



WEG Day

Harry Schmelzer Junior, CEO

August 2012
WEGE3 / WEGZY



Overview





Impressive growth track record

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

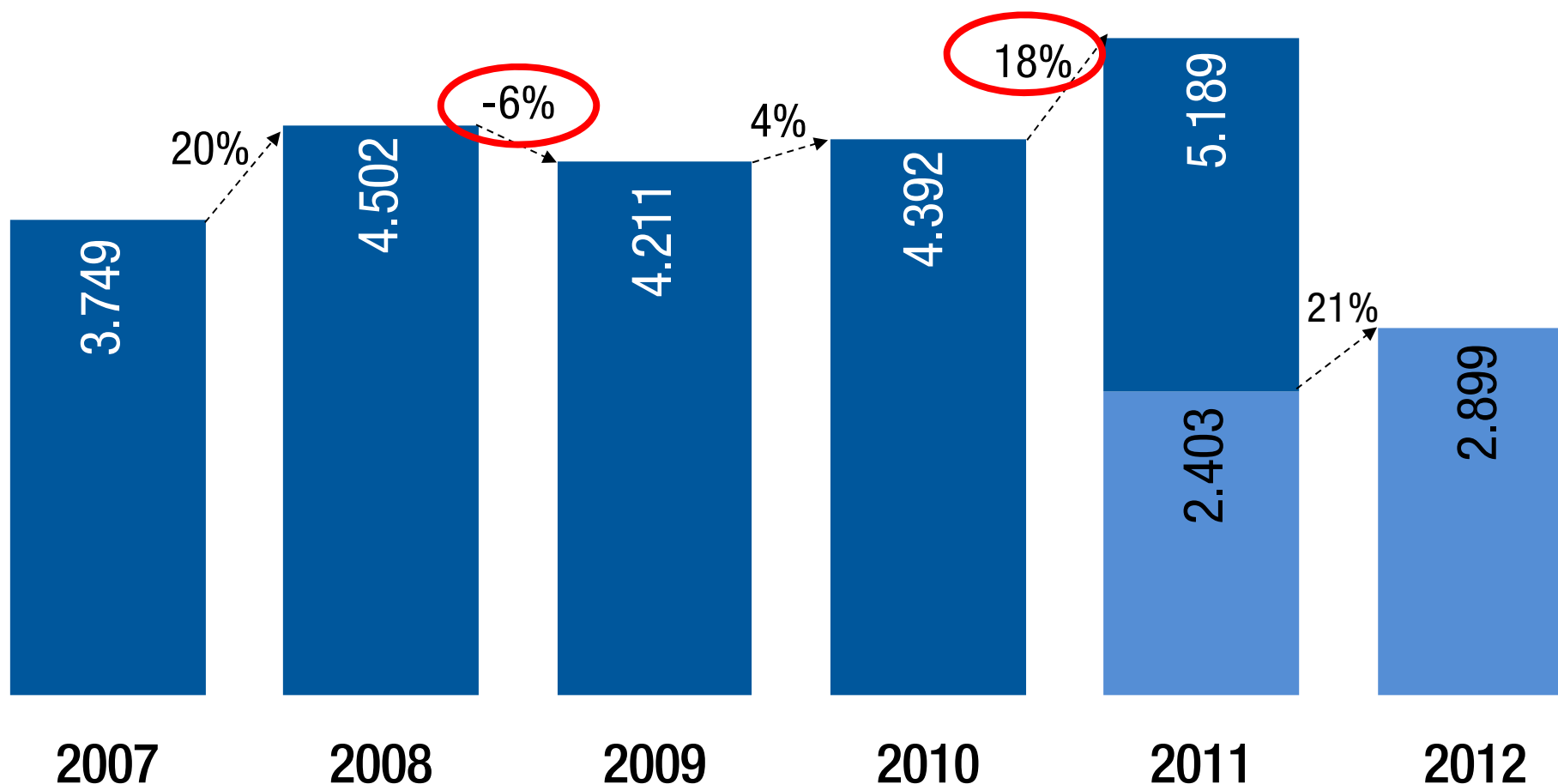


Resilient business model



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

Net Revenues (R\$ million)

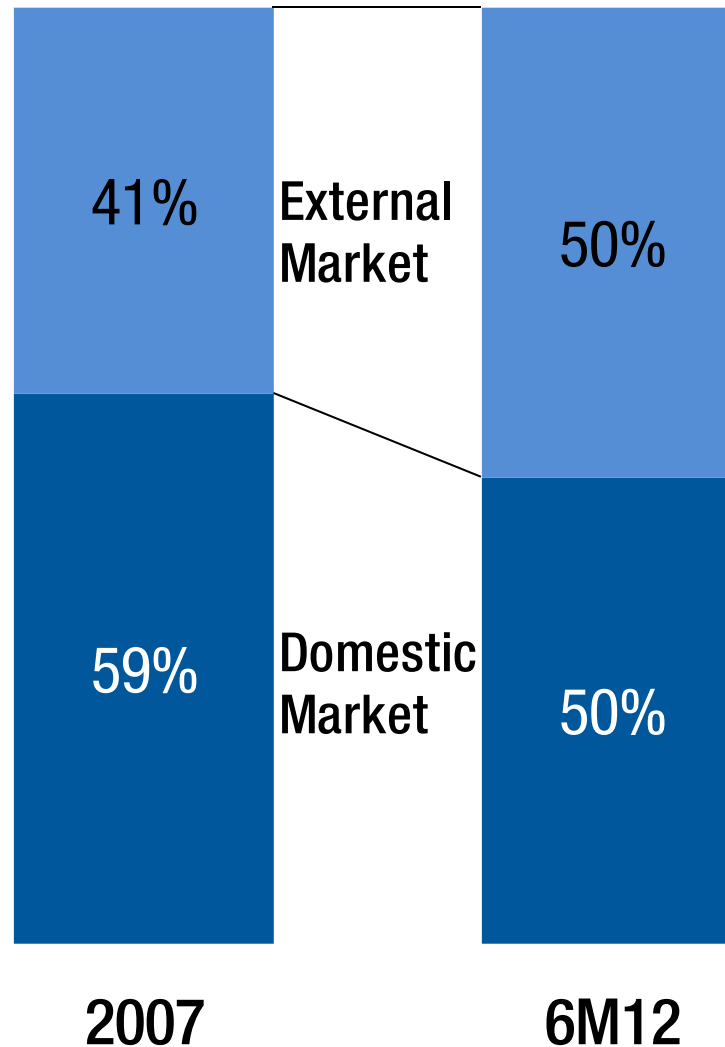


Robust and diversified business model



We adapt and thrive under almost any condition

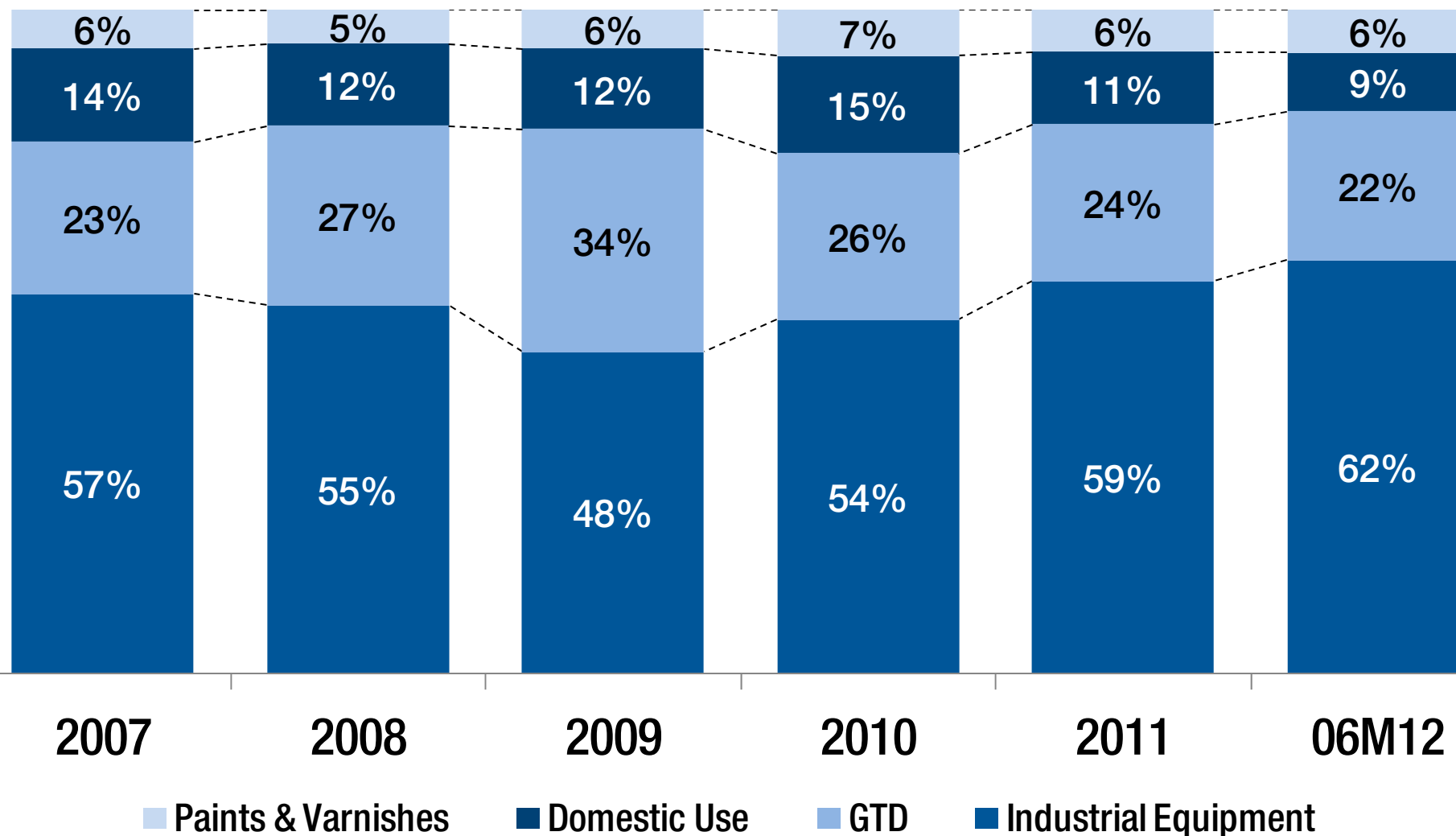
Domestic & External markets



Broad and synergistic product portfolio



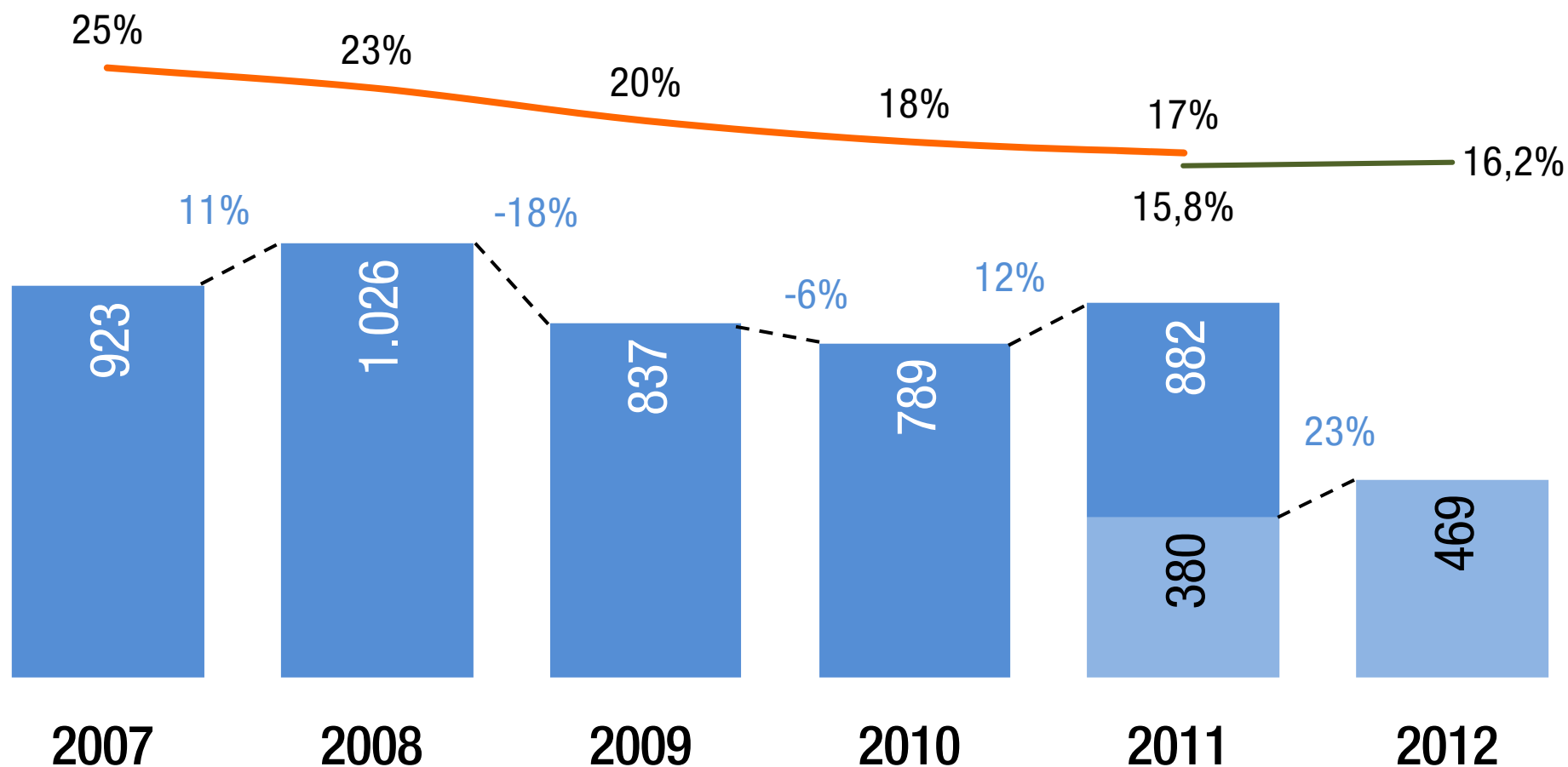
Business areas revenue mix



EBITDA and margins



EBITDA (R\$ million) and EBITDA Margin



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



Industry structure and WEG's business model



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

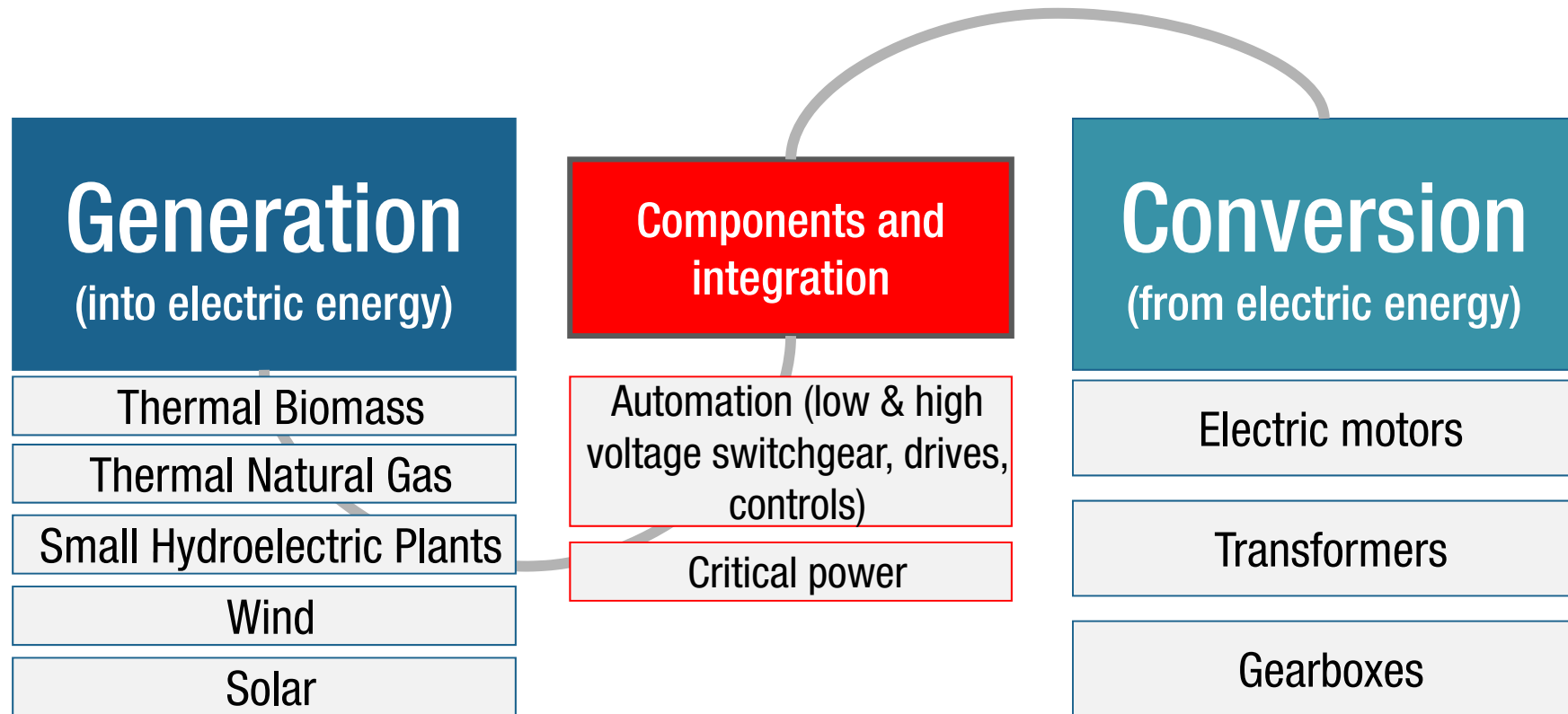
Electrical mobility

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

Electric equipment industry structure



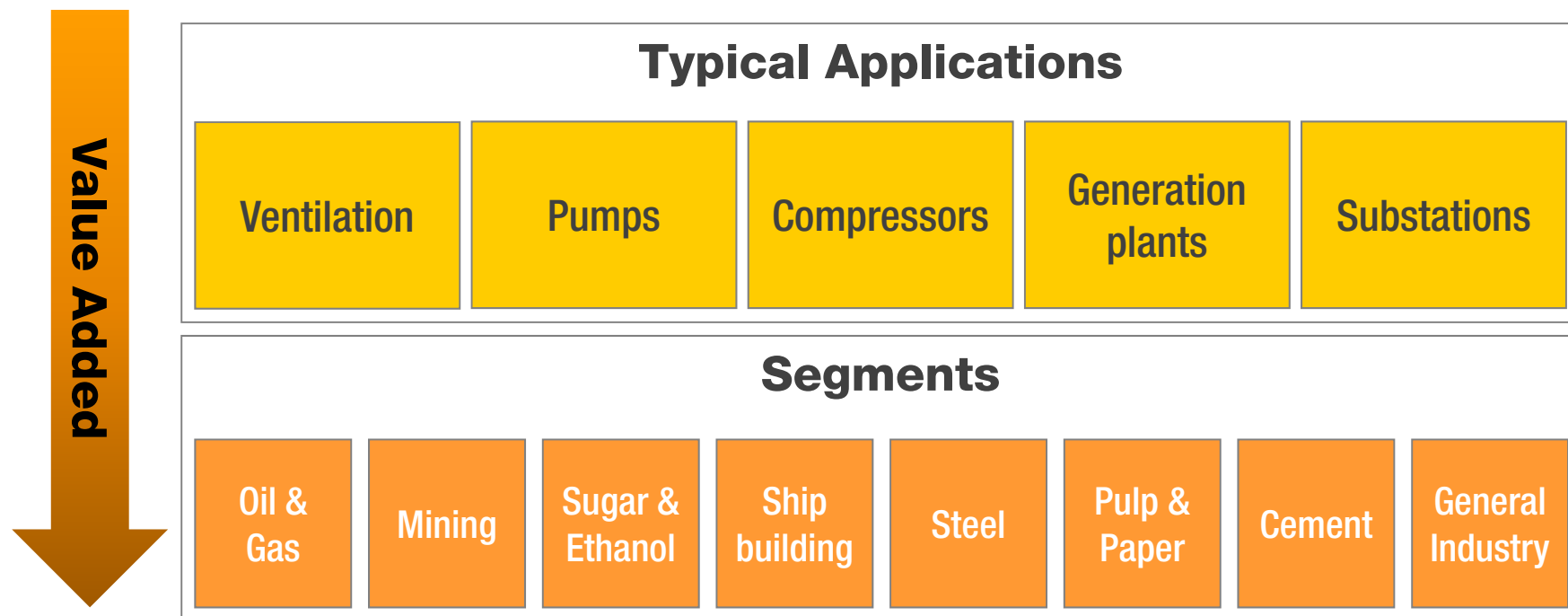
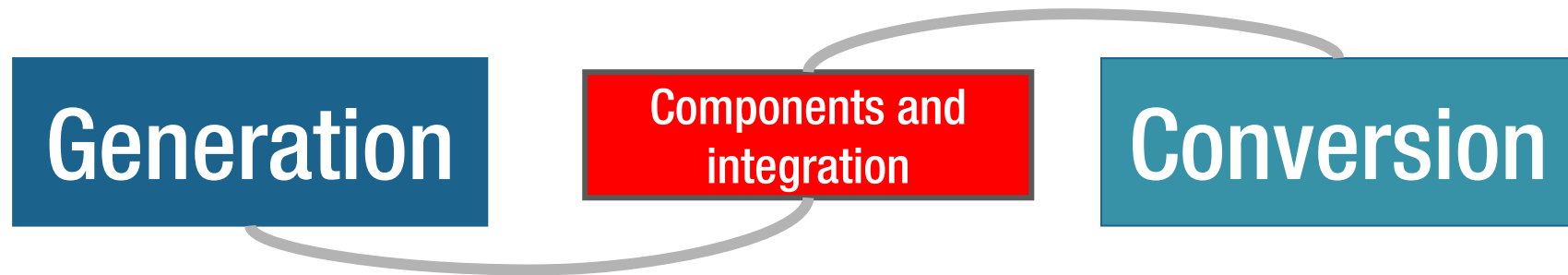
As perceived by WEG



“The final destination”



Strategic integration of equipment into complete solutions



Strategic Positioning



ABB

SIEMENS

Schneider
Electric

EMERSON

REGAL
DELTA

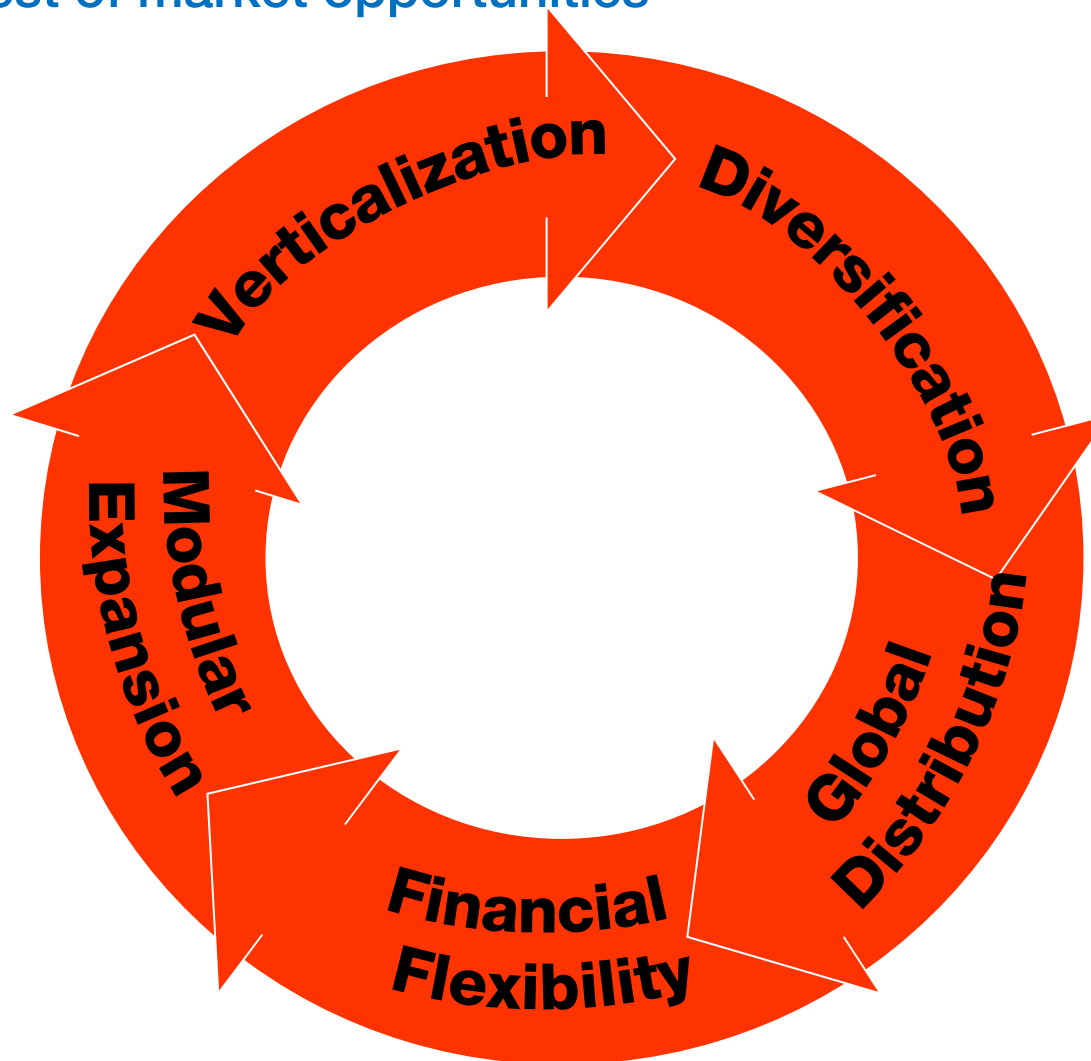
ALSTOM

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		●				●	

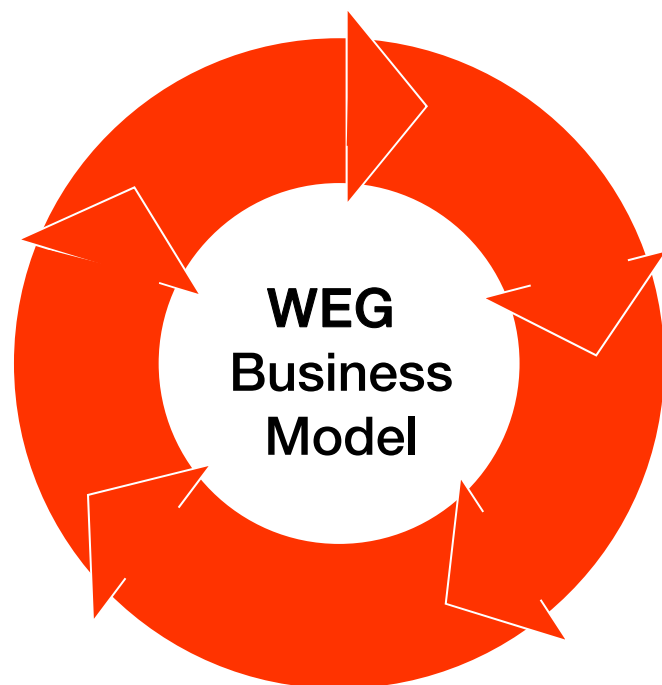
Differentiated business model

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

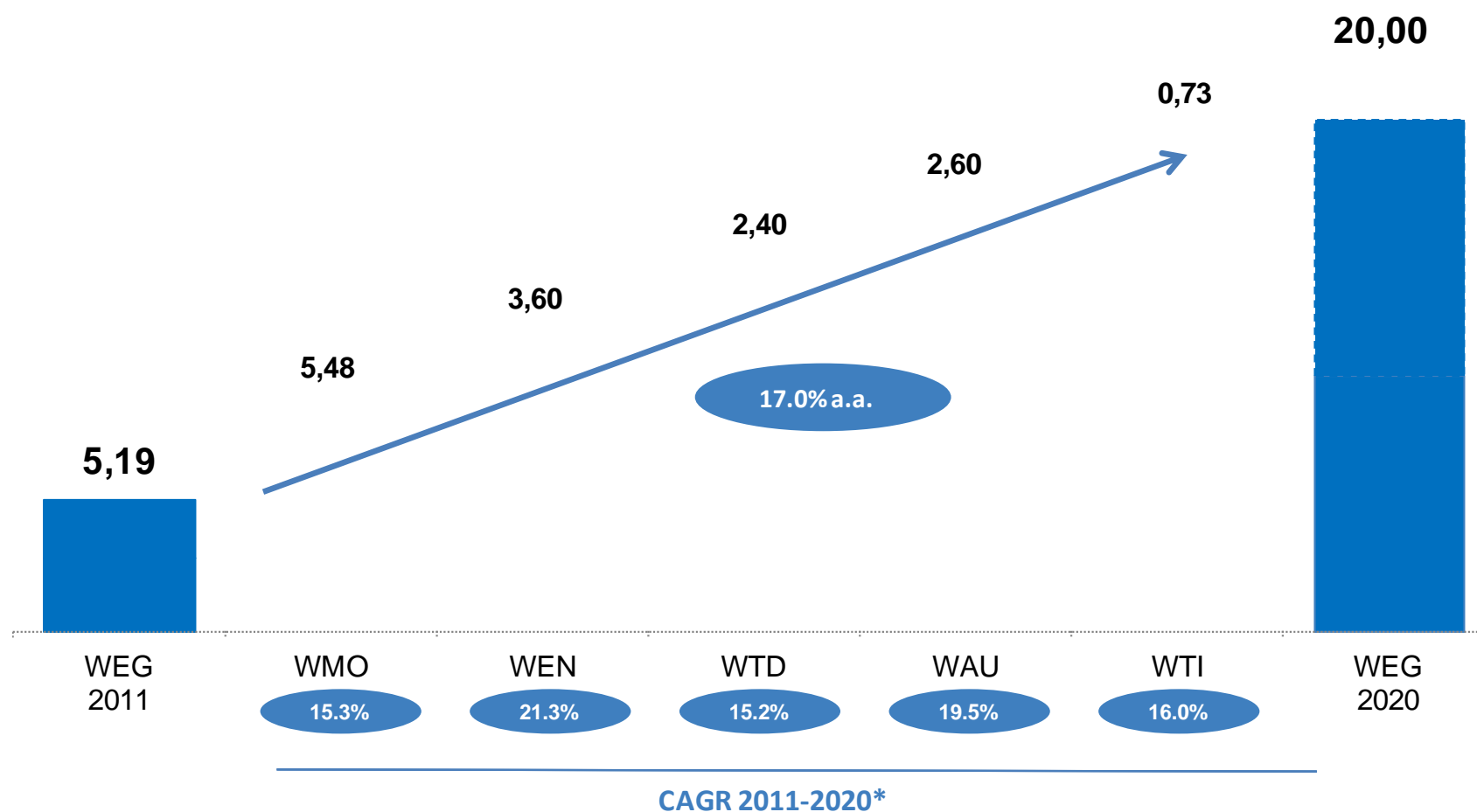


Strategic Planning



WEG Strategic Plan 2020

Corporate aspiration of R\$ 20 billion by 2020



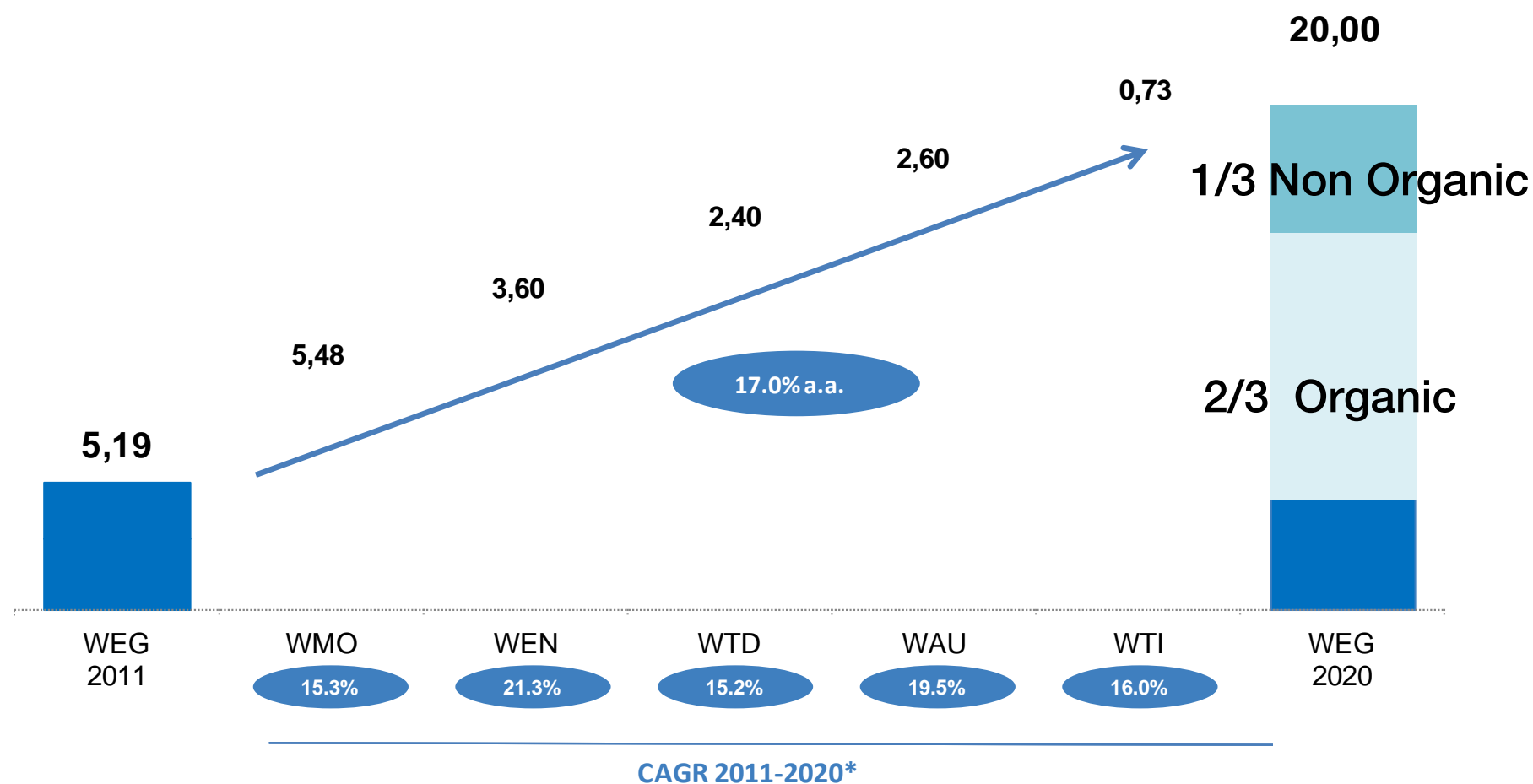
Growth drivers



- **“More and Better”**
- **International Expansion**
- **New Businesses**

Growth comes from diverse base

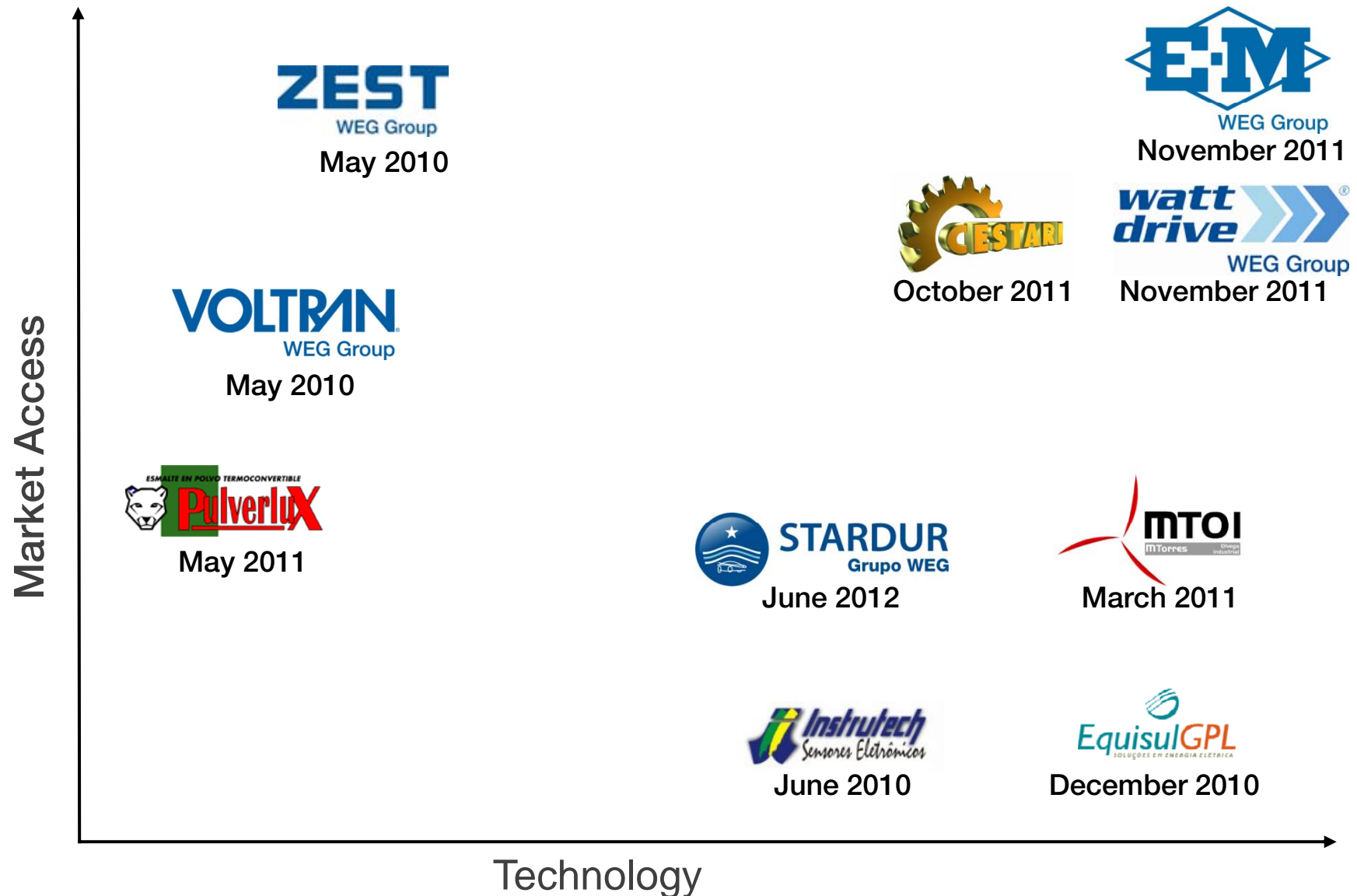
Disciplined approach to organic and non-organic expansion



Portfolio Strategy



Clear vision of attractiveness of opportunities





WEG Day

Sérgio Schwartz, Vice President

August 2012
WEGE3 / WEGZY



Business overview



Industrial motors business case

Business Attractiveness

- Large and fast growing markets
- Fundamental changes in consumer preferences and regulations

Synergies

- Mass customization and global distribution
- Technical assistance, technological know-how
- Cost competitiveness

Expansion Model

- Customized to fit each market
 - Organic (Africa, Middle East, North America)
 - Inorganic (China and India)

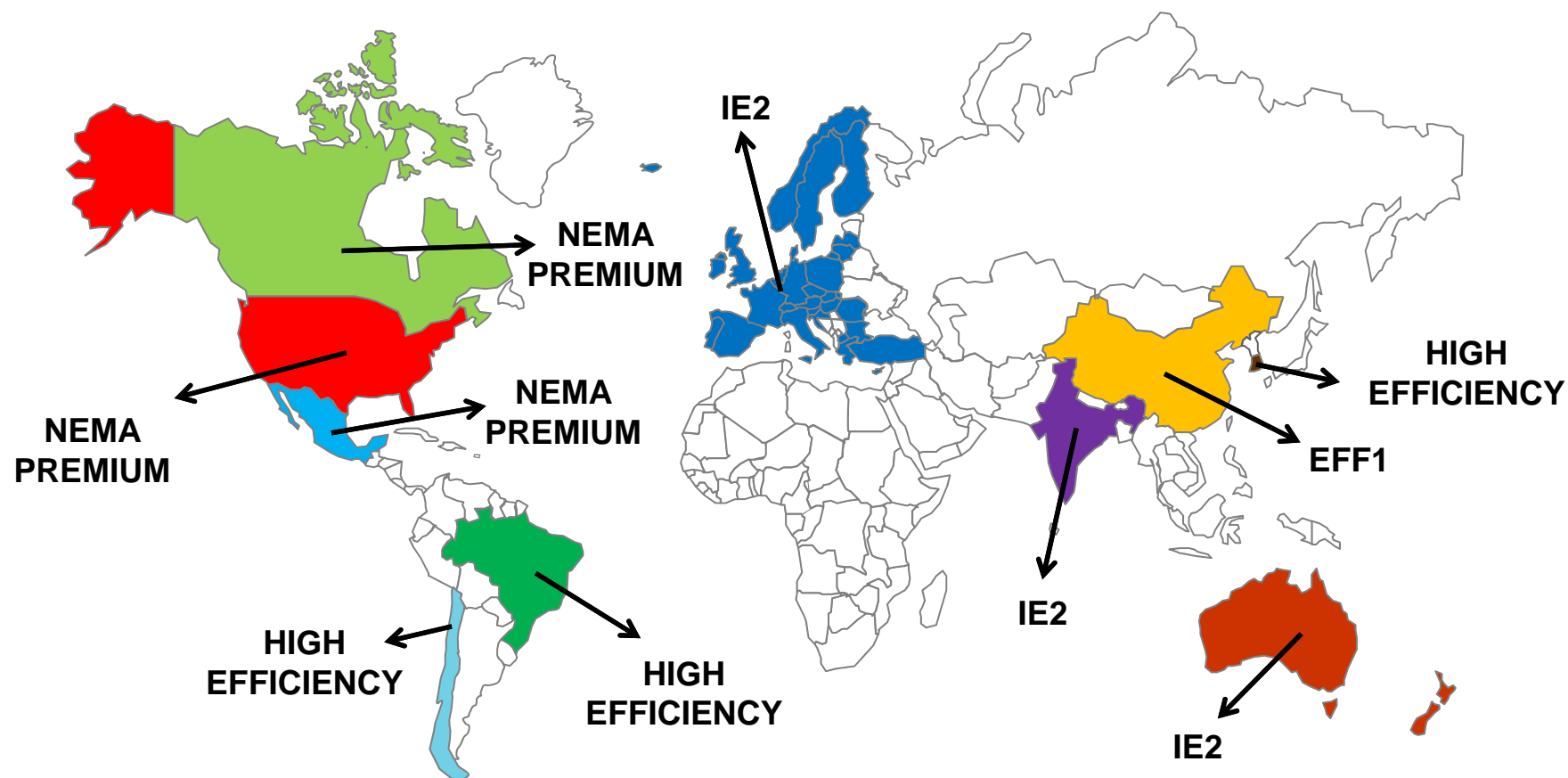
Economic Considerations

- Maintain competitiveness in Brazilian market
- Significant additional revenues impact from acquisitions

Risks

- More competition from Asian players
- Difficulties to operate commoditized products

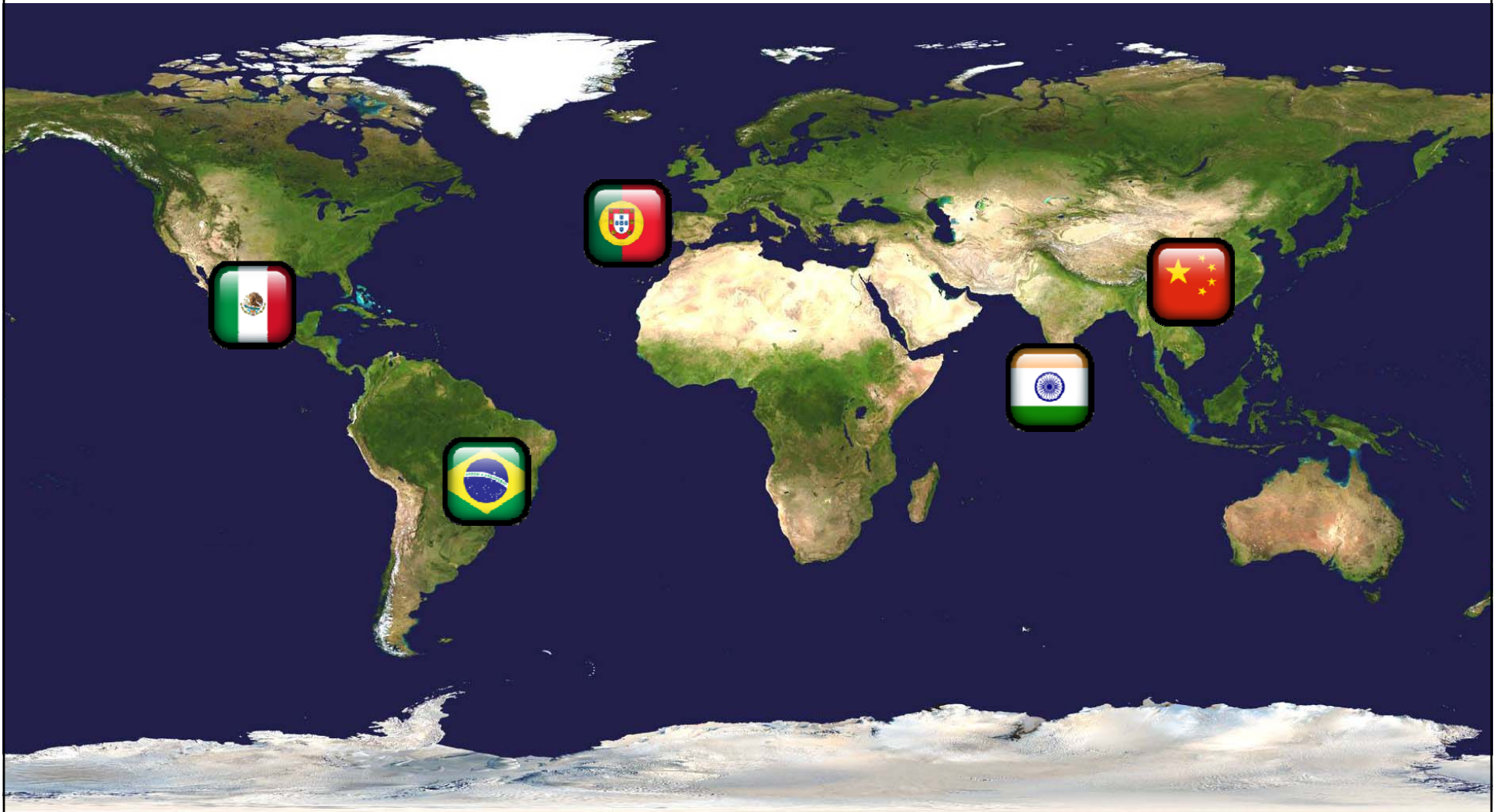
Worldwide Minimum Energy Performance Standards



Decentralized manufacturing footprint



Increased flexibility, reduced costs and lower exposure



WEG Motors

Large and fast growing markets

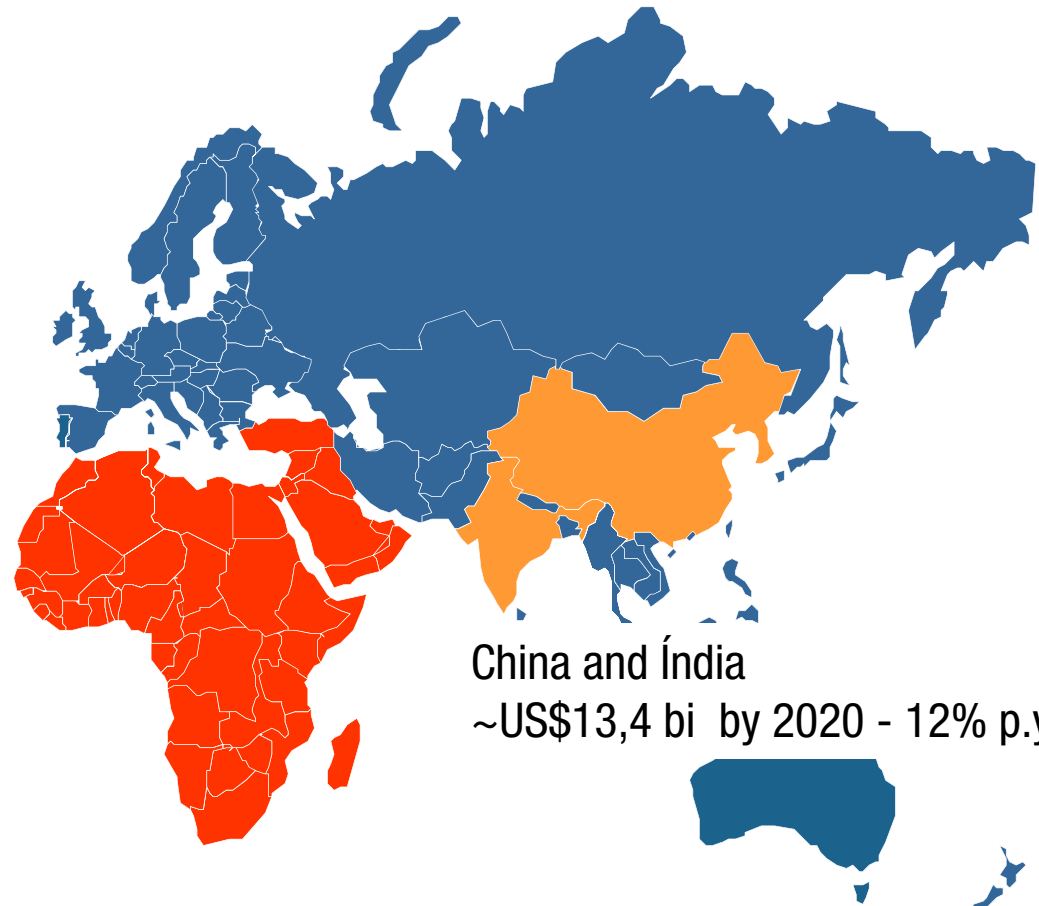
North America

~US\$7,4 bi by 2020 - 5% p.y.



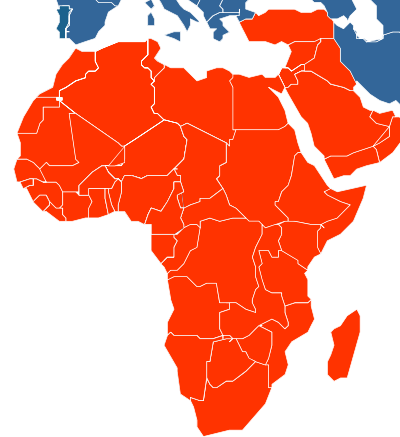
China and Índia

~US\$13,4 bi by 2020 - 12% p.y.



Africa and Middle East

~US\$2,5 bi by 2020 - 5% p.y.



Power transmission business case

Business Attractiveness

- Market is mature and growth rates are stable
- Complete power transmission solutions and increasing complexity are strong trends

Synergies

- Engineering services and product development
- Technical sales force, able to provide complete power transmission solutions

Expansion Model

- New markets (organic and inorganic)
- Portfolio expansion

Economic Considerations

- Maximize synergies
- Execution of growth strategy

Risks

- Reaction from gearbox manufacturers

WEG Power Transmission Synergy

Complete package of new opportunities

Gearbox

+

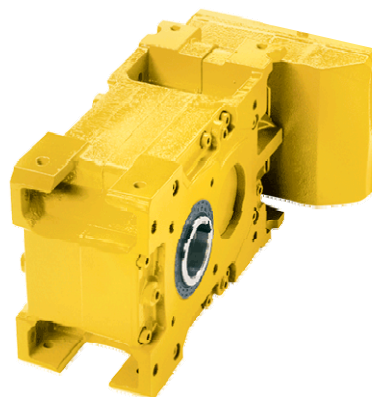
Motor

+

Drives

+

Controls



Comercial / appliance motors business case

Business Attractiveness

- Large, mature, high volume (scale) markets
- Competition is price based, but logistics, engineering services and R&D are also important

Synergies

- Well positioned in Brazil
- Condition to expand abroad, under certain conditions

Expansion Model

- Several options to explore,:
 - From maintaining Brazilian market focus
 - To pursuing global expansion (inorganic)

Economic Considerations

- Maintain competitiveness and defend Brazilian market
- Execution of geographic expansion strategy

Risks

- Lower growth of the Brazilian market (organic or loss of market share)

WEG Automation

Drives and Controls business case

Business Attractiveness

- Fast growing market (8 to 11% per year)
- Energy efficiency and new applications tend to increase demand

Synergies

- Internally developed technology
- Cross sales synergies, specially with industrial motors

Expansion Model

- Growth options (increase Brazilian share, expand internationally, enter new applications)
- Some geographies offer better opportunities

Economic Considerations

- Maintain Brazilian position
- Execution of growth strategy (new geographies, new applications)

Risks

- Commoditization of smaller products
- Fierce competition from Asian players

WEG Automation

Smart Grid business case

Business Attractiveness

- Globally developing market
- Brazilian market still in the first stages, pending regulatory definitions

Synergies

- Already supplying infrastructure components, smart applications are incremental business
- Leverage leadership positions

Expansion Model

- Develop strategic alliances
- R&D investments
- Explore inorganic alternatives

Economic Considerations

- Intensify R&D actions
- Accelerate expansion of portfolio of products and services

Risks

- Early stages of market development (regulation, viability, technological standards)
- Competition from international players

WEG Automation

Building automation business case



Business Attractiveness

- Large, fast growing market (US\$ 70 billion/year)
- Energy management, security and general control tend to grow faster

Synergies

- Technology is dominated and products are already commercially available
- Some distribution channel synergies

Expansion Model

- Leverage current product line
- Develop client relationships
- Complement portfolio

Economic Considerations

- Brand new market for WEG
- Significant additional revenue stream

Risks

- Large diversity of products demands more intensive R&D effort

WEG Automation

Critical Power business case

Business Attractiveness

- Fast growing emerging markets like China, India and Middle East, based on energy stability
- Mature markets should have moderate growth

Synergies

- Alternator (genset component) and UPS are already part of product portfolio
- Component synergies with other applications

Expansion Model

- Expand into genset business, leveraging product portfolio
- Increase UPS capacity

Economic Considerations

- Lower margins in equipment
- Significant opportunity in services (MRO)

Risks

- Diesel engine manufacturer client loyalty
- GHG emission regulations may restrict market

WEG Automation

Complete solutions / Systems business case

Business Attractiveness

- Increasing investment for industrial and infrastructure applications in Brazil
- Additional revenues from products and services

Synergies

- Scale of production, specific capabilities and cross sales opportunities in Brazil
- New competencies needed outside of Brazil

Expansion Model

- Leverage existing relationships and markets
- Capture cross synergies
- Sector specific model to maximize returns

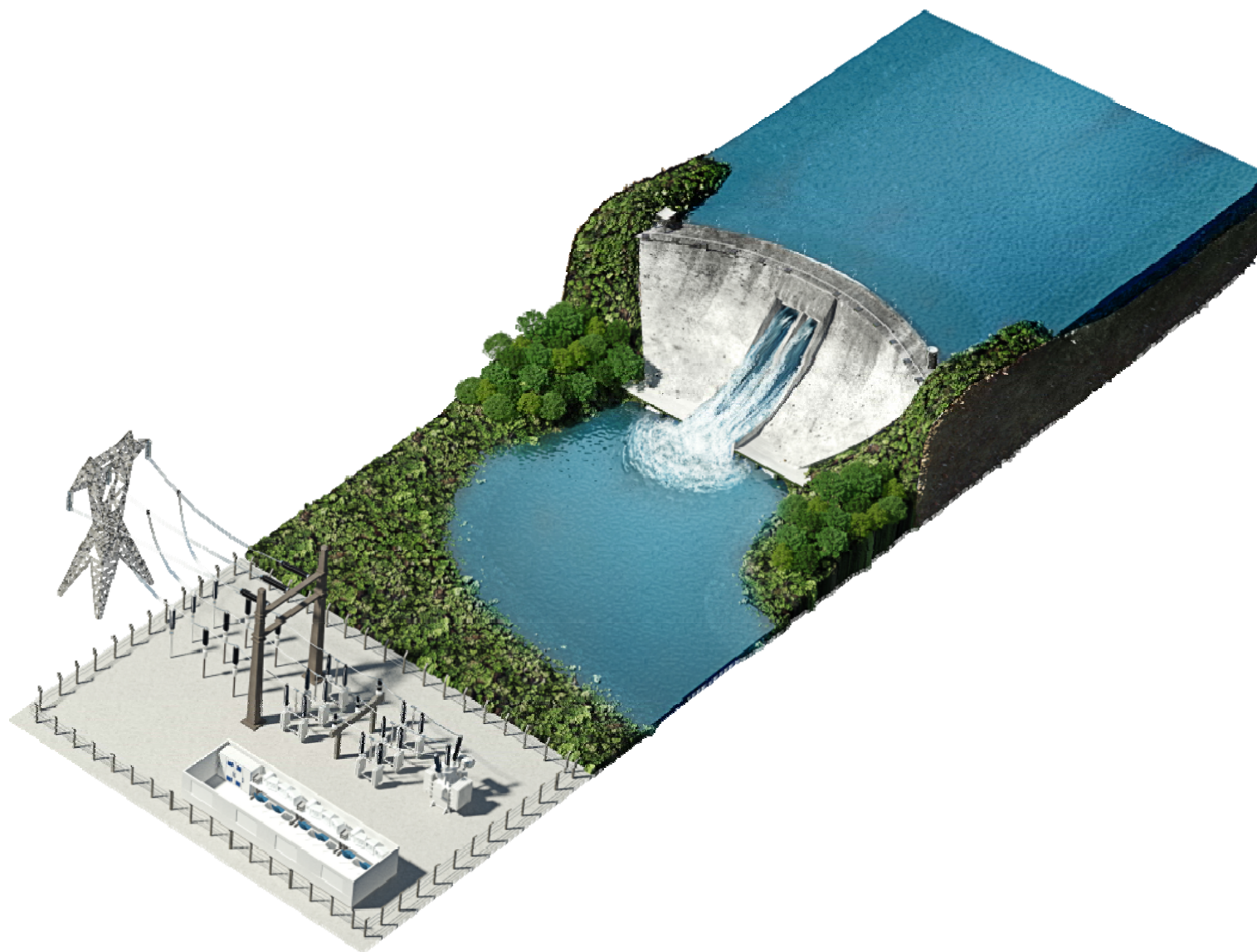
Economic Considerations

- Build up of installed base that can be further leveraged

Risks

- Specific risks are different from equipment manufacturing (assembly delay, engineering)

A World of OPPORTUNITY



WEG Energy

Small Hydro business case

Business Attractiveness

- Hydro capacity to increase by 60% over next 8 years, investment of US\$ 75 billion / year globally
- Around 10% of investment goes to Small Hydro

Synergies

- Complete solutions, including electrical and mechanical packages
- Industrial capabilities to leverage outside Brazil

Expansion Model

- Maintain strong position in Brazil
- Organic expansion in Latin America
- Develop larger machines expertise / technology

Economic Considerations

- Strong competition with other energy sources

Risks

- Regulatory/environmental restrictions
- Incentives for other sources of energy

A World of OPPORTUNITY



WEG Energy

Biomass business case



Business Attractiveness

- Brazilian investments in sugar & ethanol should rebound and generation capacity to grow by 7% per year (5% p.y. globally)

Synergies

- Electrical solutions and partnerships in turbines
- Industrial and commercial capabilities to leverage outside Brazil

Expansion Model

- Strengthen partnerships and expand product and service portfolio
- Organic expansion in emerging economies

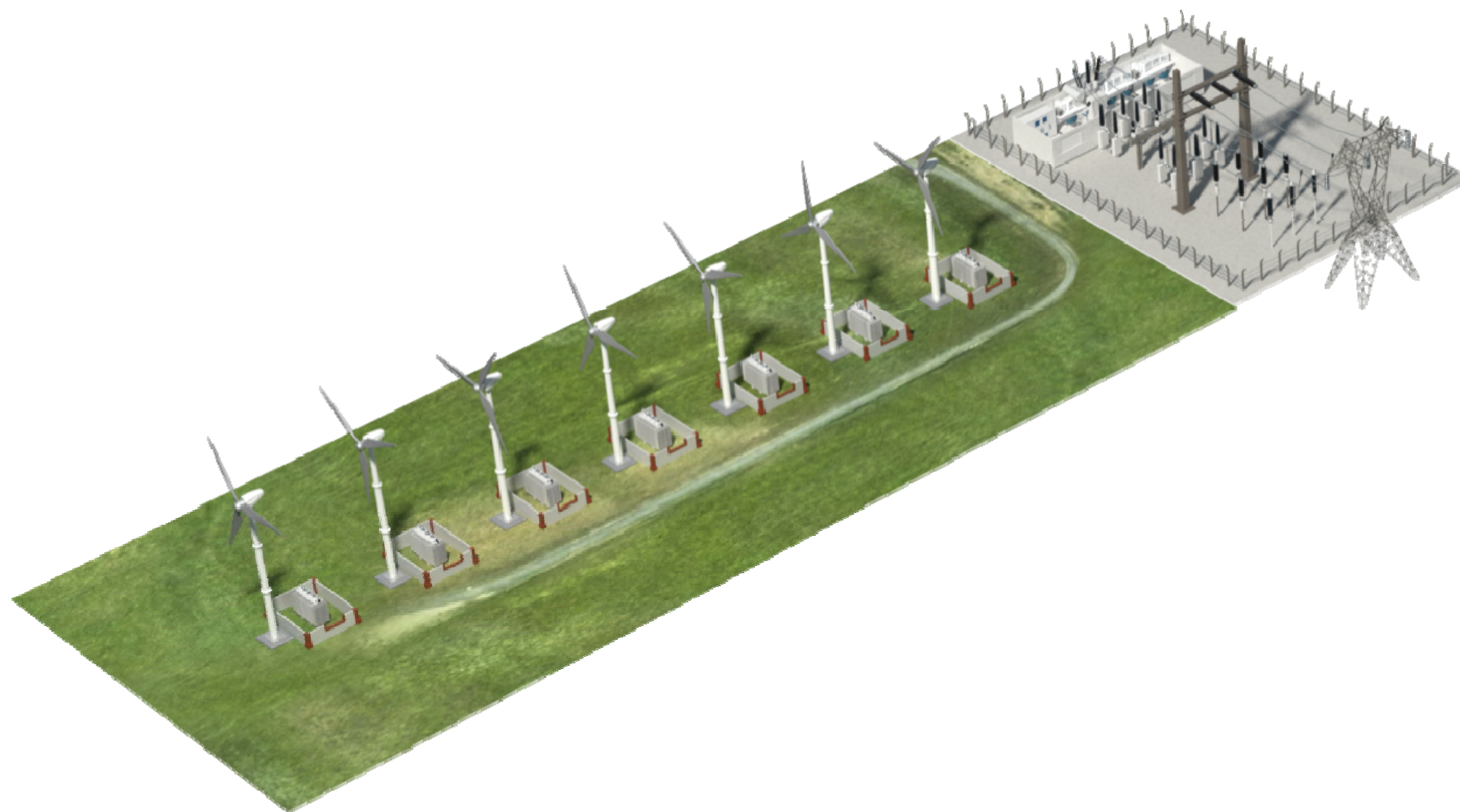
Economic Considerations

- Attractive market for complete solutions (synergies with industrial applications)

Risks

- Lower regulatory/environmental risks
- Economics of ethanol fuel market

A World of OPPORTUNITY



WEG Energy

Wind Energy business case

Business Attractiveness

- Competitive with other alternatives in Brazil
- Annual investments of around US\$ 1.6 billion

Synergies

- Technology being dominated (MTOI JV)
- Synergies with all other business units (parts and components)

Expansion Model

- Primary focus in Brazil
- Option to expand in Latin America and other international markets

Economic Considerations

- Attractive market for complete solutions
- Attractive marginal expansion

Risks

- Execution risks (new entrant)
- Economics of the global wind energy market

WEG Energy

Solar Energy business case

Business Attractiveness

- Fast global growth
- Government incentives and subsidies should improve attractiveness for generators

Synergies

- Inverters are already part of portfolio
- Synergies with other business units (parts and components)

Expansion Model

- Organic effort to develop specific products / extend product portfolio
- Explore inorganic options

Economic Considerations

- Attractive marginal expansion

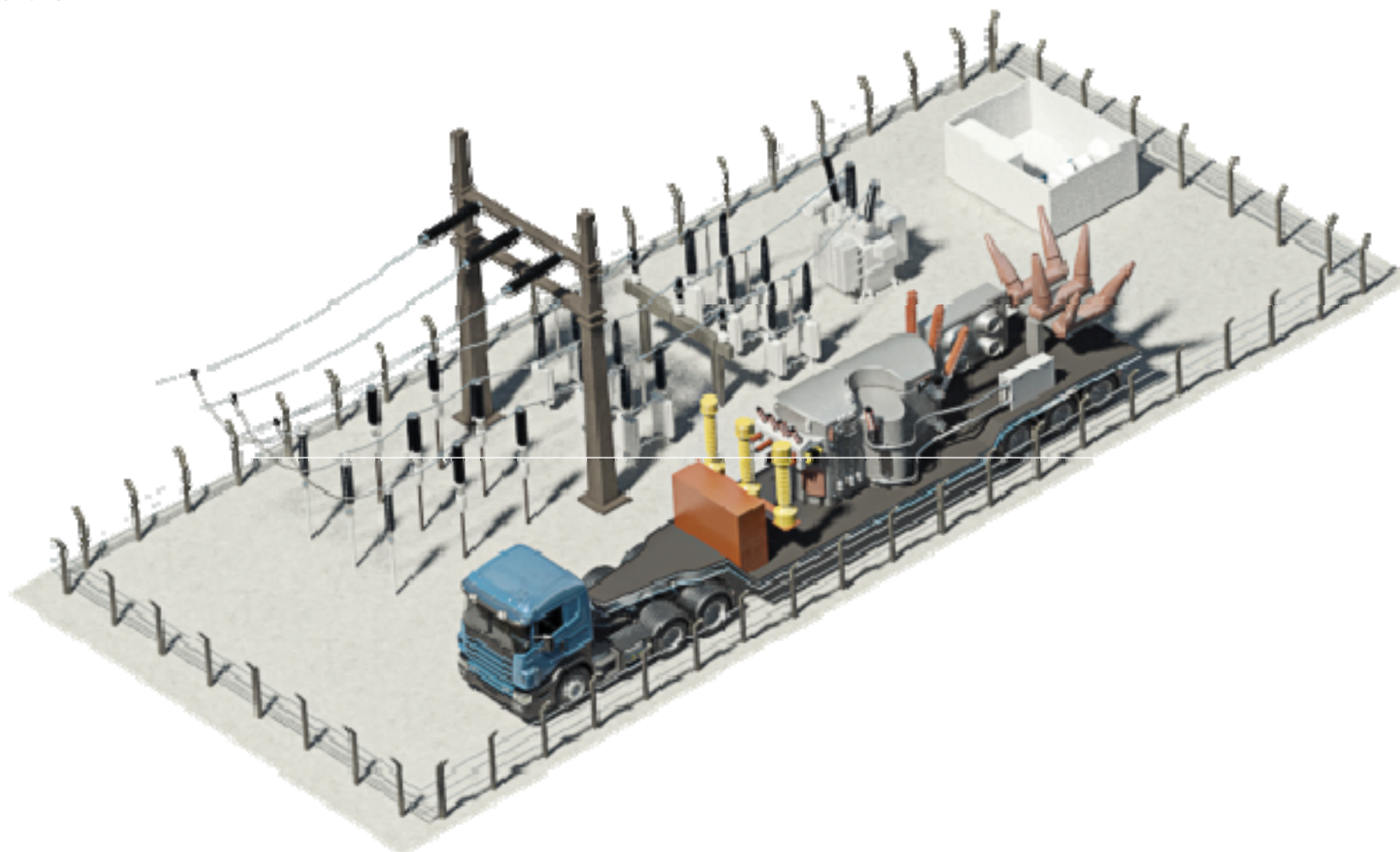
Risks

- Market risks include regulation and viability
- Technological standards yet to be defined

WEG T&D

Power Trafos business case

WEG products represent around 30 to 50% of a substation total cost



WEG T&D

Power Trafos business case

Business Attractiveness

- Moderate global growth (3% p.y.)
- Attractive opportunities in specific geographies and portfolio extensions

Synergies

- Technological know-how in large equipments
- Distribution channel synergies in international markets

Expansion Model

- Organic and inorganic efforts to complement product portfolio
- Organic and inorganic geographic expansion

Economic Considerations

- Attractive additional revenues opportunities with marginal distribution / product portfolio investment

Risks

- Geopolitical risks in some countries / regions

Distribution Trafos business case

Business Attractiveness

- Moderate global growth (3% p.y.)
- Fairly large addressable market (US\$ 3 billion / year globally)

Synergies

- Industrial footprint in place in Brazil and Mexico
- Around 15% share of Brazilian market

Expansion Model

- Regulatory changes in Brazil could create interesting opportunities
- Leverage international presence

Economic Considerations

- Commoditization makes marginal expansion comparatively less attractive

Risks

- Further commoditization and pricing pressure

WEG Coatings

Coatings business case

Business Attractiveness

- Latin American market grows 3% p.y.
- Addressable market should reach around US\$ 2 billion / year.

Synergies

- Unique position as integrated player
- Diversification allows for consistent growth

Expansion Model

- Mainly organic growth
- Inorganic option to complement portfolio

Economic Considerations

- Focus in Latin America

Risks

- Execution (environmental, labor)
- Cost pressures or increased competition



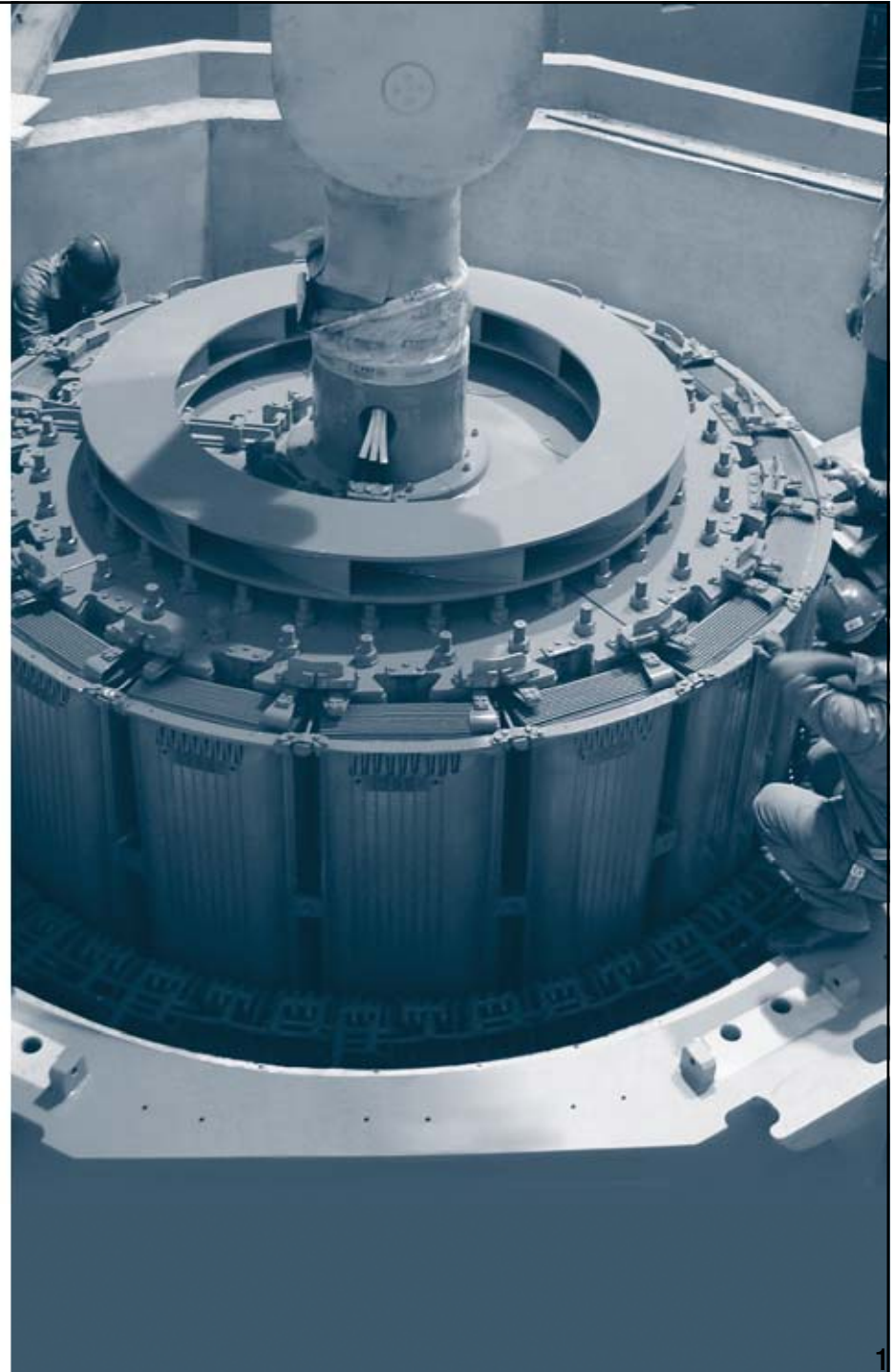
WEG Day

Laurence Beltrão Gomes, Finance and IR

August 2012
WEGE3 / WEGZY



**Financial
performance**

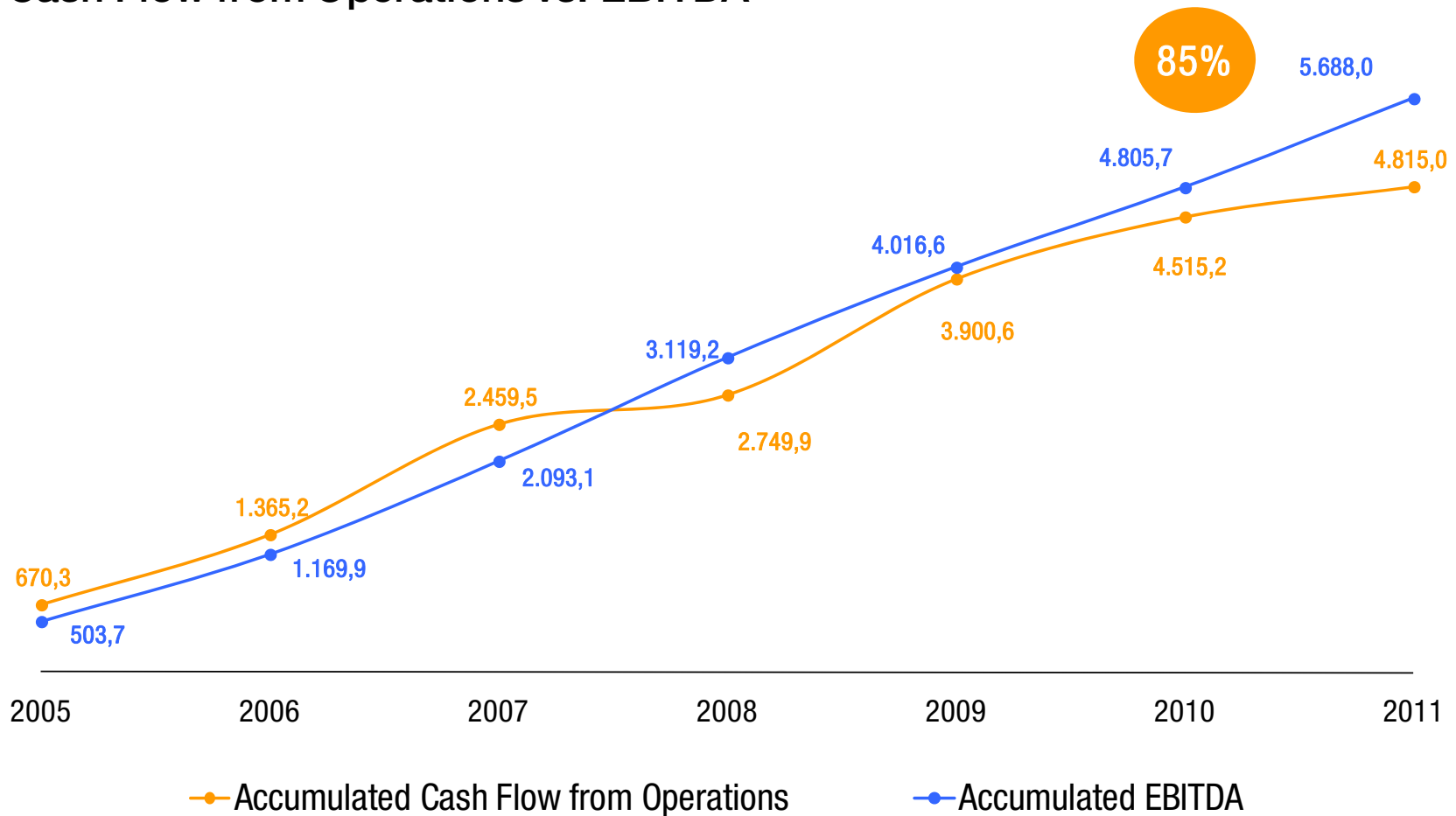


Strong cash flow conversion



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

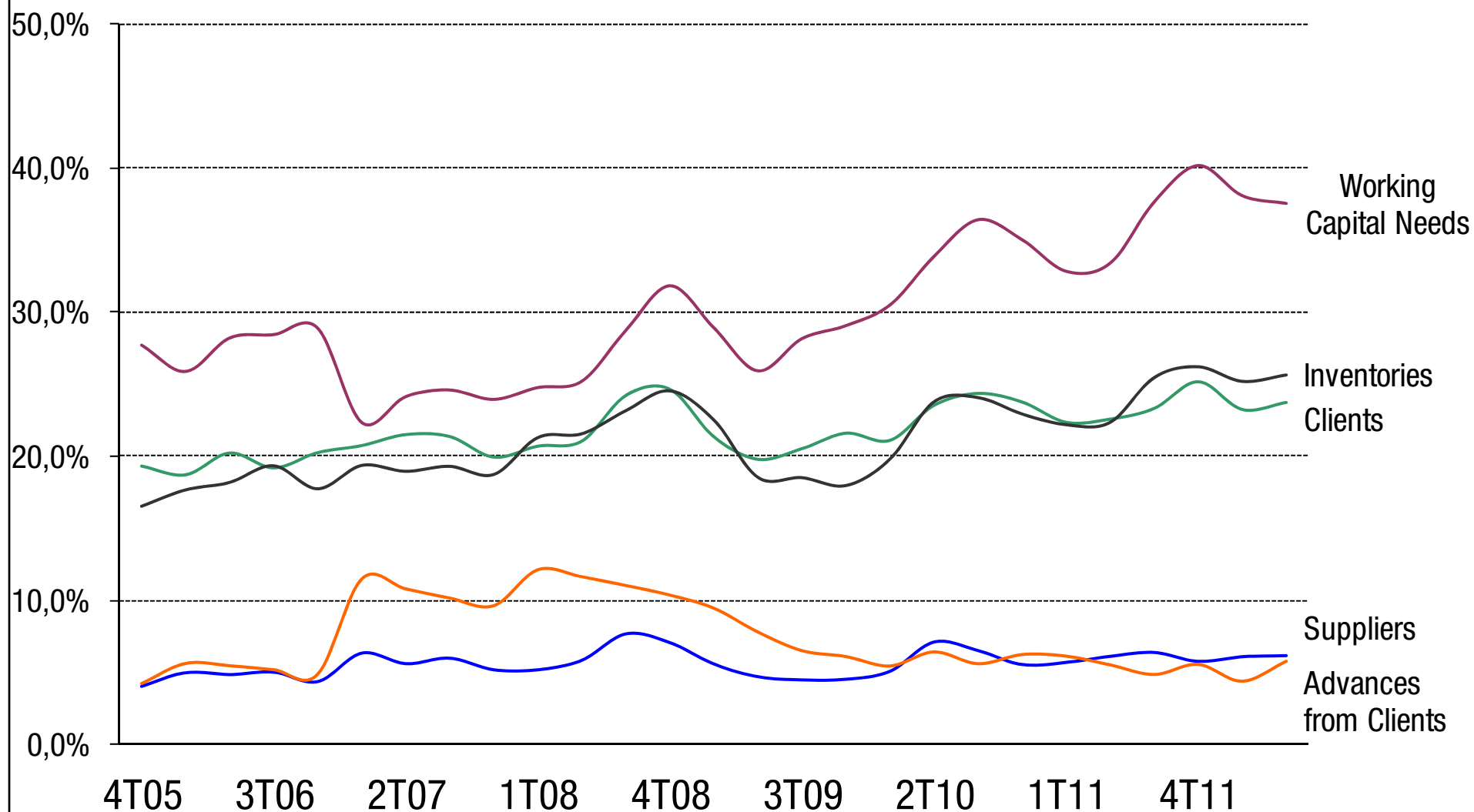
Cash Flow from Operations vs. EBITDA



Working capital needs



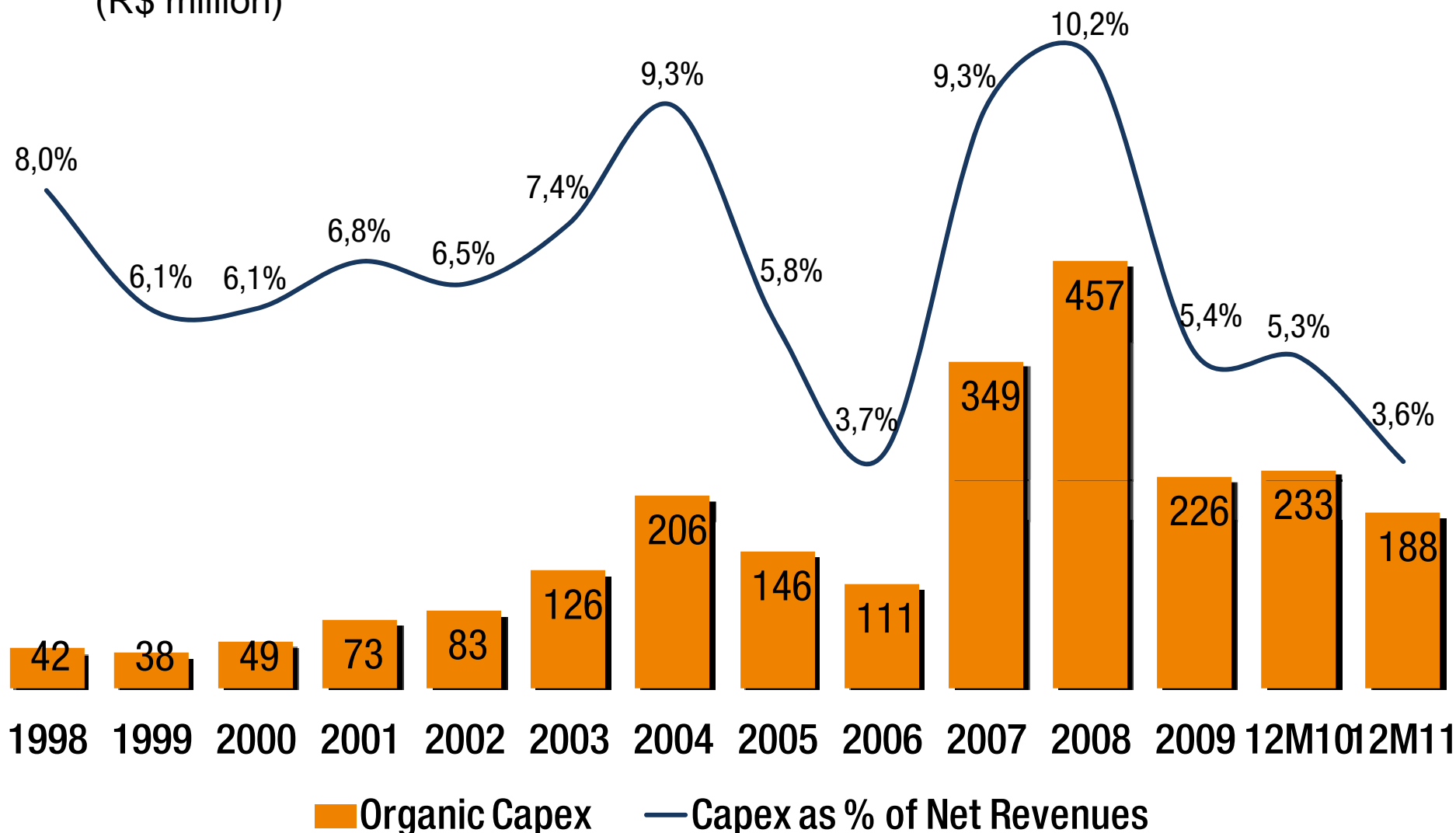
(% of Net Revenues)



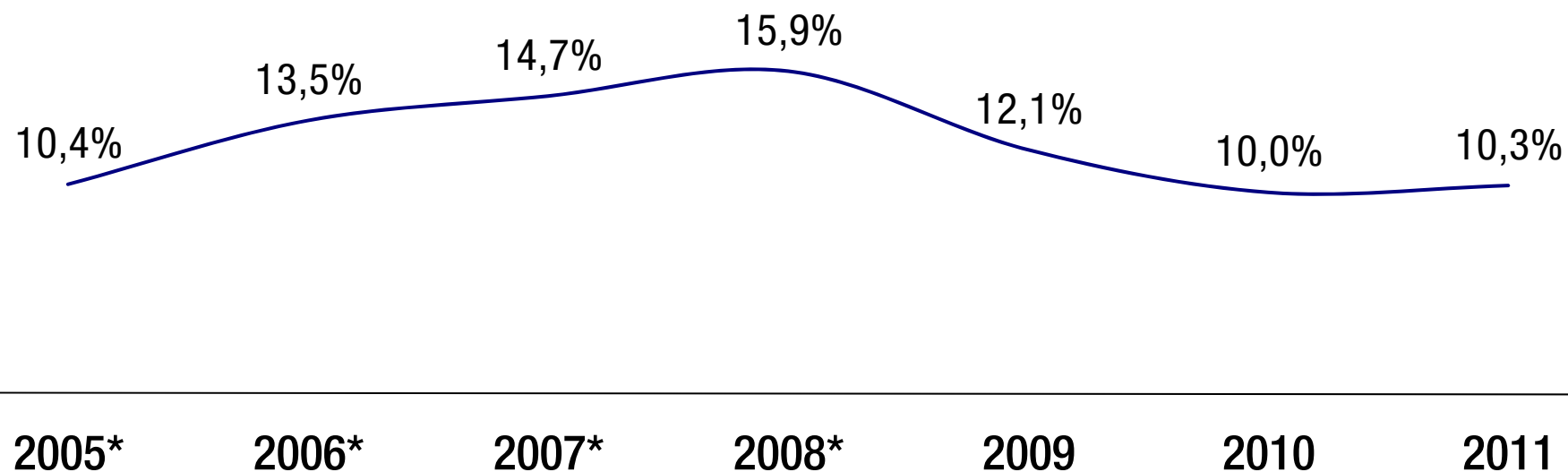
Organic Capex



(R\$ million)



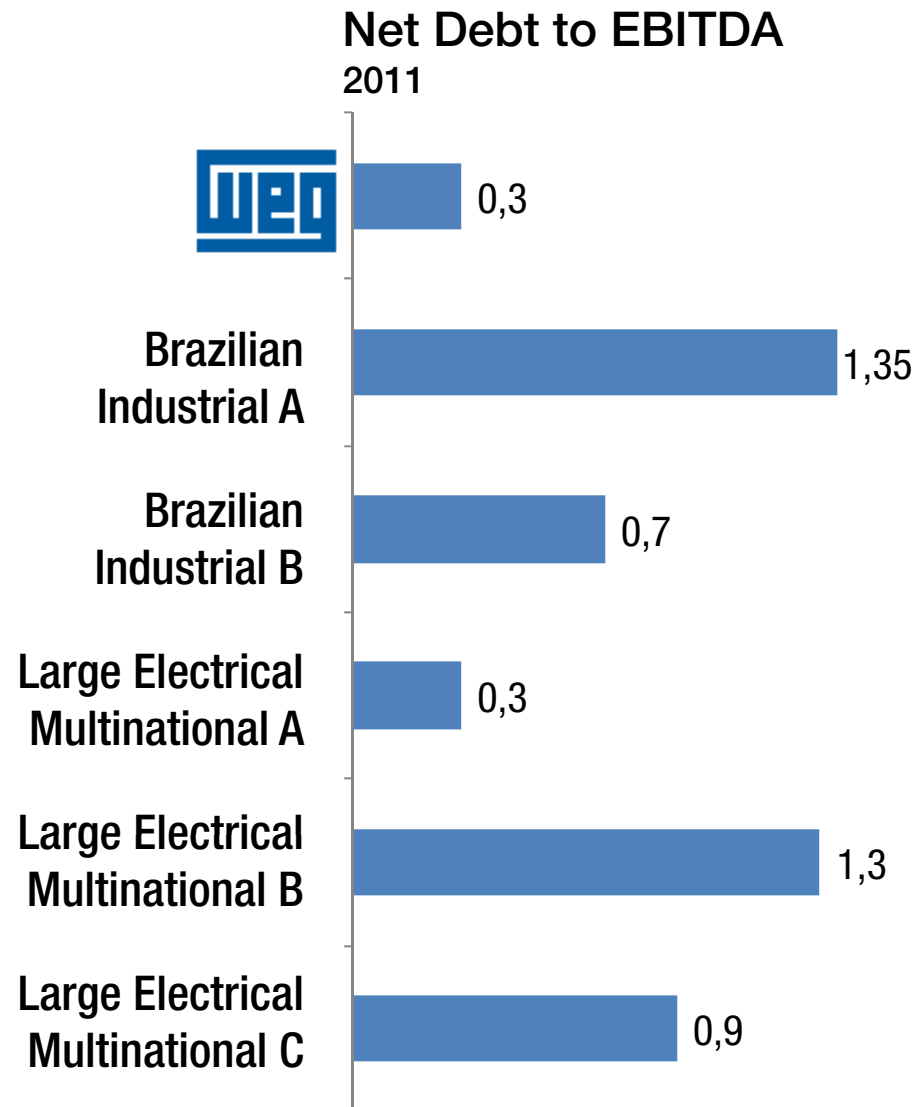
Adjusted Return on Invested Capital *



(*) Adjusted for the “deemed cost” from the adoption of IFRS

Solid capital structure

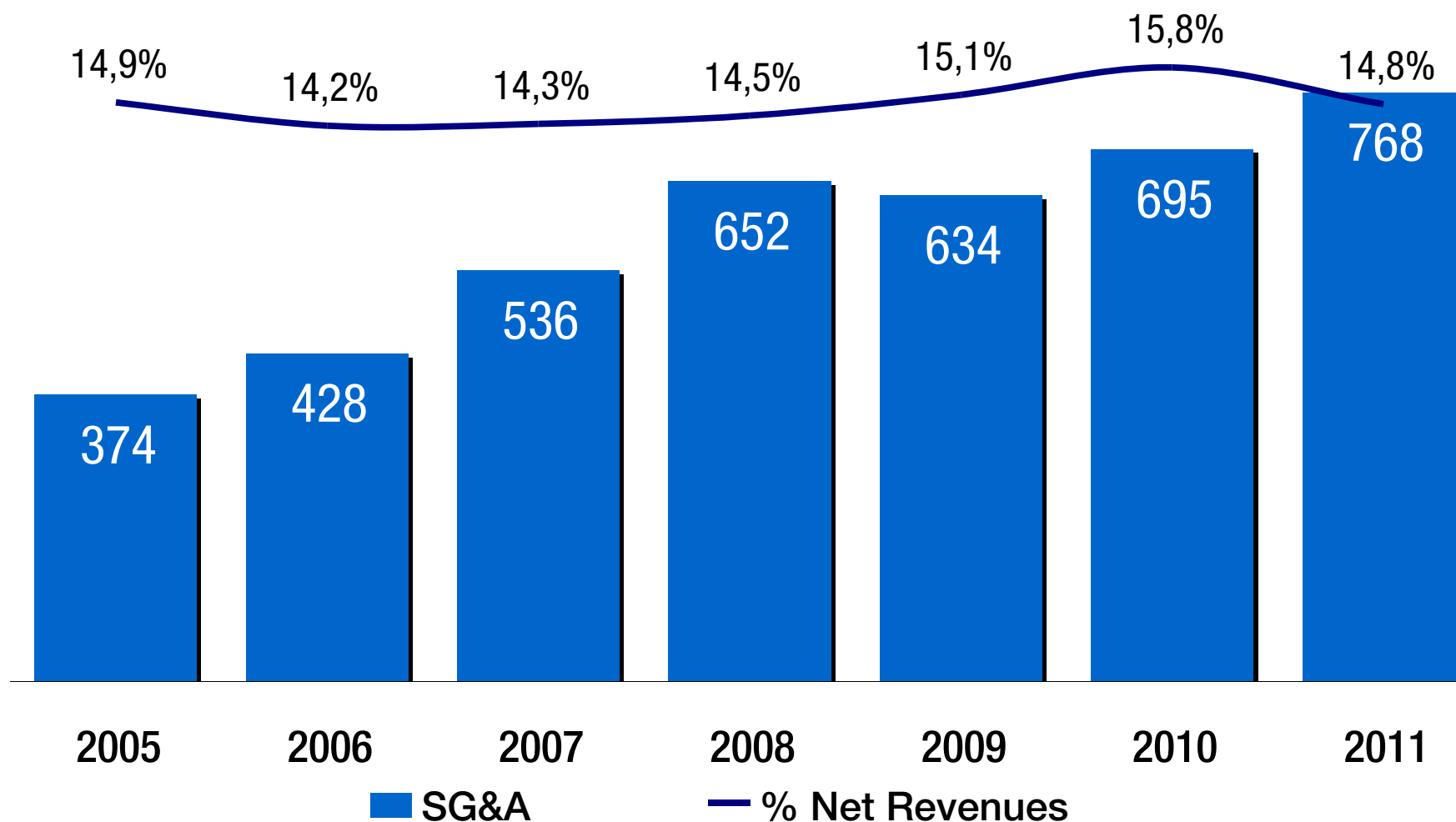
WEG has room to increase leverage



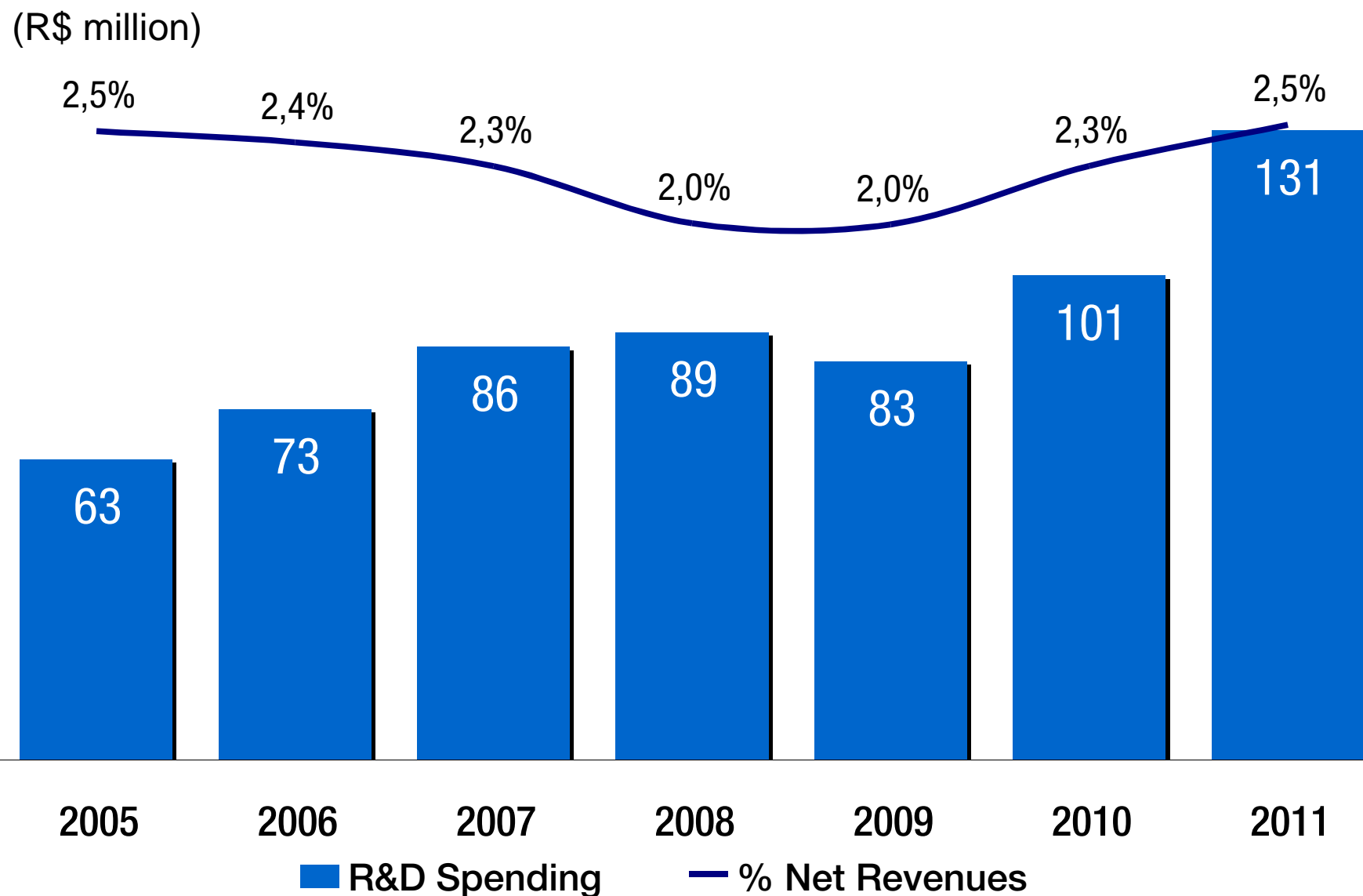
Selling, General & Administrative Expenses



(R\$ million)



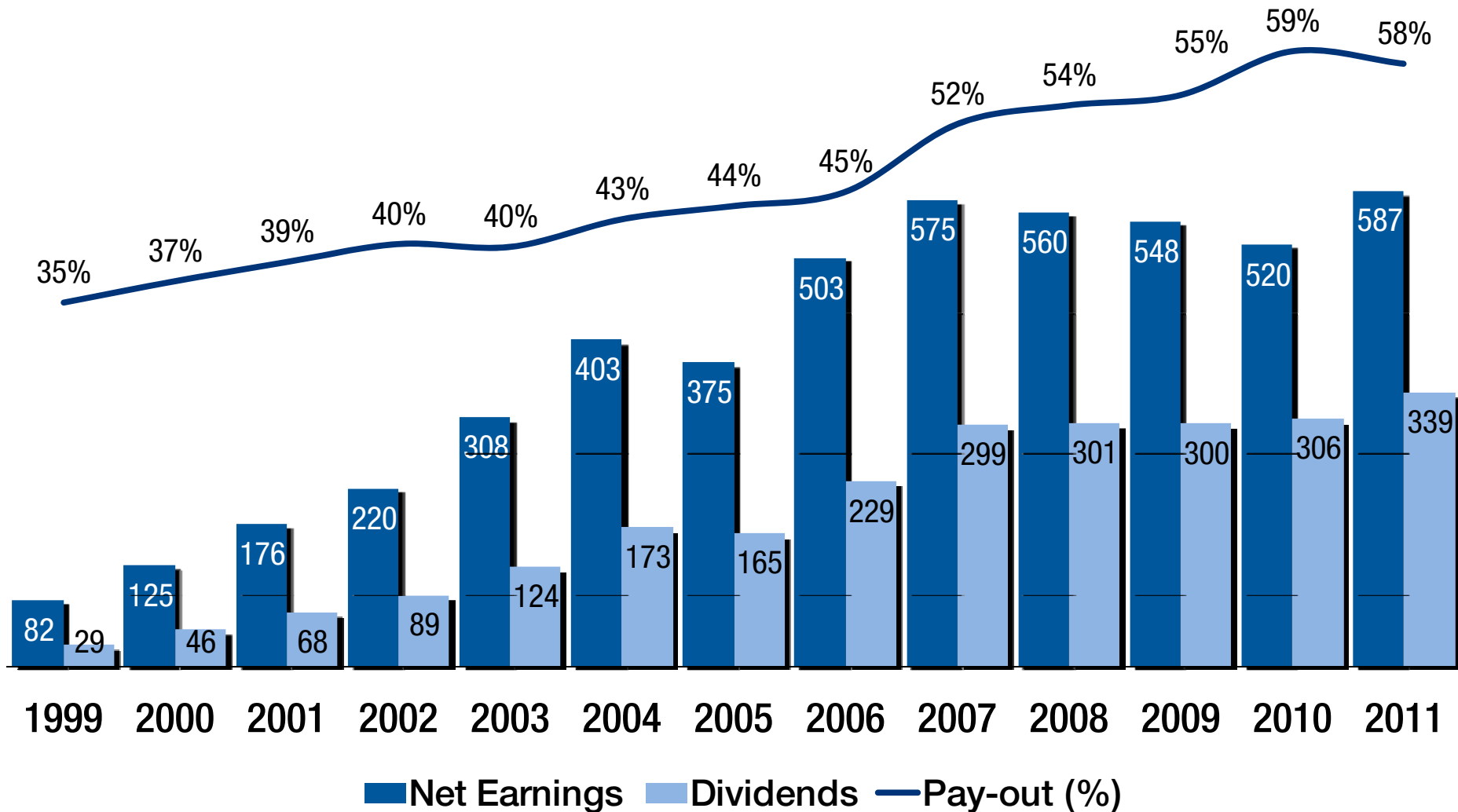
Research & Development



Dividend Pay-out Policy



Net Earnings and Dividends (R\$ million)

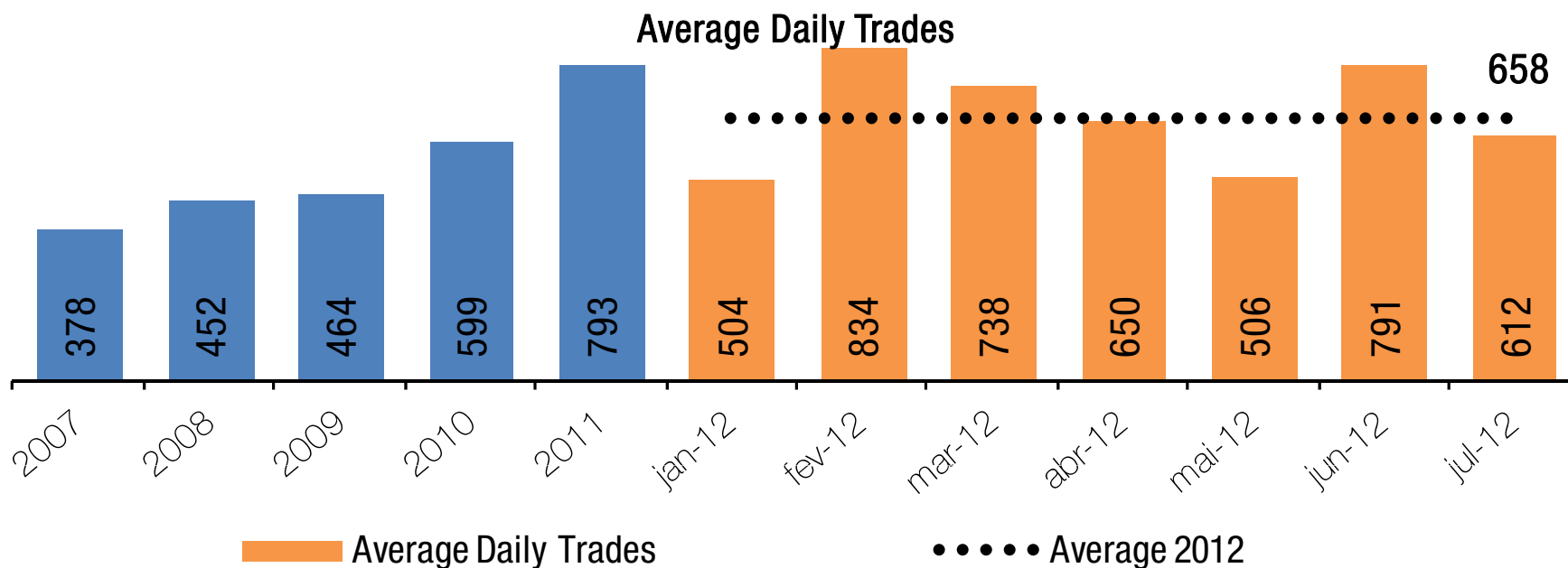
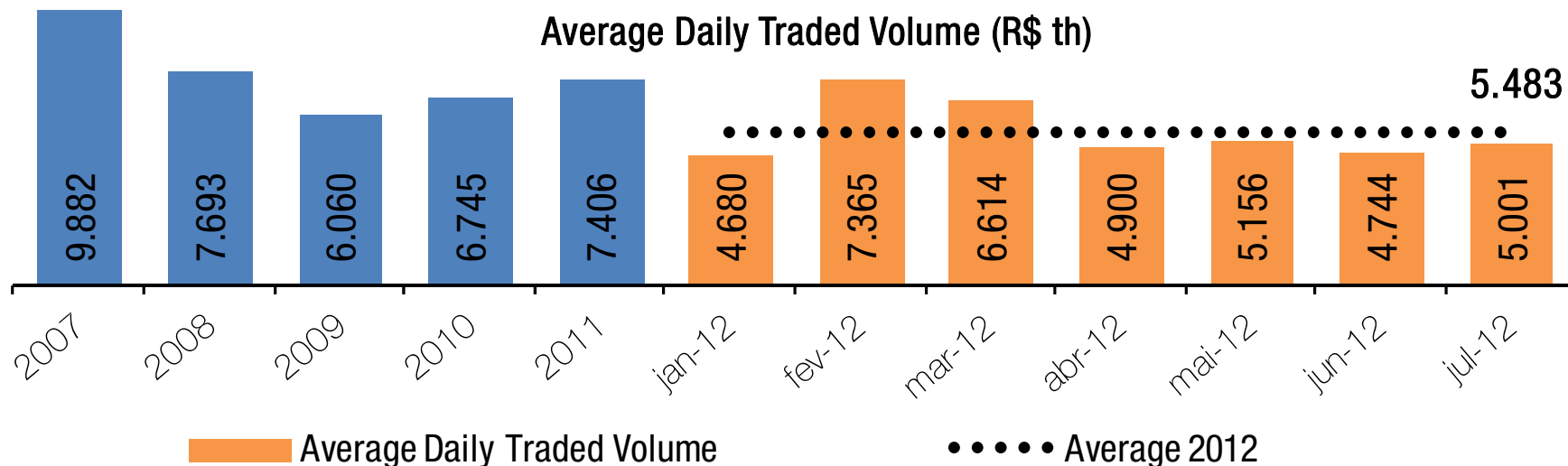


Recent capital markets related activities



- Sponsored level 1 ADR (JP Morgan)
- Market Maker at BM&F Bovespa (Credit Suisse)
- New web site, with intensive use on social media tools
- Gradually improve information disclosure
- Increase sell side coverage
- More intense investor contact
- Increase sustainability communications

Liquidity – WEGE3





Closing Remarks



WEG's Investment Case



- Direct exposure to fast growing energy efficiency and renewable energy generation businesses
- Internationalization strategy, in line with large addressable market, supported by global manufacturing footprint
- Strong position in Brazilian market and global consolidator in segment with rising technological content
- Strong cash generation and solid financial position
- Opportunity to gain broad exposure in Brazilian and global industrial sector
- Unique business model based on vertical integration and production flexibility