

A close-up photograph of a large, blue industrial motor. The motor features a prominent circular cooling fan with a grid of slats. The housing is made of metal and has a blue paint finish. A metal ring is visible on the side of the motor. The background is a plain, light gray.

# Investor Relations Presentation

# Best way to invest in fast growing global energy efficiency and renewable energy generation businesses



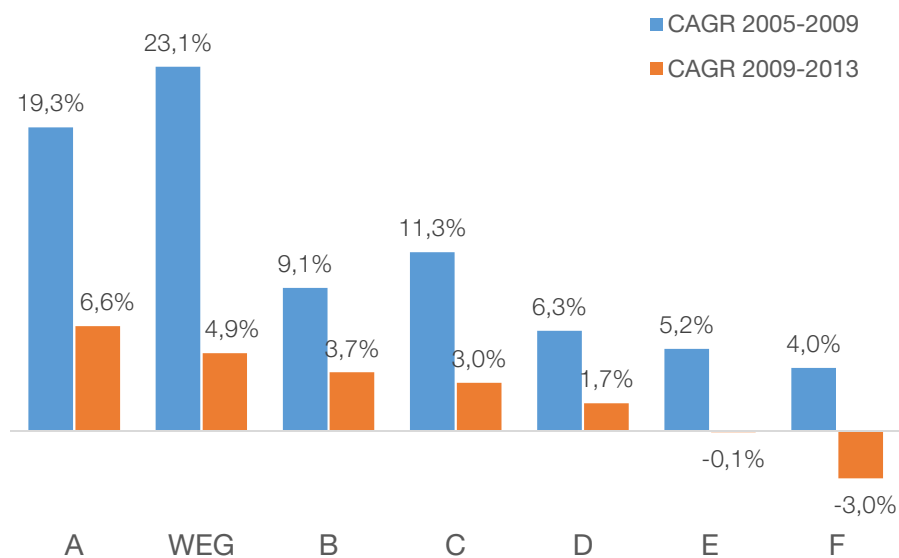
- 1 One of the highest growth capital goods companies; number one or number two in all product lines in Latin America
- 2 Unique business model is based on vertical integration, production flexibility and technological innovation
- 3 Diversified product lines allows strong growth across different market cycles
- 4 We have a history of achieving CAGR of 18% over past 17 years through organic growth and accretive acquisitions
- 5 WEG 2020 Strategic Plan aims for R\$ 20 billion / 17% CAGR through international and product line expansion

# Sustainable growth

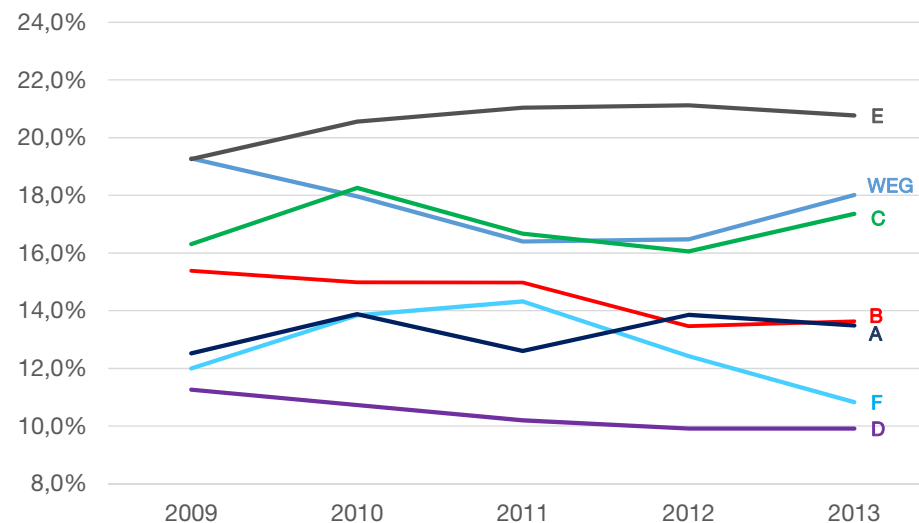
*WEG's revenue growth and margins are among the highest in the industry*



Revenues Growth (US\$)



Profitability (EBITDA Margins)



# Our industry is undergoing major shifts

*Megatrends are creating changes in demand patterns and new business opportunities*

## Energy and industrial efficiency

- Electric motors represent around 70% of all industrial consumption of electricity, or 25% of worldwide general electricity consumption;
- Electricity consumption is by far the largest component of total cost of ownership of electric motors (may exceed 95%) for industrial clients;
- Clear regulatory trend towards minimum levels of electric motor energy efficiency (lower needs to expand generation);
- Industrial productivity and energy management drives investments.



## Renewable energy

- Global drive to lower GHG emissions;
- Renewables allow distributed generation, closer to consumption and requiring lower T&D infrastructure;
- Economic viability is highly dependent on scale. With correct price incentives, technology catches up with economics;
- Diversity of sources increases systems stability and energy availability. No energy is the most expensive energy of all.



## Smart grid

- Electricity distribution grid is evolving and becoming "smarter";
- All nodes of the system, from generation to consumptions (and everything in between) must be aware of conditions and able to respond to changes;
- Every existing electric product must evolve. There will be more sensors, more automation, more efficient generation and use of electricity;
- New products are being developed and change is just now starting.



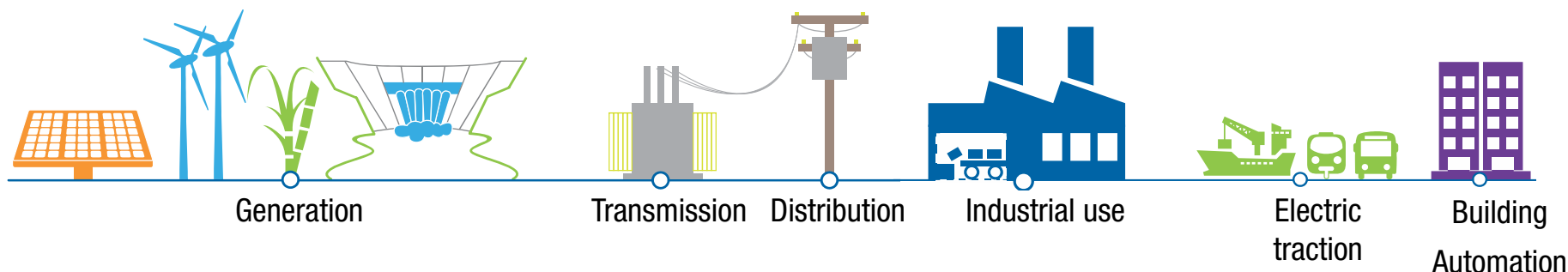
## Electrical mobility

- Increasing urbanization adds to congestions and need of alternatives;
- GHG and other pollutants emitted by internal combustion engines powered vehicles are well above sustainable levels;
- Electricity is clearly a more efficient use of energy to power vehicles. Pure electric, hybrids and alternative fuels will grow faster than the market;
- Powertrain solutions are scalable to all vehicle types and sizes and to other transportation modes (WEG has commercially available solutions in maritime powertrains)



# “End to end of the wire”

*The global solution in electric machines and automation for the industry and energy systems*



WEG’s strategic vision is to provide **complete** and **efficient solutions** with a complete line of **electrical machines**, from the generation all the way to the consumption.

This means that we want to continue to be a competitive supplier of electrical equipment for typical applications. For example, WEG is one the world's largest supplier of industrial electric motors used by OEM in the manufacturing pumps, compressors

and industrial fans, the typical uses of such products.

We also can use this production competitiveness and flexibility and our broad product line to integrate those products into a complete solutions.

We can combine electric motors of several types and sizes with the drives and controls to create complex industry automation systems. Or complete solutions for electricity generation from

renewable sources. Or complete energy substations for just about any use. Important to note that these systems are basically comprised of WEG manufactured products.

This integrated approach based on competitive manufacturing capabilities has been the basis of our market presence and how we present ourselves to our clients and to the general market.

# Strategic Positioning



*WEG offers a complete range of electric products and systems with an integrated one-stop solution*

	SIEMENS	ABB	ALSTOM	REGAL	Schneider Electric	EMERSON	WEG
Motors	●	●		●			●
	●	●		●			●
	●	●		●			●
	●	●		●			●
Energy	●	●		●			●
	●	●	●				●
	●	●	●				●
	●	●	●				●
	●	●	●				●
T&D	●	●	●		●		●
	●	●	●		●		●
	●	●	●		●		●
	●	●	●				●
Automation	●	●		●	●	●	●
	●	●			●	●	●
	●	●			●	●	●

# Clear competitive advantages

*Unique business model creates important and defensible competitive advantages*

## Vertical Integration

Vertical integration allows production flexibility to competitively supply small batches of highly customized products that are matched to perfection to our customers' needs. We do **mass customization**, not mass production.

## Financial Flexibility

Financial flexibility allows WEG to pursue growth opportunities as they become available. These opportunities range from trivial, like raw materials procurement at attractive conditions, to strategic, like acquisitions .

## Diversification

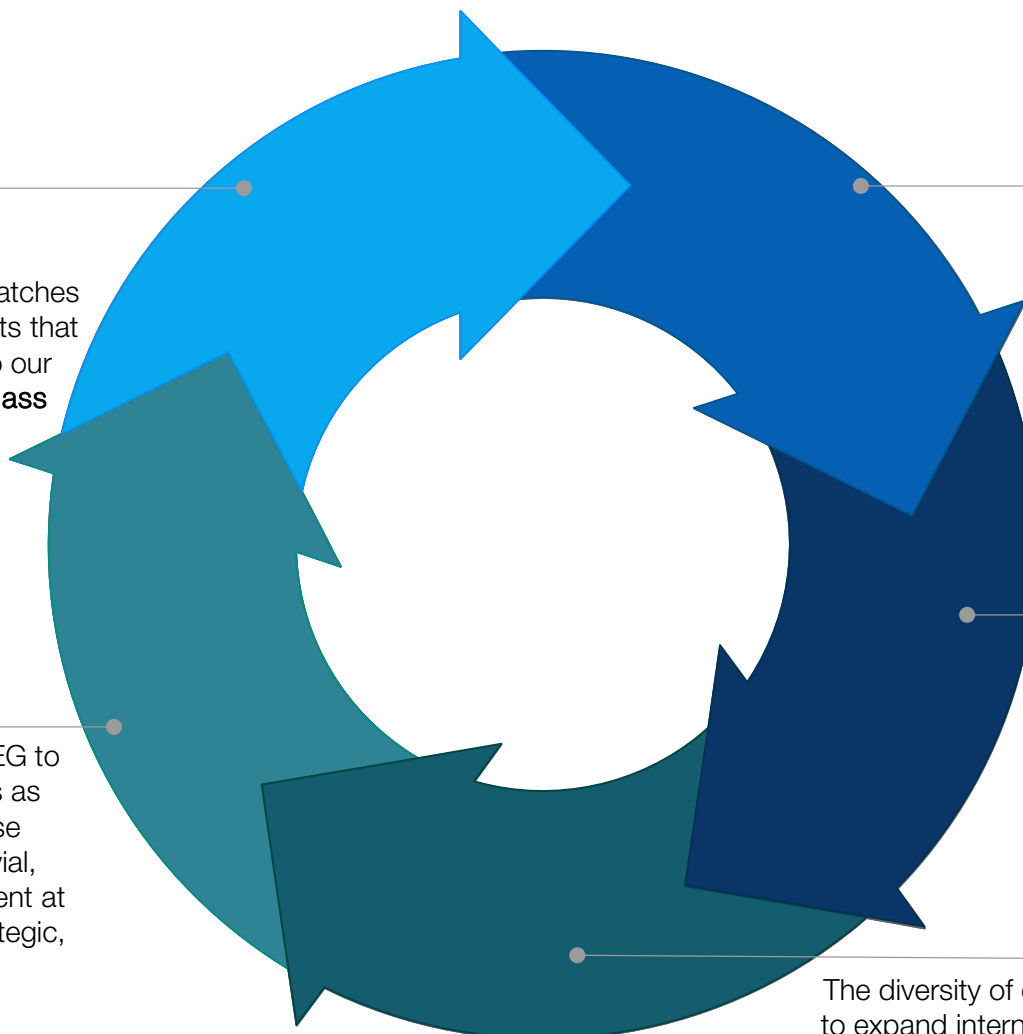
Our production flexibility allows us to target the markets (geographies, segments and products) that offer the best growth perspectives. It also allows us to target markets based on returns, not on our needs to occupy specialized production capacity.

## Modular Expansion

Our production system is also based on modular expansion, avoiding idle capacity build up, maximizing returns on capital e lowering demand risks.

## Global Presence

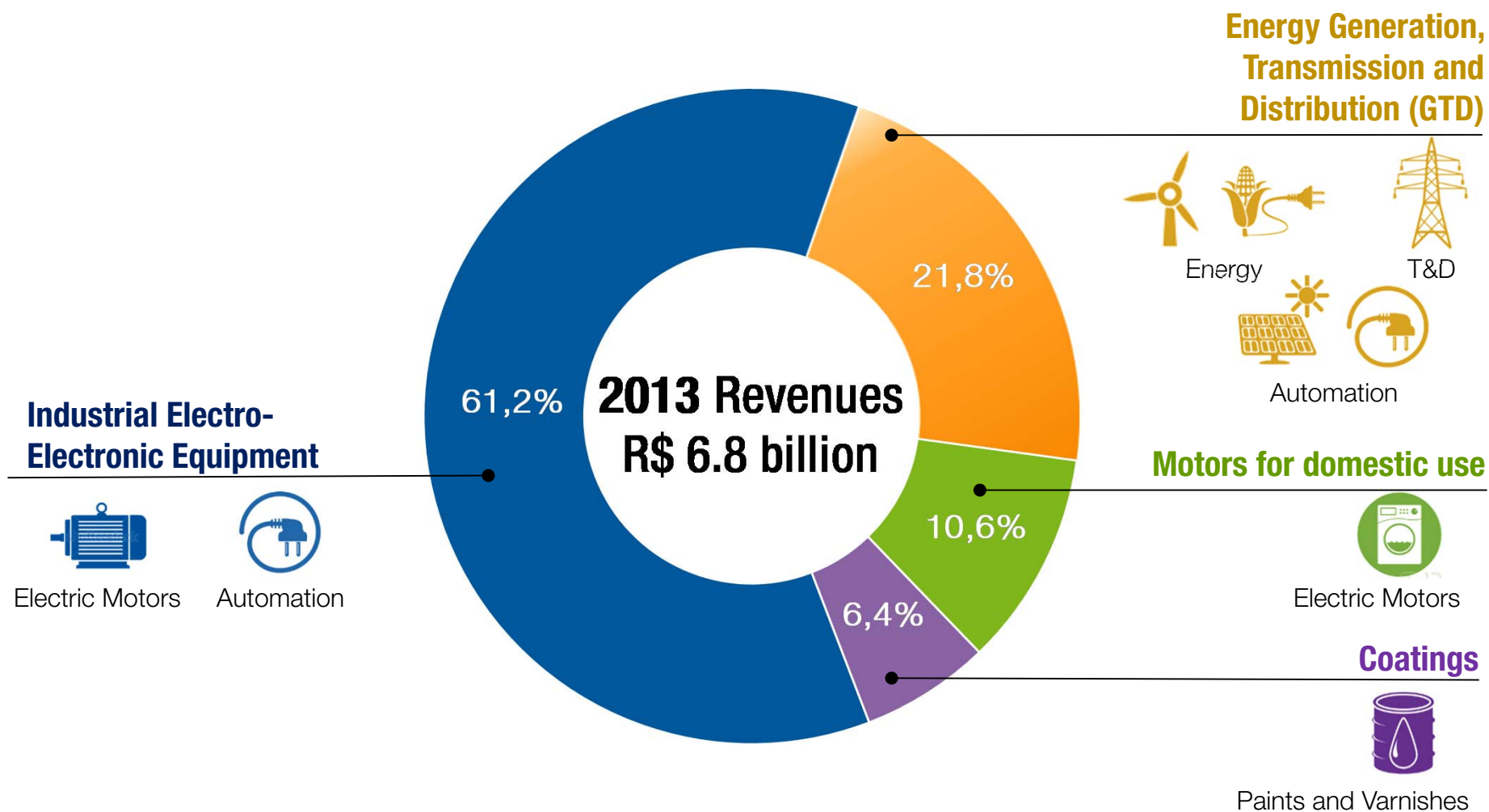
The diversity of our product offering also allows us to expand internationally, leveraging the expertizes we have developed into new markets and being a premier partner for our global customers



# WEG business



*Diversified product line allows for strong growth across different market cycles*

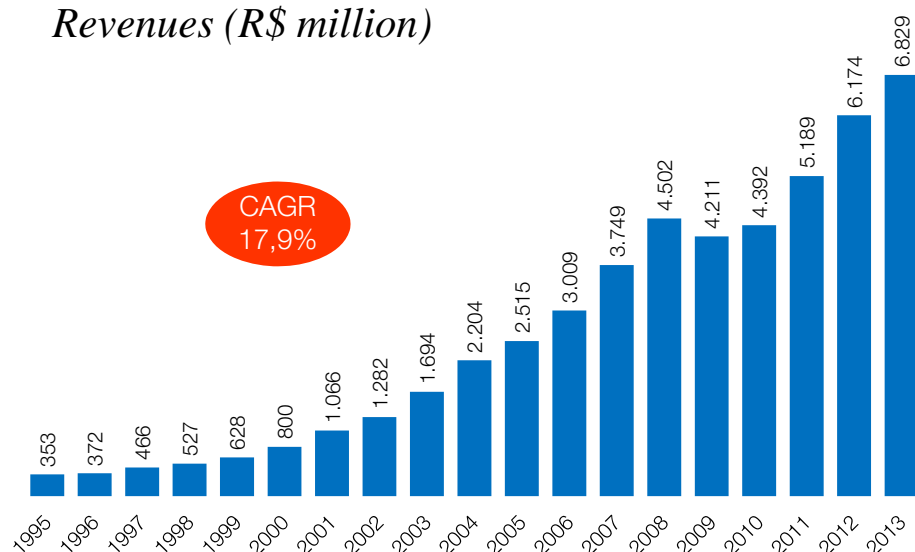




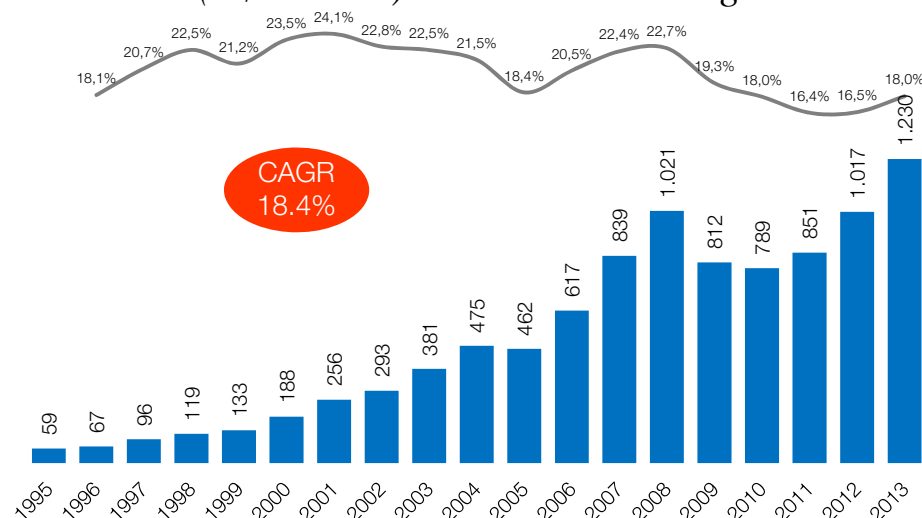
# Solid growth track record

*Business model allows us to find and explore growth opportunities, even under unfavorable macroeconomic conditions*

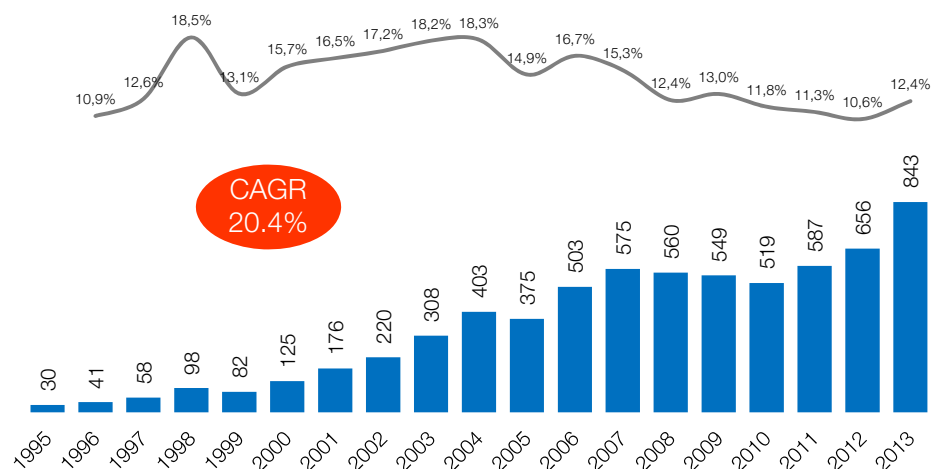
*Revenues (R\$ million)*



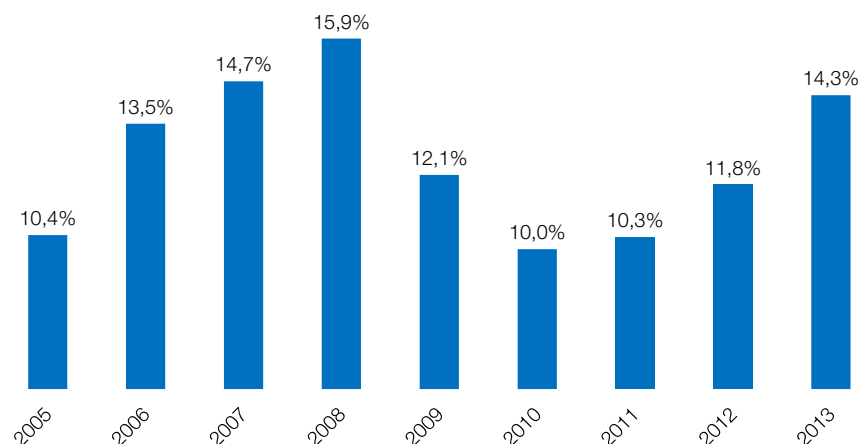
*EBITDA (R\$ million) and EBITDA Margin*



*Net Income (R\$ million) and Net Margin*



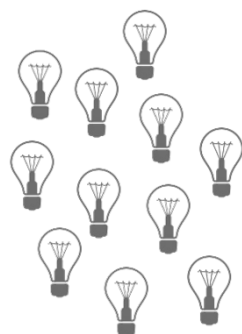
*ROIC*



# WEG Strategic planning process

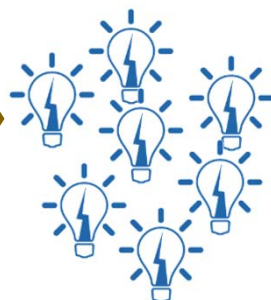
*We adopted a bottom-up approach, selecting the individual opportunities that offered the best fit to clear strategic guidelines*

## *Opportunities Discovery*



The process started with the involvement of management at all levels, from market-facing mid-level managers to senior C-level officers, that discussed recent evolution, trends and growth opportunities, current and future, in all our core and adjacent markets.

## *Business analysis*



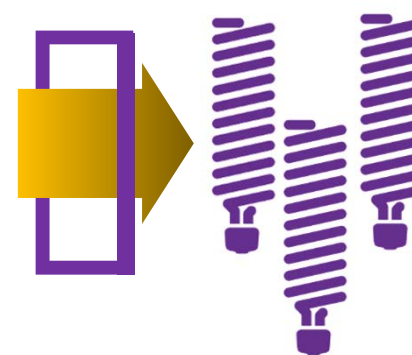
The ideas were developed into business plans, including market assumptions, earnings and cash flow projection models, so each opportunity could be assessed in terms of its expected results and margins.

## *Capital Requirement analysis*



The analysis then considered the capital intensity of each opportunity. The results and margins are not necessarily good or bad, they must be considered within the context of the capital required to pursue the growth opportunity. The net result is **ROIC**.

## *Risk adjusted ROIC analysis*

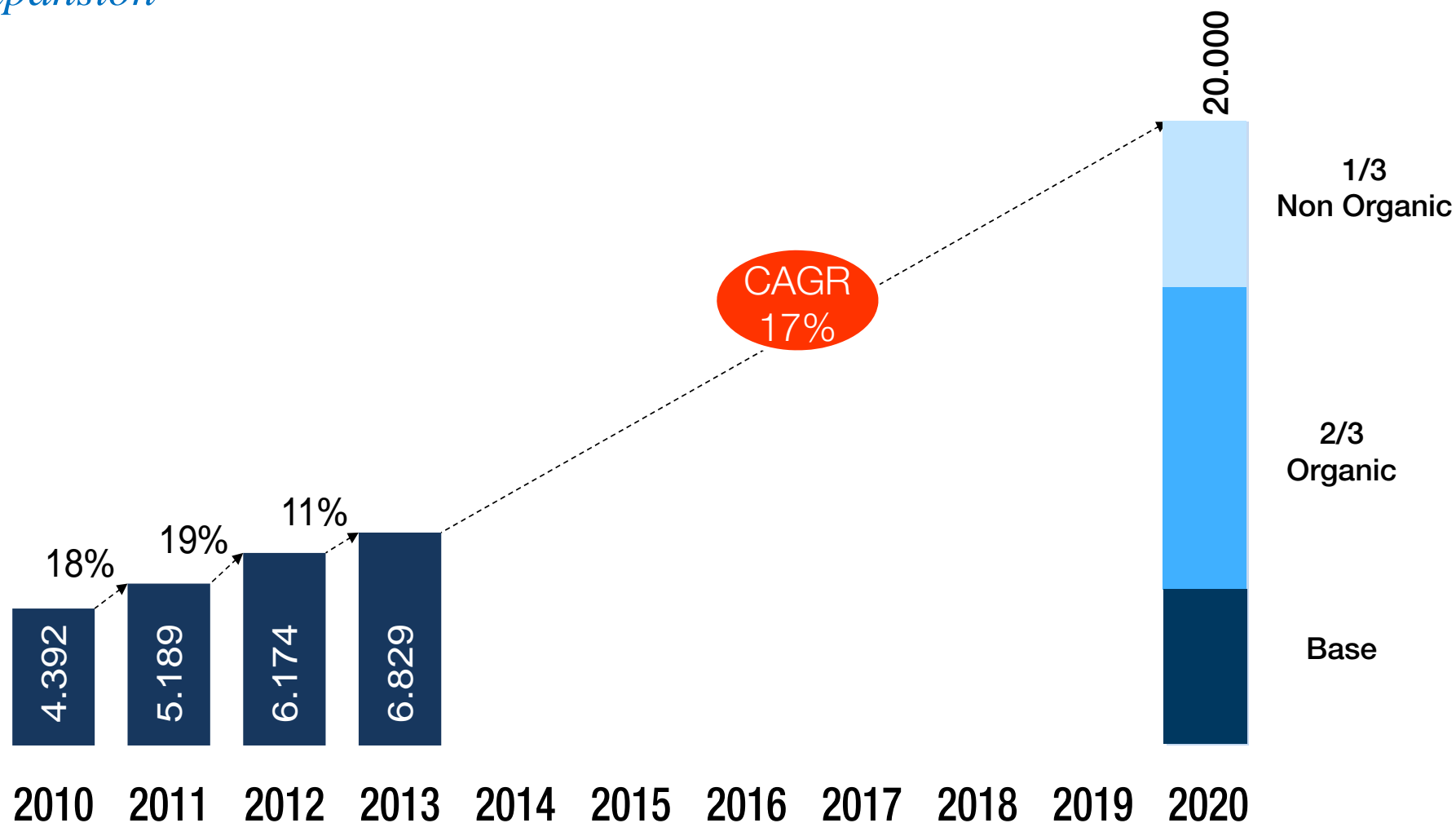


Finally, each opportunity was assessed in terms of identifiable, business-related, non-systemic risks. This was then used to adjust the ROIC, or **ROIC'**



## WEG Strategic Plan 2020

*Corporate aspiration of R\$ 20 billion by 2020. Growth comes from diverse base, with a disciplined approach to organic and non-organic expansion*



## Growth drivers

*The growth opportunities identified can be separated into three distinct categories/growth strategies*

Our products / markets enjoy fairly healthy organic growth trends. For example, the global market for industrial use electric motors is independently estimated to grow 5% to 10% per year. If we are able to maintain our market positions, either leadership and / or strong brand recognition, we will be in position that advantage of this healthy growth dynamics;

We will continue to expand into new geographies, initially with industrial electric motors. As we have established market positions and/or recognized brands, we will leverage those to synergistically expand the product line.

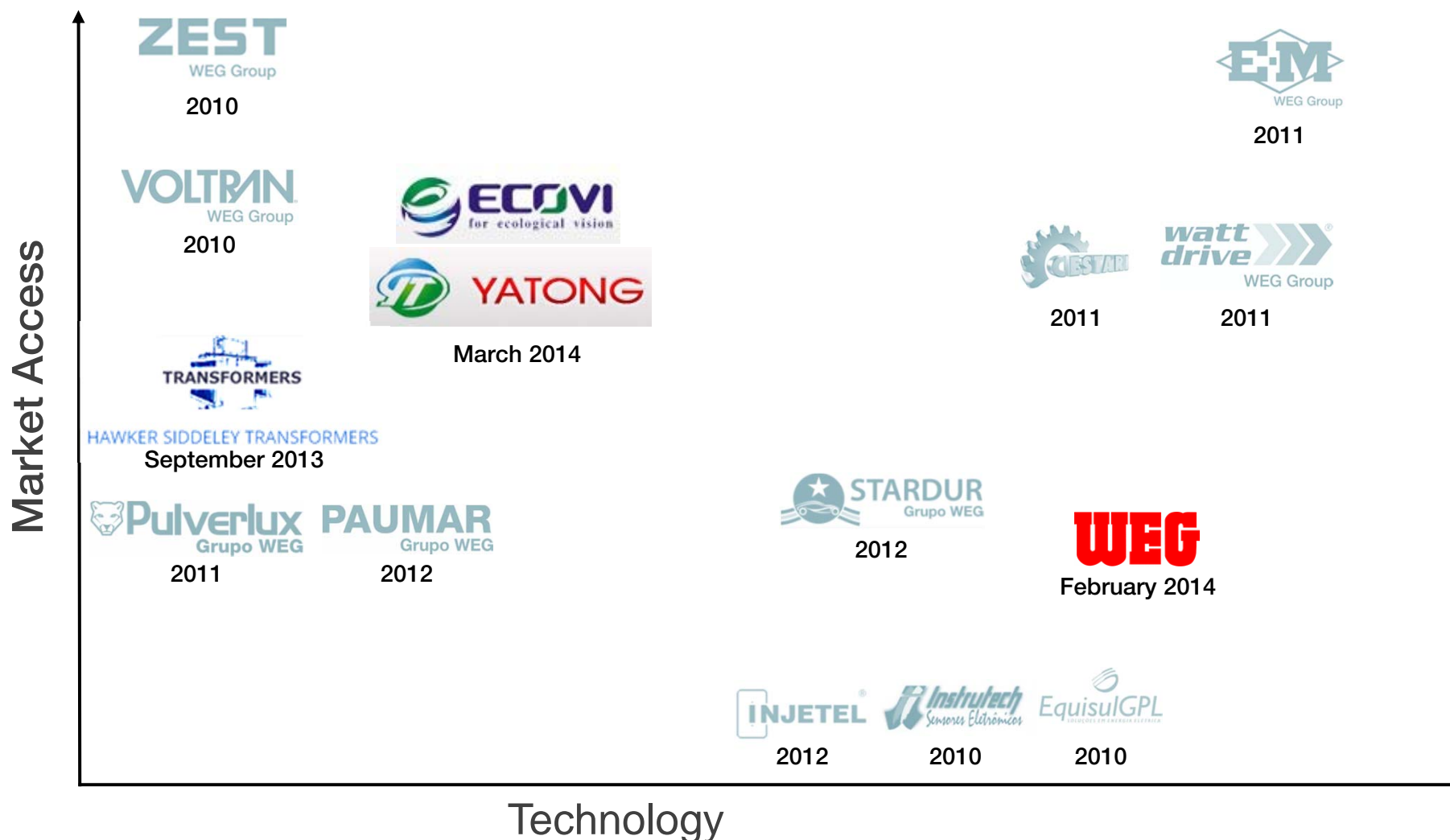
We will also continue to expand the product line into business / products that complement the offering and allows us to offer our clients more complete and efficient solutions.



# Portfolio Strategy



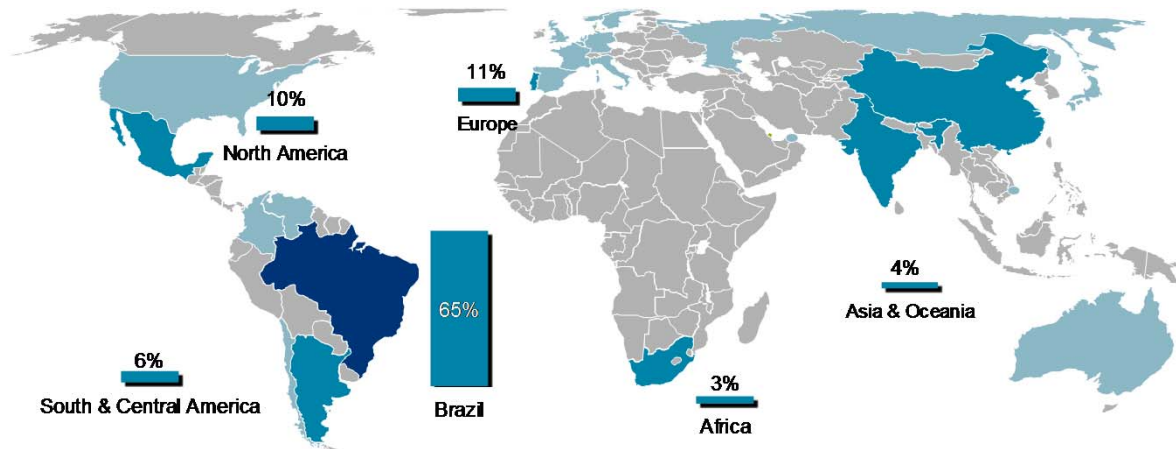
*Clear vision of attractiveness of opportunities and of the strategic fit*



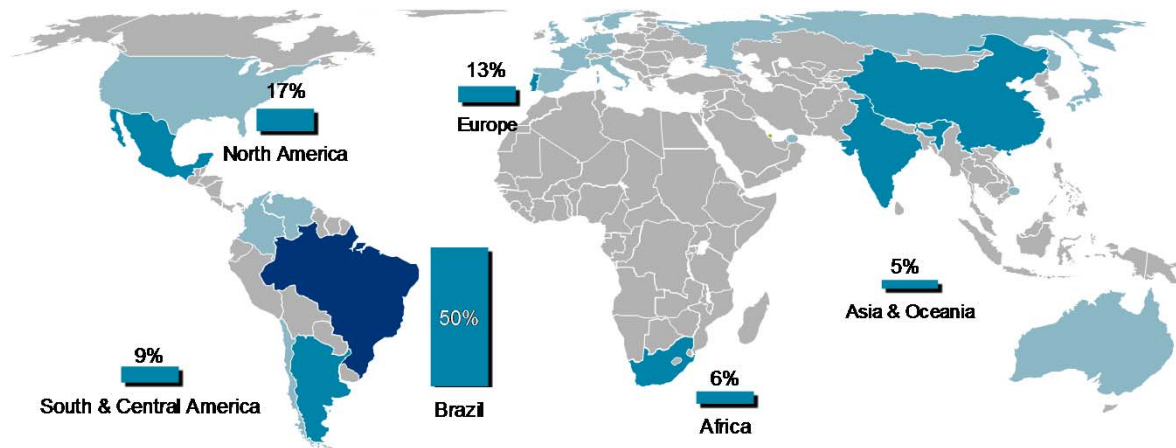
## Revenue profile



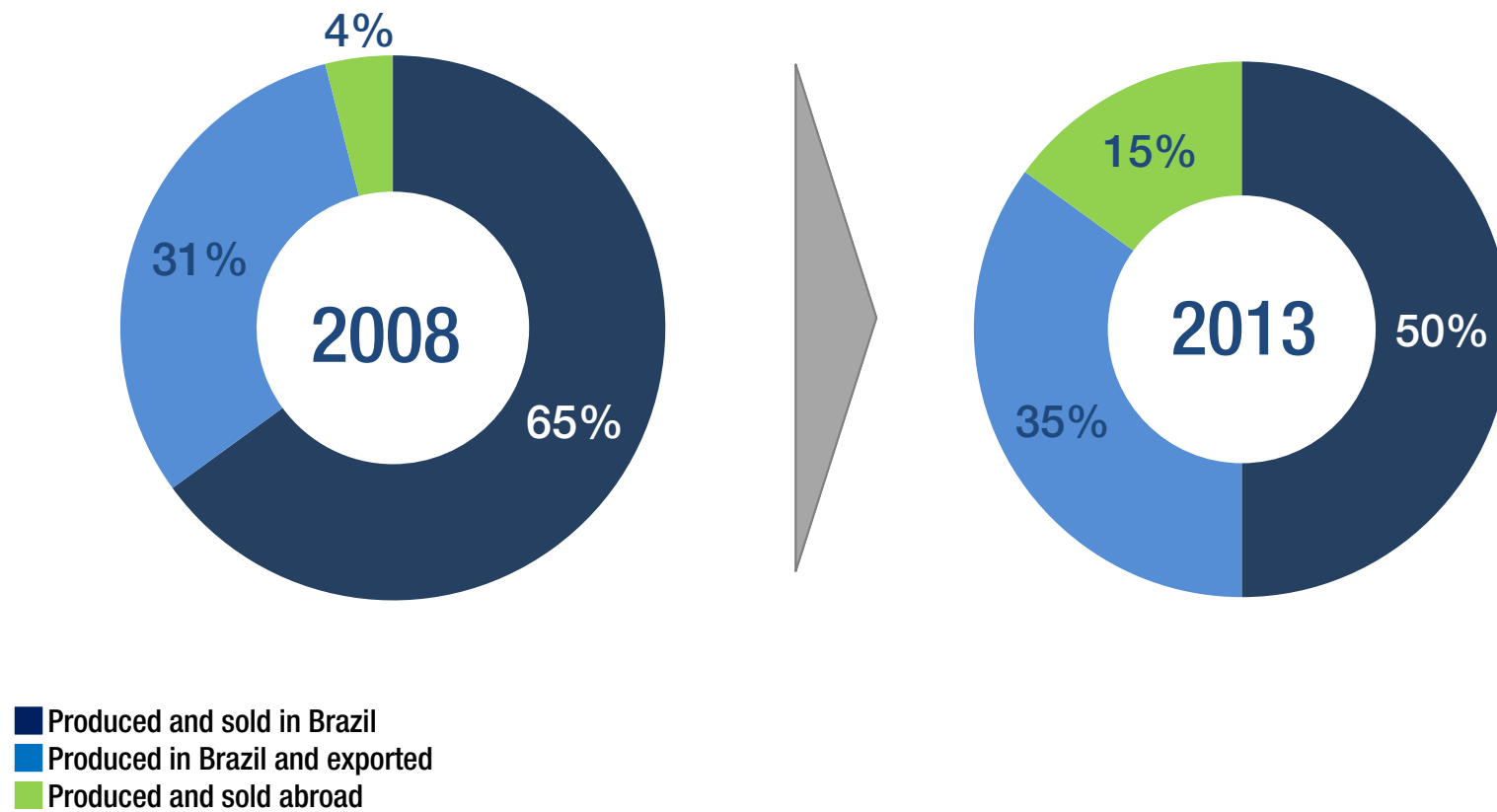
2008



2013



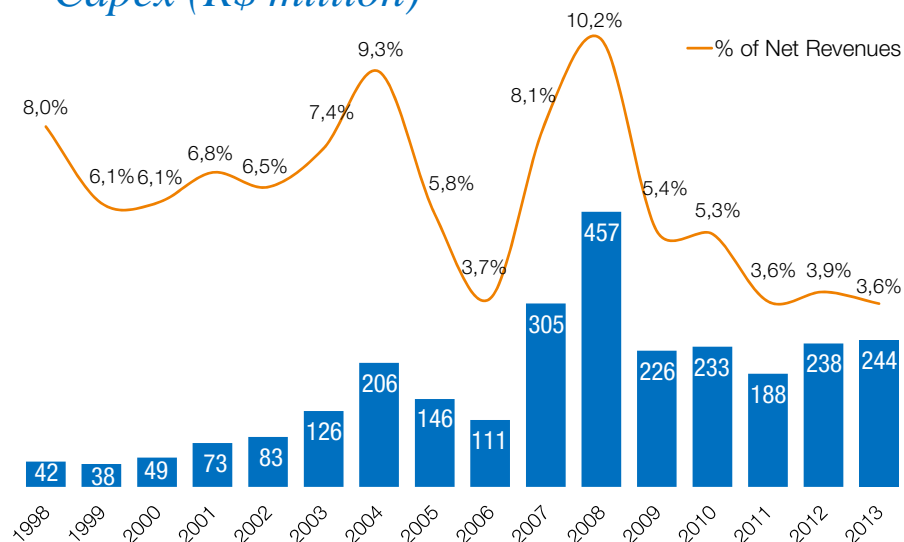
# Global production platform



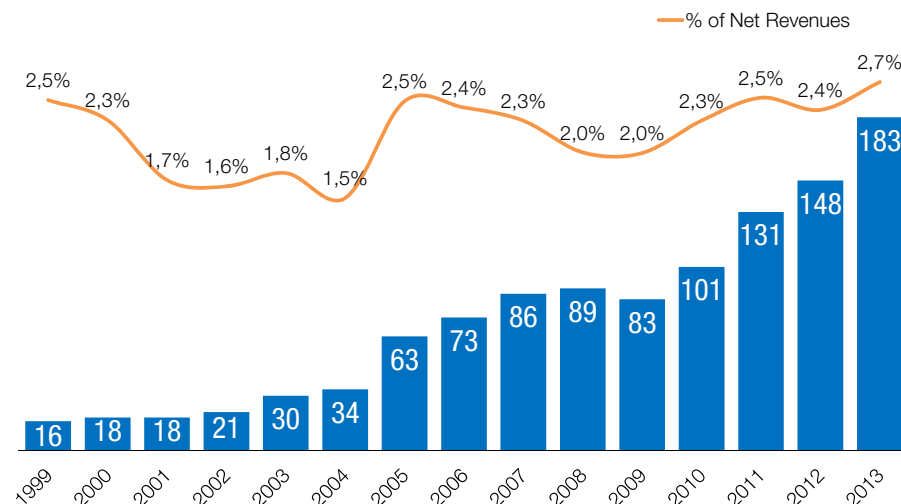
# Use of cash



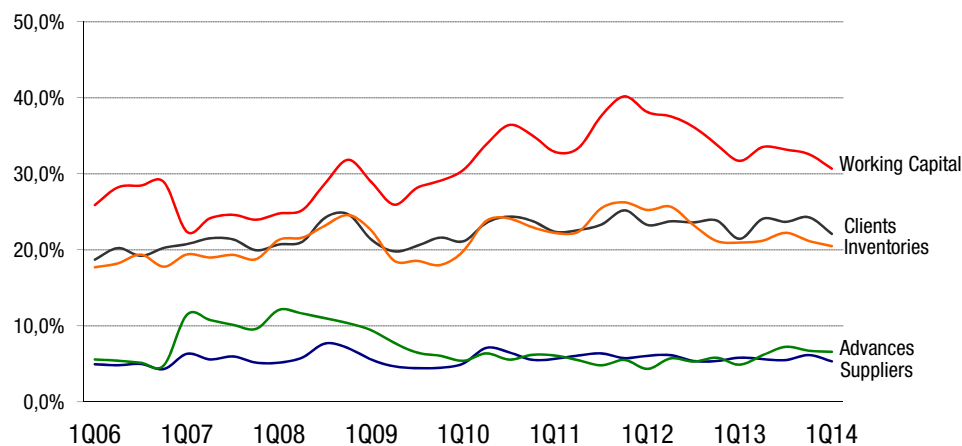
## Capex (R\$ million)



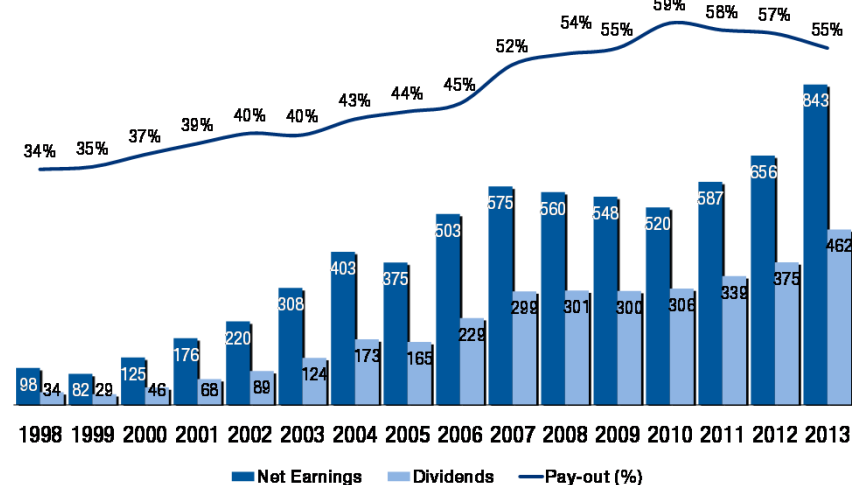
## Research & Development (R\$ million)



## Working Capital (% of Net Revenues)



## Net Earnings and Dividends (R\$ million)

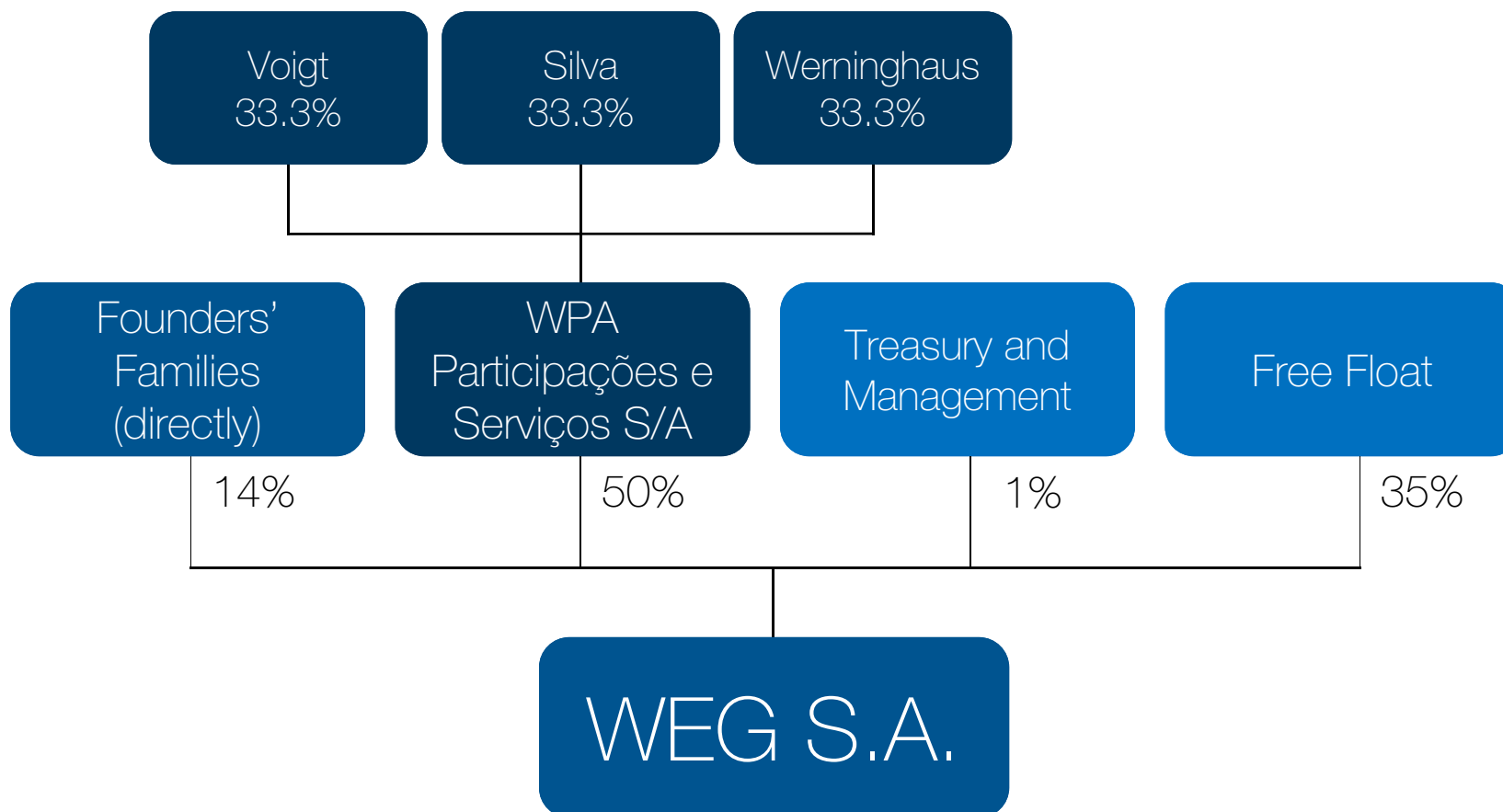


# Capital markets information

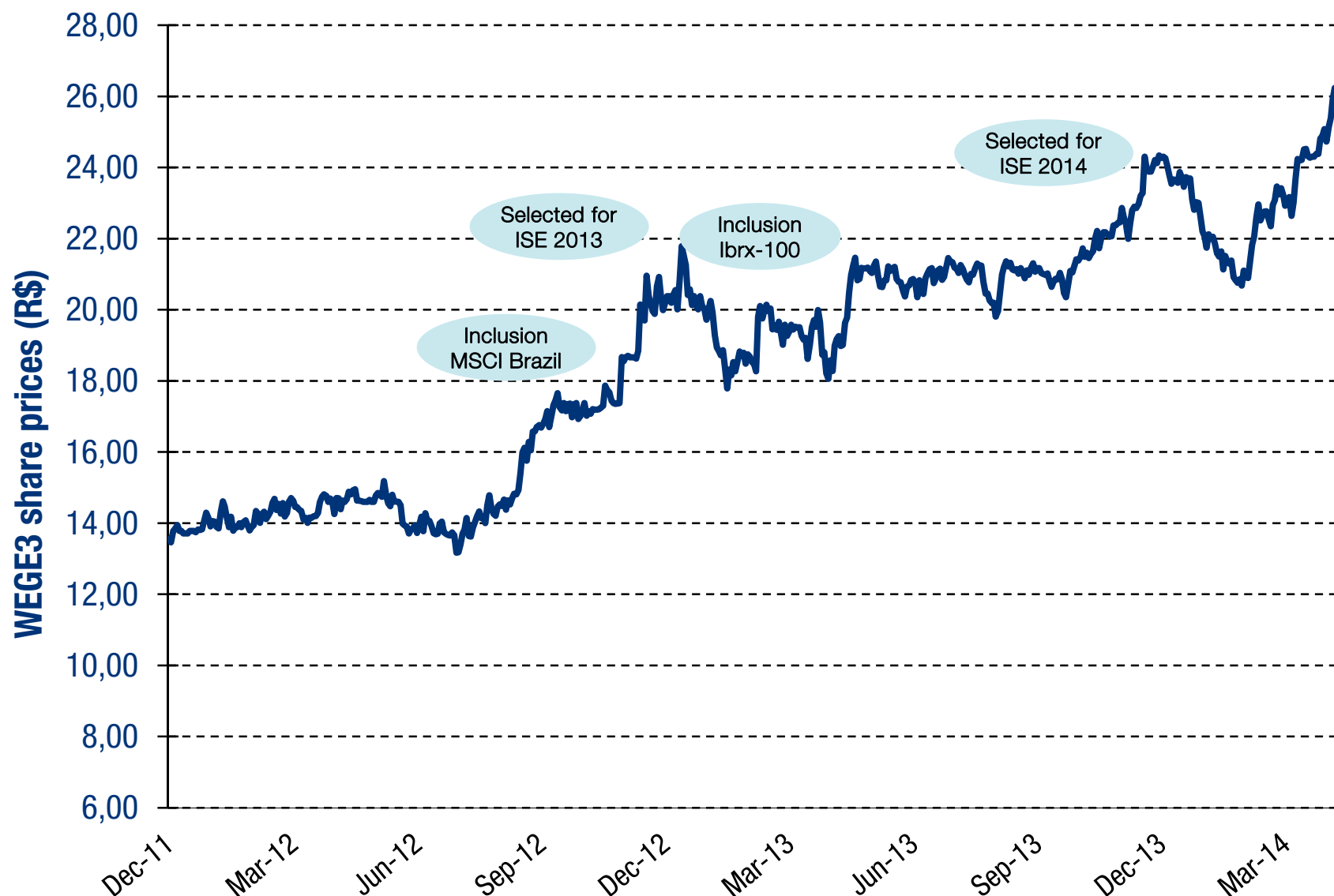


<b>Issuer</b>	<ul style="list-style-type: none"> <li>WEG S.A.</li> </ul>
<b>Ticker</b>	<ul style="list-style-type: none"> <li>WEGE3 (BM&amp;Fbovespa) / WEGZY (OTC – ADR Level 1).</li> </ul>
<b>Listing Segment</b>	<ul style="list-style-type: none"> <li>Novo Mercado (since 2007)</li> </ul>
<b>Number of Shares</b>	<ul style="list-style-type: none"> <li>Issued: 807,176,538</li> <li>In treasury: 615,564</li> <li>Ex-treasury: 806,560,974</li> </ul>
<b>Share price</b>	<ul style="list-style-type: none"> <li>On Dec 30, 2013: R\$ 23.97</li> <li>On May 30, 2014 : R\$ 26.01</li> </ul>
<b>Market value</b>	<ul style="list-style-type: none"> <li>On Dec 30, 2013: R\$ 19.3 billion</li> <li>On May 30, 2014 : R\$ 21.0 billion</li> </ul>
<b>Liquidity (average daily volume)</b>	<ul style="list-style-type: none"> <li>In 2013: R\$ 15,193 thousand / day</li> <li>In 2014: R\$ 15,896 thousand / day</li> </ul>
<b>Composition of <i>Free Float</i></b>	<ul style="list-style-type: none"> <li>56% - Foreign institutions</li> <li>03% - Brazilian institutions</li> <li>41% - Others (individuals, etc.)</li> </ul>

# Shareholding structure



# WEGE3 performance



# Highlights

## *Yearly Figures*

	2013	2012	%	2011	%
Net Operating Revenue	6.828.896	6.173.878	10,6%	5.189.409	19,0%
<i>Domestic Market</i>	3.432.040	3.016.662	13,8%	2.902.958	3,9%
<i>External Markets</i>	3.396.856	3.157.216	7,6%	2.286.451	38,1%
<i>External Markets in US\$</i>	1.569.891	1.610.330	-2,5%	1.361.689	18,3%
Gross Operating Profit	2.236.766	1.880.856	18,9%	1.556.051	20,9%
Gross Margin	32,8%	30,5%		30,0%	
Quarterly Net Income	843.467	655.979	28,6%	586.936	11,8%
Net Margin	12,4%	10,6%		11,3%	
EBITDA	1.230.032	1.016.748	21,0%	851.155	19,5%
EBITDA Margin	18,0%	16,5%		16,4%	
EPS	1,35950	1,05730	28,6%	0,94605	11,8%

*Figures in R\$ Thousands*

# Highlights

## *Quarterly Figures*

	Q1 2014	Q4 2013	%	Q1 2013	%
Net Operating Revenue	1.783.543	1.893.299	-5,8%	1.477.577	20,7%
<i>Domestic Market</i>	895.446	913.388	-2,0%	772.935	15,9%
<i>External Markets</i>	888.097	979.911	-9,4%	704.642	26,0%
<i>External Markets in US\$</i>	375.677	428.229	-12,3%	353.077	6,4%
Gross Operating Profit	570.421	615.847	-7,4%	463.604	23,0%
Gross Margin	32,0%	32,5%		31,4%	
Net Income	204.887	237.439	-13,7%	172.299	18,9%
Net Margin	11,5%	12,5%		11,7%	
EBITDA	299.643	341.653	-12,3%	248.898	20,4%
EBITDA Margin	16,8%	18,0%		16,8%	
EPS	0,33023	0,38270	-13,7%	0,27772	18,9%

*Figures in R\$ Thousand*

# Highlights

## Balance sheet – Assets

(R\$ thousands)

	March 2014 (A)		December 2013 (B)		March 2013 (C)			
	R\$	%	R\$	%	R\$	%	(A)/(B)	(A)/(C)
CURRENT ASSETS	6.602.879	67%	6.851.787	68%	6.310.741	66%	-4%	5%
Cash & cash equivalents	3.247.375	33%	3.373.799	33%	3.279.518	35%	-4%	-1%
Receivables	1.576.829	16%	1.658.806	16%	1.347.331	14%	-5%	17%
Inventories	1.461.766	15%	1.445.927	14%	1.316.606	14%	1%	11%
Other current assets	316.909	3%	373.255	4%	367.286	4%	-15%	-14%
LONG TERM ASSETS	134.326	1%	123.866	1%	107.528	1%	8%	25%
Long term securities	2.097	0%	2.230	0%	2.059	0%	-	2%
Deferred taxes	68.870	1%	60.376	1%	43.337	0%	14%	59%
Other non-current assets	63.359	1%	61.260	1%	62.132	1%	3%	2%
FIXED ASSETS	3.161.488	32%	3.165.640	31%	3.078.166	32%	0%	3%
Investment in Subs	8.091	0%	7.264	0%	7.577	0%	11%	7%
Property, Plant & Equipment	2.605.834	26%	2.614.556	26%	2.544.242	27%	0%	2%
Intangibles	547.563	6%	543.820	5%	526.347	6%	1%	4%
TOTAL ASSETS	9.898.693	100%	10.141.293	100%	9.496.435	100%	-2%	4%

# Highlights

## Balance sheet – Liabilities

(R\$ thousands)

	March 2014 (A)		December 2013 (B)		March 2013 (C)			
	R\$	%	R\$	%	R\$	%	(A)/(B)	(A)/(C)
CURRENT LIABILITIES	2.506.714	25%	2.578.048	25%	2.852.160	30%	-3%	-12%
Social and Labor Liabilities	199.637	2%	216.553	2%	172.007	2%	-8%	16%
Suppliers	379.952	4%	420.250	4%	365.492	4%	-10%	4%
Fiscal and Tax Liabilities	137.847	1%	139.570	1%	103.069	1%	-1%	34%
Short Term Debt	914.246	9%	912.796	9%	1.526.274	16%	0%	-40%
Dividends Payable	47.016	0%	87.723	1%	36.718	0%	-46%	28%
Advances from Clients	469.261	5%	459.130	5%	306.889	3%	2%	53%
Profit Sharring	44.201	0%	34.191	0%	38.260	0%	29%	16%
Other Short Term Liabilities	314.554	3%	307.835	3%	303.451	3%	2%	4%
LONG TERM LIABILITIES	2.822.456	29%	2.920.978	29%	2.528.789	27%	-3%	12%
Long Term Debt	2.192.311	22%	2.296.208	23%	1.878.432	20%	-5%	17%
Other Long Term Liabilities	98.307	1%	95.031	1%	123.063	1%	3%	-20%
Deferred Taxes	292.073	3%	294.405	3%	319.621	3%	-1%	-9%
Contingencies Provisions	239.765	2%	235.334	2%	207.673	2%	2%	15%
MINORITIES	77.959	1%	84.495	1%	80.931	1%	-8%	-4%
STOCKHOLDERS' EQUITY	4.491.564	45%	4.557.772	45%	4.034.555	42%	-1%	11%
TOTAL LIABILITIES	9.898.693	100%	10.141.293	100%	9.496.435	100%	-2%	4%

# Highlights

## Balance sheet – Cash flow

(R\$ thousands)

	3 Months 2014	3 Months 2013
<b>Operating Activities</b>		
Net Earnings before Taxes	269.317	221.413
Depreciation and Amortization	58.805	52.136
Provisions:	88.495	67.655
Changes in Assets & Liabilities	(12.641)	(6.294)
(Increase) / Reduction of Accounts Receivable	118.511	91.360
Increase / (Reduction) of Accounts Payable	50.259	46.754
(Increase) / Reduction of Inventories	(10.915)	(10.480)
Income Tax and Social Contribution on Net Earnings	(81.448)	(71.190)
Profit Sharing Paid	(89.048)	(62.738)
<b>Cash Flow from Operating Activities</b>	<b>403.976</b>	<b>334.910</b>
<b>Investment Activities</b>		
Fixed Assets	(64.284)	(56.759)
Intangible Assets	(3.208)	(811)
Results of sales of fixed assets	490	903
Accumulated Conversion Adjustment	(53.618)	(25.135)
Long term securities bought	132	(4.497)
Goodwill in Capital Transactions	(2.699)	(5.169)
Acquisition of Stakes of non-controlling shareholders	(5.947)	(6.268)
Aquisition of Subsidiaries	(13.229)	-
<b>Cash Flow From Investment Activities</b>	<b>(142.363)</b>	<b>(97.736)</b>
<b>Financing Activities</b>		
Working Capital Financing	16.382	827.186
Long Term Financing	(112.601)	(136.811)
Interest paid on loans and financing	(43.588)	(11.277)
Treasury Shares	-	-
Dividends & Interest on Stockholders Equity Paid	(248.230)	(204.724)
<b>Cash Flow From Financing Activities</b>	<b>(388.037)</b>	<b>474.374</b>
<b>Change in Cash Position</b>	<b>(126.424)</b>	<b>711.548</b>
Cash & Cash Equivalents		
Beginning of Period	3.373.799	2.302.256
End of Period	3.247.375	3.013.804

# Highlights

## *Balance sheet – Debt and cash position*

(R\$ thousands)

	Março 2014		Dezembro 2013		Março 2013	
<b>Cash &amp; Financial instruments</b>	<b>3.249.472</b>		<b>3.376.029</b>		<b>3.281.577</b>	
- Current	3.247.375		3.373.799		3.279.518	
- Long Term	2.097		2.230		2.059	
<b>Debt</b>	<b>3.106.557</b>	<b>100%</b>	<b>3.209.004</b>	<b>100%</b>	<b>3.404.706</b>	<b>100%</b>
- Current	914.246	29%	912.796	28%	1.526.274	45%
- In Brazilian Reais	503.749	16%	462.336	14%	1.077.205	32%
- In other currencies	410.497	13%	450.460	14%	449.069	13%
- Long Term	2.192.311	71%	2.296.208	72%	1.878.432	55%
- In Brazilian Reais	1.976.524	64%	2.048.766	64%	1.646.899	48%
- In other currencies	215.787	7%	247.442	8%	231.533	7%
<b>Net Cash (Debt)</b>	<b>142.915</b>		<b>167.025</b>		<b>(123.129)</b>	



# WEG Investor Relations

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