, and then and 2022 as well.

We have been also saying that we are making efforts to develop this new machine for 4.2 GW, which we are now selling now. We have signed two other contracts recently, which now leads us to have a portfolio for 2022 in wind advancing a little bit over to 2023; and we should have an important investment cycle coming forward in wind investments and if that has materializes it will reflect in our order portfolio. So we are now going to work to capture those opportunities in that segment.

In terms of the technological change WEG is quite well updated through our permanent magnet turbine, we are developing products based on that technology. Of course, a new piece of machinery with almost twice as much power when compared to what we had of course requires new investments across all components, especially in the automation bit, and that is where we are focusing on right now and will continue to use that same technology of permanent magnet, yes.

Mr. Victor Mizusaki – Bradesco BBI

Okay thank you.

Operator

Once again, to ask a question please press star one.

Our next question comes from Mr. Marcelo Motta from J.P. Morgan.

Mr. Marcelo Motta – JP Morgan

Good morning Rodrigues. Two quick questions, the first if you could comment on the revenue performance in Europe. It was the international market that saw the highest drop for you; is that a one-off situation or not?

And also during the start of the presentation you did mention the new bids that would contribute to revenues in 2021, you did mention the 4.0 industry. I know you do not also, do not always give expectations; but if you could share your initiatives that would generate new results, just to give us some color in terms of deliveries, what we can expect.

You know that you have a partnership with Randon, what we can expect coming from that? Again, about the 4.0 industry what kind of growth have you been seeing in the companies you have acquired? What kind of cross-selling opportunities do you see going forward? Thank you.

Mr. André Salgueiro – Investor Relations Manager

Motta good morning, this is Salgueiro, thank you for your question. As for sales in Europe it is important to highlight that 4Q LY… Sorry, 4Q19 had been a very strong quarter, where we started off by recognizing some important projects, the refinery project in Oman, which were factored into Europe's sales.

That level of revenues for projects came on strong for the first three quarters of 2020. For 3Q we started seeing a slowdown in terms of long-cycle deliveries; we saw some new orders coming in, but they did not lead to an increase in revenue. But in 4Q we saw a stronger reduction, which affected the revenues from long-cycle products or projects both for oil and gas, also for water and sanitation.

It is worth reminding that some OEMs, which were important and that were servicing those markets and even the engineering companies, they are located in Europe in countries such as Spain, Italy, Germany and the United Kingdom. So the drop in those projects, and that of course comes from the beginning of the pandemic back in March, that has an impact down the road and that has affected demand for long-cycle products. So the main factor, the main driver was a drop in long-cycle products deliveries.

Combined with that we also had late in the year in some important countries, Germany being the most eloquent, we had higher restrictions put in place because of the Covid situation. They did not get to the point of having a lockdown; but they had restrictions put in place and that affected demand for short-cycle equipment. So we had a combination of long-cycle products which were coming at a lower level since 3Q along with higher restrictions, especially closer to the end of the year, and that of course eventually impacted some specific countries in terms of short-cycle.

If we remove that impact as I said, short-cycle products have been resuming their pace gradually. We have not reached pre-pandemic levels, so there is room for us to improve; but we do expect to see that happen throughout 2021.

Mr. André Luís Rodrigues – CFO and IRO

As for your second question, Motta, about the electric mobility we have this partnership in place and the e-Delivery, which is a product which was developed along with WEG, we expect to deliver the first trucks by Volkswagen in 2Q21. So that is what we have in terms of concrete information, and other partnerships we are developing we are not authorized by the client to announce yet.

But we do have the recharging station business. We are able to replicate projects of public partnerships in some places in Brazil and we are also trying to meet private demand. We have developed new recharging stations and that is a business that will create good opportunities for the company in the future.

As for the digital business where are we now? Our digital business within the company should be seen as a journey. So after the acquisitions we are driving on that journey step-by-step, we are combining the technologies we have acquired. The example I gave in the past call, three products: the WEG Smart Machine, Energy Management and other management tools emerged from those partnerships, from that combination of different technologies. So again it is a journey, and it is also a journey that should be complementary to solutions which we already have in place at WEG. They are adjacent solutions to the existing portfolio.

Also important to say is that at the first stages of that journey we have low comparison basis. So we see considerable growth on a month-by-month basis through those combinations I just mentioned, but with a very low margin yet.

But we do see a very promising outlook, for example the Open Lab, V2COM was one of the companies that we acquired. When we acquired V2COM late in 2019 we knew why we were acquiring V2COM: it is because they had the technology in hand to develop 5G products.

We also announced the agreement of a technical cooperation which we signed in November with the Brazilian Agency of Industrial Development and the National Agency of Telecommunications, Anatel, to test 5G technology across private networks for industrial uses.

We conducted those tests in one of the most automated plants that we had or that we have. If you were present at our WEG Day last year you had the chance to take this with tour at our plant with robots, automation, the highest automation level as I said that we have in the shop floor. That is located in Jaragua do Sul region and with that we will be able to assess the performance of this environment, this production environment with all those devices and antennas in place and connected via 5G.

As we move from that experiment the quality is to offer the Brazilian market productivity solutions based on 5G technology as soon as possible, and of course that makes sense from an economic and technical point of view. From our end so what we are developing is in line with the expectations; but a substantial increase in revenue will come in time.

Operator

Our next question comes from Mr. Rogerio Araujo from UBS.

Mr. Rogerio Araujo – UBS

Good morning Andre, Salgueiro, congrats on the results. Two questions: is there any segment where you work that has seen disruption from suppliers, either now or in 2020? And what are the, where are the main bottlenecks that you see now that you could be selling more if you had more capacity now? If you could list the units where you have higher pressure in terms of supplier disruption.

And also I would like to understand your long-cycle order portfolio. Salgueiro mentioned that you like this environment where commodities are priced at a high level. I would like to understand two things: I would imagine because of the Covid that portfolio is not as strong; but at the same time you have an environment where this will turn your way. So what would be the timeline that you expect to have new orders coming into your portfolio? How can you expect the behavior of your portfolio that we see? High points, low points? What is the timing for that? Thank you.

Mr. André Luís Rodrigues – CFO and IRO

Rogerio, as for your first question throughout 2020 we faced many challenges with the supply chain across different businesses, and as the pandemic involved, we faced different situations.

When the pandemic first hit our main concern was solar panels. We expected to have a good year in solar, we did not want to see that chain being disrupted, we were ready for that. So we did not feel the impact because we were kind of pessimistic before, we sort of anticipated bad things that did not happen, so we were ready for a worse scenario, we were ready to seek alternative solutions to protect ourselves in terms of imported components. So some bearings were developed here in Brazil as an alternative and that worked really well.

And when things started to resume some, resume normal levels, we now face new challenges early in the year and as of late last year. Up until now we did not see any disruption, to answer your question, but as you can see on the news all the international transit which involves China, vessels and freight prices are high; you see a lack of certain components, certain raw materials in the market. For example electronic components coming from China, the automotive industry has been talking about delays in production because of a lack and those made-in-China components.

Again, we increased our inventory early in the year for those components and today we are not facing a disruption. We do have some delay in deliveries; but we have built the necessary inventory for us to operate without compromising delivery times.

In March, back in March we reinforced our inventory so that we would not suffer impacts earlier this year.

Also in terms of paints the petrochemical industry also suffers to some extent because of that, because of the lack of some raw materials for that industry; but at no time did we have a major issue. We have managed to adjust to this new reality so far without compromising deliveries and also being able to meet new orders.

Mr. André Salgueiro – Investor Relations Manager

Rogerio this is Salgueiro. As for your question about the long-cycle portfolio it is difficult to give an answer, because we are going through a very atypical situation. We had been experiencing a good long-cycle process, and as Andre mentioned in terms of GTD we do have a relatively healthy portfolio.

Our main concern sits on the industrial front. Industry had been recovering and then the pandemic hit and in the post-pandemic process of course, people are holding off on their investment decisions; but there were projects on the verge of materializing. So we can only imagine that as the economy recovers that will happen relatively fast, and as Andre mentioned an industrial project usually has a lead time of 6 to 8 months between the order all the way down to delivery.

So we are not seeing that happening now, no new orders. Our commercial team has reported to us that there was a recent increase in the level of quoting, that is a first evidence of a recovery. Quoting comes right before ordering of course, and right before production. So we do have a good expectation that this will happen throughout the year, but it is nothing that has already reflected in our numbers so far.

As a reminder, the mining industry has not suffered that much. We still have mining projects in place even throughout the crisis, but we do have other segments such as pulp and paper, oil and gas, water and sanitation where we did feel some impact; but they might resume activities throughout 21, that is our expectation.

Mr. Rogerio Araujo – UBS

Okay. Okay, thank you for your answers.

Operator

We now close the Q&A session. I would like to turn the conference over to Mr. Andre Rodrigues for his final remarks. Please Mr. Rodrigues you may carry on.

Mr. André Luís Rodrigues – CFO and IRO

Hello. Once again thank you very much for participating in our audio conference. I wish you all a nice week, nice day and see you next time for our next conference call to discuss our results, bye-bye.

Operator

WEG's audio conference is now over. Thank you all for participating and have a nice day everyone.
