



EARNINGS RELEASE

1Q 2023

Consistency on margins and Return on Invested Capital

Highlights



Net Operating Revenue (NOR) was **R\$ 7,696.2 million** in 1Q23, 12.7% higher than 1Q22 and 3.6% lower than 4Q22.



EBITDA⁽¹⁾ reached **R\$ 1,689.1 million**, 37.0% higher than 1Q22 and 8.3% higher than 4Q22, while **EBITDA margin** was **21.9%**, 380 bps higher than 1Q22 and 240 bps higher than the previous quarter.



Return on Invested Capital (ROIC) reached **31.4%** in 1Q23, up 170 bps from 1Q22 and an increase of 200 bps from 4Q22.

Message from the Management

The performance in this quarter was positive in most of our business, based on the good activity in the main regions where we operate in the foreign market and a healthy demand in Brazil, especially in long-cycle business.

In the domestic market, revenue growth was supported by good demand for industrial products in the main market segments where we operate, such as oil & gas, pulp & paper, and mining, both in the short-cycle business, with highlight to low-voltage electric motors and automation components, and in the long-cycle business, such as medium-voltage motors and automation panels. The exception was the distributed solar generation business which showed a reduction in revenue in this quarter, mainly influenced by the change in regulation for the sector that came into effect in January of this year.

In the external market, we presented revenue growth in the main segments in which we operate, result of our good availability of products and ability to meet the needs of our customers. In addition to the good demand in the Industrial Electrical and Electronic Equipment business, we also highlight the performance of the Power Generation, Transmission and Distribution (GTD) area, especially the consistent growth in transmission & distribution (T&D) revenue in North America.

We believe that our strategy based on product diversification, financial flexibility, and global presence helps us not only to mitigate the impacts brought by the uncertainties of the global scenario, but also to take advantage of the opportunities in our markets. In addition, other key factors of the Company's business model, such as vertical integration and constant search for operational efficiency, combined with the stabilization of the costs of the main raw materials and normalization of the global supply chain, contributed to the good margins obtained and to the growth of the return on invested capital.

Table 1 – Main Highlights

	1Q23	4Q22	AH%	1Q22	AH%
Return on Invested Capital	31.4%	29.4%	200 bps	29.7%	170 bps
Net Operating Revenue	7,696,157	7,979,637	-3.6%	6,828,106	12.7%
Domestic Market	3,658,225	3,817,819	-4.2%	3,470,954	5.4%
External Markets	4,037,932	4,161,818	-3.0%	3,357,152	20.3%
<i>External Markets in US\$</i>	<i>777,213</i>	<i>791,925</i>	<i>-1.9%</i>	<i>644,693</i>	<i>20.6%</i>
Net Income	1,306,653	1,193,187	9.5%	943,900	38.4%
Net Margin	17.0%	15.0%	200 bps	13.8%	320 bps
EBITDA	1,689,125	1,559,440	8.3%	1,232,938	37.0%
EBITDA Margin	21.9%	19.5%	240 bps	18.1%	380 bps
Earnings per Share (EPS)	0.31139	0.28437	9.5%	0.22495	38.4%

The following financial and operating data are presented on a consolidated basis, except when otherwise indicated, in thousands of Brazilian Reals (R\$) according to accounting practices adopted in Brazil, including Brazilian Corporate Law in convergence with IFRS international norms. Except when otherwise indicated, growth rates and other comparisons are made to the same period of the previous year. Share data is adjusted for split or bonus events.

Net Operating Revenue

Net operating revenue grew 12.7% compared to 1Q22, up 5.4% in the domestic market and 20.3% in the external markets, as shown in Table 1. The evolution of revenue proportion between markets is shown in Figure 1. Adjusted for the effects of the consolidation of the Balteau and the Gefran Motion Control business acquisition, consolidated revenue for the quarter would have grown by 11.9% over 1Q22.

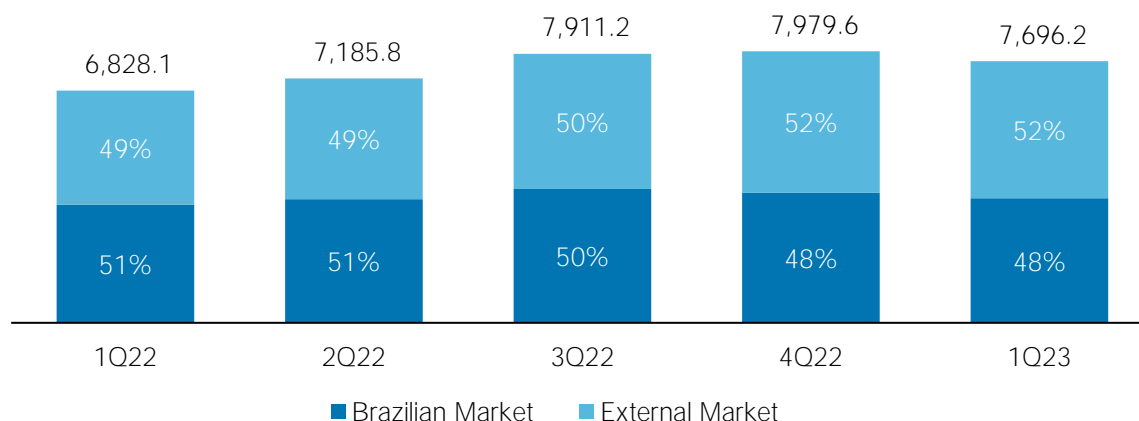


Figure 1 – Net Operating Revenue by Market (figures in R\$ million)

Net operating revenue from the external market, measured in the quarterly averaged US dollars, increased by 20.6% in relation to 1Q22 and decreased 1.9% in relation to 4Q22. The distribution of net revenue by geographic markets is shown in Table 2.

Table 2 – Net operating revenue from the external market by geographic region, in US dollars

	1Q23		4Q22		1Q22		HA% (A)/(B)	HA% (A)/(C)
	(A)	VA%	(B)	VA%	(C)	VA%		
<i>External Markets in US\$</i>	777,213	100.0%	791,925	100.0%	644,693	100.0%	-1.9%	20.6%
<i>North America</i>	380,816	49.0%	368,708	46.6%	283,992	44.1%	3.3%	34.1%
<i>South and Central America</i>	86,837	11.2%	78,979	10.0%	72,355	11.2%	9.9%	20.0%
<i>Europe</i>	188,437	24.2%	215,729	27.2%	170,259	26.4%	-12.7%	10.7%
<i>Africa</i>	45,577	5.9%	52,884	6.7%	43,890	6.8%	-13.8%	3.8%
<i>Asia-Pacific</i>	75,546	9.7%	75,625	9.5%	74,197	11.5%	-0.1%	1.8%

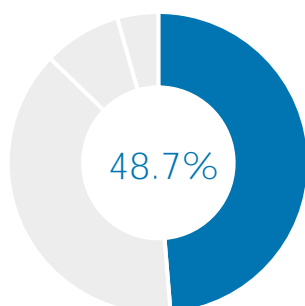
Net operating revenue from the external market was little impacted by the average US dollar exchange rate that moved from R\$ 5.23 in 1Q22 to R\$ 5.20 in 1Q23, a 0.6% depreciation over the Brazilian Real.

It is important to consider that we set our sales prices in different markets in local currency and according to their competitive conditions. Measured in local currencies, weighted by revenues in each market, net operating revenue from the external market increased by 25.7% when compared to 1Q22.

Performance by Business Area

Industrial Electro-Electronic Equipment (EEI)

NOR	Domestic Market	External Market
1Q23	1,206,553	2,541,095
4Q22	1,253,233	2,613,685
Δ%	-3.7%	-2.8%
1Q22	1,004,713	2,183,585
Δ%	20.1%	16.4%



Share in NOR

Domestic Market

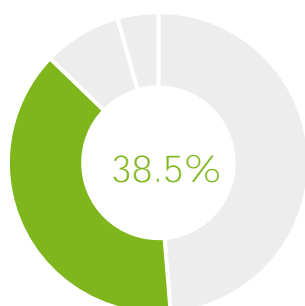
- Industrial activity remains positive, mainly in important segments like mining and oil & gas. Short-cycle goods, such as electric motors, gearboxes and automation series products, continued to be in good demand in the period.
- Highlight on the good performance for long-cycle goods, such as medium voltage electric motors and automation panels, especially in the mining, pulp & paper and oil & gas segment.

External Market

- Economic and industrial activity has proved resilient in all regions where we operate. Short-cycle goods, such as low-voltage electric motors and serial automation products, showed distributed demand among the different industrial segments, especially in North America.
- Long-cycle goods also showed good performance, a consequence of the good order backlog already reported and that continues to be built, especially in the oil & gas, mining, and water & sanitation segments.

Energy Generation, Transmission, and Distribution (GTD)

NOR	Domestic Market	External Market
1Q23	1,948,118	1,014,932
4Q22	2,031,117	1,136,479
Δ%	-4.1%	-10.7%
1Q22	2,014,992	750,701
Δ%	-3.3%	35.2%



Share in NOR

Domestic Market

- Despite the good performance of the T&D business, following the good demand for long-cycle goods in this area, the reduction in demand for distributed solar generation impacted revenue this quarter. The anticipation of orders in 2022 and the entry into effect of Law 14,300/2022 on January 7 of this year, contributed to the lower revenue of this business in this quarter. Despite the additional challenges present in the market, we believe in the potential for developing this sector, especially when considering centralized solar generation (GC).

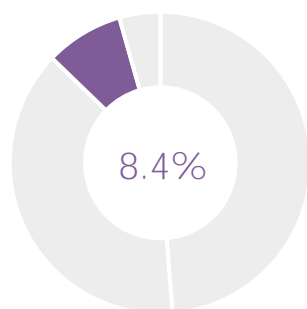
External Market

- We continue to take advantage of the opportunities in the T&D market in North America, especially selling transformers for renewable energy power generation (wind and solar) in the USA and good demand from the Mexican markets.
- In the generation business, we highlight the good performance in our operation in India and a robust backlog for the coming quarters, especially for the European market.

Performance by Business Area

Commercial and Appliance Motors (MCA)

NOR	Domestic Market	External Market
1Q23	218,917	426,498
4Q22	248,423	349,126
$\Delta\%$	-11.9%	22.2%
1Q22	206,555	374,591
$\Delta\%$	6.0%	13.9%



Share in NOR

Domestic Market

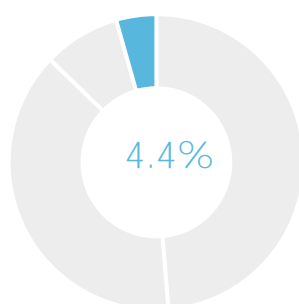
- Performance indicates an improvement on business demand, with a positive view in sectors such as the washing machine, despite volatility in demand and inventory adjustments in some important segments, such as motors for air conditioning.

External Market

- We observed growth in demand for our products, mainly due to good economic activity and market share gains in most of the regions where we operate. Highlight for the good performance of operations in North America.

Paints and Varnishes (T&V)

NOR	Domestic Market	External Market
1Q23	284,637	55,407
4Q22	285,046	62,528
$\Delta\%$	-0.1%	-11.4%
1Q22	244,694	48,275
$\Delta\%$	16.3%	14.8%



Share in NOR

Domestic Market

- The demand for paint and varnish products kept positive, with highlight on the segments of mining and oil & gas.

External Market

- Exports from Brazil to Latin American countries and the good result of our operations abroad contributed to the growth, when compared to the same period last year.

Cost of Goods Sold

The Cost of Goods Sold (COGS) and gross margin for the quarter are shown in Table 3.

Table 3 – Costs

	1Q23	4Q22	HA%	1Q22	HA%
Net Operating Revenues	7,696,157	7,979,637	-3.6%	6,828,106	12.7%
Cost of Goods Sold	(5,149,094)	(5,564,640)	-7.5%	(4,933,270)	4.4%
Gross Margin	33.1%	30.3%	280 bps	27.8%	530 bps

The accommodation of prices on the main raw materials that make up our cost structure, notably steel and copper, together with the change in the mix of products sold, the constant search for operational efficiency and productivity gains were important factors for the evolution of gross margin in the quarter.

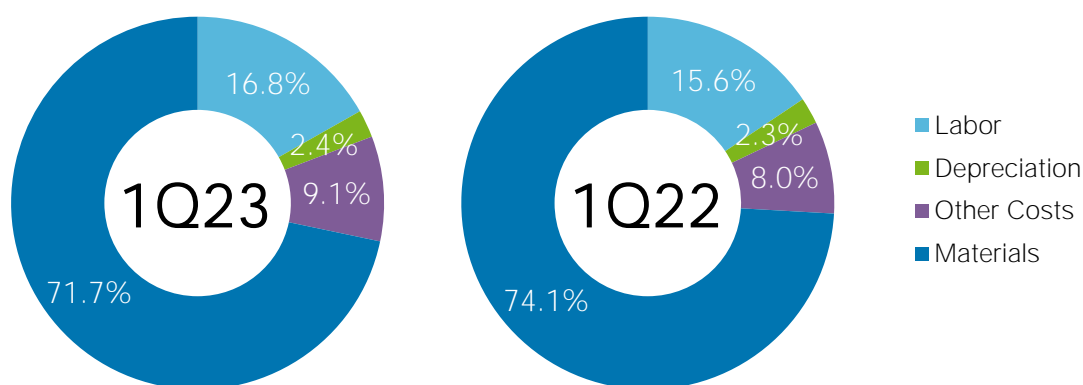


Figure 2 – COGS Composition

Sales, General, and Administrative Expenses

Consolidated Sales, General, and Administrative (SG&A) expenses totaled R\$ 826.8 million in 1Q23, an increase of 19.3% vs. 1Q22 and a decrease of 0.5% vs. 4Q22. When analyzed in relation to net operating revenue, these expenses accounted for 10.7%, up 60 basis points vs. 1Q22 and up 30 basis points compared to 4Q22.

EBITDA and EBITDA Margin

The composition of the EBITDA calculation, according to Instruction CVM 156/2022, and the EBITDA margin are shown in Table 4. EBITDA margin showed an important evolution when compared to the same period of the previous year, mainly reflecting the accommodation of costs observed in the last quarters, together with the change in the mix of products sold, mainly impacted by the difference in the margin profiles of the industrial segment, which showed higher growth when compared to GTD.

Table 4 – Calculation of EBITDA and EBITDA Margin

	1Q23	4Q22	HA%	1Q22	HA%
Net Operating Revenues	7,696,157	7,979,637	-3.6%	6,828,106	12.7%
Net Income	1,306,653	1,193,187	9.5%	943,900	38.4%
Net Income Before Minorities	1,323,941	1,219,066	8.6%	953,482	38.9%
(+) Income Taxes & Contributions	282,760	182,706	54.8%	199,370	41.8%
(+/-) Financial Income (Expenses)	(68,508)	3,839	n.a.	(54,264)	26.2%
(+) Depreciation & Amortization	150,932	153,829	-1.9%	134,350	12.3%
EBITDA	1,689,125	1,559,440	8.3%	1,232,938	37.0%
EBITDA Margin	21.9%	19.5%	240 bps	18.1%	380 bps

Net Income

Net Income in 1Q23 was R\$ 1,306.7 million, up 38.4% compared to 1Q22 and up 9.5% compared to 4Q22. The net margin reached 17.0%, 320 basis points higher than 1Q22 and 200 basis points higher than 4Q22.

Cash Flow

Cash generation in operating activities was R\$ 2,315.3 million in the first three months of the year, result of continuous revenue growth and improved operating margins. It is important to highlight the continuity of the process of normalizing inventory levels in 1Q23, which increased last year and was necessary to ensure the availability of products globally.

In investment activities, which include changes in fixed and intangible assets, acquisition of subsidiaries, and financial investments, we consumed R\$ 341.0 million. The (CAPEX⁽²⁾) level in modernization and expansion of production capacity increased in relation to the same period of the previous year, continuing the investment of resources in the plants in Brazil, Mexico and India.

In financing activities, the Company raised R\$ 633.5 million and made amortizations of R\$ 626.2 million, including interest on loans, resulting in net funding of R\$ 7.3 million. Payments to equity holders (dividends and interest on capital) totaled R\$ 1,301.0 million. The final result was net funding of R\$ 1,290.8 million in financing activities in the period.

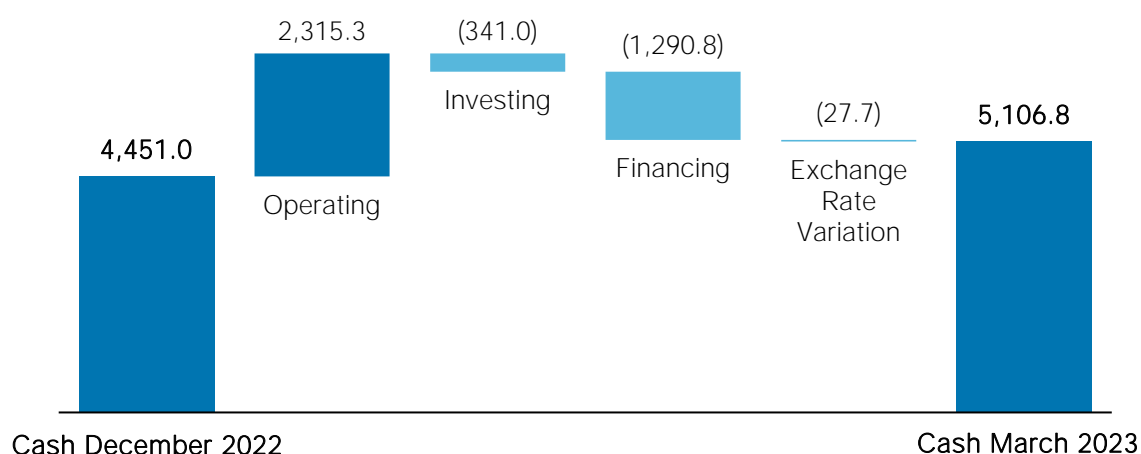


Figure 3 – Cash flow reconciliation (figures in R\$ million)

Note that the chart in Figure 3 shows the cash and cash equivalents positions classified as current assets. Furthermore, the Company has R\$ 623.4 million in financial investments with no immediate liquidity, including derivative financial instruments (R\$ 577.8 million in December 2022).

Return on Invested Capital

The ROIC in 1Q23, accumulated in the last 12 months, reached 31.4%, increased by 170 basis points over 1Q22 and growing 200 basis points over 4Q22. The growth of Net Operating Profit After Taxes (NOPAT), mainly due to revenue growth and improved operating margins, more than offset the increase in capital employed, which expansion is explained by the greater need for working capital, and investments in fixed and intangible assets made over the last 12 months.

Investments (CAPEX)

In 1Q23, we invested R\$ 343,4 million in the modernization and expansion of production capacity, machinery and equipment, and software licenses, 49% for production units in Brazil and 51% for industrial plants and other facilities abroad.

In Brazil, we highlight the investments in the expansion of production capacity for industrial motors, electric traction motors and battery packs. Abroad, we continue to increase the production capacity of our motors and transformer factories in Mexico and to expand the plant in India for the production of wind turbines.

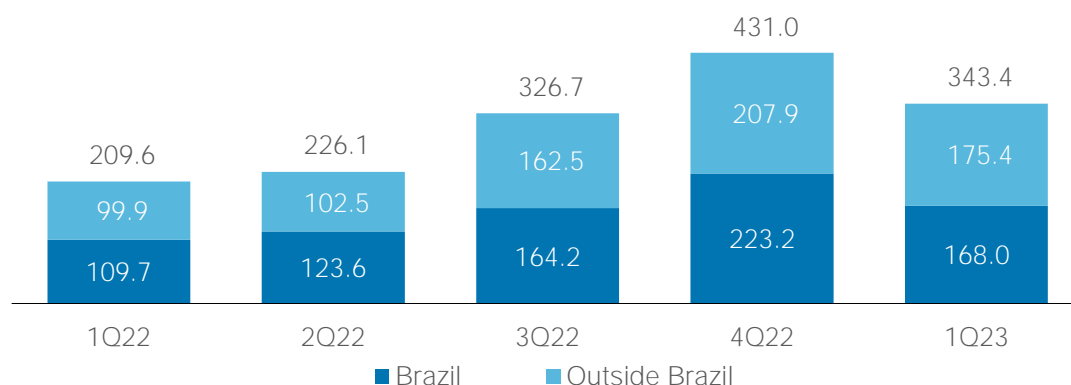


Figure 4 – CAPEX Evolution (figures in R\$ million)

Research, Development, and Innovation

Expenditures on research, development, and innovation activities totaled R\$ 223.4 million, representing 2.9% of accumulated net operating revenue in 1Q23.

Debt and Cash Position

Cash, cash equivalents, invested in first-tier banks and denominated in Brazilian currency, and financial investments and derivatives are presented in Table 5. Likewise, the Company demonstrates the total gross financial debt, with details between short and long-term, in Brazilian Reais and other currencies, resulting in the Company's net cash at the end of the quarter.

Table 5 – Cash and Debt

	March 2023		December 2022		March 2022	
Cash & Cash Equivalents	5,666,375		4,995,115		3,275,271	
Current	5,655,326		4,982,828		3,264,759	
Long Term	11,049		12,287		10,512	
Derivatives	(174,241)		(101,597)		110,473	
Short Term Assets	62,770		33,647		309,960	
Long Term Assets	1,102		-		-	
Short Term Liabilities	(141,951)		(87,831)		(62,439)	
Long Term Liabilities	(96,162)		(47,413)		(137,048)	
Debt	(3,439,139)	100%	(3,459,692)	100%	(3,078,716)	100%
Current	(2,572,739)	75%	(2,307,817)	67%	(2,466,445)	80%
In Brazilian Reais	(9,775)		(8,494)		(12,240)	
In other currencies	(2,562,964)		(2,299,323)		(2,454,205)	
Long Term	(866,400)	25%	(1,151,875)	33%	(612,271)	20%
In Brazilian Reais	(31,142)		(31,691)		(40,500)	
In other currencies	(835,258)		(1,120,184)		(571,771)	
Net Cash	2,052,995		1,433,826		307,028	

The total duration of our indebtedness was 10.3 months on March 2023 (11.8 months in December 2022).

Dividends and Interest on Stockholders' Equity

At a meeting held on March 14, the Board of Directors decided to declare interest on equity in the total amount of R\$ 223.4 million before withholding income tax, with payment expected on August 16, 2023.

Our practice is to declare interest on capital quarterly and dividends based on the profit obtained each half-year, that is, six proceeds each year, paid semi-annually.

Results Conference Call

On April 27, 2022 (Thursday), WEG will hold a teleconference in Portuguese, with simultaneous translation into English, also available on the internet webcast, at the following times:

- 11:00 a.m. – São Paulo (BRT)
- 10:00 a.m. – New York (EDT)
- 03:00 p.m. – London (BST)

Connecting phone numbers:

- Dial-in for connections in Brazil: +55 11 4090 1621 / +55 11 3181 8565
- Dial-in for connections in the United States: +1 412 717 9627
- Toll-free for connections in the United States: +1 844 204 8942
- Code: WEG

Access to HD Web Phone (webphone connection):

- Conference call in Portuguese: [click here](#)
- Conference call in English: [click here](#)

Access to Webcasting:

- Slides and original audio in Portuguese: <https://choruscall.com.br/weg/1t23.htm>
- Slides and simultaneous translation into English: <https://choruscall.com.br/weg/1q23.htm>

The presentation will also be available on our Investor Relations website (ir.weg.net). Please, call approximately 10 minutes before the conference call time.

Forward-Looking Statements

The statements contained in this report relating to WEG's business prospects, projections, and results and the Company's growth potential are projected forecasts based on management's expectations regarding the future of WEG. These expectations are highly dependent on changes in the market, overall national economic performance, sector performance, and international markets and are subject to change.

FINANCIAL STATEMENTS

1Q 2023

Annex



Annex I – Consolidated Income Statement – Quarterly

	1Q23		4Q22		1Q22		HA%	HA%
	(A)	VA%	(B)	VA%	(C)	VA%	(A)/(B)	(A)/(C)
Net Operating Revenues	7,696,157	100.0%	7,979,637	100.0%	6,828,106	100.0%	-3.6%	12.7%
Cost of Goods Sold	(5,149,094)	-66.9%	(5,564,640)	-69.7%	(4,933,270)	-72.2%	-7.5%	4.4%
Gross Profit	2,547,063	33.1%	2,414,997	30.3%	1,894,836	27.8%	5.5%	34.4%
Sales Expenses	(568,133)	-7.4%	(602,822)	-7.6%	(493,016)	-7.2%	-5.8%	15.2%
Administrative Expenses	(258,622)	-3.4%	(228,021)	-2.9%	(199,747)	-2.9%	13.4%	29.5%
Financial Revenues	388,642	5.0%	238,116	3.0%	424,099	6.2%	63.2%	-8.4%
Financial Expenses	(320,134)	-4.2%	(241,955)	-3.0%	(369,835)	-5.4%	32.3%	-13.4%
Other Operating Income	54,812	0.7%	60,598	0.8%	46,014	0.7%	-9.5%	19.1%
Other Operating Expenses	(236,927)	-3.1%	(239,141)	-3.0%	(149,499)	-2.2%	-0.9%	58.5%
Earnings Before Taxes	1,606,701	20.9%	1,401,772	17.6%	1,152,852	16.9%	14.6%	39.4%
Income Taxes & Contributions	(254,699)	-3.3%	(212,657)	-2.7%	(142,496)	-2.1%	19.8%	78.7%
Deferred Taxes	(28,061)	-0.4%	29,951	0.4%	(56,874)	-0.8%	n.a.	-50.7%
Minorities	(17,288)	-0.2%	(25,879)	-0.3%	(9,582)	-0.1%	-33.2%	80.4%
Net Earnings	1,306,653	17.0%	1,193,187	15.0%	943,900	13.8%	9.5%	38.4%
EBITDA	1,689,125	21.9%	1,559,440	19.5%	1,232,938	18.1%	8.3%	37.0%
Earnings per Share (EPS)	0.31139		0.28437		0.22495		9.5%	38.4%



Annex II – Consolidated Balance Sheet

	March 2023		December 2022		March 2022		HA%	HA%
	(A)	VA%	(B)	VA%	(C)	VA%	(A)/(B)	(A)/(C)
Current Assets	20,149,777	70%	19,653,210	70%	16,424,181	68%	3%	23%
Cash & cash equivalents	5,655,326	20%	4,982,828	18%	3,264,759	14%	13%	73%
Receivables	5,602,395	19%	5,614,423	20%	4,430,633	18%	0%	26%
Inventories	7,450,430	26%	7,644,361	27%	7,018,367	29%	-3%	6%
Other current assets	1,441,626	5%	1,411,598	5%	1,710,422	7%	2%	-16%
Noncurrent assets	8,770,306	30%	8,481,450	30%	7,745,069	32%	3%	13%
Long Term Assets	687,282	2%	673,726	2%	1,040,324	4%	2%	-34%
Long term securities	11,049	0%	12,287	0%	10,512	0%	-10%	5%
Deferred taxes	432,975	1%	443,133	2%	370,093	2%	-2%	17%
Other non-current assets	243,258	1%	218,306	1%	659,719	3%	11%	-63%
Investment in Subs	1,042	0%	1,056	0%	1,057	0%	-1%	-1%
Property, Plant & Equipment	6,586,075	23%	6,282,653	22%	5,239,800	22%	5%	26%
Right of use	654,598	2%	595,024	2%	370,838	2%	10%	77%
Intangibles	1,495,907	5%	1,524,015	5%	1,463,888	6%	-2%	2%
Total Assets	28,920,083	100%	28,134,660	100%	24,169,250	100%	3%	20%
Current Liabilities	11,095,417	38%	10,262,877	36%	9,300,954	38%	8%	19%
Social and Labor Liabilities	603,689	2%	466,843	2%	515,734	2%	29%	17%
Suppliers	2,298,669	8%	2,036,216	7%	2,171,283	9%	13%	6%
Fiscal and Tax Liabilities	588,812	2%	459,647	2%	365,868	2%	28%	61%
Short Term Debt	2,572,739	9%	2,307,817	8%	2,466,445	10%	11%	4%
Dividends Payable	200,860	1%	361,838	1%	139,743	1%	-44%	44%
Advances from Clients	3,077,645	11%	2,854,545	10%	2,178,944	9%	8%	41%
Profit Sharing	269,948	1%	447,150	2%	201,611	1%	-40%	34%
Derivatives	141,951	0%	87,831	0%	62,439	0%	62%	127%
Leasing	106,283	0%	103,036	0%	60,550	0%	3%	76%
Other Short Term Liabilities	1,234,821	4%	1,137,954	4%	1,138,337	5%	9%	8%
Long Term Liabilities	2,524,337	9%	2,623,428	9%	2,080,964	9%	-4%	21%
Long Term Debt	866,400	3%	1,151,875	4%	612,271	3%	-25%	42%
Other Long Term Liabilities	314,556	1%	228,335	1%	470,066	2%	38%	-33%
Leasing	510,127	2%	446,594	2%	249,231	1%	14%	105%
Deferred Taxes	77,604	0%	77,136	0%	87,007	0%	1%	-11%
Contingencies Provisions	755,650	3%	719,488	3%	662,389	3%	5%	14%
Equity	15,300,329	53%	15,248,355	54%	12,787,332	53%	0%	20%
Owners of the Company	14,867,453	51%	14,834,795	53%	12,417,577	51%	0%	20%
Noncontrolling interests	432,876	1%	413,560	1%	369,755	2%	5%	17%
Total Liabilities	28,920,083	100%	28,134,660	100%	24,169,250	100%	3%	20%



Annex III – Consolidated Cash Flow Statement

	3 Months 2023	3 Months 2022
Operating Activities		
Net Earnings before Taxes	1,606,701	1,152,852
Depreciation and Amortization	150,932	134,350
Provisions	303,239	425,996
Tax credit - ICMS exclusion from PIS/COFINS calculation basis	(28,933)	(34,420)
Changes in Assets & Liabilities	283,403	(1,414,544)
(Increase) / Reduction of Accounts Receivable	(37,608)	(819,847)
Increase / (Reduction) of Accounts Payable	827,023	884,500
(Increase) / Reduction of Inventories	114,233	(1,027,650)
Income Tax and Social Contribution on Net Earnings	(279,696)	(140,390)
Profit Sharing Paid	(340,549)	(311,157)
Cash Flow from Operating Activities	2,315,342	264,234
Investment Activities		
Fixed Assets	(331,874)	(200,454)
Intangible Assets	(11,551)	(9,151)
Results of sales of fixed assets	8,612	6,217
Aquisition of Subsidiaries	(7,414)	(98,441)
Financial investments held to maturity	-	(10,512)
Rescue of financial investments	1,238	1,318
Cash Flow From Investment Activities	(340,989)	(311,023)
Financing Activities		
Working Capital Financing	633,511	1,337,869
Long Term Financing	(603,187)	(80,359)
Interest paid on loans and financing	(23,016)	(11,429)
Treasury Shares	2,832	(5,896)
Dividends & Interest on Stockholders Equity Paid	(1,300,955)	(1,048,242)
Cash Flow From Financing Activities	(1,290,815)	191,943
Changes in Cash and Equivalents caused by FX Changes	(27,705)	(109,719)
Change in Cash Position	655,833	35,435
Cash & Cash Equivalents		
Beginning of Period	4,451,002	2,714,427
End of Period	5,106,835	2,749,862

Notes:

(1) Earnings before Interest, Taxes, Depreciation, and Amortization

(2) Capital Expenditure

n.a. stands for not applicable

n.m. stands for not mentioned

bps stands for basis points

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