



CORPORATE PARTICIPANTS

Mr. André Luís Rodrigues – Chief Financial Officer

Mr. André Salgueiro – Finance Director and Investor Relations Officer

Mr. Wilson Watzko – Controller Officer

Mr. Felipe Scopel Hoffman – IR Manager

PRESENTATION

Operator: Good morning and welcome to WEG's earnings conference call for 3Q 22.



We inform that this conference call is being broadcast online at ri.weg.net, where the slide presentation can also be found, and after the call the replay will be available on our website. Should you need any assistance during the call please press *0 to reach the operator.



Any forecasts in the documents or any forward-looking statements that may be made during this conference call relative to future events, to the company's business perspectives, operational and financial projections and targets and the potential future growth of WEG are based on beliefs and expectations of the company's management and based on information currently available to the company. These forward-looking statements involve risks and uncertainties, and

therefore depend on circumstances that may or may not occur.

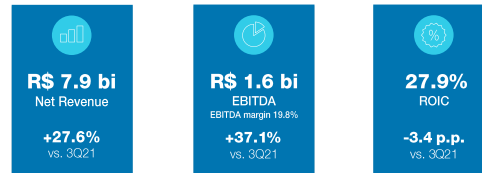
Investors should understand that general economic conditions, industry factors and other operating factors may affect the future performance of WEG and lead to results that differ materially from those expressed in such forward-looking statements. We would like to remind you that this conference call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

Today here in Jaraguá do Sul we have with us Mr. André Luís Rodrigues, Superintendent for Administration and Finance; André Meneguetti Salgueiro, Finance and IR Director; Wilson Watzko, Controllershship Director and Felipe Scopel Hoffman, IR Manager. Mr. Rodrigues you may proceed.

Mr. André Luís Rodrigues – Chief Financial Officer

Good morning everyone. It is a pleasure to be here with you for another earnings conference call for WEG.

3Q22 Highlights



3

I will start with the quarter highlights. Our net operational income grew 37.6% YoY. The consistent performance of this growth was a reflection of good demand combined with our capacity to maintain good availability of supply of our products and services, leveraging opportunities for growth in the markets where we operate.

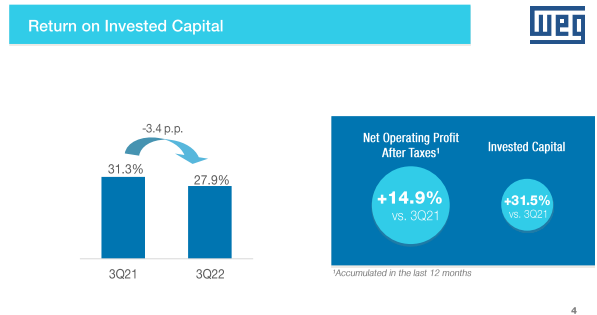
In Brazil we had strong growth, resulting both from our industrial activities mainly motivated by businesses related to global commodities, as well as the generation, transmission and distribution segment, leveraged by the wind power, solar power and transmission and distribution projects.

In the external market we saw an industrial activity that was heated up and supported the revenue increase in our main markets, with highlight for the demand in oil and gas, mining and water and sanitation.

The EBITDA was 1.6 billion, growing 37.1% YoY. The EBITDA margin closed the quarter at 19.8%, growing 1.3 p.p. considering the same period last year. During



this presentation André Salgueiro will give you more details about our performance.



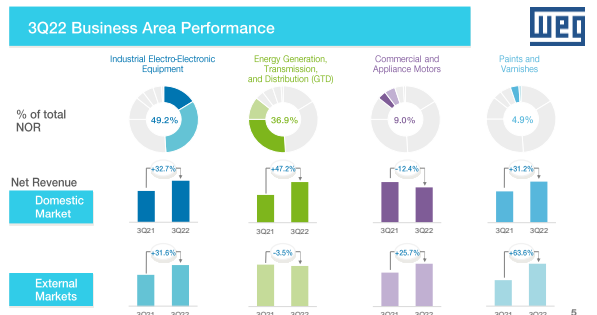
And finally our ROIC, as we can see on the next chart, reached 27.9%, a 3.4 p.p. decrease YoY, and this was mainly due to the increase in the capital invested explained by the greater need for working capital and investments that we had in the last quarters.

On the other hand, it is important to highlight the increase: the 1 p.p. increase QoQ, supported by the growth of our revenue and operational margins.

Now I turn the conference over to André Salgueiro.

Mr. André Salgueiro – Finance Director and Investor Relations Officer

Thank you André, good morning everyone. On slide number 5 we have the evolution of our business areas in the markets where we operate. In Brazil, the performance of industrial electro-electronic equipment showed an evolution resulting from a good demand for short-cycle equipment such as electric motors, reducers and serial automation equipment, with highlight to agribusiness and mining



We also saw good demand for long-cycle equipment, particularly those destined to projects in paper and cellulose and... Pulp and paper and oil and gas.

In GTD we saw an increase in all our businesses in Brazil. In generation the highlight still goes to the high level of sales of distributed solar generation, the delivery of new aerogenerators and the increase in alternators and thermal generation.

The T&D business maintained good revenue volumes driven by large transformers and substations for projects connected with transmission auctions, combined with the sales off transformers for the distribution grids.

In commercial and appliance motors we had the continuation of the increase that we saw in new orders for appliance motors after the accommodation of the market that we observed in the last quarters. The revenue increase QoQ with better demand for commercial motors for applications such as water pumps and also for appliance motors, particularly those for washing machines.

Finally, the demand for paints and varnishes kept the same level of high sales, mainly supported by agribusiness and infrastructure segments.

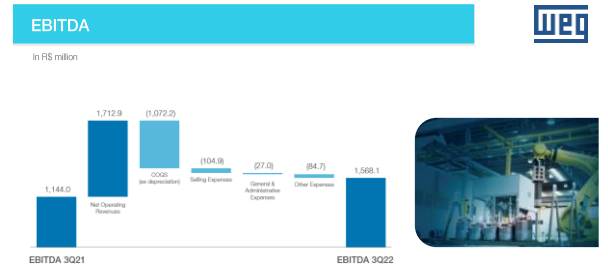
In the external market segments like oil and gas, mining and water and sanitation continued to contribute to the good performance of our industrial electro-electronic equipment division, with highlight for short-cycle equipment such as low-voltage electric motors. We continue with a good number of orders, despite the oscillations in the entry of orders observed during the quarter, notably some European countries.

In GTD the revenues again had the typical oscillations of long-cycle businesses, particularly after the delivery of important T&D projects in Colombia and South Africa and the steam turbines in Europe during 2021.

On the other hand, we advanced with the increase and the utilization of our capacity of the new plant, the new transformer plant in the US, leveraging the opportunities present in that market, particularly when it comes to the sales of transformers for renewable energy generation parks, wind power and solar power.

In commercial and appliance motors we saw an increase in our revenue with an increased share in the markets where we operate.

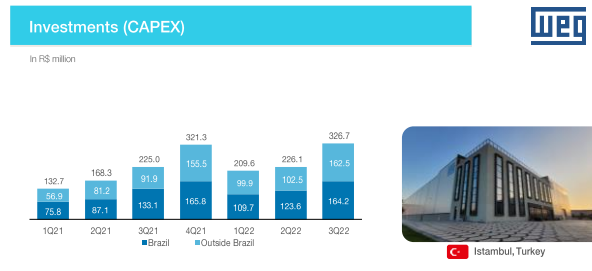
In paints and varnishes exports from Brazil to Latin American countries and the sales of our operations abroad contributed to the growth we saw this quarter.



Slide 6 shows the evolution of our EBITDA in 3Q 22 with



a 37.1 increase YoY. The EBITDA margin closed the quarter at 19.8%, 1.3 p.p. higher than last year. This result is a reflection of the better margin of some of our important operations abroad, a better occupancy of our productive units and the reduction of the cost pressure observed in the last quarters.



Finally, on slide 7 we show the evolution of our investments. In 3Q 22 we invested 326.7 million in modernization and expansion of our productive capacity, machines and equipment and new products, whereas 50% of these investments were destined to our production units in Brazil and 50% destined to our industrial parks in other facilities abroad.

I stop here and I turn the conference over to André now.

Mr. André Luís Rodrigues – Chief Financial Officer

Thank you, André. Before we open for questions, I would like to go over some of our most recent achievements and talk about our prospects for the rest of the year.

Recent Achievements

- Elected among the most innovative companies in Brazil by the Valor Inovação 2022 Award
- Acquisition of Gefran's Motion Control unit
- Investments of R\$660 million in Jaraguá do sul for the production of traction motors
- WEG Carbon Neutral Program

Outlook

- Positive demand and the portfolio for long-cycle business show continuous revenue growth in Brazil and abroad
- Operational improvements and lower pressure on material costs should contribute to good profitability in the year
- The uncertainty regarding the global macroeconomic scenario is the main attention point for 2023

In respect to our achievements I would like to give highlight to the recent occurrences: WEG was elected for the eighth consecutive time one of the most innovative companies in Brazil by the Valor Inovação Award 2022;

In August we announced the acquisition of the motion control, acquisition of the motion control business unit of Gefran, an Italian company that manufactures industrial automation equipment for €23 million;

We also announced investments to expand our production capacity in industrial motors and electric traction motors in Brazil in a total of 660 million BRL to be invested over the next three years. The project will be conducted in our manufacturing park in Jaraguá do Sul, where the headquarters of the company is, and will increase in up to 25% the current production capacity for industrial motors;

And we announced the WEG Carbone Neutral Program: defining global targets for decarbonization and production of greenhouse gas emissions with the purpose of reducing by 52% the greenhouse emissions by 2030 and reach neutral net emissions by 2050.

And finally, about our prospects for the rest of the year. First, the positive demand in important businesses such as renewable energies and key industrial segments such as water and sanitation, oil and gas and agribusiness, together with the good portfolio of long-cycle products that we have already built, all of this should contribute to an increase in our revenues in Brazil and abroad.

The second point is about the improved operational performance that we are observing combined with the lower cost pressure which should contribute to good profitability in 2022; but on the other hand, we will remain attentive to the global macroeconomic scenario and any potential risks and volatilities, and this is the main point of attention for next year.

I will stop here and please; I think now we can open for questions.

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For more information, visit our results center:
<https://ri.weg.net/en/financial-information/results-center>

Q&A SESSION

Operator

Ladies and gentlemen, we will now open the floor for questions. To ask a question please press *1; to remove your question from the line please press *2.

The first question is from Lucas Lage, XP Investimentos..



Mr. Lucas Laghi - XP investimentos

Ladies and gentlemen, we will now open the floor for questions. To ask a question please press *1; to remove your question from the line please press *2.

The first question is from Lucas Lage, XP Investimentos.

Mr. André Salgueiro – Finance Director and Investor Relations Officer

Lucas good morning, thank you for your question, this is Salgueiro. I will answer your question about the revenue and then André Rodrigues is going to answer to your second point about the margins.

Yes, indeed the revenue increase was really strong and sequentially it was very relevant again, and what was really striking was that the GTD continues with the very good growth rhythm, and what was really striking this quarter was the point that you raise, the industrial electro-electronic equipment, both in Brazil and abroad.

And in practice I think that these are the points that we covered in our presentation. The demand in Brazil is still very heated, and in short-cycle it is very pulverized with highlights to every business and some other sacraments, mining, but very broadly the industrial demand as a whole is heated.

And it is important to highlight that we are gaining market share in some products here in Brazil, particularly in automation of reducers. This is included in industrial electro-electronic equipment.

And we also have all of the new businesses that are being developed and they are still under this business unit: so, the recharge stations, electric mobility, digital business, which are still incipient, but when we put them all together they end up contributing to this increase in our revenue and to our good performance. So, this explains our performance in Brazil.

Now when we look at the international market there is the foreign exchange effect, of course, but we are still seeing good demand in the main regions. So North America as you could see we had good performance and very relevant growth in 3Q. It is a region that is still demanding a lot of short-cycle products and also projects for paper and pulp, and oil and gas as well. So, this has been helpful.

And we're talking about our gain of share. We cannot really say that this is already a result from our motion drive strategy, but I would say it is more linked with our strategy to anticipate the problem in the global supply

chain and prepare in terms of stock and be ready and prepared for this situation in having better availability of products to our customers. We have been receiving positive feedback from our commercial units that we have a good availability of good lead time, which is shorter than that of our competitors and this has been really helping. So yes, we are seeing good demand in other regions abroad, with special highlight to North America, which in 3Q had a very strong performance.

Now looking forward in practice we did not have any nonrecurrent factor or any major concentration, so we should see a good pace for our demand looking forward. The only point of attention is the global macroeconomic situation. We mentioned in our release that we saw some oscillation in the entry of orders - not billing itself - but the entry of orders from some countries in Europe, so this is a point of attention, something that we should be monitoring, but it is not that concerning at this point, now in the short term. So, we will be paying attention, but overall the prospects are very positive for the next quarters, particularly for the short term.

Mr. André Luís Rodrigues – Chief Financial Officer

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Mr. Lucas Laghi - XP Investimentos

Very clear, thank you and congratulations for your results.

Operator

The next question is from Daniel Gasparetti, Itaú BBA.

Mr. Daniel Gasparetti - Itaú BBA

Good morning, thank you for the call. I have two questions. I would like to further explore with you the domestic GTD. It has been an important growth factor for the company in the past three or four years, in the last three quarters it has been flat. So, I would like to know how you are seeing this, if it is about GD or if it is wind power? So, what is the growth trajectory in this segment?

And my second question is about André's last point about the margins and cost recomposition. Do you think you can maintain your prices even if you have cost reduction? So, if the costs decrease even more what do you think in respect to your prices?

Mr. André Salgueiro – Finance Director and Investor Relations Officer

Hello, this is Salgueiro. In respect to GTD, sequentially speaking the quarterly revenue has been stable in the last few quarters, but it is always important to stress that when we compare YoY we have a very strong increase, very strong growth. Of course, this growth gradually decreased over time, but we grew nearly 50% YoY, so I just wanted to highlight this.

And why is it stable in the last few quarters? Well, as we said we filled our aerogenerators portfolio, so we have a stable revenue in wind power generation; the solar power generation is growing compared with last year, but sequentially it is growing less and less quarter after quarter; and the T&D business we have been running with very high utilization rates in our plants, and we even announced investments for the coming years to increase the productive capacity in Brazil.

And of course, we also have all the other businesses: alternators, thermal power, hydropower that also have some oscillation. But when I look at solar power and T&D, which are the largest businesses under GTD, the variation of these other businesses do not have a major impact in the overall variation.

So, in T&D our expectation is to continue to grow, and this additional capacity - for example expending the Betim plant and also some investments here in Blumenau - they are very important in this process. We estimate to see some growth next year.

In solar everybody knows that we have some regulatory changes taking place right now, so solar has been having a positive year this year and for the next year the expectation is to have a lower speed of growth than what we saw in the recent years.

And for wind power we have an important portfolio for the next quarters. There could be some fluctuation depending on the timing of production and delivery of machines, so there could be fluctuation between quarters, but when we look in the long term there should not be major increase YoY.

So next year looking at GTD we will not see the same levels of growth that we saw in recent years. GTD will tend to present a more moderate growth than what we saw recently in the last two or three years.



Mr. André Luís Rodrigues – Chief Financial Officer

And Daniel, now with respect to the prices I think the readjustments should be made according to market conditions. It is important to stress that in addition to the material costs that have a lower pressure in the last few months, the personnel cost, freight cost, power cost they are still very high, particularly international freight, which was negotiated this year and the prices are higher than last years. So, this movement can even justify some of the increases and adjustments in our prices for exports in the last few quarters.

As these factors normalize, depending on market conditions we will evaluate potential adjustments and prices case-by-case - but we will always be striving to preserve the profitability of the company.

Mr. Daniel Gasparetti - Itaú BBA

Thank you.

Operator

The next question is from Renata Cabral, Citigroup.

Ms. Renata Cabral - Citigroup

Hello good morning, thank you for answering my question. My question is about investments and growth in North America. Something that we have been hearing for all industries is onshoring, and you have a large unit in Mexico.

So, I want to understand whether you are already making investments having this in mind if this is already a reality for you.

And my second question you talked about margins, but I just want to further explore one point here about the productivity increase initiatives that you are implementing, because considering your mix you could expect an extra pressure on your margins. We understand that there is the raw material cost, but what is really striking to me is can you please give us more color about your initiatives to increase productivity?

Mr. André Luís Rodrigues – Chief Financial Officer

Hello Renata, thank you for your question. So, let's talk about North America first. So yes, North America is one

of our strategic regions and we are always looking for growth and investment opportunities there. When we talk about T&D the new unit that we inaugurated last year was about this. We are also expanding one of our plants in the United States, a T&D plant that already exists there, which reinforces the company's search for more market share and penetration in segments to which we are not that exposed in the US, for example T&D. Even if we are leading distributors of transformers, we still have space to enter the segment of large utilities in the US and also the industrial segment.

Now combined with this investment considering that we have very good synergy with our Mexico unit, we are also making investments in the Mexico unit to increase the production capacity for some components that are made in Mexico and exported to the United States. There is no doubt that we are also seeing opportunities in other business areas, including industrial electro-electronic equipment. As you heard from André Salgueiro, we have been seeing very good opportunities in this area as well.

And the second point is that yes, the company is always trying to come up with products to reduce costs and improve productivity. We had an Investor Day - I don't know which edition - we presented the WEG Manufacturing System, which was a productivity increase program and at the time when we presented it in the WEG Day it was a pilot at the time, and today it is already a broadly disseminated program that is present in different units all over the world, and we are continuing this effort.

Also, in administration we have some initiatives focusing on process automation, virtual robots and the creation of shared services center in a global structure, also aiming to improve our administrative expenses and improving productivity. And part of the investments that we are announcing, for example last year and also next year, part of these investments also involve modernization and robotization of our units to increase our productivity.

Ms. Renata Cabral - Citigroup

Thank you.

Operator

The next question is from Victor Mizusaki, Bradesco BBI.

Mr. Victor Mizusaki - Bradesco BBI



Good morning, congratulations on your results. I have two questions; the first question is about your export prepayment operations. Looking at the ITR can you please confirm, because apparently there was a large operation of about 1 billion. So, my question to this point is whether it would make sense to consider that in the next 12 months, or maybe if a longer operation, so this could have a higher impact looking forward. So, should this operation generate a positive spread for you over at least 600, 700 bps? Does it make sense to make this calculation? Should this have a positive impact on the bottom line of WEG looking forward? And whether there is room for all the reparations along the same lines.

And my other question going back to the discussion of the gross margin in 3Q, where we saw significant evolution of your gross margin. You mentioned operational leverage and raw materials. Can you give us any, can you give us a notion of how much came from operational leverage and how much came from raw materials? And in the case of raw materials is this something that you can capture, or do you think that looking forward that should have any reflection on your prices?

Mr. André Salgueiro – Finance Director and Investor Relations Officer

Good morning, Victor. In respect to our export prepayment operation, it was actually a rollout that we made. It is a line that we use relatively frequently for the funding of the company. We had a recent maturation and we ended up rolling this debt, and in Brazil we swapped it to reals, to BRL, so the cost in BRL is similar to the earnings that we get from our financial applications. So, it could generate, depending on the time of maturation and the cost of the hedge there could be some difference - but that is not going to be a major difference, it shouldn't really have any effect on our financial results.

Mr. André Luís Rodrigues – Chief Financial Officer

Now as for your second question, Victor, it is very difficult for a company like WEG to measure precisely - because we are exposed to different currencies, we are exposed to different cost structures, due to different productive processes - but as I said there is certainly, the reduction in the cost of raw materials was important in the quarter, also the occupation or the occupancy of our plants, which allowed us to operate at maximum productivity; and also the improvement that we have has also helped in the price adjustment that....

Mr. Victor Mizusaki - Bradesco BBI

Thank you.

Operator

We have a question from Mr. Régis Cardoso, Credit Suisse.

Mr. Régis Cardoso - Credit Suisse

Hello everyone, good morning, thank you for taking my question and congratulations on your excellent results. Your results had a very fast evolution in 3Q and I think the main topic that I want to discuss with you is the sustainability of this level of results and also the speed of growth looking forward.

So, if you could please help us understand if 3Q in particular had anything different, any one-off effect on your margins respective to the accounting of your stocks or any non-recurrence effect.

And also in industrial electro-electronic equipment, particularly in Brazil, in the internal market, do you expect any potential share gain? And maybe these could be an important revenue driver not in electric motors, but maybe in other segments? Or do you think that this revenue line is actually something that is more related with the speed of the economy and the markets in general? Because it will be more linked to the market and there is not much room to expand your share.

Mr. André Luís Rodrigues – Chief Financial Officer

Okay. So about, to your first question there is nothing different from what we have been communicating in the past quarters. We started the year with a very positive long-cycle portfolio, and usually the long-cycle portfolio varies from 35 to 40% of the total revenue of the company, so there is already a positive expectation for the segment as you heard from André Salgueiro. Particularly in GTD we are operating at near full capacity, which allows us to optimize the use of our plants.

And also, short-cycle the combination of the company's internationalization the company is getting to one more market, gaining market share and launching new products. This has also been helping us have a very positive performance in revenue and consequently in costs, because one of the company's initiatives is also to improve the margin of our operations. So, every



quarter we have good news about this as well. So, I think this was driven by some of the points that I mentioned in my first answer about the margins. There were different factors that contributed to this situation.

Now talking about the future let's focus on 2022. I already said that if the year continues to behave the way it is behaving we expect to deliver a year with better growth and slightly better margins than what we expected initially this year. And next year I think we have to wait to talk about next year, we have to see what is going to happen with the global, for example the Europe situation with the deceleration we are seeing in Europe and we have to wait to be able to talk about that with a higher level of certainty.

Mr. André Salgueiro – Finance Director and Investor Relations Officer

Well, in respect to electro-electronic equipment in Brazil I think we have to break down further, because there we have our industrial motor business, we have low and medium voltage; we have the automation business and in industrial automation we have drives, controls and the building infrastructure; WEG Home and other products that would launched more recently; we have our reducer business; and we also have all the other initiatives related to electric mobility, so powertrain, recharge stations and digital business.

Of course, some of these businesses where we have a larger share, a more relevant share, we depend more on how the market will grow, how the economy will grow, and for these businesses they are more dependent on the microeconomic situation.

But a good part of the products that we have we still have opportunities to gain share, to gain market share: in automation, in reducers and particularly in the newer businesses, both electric mobility, digital businesses. I would like to say it is a mix of both depending on the type of product that we are looking at.

Mr. Régis Cardoso - Credit Suisse

Thank you and congratulations.

Operator

Next question is from Lucas Marchiori, BTG.

Mr. Lucas Marchiori - BTG Pactual

Hello, good morning. So, two quick questions, first there is a comment here about your margins and you talked

about your margins in international operations. Can you please talk about which regions and which products were the most relevant?

And the second question you talked about the oscillation or the fluctuation of your orders in Europe. So, you just mobilize a relevant capital for Gefran, so I want to understand the timing, so this stability of, and how do you see your ability to increase capacity in Europe? Thank you.

Mr. André Luís Rodrigues – Chief Financial Officer

Thank you for your questions, Lucas. So, the first point is about the improvement of the margins abroad. It is a continuous process; it is a journey actually that we have been developing. In 2017 when we acquired our transformer business, we talked about the break even and we knew that with our domestic synergies how we had to improve our margins, and that is what we did.

In China also with the automation of the Rugao plant and the increase in scale, which helps the productivity; and Mexico with more and more steps in verticalization, it is also an important movement we took three years ago to produce carcasses of the motors: the shells of the motors.

So, this is a continuous process and we see improvement in all regions. Of course, there could be a certain quarter where the situation is more difficult in a certain segment or in a certain product line, but going back to Renata's question about improvement, productivity improvement plans and programs, we use these plans and programs to tackle this problem in all our units. So, this is a generalized effort and it takes place faster in some regions and slower in other regions - but it is always in sight for us.

Now in respect to Europe we are focusing on the long-term. This motion drives strategy for example, this is something that we are focusing on more and more. We are increasing our productive capacity in different regions. The acquisition of Gefran has been helping in this process, but a company that thinks in the long term, as a company that thinks in the long term sometimes we do not make radical changes in our strategy depending on the macroeconomic condition of one region or the other. Well, off course sometimes we have to adjust your course, but we know where we are heading.

Mr. Lucas Marchiori - BTG

All right thank you André.

**Operator**

The next question is from Rogério Araújo, Bank of America.

Mr. Rogério Araújo - Bank of America

Hello, good morning, good morning André, good morning Salgueiro, congratulations on your results. I have two follow-up questions on the previous questions, the first one is about short-cycle. So just to be sure when you talk about 35 to 40% of your revenue is that short-cycle or is it the opposite?

And you also mentioned some oscillation in European countries. Is this oscillation representing a growth deceleration or it is too early to say?

In my second point is about gaining scale, particularly for your personnel cost line. It was 2.5% higher YoY and it was also higher QoQ. So, are you hiring more people? Maybe this is related with the expansion of your plants, but how can we look at this gain of scale looking forward? With more growth, with this additional growth, we have to increase your fixed costs including personnel?

And thinking of these full capacity factories, full capacity plants, maybe the margins are a little bit inflated and then you're going to make some fixed investments to increase capacity and that we will bring the margin down a little bit, but the normal level should be something between the current level and the future level? So, I just want to understand how you are seeing this.

Mr. André Meneguetti Salgueiro – Diretor de Finanças e RI

Hello Rogério, good morning. Now with respect to the breakdown for short-cycle I don't remember, the 35% I don't remember which was the answer, but it is actually the opposite: short-cycle in 3Q accounted for 63% and long-cycle 33%, 66 - 35, so long-cycle has a better representativeness in this quarter, particularly due to our automation panels, automation dashboards and the centralized generation. So solar, centralized solar generation had a better performance this quarter, so the mix changed more towards long-cycle - but it is still within normal levels: 63% short-cycle and 37 long-cycle.

Mr. . André Luís Rodrigues – Diretor Superintendente Administrativo Financeiro

Well, and now about our scale gains our segment, our industry is very labor-intensive and we have to qualify between direct and indirect labor. When we need to

make investments sometimes we need to hire more people.

The differentiator at WEG is the fact that we make these expansions modular. This allows us to add capacity according to the need, to the current need without the need for major investments which will leave us with a lot of idle people, idle time, which will lead to reductions in our margin. So, this is a differentiator as WEG. Of course that sometimes - sometimes - occasionally that could happen, sometimes we have to hire more people and sometimes we cannot complete our capacity very fast in 100% of the times, and of course that could lead to, that could lead to a decrease in our margin, but then it recovers and goes back to historic levels.

And for direct labor, it is worth noting that a good part of our investments is focused on modernization and automation of our units. With more robots you have lower need for labor, but this modular expansion is something that we do really well as WEG. We increase our new hires when needed.

And for indirect labor, as I said we have different programs and the company has been growing over time, and the SG&A ratio is always positive. It is always better year after year due to these programs that we implement.

Mr. Rogério Araújo - Bank of America

Perfect thank you and about the potential deceleration in Europe, could you talk about that?

Mr. André Meneguetti Salgueiro – Diretor de Finanças e RI

Sorry, I forgot to answer that one. So, what we saw there we started to see some fluctuation in the entry of orders in some countries, some European countries - it is not yet widespread in Europe - so we cannot say right now whether are going to see deceleration or not. We need to monitor this and for short-cycle, which is basically our focus, we usually have a portfolio we can have a 3 to 4 months forecast, and in this time period we are not expecting major variations, and then further in the future it will depend on how we build our portfolio.

The feedback that we get from the main OEMs in Europe is still positive, so there are no concerns in the short term, but considering the macroeconomic situation this is something that we need to closely monitor in the coming months.

Also, there is long-cycle projects and in this arena our expectation is very positive. We are not expecting any deceleration, at least in the time horizon that we can



foresee. In Europe it is more industrial, so I would say for the next 6 to 8 months we are not expecting any deceleration. It is a point of attention, we will be monitoring and keeping track, but it is not a concern in the short term.

Mr. Rogério Araújo - Bank of America

Very clear thank you.

Operator

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

Mr. Marcelo Motta - J.P. Morgan

Good morning, I have two quick questions. Can you please talk about working capital? Although we saw that sequentially it was stable when we think of days, maybe YoY is there anything that, is there any acceleration that we could expect? Any release of working capital thinking of the next year?

And also India. I know you're conducting your tests and trying to get the certification for your turbine. Is there any news coming from India so that we can estimate when this could contribute, start contributing positively to your revenues?

Mr. André Luís Rodrigues – Chief Financial Officer

Thank you for your questions, Marcelo, I am going to talk about our operational working capital. This increase that we saw in 3Q was concentrated on stock increases. We were expecting a normalization into HTY; however, it has not yet occurred, and the reason was because of the global supply chain which is not yet normalized. There was also the stock inflation due to the price increases of raw materials, but here we are talking more about volume.

Strategically we made the decision to increase our stocks last year due to those market uncertainties, but we are still seeing a situation in which there was an expectation of normalization in the supply of electronic components, which did not take place in 2022. The expectation of our team is that this will only take place in the end of next year and start of 2024.

We also saw an increase in prices and supply difficulties for some important raw materials, such as some special steels that we use in the core of the transformers, so we made a decision to increase our stocks.

But one thing is certain, it will normalize at some point, so the expectation is that in the next quarters this stock indicator will start to improve. We are not seeing any degradation in terms of the paying terms or receivable terms. We are focusing today on the stocks and over the next months we should see a better situation than what we saw this year.

Mr. André Meneguetti Salgueiro – Diretor de Finanças e RI

And Motta, just to give you some context about India. We have had our operations and there for a long time (11 years) for medium voltage industrial motors and generators, so this operation is going well and it has been actually improving in the number of orders and the portfolio, the customer base in the last quarters and we have good expectations for the future.

And I have to investments taking place at the same time: one is the low voltage electric motor plant which was recently completed. This is a market - we already talked about this in past calls - it is an important market that WEG was not, did not have a penetration in yet and now, so we are now entering this market. It is an interesting opportunity to develop the company internationally, and we are already getting our first orders. We are actually at a start up and ramp up phase of this plant, so that is why we are not seeing a major contribution at this point or in the short term, maybe in the start of next year. And in the mid-to long-term this is an operation that has a high potential to contribute with our growth, international growth.

And the investment that we are making, we are also making an investment in wind power. We are now seeking, pursuing the certification of the turbine. So, we expect to have our turbine certified by the end of the year or the beginning of next year at the latest, and after that our commercial team will start focusing more on prospecting customers and raising the first orders so that we can start producing and delivering the machines to our customers, the aerogenerators in India.

But our expectation for wind we should start seeing more orders next year, but we will only start seeing the revenue from back in 2024, maybe the end of 2023 if we are optimistic.

Operator

The next question is from Lucas Barbosa, Santander.

Mr. Lucas Barbosa - Santander



Good morning, Salgueiro and Felipe. My question is a follow-up question. You talked about investments looking forward, so I just want to organize my thoughts on how, what we should expect. In 3Q we saw an acceleration in your Capex, which was something that you already announced that was going to happen in 2H TY.

But now thinking of 2023 can you please share which level of CapEx you expect in 2023 and which will be the main projects? Of course, one of them will be the capacity expansion for industrial motors that you talked about in the next three years, but if you can share with us on other projects, other projects that you have to expand capacity that would be really helpful, thank you.

Mr. André Meneguete Salgueiro – Diretor de Finanças e RI

Hi Lucas. So, if you look at our Capex, if you look at our historical Capex this year there is always an acceleration in the end of the year, so 3Q was stronger and 4Q should be even stronger than 3Q, and we even mentioned this last quarter. In the beginning of this year we had announced a Capex up 1.5 billion but considering some postponements it should be closer to 1.2 billion this year. So, this is the information that we have for this year.

Now looking to 2023 we don't have a budget yet, a final budget, so we cannot really give you much information right now; but we have some projects that were already announced and that will certainly contribute to, will certainly require investments and Capex next year.

The most important is the investment that we will make in Jaraguá do Sul for industrial motors and electric traction. Most of the investments will be concentrated on that next year. We also have some other investments announced in Brazil, the Betim plant for transformers; we have a major investment announced in Linhares for our commercial and appliance motors. But for all units, even in paints and automation and power, we have a lot of investments programed for next year.

And internationally I think the main projects - well, André talked about some of them - in T&D we have a project in the United States and Mexico, and we also have the building of the Portugal plant, the third motor, low-voltage motor plant in Portugal, and as we advance with the budget and we have more information about the projects we will be announcing to you, probably together with the 4Q conference call.

Mr. Lucas Barbosa - Santander

Thank you Salgueiro, have a great day.

Operator

The next question is from Andressa Varotto, UBS BB

Ms. Andressa Varotto - UBS

Good morning, hi Rodrigues, Salgueiro, thank you for taking my question. I have two follow-up questions, first about your competitive advantage in Europe with the energy crisis and the increase in energy costs. Do you see any loss of competitiveness of other competitors that could benefit you in terms of market share?

And my other question is a follow-up question about your long-cycle portfolio. Can you please tell us what you have in terms of mobility and if you expect 2023 to have as good a portfolio as you had in 2022? Thank you.

Mr. André Meneguete Salgueiro – Diretor de Finanças e RI

Hello Andressa, good morning, thank you for your questions. About Europe, Europe is an important region for WEG. It accounts for about 14 to 15% of our sales, the consolidated sales and we do have some operations in Europe, particularly in Portugal, an important operation there for industrial motors. In Austria we also have an important operation for reducers, and we also have other niche operations: we have automation panels in Spain, we have some motor operations in Germany and now with Gefran we also have automation in Germany and Italy.

But it is important to note that a great part of that 14 to 15% of sales that we have in Europe is not produced in Europe. A very significant part of that is produced either Brazil or in China, the two main production hubs that supply to Europe.

And when we compare this with some of our competitors, particularly the European companies that today have an industrial footprint that is very concentrated in Europe, considering the power crisis and the increase in costs in Europe, theoretically WEG could benefit from that, we could benefit from that in terms of competitiveness. It is difficult to measure how much this will help us, but broadly speaking I would say that yes, our positioning and our industrial footprint looks more favorable right now.

Now about the long-cycle I will use the same argument about the budget. We are working on next year's budget as of now, so we don't have enough visibility at this



point; but the message is positive. Both in industrial and GTD, where we concentrate our long-cycle projects, we have good visibility of this portfolio, of this pipeline and we will enter 2023 with a positive outlook.

In some cases we can forecast a lot of what is going to happen next year, and for other cases the visibility is about six months and that will depend on how we continue to build this portfolio next year. But the snapshot of the end of this year and start of next year is positive, and the long-cycle efforts will continue performing really well next year.

Sra. Andressa Varotto - UBS

Thank you.

Operator

The next question is from Igor Araújo.

Mr. Igor Araújo - Genial Investimentos

Oi pessoal, vocês me ouvem?

Can you hear me? You went over some of my questions and one of them was about production capacity and the difficulties that the world will face in terms of power costs and raw material costs, which is now improving - but we had problems for a while; and you said the 14 to 15% of the production capacity in Europe comes from other places.

So, I want to understand what is your capacity to improve your productivity in your plants that are the most automated and verticalized. Can you reallocate your production capacity to focus on those plants? Considering the drop in costs, freight costs, if you could adopt that strategy.

And my second question is about the acquisition of Gefran and the global context and all the difficulties that we saw, particularly in supply. How many new customers could you acquire with these two movements and will this help maintain a good volume of orders for next year, particularly in long-cycle? I know that oil industry did not make investments for a while, so I want to understand if it is access to new clients or if it is some industry sectors that were slower and are now going back to higher levels of investment.

Mr. André Meneguete Salgueiro – Diretor de Finanças e RI

Hello Igor, good morning, let me answer the first question and then André will answer your second question. Now about Europe the 14 to 15% that I talked about Europe was actually how much Europe, the share Europe has in our consolidated global sales, it is about 15% of our global sales concentrated in Europe, it is not what we produce in Europe.

And the other comment that I made was of the 15%, most of the 15% is actually produced in Brazil or in China. We have some production in Europe, but it is relatively limited. It was just a comparison with the other players, the main competitors that we have that have an industrial footprint in Europe.

Now about the relocation capacity that will depend on the product and the unit. In some units, for example industrial motors, we do have greater flexibility and also for automation. So, depending, depending on the product we have more flexibility or less flexibility. So of course, you can make adjustments from one place to the other and we use this strategically, but we will have to look at that case-by-case and product by product.

Mr. André Luís Rodrigues – Chief Financial Officer

And the second question, Gefran is a recent acquisition. We actually had authorization from the Italian authorities in the start of October, so we are now integrating the company.

But a very high-level comment about the other businesses, of course that in the last few quarters we can say that we were able to gain some important market share and this is because we are verticalized and the world was going through a critical moment in terms of supply of raw materials and components, so we had an advantageous position in terms of that, we had an advantage. We also reinforced our stocks last year and this certainly helped.

And some segments that are important for the companies such as oil and gas and mining that in the past were undergoing growth and sometimes they even had setbacks but then they recovered, they are becoming stronger in the past year - highlight to mining.

The new investments that will be required for the Russia Ukraine situation, this is certainly driving the oil and gas industry; and another segment that became relevant for the company and important in the last years is water and sanitation at a global level, which is also helping us.

In our WEG Day we will go over some more market information, market share. This is information and we can give you more details about this.



This conference call is now over. Thank you for attending and have a great day, you may disconnect your lines now.

Mr. Igor Araújo - Genial Investimentos

Thank you, and André just a follow-up question: you talked about water and sanitation. We have good expectations in terms of investments coming to Brazil next year, so I want to understand how much of this investment is, gets to you in terms of, particularly for pumps. Could you say what percentage of the investment in a sanitation plant can be turned into volume, sales volume for you? It really helps with our calculation.

Mr. André Luís Rodrigues – Chief Financial Officer

Yes. What we have today is that up to 4% of the total Capex envelope is destined to the equipment that we sell: pumps only operate with electric motors; you have more power consumption, you need more generation, you need more transmission and distribution; you need transformers and substations; you need more automation panels and frequency inverters. So, of what is being announced in terms of investments from the regulatory framework up to 4% can be addressable for us.

Mr. Igor Araújo - Genial Investimentos

Thank you and we will meet again in the WEG Day, thank you.

Operator

This question-and-answer session is now closed. I would like to turn the conference over to Mr. André Rodrigues for his final remarks.

Mr. André Luís Rodrigues – Chief Financial Officer

Hello everyone, thank you again for attending and once again I would like to remind you that on November 8 we will have other edition of our WEG Day with our CEO and other executives, we will provide you more information about WEG. So once again thank you for attending and we will see you then.

Operator