

Conference Call 4Q17



Improved business dynamics and
return on invested capital



Disclaimer

This is a support document for the WEG S.A. 2017 fourth quarter results conference call.

Any forecasts contained in this document or statements that may eventually be made during this conference call relating to WEG's business perspectives, projections and operating and financial goals and to WEG's potential future growth are management beliefs and expectations, as well as information that is currently available.

These statements involve risks, uncertainties and the use of assumptions, as they relate to future events and, as such, depend on circumstances that may or may not be present. Investors should understand that the general economic conditions, conditions in the industry and other operating factors may affect WEG's future performance and lead to results that may differ materially from those expressed in such future considerations.

Standards and criteria applied in the preparation of information

The financial statements presented in this document has been prepared in accordance with IFRS (International Financial Reporting Standards). The financial information relating to WEG correspond to the company's consolidation information.

In addition, the financial and operating information included in this results discussion are subject to rounding adjustments and, as a result, the total value presented in the tables and graphs may differ from the direct figures that precede them.

The information denominated EBITDA – Earnings Before Interest, Taxes on Income and Social Contribution on Net Income, Depreciation, and Amortization; EBIT – Earnings Before Interest and Income Taxes and Social Contribution on Net Income are presented in accordance with Instruction No.527 issued by CVM on October 4, 2012.



Highlights Fourth Quarter 2017

01

Double-digit operating revenue growth reflecting continued growth in the global industrial sector

Net Operating Revenue were **R\$ 2,673.7 million**, up **12.5%** from 4Q16 and **9,8%** higher than 3Q17;

02

Non-recurring events and higher mix of new businesses resulted in down of EBITDA margin

EBITDA reached **R\$ 376.3 million**, with margin of 14.1%, down **6,1%** over 4Q16 and **3,1%** over 3Q17;

Net Income of **R\$ 300.3 million**, with net margin of 11.2%, down **7,1%** over 4Q16 and **3,8%** over 3Q17.

03

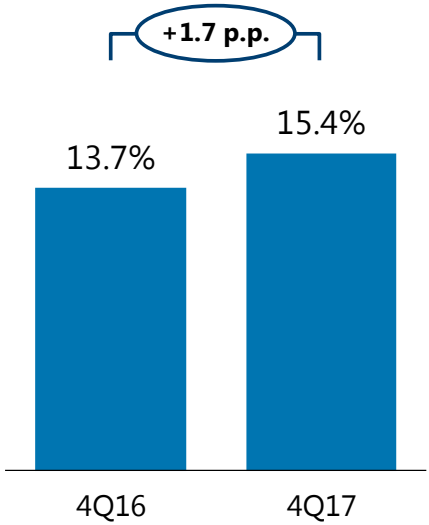
ROIC growth reflecting better operational performance and discipline in capital use

Operating Cash Generation of **R\$ 1,290.1 million** in 2017.


ROIC reached **15,4%** in 2017, up 1.7 p.p. from 2016




Return on invested capital (ROIC)



Net Operating Profit After Taxes

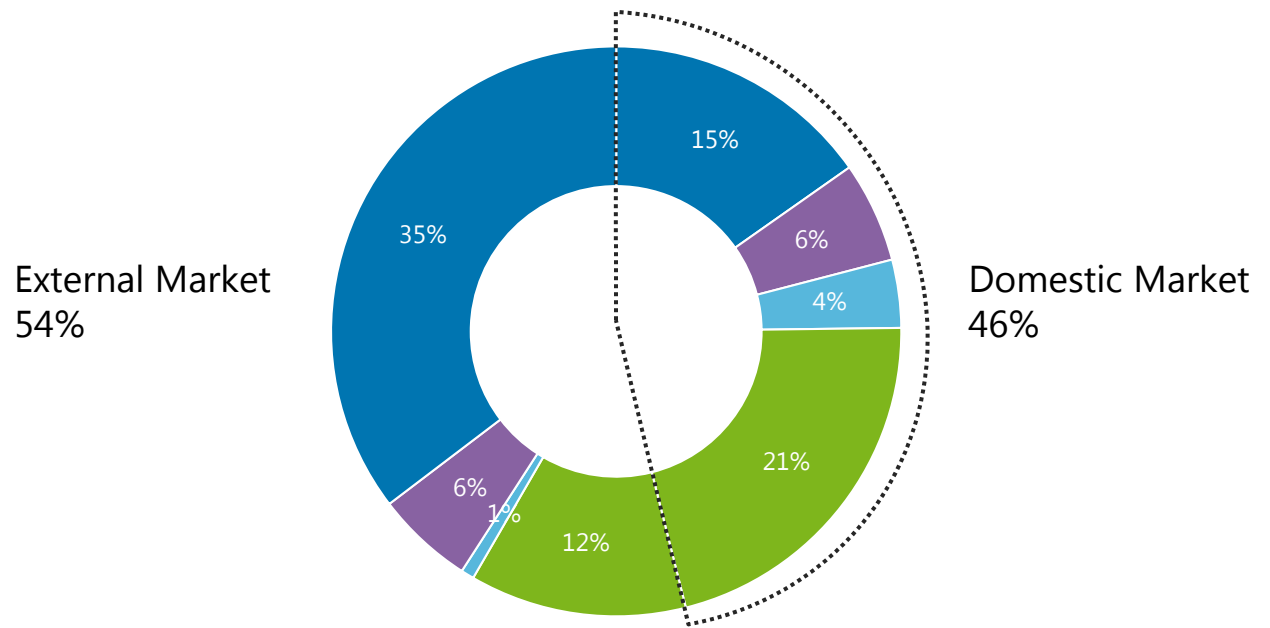
 **+18.7%**





Invested Capital

 **+5.6%**



4Q17 Business area performance

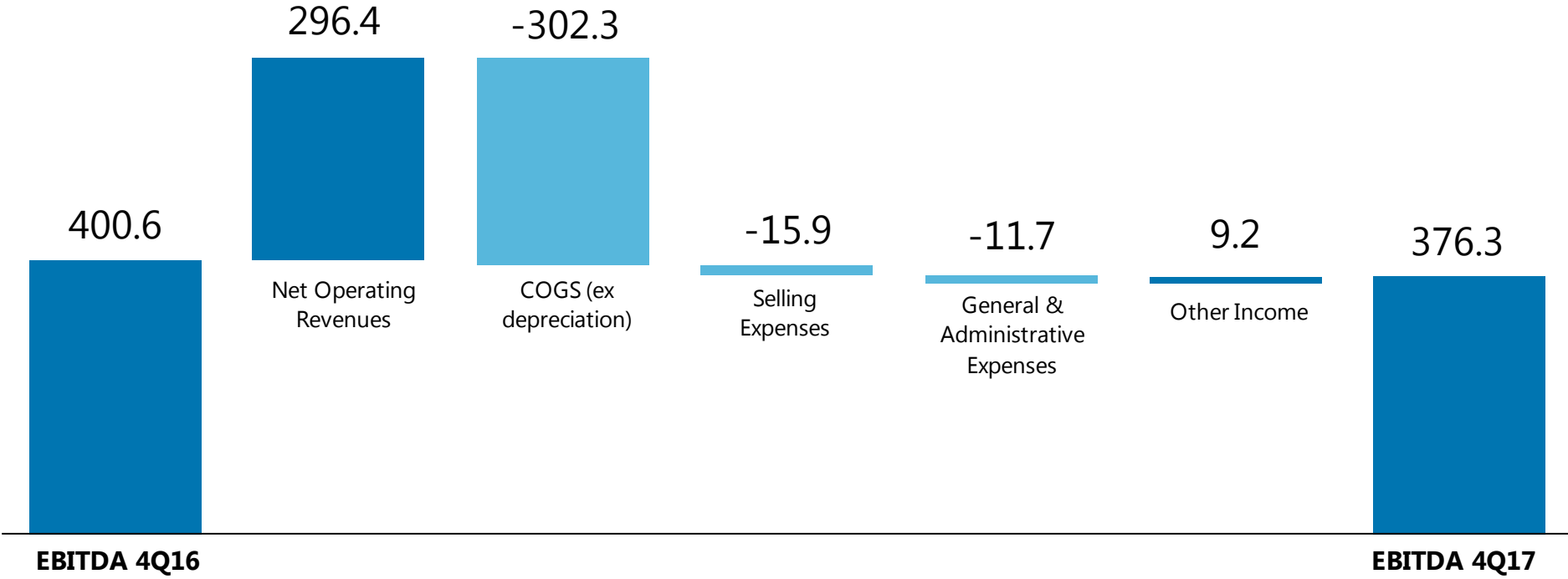


Δ% 4Q17 / 4Q16	 Industrial Electro-Electronic Equipment	 Energy Generation, Transmission, and Distribution (GTD)	 Motors for domestic use	 Paints and Varnishes
Net Revenue	+12.4%	+16.9%	+0.6%	+14.5%
Domestic Market	+23.5%	+10.5%	+17.5%	+8.8%
External Market	+8.2%	+29.8%	-12.5%	+57.2%



Main impacts on EBITDA

In R\$ million

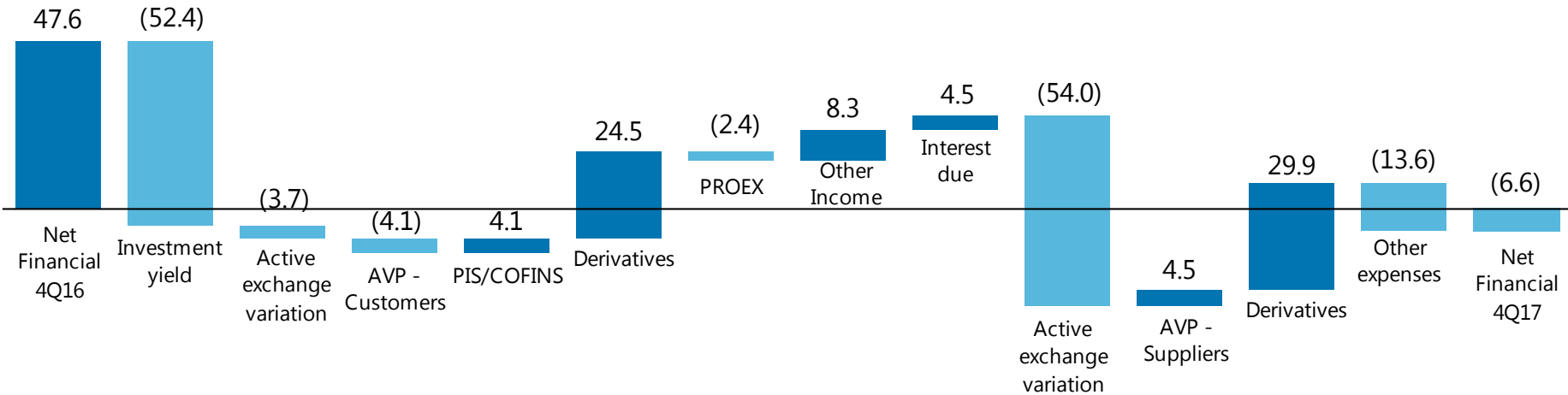


Main impacts on Net Quarterly Financial Results

In R\$ million

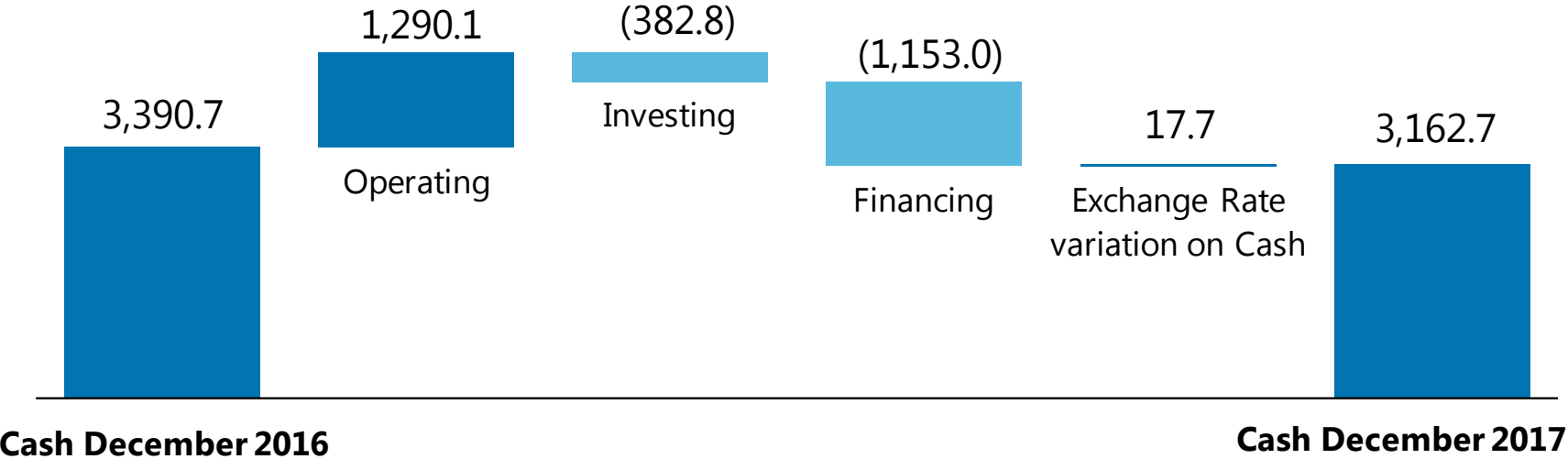
Financial Income

Financial Expenses



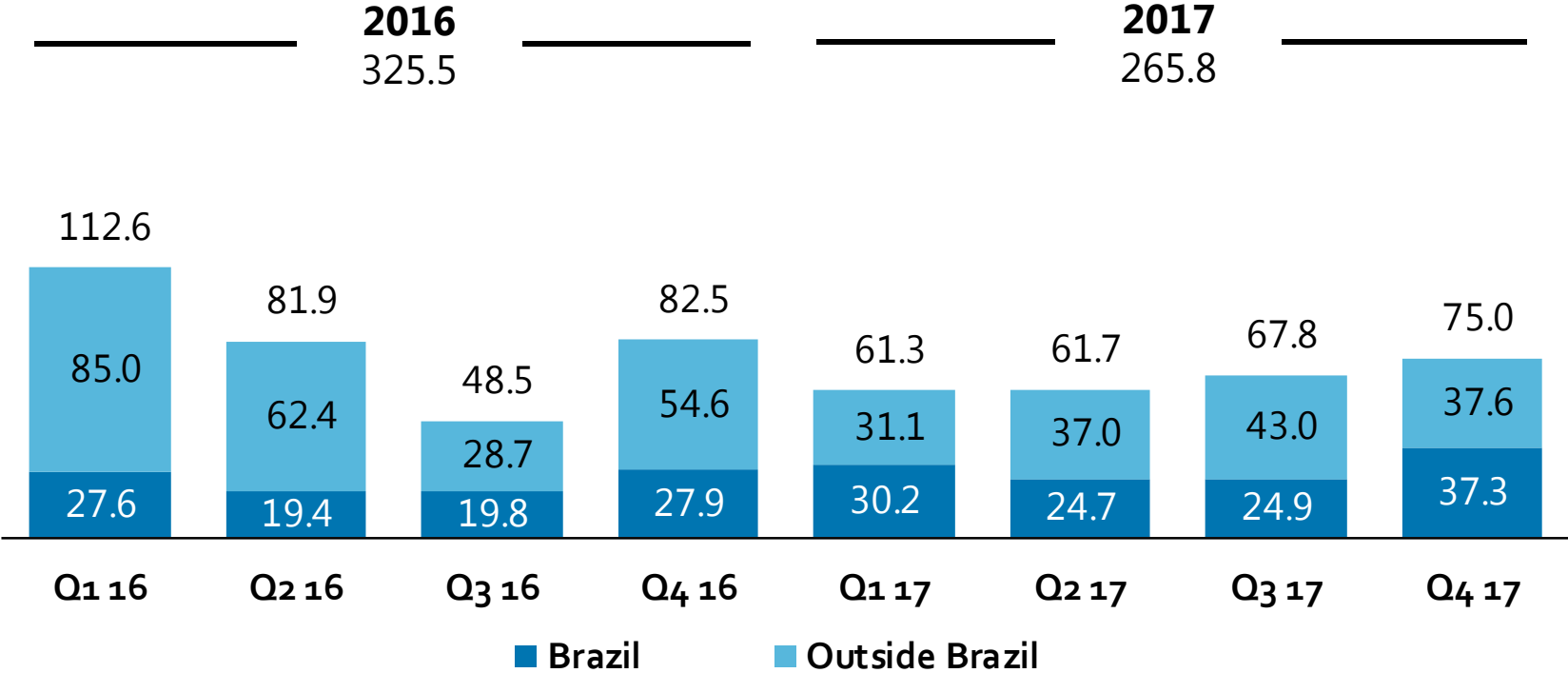
Main impacts on Cash Flow

In R\$ million



Capex Program Quarterly Evolution

In R\$ million



Outlook

The industrial recovery cycle continues in Brazil

- Recovery trend continues of short cycle products
- Combination of low inflation and lower interest rate brings good prospects for the business environment in Brazil
- Growth in order intake indicates better conditions for long cycle products in 2018

Abroad, signs of recovery

- Increasing industrial production in major global markets
- Improvement in short cycle products driven by OEMs
- Industries begin to demand long cycle products

Revenue and ROIC will be the main drivers for 2018

- Improved global industrial investment and new businesses are expected to boost revenue growth
- EBITDA margin may suffer volatility, impacted by recent acquisitions and higher mix of new businesses in revenue
- ROIC continues to be the company's main driver



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