Conference Call 1Q16

Margins and Growth Resilience



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Disclaimer

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

01

Positive performance, considering the domestic environment and global economic conditions

Net Operating Revenue of **R$ 2,416.3 million**, with **13.4%** growth over the 1Q15 and decrease of **11.6%** over the 4Q15;

02

Despite the seasonally weaker quarter, margins and earnings growth showed resilience

EBITDA of **R$ 342.2 million**, with margin of 14.2%, **-1.8%** over the 1Q15 and **-10.4%** over the 4Q15;

Net Income of **R$ 282.4 million**, with net margin of 11.7% and growth of **14.9%** over the 1Q15 and decrease of **26.4%** over 4Q15.

03

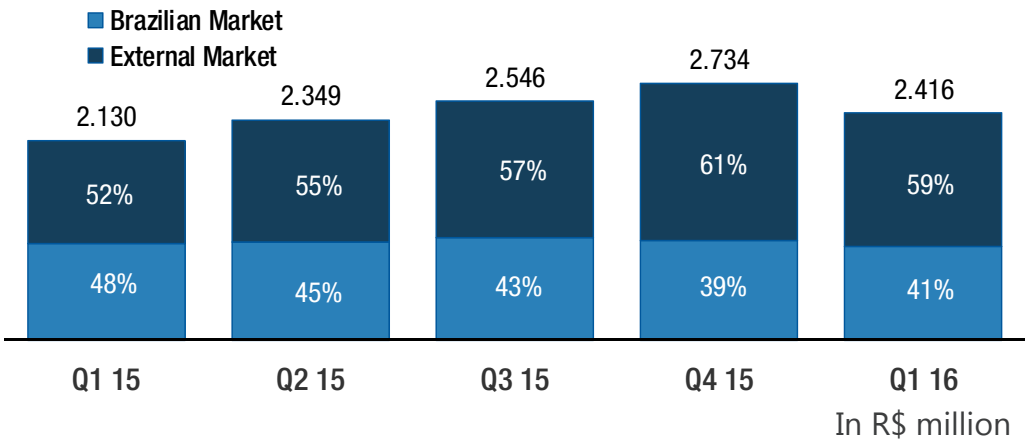
Organic (industrial plants of Mexico and China) and non-organic (Bluffton) investments continue

Investments in capacity expansion and modernization totaled **R$ 112.6 million**, 25% in industrial plants in Brazil and 75% in expansion projects abroad.

Operating Cash Generation of **R$ 383.3 million** in 1Q16, with efficiency gains in working capital management.

Acquisition of Bluffton, in USA, a manufacturer of fractional electric motors

Net Operating Revenue
Quarterly Evolution



In R$ million

Net Operating Revenue
***R$ 2,416.3 million**, for **13.4%** growth over the 1Q15 and decrease of **11.6%** over the 4Q15*

Brazilian Market: R$ 994.8 million, 41% of NOR

- Growth of -3.2% over the 1Q15

External Markets: R$ 1,421.5 million, 59% of NOR

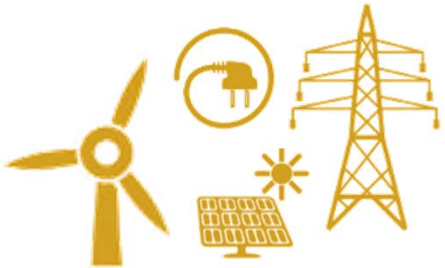
- Growth of 28.9% over the 1Q15 in Brazilian Reais:
- Organic growth: 26.3% in Brazilian Reais:
- Growth of 10.3% in local currencies, weighted by the revenues in each market
- Growth of -5.6% in quarterly average US dollar

Business Areas Performance



Industrial Electro-Electronic Equipment. Industrial investments remain weak in Brazil, waiting for more clarity on the political and economic scenario. The decrease in volumes has been partially offset by sales price adjustments.

In external markets, we continue investing resources in expanding our presence in several global markets. Included in this effort to production capacity expansion in Mexico and China and the recent acquisition of Bluffton, in the USA, a fractional electric motors manufacturer with strong presence in the North American Market



Energy Generation, Transmission and Distribution (GTD) – In Brazil, we continue to see the wind power generation segment as the highlight. Future performance will hinge on the results the results of the next energy auctions.

In transmission and distribution (T&D), despite the slow economic activity and the decreasing demand for energy in Brazil, our competitiveness has allowed us to perform better the market.

We also began exploring opportunities in electricity generation in other markets.

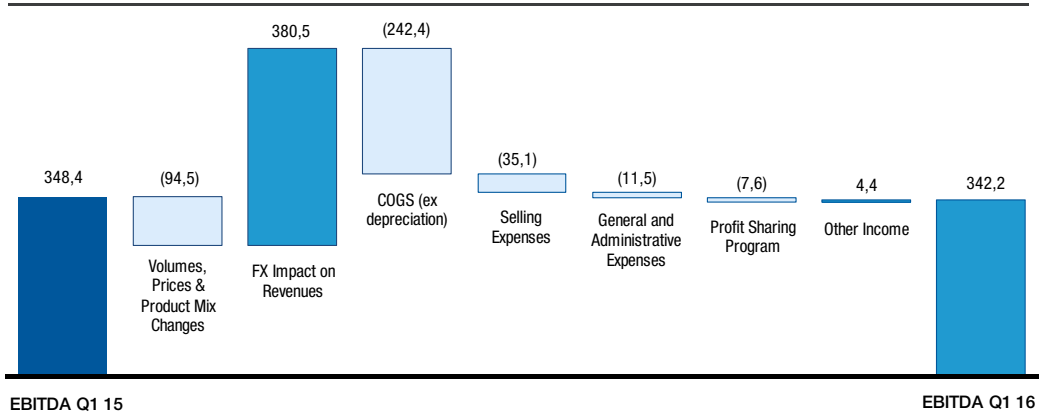


Motors for domestic use. The Brazilian market showed no recovery, and operations abroad are concentrated in WEG Yatong, China, which has shown consistent performance.



Paints and Varnishes. We exploring new markets and applications for our products. We benefit by better performance in Argentina, where we have significant market presence.

Main impacts on EBITDA



In R$ million

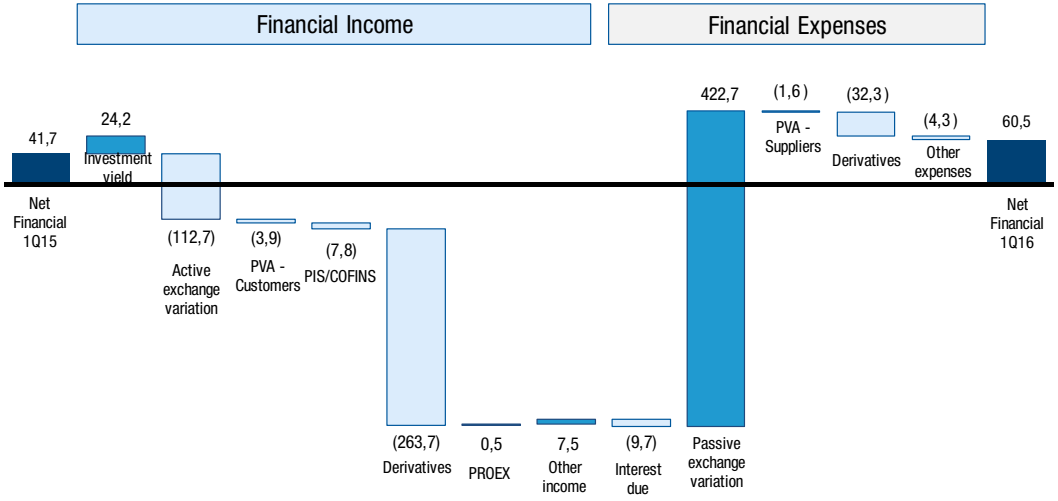
*EBITDA of **R$ 342.2 million**, with margin of **14.2%**, -1.8% over the 1Q15 and -10.4% over the 4Q15.*

Unfavorable conditions in Brazilian market are still hampering the margins recovery.

Gross margin of 27.8% in the quarter, with price increases in installments, the growing relevance of wind power and motors for domestic use in China, but without additional provisions for slow moving inventories abroad.

New pressures on gross margin from the slower domestic market on transformation costs and on the dilution of fixed costs.

Main impacts on Net Financial Results



In R$ million

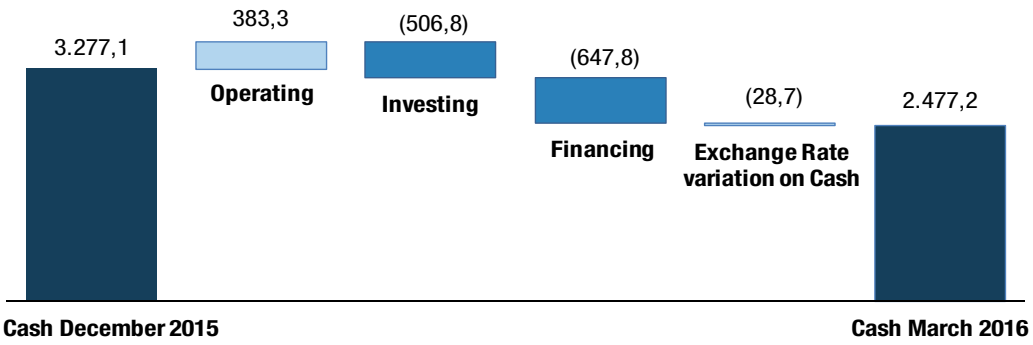
Financial results remain positive, with influences by market-to-market of exchange hedge.

The net financial results were again positive in the quarter, reaching R$ 60.5 million, with the mark-to-market of derivative transactions used to hedge the foreign currency debt, with additional reductions in interest rates in US dollar in Brazil (coupom cambial). that this is an accounting impact and that there is no actual cash outflow until the transactions are settled.

We do hedge exchange rate swapping US$ for floating rate in Brazilian Reais, at very attractive costs.

Despite difficult market conditions, WEG maintains access to credit lines at very attractive conditions.

Main impacts on Cash Flow



In R$ million

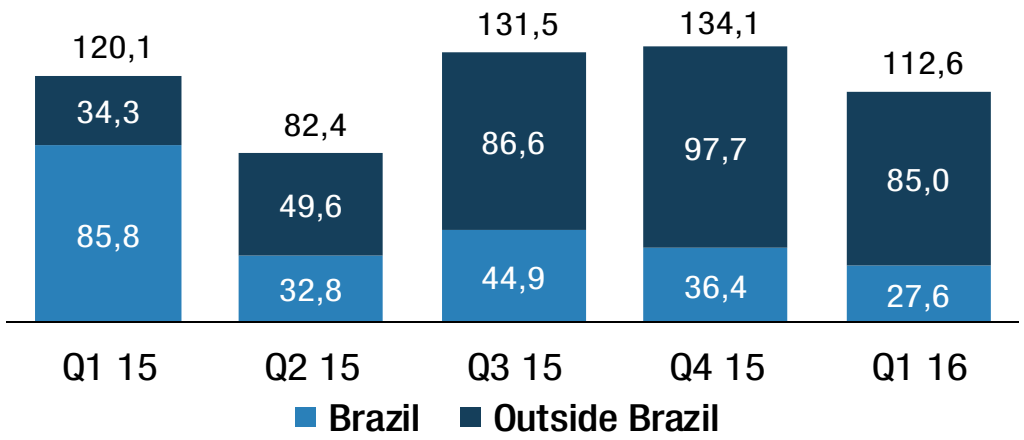
Operating cash generation benefited from the greater efficiency in working capital. Investment activities maintained.

Cash generation from operating activities was of R$ 383.3 million in the 1T16. We are seeing the initial results of our efforts to gain efficiency in the use of working capital, with reduction in inventories.

Investing activities consumed R$ 506.8 million in the quarter. We continue to execute the investment program, with emphasis on the expansion in new plants in China and Mexico and bolt-on acquisitions, as we announce the Bluffton transaction at the end of March.

Financing activities consumed R$ 647.8 million in the period, with R$ net debt amortization R$ 274.9 million.

Capex Program
Quarterly Evolution



Investment program being carefully executed. Investments in expansion of ***R$ 470 million*** *in 2016.*

Investments in expansion and modernization totaled R$ 112.6 million in 1Q16, in line with our budget.

The new electric motors industrial plants in Mexico and China, both already in production, will continue to receive most of the capital expending in 2016 and expand modularly over the next few years.

Considering the industrial plants in Brazil and abroad, investments for capacity expansion and modernization should reach R$ 470 million in 2016.

Outlook

WEG showed this quarter, the resilience of margins and the ability to continue to grow, even in very adverse conditions in key markets

In Brazil, the year 2016 begins as 2015 ended, with weak economic activity. It is hard to exaggerate the difficulties the industrial sector is facing in Brazil. It is important to remember that the current crisis is not only acute, but also long.

Abroad, we have not had the full recovery in the markets where we have stronger presence, but we continue to grow and seeking opportunities, with acquisitions and capacity expansion.

In this unfavorable environment, our focus remains the preservation of returns and sustainable growth.

At the same time we must make the necessary adjustments, we can not lose competitiveness and our capacity to react.

Contacts
IR WEG



Paulo Polezi
Finance and Investor Relations Officer

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



Luis Fernando Oliveira
Investor Relations Manager

+55 (47) 3276-6367
luisfernando@weg.net

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

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