

Conference Call 2Q18



Revenue, EBITDA and Return on
Invested Capital growth in the quarter



Disclaimer

This is a support document for the WEG S.A. 2018 second 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 Second Quarter 2018

01

Significant revenue growth reflecting the improvement in the global economic environment and new business

Net Operating Revenue were **R\$ 3,056.6 million**, **34.0%** higher than 2Q17 and **19.8%** higher than 1Q18;

02

EBITDA margin within expectation but still impacted by recent acquisition and new business

EBITDA reached **R\$ 465.5 million**, with margin of 15.2%, **25.6%** higher than 2Q17 and **22.6%** higher than 1Q18;

Net Income of **R\$ 336.6 million**, with net margin of 11.0%, **23.7%** higher than 2Q17 and **18.1%** higher than 1Q18.

03

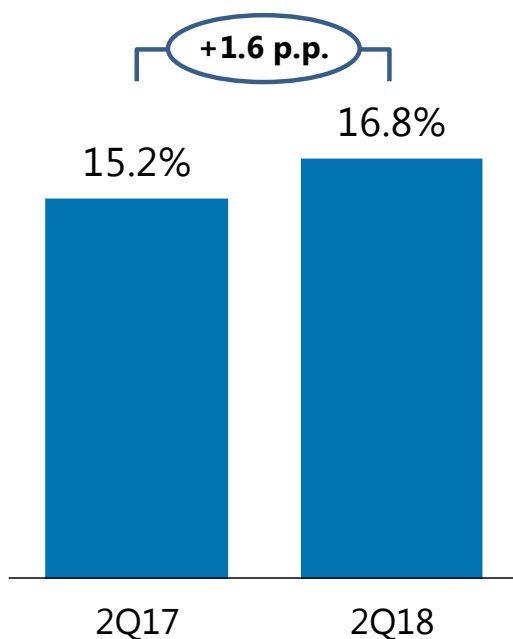
ROIC expansion, reflecting better operational performance and discipline in the capital use

Operating Cash Generation of **R\$ 643.5 million** in 1H18.

ROIC reached **16.8%** in 2Q18 (last 12 months), expansion of 1.6 p.p. over 2Q17.



Return on invested capital (ROIC)



Net Operating Profit After Taxes

↑ +24.1%

Invested Capital

↑ +12.4%

ROIC Formula

NOPAT¹

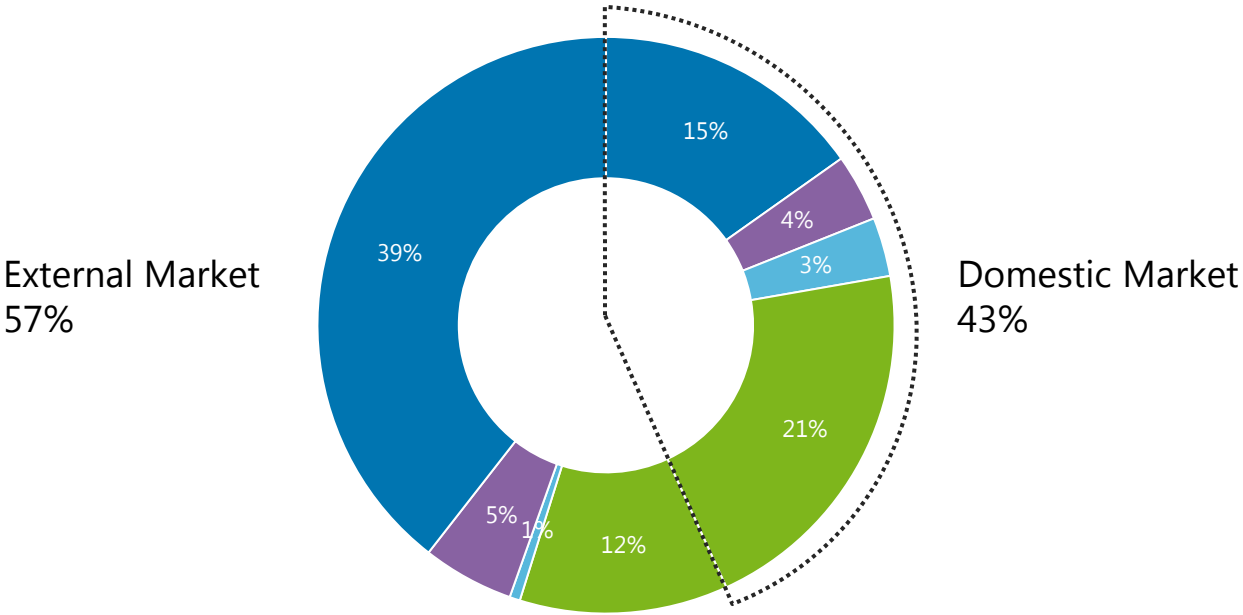
Invested Capital² (Equity + net debt + provisions (net judicial deposits) + dividends payable)



¹Figures from Income Statement, accumulating last 12 months.

²Figures from Balance Sheet, obtained by the average of last 4 quarters.

2Q18 Business area performance

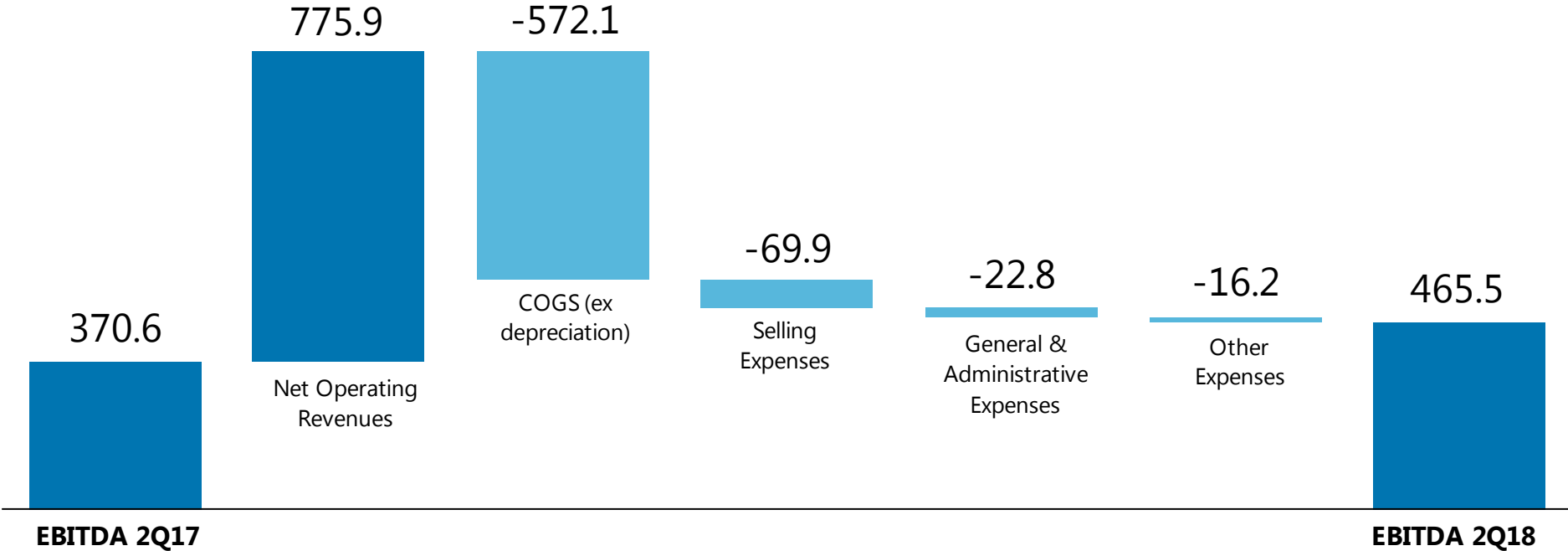


Δ% 2Q18 / 2Q17	Industrial Electro-Electronic Equipment	Energy Generation, Transmission, and Distribution (GTD)	Motors for domestic use	Paints and Varnishes
Net Revenue	+28%	+72%	-5%	+11%
Domestic Market	+14%	+77%	-1%	+13%
External Market	+34%	+64%	-8%	+2%



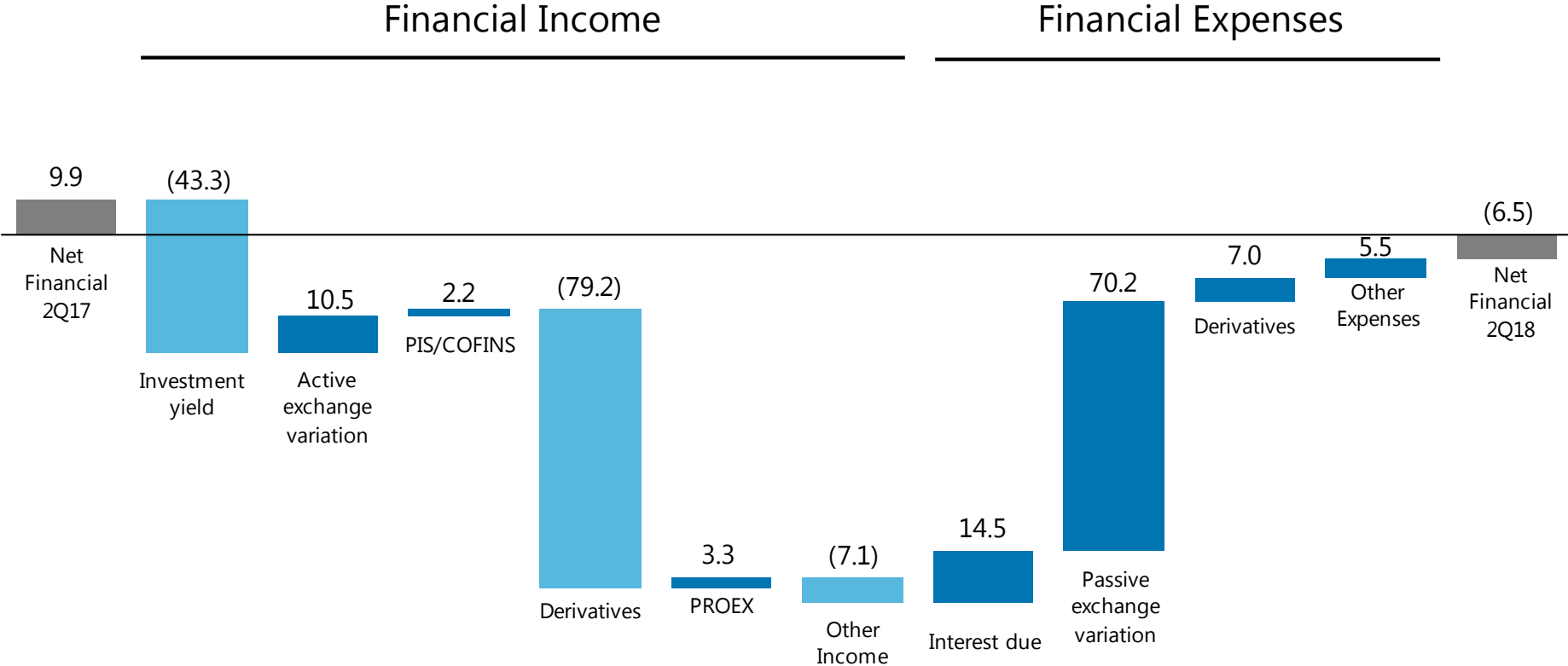
Main impacts on EBITDA

In R\$ million



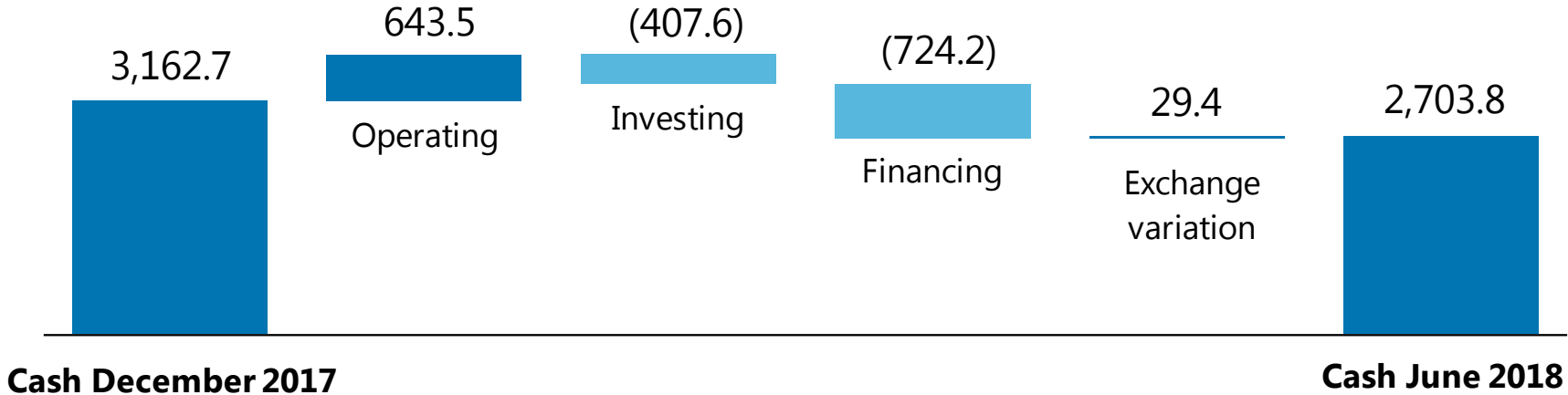
Main impacts on Net Quarterly Financial Results

In R\$ million



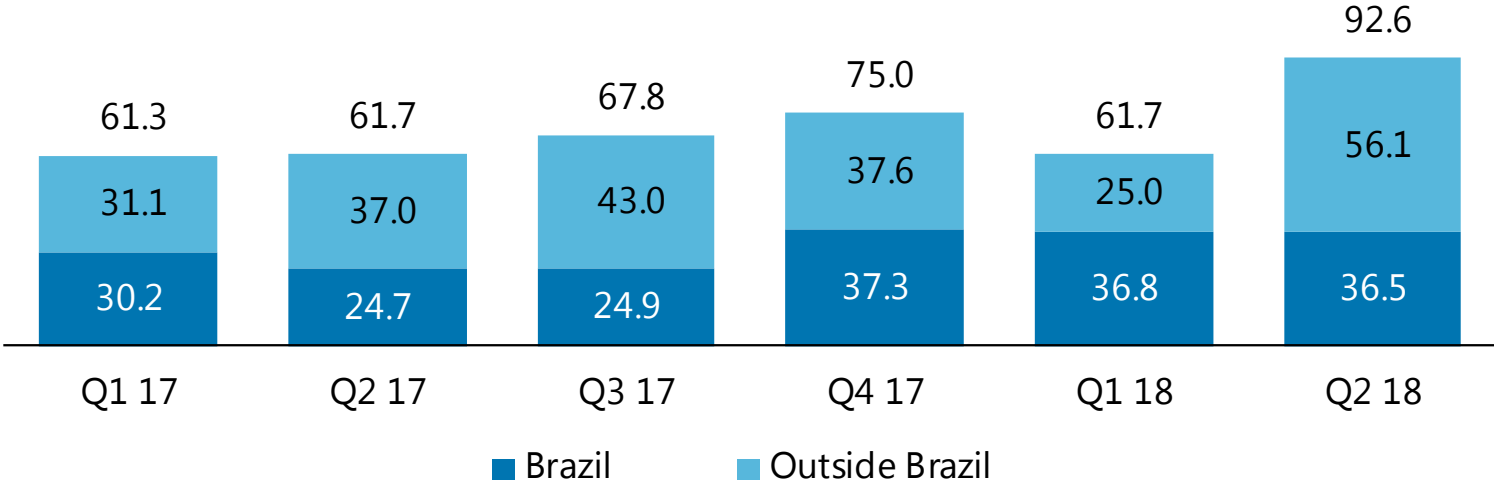
Main impacts on Cash Flow

In R\$ million



Capex Program Quarterly Evolution

In R\$ million



Outlook

Focus on revenue growth and ROIC attractiveness

- Improved global investment, recent acquisitions and new businesses are expected to boost revenue growth
- ROIC continues to be company's main driver

Consistent recovery from sales abroad

- The improvement in order intake in the short-cycle products continues, especially in OEMs
- We have already found some opportunities in projects that require long-cycle equipment
- Industries continue the recovery trends

New business and acquisitions will continue to positively impacting performance in Brazil

- The entry into the solar generation business and the acquisition of TGM should contribute to the GTD's revenue growth in 2018
- In the industrial electro-electronic equipment area the continuous improvement is concentrated in short-cycle products
- Economic and political scenarios should guide the performance of the next quarters



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