



CORPORATE PARTICIPANTS

Mr. André Luís Rodrigues – Chief Financial Officer

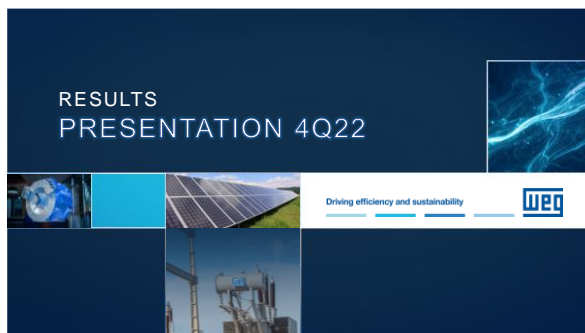
Mr. André Meneguetti Salgueiro – Finance Director and Investor Relations Officer

Mr. Wilson Watzko – Controller Officer

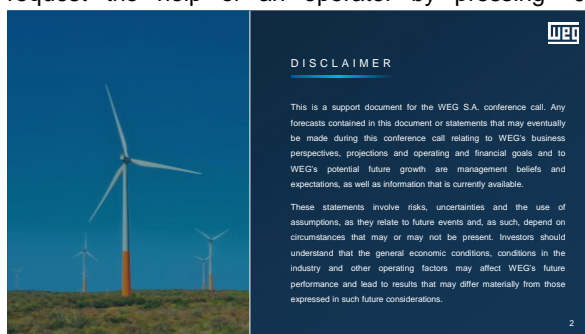
Mr. Felipe Scopel Hoffmann – IR Manager

PRESENTATION

Operator: Good morning and welcome to the conference call on WEG and to release the results of 4Q 22.



We are transmitting this conference call along with its slides in our investor relations website at the address ri.weg.net, and after its completion the audio will be available for you at our investor relations website. If you need any assistance during this conference call, please request the help of an operator by pressing *0.



Any forecasts in this document or any statements made during this conference call about future events, business prospects, operational and financial projections and goals and also to the potential of future growth of WEG are mere beliefs and assumptions of WEG's management, and they are based on information currently available. Forward-looking statements involve risks and uncertainties and therefore depend on circumstances that may or may not occur.

Investors should understand that the general economic conditions, industry conditions and other operational factors may affect the future performance of WEG and lead to results that will be materially different from those expressed in such forward-looking statements.

As a reminder, this conference call is being conducted in Portuguese and you are listening to the simultaneous interpretation into English.

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

Please, André Rodrigues, you may start.

Mr. André Luís Rodrigues – Chief Financial Officer

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



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I would like to start with the quarter's highlights, where the net operating revenue grew 22% as compared to 4Q 21. We have maintained a consistent growth in this quarter as a result of positive demand in the main markets where we operate, combined with our strategy of product diversification and global presence.

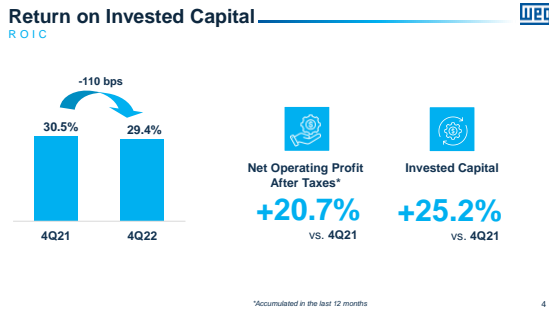
In Brazil there was good demand for industrial equipment, such as electric motors and automation components, as well as in solutions related to generation of renewable energy, especially in the businesses related to wind and solar generation, in addition to the strong performance in transmission and distribution.

In the external market the performance was also positive, with the maintenance of sales volume in the area of industrial electro-electronic equipment and growth in sales in generation, transmission and distribution of energy, as a result of the portfolio that we built throughout the year especially in transmission and distribution businesses.



Another highlight of the quarter was our EBITDA, which reached 1.1xx 4:09 with a growth of 38.6% as compared to 4Q 21. Our EBITDA margin closed the quarter at 19.5%, a growth of 2.3 p.p. as compared to the same period last year.

In GTD we noted a growth in all business lines in Brazil. In addition to the continuity of the delivery of wind turbines this shows the performance of distributed solar generation and alternators. T&D business have good revenue volumes driven by transformer deliveries to several major segments such as transmission, renewable, distribution and industrial lines.



In commercial engines and appliances despite the good sales volume in some segments we noted an oscillation in demand from some important customers in the period, such as manufacturers of washing machines and motor pumps.

Finally, the demand for paint and varnishes products was positive, especially in the segment of metal structures and maintenance.

Along the presentation André Salgueiro is going to give you more details about this performance. Thus, the ROIC as you are going to see on the next slide, has reached 29.4%, a 1.1 p.p. reduction as compared to 4Q 21, especially due to the growth in the capital deployed, mainly explained by investments in fixed and intangibles assets in the period. It is important to highlight the 1.5 p.p. growth in relation to 3Q 22 supported by the growth in revenue and operating margins.

And in the external market we maintained good demand: they were pulverized among different industrial segments where we operate, despite a volatility in some regions. The highlight was the good performance in the United States and Europe, despite the concern with the political and economic scenario in the region. We observe better billing and order placement for long cycle equipment, especially for oil and gas, mining and water and sanitation projects, thereby contributing for the construction of a healthy order portfolio.

Now I would like to give the floor to André Salgueiro to continue.

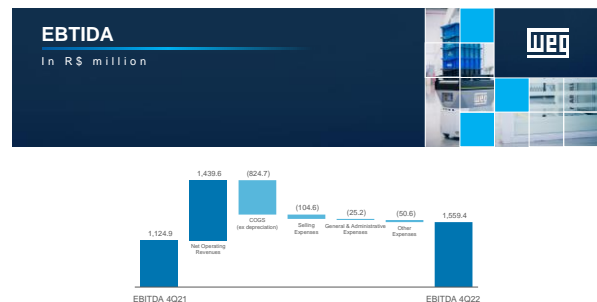
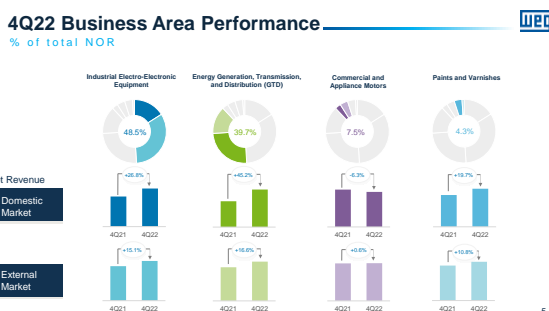
In GTD, T&D sales showed a positive quarter especially in North America, where we continue to take advantage of the opportunities. In generation business we highlight the good performance in our operation in India, with an emphasis with the production of hydro generators.

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

Thank you, André. On slide number 5 you can see the evolution of our business areas in the markets where we operate. In Brazil we continue to have a good performance in electro-electronic and industrial equipment, with good demand for short cycle equipment such as electric engines and reducers, with the highlight to segments related to agribusiness and pulp and paper.

In commercial motors and appliances, we noted the revenue, a flat revenue level when compared to the same period in the year before, despite the accommodation in sales volume in some markets such as North America and Argentina.

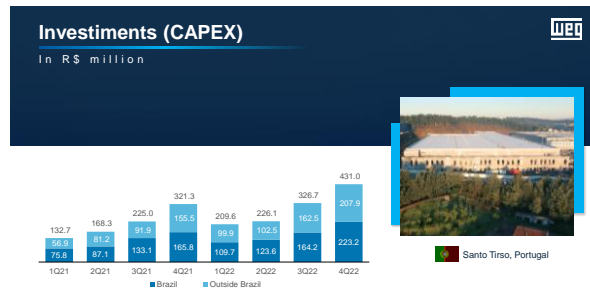
In paints and varnishes we had a sales progress in our Mexico operation, which contributed to the growth as compared to the same period in the year before.



We also noted good demand in long cycle equipment such as medium voltage electric motors and automation panels, especially in oil and gas, mining and pulp and paper.

On slide 6 you can see the evolution of the EBITDA, which grew 38.6% compared to 4Q 21. The EBITDA margin ended the quarter at 19.5%, 2.3 p.p. higher than

the same period the year before. This result is a reflex of the stabilization of costs in recent quarters and the increasing improvement in the performance of our foreign operations.



Finally, on slide 7 you can see the evolution of our investments. We have invested 431 million BRL in the quarter in modernization and expansion of manufacturing capacity, machinery and equipment and new products, 42% of which were meant for manufacturing units in Brazil and 48% were meant for industrial complexes and other facilities abroad.

Now I and my part and I give the floor back to André.

Mr. André Luís Rodrigues – Chief Financial Officer

Before we move to our Q&A session, I would like to talk about some of our most recent accomplishments and to talk about our prospects for this year.



With regards to achievements, I would like to highlight the following recent events:

We consolidated the first and largest two units of Gefran's motor control division in Italy and Germany, which were acquired last August;

In November we opened the new WEG engine factory in Algeria dedicated to manufacturing engines for home appliances, especially washing machines.

Finally, an outlook for the remainder of the year. We started the year with a robust order portfolio for long cycle projects, both in manufacturing and in projects in

oil and gas, mining, pulp and paper; as well as in GTD, in transmission and distribution, generation projects which should contribute to a growth in revenue in this part of the business both in Brazil and overseas. The standardization of supply chains associated to the stabilization of costs of the main raw materials should contribute to the operational dynamics throughout the year.

On the other hand, we must keep an eye on the global macroeconomic scenario and possible related risks and volatilities, both in the domestic and international scenarios.

Now I and the presentation. Operator, please, we may move to the Q&A session.

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Q&A SESSION

Operator

Ladies and gentlemen, we are now going to start our questions and answers session.

If you want to ask a question please press *1. To take your question from the list please press *2.

Our first question comes from Daniel Gasparete from Itaú BBA.

Mr. Daniel Gasparete - Itaú BBA

Good morning, everyone, can you hear me?

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

we are listening to you, Gasparete.



Mr. Daniel Gasparete - Itaú BBA

Thank you, good morning. I would like to get more details about two things: first I would like to understand better electro-electronic equipment in the foreign market. We have a feeling that the North American market consolidated had the benefit of GTD, but when we look the variation of revenues outside the American market it is flat. So, what happened in the North American market?

And the same thing applies to Europe. We understand that it had the benefit of the consolidation of Gefran, but there was a very strong growth in Europe especially related to electro-electronic equipment. So, I would like to understand more about the short-term dynamics QoQ and what you are seeing this year for these two markets, both the North American and Europe.

And I would like to understand more about market share. In a recent event we talked about Siemens, and your local market, maybe you should leave just motors and focus more on software. So, what do you see in terms of your market share, especially in the European market especially comparing to Siemens.

Siemens are carving out their engine or their motor operations. So usually focus more on technology and markets that are smaller. Would it make any sense for us to think of a carve out of the motors operation globally speaking? That's it, thank you very much.

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

Hi, Gasparete, good morning, thank you for your questions, this is André Salgueiro. I will answer the first part about revenues from the foreign market and then he will talk about market share. As to North America, when we look at the region as a whole, we have a positive performance and strong demand, and the highlight in the region was T&D, especially because of transformers in Mexico and in the US.

When we look at other businesses, we are not seeing revenues shrinking, except with commercial motors and appliances, where we have seen some accommodation in 4Q as compared to 3Q, but overall, the manufacturing dynamics is positive. The only thing that we should look at short cycle, especially comparing 4Q with 3Q, there may be some seasonality towards the end of the year that might impact this dynamic.

On the other hand, when you look at Europe it had positive performance, and we mentioned this in our release, it is slightly above what we expected earlier in

the quarter, but this is very much more related to projects. So, there is industrial electro-electronic equipment which drives the growth, and you mentioned the consolidation of Gefran after November, but also other businesses performing very well in Europe.

And projects as we have been seeing long cycle, both for oil and gas, water and sanitation, we have a significant concentration of OEMs for these types of projects in Europe. So, we had a very strong quarter because of demand in Europe.

Mr. André Luís Rodrigues – Chief Financial Officer

Hi Daniel, thank you for your question. I will try to answer the second part of your question as for market share. On our last WEG Day we had a very detailed presentation talking about the company and opportunities that we see as a result of WEG's internationalization, projects with solutions and also the fact that we are going into some new segments.

I think that this movement is going to continue. Last year was very positive, most businesses had very good performance and we are going to continue working to keep that. And I think that there are many opportunities in the market, which are part of the company's internationalization process. So, this is positive and we hope to continue advancing in the main markets and where we are starting to have our presence.

Another thing is that WEG always analyzes. We do not usually talk about the processes that are in the market or about to go to the market, so we cannot talk about these things.

Mr. Daniel Gasparete - Itaú BBA

Thank you for your answers, have a good day.

Operator

Our next question comes from Lucas Laghi from XP.

Mr. Lucas Laghi - XP Investimentos

Good morning, Rodrigues, Salgueiro, congratulations on the results. There are two things I would like to explore with you, the first one is related to the micro aspects of WEG's performance in the quarter. Could you tell us a bit more about the European market towards the end of 22 and the microeconomic is more challenging in terms of recession and supply chain. So how is WEG behaving in this market? So, we have more



exposure to exports and you are exposed to problems, was there any reflex in your strategies in 3Q, especially with regards to motors. I would like to understand the company's perspective in the European market.

The second question that is more specific about taxes. We saw about 40 million BRL in addition to what is most recurrent in terms of tax assets. So, you reduced 3 p.p. effective rate. So, can you give us more details about that rate, and do you have any updates in terms of the provisional measure in Brazil in terms of tax rates? And xxx 19:17 anything you may say will help us. So, these are the two things I would like to ask about: the European market and the tax rate in Brazil.

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

Hi Lucas, this is Salgueiro answering your question. With regards to Europe as a region, Europe is a very important region for our company, it is the second biggest region in terms of relevance in terms of international revenues, and as we said in the past yes, we do have some significant operations in Europe especially in Portugal and Austria, and many of the products that we sell in Europe we manufacture especially here in Brazil or even in China, especially the engines with aluminum casing.

So, since the beginning of last year in Europe the situation is very specific, and the prospect towards the end of the year in the last quarter was to have a very strong energy crisis because of the conflict and energy, and then maybe a slowdown in economic activity, which somehow at least in the short-term was not as significant as we thought it would be. So, this effect and the combination of a less severe winter, and as we equalize the energy did not have such an impact on the short-term economic activity.

In any way this is something that we need to monitor. We cannot say that this is completely solved. As we usually say in Europe, there is more concentration of sales of short cycle products, so we do not have such a long portfolio visibility, we need to monitor month on month to see the dynamics over the next two quarters.

What we can see now in terms of long cycle portfolio there are some projects and some significant deliveries over the next few months and orders, but in terms of short cycle we are seeing some oscillation in some countries, but we cannot say that it is a downwards trend. It is more towards stability; it is flat as a scenario. So, we need to monitor the short cycle dynamics from now on.

Mr. André Luís Rodrigues – Chief Financial Officer

Now, this is André Rodrigues. We would like, I would like to highlight two points: first the higher volume of sales in the foreign market, which has contributed to reduction in effective rate; and then the one-off effect of income tax and social contribution on interest rates and Selic that had an impact.

When we go to MP 1152, a Brazilian law, is that we are monitoring this, and this law will impose changes on transfer pricing rules in Brazil, and what we expect is, first of all, this is just a bill that still needs to be approved in the Congress before it becomes a law.

So, it will go to an arm's-length concept. The arm's-length concept includes five different types of methodology for define everything. It will depend on all the rules from, that are enacted, and to be educational saying that there are still some phases before we know better what is going to happen, and if everything happens during the deadline there might be an effective impact in the income tax as of 2024 - if this bill is presented as it is in the provisional measure.

So, the current structure that we have today needs to make sense. So, the share impacted of our operations is showed in the line of the rate difference, and we are publishing that, and right now, because of the in certainties that I have mentioned step-by-step, it is difficult for us to have an accurate estimate from the impact.

In any way, I would like to say that we believe that there will be a benefit. It still makes sense even after the bill is approved, and once we see whatever will come with the provisional measure we are going to give you more information.

Mr. Lucas Laghi - XP Investimentos

Thank you very much for your answer.

Operator

Our next question is from Ygor Araújo from Genial Investimentos.

Mr. Ygor Araújo - Genial Investimentos

Good morning, everyone, congratulations on the year and on your performance. I would like to touch a point that earlier last year I think we mentioned that is right after the conference call of 4Q 21, and I would like to go back to that point. But then we had the concern with a



possible slowdown and we were seeing some effects, especially the slowdown outside Brazil.

And one of the points that were dressed in one of our conference calls was precisely with regards to your long-cycle revenue backlog. I would like to understand what it is like comparing it to last year and now at the beginning of this year in percentage terms, if you could show that once I can do lots of calculations and it will be very helpful, thank you.

Mr. André Luís Rodrigues – Chief Financial Officer

Hi Ygor, this is André Rodrigues, I will tell you more about the backlog. First of all, when we talk about the industrial electro-electronic equipment, we are seeing a good continuity in orders being placed along the corridors, both in Brazil and in the international market. In this business line, especially with oil and gas, mining and pulp and paper so there is a good performance and they continue. Industrial electro-electronic equipment so we have a healthy portfolio.

Now when you go to GTD we start with a robust portfolio in the year. When we talk about Brazil we can talk about transmission and distribution auctions last year. We had to auctions totaling close to 19. BRL in June and December, very positive, and this year is for that number to go twofold, so 50 billion. There will be auctions if I am not mistaken in July and December, so we start with a good portfolio and positive outlook for this year.

Still in GTD if we look at wind, so we have a portfolio with schedules until the middle of 2024: this has not changed. In solar sale of equipment for solar plants we have good prospects this year, and also a good portfolio for electrical generators, especially from hydro and thermal source. So, this is positive in Brazil.

Now if you look at the international market nothing has changed in terms of what we are always telling you. Once again in North America we still have a strong demand from generation and transmission with aerogenerators, South Africa also with good prospects for transmission and distribution. So, in this manner we have started this year as we started 2022 with a very positive portfolio for the company's long cycle portfolio.

Mr. Ygor Araújo - Genial Investimentos

Thank you very much and congratulations on your performance once again.

Operator

Our next question comes from Marcelo Gumiero from Credit Suisse.

Mr. Marcelo Gumiero - Credit Suisse

Good morning, everyone, thank you for taking my questions and congratulations for your performance in 2022. I have a specific question about margin. So, your margins compared to a very strong level that you had in the last quarter, and what do you see in 2023 in terms of profitability? So, we see a slowdown in the prices of commodities globally, and how is this translated into opportunities for 2023 as compared to a more competitive pricing dynamic? So, if you compare to your peers in terms of the diversification, pricing and everything?

And another question, a follow-up, globally we are seeing many incentive programs for the energy transition, so in the US and Europe, very significant projects, in face value there is billions and billions of dollars. So, in the end are you seeing that this type of initiative has contributed to warming up demand? What do you see in terms of projects? Are there any differences? Do you see an impact? Those were my two questions, thank you very much for taking them.

Mr. André Luís Rodrigues – Chief Financial Officer

Hi Marcelo, it's André Rodrigues answering. I will talk about margins and then Salgueiro will answer your second question. First of all, we should remember that even though our company does not provide any guidance of projected margins, our margins should be, should consider longer periods. So, we are in the beginning of the year and today, considering all current visibility our margins will be, probably we will be able to deliver margins that are similar to what we had in other years. So sometimes you focus on FX variations, we have been seeing some volatility in the last few weeks and this is likely to continue.

Some volatility in the slowdown in the global macroeconomic scenario. I think that Salgueiro talked about that, and the variations in the cost of commodities for long periods. So, the main message is that we will continue working to deliver margins above those of the market.

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



Marcelo, as to the energy transition and all actions that have been going on both in the United States and in Europe, they are all very positive and it is important to point out that most of our businesses are exposed to this new trend and the most recent trend. So we go from the manufacturing, when we talk about motors with more energy efficiency, automation solutions that may help to reduce consumption of energy, and also electric mobility, electric and sometimes especially focusing on heavier automobiles such as trucks and buses.

So, it is intrinsic to many, to a good portion of our businesses as we have been doing. So, we see this is a very interesting opportunity. It is difficult to measure right now how much this is already happening concretely speaking. I think that in the mid-and long-term it sounds like this is a very positive opportunity to say that this has already moved the needle for us right now, and it is very difficult for us to have that perception because as I said this permeates most of the company's businesses.

Mr. Marcelo Gumiero - Credit Suisse

Thank you very much.

Operator

Our next question comes from André Mazini from Citibank.

Mr. André Mazini - Citibank

Good morning, Rodrigues, Salgueiro, Felipe and the team, thank you for taking my question, thank you for the call. I would like to ask about supply chain and pricing. So, with an improvement of the supply chain how do you see the pricing dynamics? In the worst months of the dynamic the supply chain was really broken, and you were saying that customers were less price sensitive in the past. The most important was to have the right product at the right time, and not many people were doing that.

Now once you are back to normal do you think they are again price-sensitive and there is more competition based on pricing?

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

Hi, Mazini. Can you hear us?

Mr. André Luís Rodrigues – Chief Financial Officer

We can't hear.

Mr. André Mazini - Citibank

There is a little bit of echo, but we can hear you.

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

Well, as to the global supply chain we went through a period, especially after the pandemic, when we had a major impact of many segments in terms of what was recurrent supply of some components. This started in the beginning of the pandemic and we are reporting a normalization in this process. And what I would like to say to you is that today most of the impact we have seen has been normalized. So, most of the parts that we used in our process, so freight costs, availability of ships, all of this has gone back to normal along the last few quarters.

There is still something missing in terms of electronic parts, which still affects our automation products, but somehow the situation, especially if we compare to what it was during the pandemic, today it is much better than it was a few quarters ago. Now as we have gone back to normal, we will be able to see some impacts in operational terms. We are going to see operational improvement - and we have noted part of that in 4Q with a more positive cash generation, because of our inventory levels are going back to normal. So, we have started this normalization process and this was only possible because we are in the process of improving that environment as a whole.

As to competition, as we said in other calls, we have used the opportunities as we have a vertical model and as we were very proactive in terms of that problem, and we met the needs of our customers very well along the period. I think that there should be some pressure from some competitors, but we do not see that as a risk. Most of what we have built along the last few years we are going to continue supplying from now on.

Mr. André Mazini - Citibank

Thank you, Salgueiro.

Operator

Our next question from Alberto Valerio from UBS.



Mr. Alberto Valerio - UBS

Good morning, Salgueiro and Rodrigues, once again congratulations on the surprisingly very good result that you are reporting. Could you give us some color on whether there was any influence in some specific area or geography in terms of long cycles in Brazil or in the United States or Europe, because of a stronger margin than usual? And whether, well, you have given some of the guidance for 2023.

Another point I would like to know, what is your inventory management like? So, do you do FIFO, inventory average? So, what should we expect in the future? Because there was very strong volatility in the commodities market recently.

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

Hi, Alberto. As to margin we have improved our margins in practically all operations. So, this is more or less in line. There was no significant evolution, but when we compare it to last year and as compared to 4Q 21 there has been an evolution, and in most of the businesses I said it is natural and we have those dynamics of short cycle and long cycle.

So, we have seen that effect, especially based on 4Q. It continued and as time went by, we saw a normalization in long cycle. So, no major business line or no product line was an outlier, so this is the usual process in terms of recomposition of prices and the cost structure, which was stable along the last few quarters and we saw this effect in almost every product line.

Mr. André Luís Rodrigues – Chief Financial Officer

Alberto, this is André Rodrigues talking about the supply chain. What I can say is that we did not have any shortage in raw materials or generalized shortage. So, this is a result of our verticalization, our conservative inventory strategy that we have adopted over the past few quarters, as we have updated you on that. So, this has helped and the situation is getting better quarter after quarter; however, it still has some impact in some industries, especially in terms of electro-electronic equipment.

So, in this manner what you can see is that the more we go back to normal we can reduce inventory levels. So, we can compare the volume of inventory that we had in September; we had an improvement in the December,

and we will try to find something better and better quarter after quarter as things go back to normal.

And then with regards to pricing what I can tell you is that we are also seeing a smaller pressure in the cost structure coming from raw materials, and this is something that happened along 2H 22. Some raw materials showed an accommodation of prices, and here we can mention copper and steel, and other such as electronic parts are still at high levels of price, and we see a shortage in terms of commodities, this is all back to normal. When we talk about electronic parts it is not right to say that the same thing happened.

So, when we answered about that, in the beginning of 2022 we had an expectation that the components chain would go back to normal after 2023. This is not happening and what we are expecting is for it to go back to normal after 2024, and as I said if on one hand there is a normalization in terms of commodities, what we have seen recently was a reversal of trends in commodity prices.

I talked about steel and copper. They are in a track of accommodation, but recently we saw some pressure on those prices maybe because of the opening of China. So today, now focusing on inventory we hope it will get better along future quarters.

Mr. Alberto Valerio - UBS

Perfect, thank you very much.

Operator

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

Mr. Marcelo Motta - J.P. Morgan

Good morning. I have two questions, first of all could you give us more details about the CAPEX for 2023? Some expansion in Jaraguá, and I would like to understand more maybe depending on the segment, so where you are expecting more investments?

And the second in the North American market there are some companies, especially thinking in terms of inflation in terms of labor. Can it pressure margins this year or not?

Mr. André Luís Rodrigues – Chief Financial Officer



Hi, Motta. I will talk about CAPEX in 2023. The first thing is that we have approved our capital budget for 2023, a number that is bigger than what we had in previous years. So last year it was 1.2 billion, and part of what I am going to say is something that we have been announcing and things that started in 2022 and they are going to continue in 2023, and basically those investments are to support the current growth of the company.

In recent years our total CAPEX most of it, a little bit more than half was for the foreign market, this year 55% is allocated to Brazil and 45% to international. So here the focus in Jaraguá do Sul increasing our manufacturing capacity, a new motor factory especially for electric motors; and because of the good performance of T&D in Brazil, Betim, where we have our transformers plant, we have a new investment to expand our factory there in terms of service provisioned for transformers; Itajubá, recent acquisition, Balteau that manufactures transformers, more focused on measurement equipment. So, there is this good dynamic that we are seeing in the T&D market as said before.

And in the international market in Mexico the highlight is the increase of capacity in the new planned for transformers supplying United States included; in India last year we reviewed our investment, so we opened a new low-voltage electrical engines in India, and now we have mid and high voltage to use the space to manufacture aerogenerators 4.2 that we have the intention of starting selling in the market.

Portugal too, we have an opportunity with industrial engines. This is the focus and this is where we are making the investments; in the United States, after we opened our third transformers manufacturing plant, at the same time we announced the expansion in one of the existing factories and this expansion will be complete in 2023; and in China we are going to increase capacity for industrial engines and to increase automation in that country.

And as part of the investments, we will also be focusing on constant automation and modernization and robotization of our operations.

It is important to say that this capital budget, I do not know, maybe we will execute 100% of that amount in the year, as we did in last years, but this is just a snapshot and an overview of how we are going to allocate investments in 2023.

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

Hi, Motta, thank you for your question. As to inflation in the United States, and we can talk more broadly, so inflation today is a reality in most of the world, not just in the United States and in Europe, too. This was something very strong last year and has some impacts for the cost structure, and I will tell you as it is, a Brazilian company and we are very familiar with that dynamic in Brazil, and we know a lot about it, about that matter - and we are going to make all the necessary adjustments. We do not see that as a significant risk that would have any significant impact on our margins or the dynamics of our businesses.

Mr. Marcelo Motta - J.P. Morgan

Thank you very much.

Operator

Our next question comes from Rogério Araújo from Bank of America.

Mr. Rogério Araújo - Bank of America

Good morning, Salgueiro, congratulations on your results. I have two follow-ups, the first is about transfer prices. There is a line showing a gain in the difference from rates, international rates. Can you give us a breakdown of how much of that comes from exports and how much of that comes from manufacturing outside Brazil with a lower rate, so that we know more what is related to transfer pricing?

And by second question regards solar power. Can you tell us about the market after January 6, which was the deadline? So, what are you seeing in terms of G&D? Any lags in terms of replacement of orders and how is that related to deliveries? Thank you.

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

Hi, Rogério, thank you for your questions. Well, as to the breakdown of explanatory notes on line 27 we cannot report the breakdown specifically. All I can tell you is that most of the effect on that line is related to the trading, the structure of the trading. Obviously, there are different rates in other operations with lower rates than Brazil, and then this difference goes through that - but mainly the effect that you can see there is the effect related to trading.

As to solar, and there was a change in regulations now on January 7 and everyone knows that. This was



something that had been, that was being discussed for a few years, and this new regulation has an impact on distributed solar generation and it still includes a transition period for the projects that were filed until January 7. We still have a transition period depending on how big the project was that can range from 120 days to almost one year. The bigger projects in power plants from 1 to 5 MW, those projects from January 7 will have one-year time for implementation.

So, considering the transition that will still take place along 2023, we are not imagining any significant impact in solar generation; but then on the other hand, we can say that this is a business that is not likely to continue growing at the same pace as it grew in recent years.

So, when we look at solar as a whole - and it is been getting better and better - and André said that there is a construction of solar generation that is centralized in the last few quarters, when we look at solar as a whole, we can imagine that the solar businesses will continue to grow. So especially in 2023 we do not have any major concern in terms of a shrink in revenues.

In 2023 we still need to see. So, we have a short cycle in this area, but as we get towards the end of the year we can update the dynamics of that business, especially the outlook for next year.

Mr. Rogério Araújo - Bank of America

It is very clear, thank you very much.

Operator

Our next question comes from Josh Milberg from Morgan Stanley.

Mr. Josh Milberg - Morgan Stanley

Good morning, everyone, congratulations on your results. I have questions about the evolution of your business in Asia Pacific, where you grew below average in 2022. Can you give us an updated perspective about the factors underlying this underperformance discussing the effects of lockdowns in China and in India, and how you are seeing the challenges in that market as compared to players from Mexico, a change to a more state-controlled economy in more recent years? And as the end of the Covid-zero policy especially are we going to see a significant improvement in growth rate in that region in 2023?

And in our understanding, we know that it is not, Asia is not representative in your mix, but I ask because you have identified in WEG Day as the part, as part of the

world where you have major ambitions for future years, thank you very much. Did you understand my question?

Mr. André Luís Rodrigues – Chief Financial Officer

Hi, Josh, yes, this is Rodrigues talking, thank you very much for your question. So, I will talk about Asia Pacific. For sure the lockdown in China along the pandemic ever since the beginning yes, it had an impact in our businesses and in other companies, too.

Fortunately, we are talking all the time to the people in our China plants, and overnight everything that was implemented in terms of prevention and control was lifted and disappeared; as they were very quick in implementing it, overnight they just lifted all the rules in terms of limitation of circulation, and then it had an impact on, an impact on WEG in the country. Now we are expecting a reversal because of this opening and this general release in all operations that are taking place since last December.

I think that the first point is that we are beginning a year with good prospects for that region, and as the Chinese economy grows, we are expecting growth in China and also good prospects in India, too. When we talk about Asia Pacific it is not just about China we are talking about, so apart from China India is also a country that WEG really believes in. We are leaders in mid-and-high voltage motors in Brazil, we are delivering relevant projects, and the long-cycle portfolio is positive for this year.

In combination with long-cycle businesses we have opened a unit for a low voltage, for the manufacturing of low-voltage engines; and then there is our aerogenerator and we want to start producing the 4.2 MW aerogenerators in that country.

And when we talk about Asia Pacific, we have had a good performance in mining in Australia, and WEG has a significant presence. WEG is a well-known brand and here we combine with good prospects that we are seeing both for China, India in 2023.

Operator

Our next question comes from Lucas Esteves from Santander.

Mr. Lucas Esteves - Santander

Good morning, André Rodrigues and Salgueiro and Felipe. In terms of working capital, you said that one of the focus was to regularize operational improvements



and cash generation in terms of working capital, so you showed that with a reduction of inventory. Which are the initiatives do you intend to implement? Thank you.

We now close our questions-and-answers session. I would like to give the floor to Mr. André Rodrigues for his closing remarks. Mr. Rodrigues, please.

Mr. André Luís Rodrigues – Chief Financial Officer

Hi, Lucas. I think that the main action where we are going to focus is to improve inventory turnover in the company. So, in the medium time for us to receive, so average payment days is different from companies, and we see average payable days is smaller compared to the rest of the country. It is related, it is better and we use this flexibility with components and raw materials in terms of the cost of products sold.

The main focus of the company is for sure to improve inventory turnover. So, we have had better inventory turnover than what we had in 2022. We need to pay attention at the change in the business profiles. So, as we have businesses of solar that have become more relevant in recent years, so we have a significant performance in solar plates or solar panels, and the company is very much mobilized in all levels, in all countries for us to seek improvements along this year.

Mr. André Luís Rodrigues – Chief Financial Officer

Thank you very much for your attendance, have a very good day and see you on our next conference call once we announce the results for 1Q 23, thank you.

Operator

WEG's conference call has now ended. We thank you very much for your participation and we wish you a very good day, thank you.

Mr. Lucas Esteves - Santander

You mentioned solar panels in inventory. There was a 20% reduction in the price of solar panels because of a reduction in prices of raw materials, and you are working with a high inventory in solar panels. Is this going to impact your profitability?

Mr. André Luís Rodrigues – Chief Financial Officer

Lucas, well, all this work of reducing inventory in solar panels, this is something that happened along 2Q. We had an atypical situation along 1Q with all delays in terms of boarding because of the global supply chain problems that had a negative impact in our inventory levels for panels, and we want to bring it closer to normal in 2Q. So, our levels today are okay, which makes it possible for us to conduct our businesses without any major risks.

Mr. Lucas Esteves - Santander

Thank you very much.

Operator