Conference Call 4Q16

Protecting Margins and Returns to Maintain Competitiveness



WEGE3
NOVO
MERCADO
BM&FBOVESPA

Disclaimer

This is a support document for the WEG S.A. 2016 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 2016

01

Business environment normalization in Brazil, with slow and gradual recovery.

Net Operating Revenue of **R$ 2,377.3 million**, **13.1%** lower than the 4Q15 and **6.2%** higher than the 3Q16;

02

Positive results from the effort to preserve margins, returns and cash generation.

EBITDA of **R$ 400.6 million**, with margin of 16.9%, **4.9%** over the 4Q15 and **18.5%** over the 3Q16;

Net Income of **R$ 323.2 million**, with net margin of 13.6%, **-15.8**% over the 4Q15 and **25.7%** over the 3Q16.

03

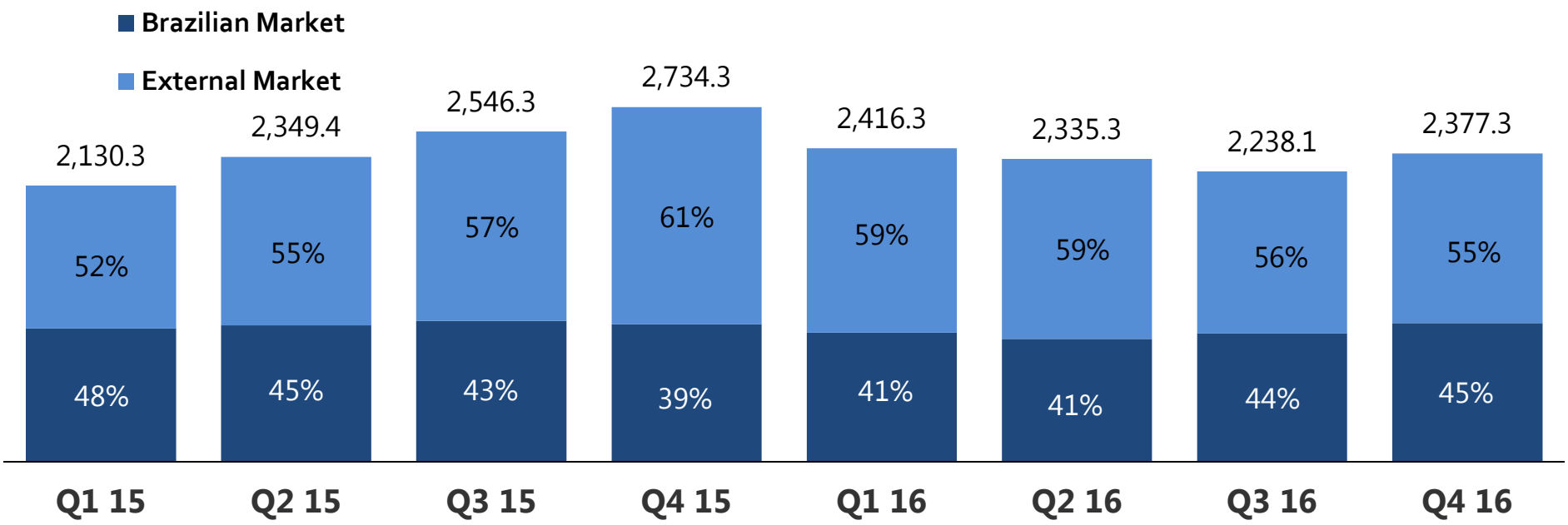
Discipline, increases on productivity and efficiency in the working and fixed capital deployment.

Investments of **R$ 325.5 million**, 29% in industrial plants in Brazil and 71% in expansion projects abroad. China and Mexico remain highlighted, with capacity optimization search.

Operating Cash Generation of **R$ 2,130.9 million** in 2016, with efficiency gains in working capital management.

Net Operating Revenue Quarterly Evolution

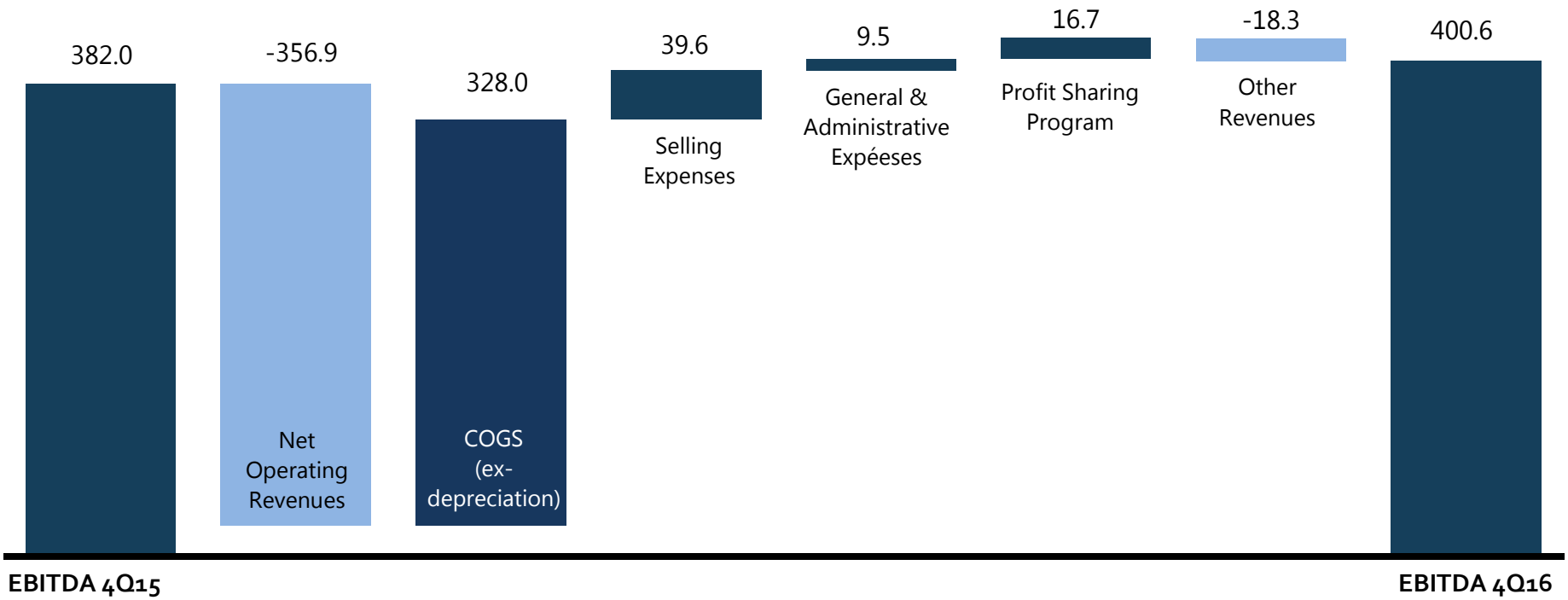
Net Operating Revenue
***R$ 2,377.3 million**, **13.1%** lower than the 4Q15 and **6.2%** higher than the 3Q16*



In R$ million

Main impacts on EBITDA

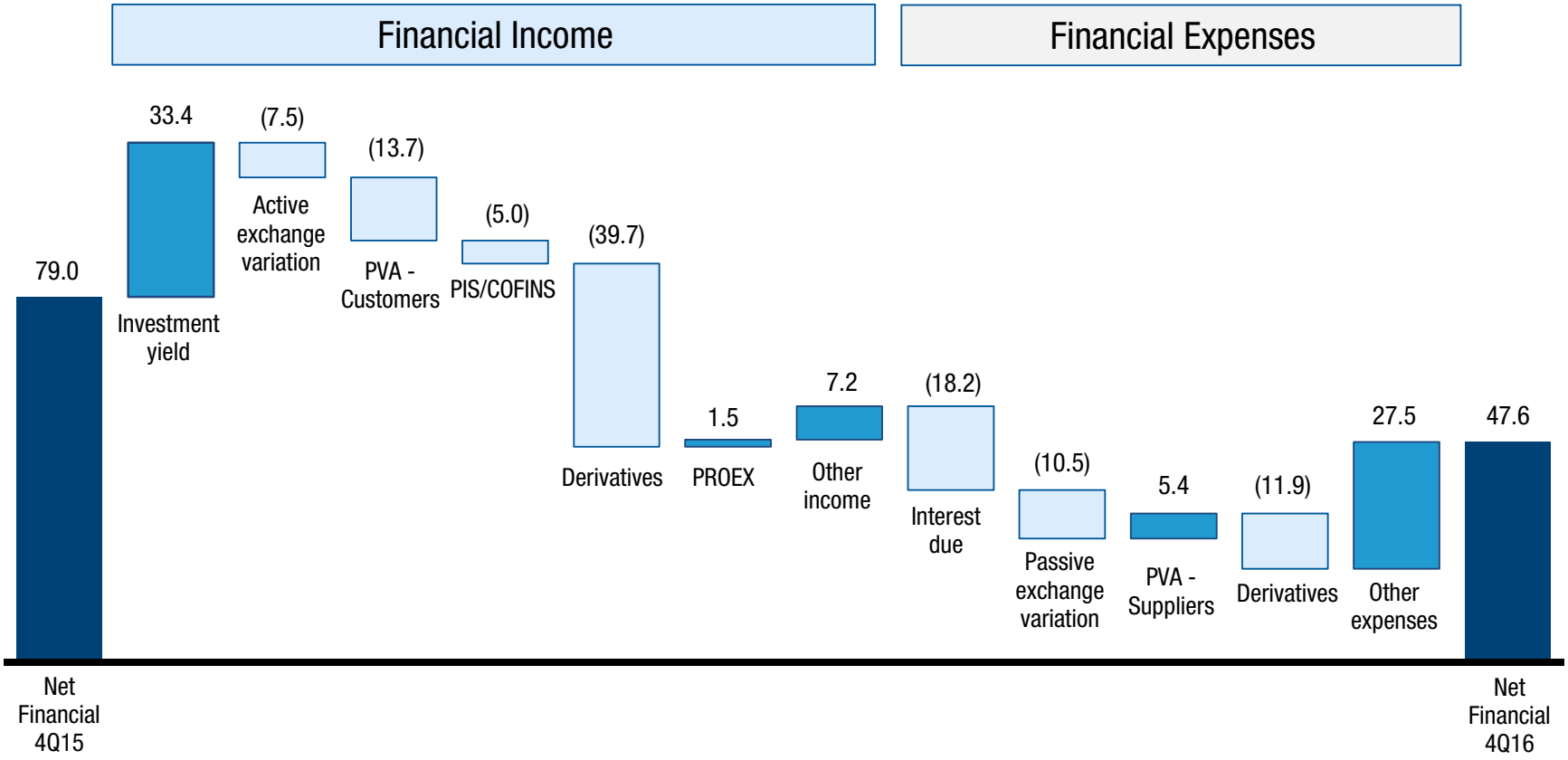
*EBITDA of **R$ 400.6 million**, with margin of **16.9%**, 4.9% over the 4Q15 and 18.5% over the 3Q16.*



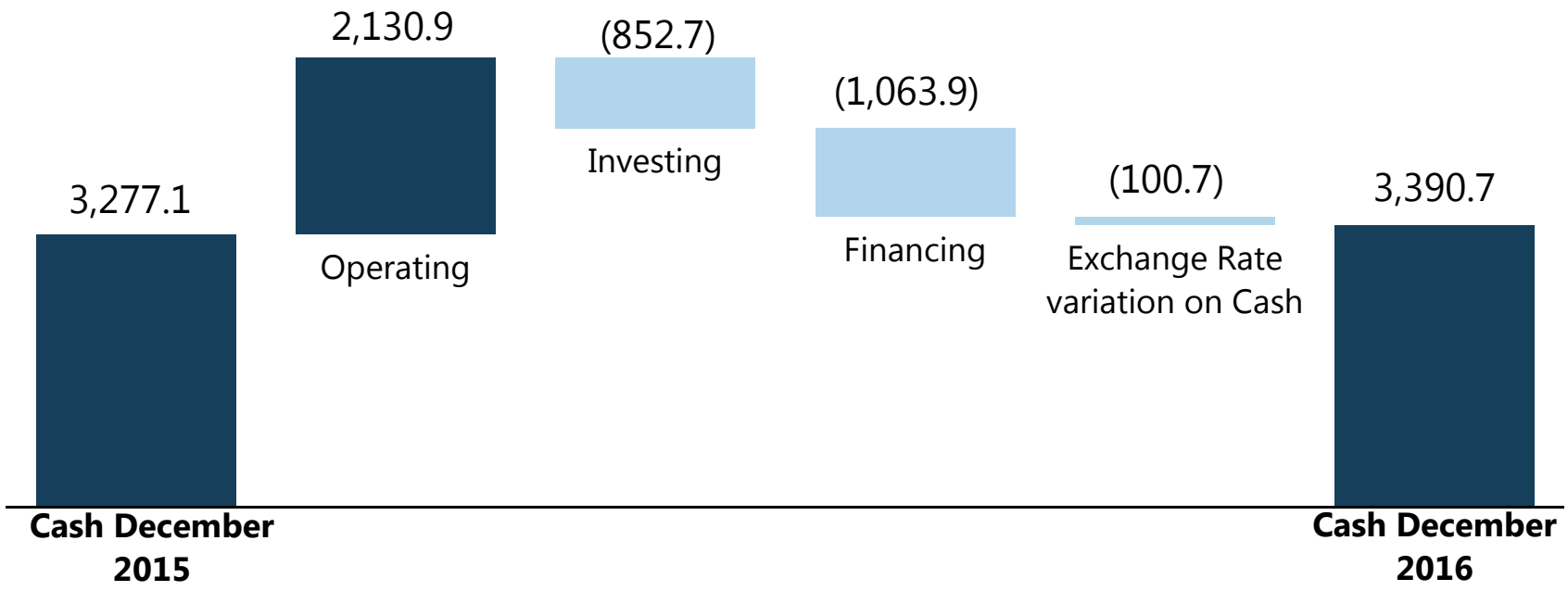
In R$ million

Main impacts on Net Quarterly Financial Results

In R$ million

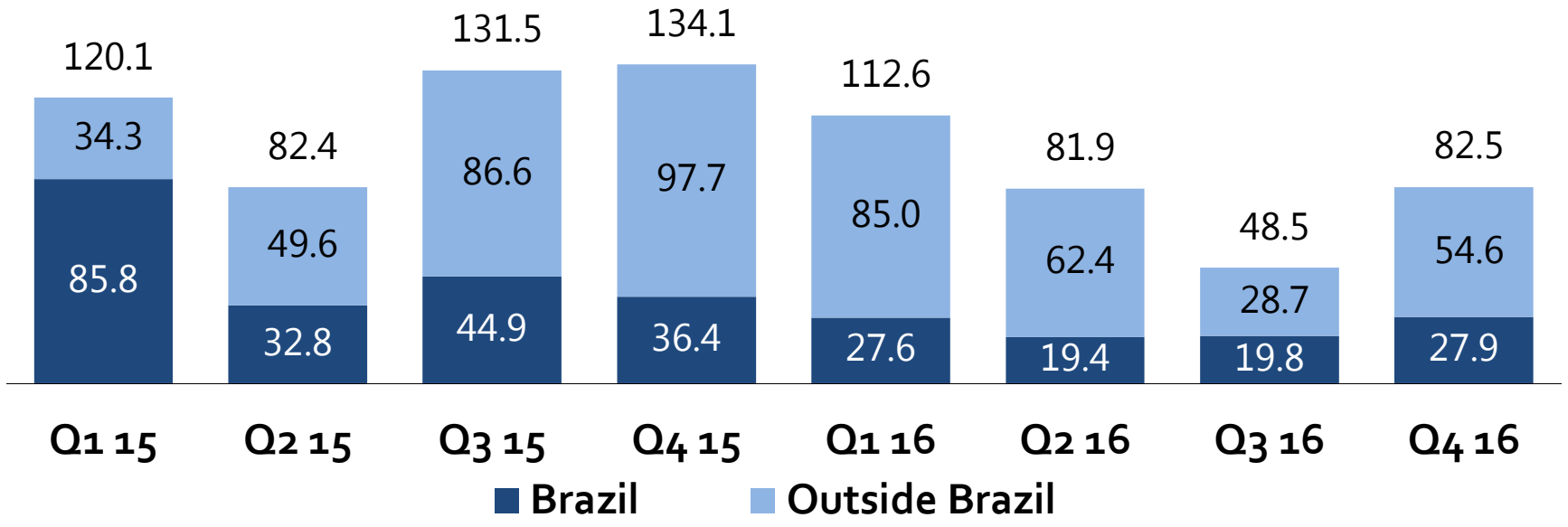


Main impacts on Cash Flow



In R$ million

Capex Program
Quarterly Evolution



In R$ million

Outlook

2017 Brazilian economy "normalization"

- Diversification, an important part of our business model, to start working again
- Business environment to remain challenging, especially at the beginning of the year
- Brazil is still gradually coming out of recession and political crisis increases uncertainties;

In Brazil, expected gradual recovery of investments with improved economy:

- Beginning with maintenance capex
- Progressing to marginal expansion capex
- Eventually new cycles of greenfield capex some particular sectors
- Visibility on the speed of the pickup is still low, but some parts of the business are clearer (T&D, for example)

World grows slowly, though consistently;

- Global industrial electrical equipment market DOES NOT GROW. WEG's growth is the result of consolidation (entering new markets and gaining market share)

Adjustments to maintain competitiveness and responsiveness

Contacts
IR WEG



Paulo Polezi
Finance and Investor
Relations Officer

+55 (47) 3276-6354
ppolezi@weg.net

https://www.facebook.com/ri.weg

twitter.com/weg_ir

www.linkedin.com/company/weg-investor-relations

www.weg.net/ir