



Investor Relations Presentation

WEGE3 / WEGZY



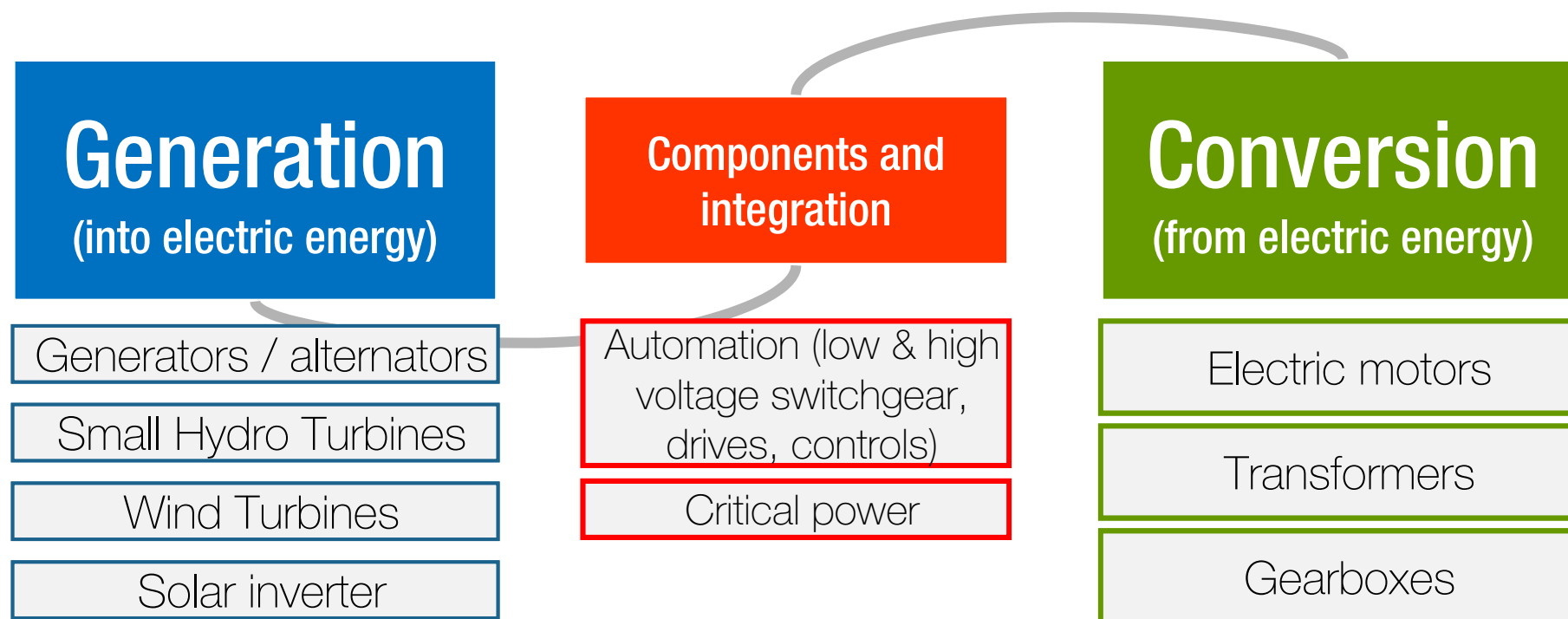
Best way to invest in fast growing global energy efficiency and renewable energy generation businesses



- 1 One of the highest growth capital goods companies; is 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

Electric equipment industry structure

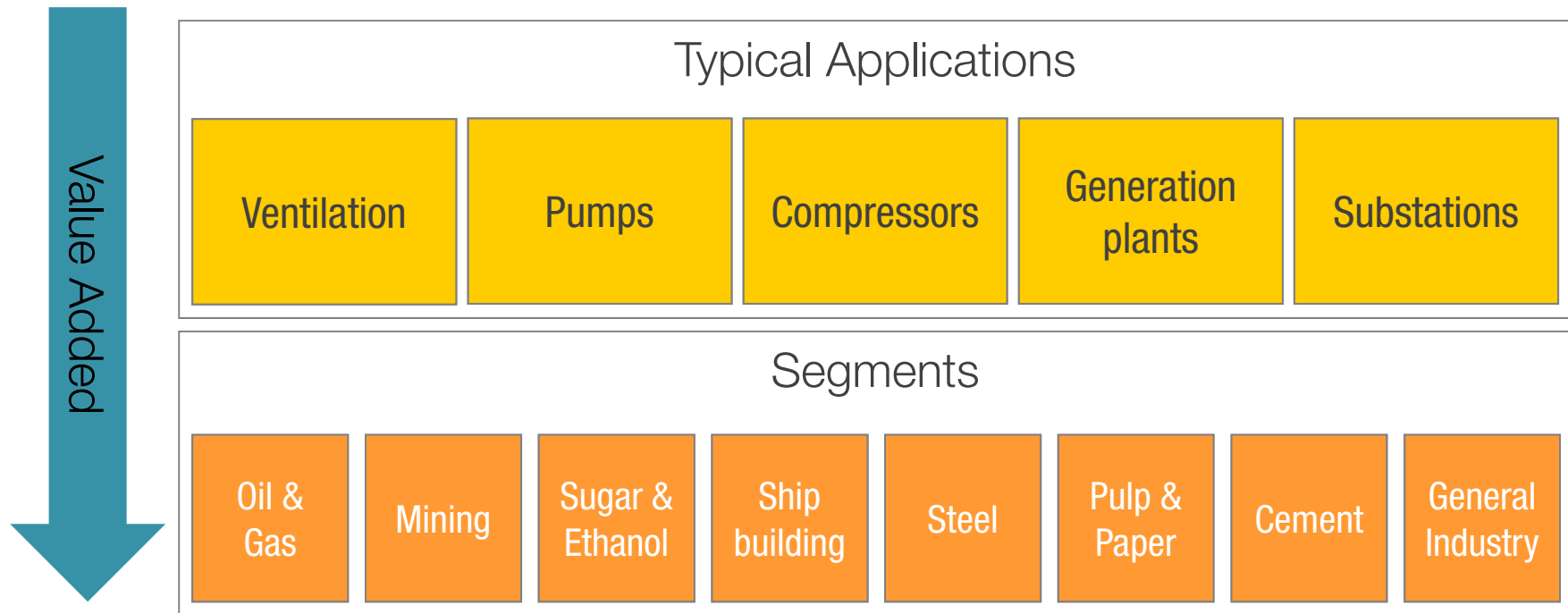
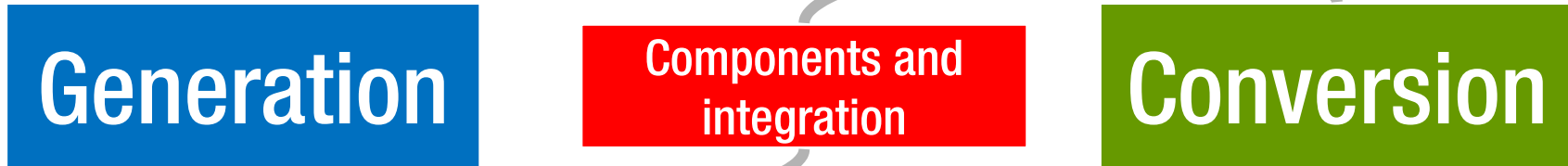
As perceived by WEG



“The final destination”



Strategic integration of equipment into complete solutions



Our industry is undergoing major change

Megatrends cause changes in demand and create opportunities



Energy and industrial efficiency

- Electric motors represent around 25% of world electricity consumption
- Industrial productivity increases and ISO 50.001 (energy management) drives investments

Renewable energy

- Global need to diversify energy sources and lower GHG emissions
- Scale and technological development increases viability

Smart grid

- Electricity distribution network has to become "smarter"
- More sensors, more automation, more efficient generation and use of electricity

Electrical mobility

- Increasing urbanization adds to congestions and need of new solutions
- Electric vehicles, hybrids or alternative fuels will become more common

Strategic Positioning



SIEMENS



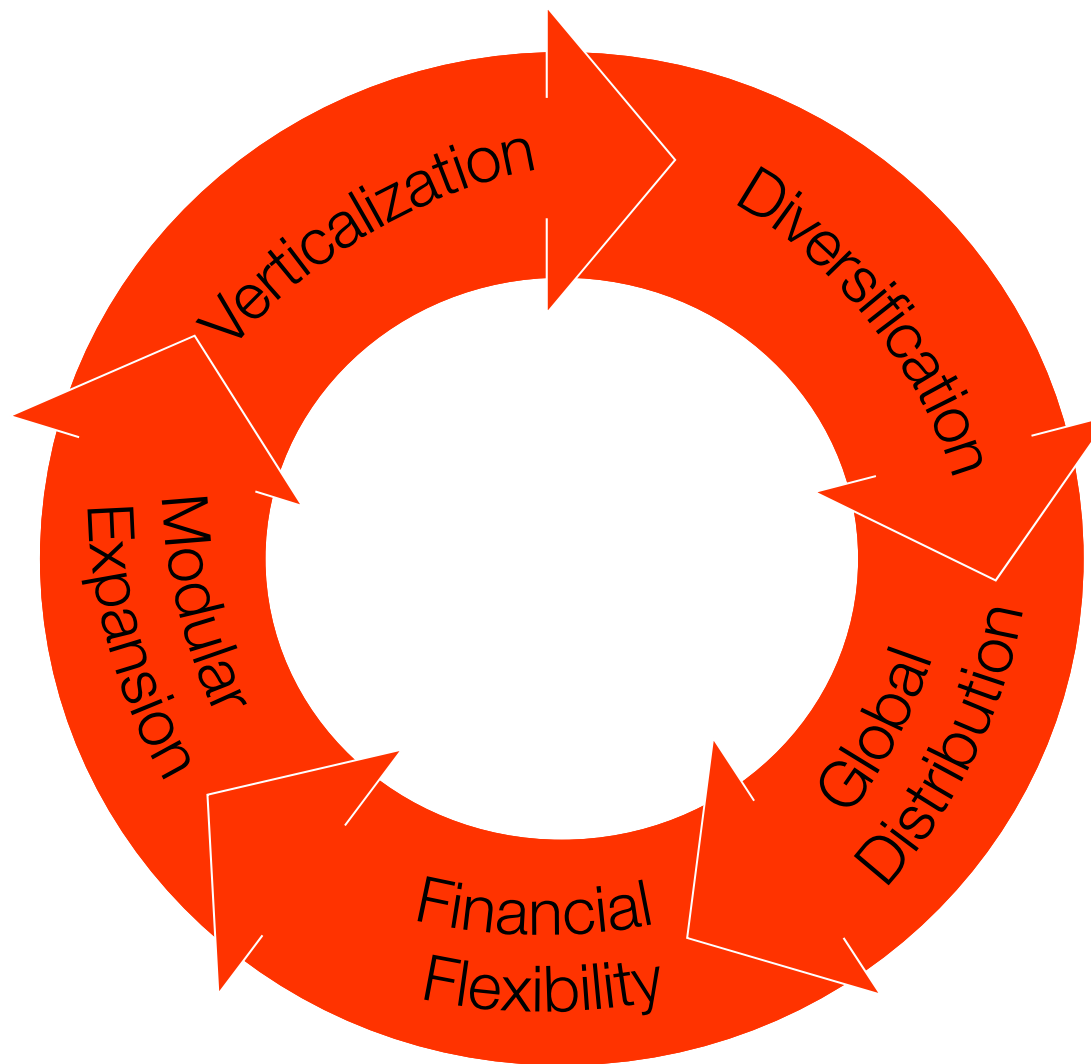
ALSTOM



		ABB	SIEMENS	Schneider Electric	EMERSON	REGAL BELGIT	ALSTOM	WEG
Motors	Appliance	●	●			●		●
	Industrial	●	●			●		●
Energy	High Voltage	●	●			●	●	●
	Generators	●	●			●	●	●
	Biomass Systems	●	●				●	●
	Small Hydro	●	●				●	●
	Wind	●	●				●	●
T&D	Power	●	●	●			●	●
	Dry	●	●	●			●	●
	Distribution	●	●	●			●	●
	Substations	●	●				●	●
Automation	Drives	●	●	●	●	●		●
	Controls	●	●	●	●			●
	Panels	●	●	●	●			●
New Business	Gearboxes	●	●			●		●
	Gensets	●				●		◐
	Hydro Turbines						●	●
	Steam Turbines		●				●	
	Gas Turbines		●				●	

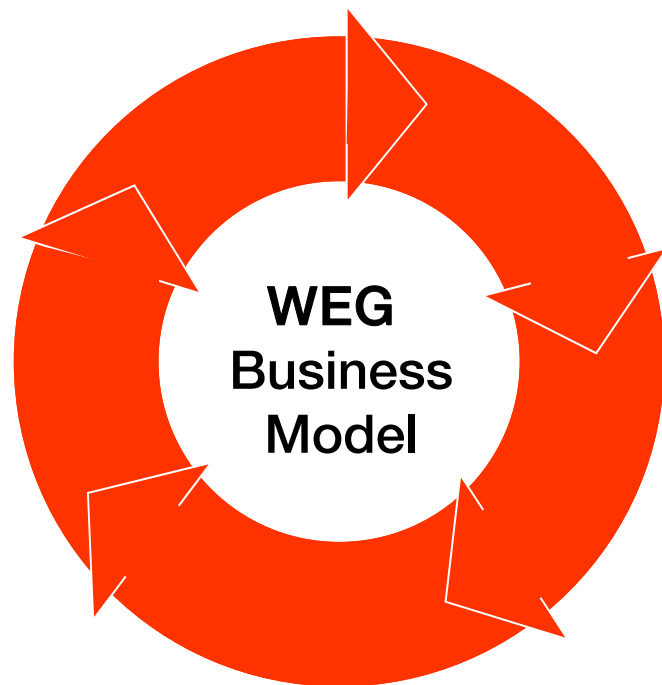
Differentiated business model

Our capabilities and characteristics are quite unique and enable us to make the best of market opportunities



Clear competitive advantages

Unique business model creates important and stable advantages



Competitive Advantages

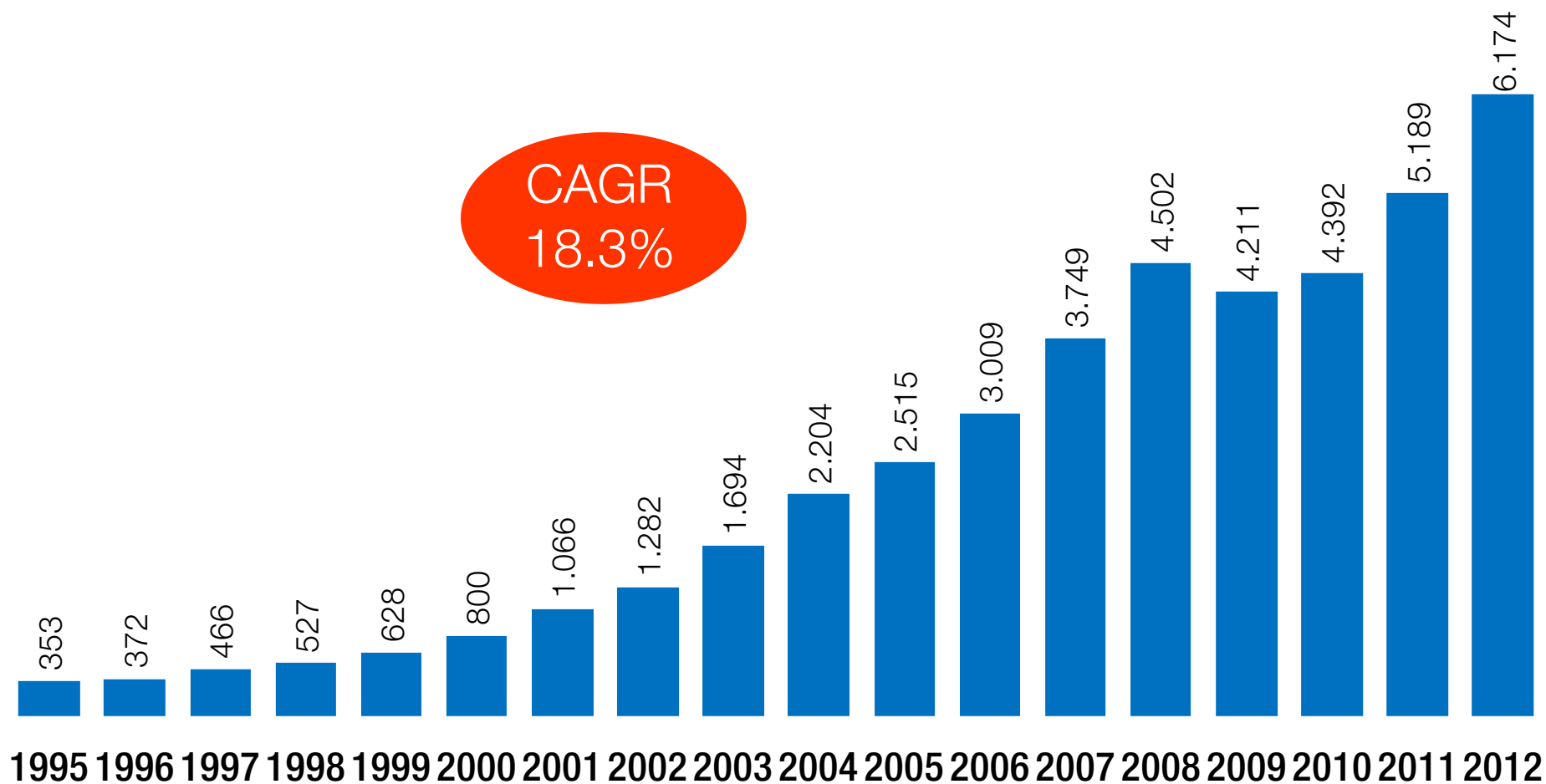
- Large and synergistic portfolio
- Worldwide presence
- One-stop shop concept
- Mass customization
- Production in low cost emerging markets
- Low financial leverage
- Focus on M&A enabling continuous future growth



Impressive growth track record

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

Revenues (R\$ million)

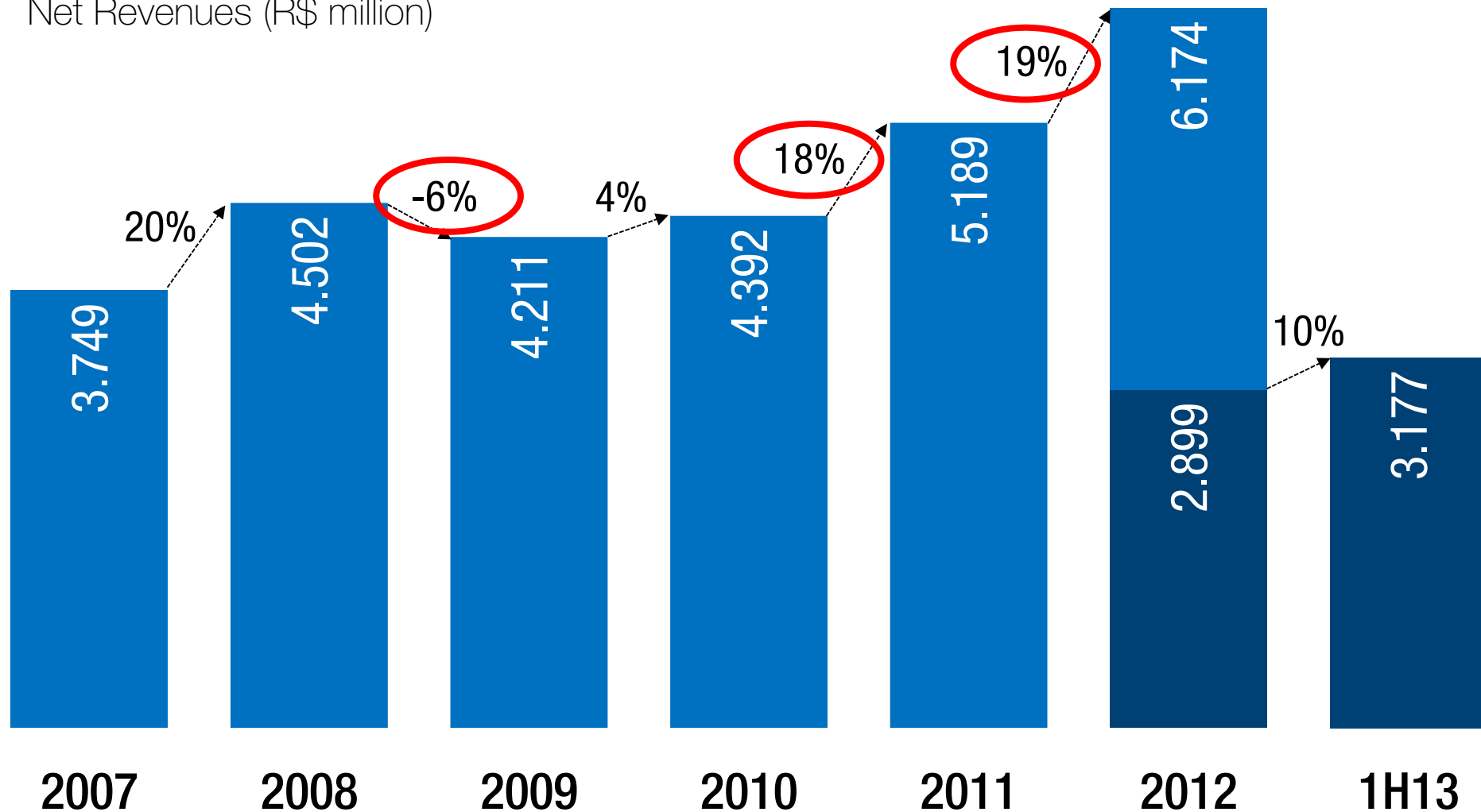


Resilient business model



We are back on track on top line growth, despite challenging macro conditions

Net Revenues (R\$ million)



Growth drivers

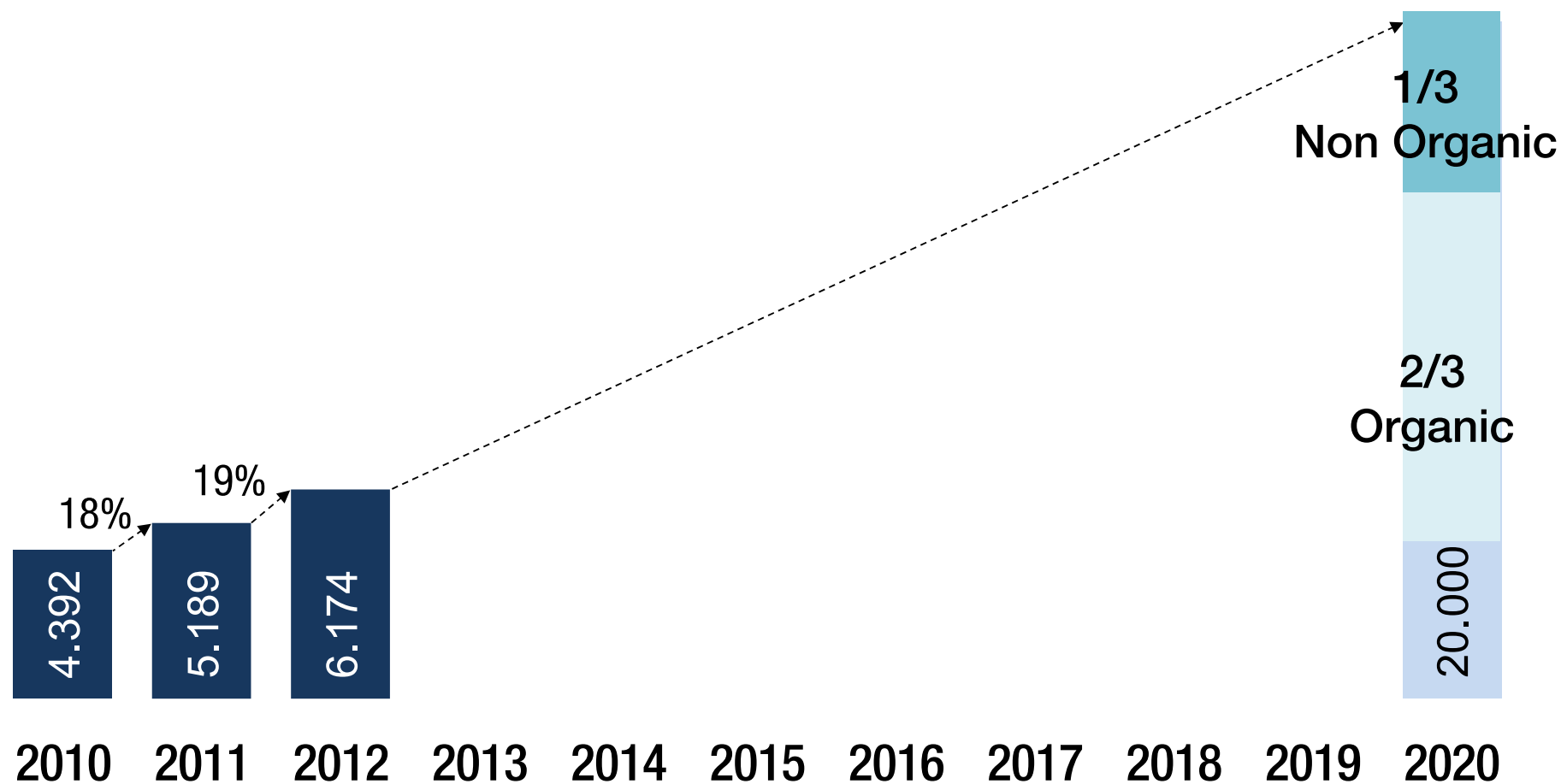


- 1** “More and Better” – maintain our competitive position in those markets where we enjoy market leadership and / or strong brand recognition, making sure we are able to keep up with the markets’ organic growth;
- 2** International Expansion – penetrate new geographic markets and use our strong position / recognized brand in some products to synergistically expand the product line;
- 3** New Businesses – expand the product line into business / products that complement the offering



WEG Strategic Plan 2020

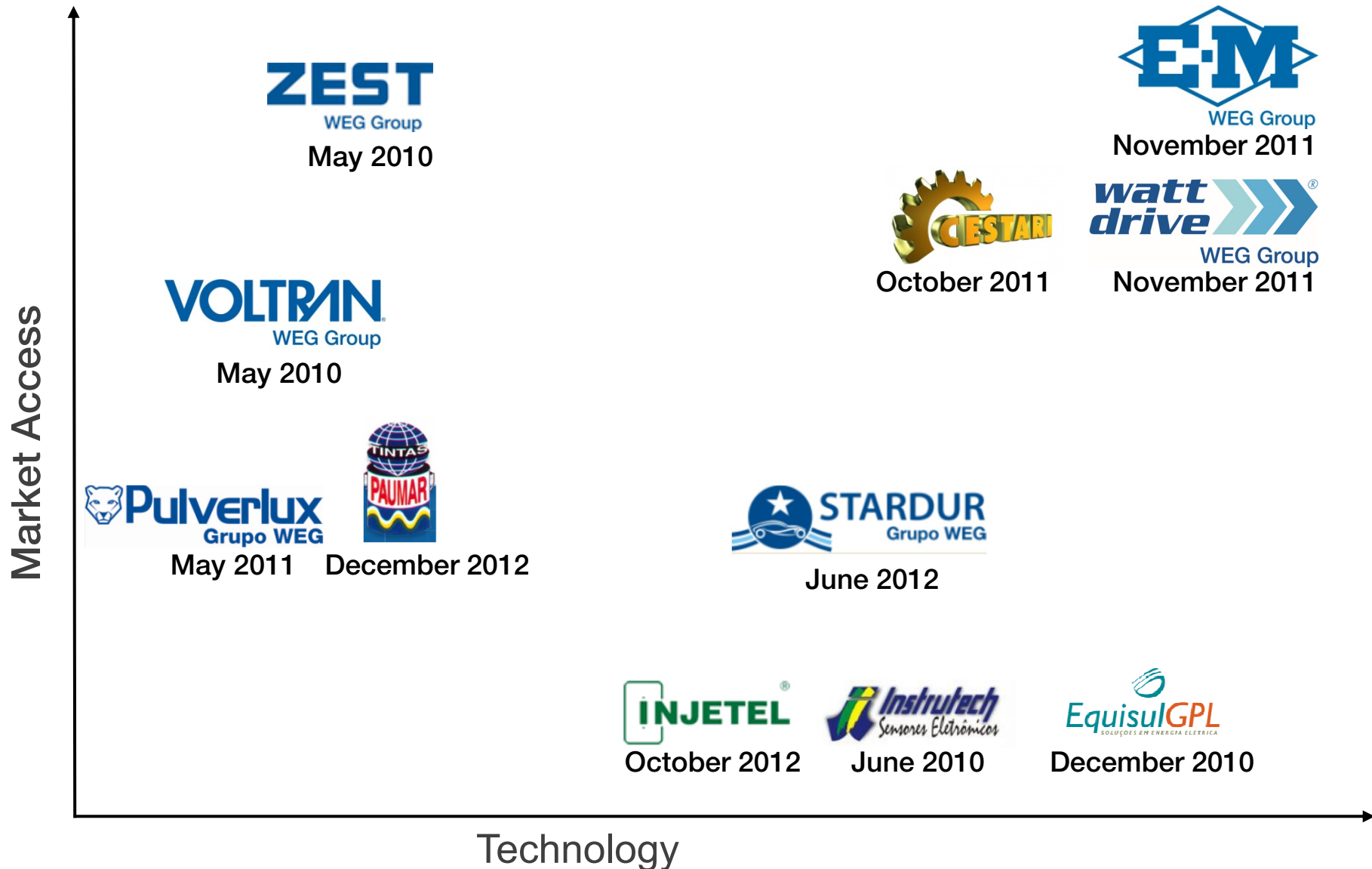
Corporate aspiration of R\$ 20 billion by 2020. Growth comes from diverse base, with a disciplined approach to organic and non-organic expansion



Portfolio Strategy



Clear vision of attractiveness of opportunities

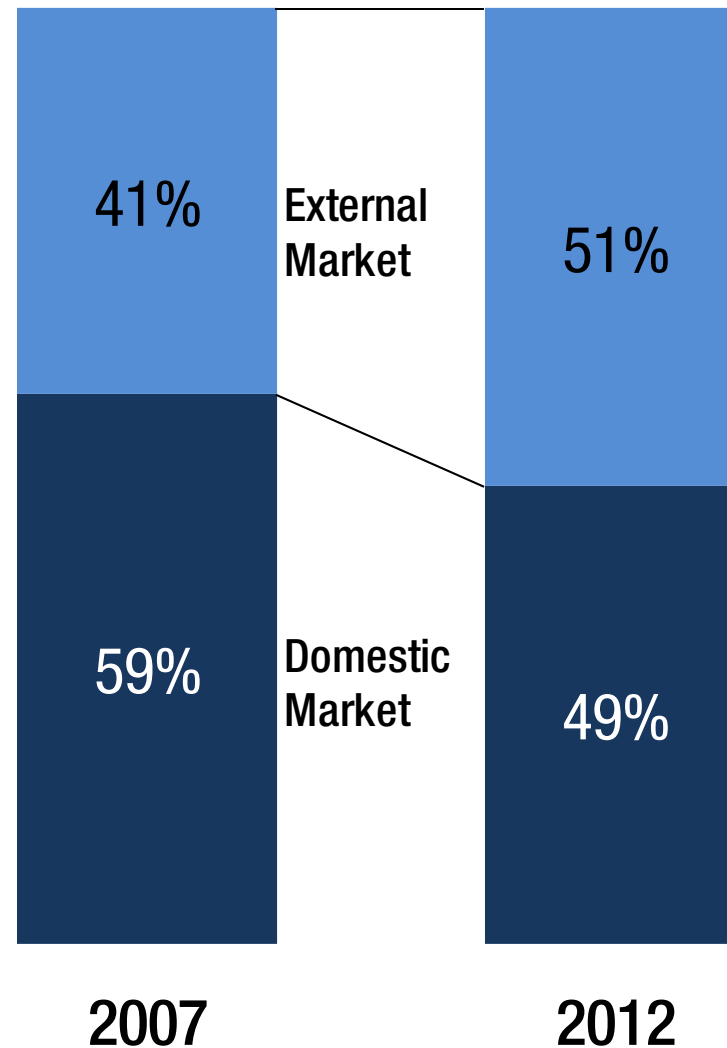


Diversification across markets



We adapt and thrive under almost any condition

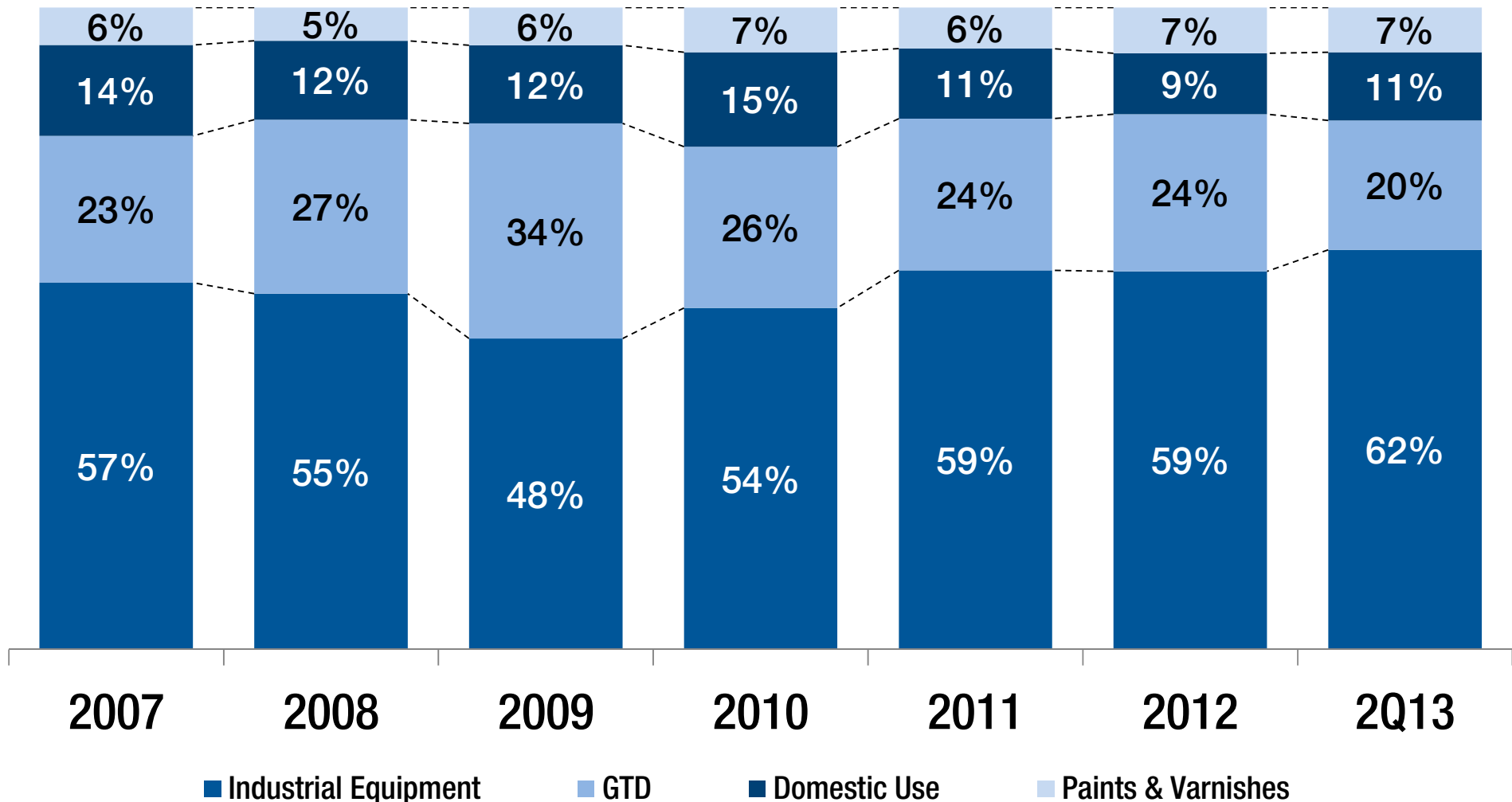
Domestic & External markets



Broad and synergistic product portfolio



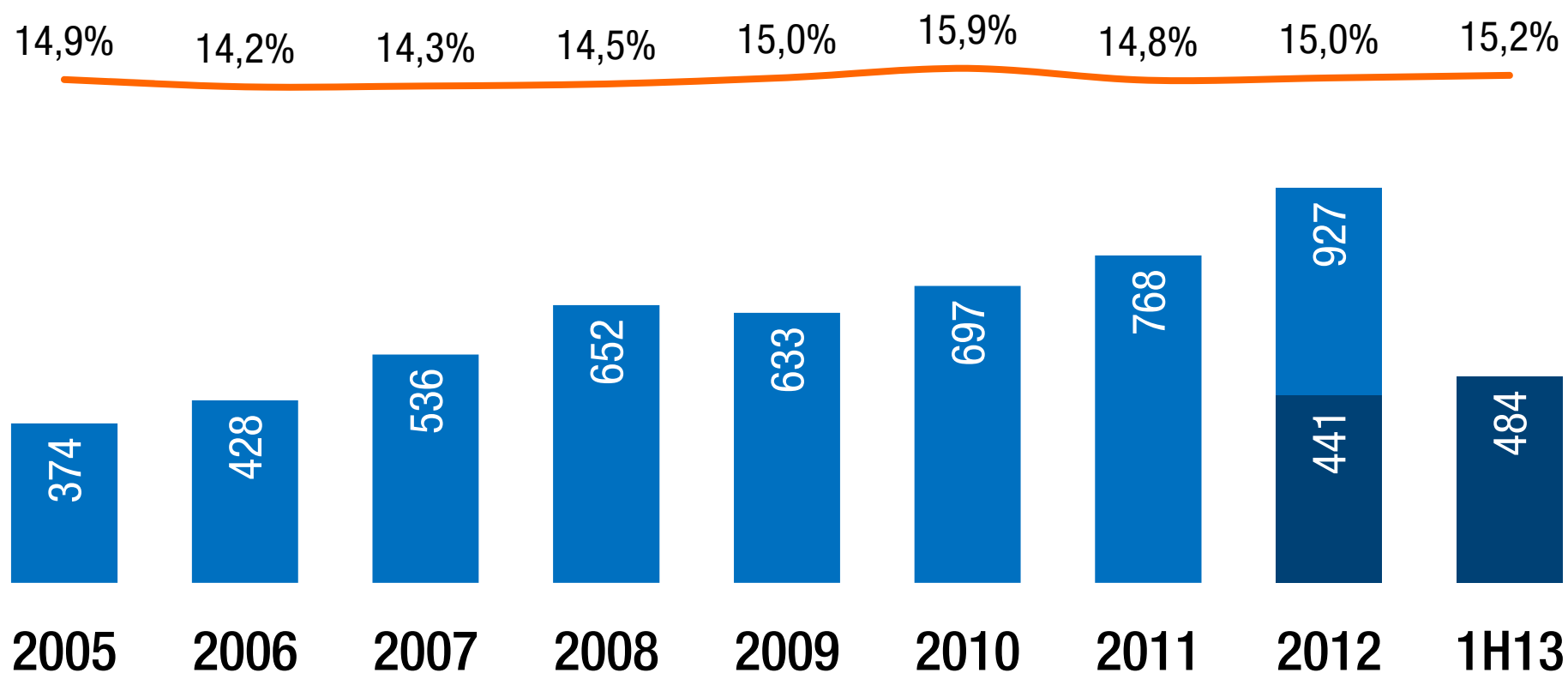
Business areas revenue mix



Selling, General & Administrative Expenses



(R\$ million)

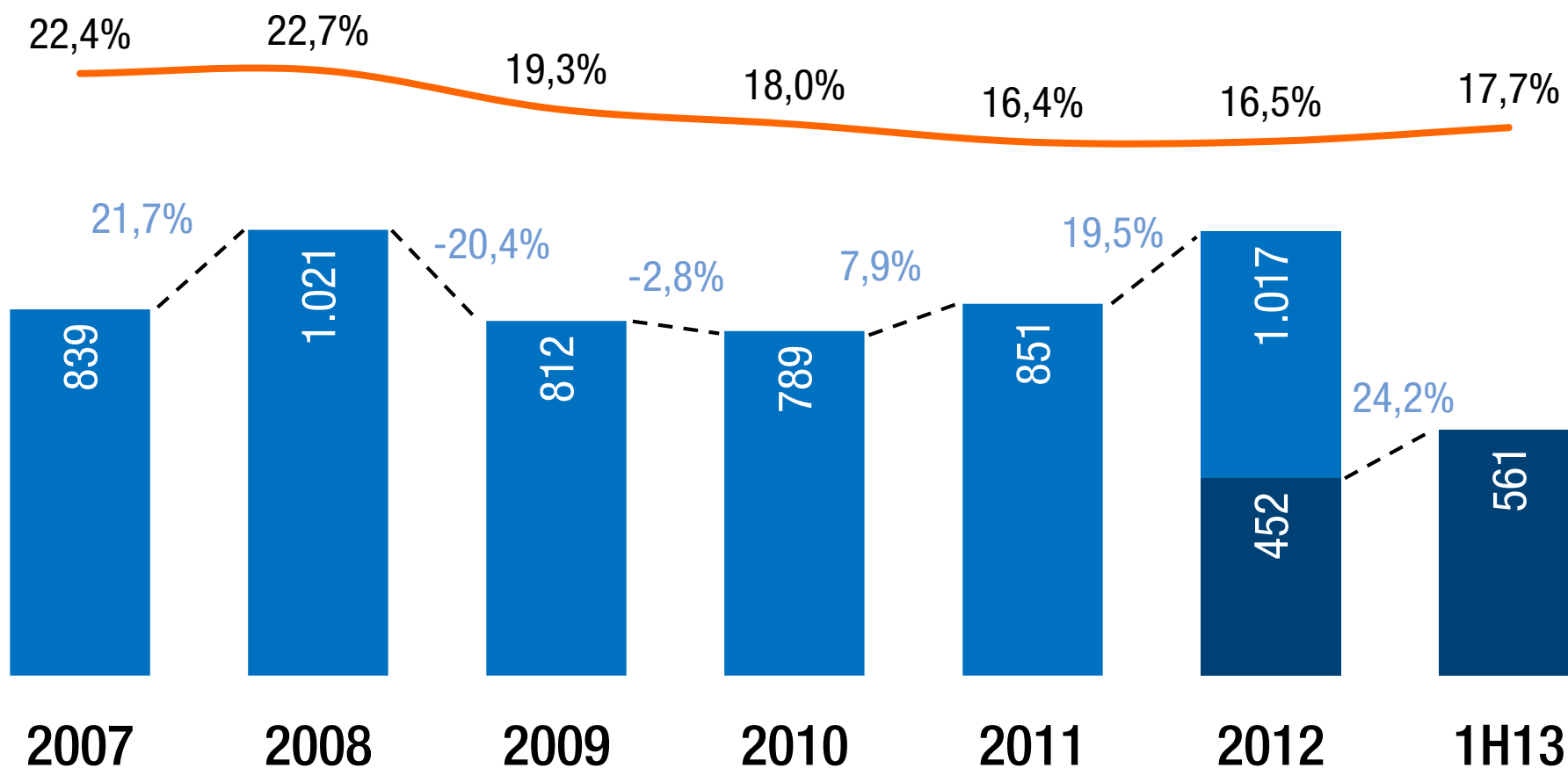


EBITDA and margins



(New methodology)

EBITDA (R\$ million) and EBITDA Margin

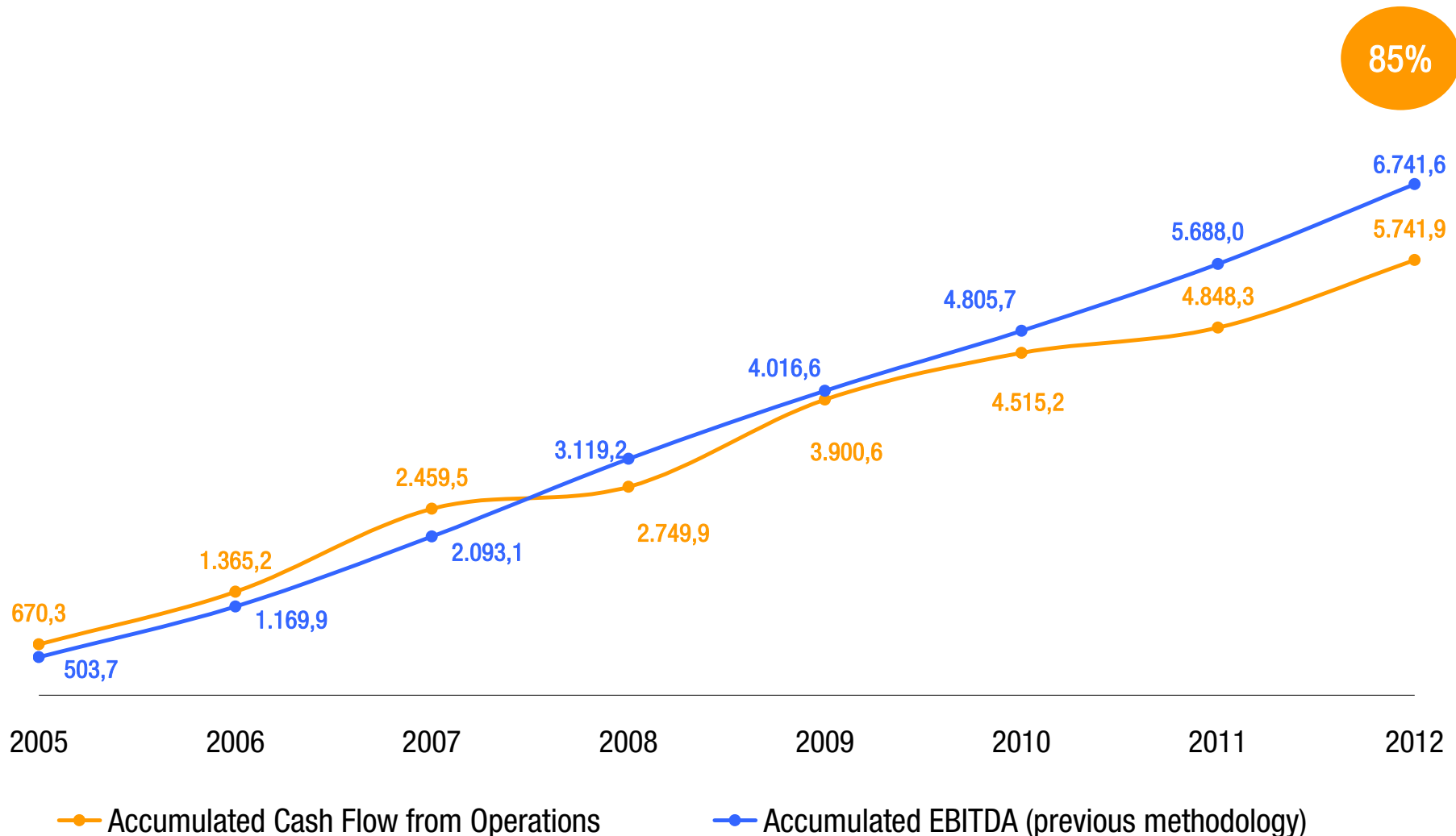


Strong cash flow conversion



We can continue to rely on cash generation as primary source of growth financing

Cash Flow from Operations vs. EBITDA



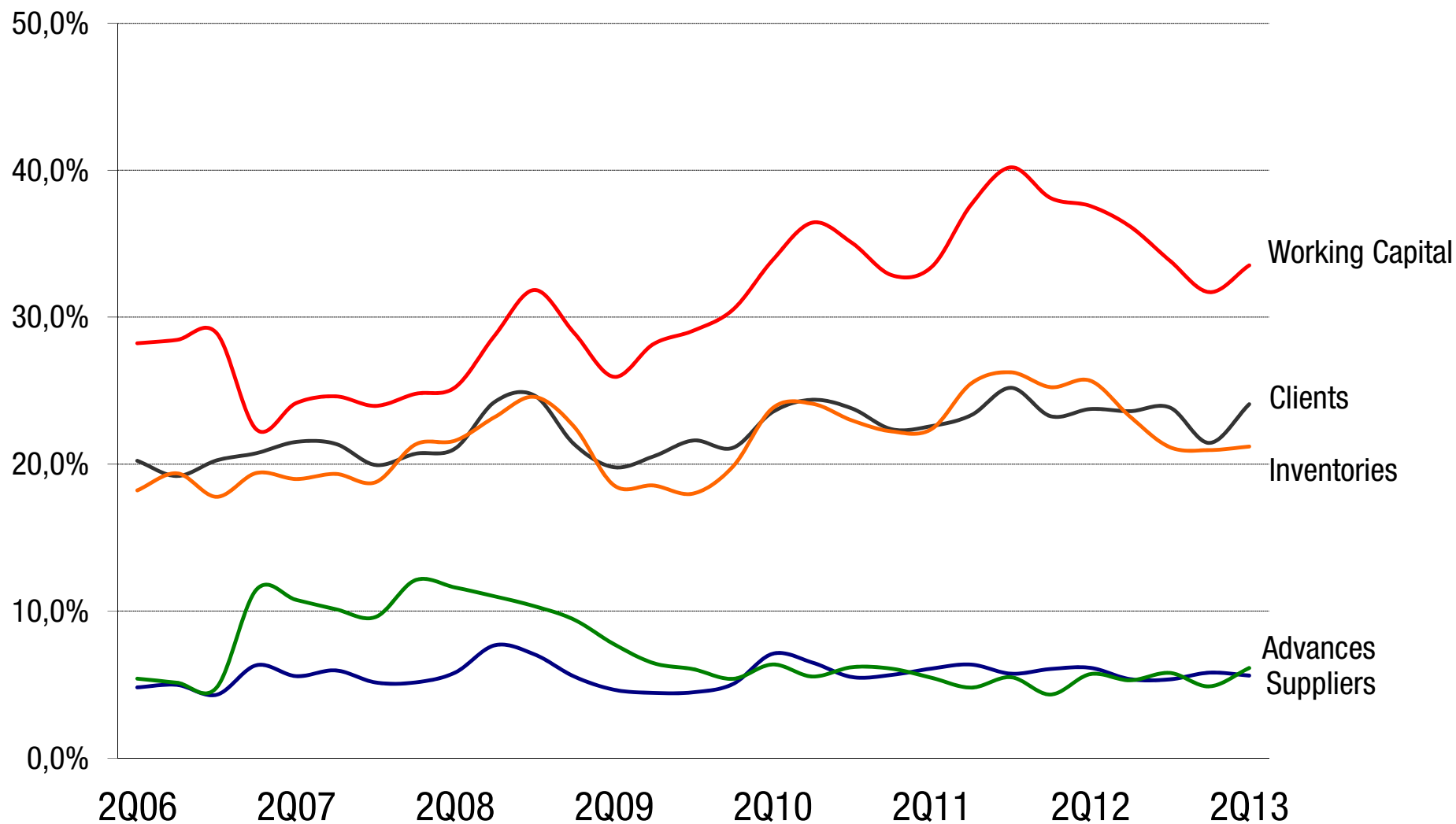
How to improve margins / increase competitiveness?

- Strong focus to improve competitiveness
 - Internal productivity and continuous improvement
 - Improve global manufacturing footprint
 - Innovation and higher technological content
- Recovery of overall economic conditions



Working capital needs

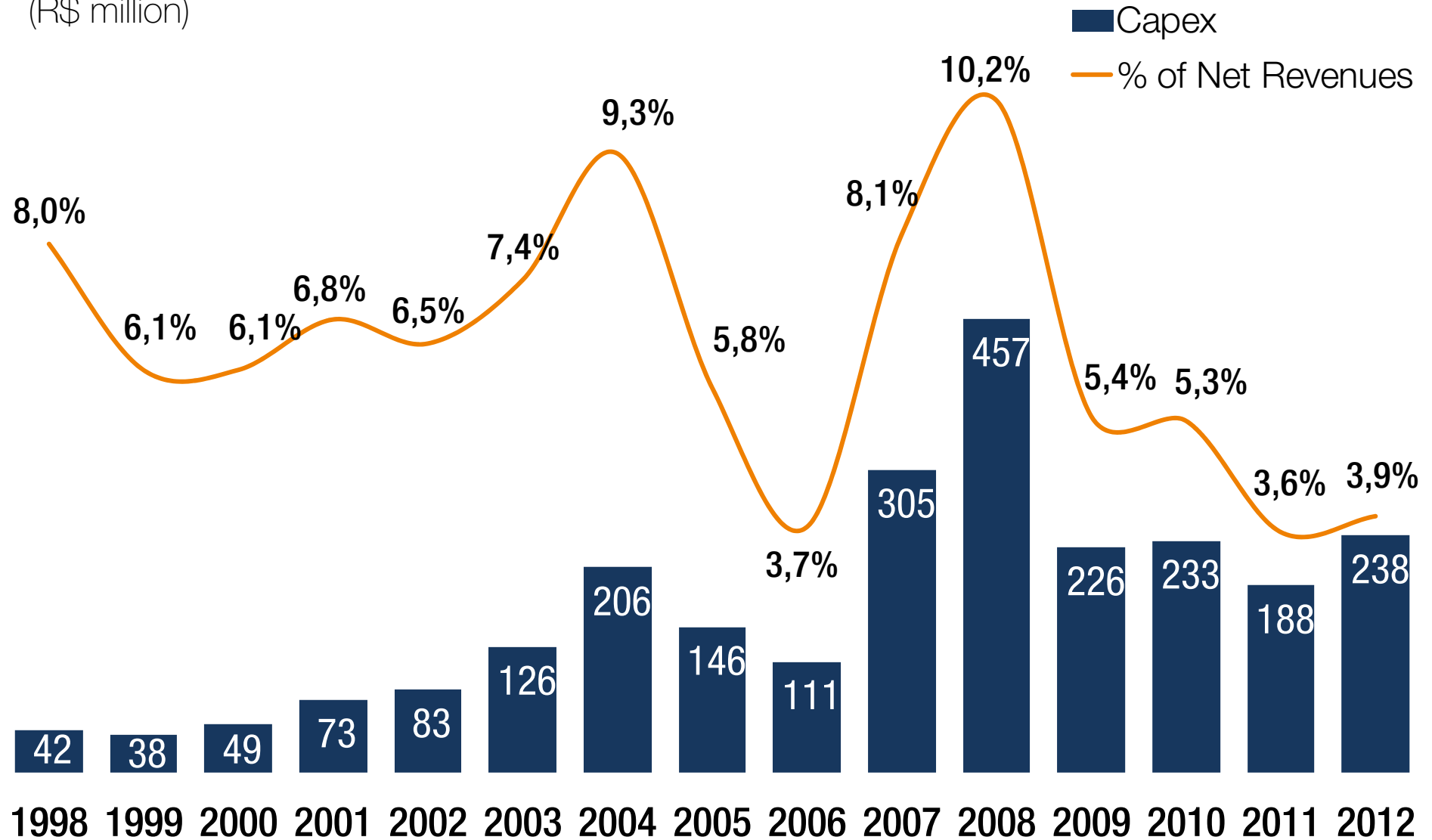
(% of Net Revenues)



Organic Capex



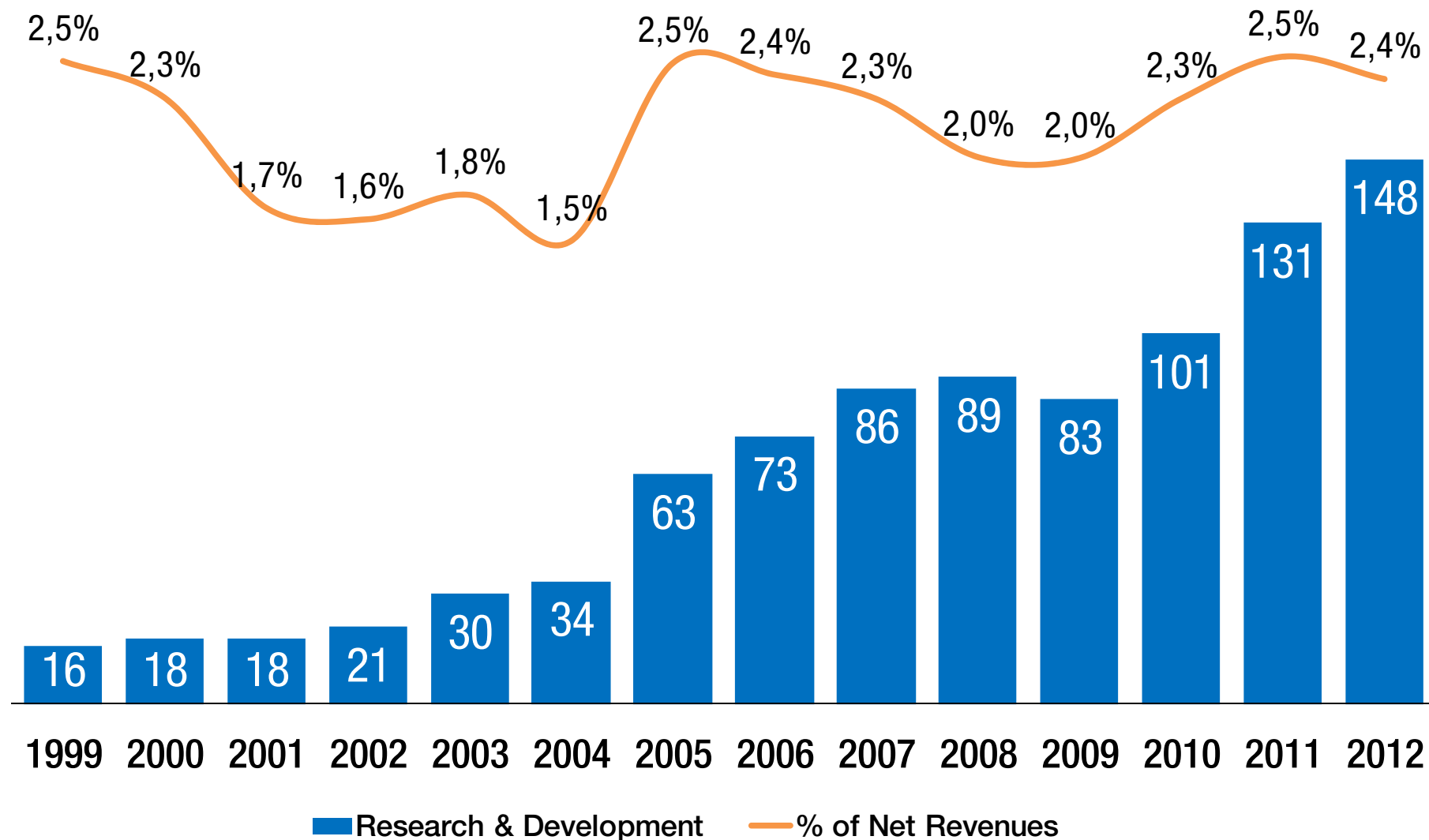
(R\$ million)



Research & Development



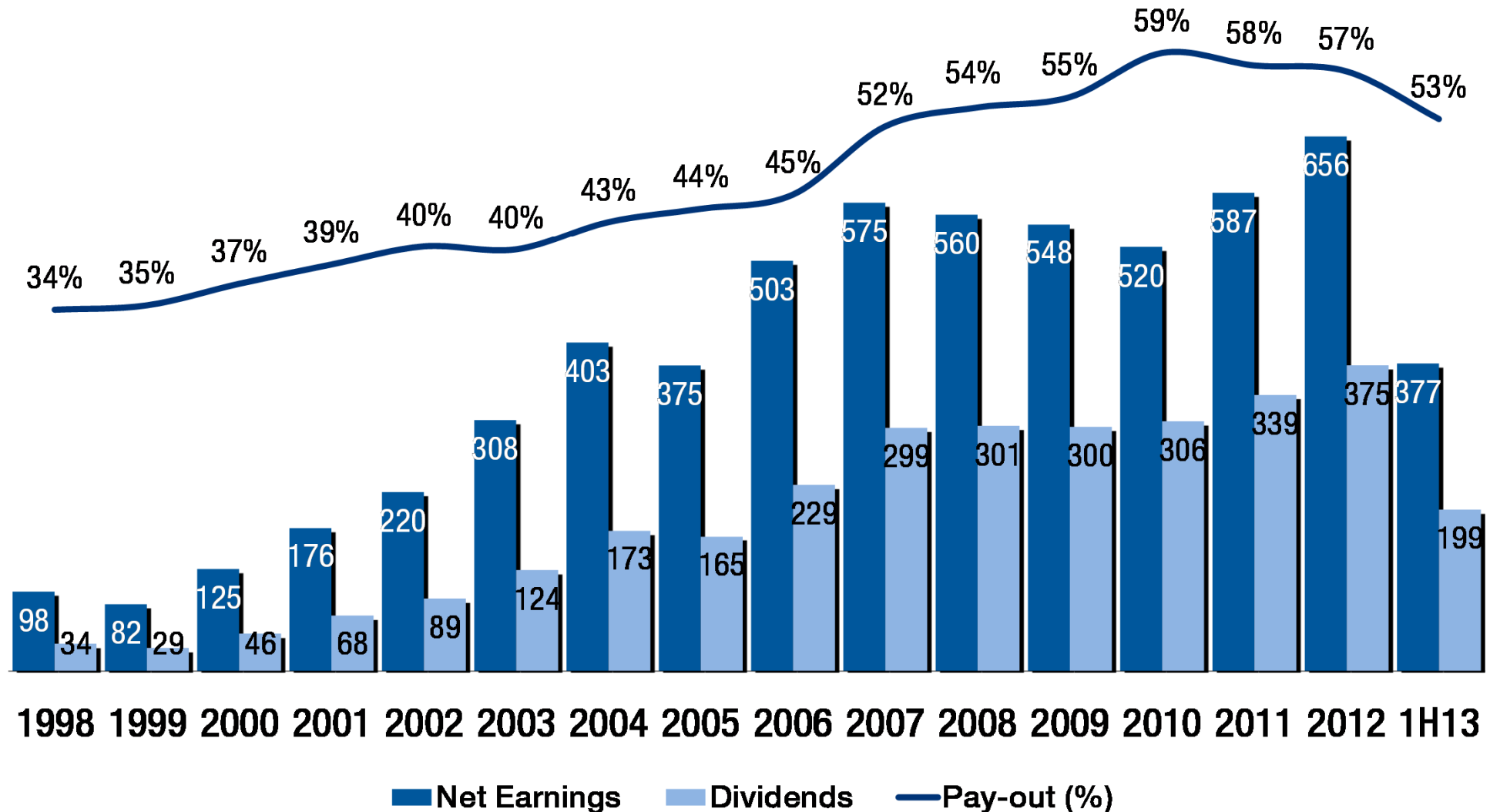
(R\$ million)



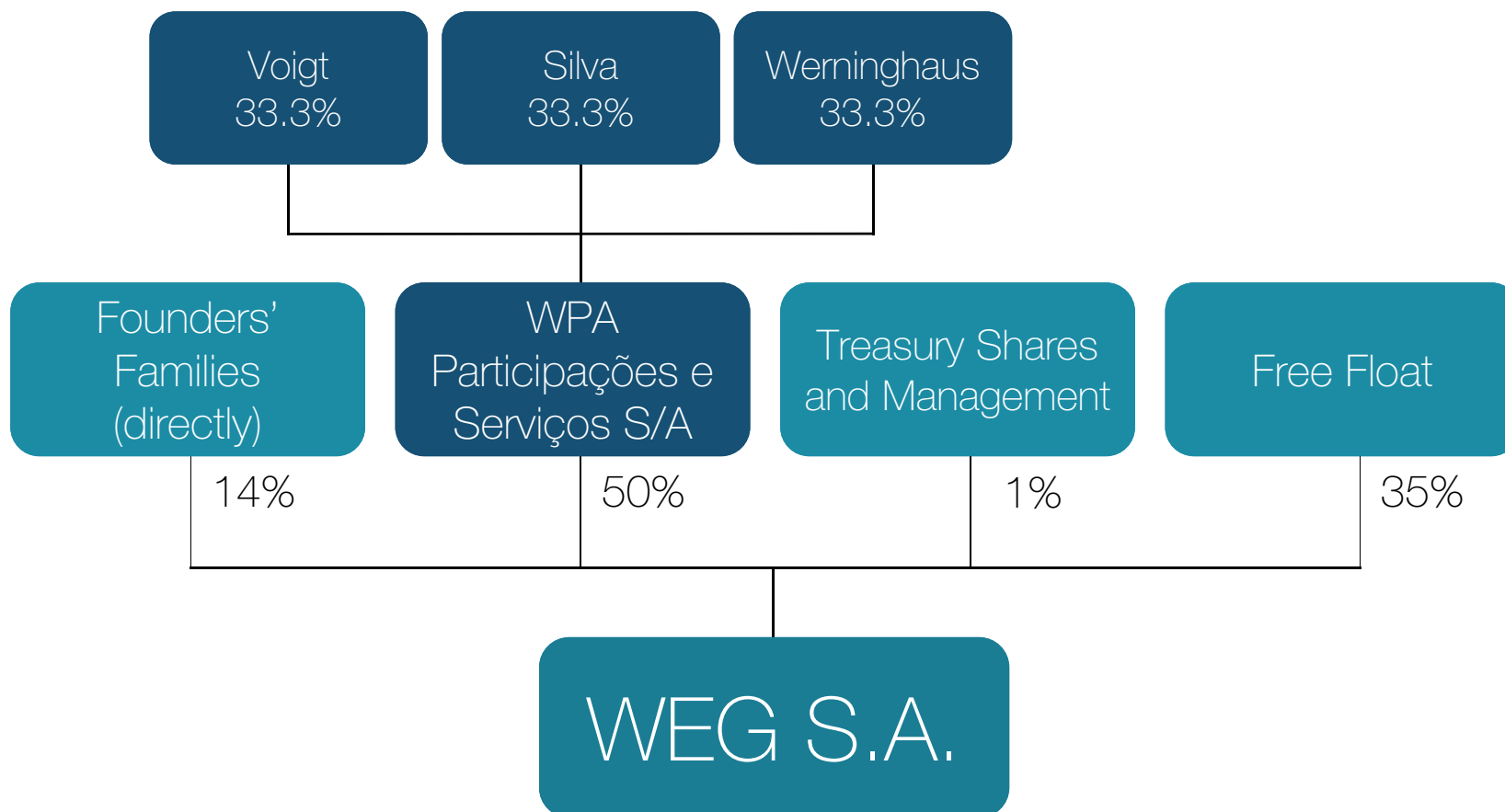
Dividend Pay-out Policy



Net Earnings and Dividends (R\$ million)



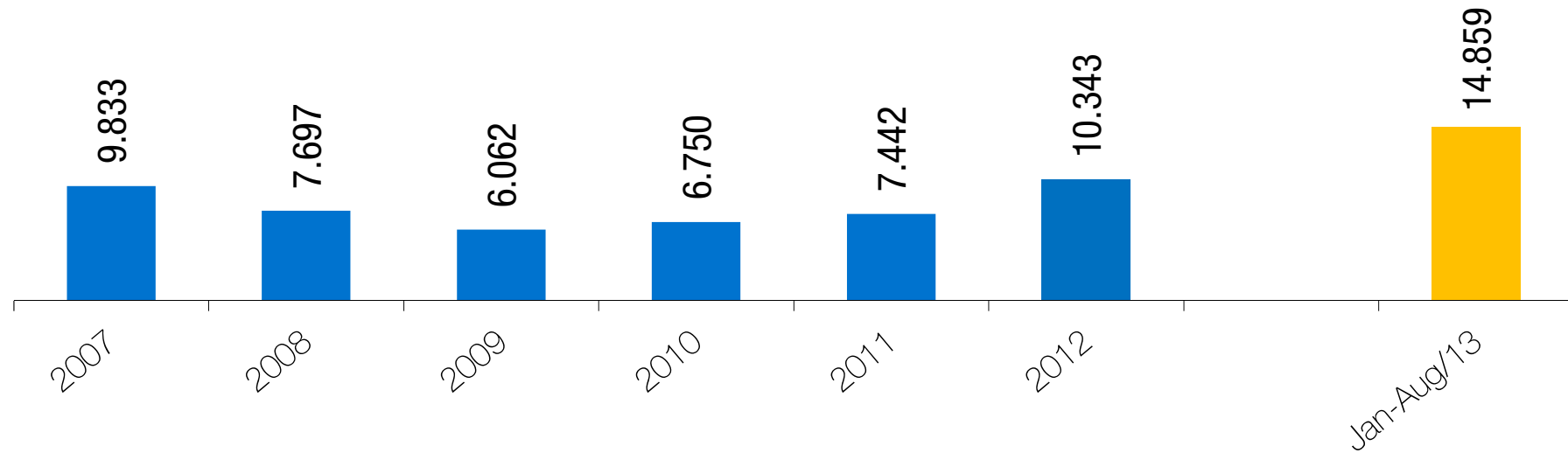
Shareholding structure



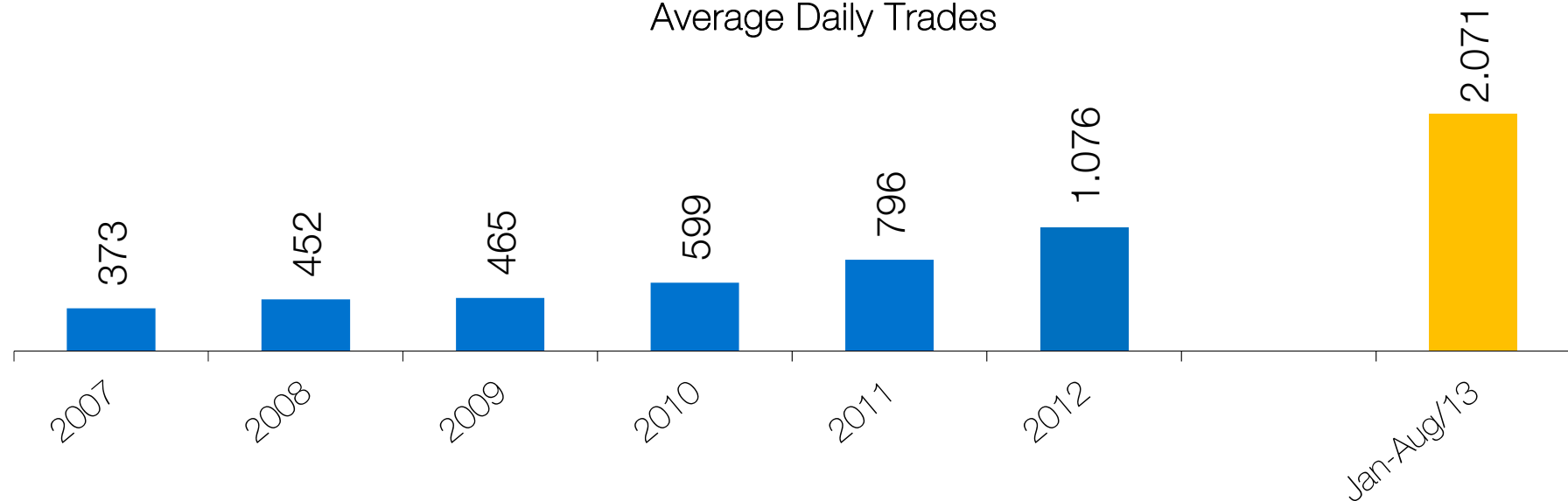
Liquidity – WEGE3



Average Daily Traded Volume (R\$ th)



Average Daily Trades



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Highlights

Yearly Figures

	2012	2011	%	2010	%
Net Operating Revenue	6.173.878	5.189.409	19,0%	4.391.973	18,2%
Domestic Market	3.016.662	2.902.958	3,9%	2.670.443	8,7%
External Markets	3.157.216	2.286.451	38,1%	1.721.530	32,8%
<i>External Markets in US\$</i>	<i>1.609.721</i>	<i>1.361.689</i>	<i>18,2%</i>	<i>982.835</i>	<i>38,5%</i>
Gross Operating Profit	1.880.856	1.556.051	20,9%	1.386.952	12,2%
<i>Gross Margin</i>	<i>30,5%</i>	<i>30,0%</i>		<i>31,6%</i>	
Quarterly Net Income	655.979	586.936	11,8%	519.782	12,9%
<i>Net Margin</i>	<i>10,6%</i>	<i>11,3%</i>		<i>11,8%</i>	
EBITDA	1.016.748	851.155	19,5%	788.750	7,9%
<i>EBITDA Margin</i>	<i>16,5%</i>	<i>16,4%</i>		<i>18,0%</i>	
EPS	1,0573	0,9461	11,8%	0,8371	13,0%

Figures in R\$ Thousands

Highlights

Quarterly Figures

	Q2 2013	Q1 2013	%	Q2 2012	%
Net Operating Revenue	1,699,639	1,477,577	15.0%	1,528,791	11.2%
Domestic Market	873,354	772,935	13.0%	729,235	19.8%
External Markets	826,285	704,642	17.3%	799,556	3.3%
<i>External Markets in US\$</i>	<i>399,171</i>	<i>353,077</i>	<i>13.1%</i>	<i>406,915</i>	<i>-1.9%</i>
Gross Operating Profit	558,031	463,635	20.4%	461,661	20.9%
<i>Gross Margin</i>	<i>32.8%</i>	<i>31.4%</i>		<i>30.2%</i>	
Net Income	204,968	172,299	19.0%	139,819	46.6%
<i>Net Margin</i>	<i>12.1%</i>	<i>11.7%</i>		<i>9.1%</i>	
EBITDA	312,547	248,898	25.6%	253,972	23.1%
<i>EBITDA Margin</i>	<i>18.4%</i>	<i>16.8%</i>		<i>16.6%</i>	
EPS	0.3304	0.2777	19.0%	0.2254	46.6%

Figures in R\$ Thousand

Highlights

Balance sheet – Assets

(R\$ thousands)

	June 2013 (A)		December 2012 (B)		June 2012 (C)	
	R\$	AV%	R\$	AV%	R\$	AV%
CURRENT ASSETS	6.339.494	66%	5.710.017	64%	6.020.120	66%
Cash & cash equivalents	3.034.080	32%	2.563.500	29%	2.878.475	32%
Receivables	1.554.042	16%	1.472.839	17%	1.350.250	15%
Inventories	1.368.012	14%	1.306.273	15%	1.459.793	16%
Other current assets	383.360	4%	367.405	4%	331.602	4%
LONG TERM ASSETS	98.741	1%	88.833	1%	81.920	1%
Long term securities	2.027	0%	2.032	0%	657	0%
Deferred taxes	40.762	0%	36.891	0%	35.584	0%
Other non-current assets	55.952	1%	49.910	1%	45.679	1%
FIXED ASSETS	3.104.687	33%	3.074.700	35%	3.007.665	33%
Investment in Subs	7.585	0%	7.622	0%	349	0%
Property, Plant & Equipment	2.570.042	27%	2.537.094	29%	2.513.061	28%
Intangibles	527.060	6%	529.984	6%	494.255	5%
TOTAL ASSETS	9.542.922	100%	8.873.550	100%	9.109.705	100%

Highlights

Balance sheet – Liabilities

(R\$ thousands)

	June 2013		December 2012		June 2012	
	(A)		(B)		(C)	
	R\$	AV%	R\$	AV%	R\$	AV%
CURRENT LIABILITIES	2.840.488	30%	3.012.724	34%	3.230.080	35%
Social and Labor Liabilities	244.200	3%	168.831	2%	226.231	2%
Suppliers	362.605	4%	331.037	4%	349.350	4%
Fiscal and Tax Liabilities	113.854	1%	126.655	1%	85.137	1%
Short Term Debt	1.327.078	14%	1.645.772	19%	1.935.177	21%
Dividends Payable	89.310	1%	79.281	1%	84.507	1%
Advances from Clients	395.904	4%	358.124	4%	325.175	4%
Profit Sharring	24.450	0%	33.559	0%	20.485	0%
Other Short Term Liabilities	283.087	3%	269.465	3%	204.018	2%
LONG TERM LIABILITIES	2.380.354	25%	1.709.100	19%	1.965.957	22%
Long Term Debt	1.721.686	18%	1.044.068	12%	1.325.811	15%
Other Long Term Liabilities	113.323	1%	137.916	2%	142.261	2%
Deferred Taxes	310.429	3%	320.503	4%	331.370	4%
Contingencies Provisions	234.916	2%	206.613	2%	166.515	2%
MINORITIES	81.513	1%	91.377	1%	84.185	1%
STOCKHOLDERS' EQUITY	4.240.567	44%	4.060.349	46%	3.829.483	42%
TOTAL LIABILITIES	9.542.922	100%	8.873.550	100%	9.109.705	100%

Highlights

Balance sheet – Cash Flow (R\$ thousands)

	6 Months 2013	6 Months 2012
Operating Activities		
Net Earnings before Taxes	477.866	382.896
Depreciation and Amortization	105.747	101.731
Provisions:	107.461	84.043
Changes in Assets & Liabilities	(282.634)	(197.874)
(Increase) / Reduction of Accounts Receivable	(163.450)	(140.355)
Increase / (Reduction) of Accounts Payable	142.807	163.936
(Increase) / Reduction of Inventories	(64.721)	(65.298)
Income Tax and Social Contribution on Net Earnings	(128.334)	(95.186)
Profit Sharing Paid	(68.936)	(60.971)
Cash Flow from Operating Activities	408.440	370.796
Investment Activities		
Fixed Assets	(118.040)	(113.749)
Intangible Assets	(1.483)	(15.742)
Results of sales of fixed assets	4.827	4.533
Accumulated Conversion Adjustment	33.812	61.243
Long term securities bought	261.249	28.439
Goodwill in Capital Transactions	(5.169)	(51.788)
Acquisition of Stakes of non-controlling shareholders	(6.268)	(52.090)
Aquisition of Subsidiaries	-	(164.668)
Cash Flow From Investment Activities	168.928	(303.822)
Financing Activities		
Working Capital Financing	1.183.571	574.371
Long Term Financing	(736.534)	(683.207)
Interest paid on loans and financing	(88.114)	(90.504)
Treasury Shares	-	-
Dividends & Intesrest on Stockholders Equity Paid	(204.467)	(172.314)
Cash Flow From Financing Activities	154.456	(371.654)
Change in Cash Position	731.824	(304.680)
Cash & Cash Equivalents		
Beginning of Period	2.302.256	2.931.615
End of Period	3.034.080	2.626.935

Highlights

Balance sheet – Debt and Cash Position

(R\$ thousands)

	June 2013	December 2012	June 2012
Cash & Financial instruments	3.036.107	2.565.532	2.879.132
- Current	3.034.080	2.563.500	2.878.475
- Long Term	2.027	2.032	657
Debt	3.048.764	2.689.840	3.260.988
- Current	1.327.078	1.645.772	1.935.177
- In Brazilian Reais	855.787	1.067.683	998.122
- In other currencies	471.291	578.089	937.055
- Long Term	1.721.686	1.044.068	1.325.811
- In Brazilian Reais	1.454.531	824.910	1.090.936
- In other currencies	267.155	219.158	234.875
Net Cash (Debt)	(12.657)	(124.308)	(381.856)