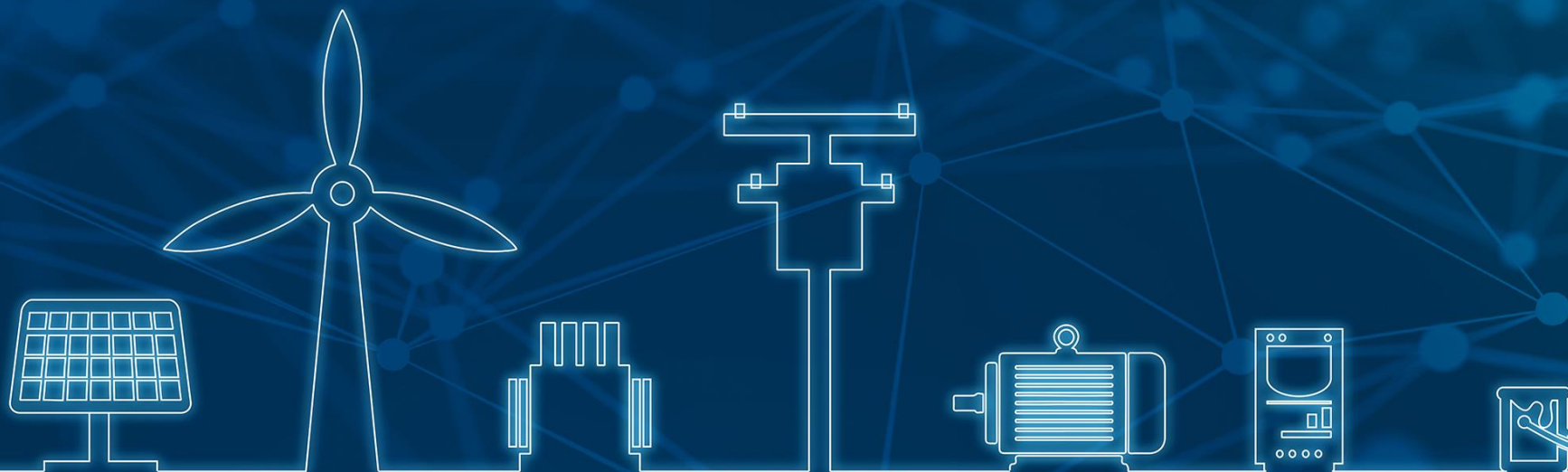


# WEGDAY2018



Transforming energy into solutions.

[ir.weg.net](http://ir.weg.net)



# Disclaimer

Any forward-looking statements that may be made about future events, at business perspective, at operational and financial projections and goals, and the growth potential of WEG in the future, constitute mere beliefs and expectations of WEG's management, based on information currently available.

These statements involve risks and uncertainties and therefore depend on circumstances that may or may not occur. Investors should understand that general economic, industrial, and other operating conditions may affect WEG's future performance and lead to results that differ from those expressed in such forward-looking statements.

# WEG Day 2018

## Agenda

- 8:00 am** Registration and Breakfast
- 8:40 am** Opening Remarks
- 8:50 am** Electro-Electronic Equipment Update
- 9:10 am** GTD Update
- 9:30 am** North America Operations
- 9:50 am** Asia Operations
- 10:10 am** Q&A – Businesses
- 10:40 am** Financial Performance
- 11:00 am** Strategy and Outlook
- 11:20 am** Q&A and Closing Remarks

## Speakers



Harry Schmelzer Jr.  
**CEO**



André Luís Rodrigues  
**CFO**



Siegfried Kreutzfeld  
**Managing Director  
(China)**



Peter Barry  
**Managing Director  
(USA)**

# Industrial Electro-Electronic Equipment

*Mr. Siegfried Kreuzfeld*

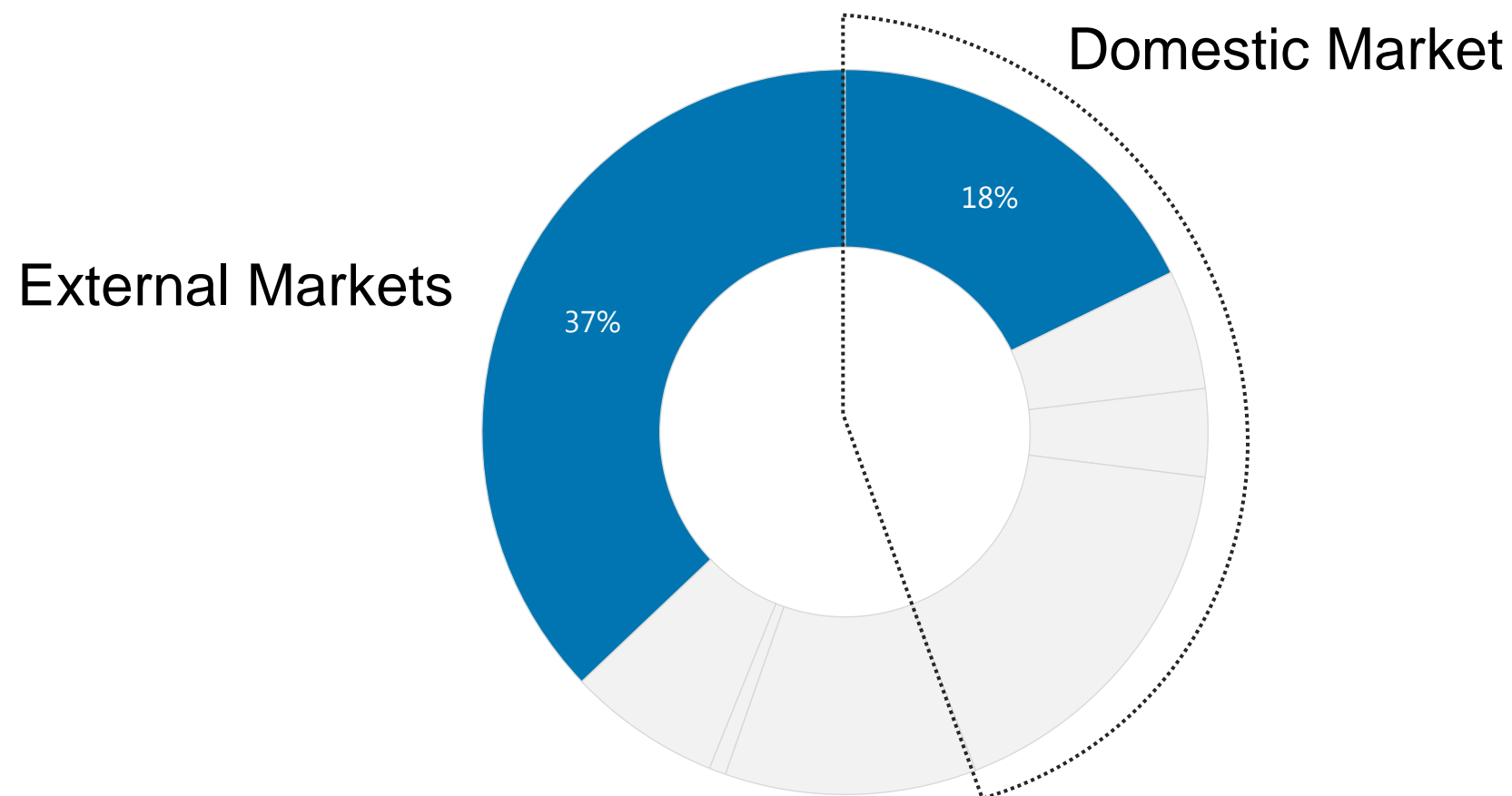


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# Business Area

## 2017 Net Operating Revenues Breakdown



### Industrial Electric Motor and Automation

# Industrial Electric Motors



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# WEG Motors

*At a glance*



**+16,500**  
Employees



**18**  
Manufacturing  
sites in 8 countries  
3 continents



The most  
representative  
business in the  
group



Leader in Brazilian  
market of electric  
motors



50% of sales from  
high efficiency  
electric motors in  
2017



**+3,400**  
Distributors and  
Resellers

**70,000**

Motors produced  
per day



**+70%**  
of motors  
sales outside  
Brazil



**TOP  
3**  
Largest global  
electric motors  
manufacturer



Largest manufacturing  
site for LV electric  
motors in the World

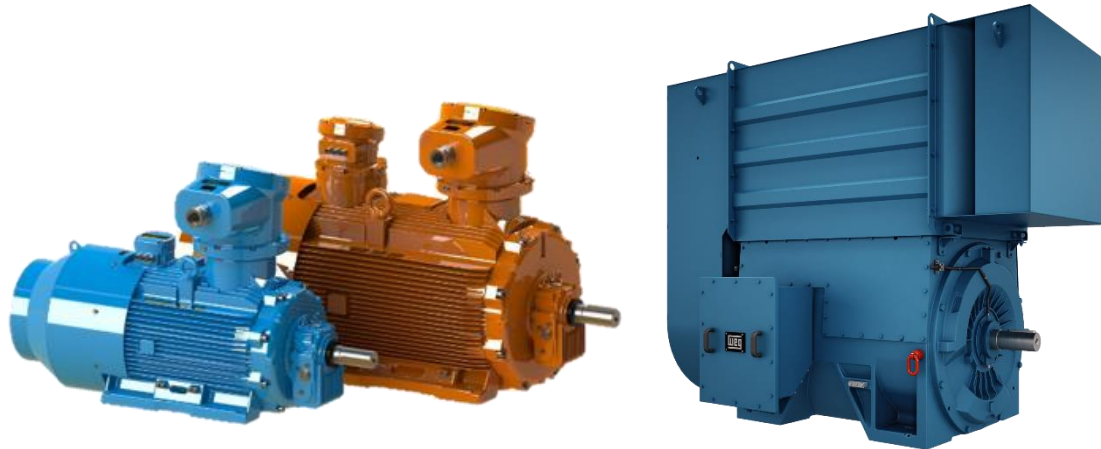
# Products

*Complete range of products to address all markets segments*

Low voltage industrial motors



High voltage industrial motors



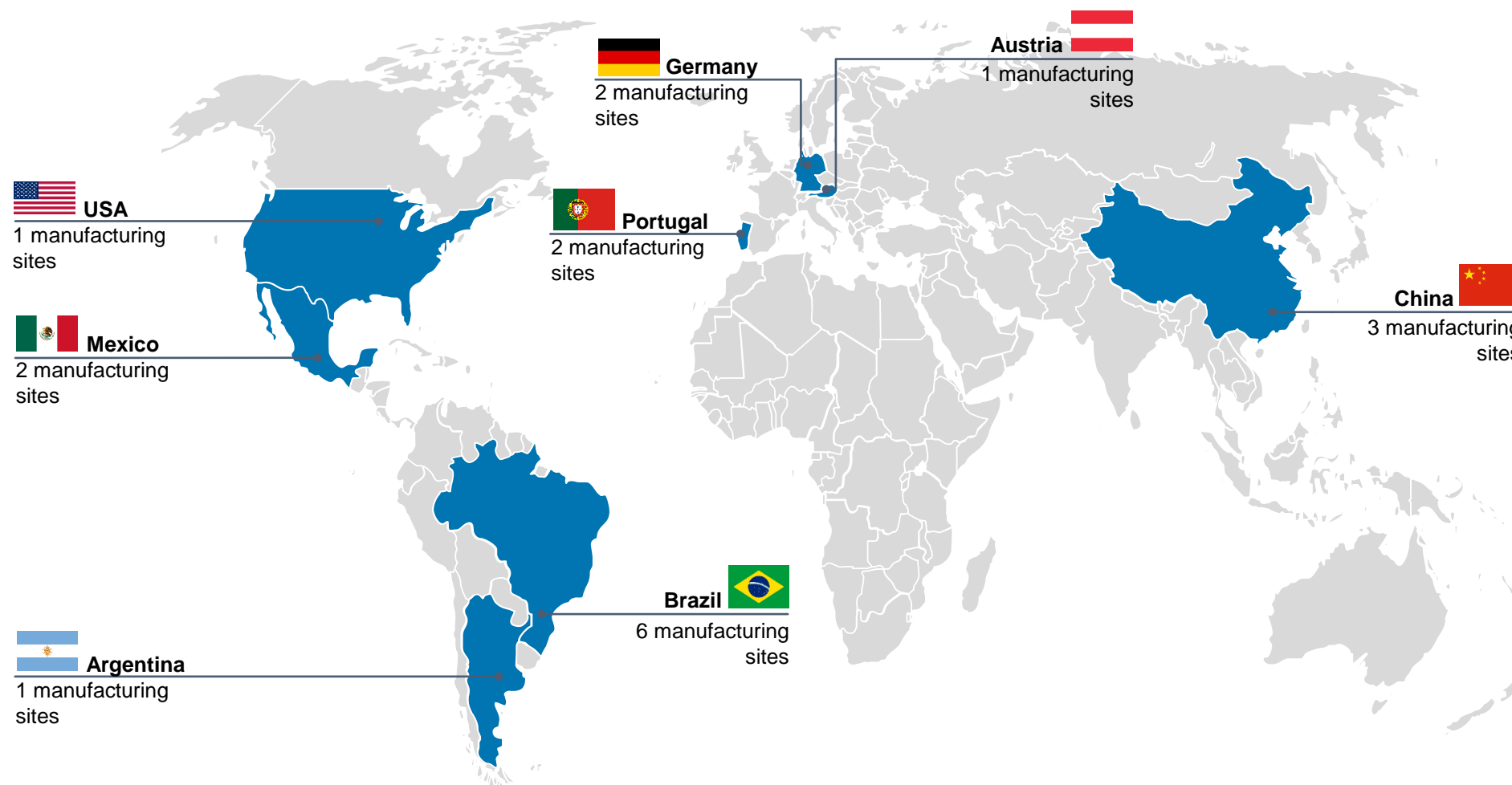
Gearboxes





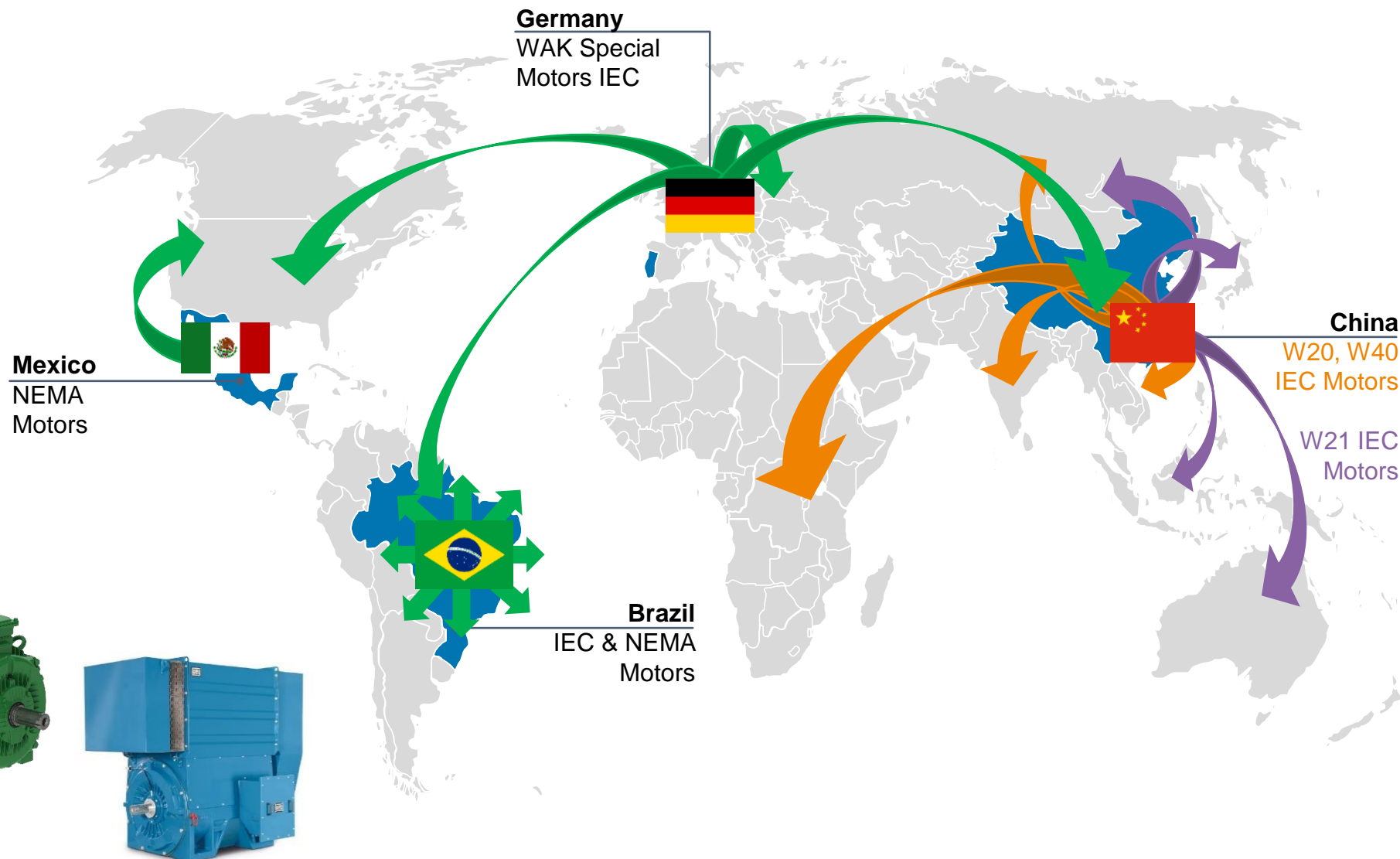
# Global Footprint

*WEG manufacturing sites have been strategically structured close to customer.*



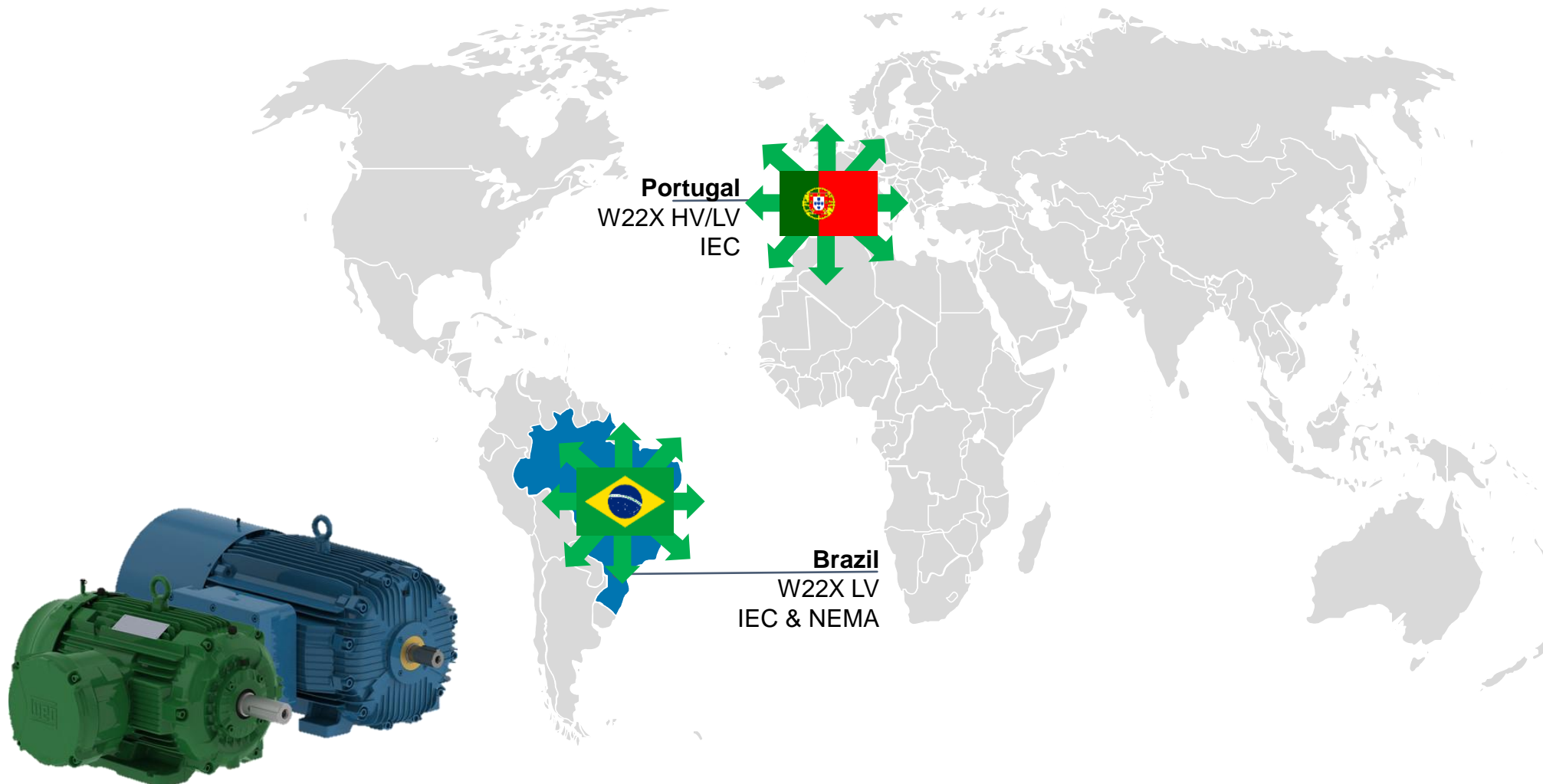
# Global Supply Strategy

*Industrial motors – W22, W40, W50, HGF and special motors*



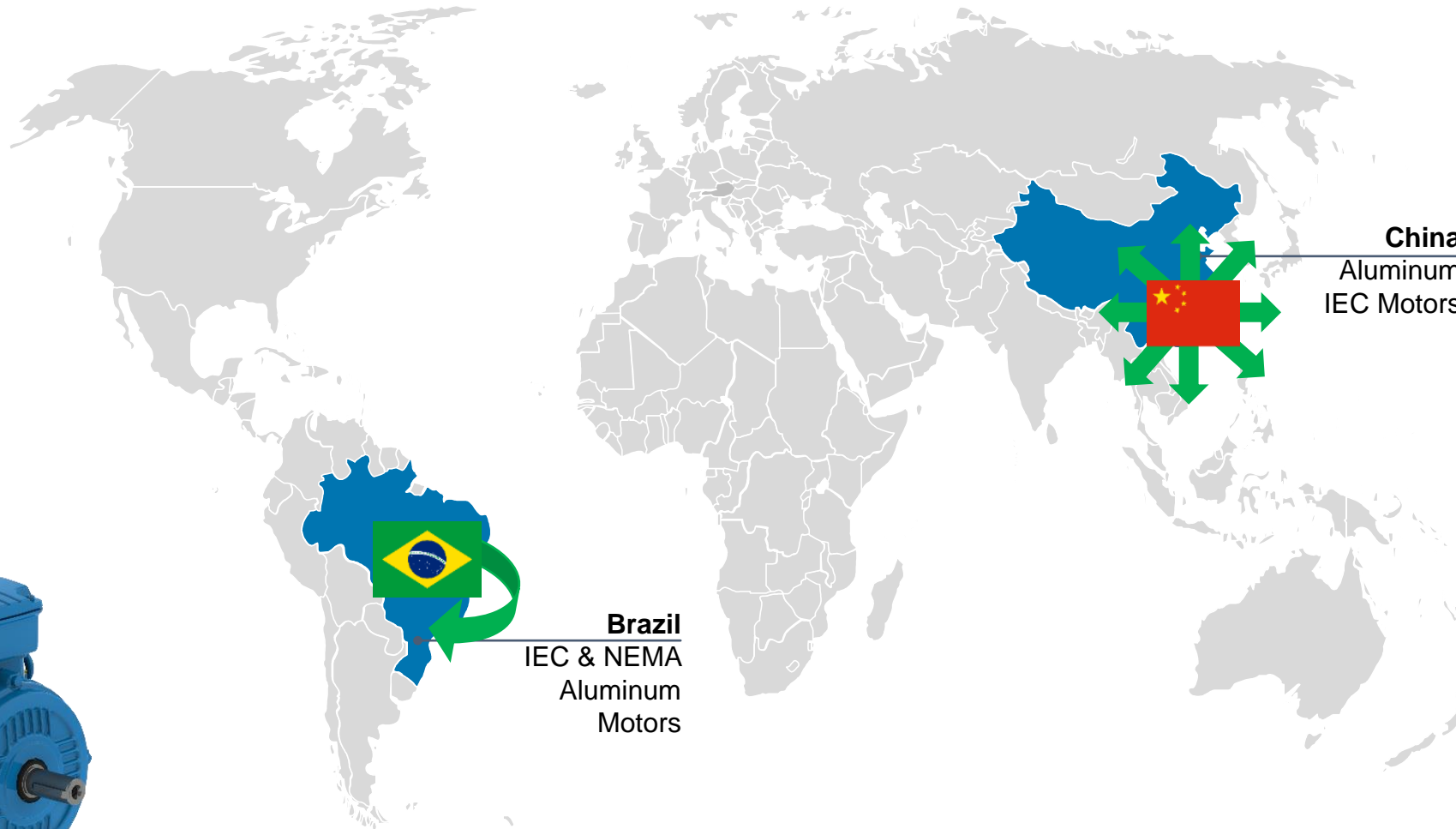
# Global Supply Strategy

## *Explosion proof motors*



# Global Supply Strategy

## Aluminum motors





# Global Supply Strategy

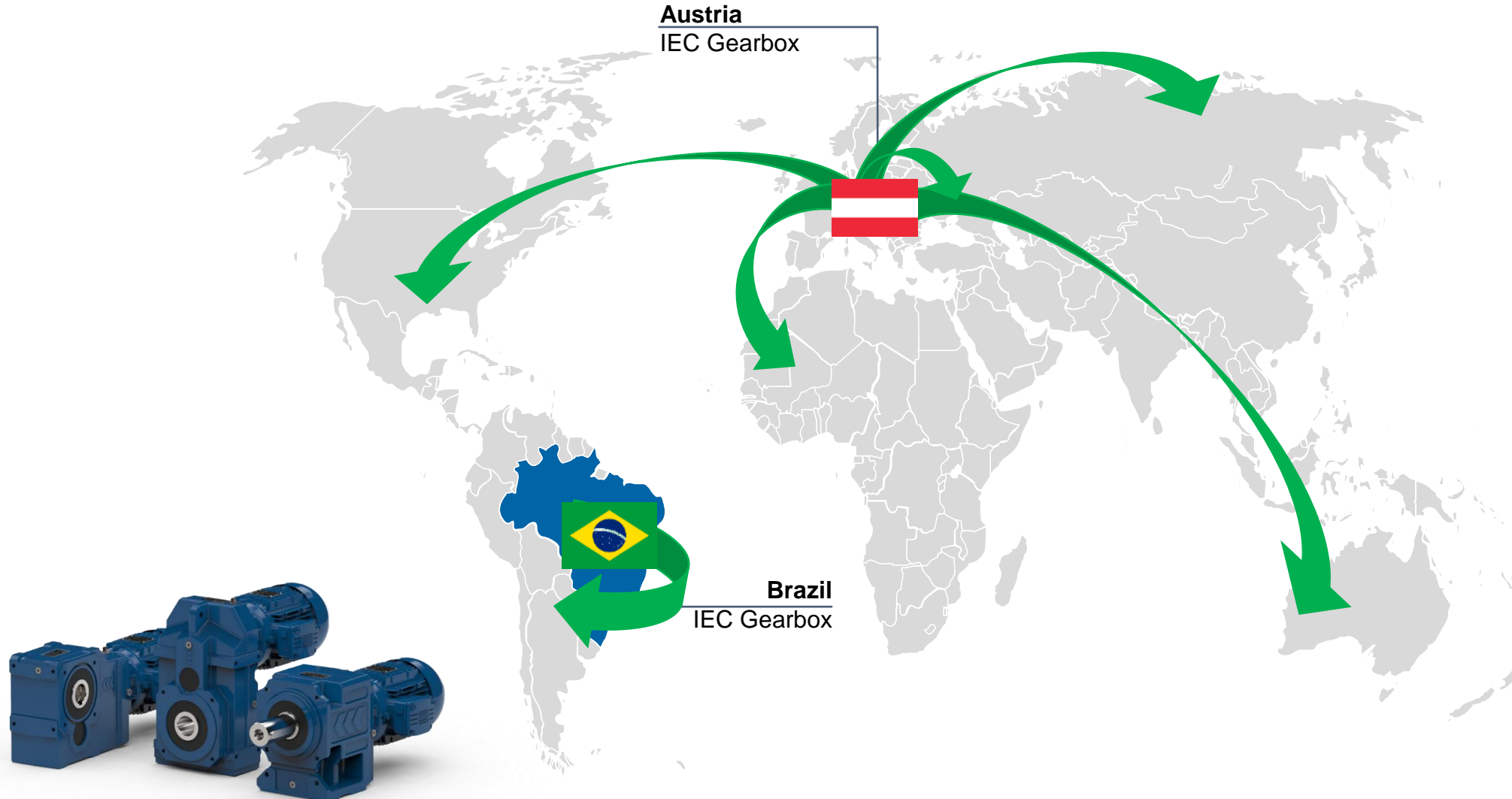
## *Rolled steel motors*

**Mexico**  
NEMA  
Motors



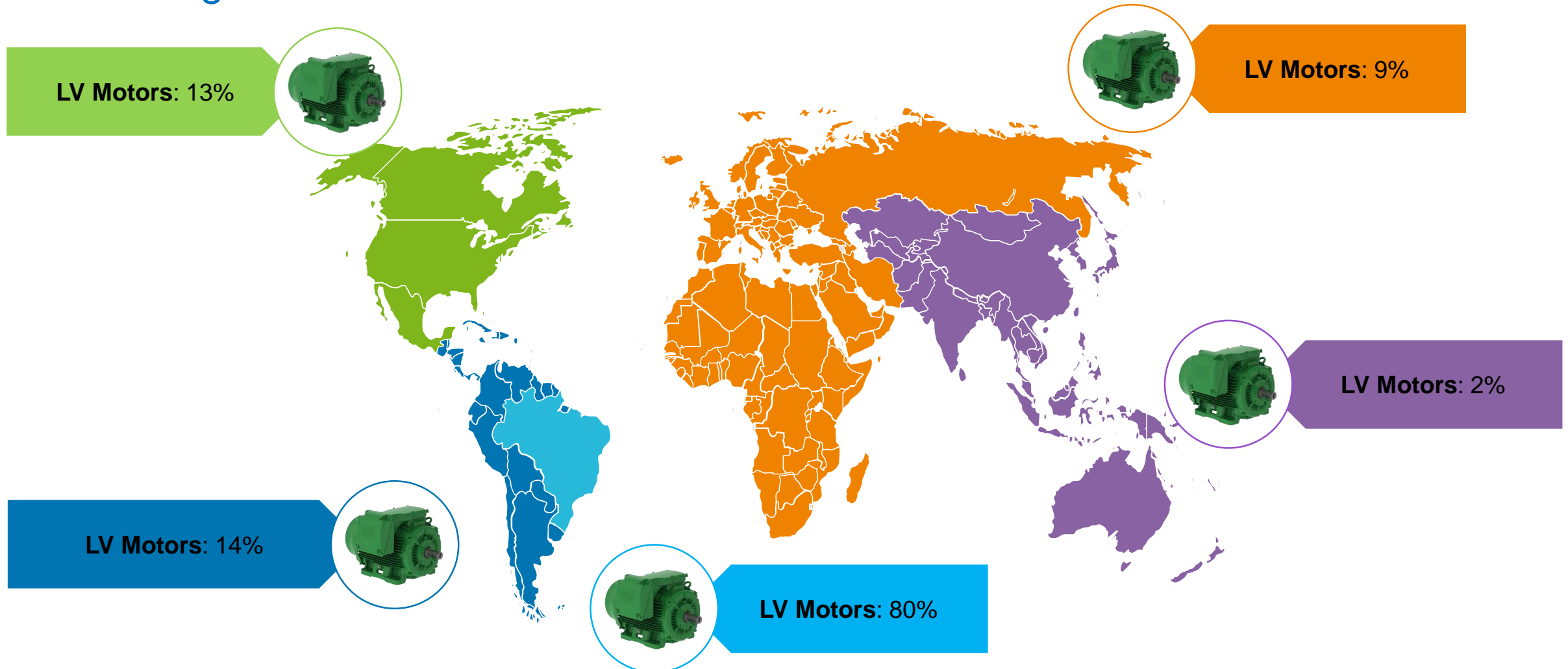
# Global Supply Strategy

## *Geared motors and gear boxes*



# WEG's Market Share

## Low voltage electric motors



Source: IHS - Low Voltage Motors Report, 2016

# Investments

*We've built a global production platform - Portugal*





# Investments

*We've built a global production platform - China*



# Investments

*We've built a global production platform - Mexico*



\* Estimated total. Currently working in foundry and machining structures. Will be completed by April 2019.



# Investments

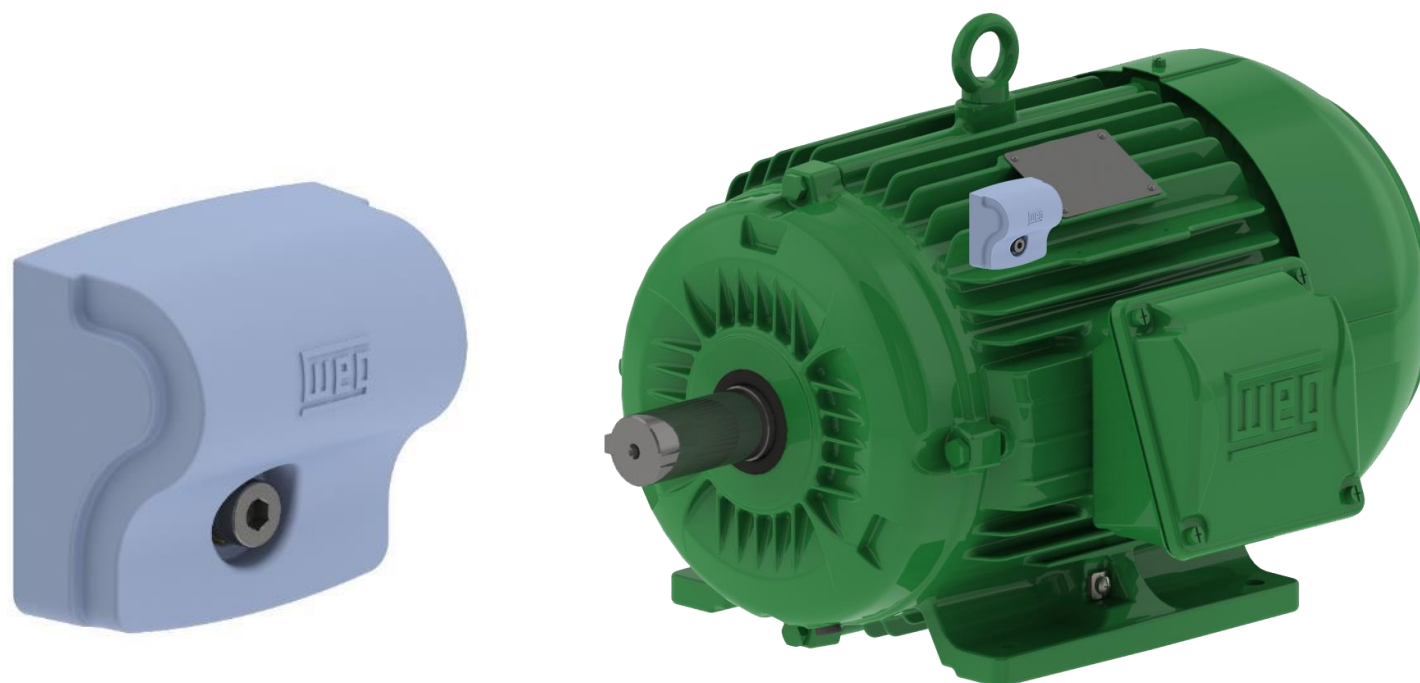
*We´ve built a global production platform – Mexico: Foundry*



# New products portfolio

## WEG motor scan

*Motor monitoring solution*



### WEG Benefits

- **Ready for Industry 4.0;**
- **New Business**
- **Add value to product (OEM's)**
- **Product and application knowledge improvement**

#### Available

Overall Vibration  
 Surface Temperature (°C or °F)  
 Operating Hours (h)  
 Maintenance Advice  
 Battery Indicator

#### Coming Soon

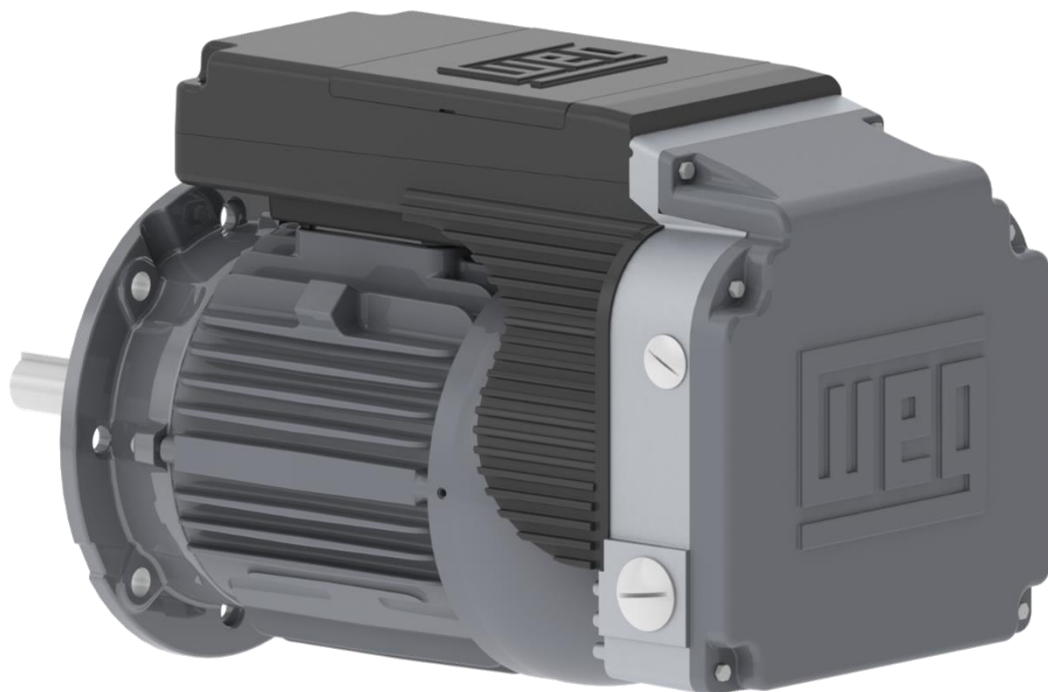
Cooling Condition  
 Bearing Condition  
 Speed (rpm)  
 Airgap Eccentricity  
 Rotor Winding Health  
 Energy Consumption (kWh)  
 Load / Efficiency (%)  
 DOL Intermittent or VFD



# New products portfolio

## Smart motor

*Integrated variable speed solution*



### Features

- Optimum integration with Motor
- Enhanced power density with special drive heatsink design
- Interchangeability
- Integrated HMI

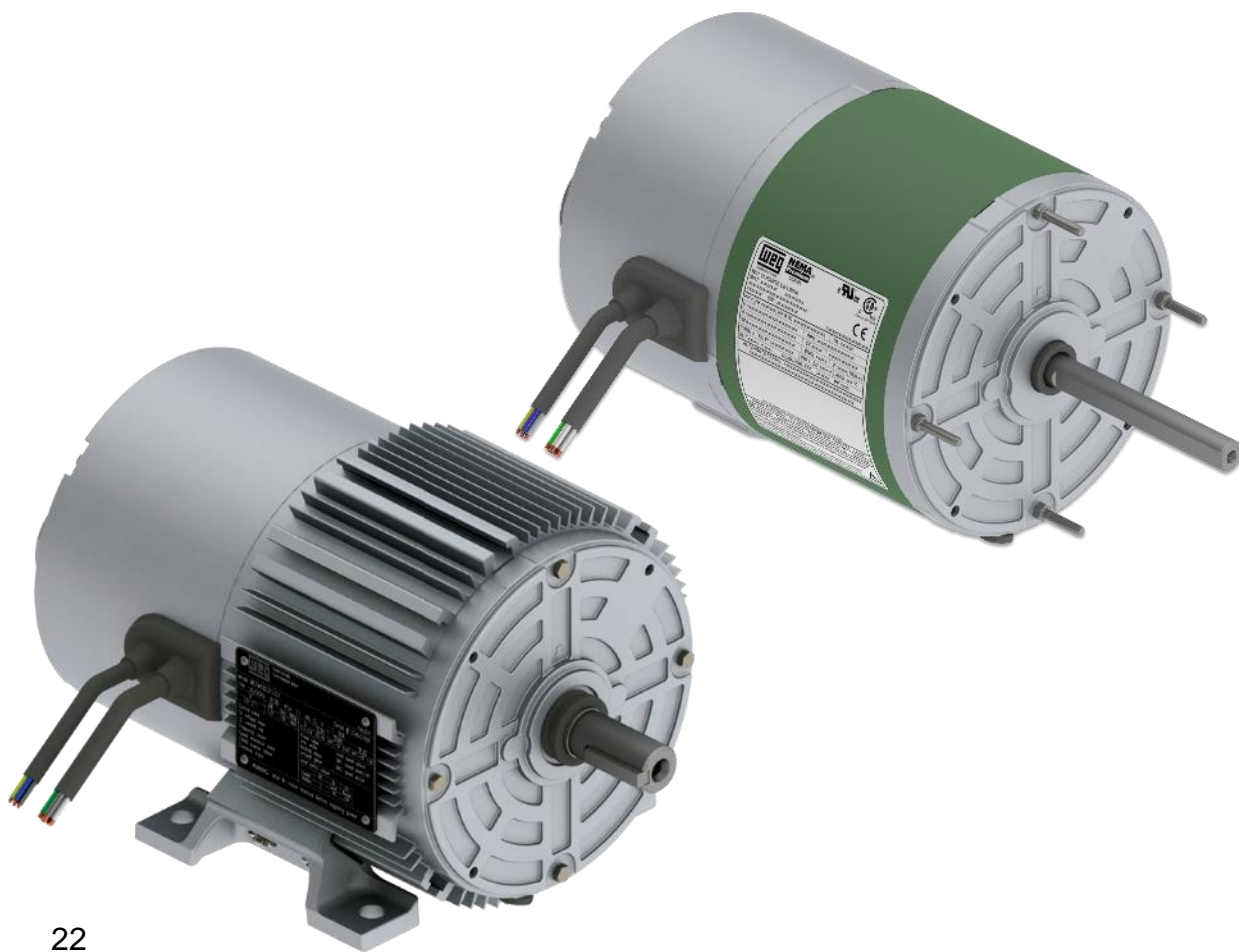
### Benefits

- **Ready for Industry 4.0**
- **New Business**
- **Add value to product (OEM's)**
- Product and application knowledge improvement

# New products portfolio

## ECM - electronic commutated motor

*The simple and efficient solution for air movement applications requiring speed variation*



### Features

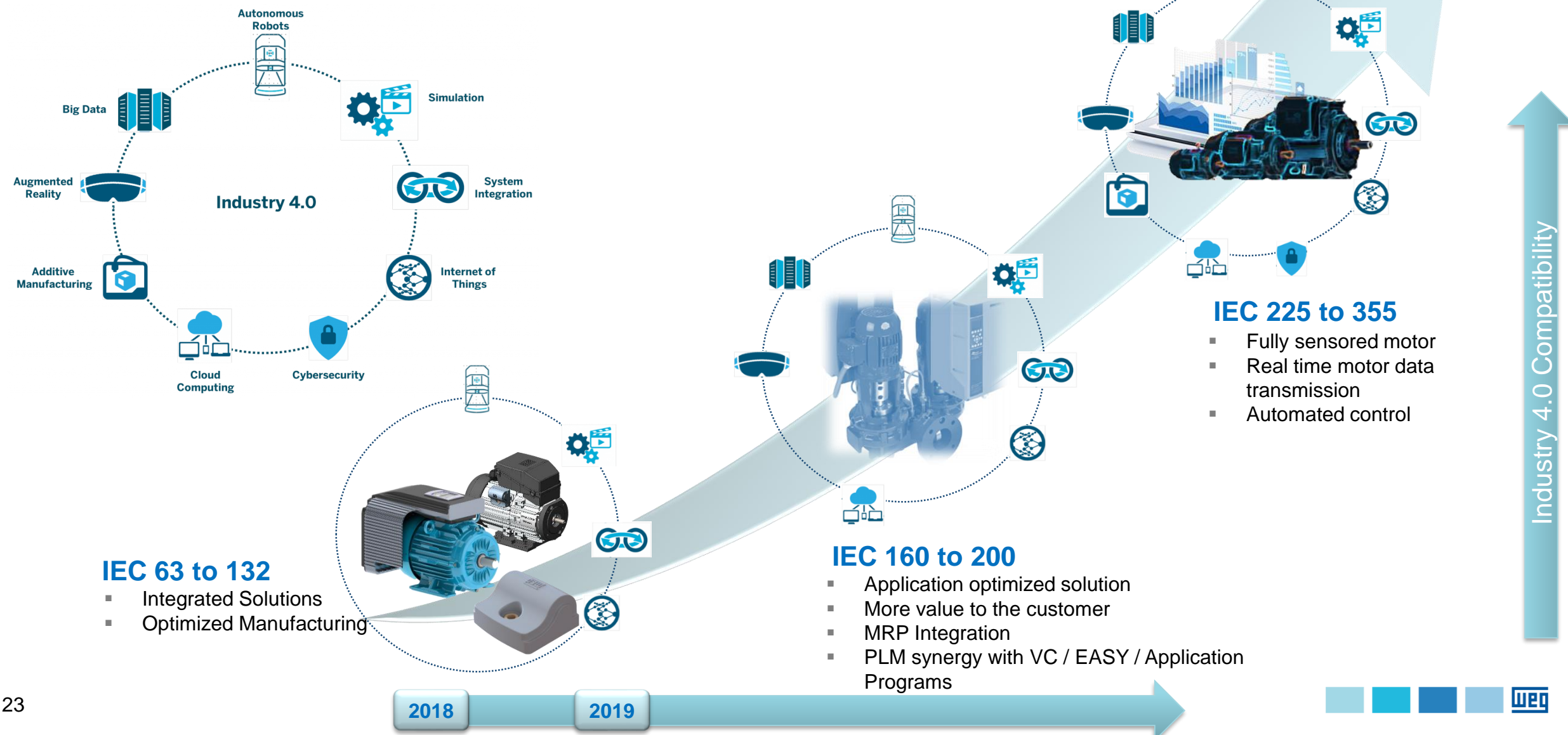
- Permanent Magnet
- Comply with the latest versions of standards and regulations
- Total efficiency (drive + motor) – IE5

### Benefits

- High performance solution
- Simplicity: The best cost-benefit solution to replace permanent slip capacitor motors (PSC);
- Optimized design: Low cogging torque and low torque ripple;
- Multi-mounting solution:
- Steel frame: rods, belly-band, foot, flange, resilient base
- Aluminum frame: foot, pads, rods, flange

# Investments

## Motor Concept – W23 Motors Concept / Industry 4.0



### IEC 63 to 132

- Integrated Solutions
- Optimized Manufacturing

### IEC 160 to 200

- Application optimized solution
- More value to the customer
- MRP Integration
- PLM synergy with VC / EASY / Application Programs

### IEC 225 to 355

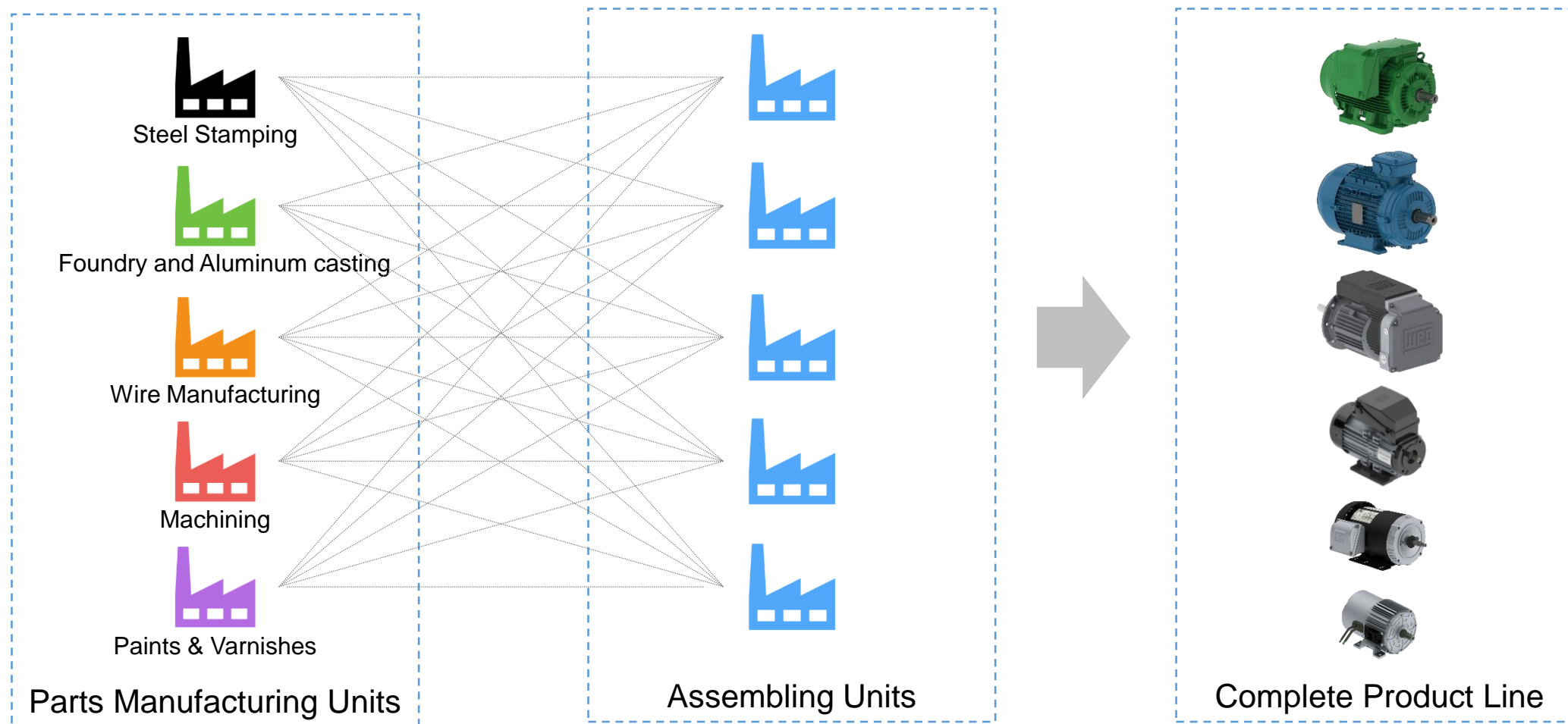
- Fully sensed motor
- Real time motor data transmission
- Automated control

Industry 4.0 Compatibility



# Competitive Advantage

*Vertical integration allows production flexibility to supply small batches of customized products that are matched to perfection to our customer's needs*



We do **mass customization**, not mass production

# Key Messages

## *Electric Motors*

- Continue investing in capability to improve our main strength: to be vertical integrated and flexible in customization
- Investment cycle in the main Industrial Parks almost completed with new opportunities of expansion already planned
- Continue developing technology and new products
- Growth opportunities coming from recovery of main markets and Brazilian economy





# Automation



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# WEG Automation

## At a glance



**+3,700**  
Employees



**12**  
Manufacturing sites in 9 countries  
4 continents



Largest Manufacturer and leader in Brazilian market of frequency inverters and soft-starters



Leader in supply of electric centers in Brazil



Exports to **55** countries



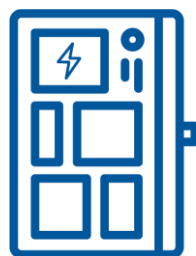
**89**  
Patents



**+1,500**  
Distributors and Resellers



Largest Brazilian Manufacturer of control systems, switchgear and low voltage protection



Largest Manufacturer of electric panels in Latin America



Automation Systems for various segments



**130**  
Technical assistance

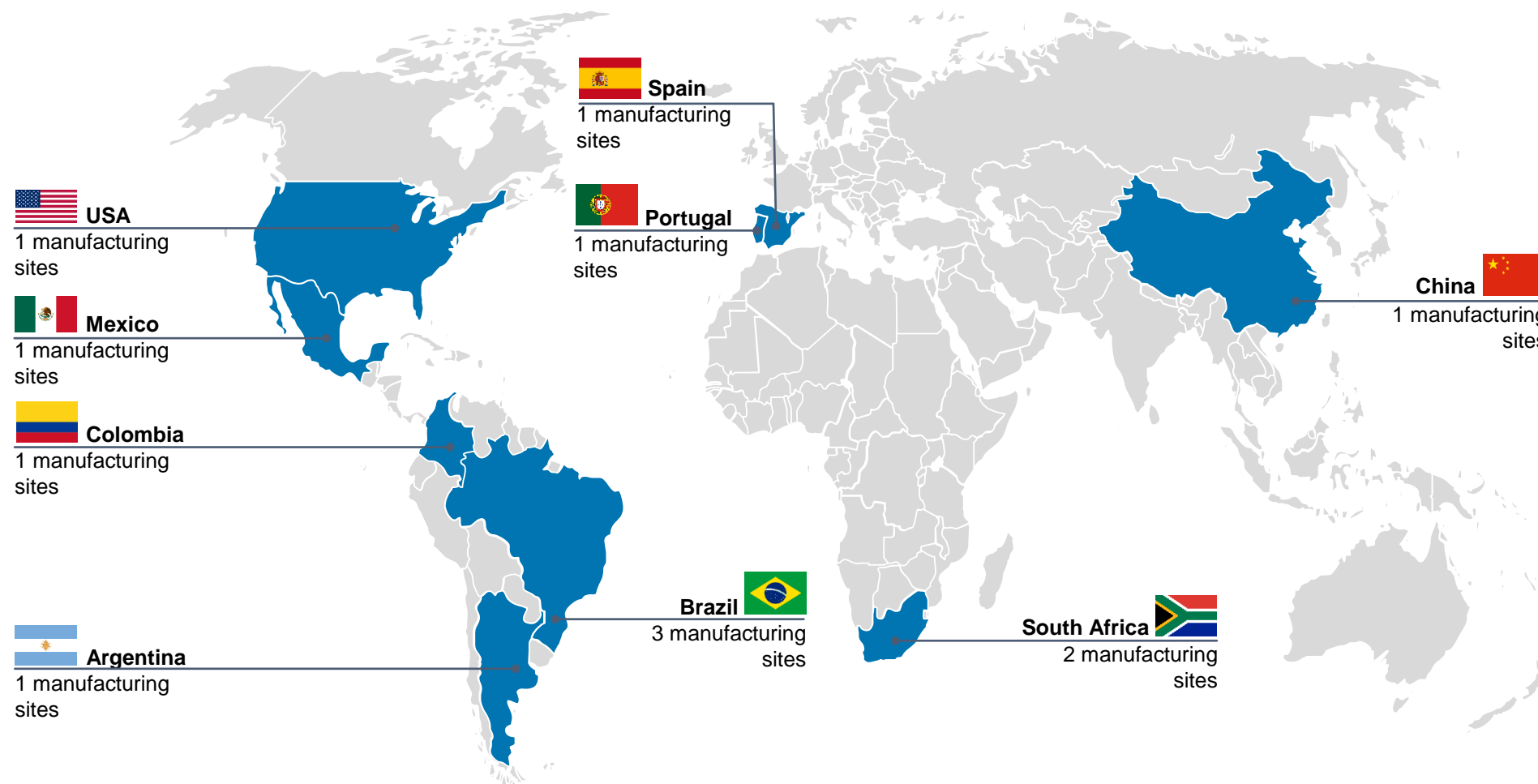
# Products

*Complete range of products to address all markets segments*



# Global Footprint

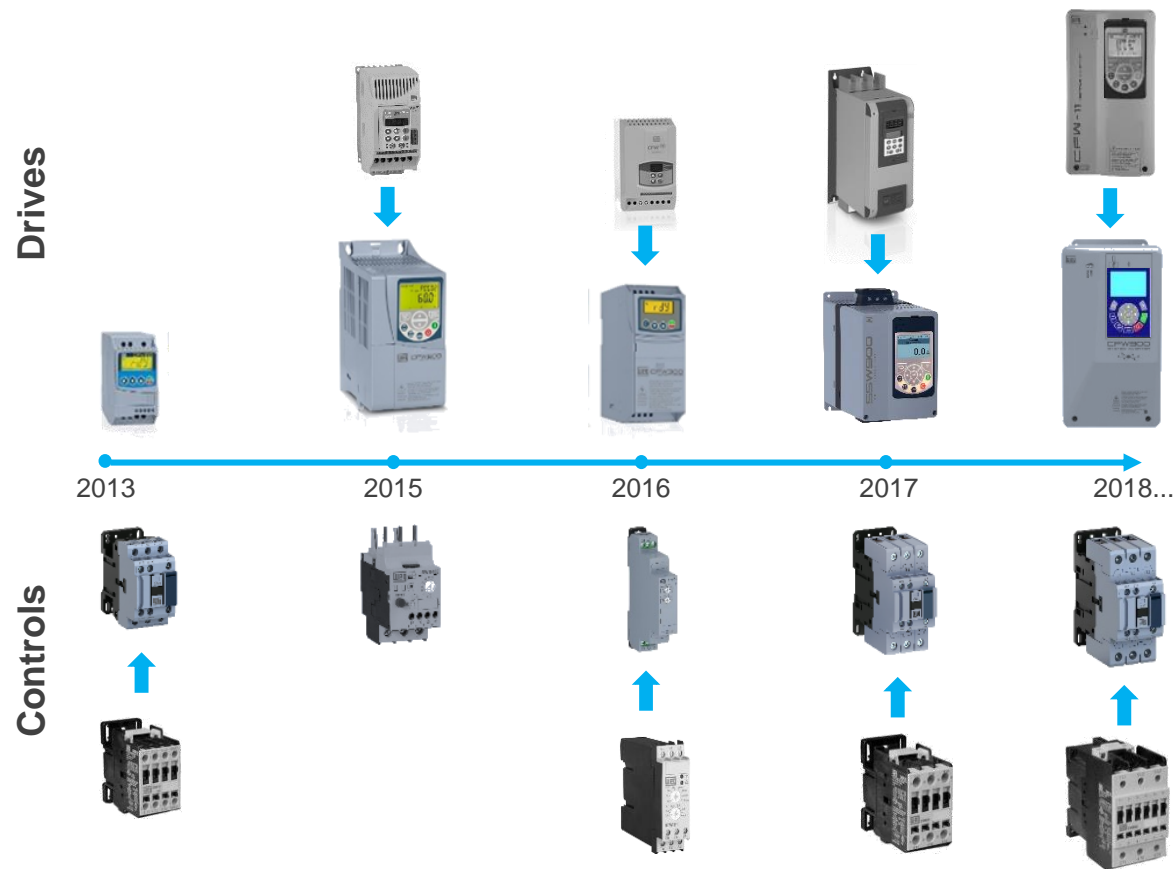
*WEG manufacturing sites have been structured to supply according to the current market demand*



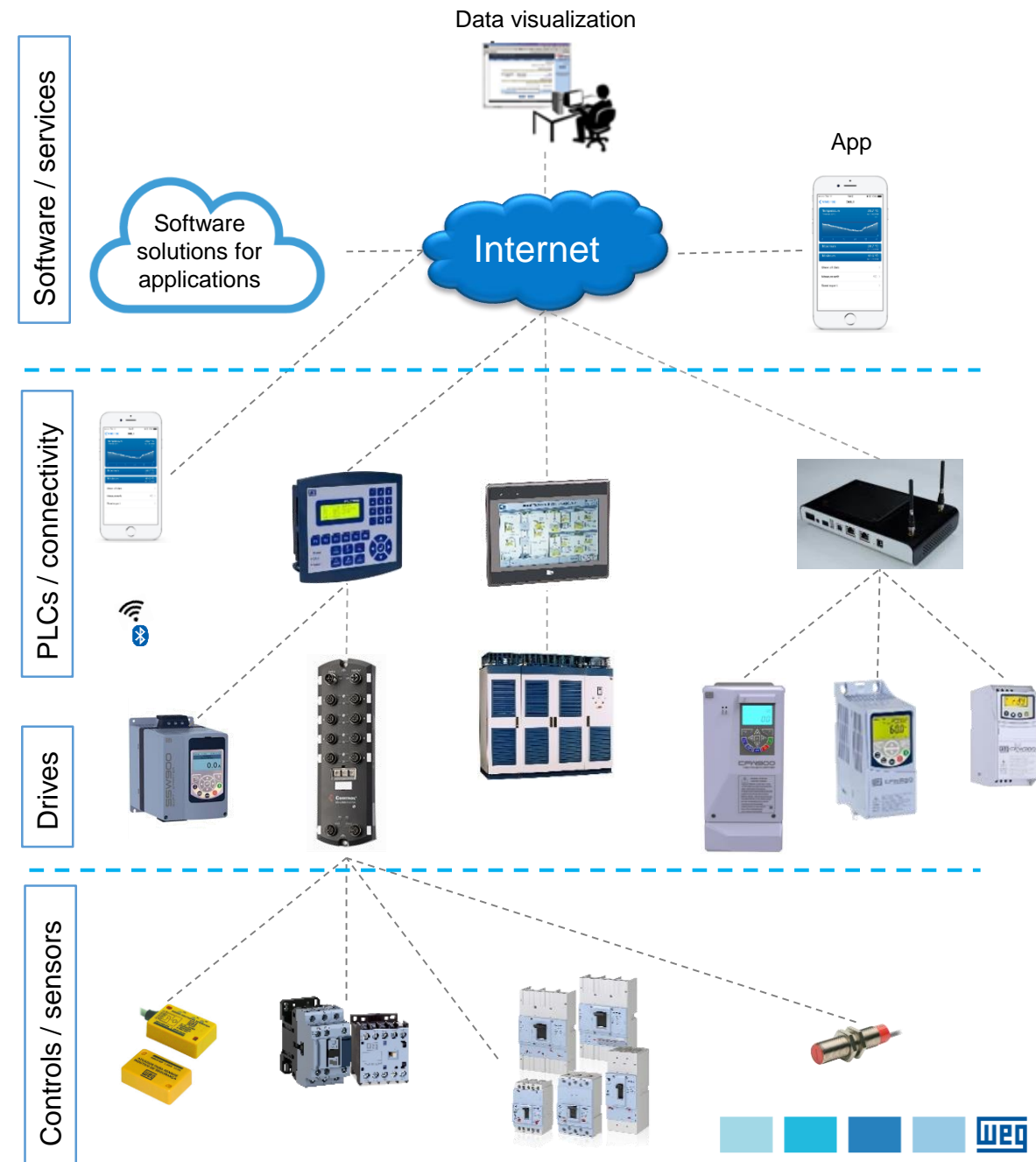


# Investments

## New Products Portfolio

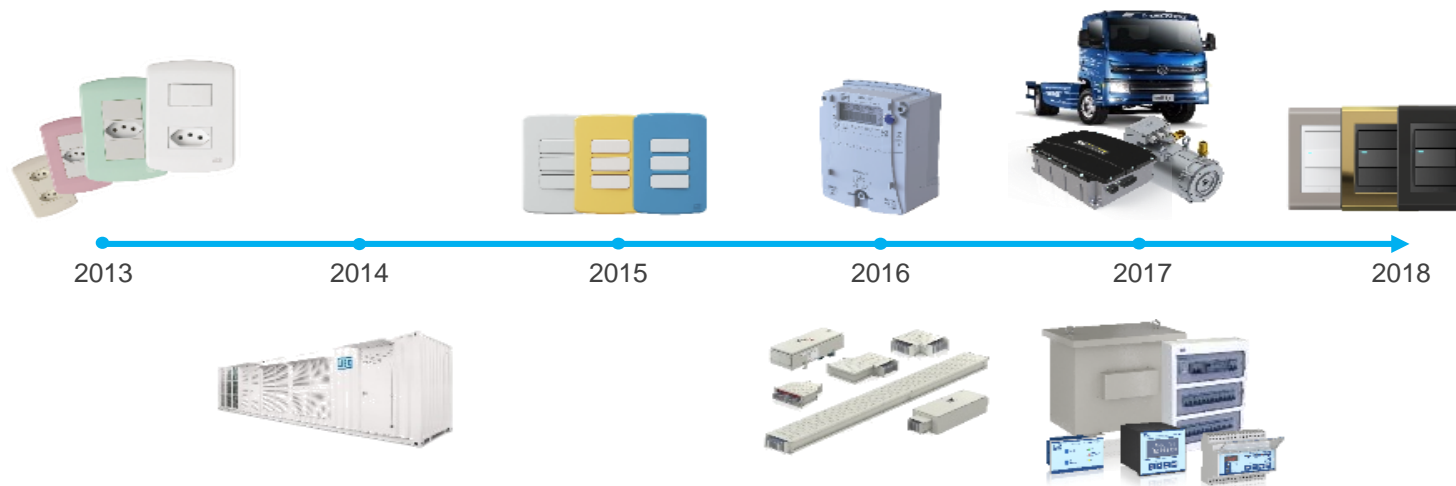


- State of the art;
- Higher productivity;
- More competitiveness;
- Incorporation of connectivity blocks to publish data on the internet.



# Investments

## *New Business and Markets' Development*



### *ELECTRIC MOBILITY*



e-Delivery VW/MAN

### *BUILDING & INFRASTRUCTURE*



Hospital in Juiz de Fora city, state of Minas Gerais/Brazil



# Electric Mobility

*We have products and technology to address the growing demand for electric mobility*

Powertrain for several applications

## Trucks



CVW500



VUC500

## Bus



## Special light vehicles



IND300



CVW300



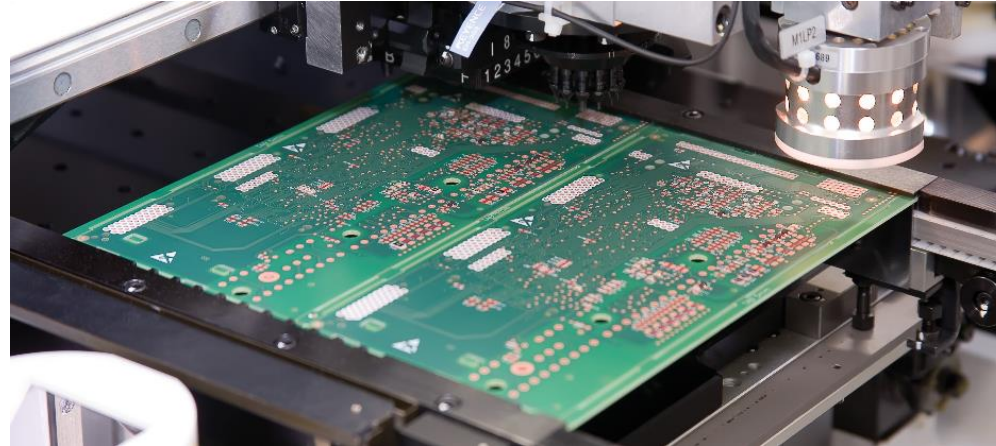
## Marine

Complete solution including the entire ship management and monitoring system



# Investments

*We´ve investing in industrial plant automation and process optimization aiming to increase the competitiveness of our products*



# Key Messages

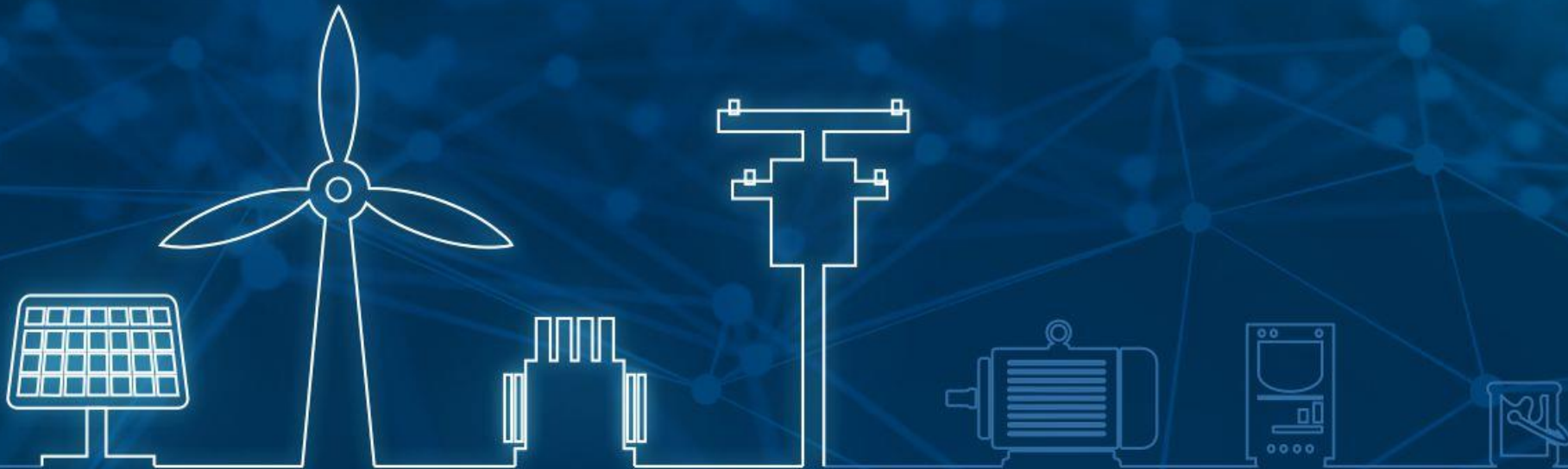
## *Automation*

- International expansion aiming to address specific customers needs with manufacturing sites in 9 countries
- Investment in China to be more competitive to address in the first step the Asia-Pacific drives market
- Updated in terms of products portfolio and technology to compete worldwide
- Constant growth in domestic market through gain in market share and new products launch



# Energy Generation, Transmission and Distribution (GTD)

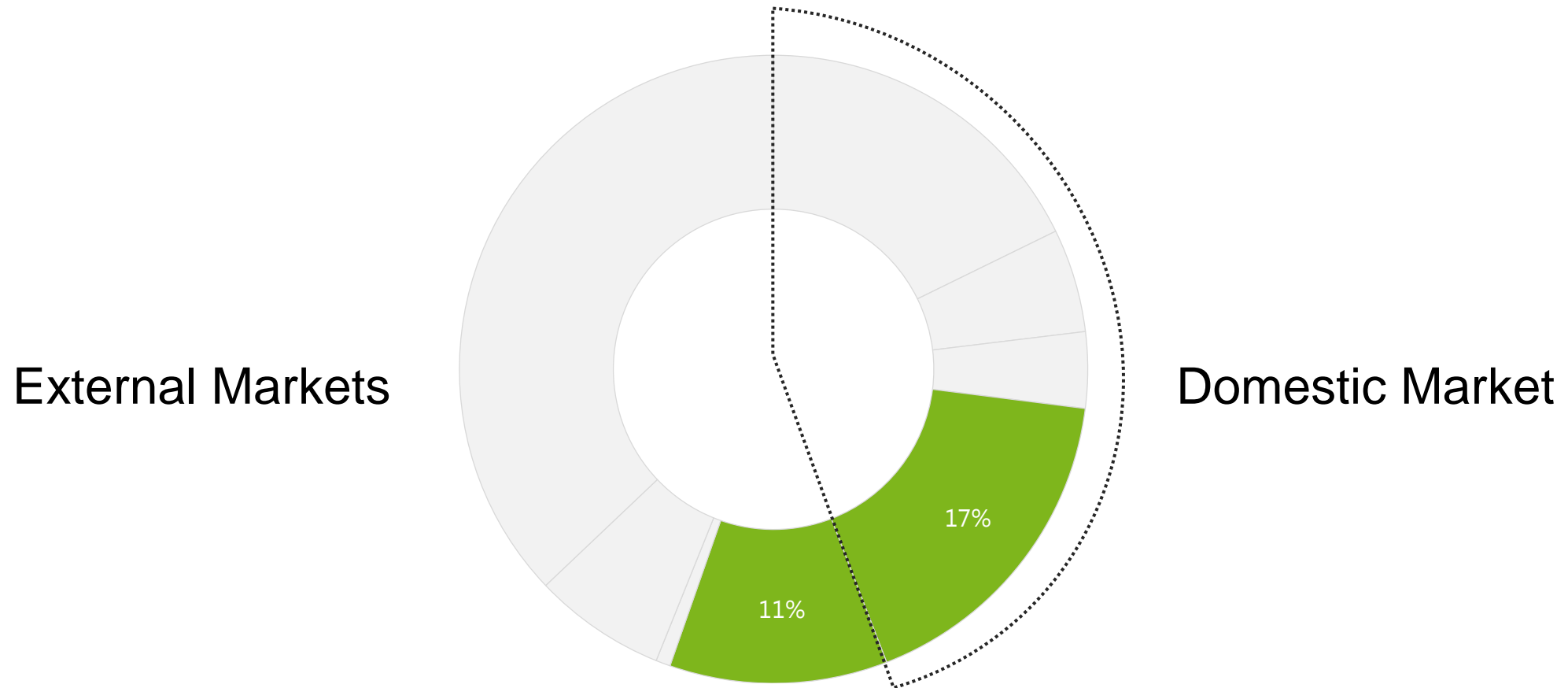
*Mr. André Luís Rodrigues*



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# Business Area

## 2017 Net Operating Revenues Breakdown



**Energy Generation, Transmission and Distribution**

# Energy Generation



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# WEG Energy

*At a glance*



**+2,600**  
Employees



**8**  
Manufacturing sites in 6 countries  
4 continents



Wide service network



Leader in Indian market of Hydro Generators



**94**  
GW Installed



One of top suppliers in Latin America market of Small Hydro Power



**650**  
MW Installed



One of top suppliers in Latin America market of Biofuel Power Generation



Certifications around the world such as: UL, CE, etc.



Complete solutions for solar power generation

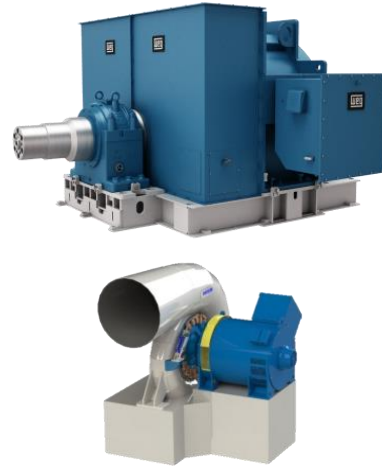
# Products

*Complete range of products to address all markets segments*

Turbo generators



Hydro generators



Hydro turbines



Steam turbines



Wind turbines



Solar



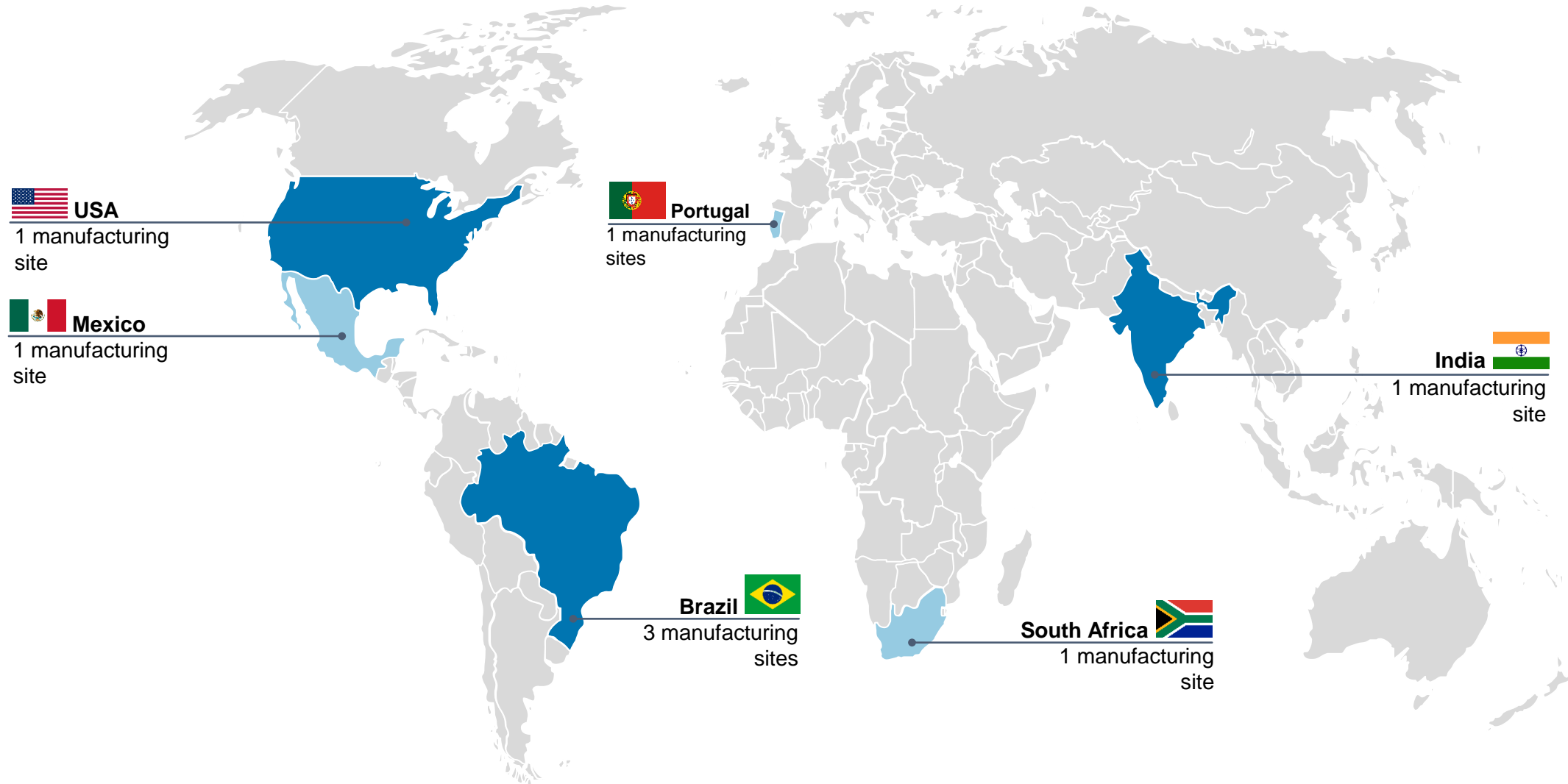
Synchronous alternators



Services



# Global Footprint



# Hydro Power Generation

## *One stop shop for hydro power plants*

- Complete packages “*water-to-wire*” for hydro power plants (HPP) up to 80 MW  
Turbine + Generator + Automation + Substation
- Strong presence in Brazil and Latin America
- Local partners to develop this business outside Latin America (Generator Supplier)
- Opportunities to increase our presence in Southeast Asia through our manufacturing site in India

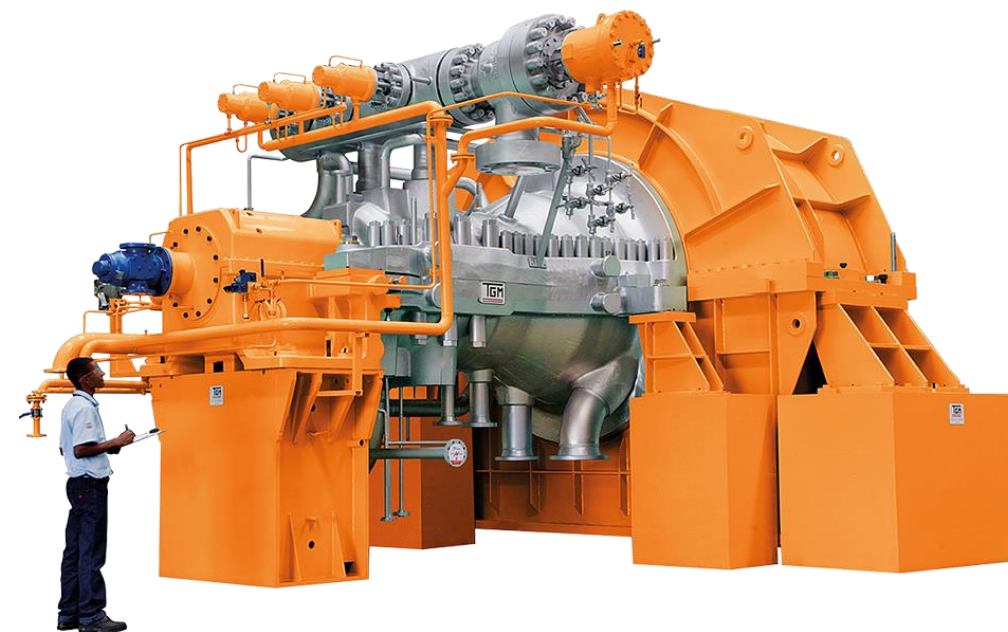




# Thermal Power Generation

*Recent TGM acquisition increased our product portfolio for thermal power plants*

- Complete packages for steam thermal power plants up to 160 MW  
Turbine + Generator + Automation + Substation
- Solutions for different end users
  - Sugar & Ethanol
  - Oil & Gas
  - Pulp & Paper
  - Others
- TGM acquisition – steam turbine producer
  - Increased our products portfolio
  - Strengthens our commercial presence outside Brazil
  - Synergies with other businesses



# Wind Power Generation

## Increased energy capture

- Direct drive with gearless design
- Permanent magnet synchronous generator
- High availability: simple design, quicker repair

## Expectance of less expensive O&M

- Lower failure rate: lower part count and gearless

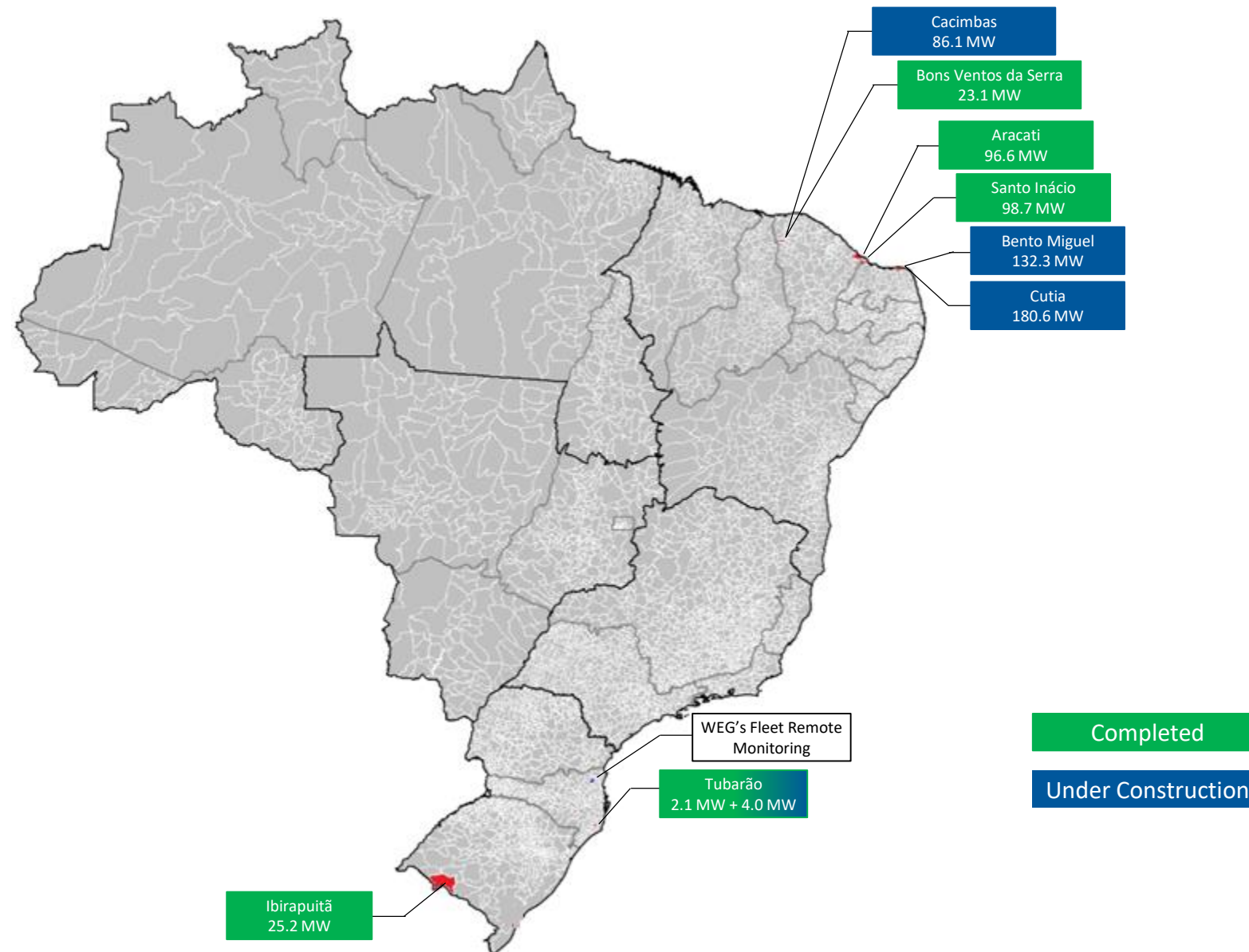
## Smooth grid interconnection

- Compliant with most strict grid operator codes



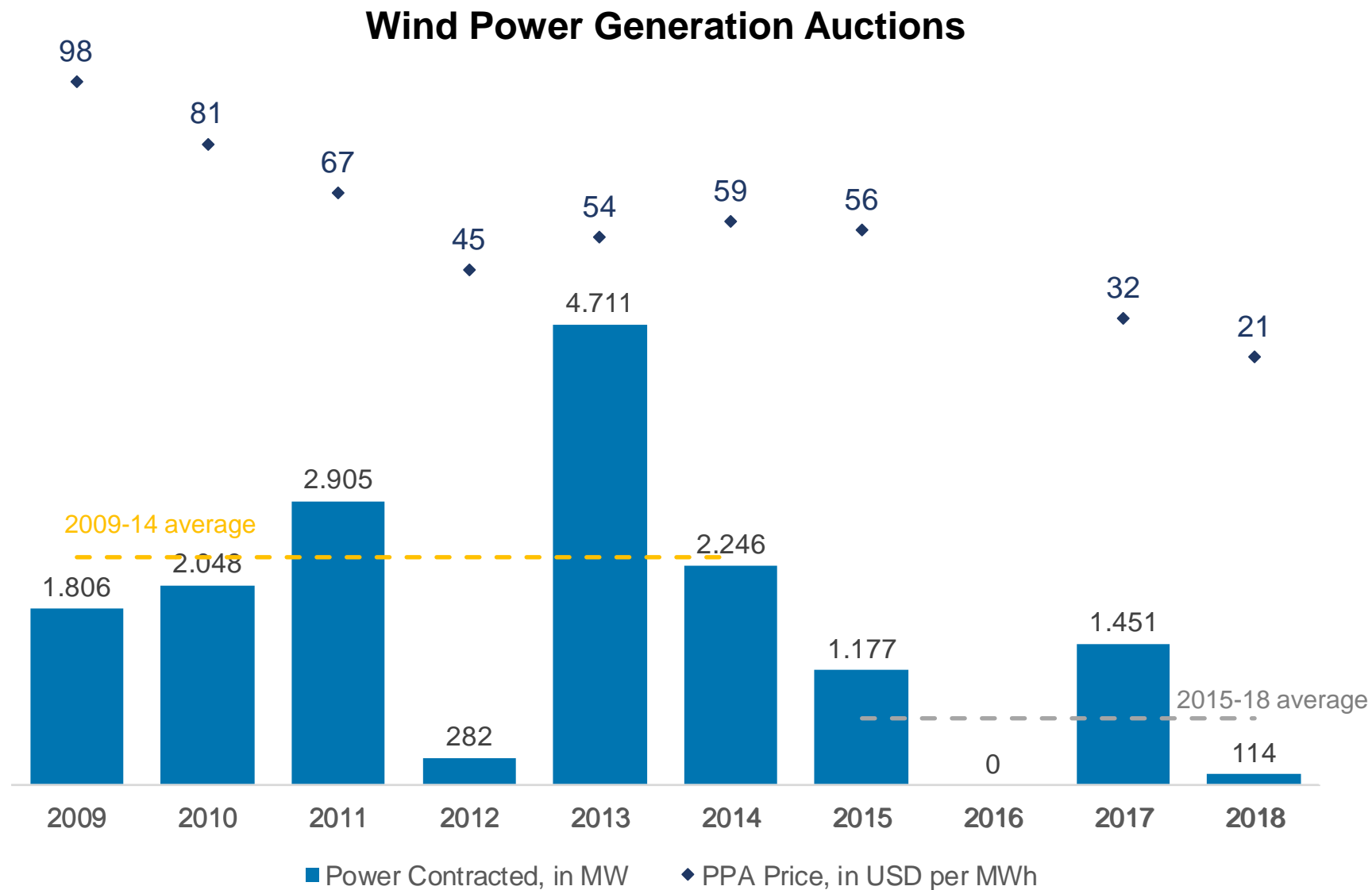
# Wind Power Generation

*WEG offers a turn key solution with a solid track record in Brazil*



# Wind Power Generation

*Brazilian market recap: Challenging scenario ahead*





# Solar Power Generation

## Solar Farms

### WEG manufactured products

- Central Inverters 1000 and 1500 V
- Power Inverter Containers
- DC String Boxes and Monitoring Systems
- Transformers, substation and transmission lines

### WEG offering

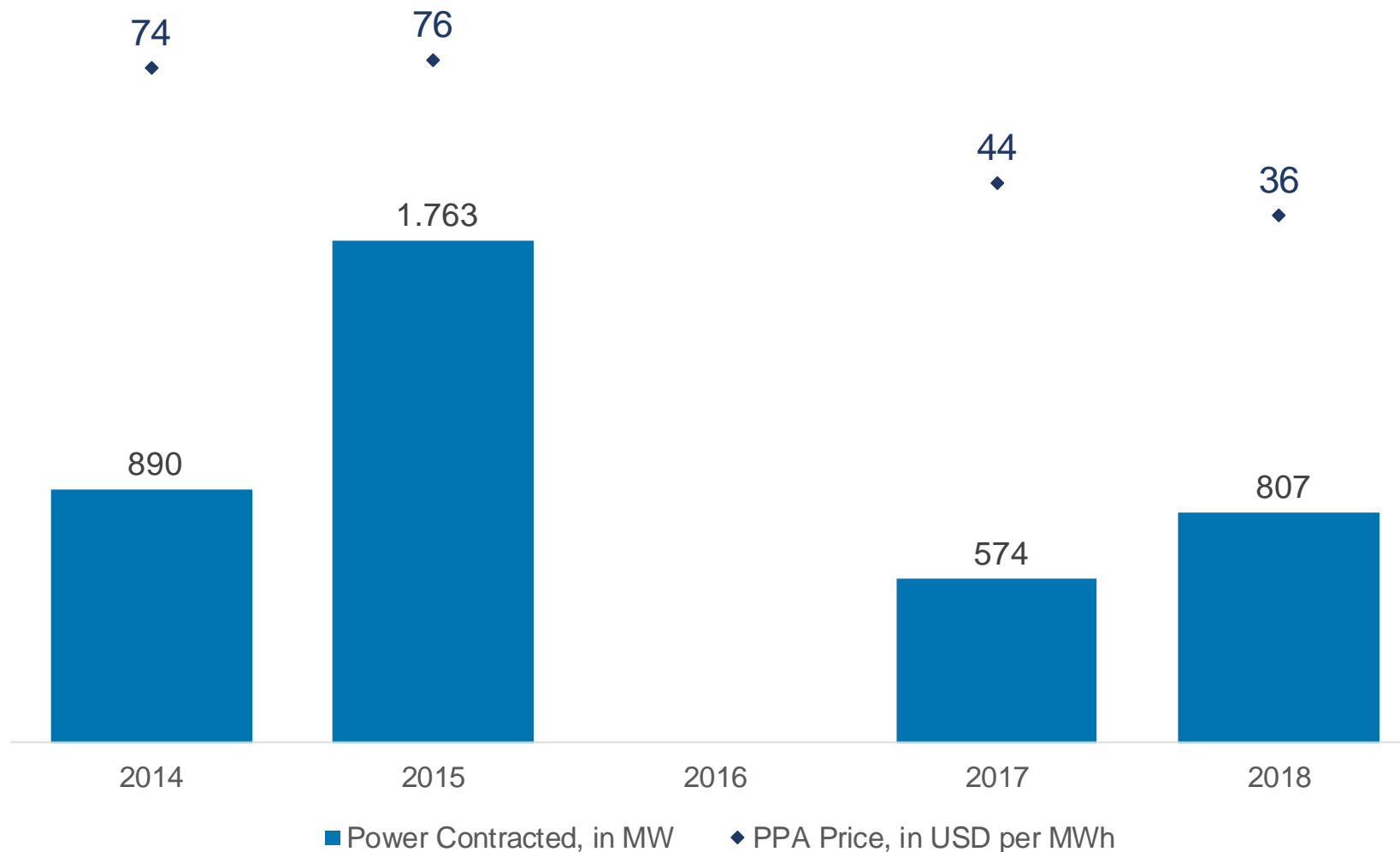
- Engineering , Procurement and Construction of PV Power plants in turnkey solution.
- Complete line of electrical equipment for PV plants.
- Central Inverter can be mounted in shipping containers
- Operation and Maintenance of PV Power Plant



# Solar Power Generation

*Brazilian Market Recap: Opportunity for new projects in the coming years*

## Solar Power Generation Auctions



# Solar Power Generation

## *Solar Distributed Generation*

### WEG made products

- Solar Inverter
- Accessories

### WEG offering

- Complete EPC for commercial & industrial projects
- Distribution of solar equipment/products to our integrators for residential & small commercial projects
- Supply Chain (PV modules + trackers + cables)

### Commercial & Industrial



### Residential



### Agribusiness

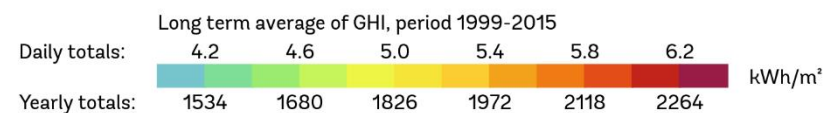


Up to 5 MW Plants 



# Solar Power Generation

*Brazil, one of the best countries in solar radiation in the world*



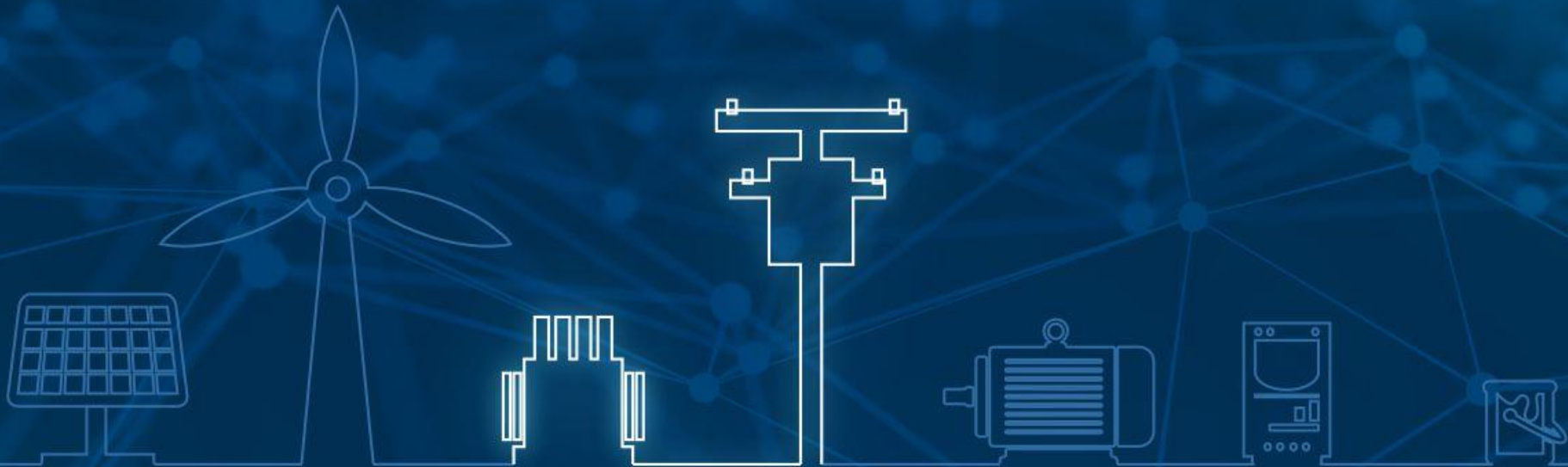
# Key messages

## Energy

- Opportunities to increase our presence in the small hydro power outside Brazil, mainly in Southeast Asia through our manufacturing site in India
- TGM acquisition increased our product portfolio and strengthens our presence outside Brazil
- Wind generation is facing a challenging scenario in Brazil, but we are still looking for opportunities abroad and developing a new 4.0 MW wind turbine to be prepared for market recovery
- EPC supply in solar farms should continue on the back of more reliability to investors, tax benefits and good financial conditions
- Great perspectives for solar distributed generation, in two different strategies:
  - Distribution of set of equipment (kits) via integrators partners
  - Direct supply of turn key solutions for PV distributed generation plants



# Transmission & Distribution



**WEGDAY2018**

# WEG Transmission & Distribution

*At a glance*

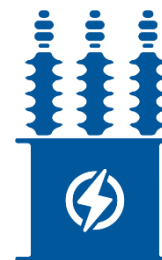


**+3,300**  
Employees



**11**

Manufacturing  
sites in 5 countries  
2 continents



Largest  
Manufacturer in  
Latin America of  
Transformers



Leader in the  
Brazilian market of  
Mobile Substations



Largest Latin  
American  
Manufacturer of  
Dry Transformers



**58,000**  
MVAs/ year of  
Manufacturing  
Capacity



More than

**430**

Turn-Key substations  
delivered up to 550 kV



Certification in  
the main utilities  
in our markets



Wide service  
network

# Products

Complete range of products to address all markets segments



**Distribution transformers**  
15 to 300 kVA  
15, 24 and 36 kV



**Industrial transformers**  
500 to 3.000 kVA  
15, 24 and 36 kV



**Dry-Type Transformer**  
112,5 to 30.000 kVA  
15, 24 and 36 kV



**Underground-type and submergible transformers**  
300 to 2.000 kVA  
15 and 24 kV



**Pad Mounted Transformers**  
45 to 3.000 kVA



**Medium Power Transformers**  
3.001 to 50.000 kVA  
Up to 138 kV



**Power transformers**  
Above 50.001 kVA  
Up to 550 kV



**Reactors (Shunt)**  
Up to 500 kV



**Transformers for furnaces and for rectifier systems**  
3.000 to 150.000 kVA  
Up to 36,2 kV – 150.000 A



**Conventional Substations**  
Up to 550 kV



**Mobile Solutions**  
Up to 230 kV



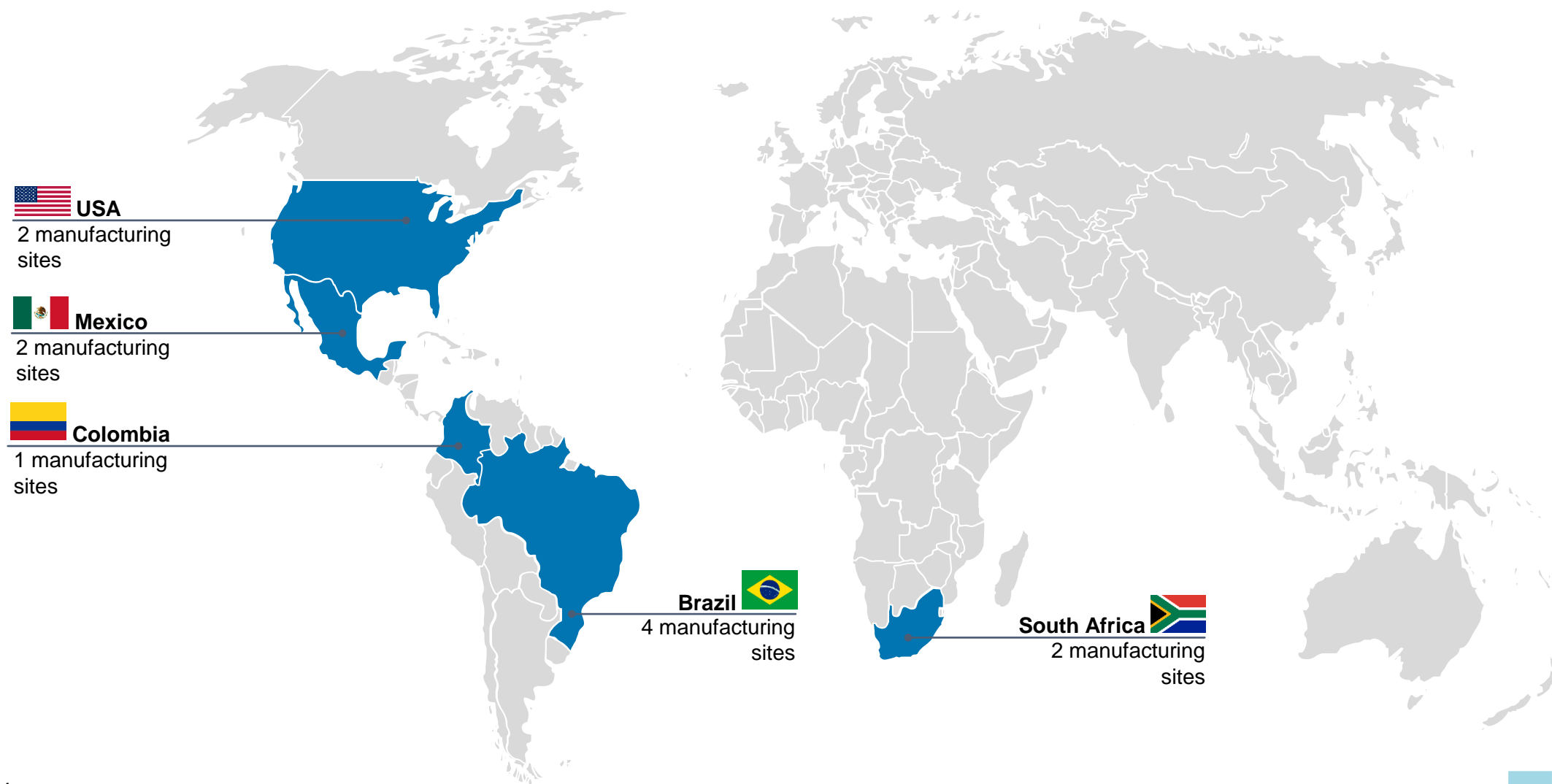
**Disconnectors**  
Up to 550kV



**Retrofitting and Repowering Services**  
Up to 550 kV

# Global Footprint

*WEG manufacturing sites have been structured to supply according to the current market demand*



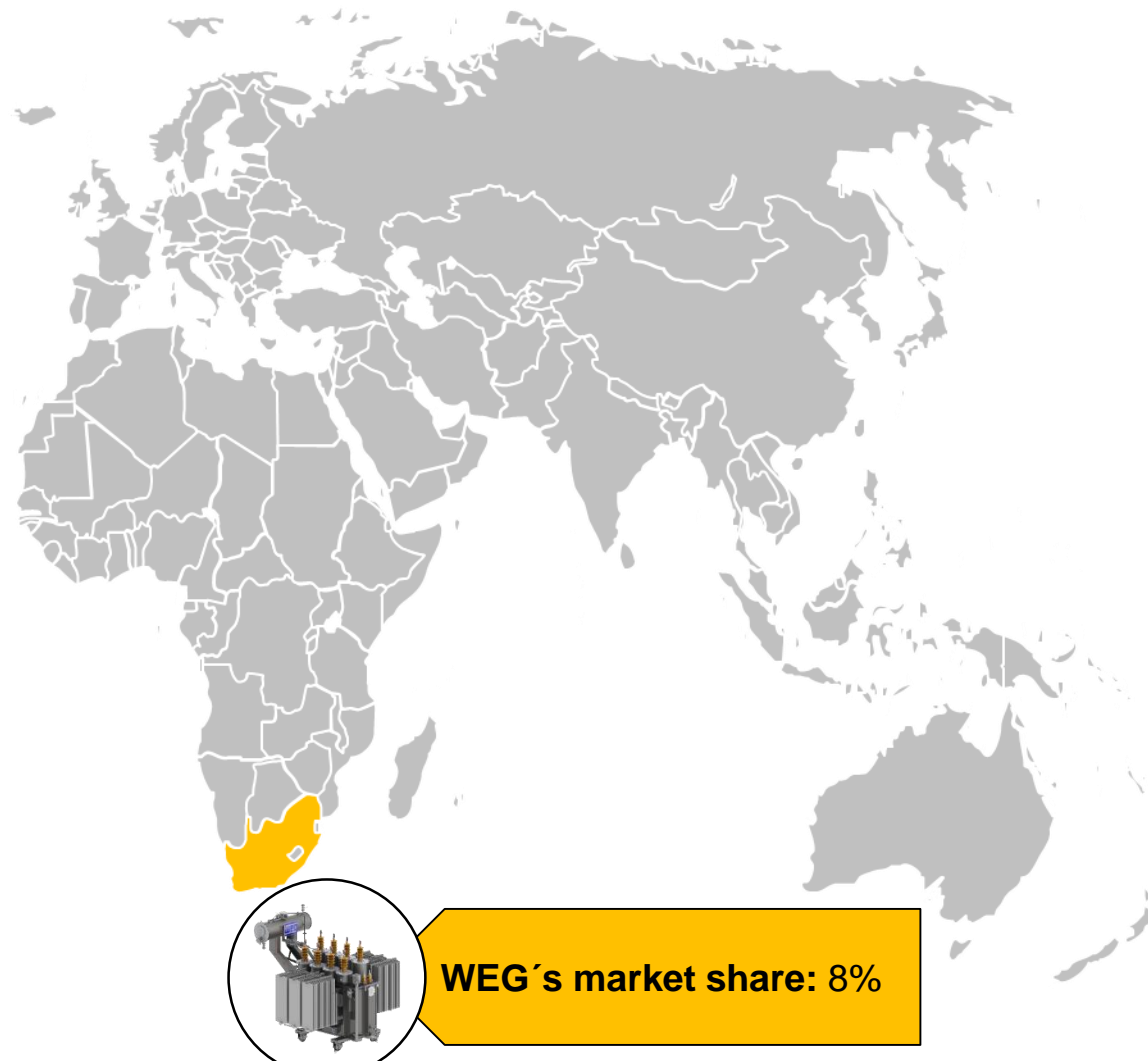
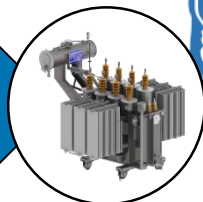


# WEG's Market Share

WEG's market share: 4.5%



WEG's market share: 17%



WEG's market share: 8%



# Investments

## *Reactor 550 kV*

Investments in power transformers plant in Brazil for Reactors production up to 550kV.

### **Goal**

Enter a market where WEG's Transmission and Distribution was not participating and has great potential. In Brazil, this market is around BRL 300 million per year.

### **Potential Market**

Few manufacturers work with reactors at this voltage level.



# Investments

## Brazil

### Blumenau

#### Expansion of Distribution Area (30 to 300kVA)

Increased production capacity for 1,000 units per month.

#### Expansion of Medium Power Line (5 to 40 MVA)

Increased production capacity and reduction of delivery time.

### Jaboatão dos Guararapes

#### Products and Services

- Transformers for application on wind and solar sites
- Power Transformers up to 30MVA - 72 kV
- Retrofitting and Repowering Services up to 40MVA – 145kV

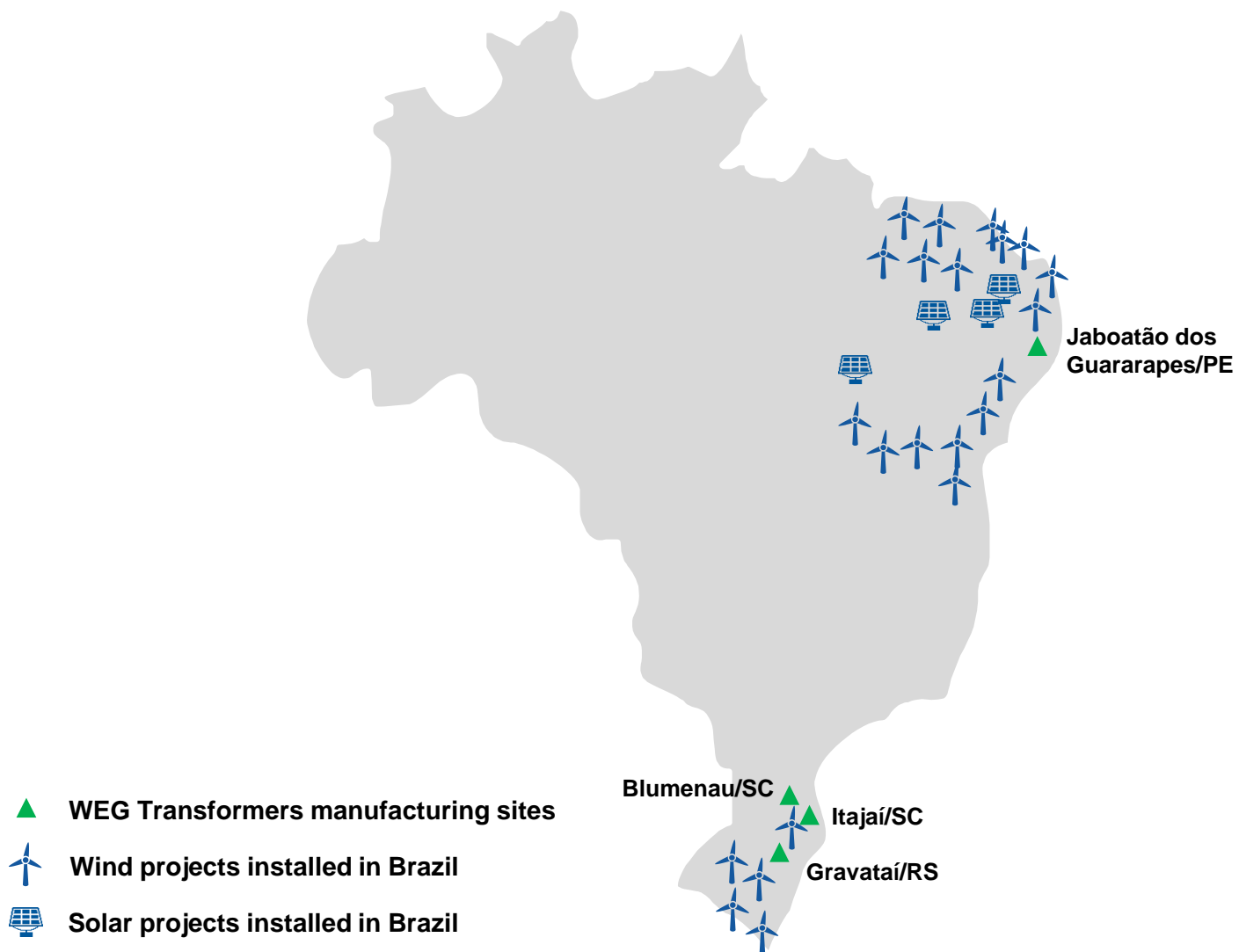
#### Strategic Location

Strategic location for immediate delivery to northeast states.



# Strategy for renewables

## Brazil





# Acquisitions

## WEG Transformers USA

### Distribution Plant



**Location:** Washington / MO

**Area:** 176,000 sq. ft.

**Line:** Oil Transformers up to 10MVA - 46kV

### Power Plant



**Location:** Washington / MO

**Area:** 71,000 sq. ft.

**Line:** Oil Transformers from 5 to 60MVA – 161kV

# Acquisitions

## *WEG Transformers USA*



### **Market Access**

The acquisition is aligned with WEG's Strategic Planning, with emphasis on growth in the American market



### **Technology**

Strong know-how in oil type distribution transformers for applications in the renewable energy segment



### **Synergy: Mexico and USA**

Important synergy between production, sales, supplies and administrative activities

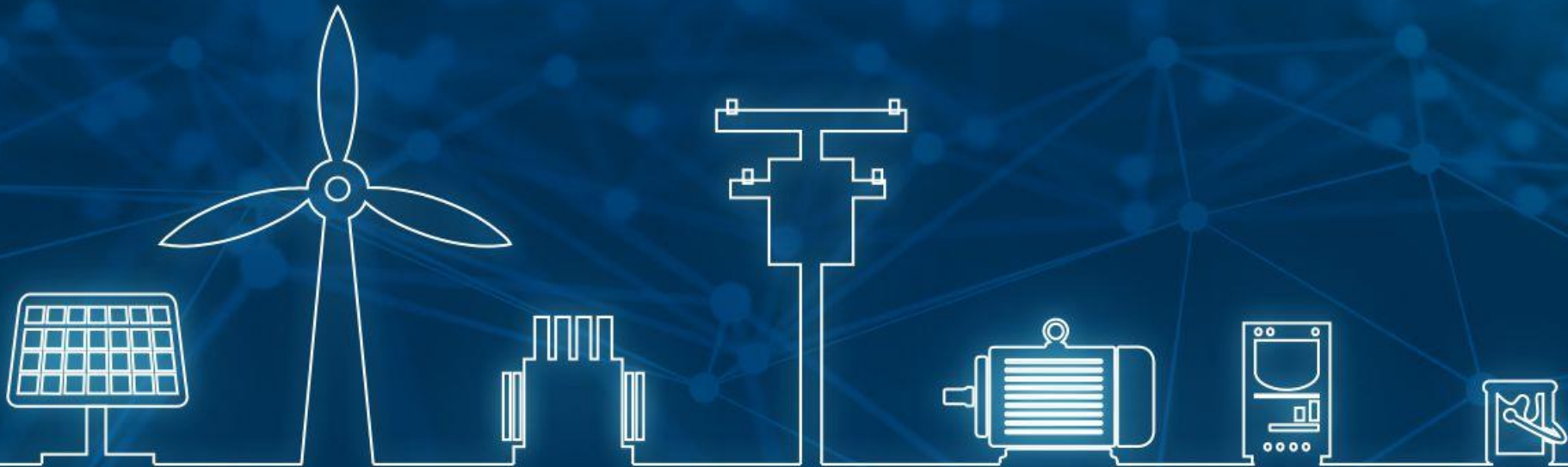
# Key Messages

## *Transmission & Distribution*

- Continue international expansion with focus on Americas and sub-Saharan Africa markets
- Acquisition of WEG Transformers USA positioned us as leader in transformers for renewable energy improving our competitiveness due to operational synergies with Mexico
- Growth in the domestic market will come through:
  - Leadership in distribution and renewable transformers
  - Development of new products, like shunt reactor for example
  - Market recovery on the back of last transmission auctions

# North America

*Mr. Peter Barry*



**WEGDAY2018**



# North America

*At a glance*



**+3,600**  
Employees



**8**  
Manufacturing sites



Strong brand recognition



Largest global market with significant growth potential



Broad product portfolio to serve the market



**16**  
Warehouses



TOP  
**2**  
Low voltage electric motor manufacturer in US

# North America Market Potential

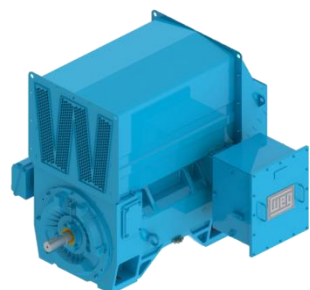
*Considering WEG's product scope*



## Low Voltage Motors

Market Size: \$2.9B

WEG's Share: 13%



## Medium Voltage Motors

Market Size: \$1.0B

WEG's Share: 9%



## Gearing

Market Size: \$2.3B

WEG's Share: < 1%

## Drives (LV & MV)

Market Size: \$4.3B

WEG's Share: < 1%



## Power Transformers

Market Size: \$2.9B

WEG's Share: 3%



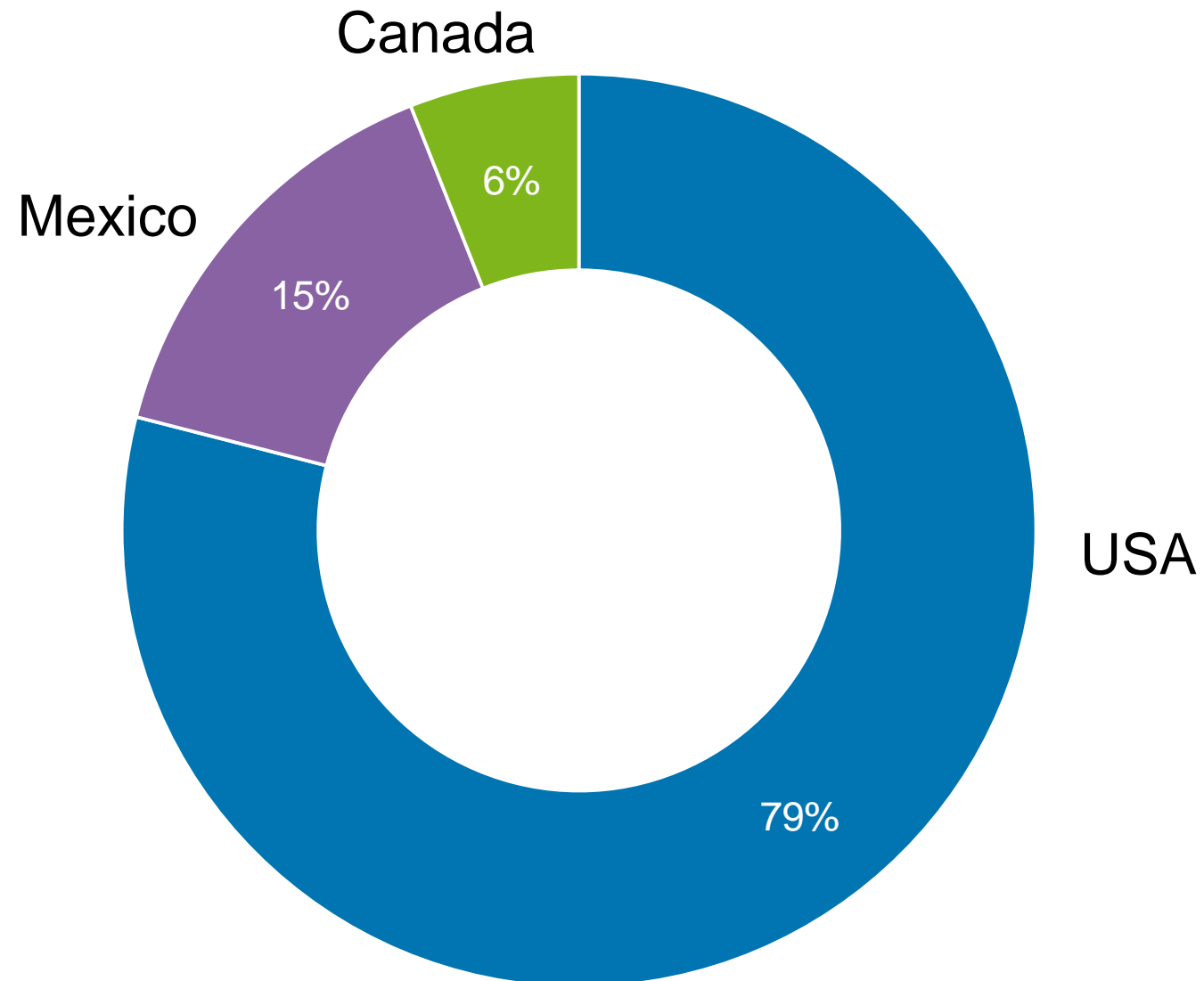
## Distribution Transformers

Market Size: \$1.3B

WEG's Share: 8%

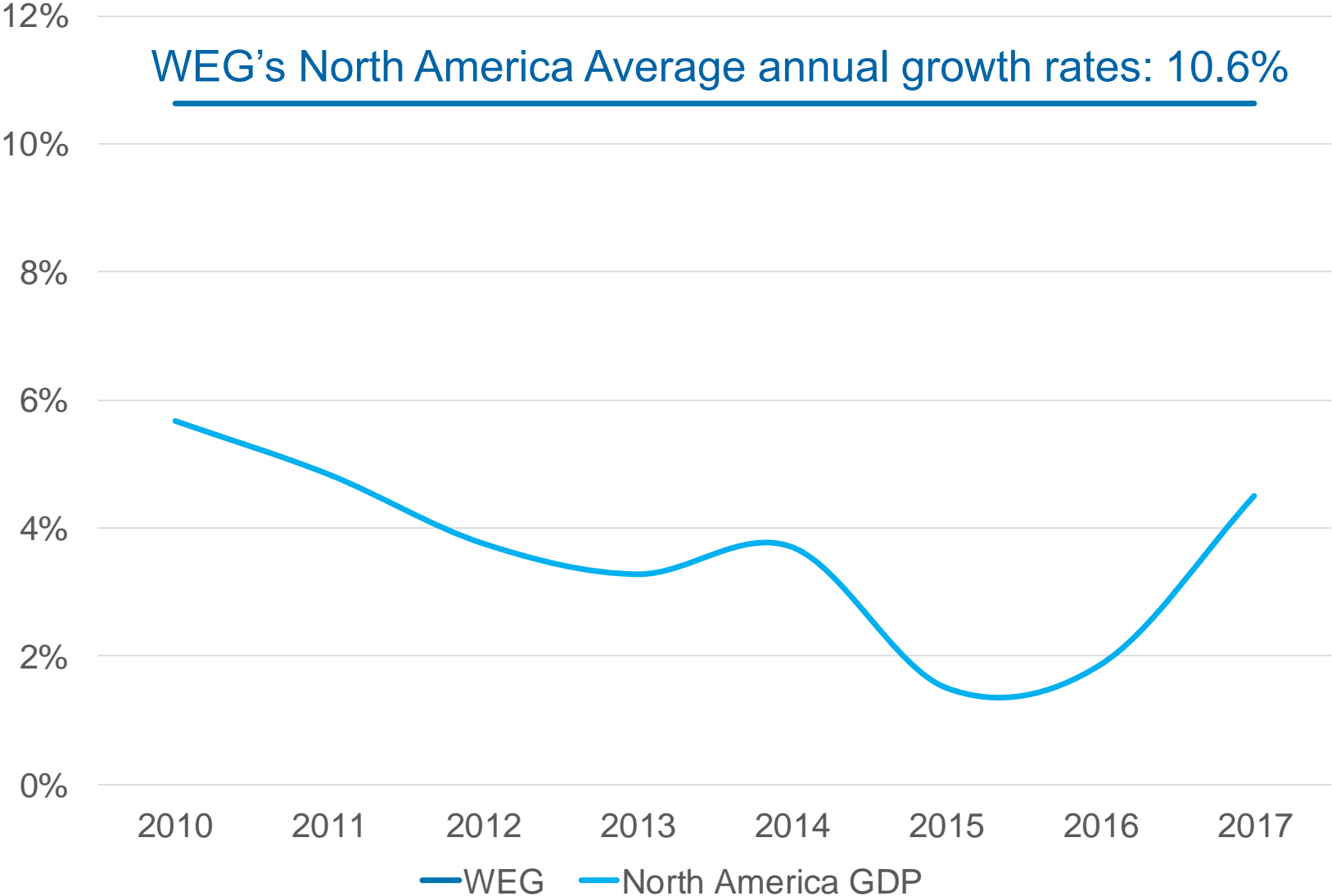


# Revenue in 2017 by Country



# Annual growth rates

## WEG vs North America GDP





# Manufacturing in North America

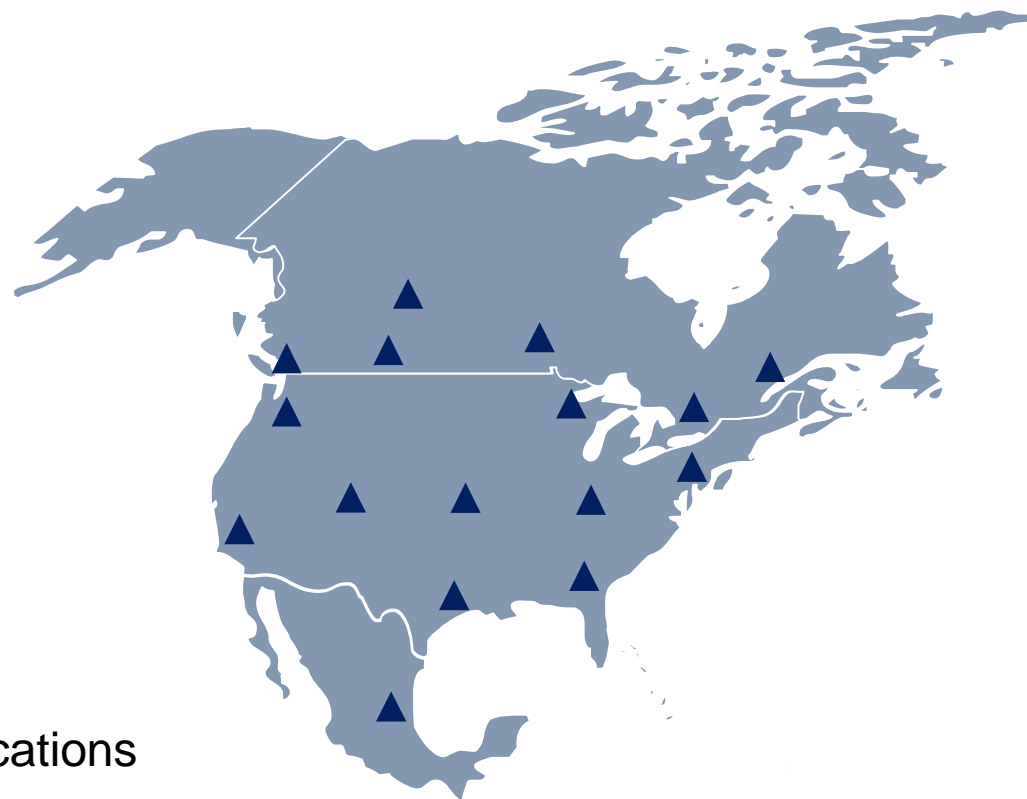
- Transformers
- MV Motors
- LV Motors
- Automation Panels



**3,600 Employees**

# WEG Regional Distribution Centers

- **Speed** Same day shipments to regional markets
- **Flexibility** High Flexibility to perform product modifications
- **Availability** Regional Inventory of catalog products
- **Service** 120 Dedicated Salespeople



▲ 16 Warehouse locations

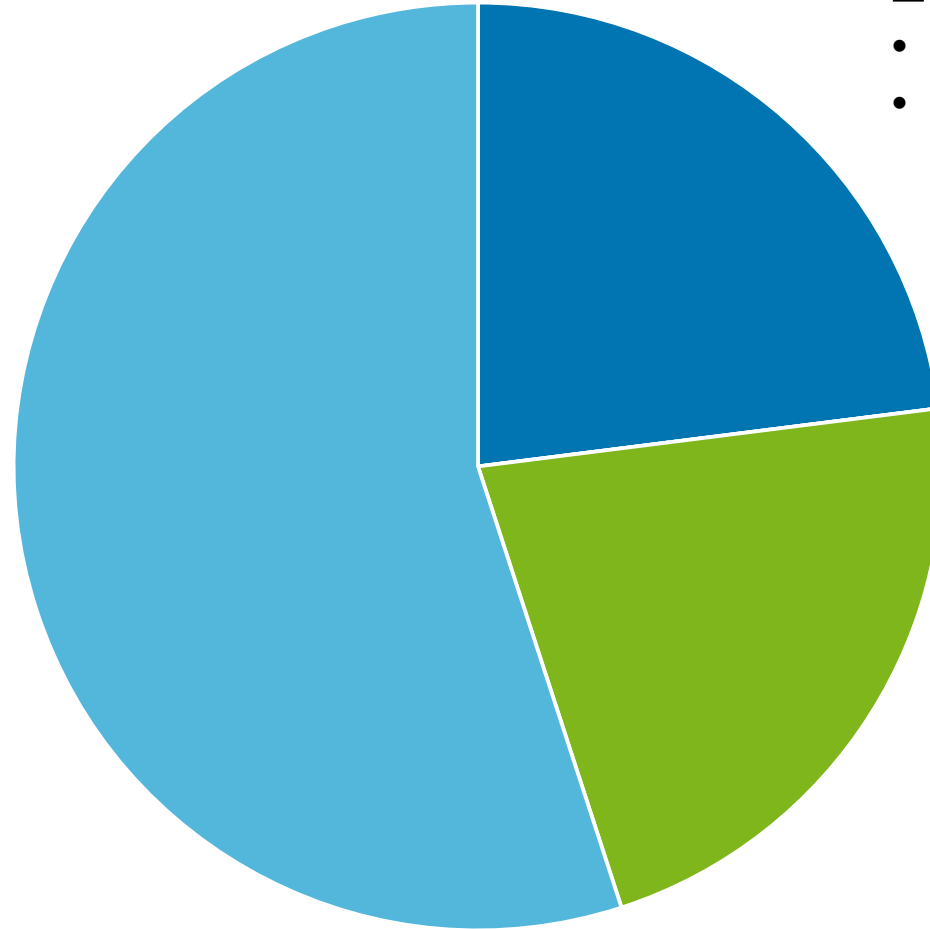
# Market Position

## Sales Channels

### OEMs

#### 55%

- Ventilation
- Pumps
- Compressors



### Distribution

#### 23%

- Local Inventory
- Services

### End Users

#### 22%

- Oil & Gas
- Pulp & Paper
- Utilities

# Local Distribution Partner Network

- Same day delivery to local markets
- Value added local services and relationships

Motion Industries

Applied Industrial Technologies

Grainger

BDI

Purvis Industries

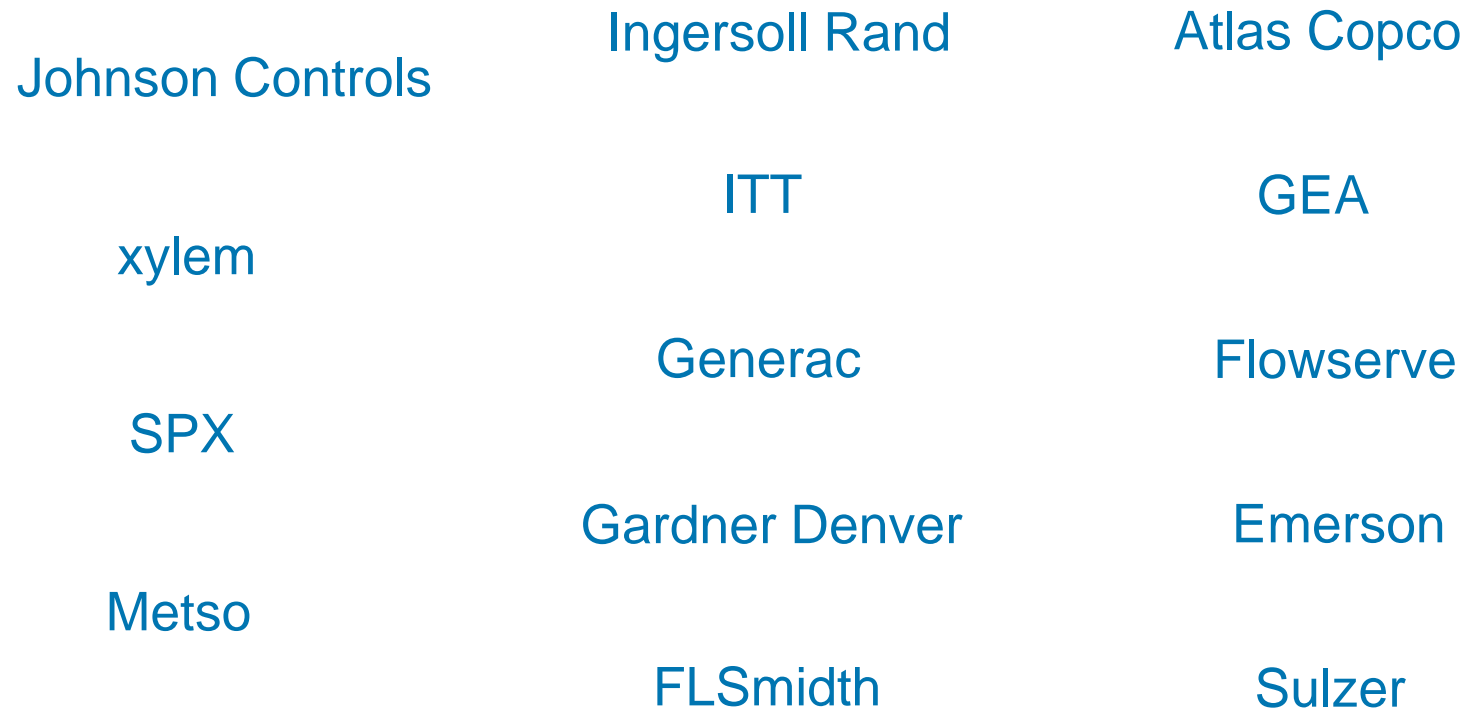
EASA

Over 2,500 active distributor locations



# OEM Customers

- Volume flow business and projects
- Building the installed base for after-market distribution
- Customized service approach to each customer
- Diverse Industries



Over 2,000 active OEM accounts

# End Users

- End User approvals and preference to drive demand through channels
- Growing acceptance of wider range of WEG products
- Diverse end market exposure

PRAXAIR

ExxonMobil

PEMEX

International Paper

Georgia-Pacific

Phillips 66

American Electric Power

ArcelorMittal

WestRock

LAFARGE

Vulcan

Cemex

Exelon

Air Liquide

# Growing Brand Recognition

*Improved recognition allows faster launch and acceptance of new products*



## Control Magazine 2017 Readers Choice Awards

A vote for a specific company should mean the respondent has found its products to be better than other companies' in that category.

### 2017 Results

#### Electric Motor

1. Baldor Electric
2. Siemens Industry
3. WEG
4. GE Power Conversion
5. ABB

### 2014 Results

#### Electric Motor

- Baldor Electric
2. Siemens Industry
3. ABB
4. US Motors
5. Toshiba

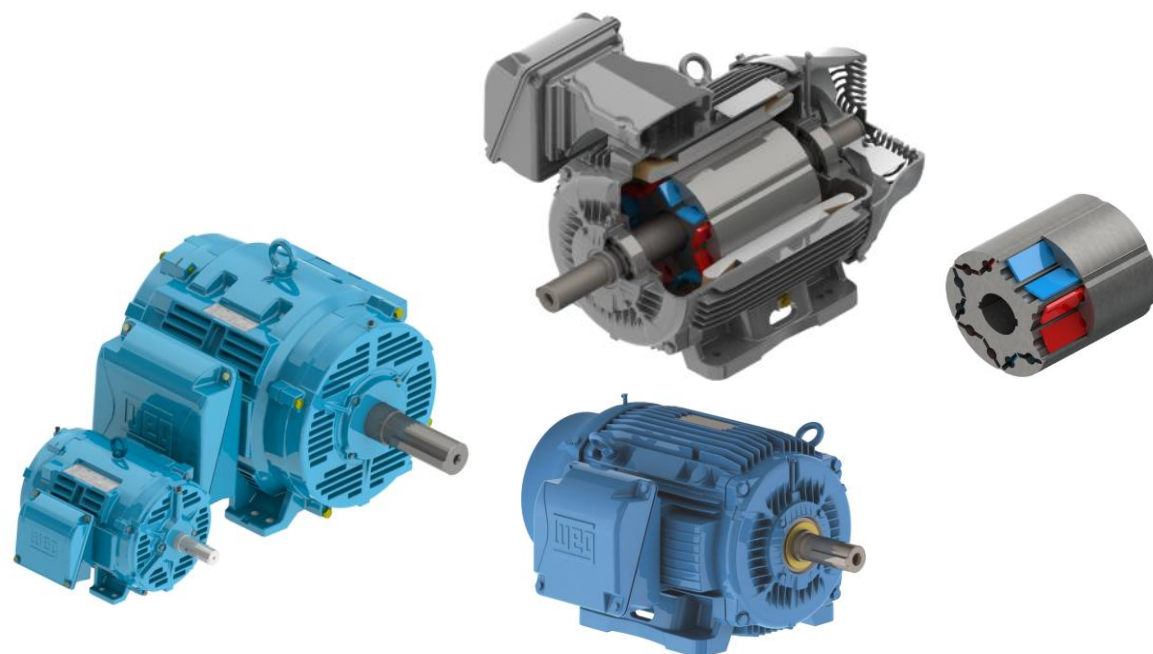
# Ability to compete across the market

- High volume production in low cost areas to serve standardized product market requirements
- High level of flexibility to serve value added customized markets
- High spec products appealing to the End-Users driving market pull through
- Corporate shared services to efficiently support new businesses

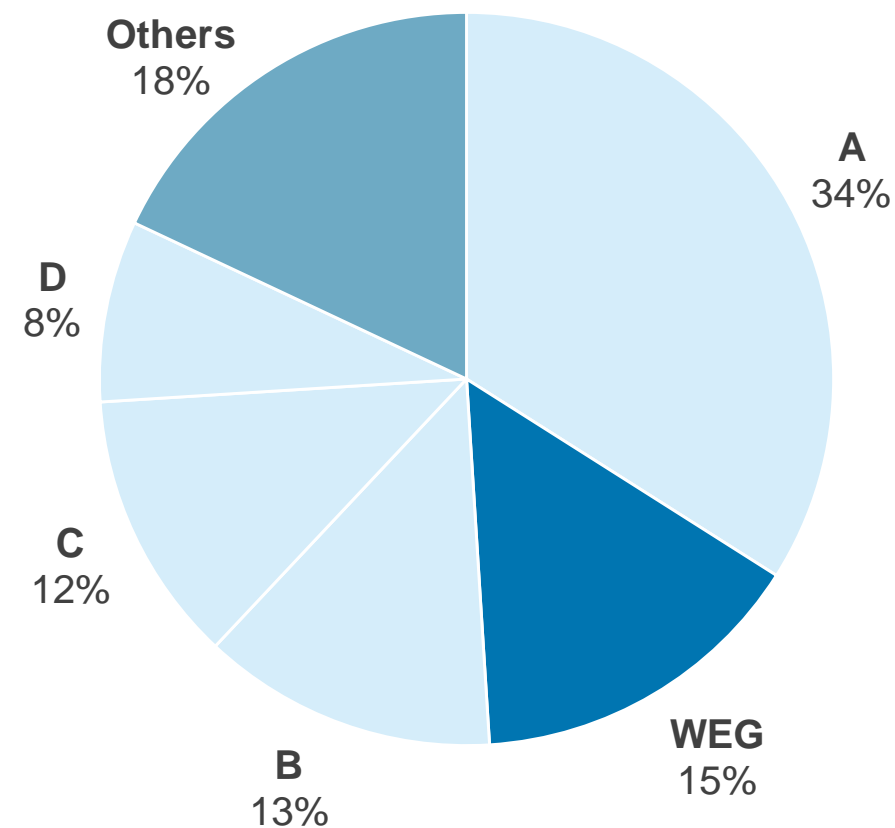


# Integral HP – Low Voltage Electric Motors

- Broad Product Line
- Superior Availability
- More Flexibility
- Continually expanding product offering
- Latest technology in product designs

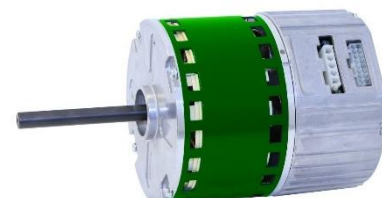


## NEMA Members US Share

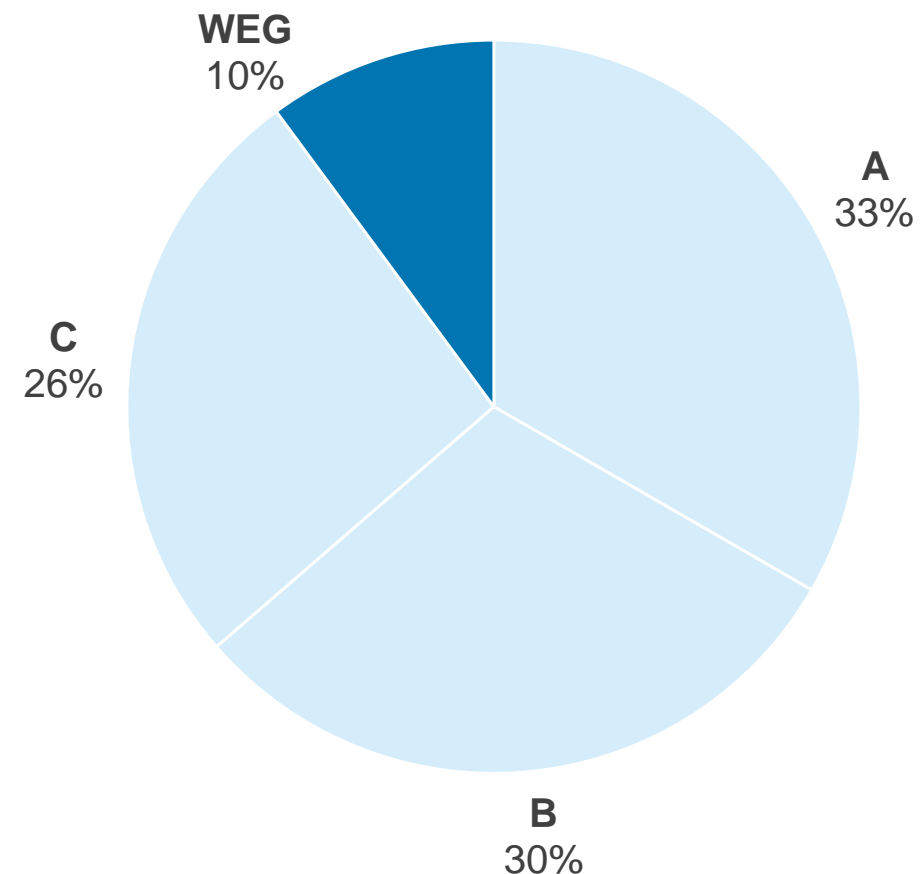


# Fractional HP – Low Voltage Electric Motors

- Customized motor capability in USA
- High volume and standard products from Mexico and Brazil
- Access to WEG Distribution channels
- Product development – Variable Speed Technology

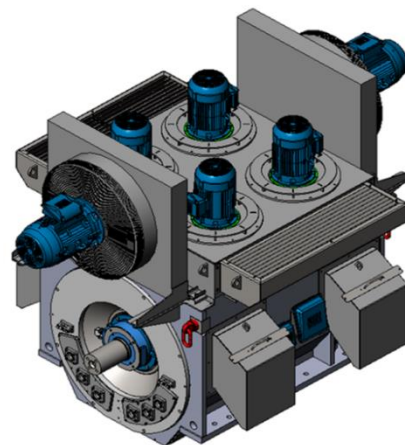
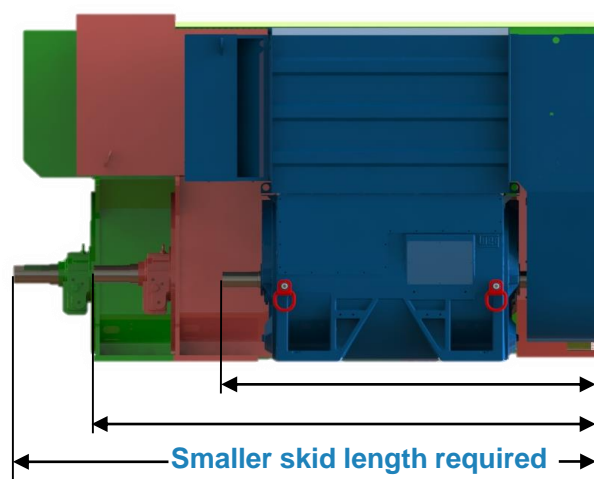


## NEMA Member US Companies Commercial/Industrial Fractional Motors

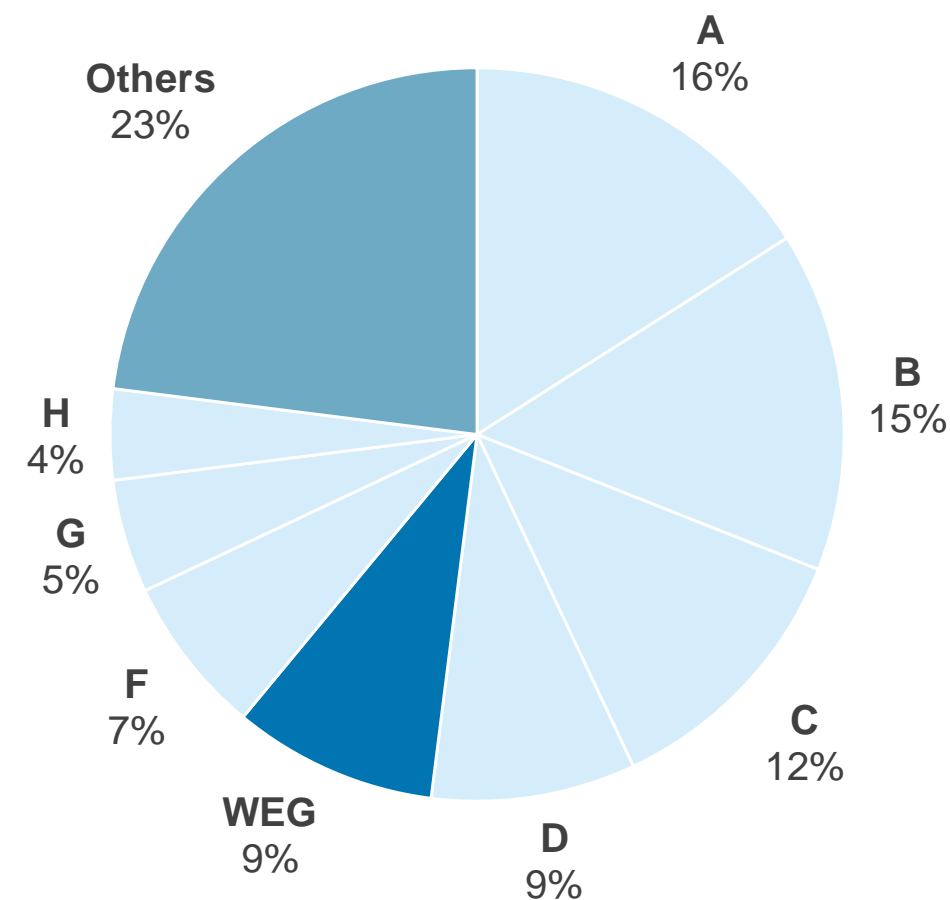


# MV Motors & Generators

- Global manufacturing footprint to compete in all market segments – USA, Mexico, India, Brazil
- High level of flexibility to meet customer needs
- New Product Development opening new opportunities
- Service opportunities to serve the installed base



## North America Market Share



Data Source: IHS and WEG's market intel

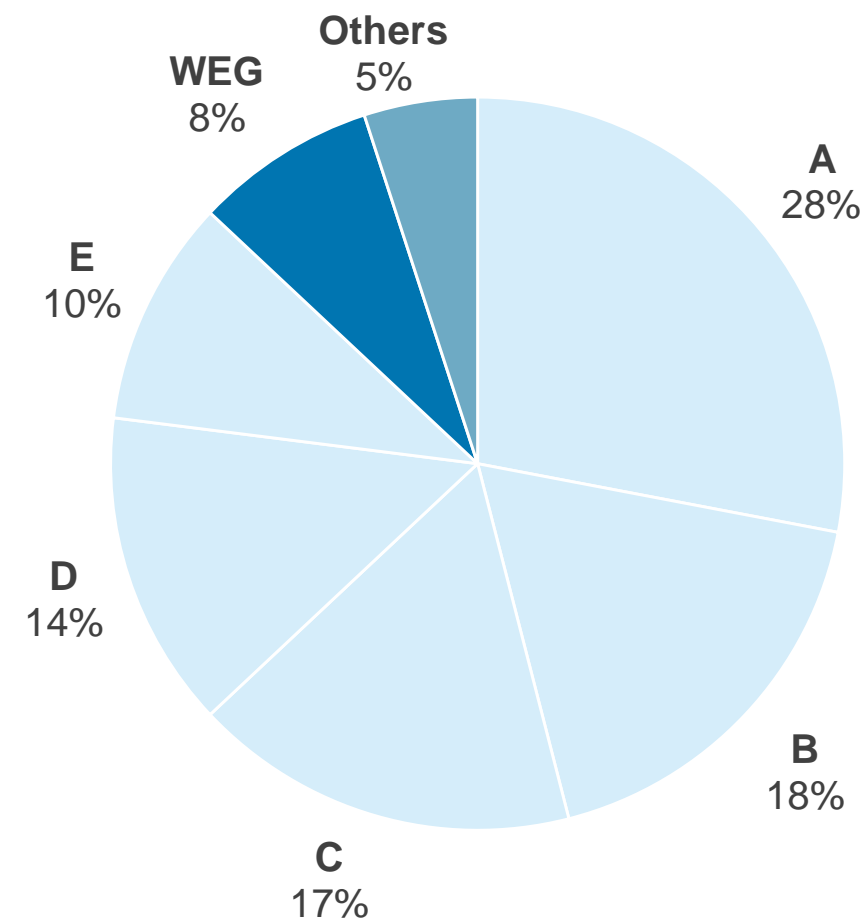
# Distribution Transformers

*Three Phase liquid-filled only*

- Ability to participate in many segments
- Investor Owned Utilities
- Dedicated designs for Renewable power
- Commercial/Industrial Market channel access



## North America Market Share



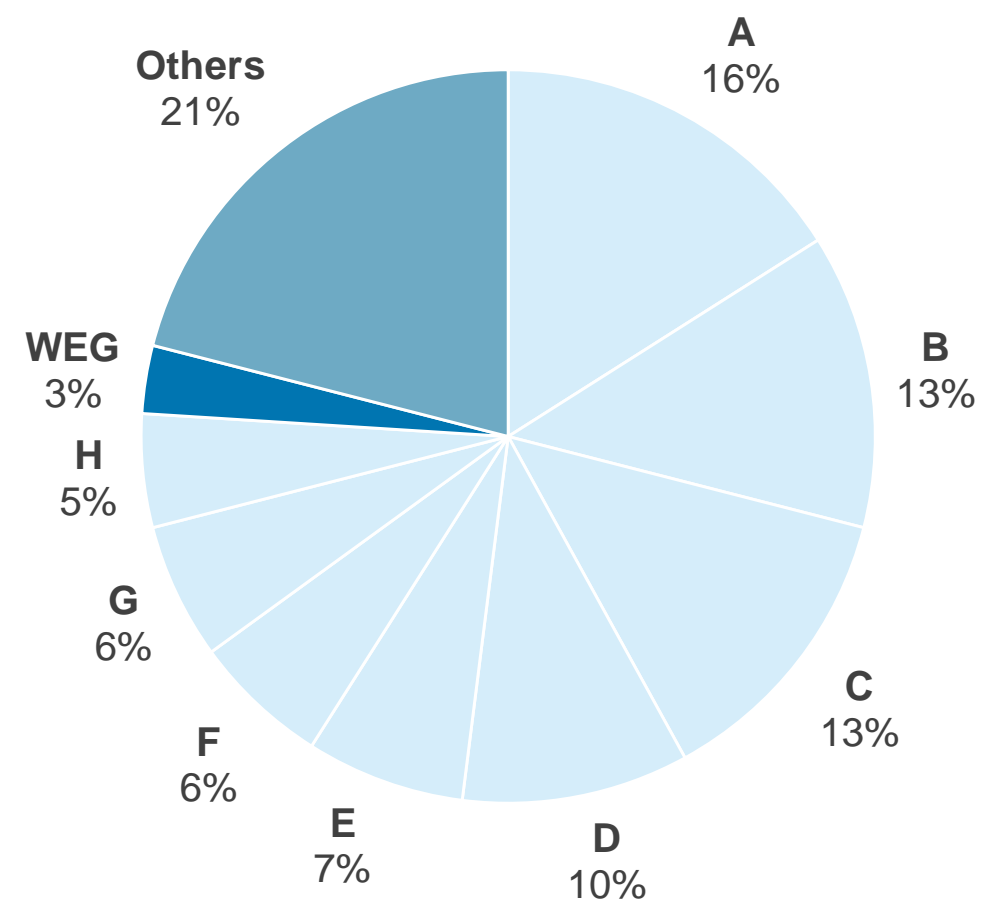


# Power Transformers

- Ability to compete in all market segments
- Investor Owned Utility – Local support
- Public Power – Cost/Quality
- Renewable Power – Leading designs
- Industrial – Channels to market



## North America Market Share



Data Source: NEMA, EEMAC, Frost & Sullivan, LEK, US Census Bureau, Stat Can & WEG's market intel



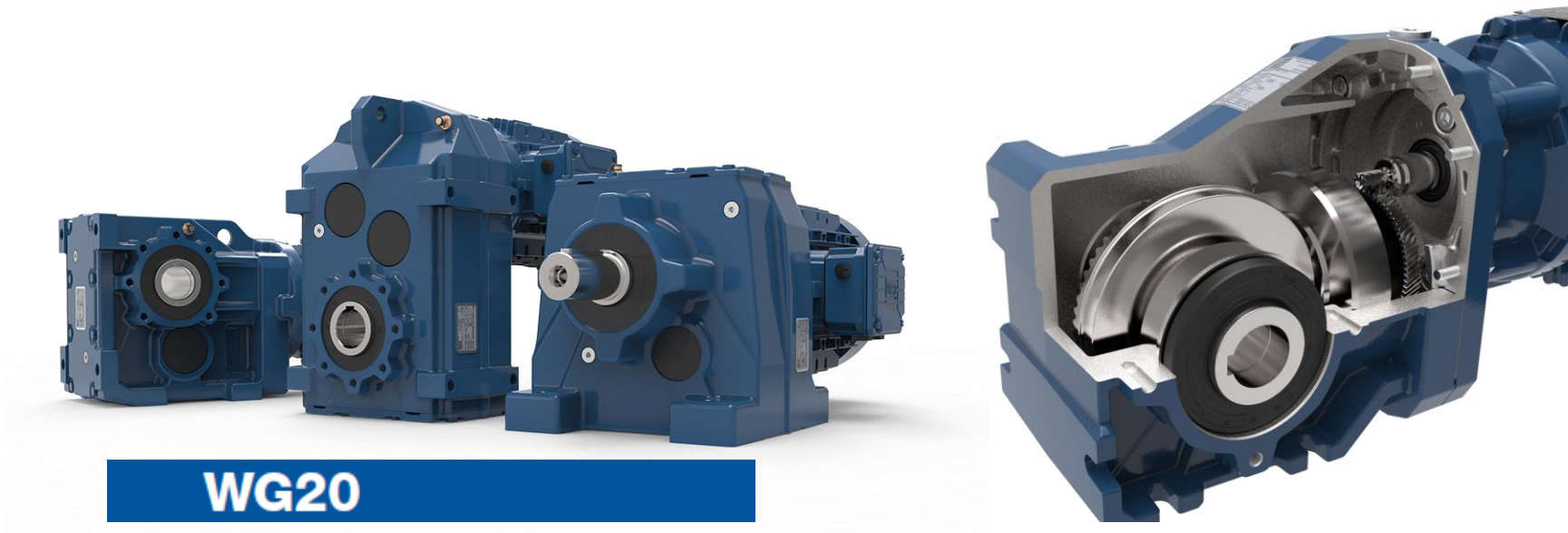
# Automation

- Broad product portfolio to serve wide range of market
- Access to WEG Motors customer base
- Panel building in USA, Mexico and Canada to offer custom solutions
- Medium voltage development and assembly in USA



# Gears – New Business

- New product line launch in 2018-2019
- Industry standard dimensions
- Build Centers in USA, Canada and Mexico
- Access to WEG Motor Customer base



# Key messages

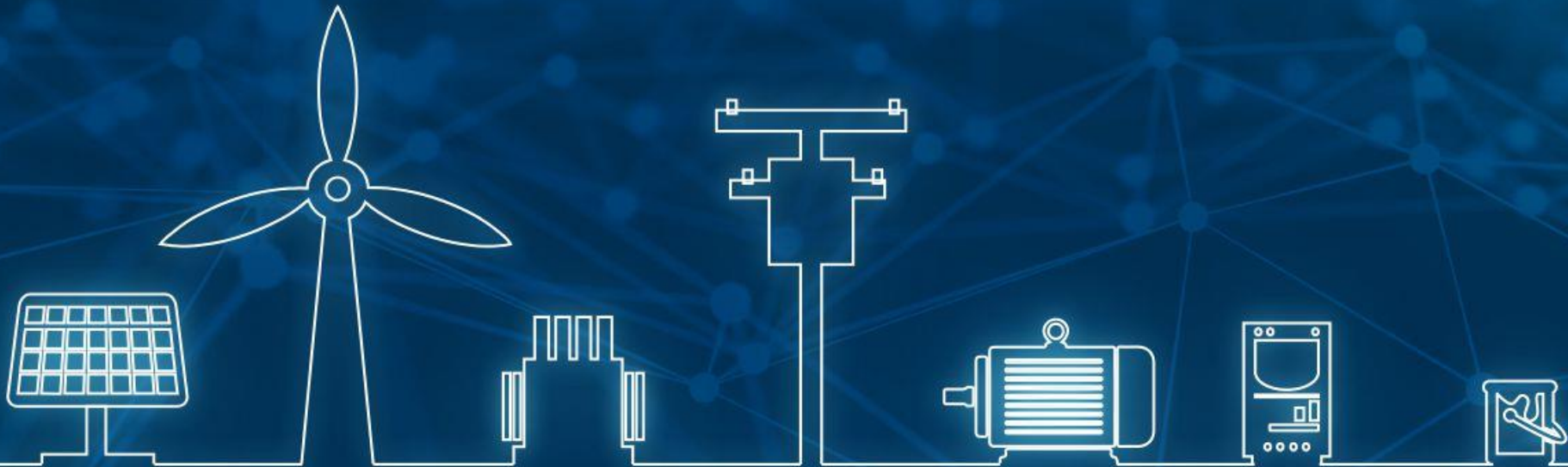
## *North America*

- US Industrial Production anticipated to continue growth
- Focus on expansion of customer base and new products
- LV and MV motors to experience steady growth through expansion of efforts with key industrial end-user markets
- Automation to continue with above average growth
- Transformers to gain share in traditional utility markets



# Asia-Pacific

*Mr. Siegfried Kreuzfeld*



**WEGDAY2018**



# Asia-Pacific

## At a glance



Complete electric  
motors portfolio



# Addressable Market

*How much does Asia-Pacific represents for WEG?*

≈ **US\$ 15 bi**

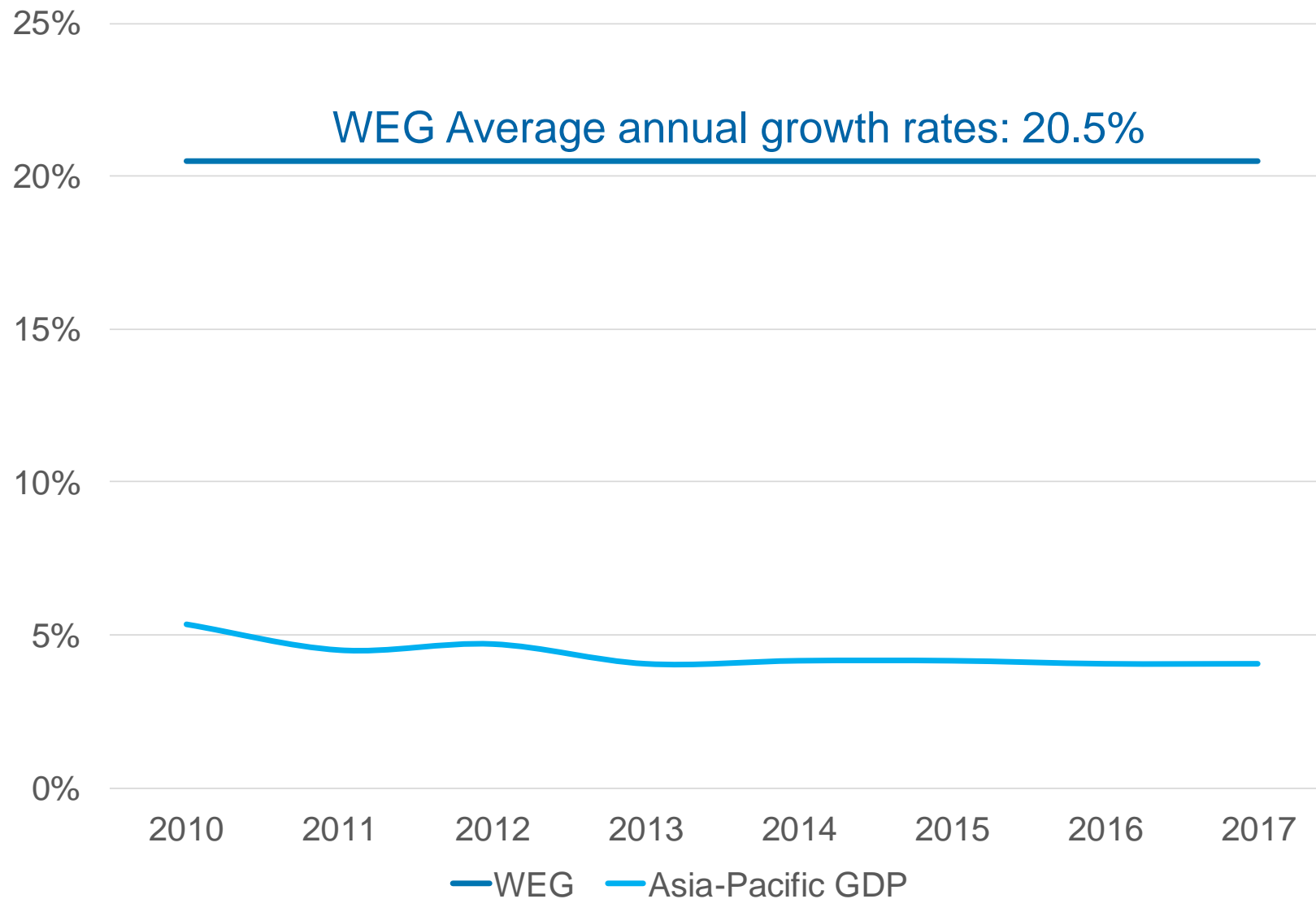
≈ **US\$ 10 bi in China, ≈ US\$ 5 bi other**

## Potential Market LV Motors + Automation



# Annual growth rates

## WEG vs Asia-Pacific GDP



# Manufacturing Footprint

WEG Nantong



Acquired in  
**2005**



**+700**  
employees



Total Area  
**721,000 sq. ft.**



**+360k**  
Motors / year



Low voltage

Medium and high voltage

Automation

Product line



Frames from **160 to 355 mm**

Frames from **280 to 630 mm**

CFW500 series



# Manufacturing Footprint

WEG Rugao

Start up in  
**Aug, 2015**



CAPEX  
**U\$125 M**  
Over 5 years



Total Area  
**1,991,000 sq. ft.**



**450k** motors (2018)  
**957k** motors (2022)



Low voltage

Product line



Frames from **63** to **132** mm



# Manufacturing Footprint

WEG Changzhou



Acquired in  
**2014**



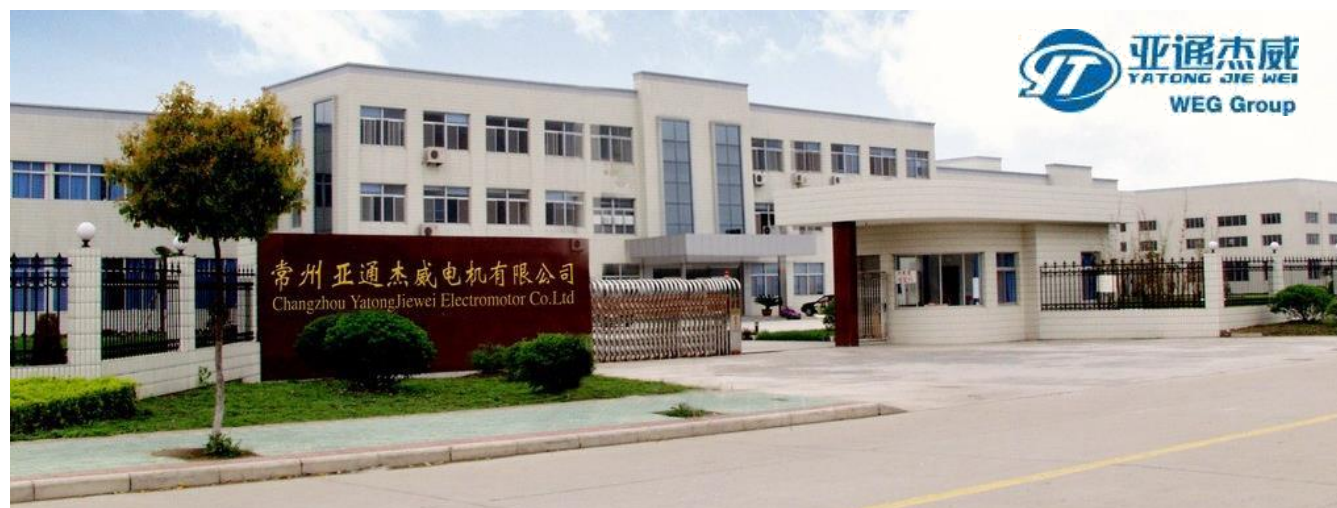
**1,114**  
employees



Total Area  
**4,661,000 sq. ft.**



**3 M** + **2 M**  
Motors + Gears



EC electric motors

Product line



WECEM (IEC)



Emerald eZA (NEMA)

# Manufacturing Footprint

## WEG India



Start up in  
**2008**



**534**  
employees



Total Area  
**334,000 sq. ft.**



**300**  
Motors / year



High voltage motors, Synchronous motors, turbo and hydro generators

Product line



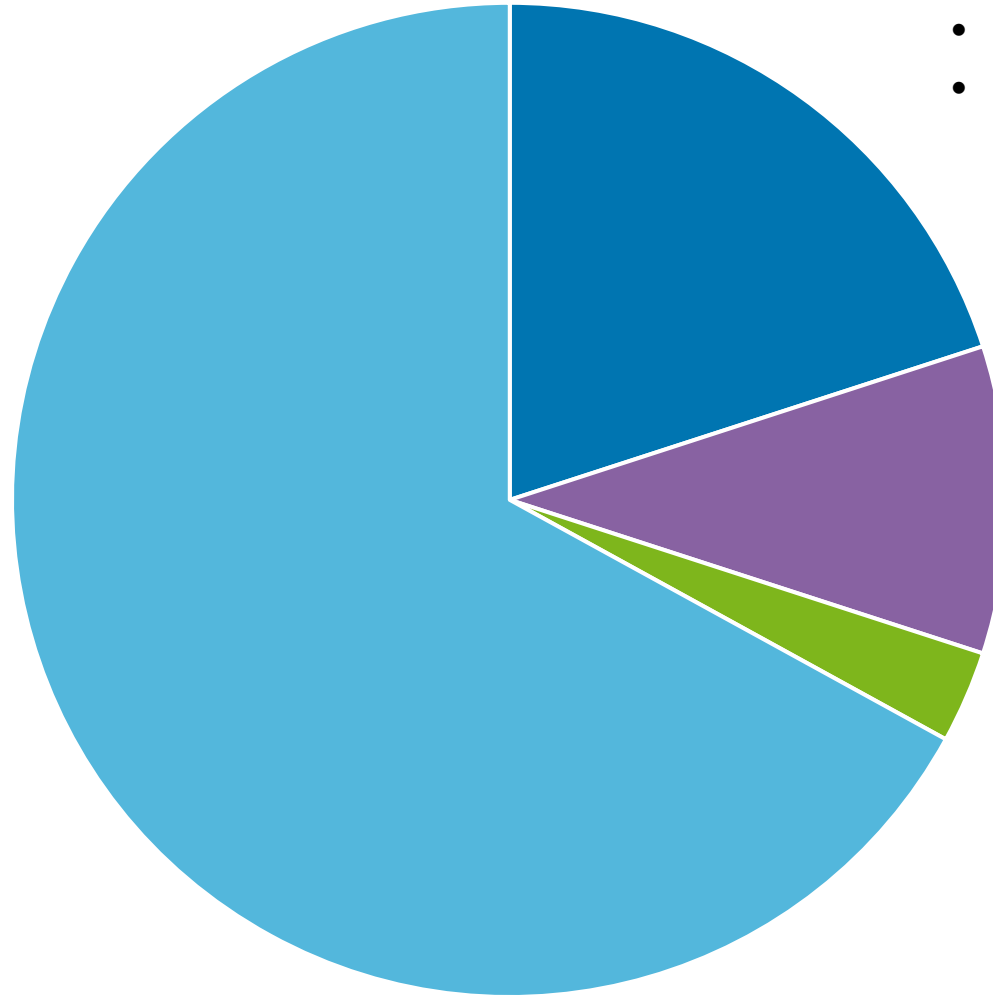
# Market Position

## Sales Channels

### OEMs

#### 67%

- Ventilation
- Pumps
- Compressors



### Distribution

#### 20%

- Inventories
- Technical assistance and services

### Infrastructure

#### 10%

- Water & Sanitation
- Irrigation
- Energy

### End Users

#### 3%

- Cement
- Mining
- Oil & Gas

# Market Position

## *Original Equipment Manufacturers*

### **Ventilation**

KRUGER

Howden

SULLAIR

Twin City

halifaxfan

Shenyang Blower  
Works Group

### **Pumps**

PENTAIR

Sulzer

KSB

Alfa Laval

Flowserve

Gardner Denver

### **Compressors**

Atlas Copco

Ingersoll Rand

ABC Compressors

FS Elliott

SEIZE AIR

ShaanGu

# Market Position

## Mining OEMs

Metso

ThyssenKrupp

FMG

NHI

Sandvik

Citic Pacific

## Shipbuilding

Wartsila

ZPMC

Cosco

Novenco

Heinen & Hopman

## End Users

Goodyear

Baosteel

Cargill

BUNGE

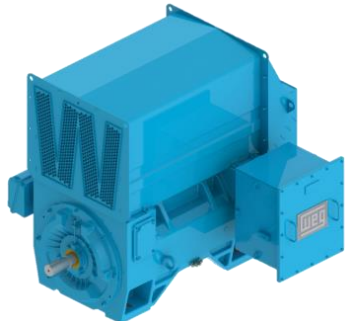
Sinoma



# Chinese Market Potential



**Low Voltage Motors**  
Market Size: \$5.2B



**High Voltage Motors**  
Market Size: \$2.8B

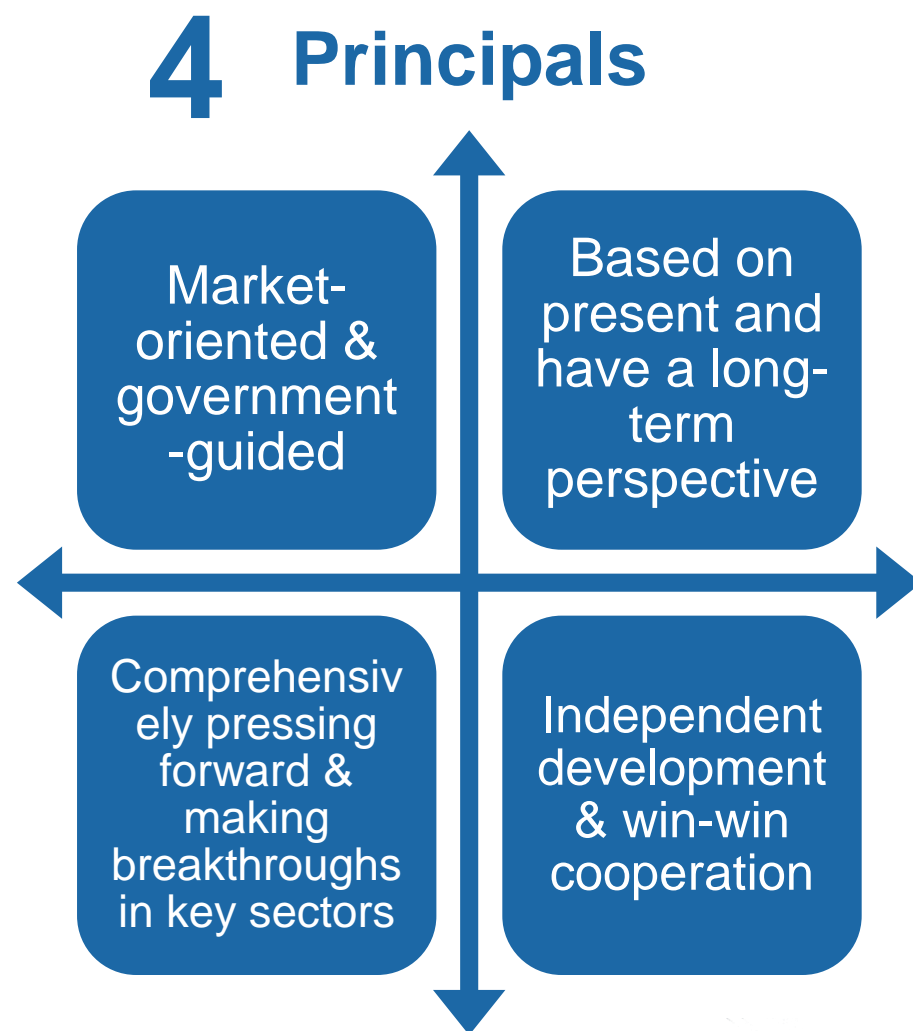


**Low Voltage Drives**  
Market Size: \$4.8B



# Opportunities

## Chinese Government



### 5 Guidelines



Innovation-Driven



Quality as priority



Green Development



Structure optimizing



Talent oriented

# Opportunities

## Chinese Government

**4.4**   
Billion population affected



Support an economy of  
**US\$21 trillion**



## One Belt One Road

**26** Countries and regions are along the routes of both corridors

**60** Countries support and participating in the "B&R" development

Investment of about **US\$160 billion**

Projects cover over **5,000 km**

## Cooperation Priorities



Policy coordination



People-to-people bond



Unimpeded trade



Financial integration



Facilities connectivity

# Ahead on technological development

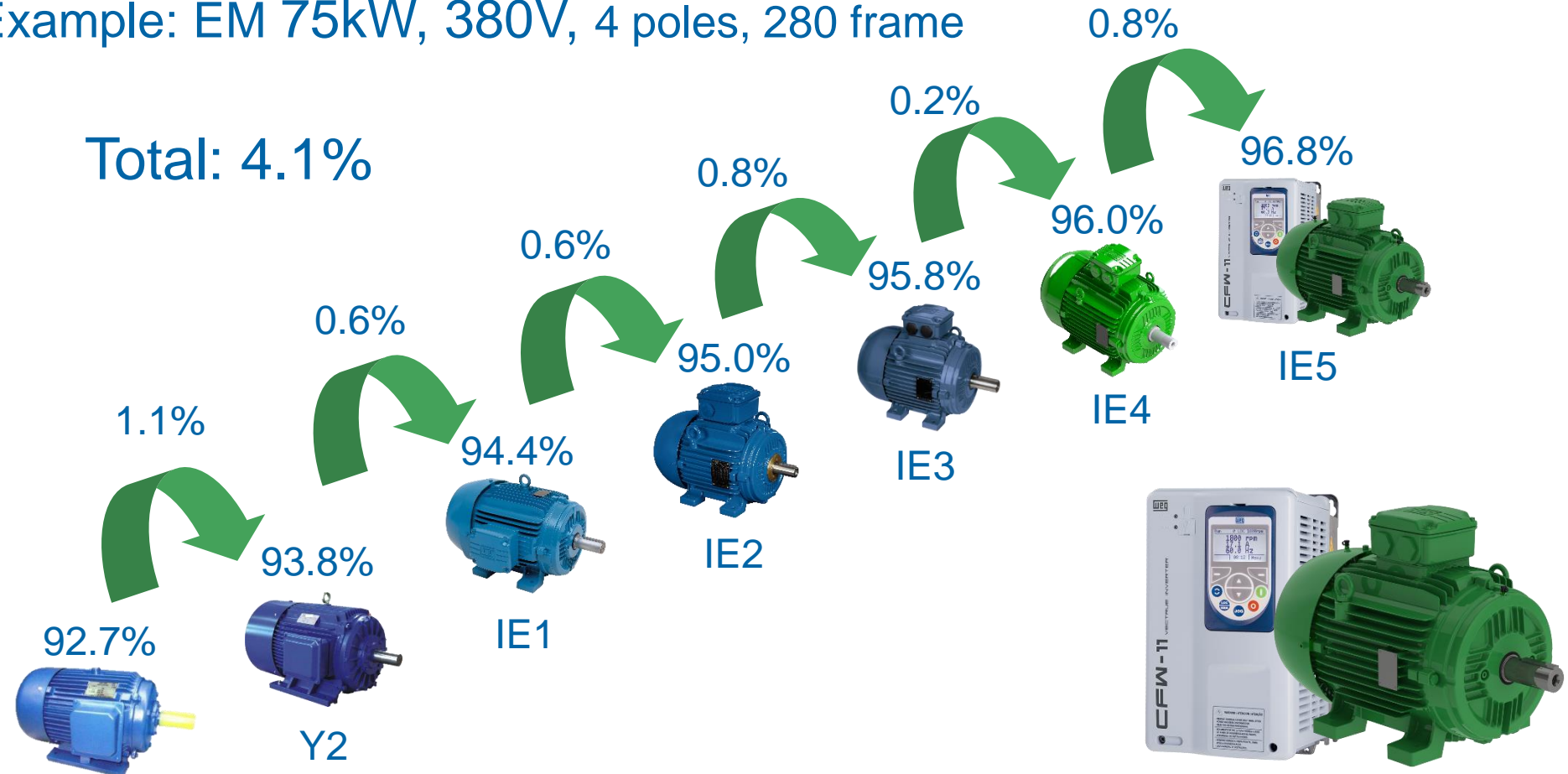
*High efficiency electric motors*



# Energy Efficiency

EM design / specifications changing fast

Example: EM 75kW, 380V, 4 poles, 280 frame

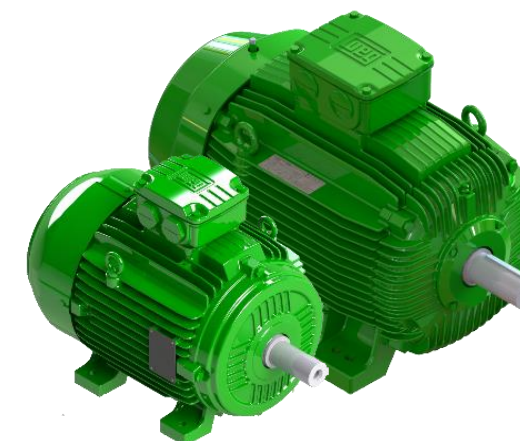
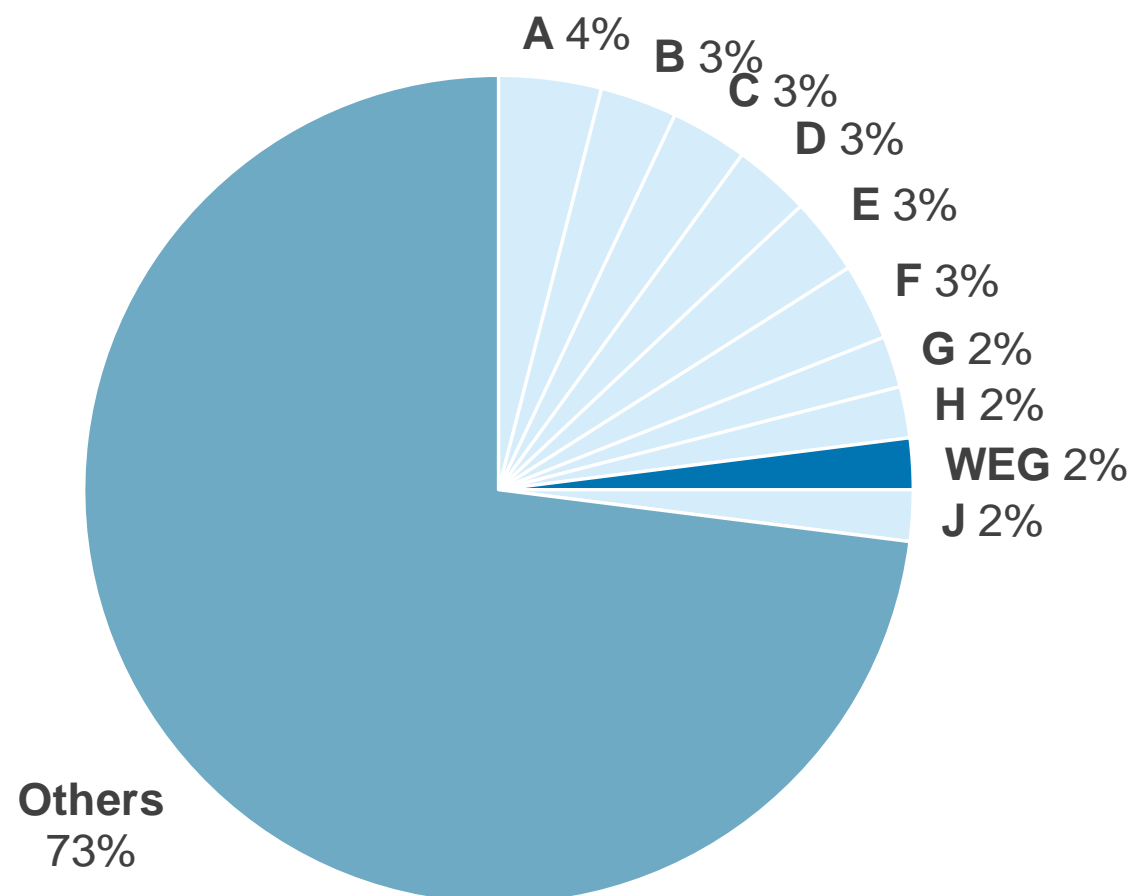


And **WEG** has **IE5** W21 Magnet Ultra Premium



# Chinese Market & Main Players

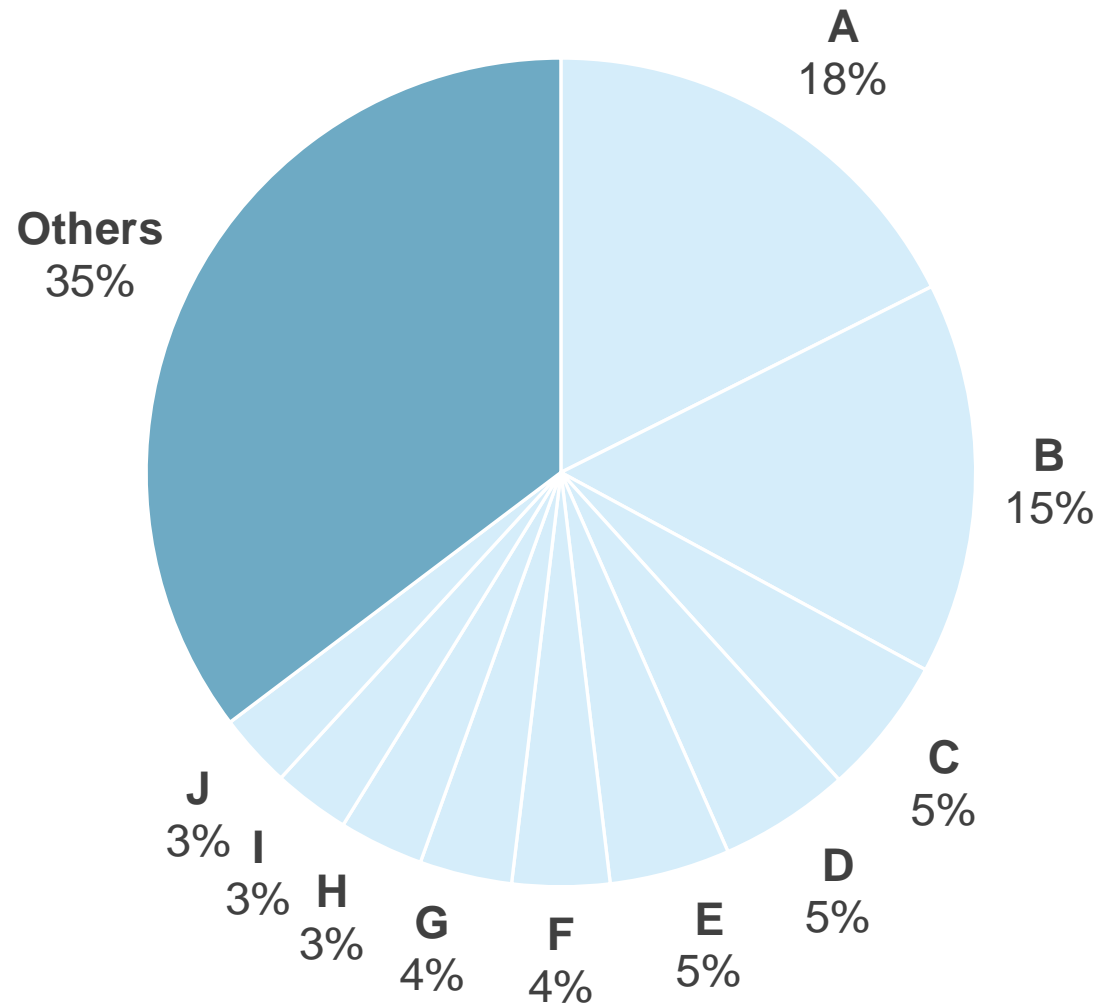
*Top Chinese low voltage electric motor players*



Around 2,000 electric motor manufacturers

# Chinese Market & Main Players

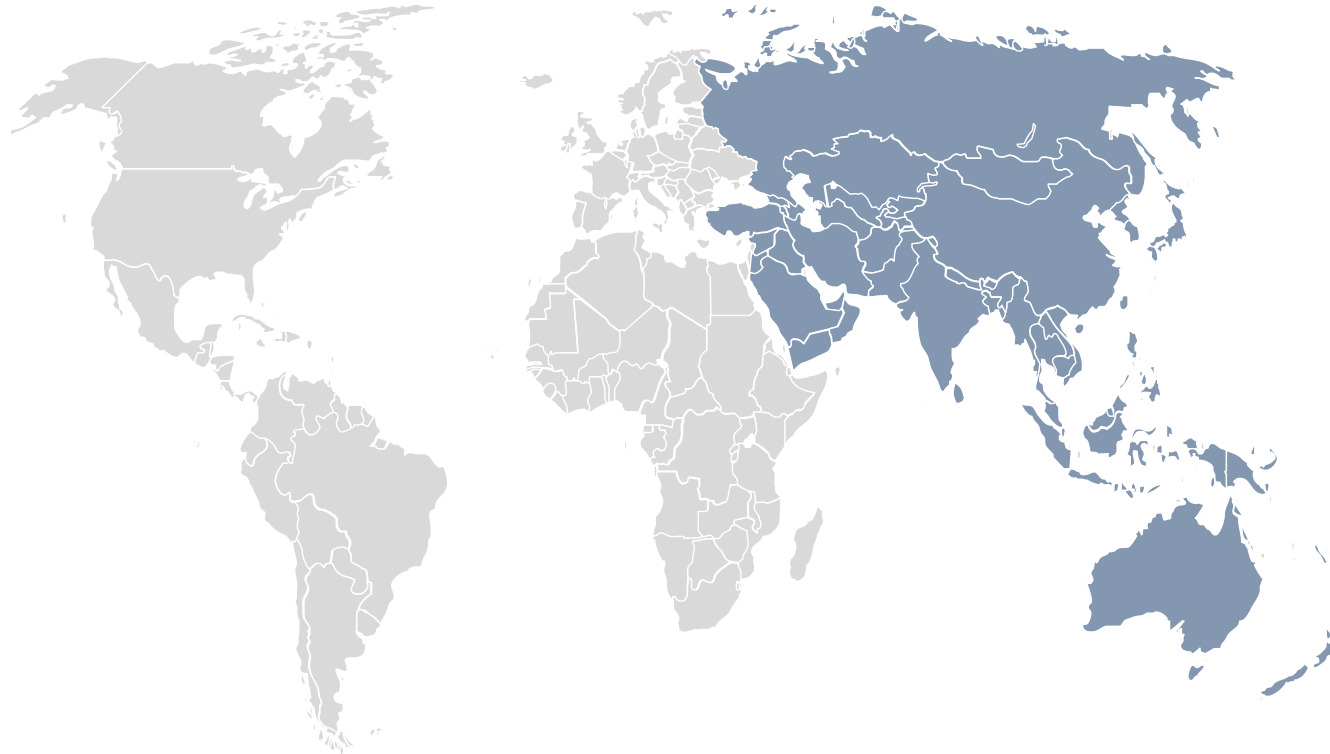
## *Top Chinese low voltage drives players*



# Main Strategic Goals

*The Future is Now*

The opportunity is the largest electric motors and drives market in the world



WEG's ambition is to be among the top largest players in the market by 2023

# Strategic Goals

## Short Term

- Accelerate expansion:
  - Industrial low voltage electric motors
  - High voltage electric motors
  - Low voltage drives
- Enlarge the portfolio of drives manufactured in China
- Start the Mini Circuit Breakers factory (China)
- Introduce the gearbox business (China)
- Develop Permanent Magnet product / business for high end applications

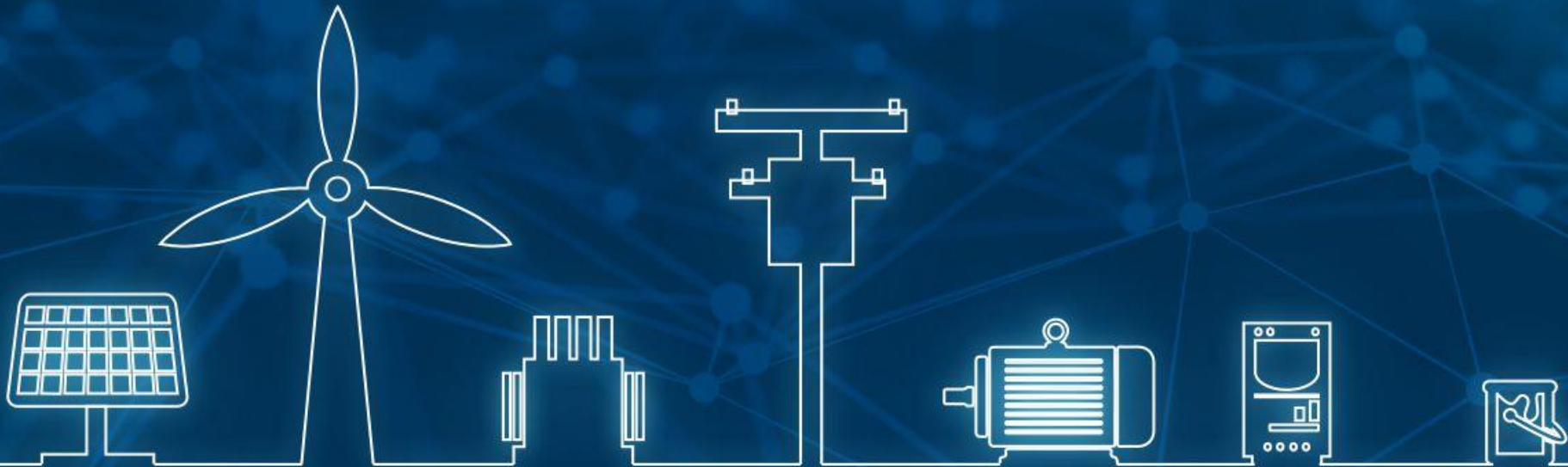
## Medium Term

- Continue electric motors expansion in Chinese market and increase exports across Asia
- Accelerate business expansion:
  - Gearbox
  - Drives and controls
- Expand our service business targeting IoT (MotorScan)

## Long Term

- Be among top players in low voltage electric motors
- Become a reference in Permanent Magnet industrial motors (China)
- Continuous growth in high voltage products, drives and controls
- Accelerate expansion:
  - Gearbox
  - Service business (became a reference in Remote Monitoring System)

Q&A

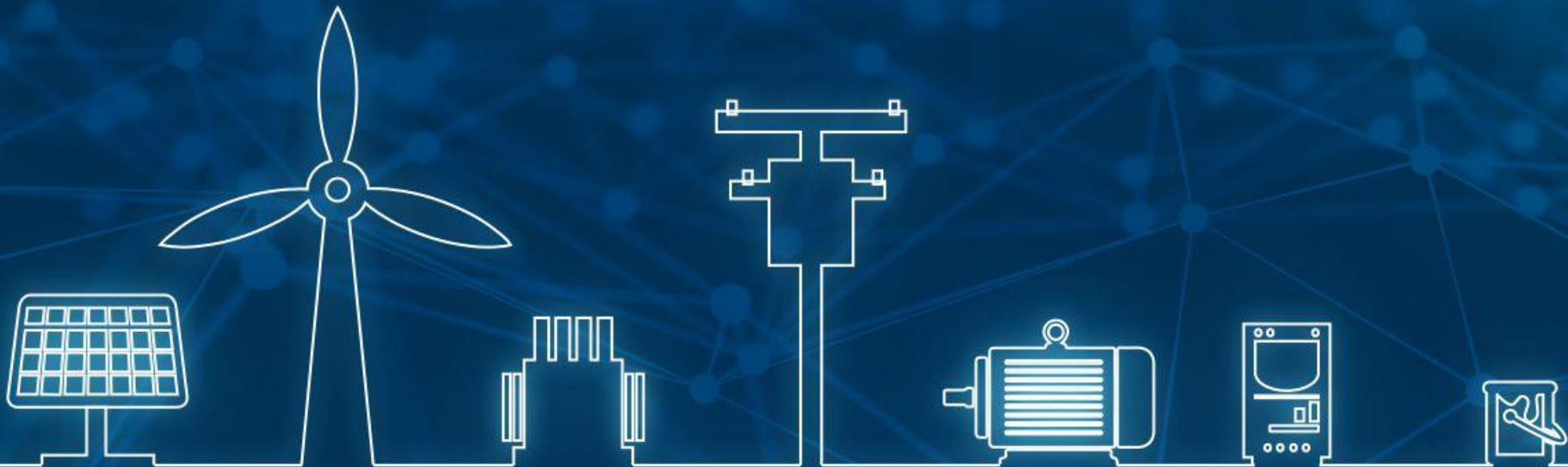


**WEGDAY2018**



# Financial Performance

*Mr. André Luís Rodrigues*



**WEGDAY2018**

# WEG is a global company headquartered in Brazil

One of the world's largest manufacturers of electric-electronic equipment

One of the highest growth  
**Capital Goods**  
companies



Largest **+10,8million** ft<sup>2</sup>  
manufacturing site for  
LV electric motors in  
the World

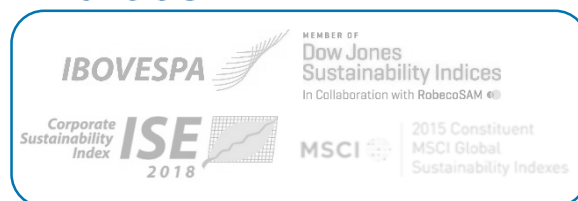
**BRL**  
**9.5** billion  
in net revenues (2017)

Stock exchange  
[B]<sup>3</sup> OTC Pink  
**WEGE3 WEGZY**

**BRL**  
**36** billion  
in market cap  
(May 2018)

**70,000**  
motors produced per day

## Indices



**+30,000**  
employees globally

**+3,000**  
engineers

Sales to  
**+135**  
countries

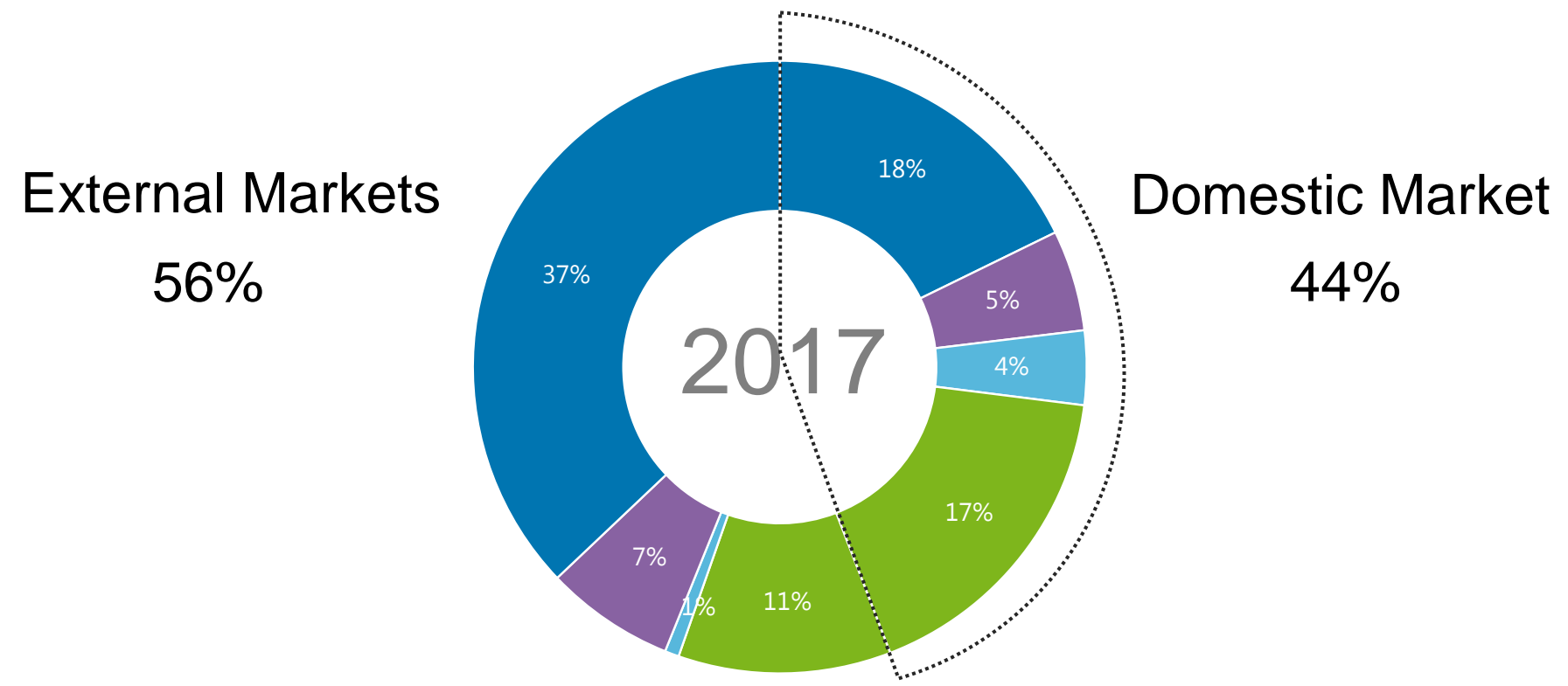
**40** Manufacturing sites  
in 12 countries 4  
continents

Distributors in  
**+105**  
countries

**55** % of the products  
sold in 2017 were  
released in the last  
5 years

# WEG Business

*Diversified product line allows for strong growth across different market cycles*



  
Industrial Electro-  
Electronic Equipment

  
Energy Generation, Transmission,  
and Distribution (GTD)

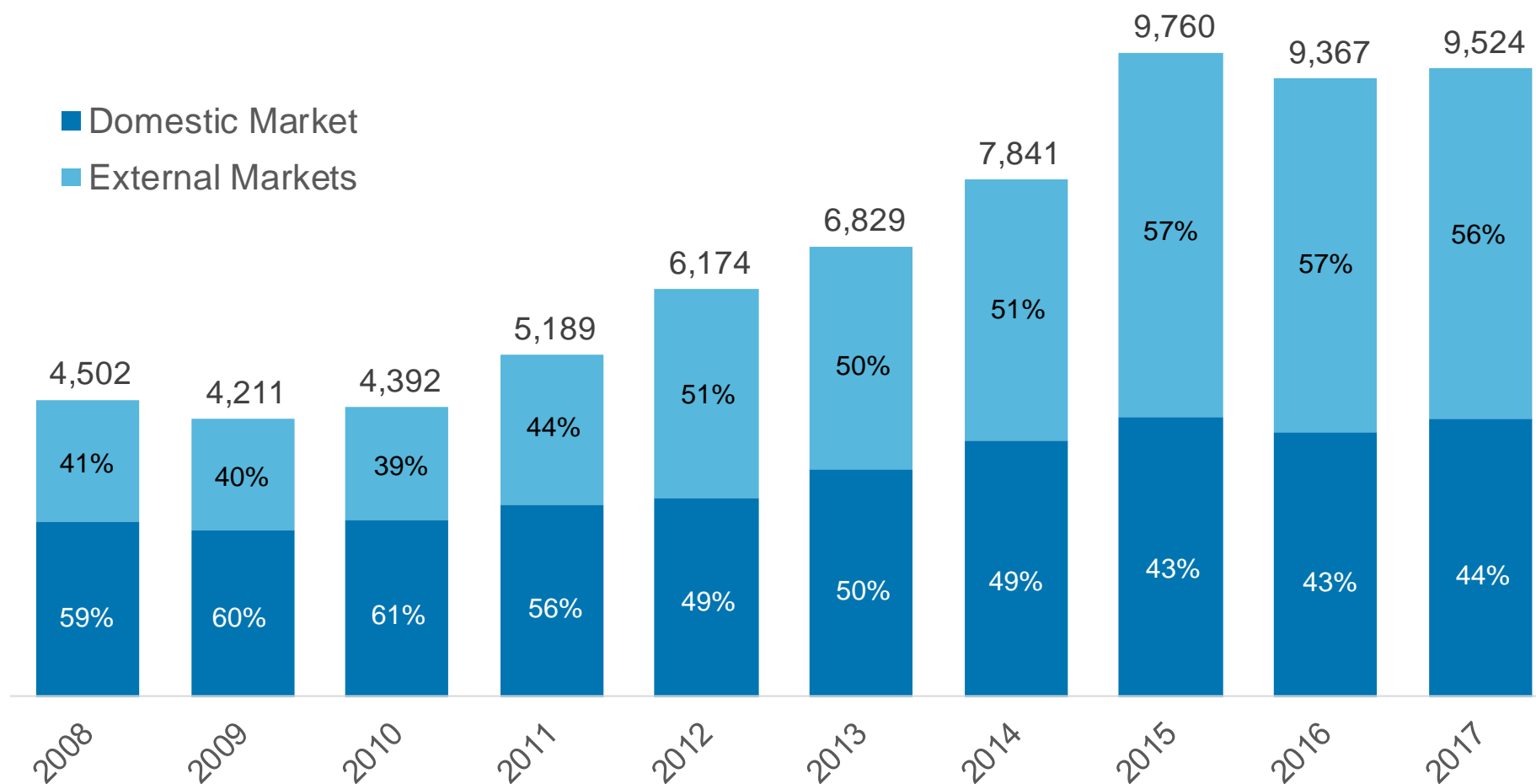
  
Motors for  
domestic use

  
Paints and  
Varnishes

# Solid growth track record

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

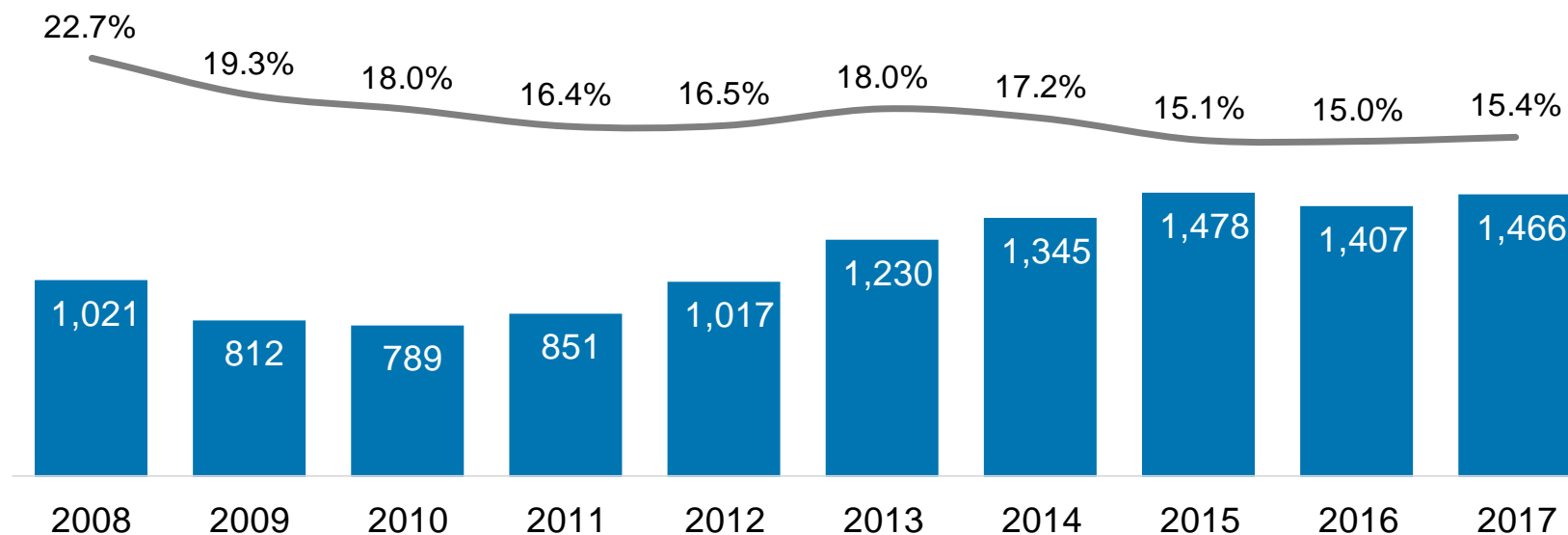
Net Operating Revenues (R\$ million)



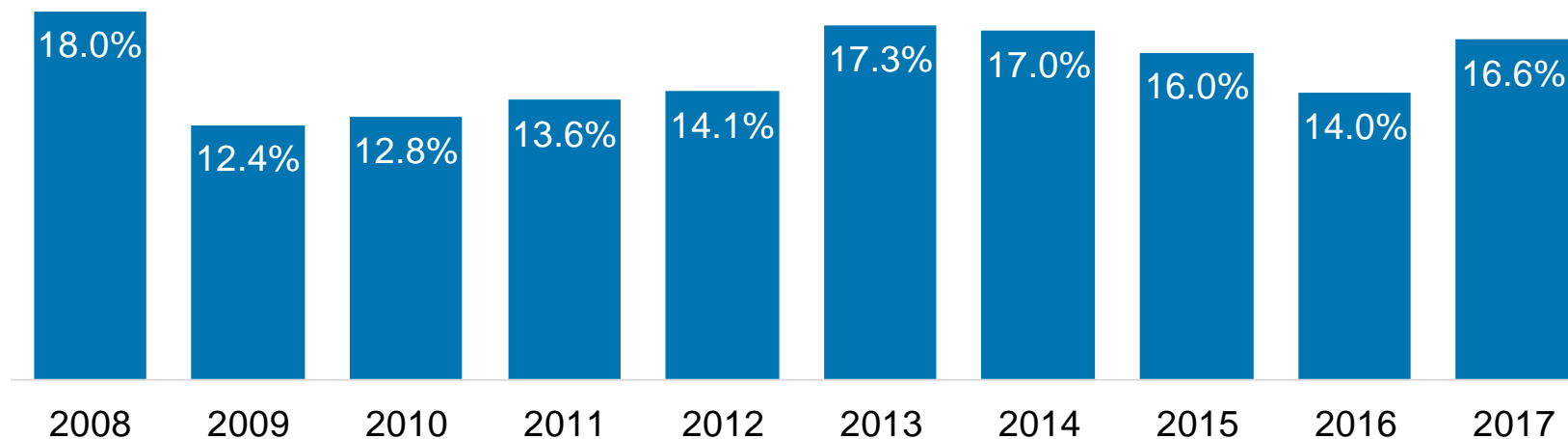
# Strong operating returns and disciplined capital allocation

*Resulting in stable above average ROIC over time even with lower EBITDA margin*

EBITDA (R\$ million) and EBITDA Margin



ROIC

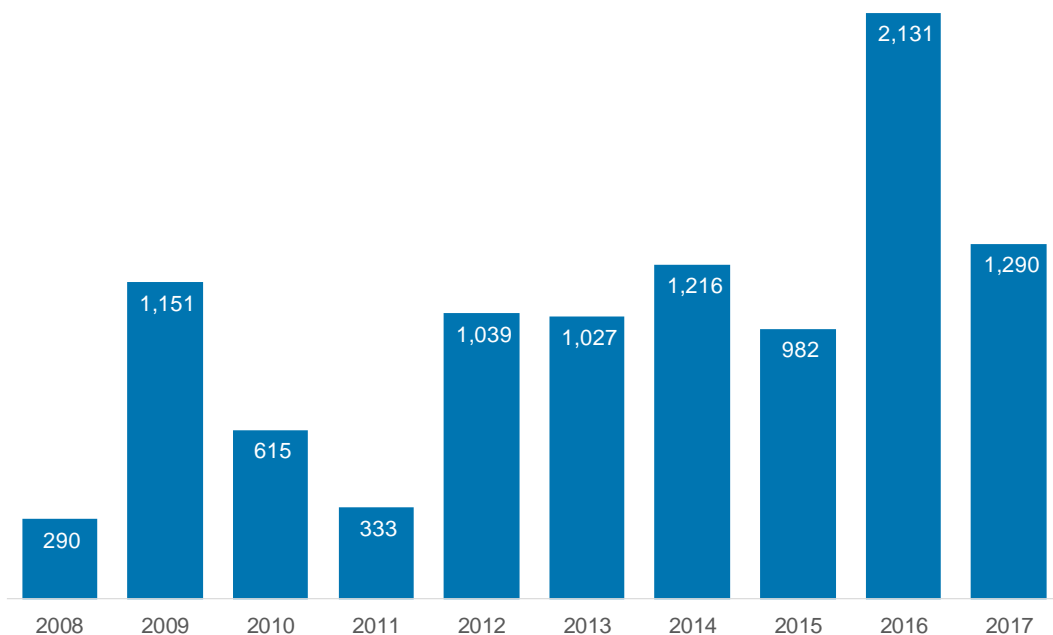




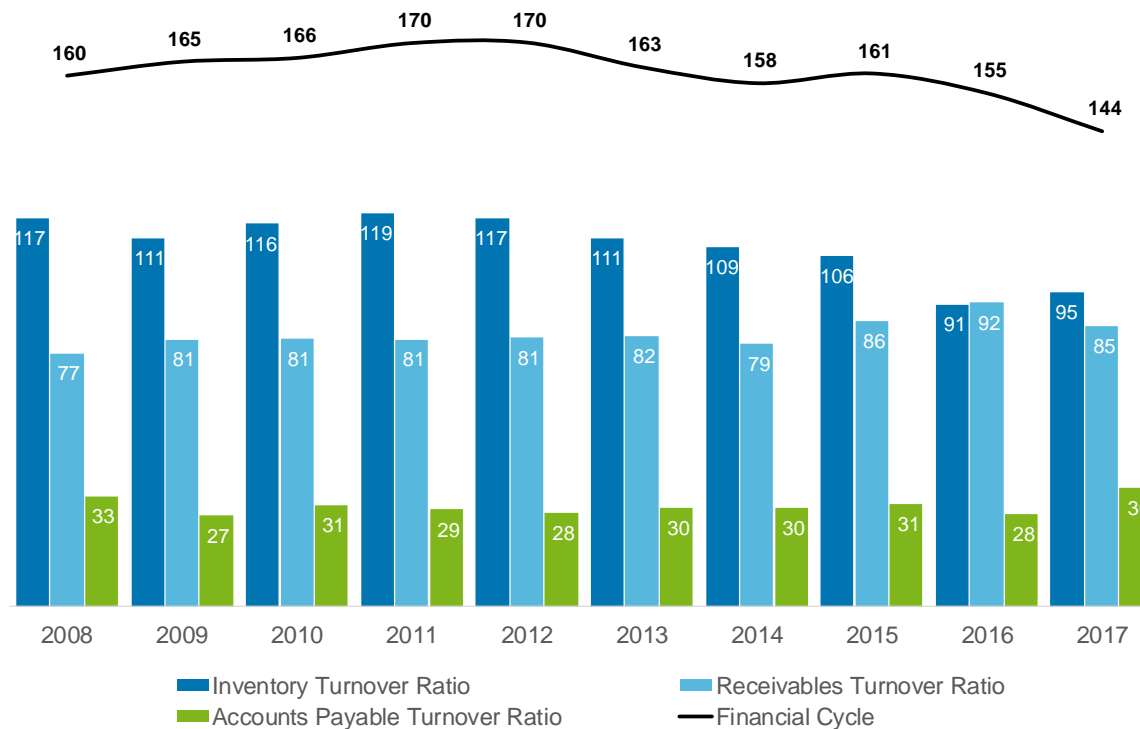
# Operational cash flow

*Consistent cash generation on the back of higher discipline in working capital management*

Operational cash flow (R\$ million)

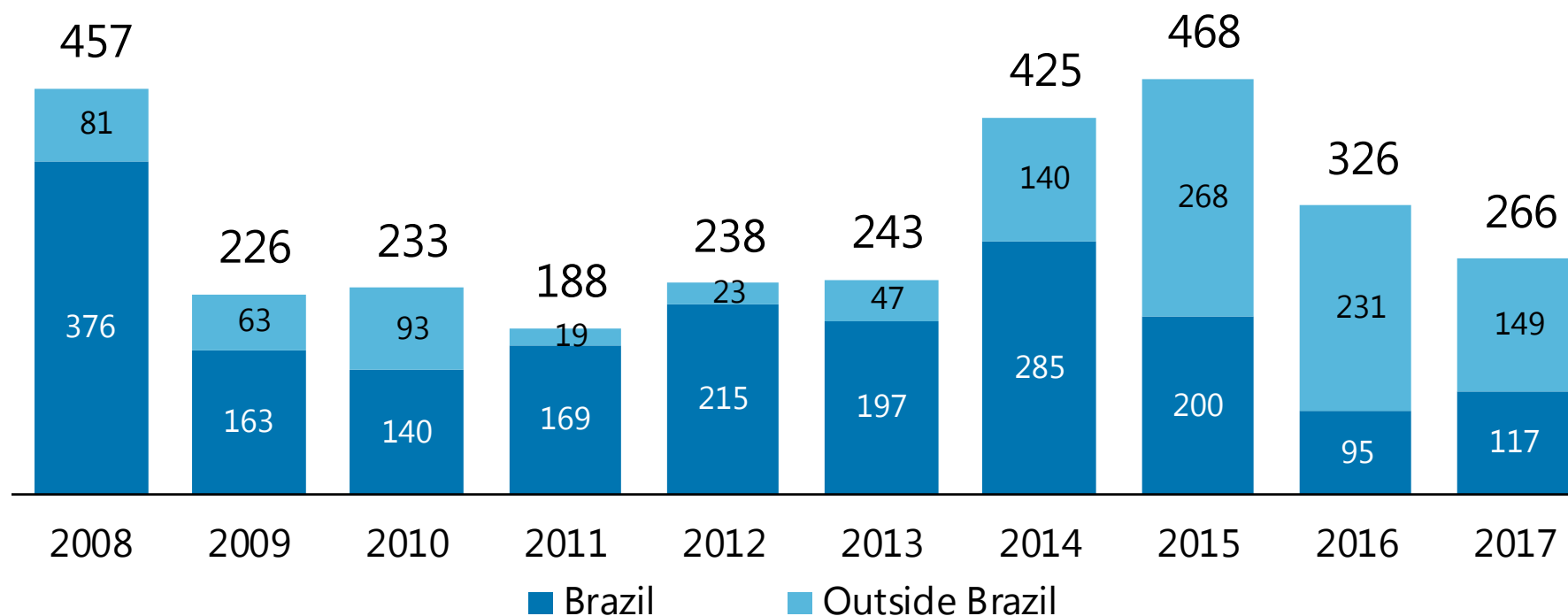


Financial Cycle - Working Capital (Days)



# Investments

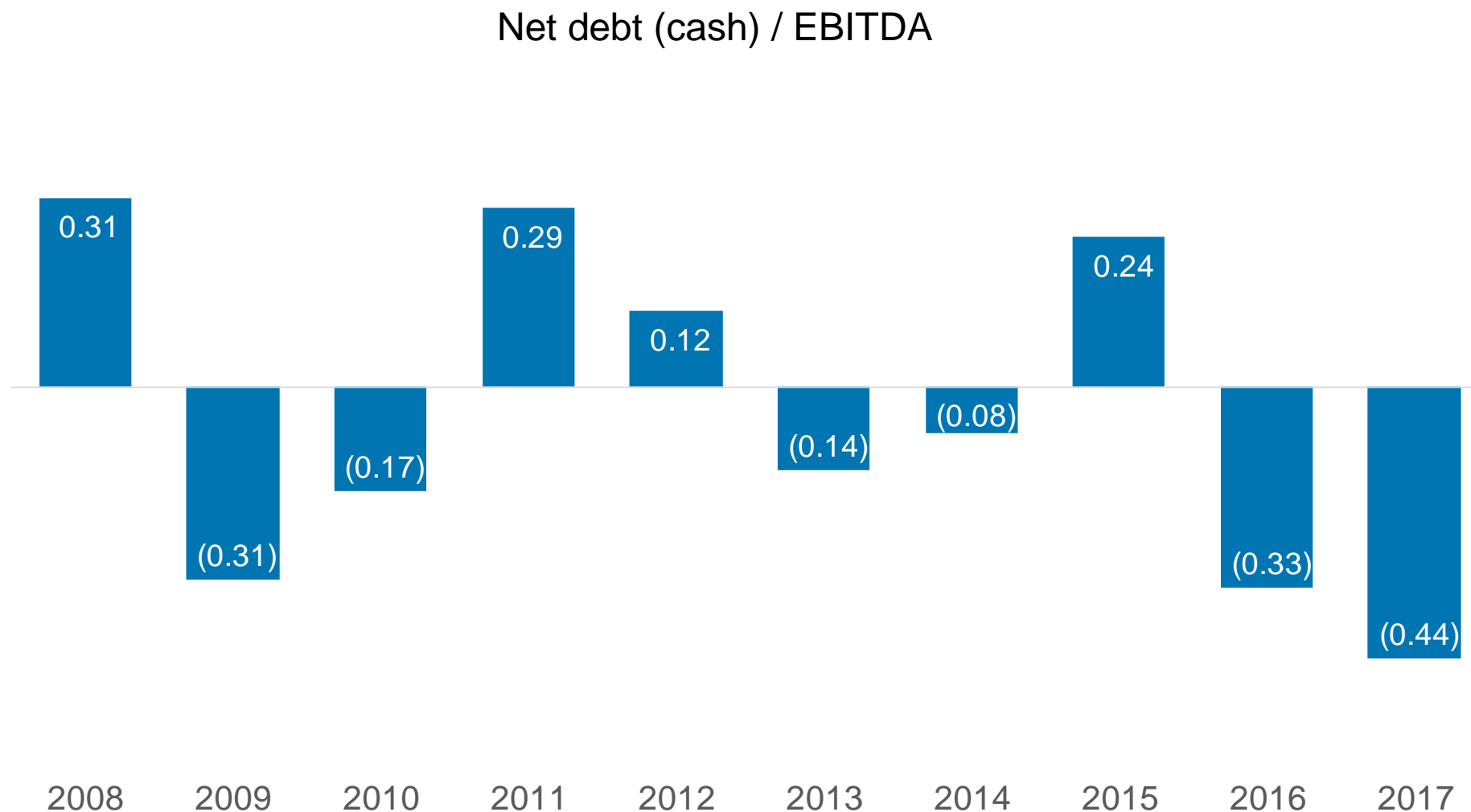
*Focused on increasing production capacity outside Brazil in recent years*



*Figures in R\$ million*

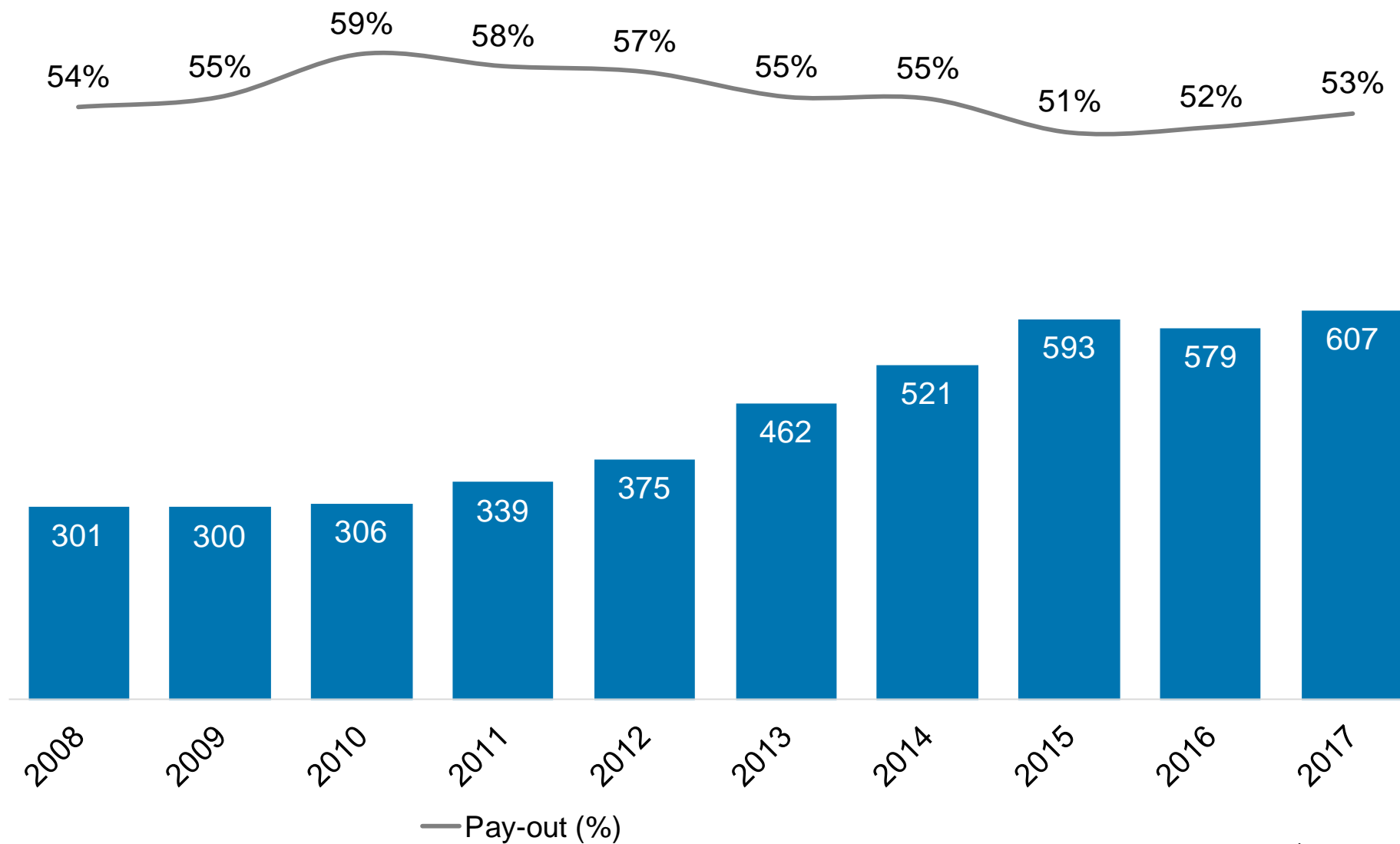
# Financial Flexibility

*Allows us to pursue growth opportunities as they become available*



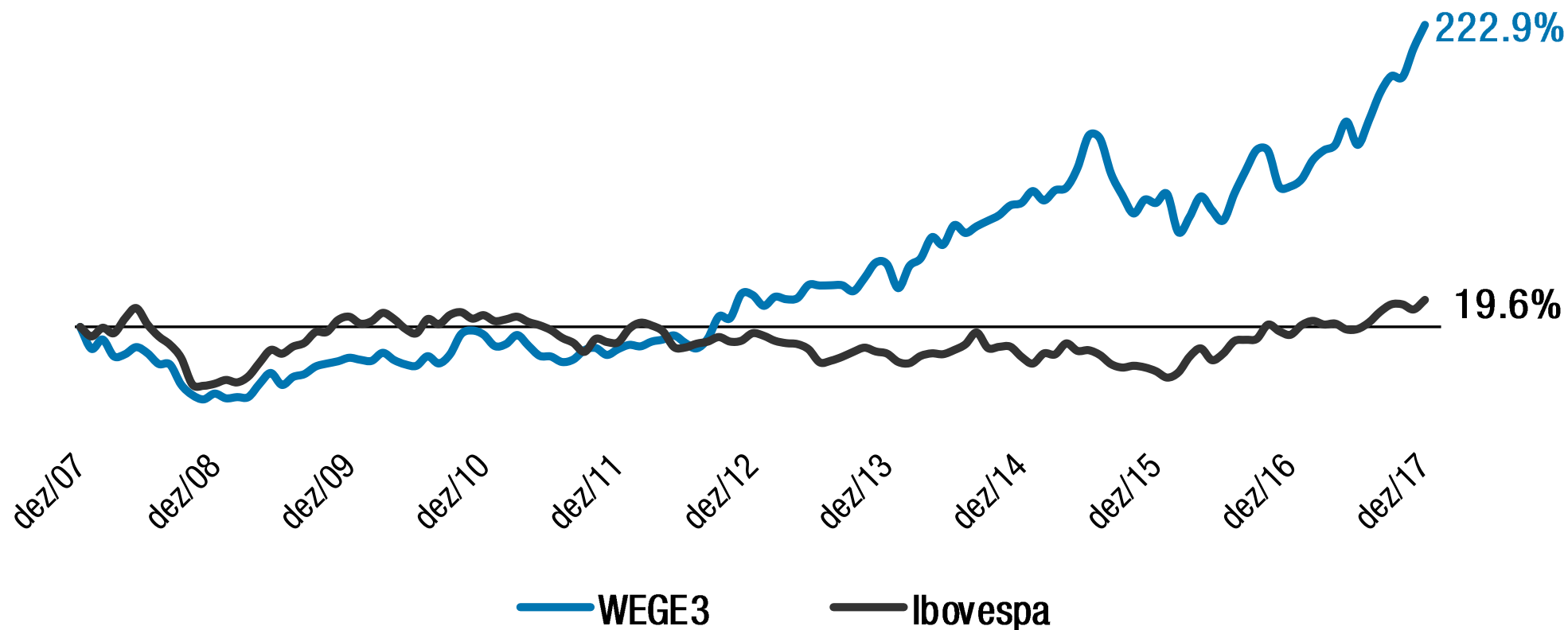
# Robust dividend flow

*Payout average 55% in the last 10 years*



# Consistent performance of WEGE3

*Return above industry average*





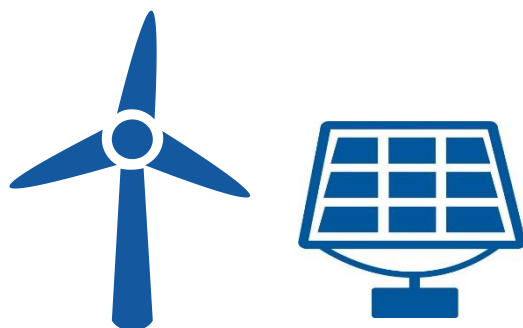
# Environment, Social and Governance

*ESG practices are core to our business strategy*

## Environment

**Reducing environmental impacts on customers**

*We develop technologies to improve energy efficiency, the generation of renewable energy and the reduction of electricity consumption.*



## Social

*Investments in Training*

**R\$ 28.9 million**

*Average hours of training by employee*

**116 hours**

*Investment in employee benefits*

**R\$ 343 million**

PROFIT SHARING	HEALTH CARE
DENTAL CARE	PENSION PLAN
MEALS	INFLUENZA VACCINATION PROGRAM
LIFE INSURANCE	CHRISTMAS GIFTS
CHILD EDUCATION SUPPORT PROGRAM	

## Governance

MEMBER OF  
**Dow Jones Sustainability Indices**  
 In Collaboration with RobecoSAM

**MSCI** | 2015 Constituent  
 MSCI Global Sustainability Indexes

Corporate Sustainability Index **ISE** 2018



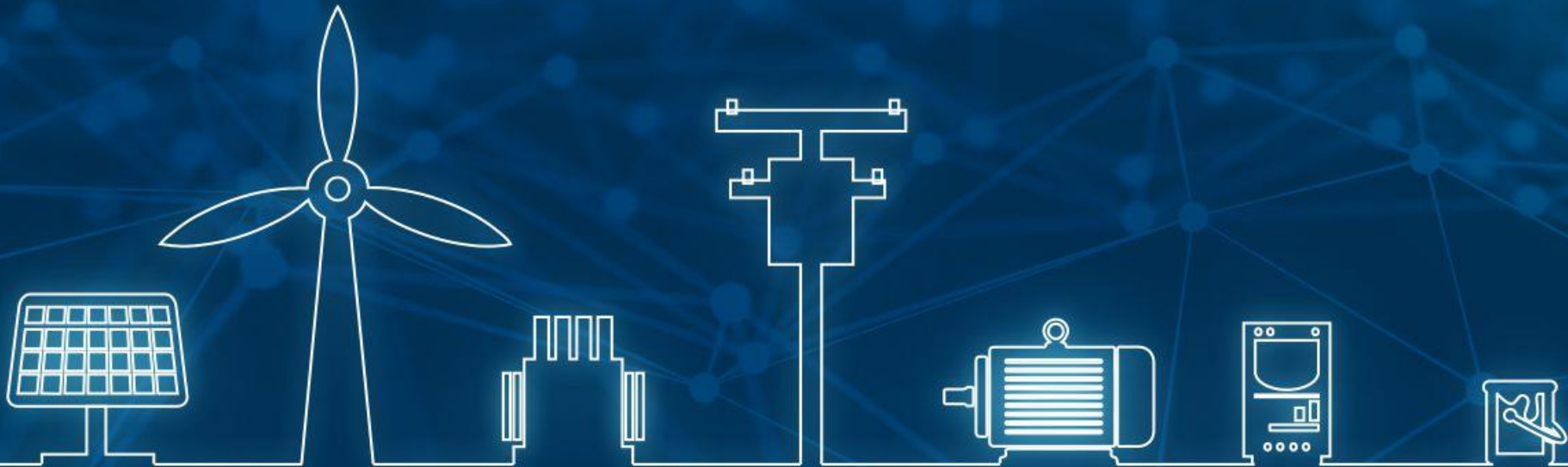
# Key messages

## *Financial Performance*

- Fundamentals remain the same:
  - Long term vision
  - Continuous and sustainable growth
  - ROIC as key performance indicator
- Internationalization process was carried out while maintaining company value
- Back to revenue growth after the worst crisis in Brazil's history
- ROIC resilient and above market average
- Continued discipline in capital allocation and working capital needs
- Returns above average for our shareholders

# Strategy and Outlook

*Mr. Harry Schmelzer Jr.*

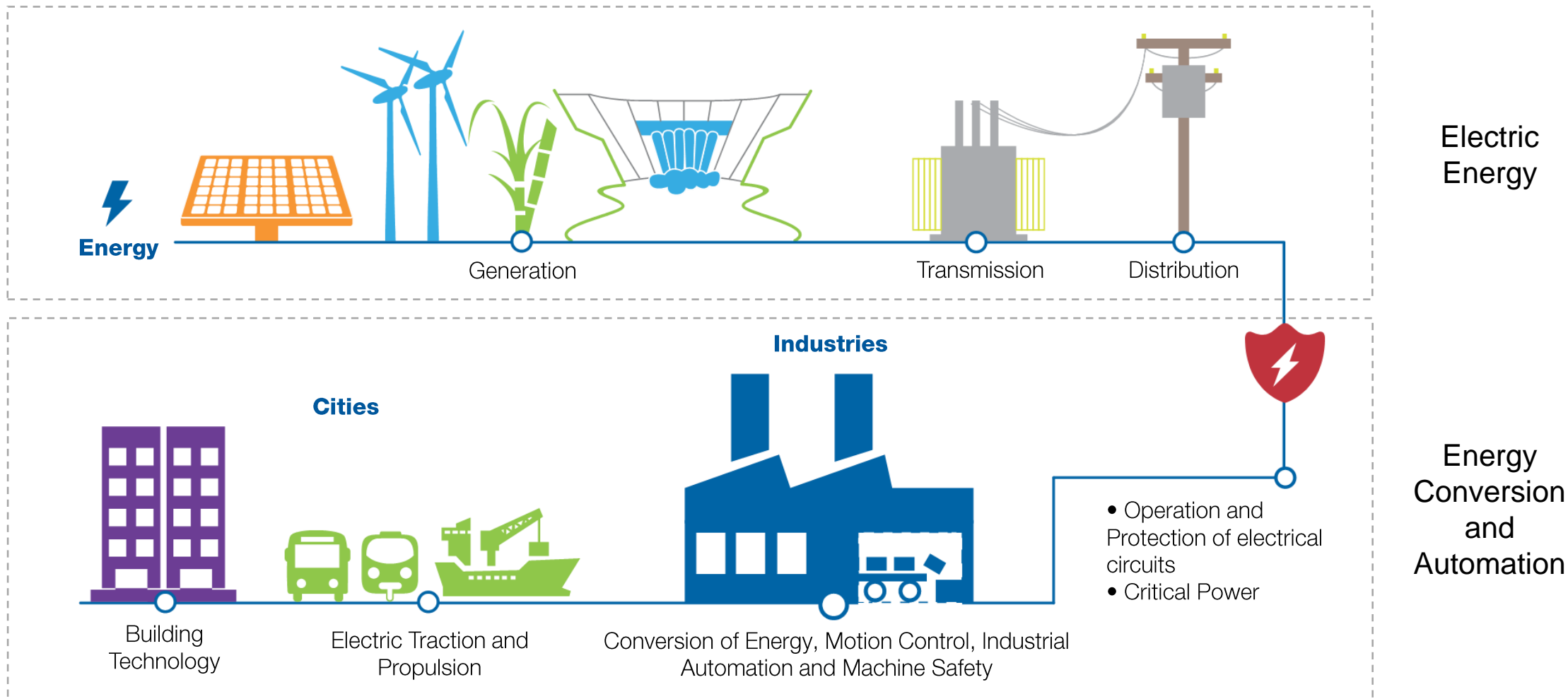


**WEGDAY2018**

**Continuous and sustainable growth  
maintaining simplicity**

# Energy

*The heart of our business*





# Opportunities to continue expanding our businesses worldwide

We will continue to expand into new geographies, in most cases with industrial electric motors. As we have established market positions and/or recognized brands, we will leverage those to synergistically expand the product line.

International  
Expansion

We will continue to look for M&A with a clear vision of attractiveness of opportunities and of the strategic fit with our business model, always considering the two main drivers: market access and technology

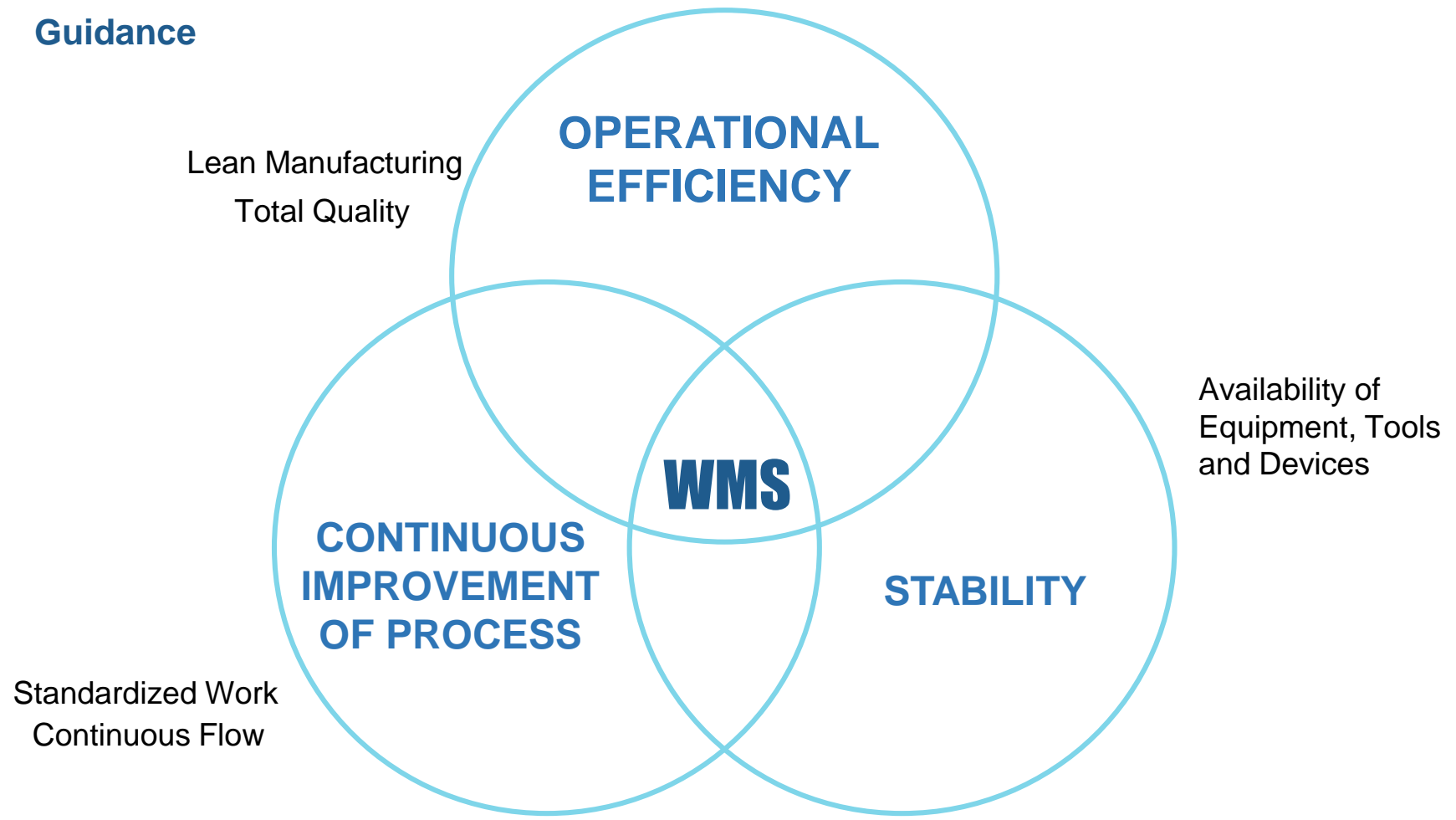
M&A

New  
Businesses

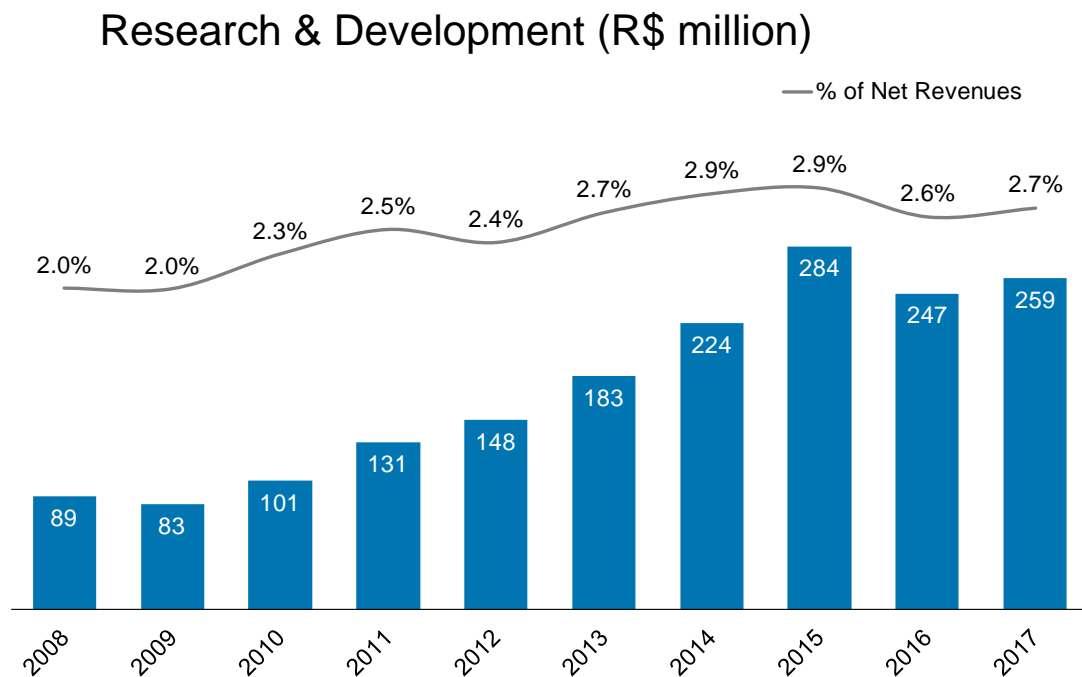
We will also continue to expand the product line into business / products that complement the offering and allows us to offer our clients more complete and efficient solutions.

# Operational Excellence

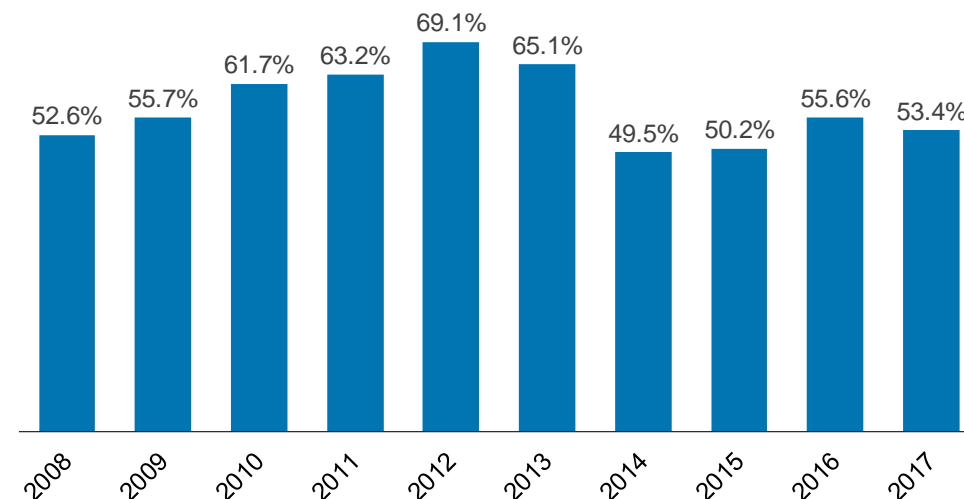
## WMS – WEG Manufacturing System



# Continue investing in R&D



Products launched in the last 5 years  
(% of Net Revenues)



## Recent projects in R&D according Business Areas:

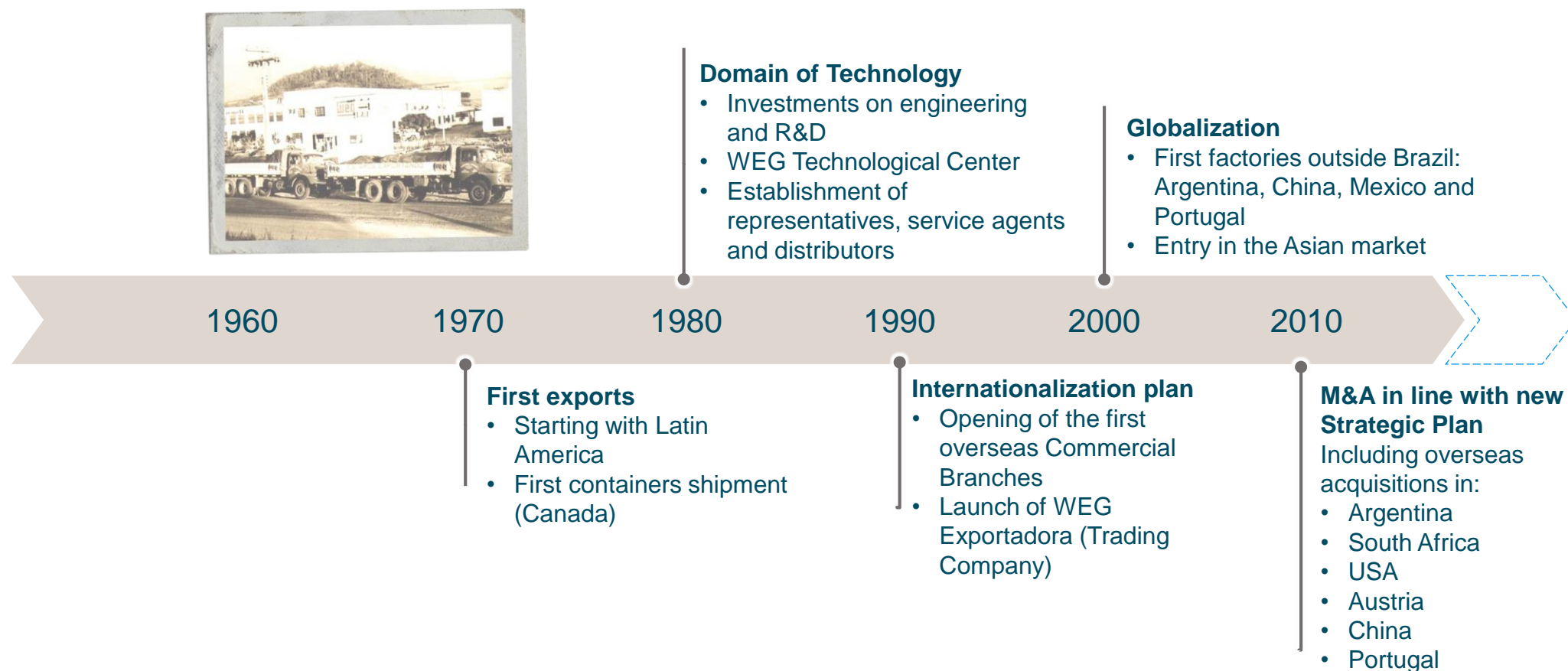
**Electro-Electronic Equipment:** Motor Scan, Motor Drive W22, W23 Motors, Powertrain

**GTD:** Wind Turbines 4.0 MW, Solar Electric Center, Solar String Inverter, Mobile Substations

**Motors for domestic use:** EC motor (Electronically commutated motor)

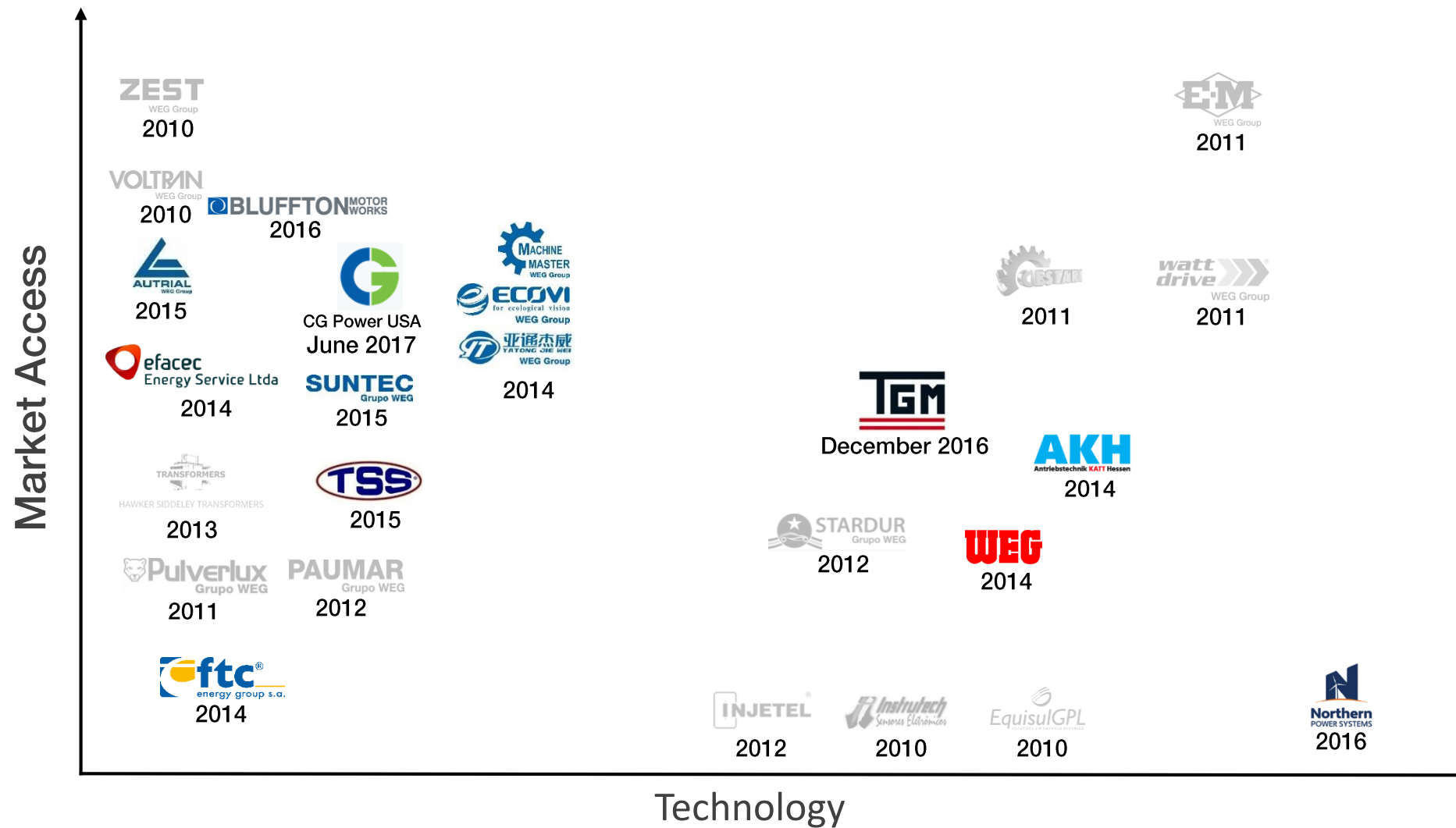
**Paints:** Antimicrobial paints, anti-fouling paints, anti flame coatings (unique at Brazil)

# International expansion plan



# Recent strategic plan

## Mergers & Acquisitions



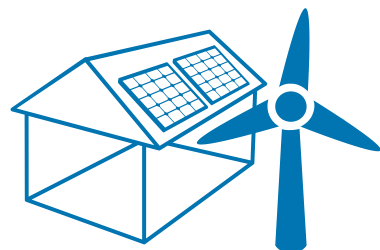


# Market and technology access

## *What we have done recently?*

### Renewable Energy

- Wind turbines and EPC solution
- Inverters and Electric Center for Solar Energy and EPC solution
- Solution for Solar Distributed Energy
- Steam turbine



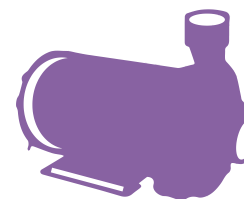
### Electric Motor

- Large electric machines technology and better structure for after sales services
- Structure for greater aggressiveness of sales and services in the commercial motors segment



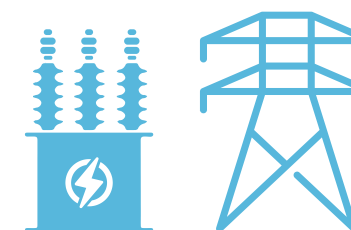
### Appliance Motors

- Appliance business internationalization with acquisition in China



### Transformers

- International progress with the transformers business through acquisitions in Mexico, South Africa, Colombia and USA



# New business development

## Wind



## Solar

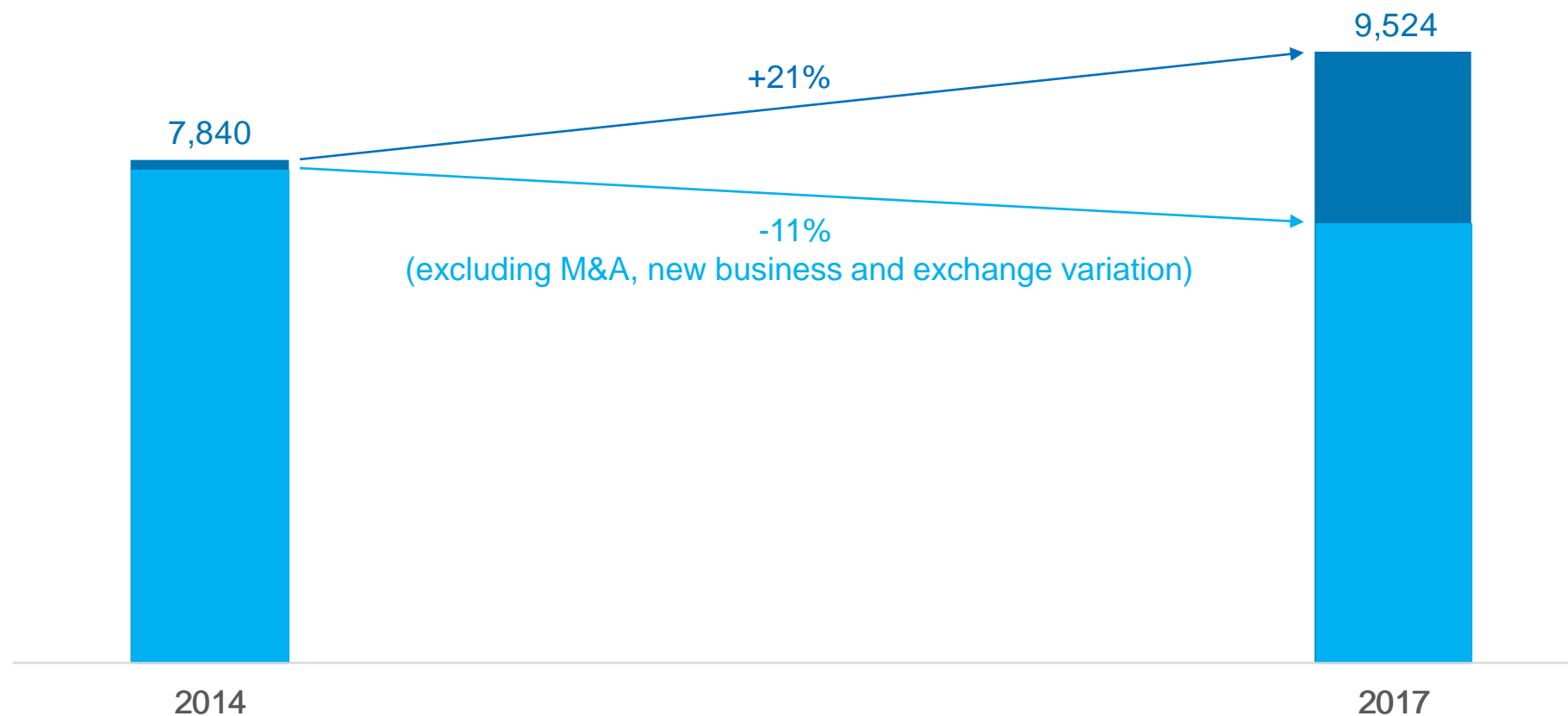


## Steam Turbine



# Our strategy proved to be right

*Sales performance has been positively impacted by M&A and new businesses*

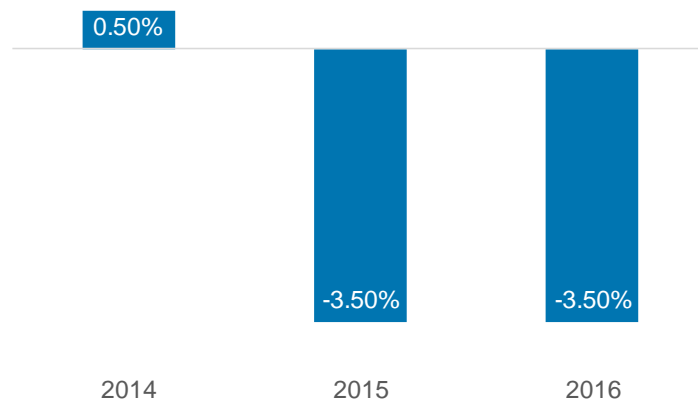


On the other hand, it means that the performance of our “mature” businesses faced a challenging macroeconomic scenario

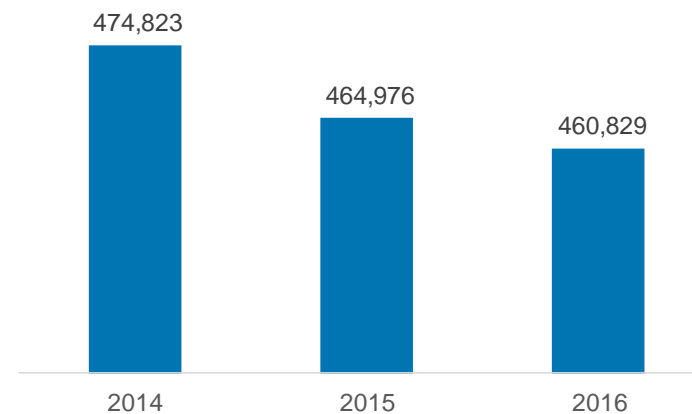
# Macroeconomic scenario

## Challenging scenario from 2014 to 2016

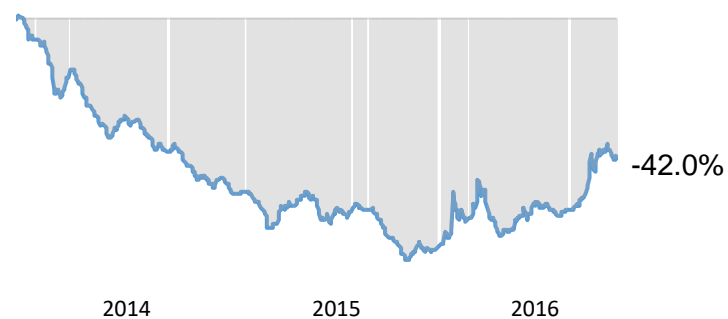
Brazil's GDP



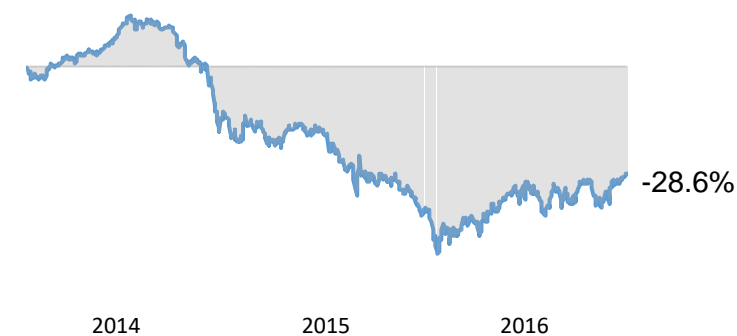
Brazil Energy Consumption (GWh)



Iron Ore



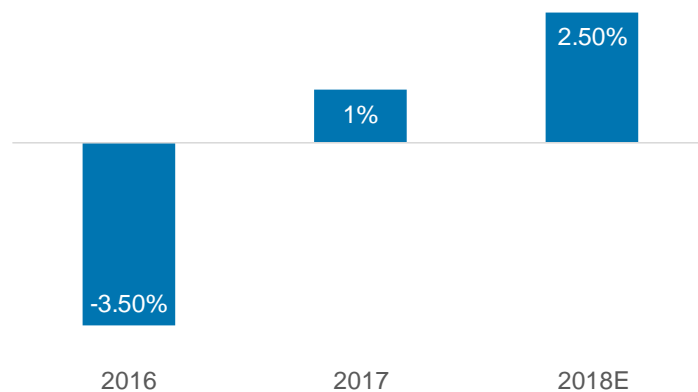
Oil WTI



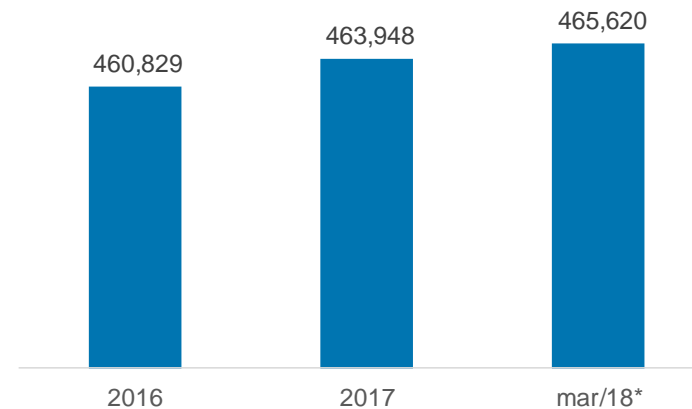
# Macroeconomic scenario

## *Better perspectives from now on*

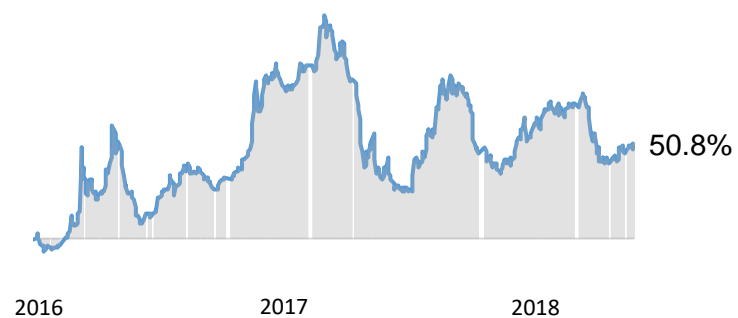
Brazil's GDP



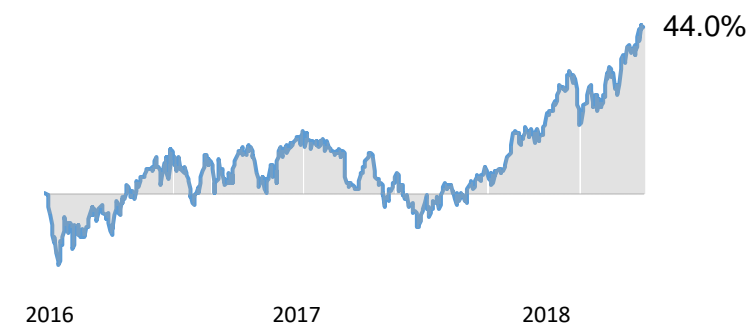
Brazil Energy Consumption (GWh)



Iron Ore



Oil WTI



# WEG Evolution

1961



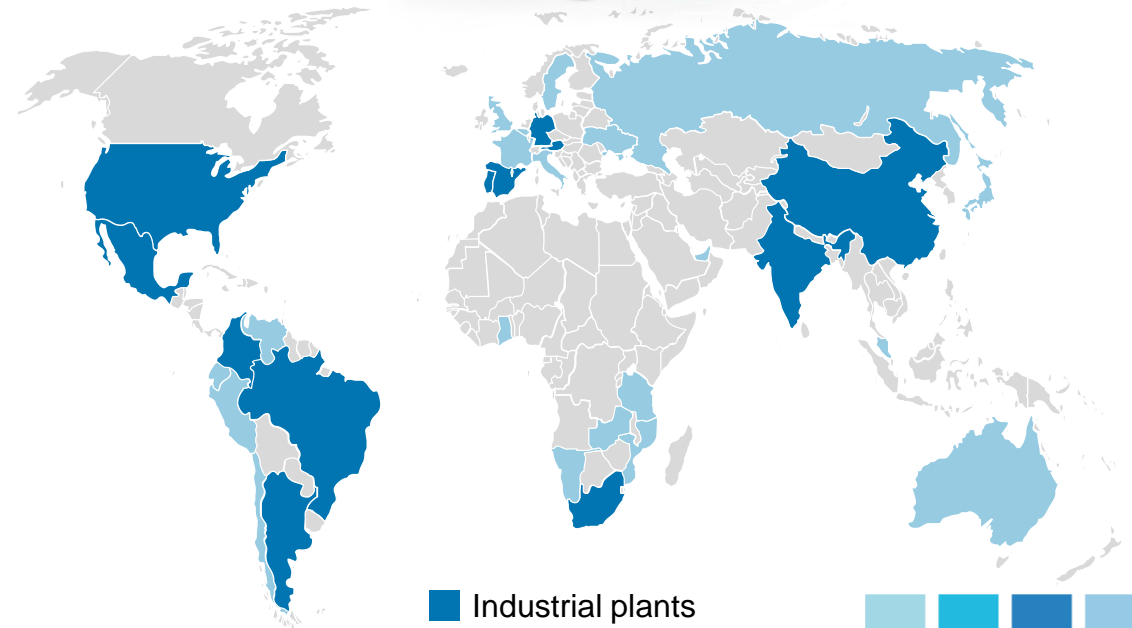
Industrial Electric Motor



2017



Brazil



■ Industrial plants  
■ Commercial branch

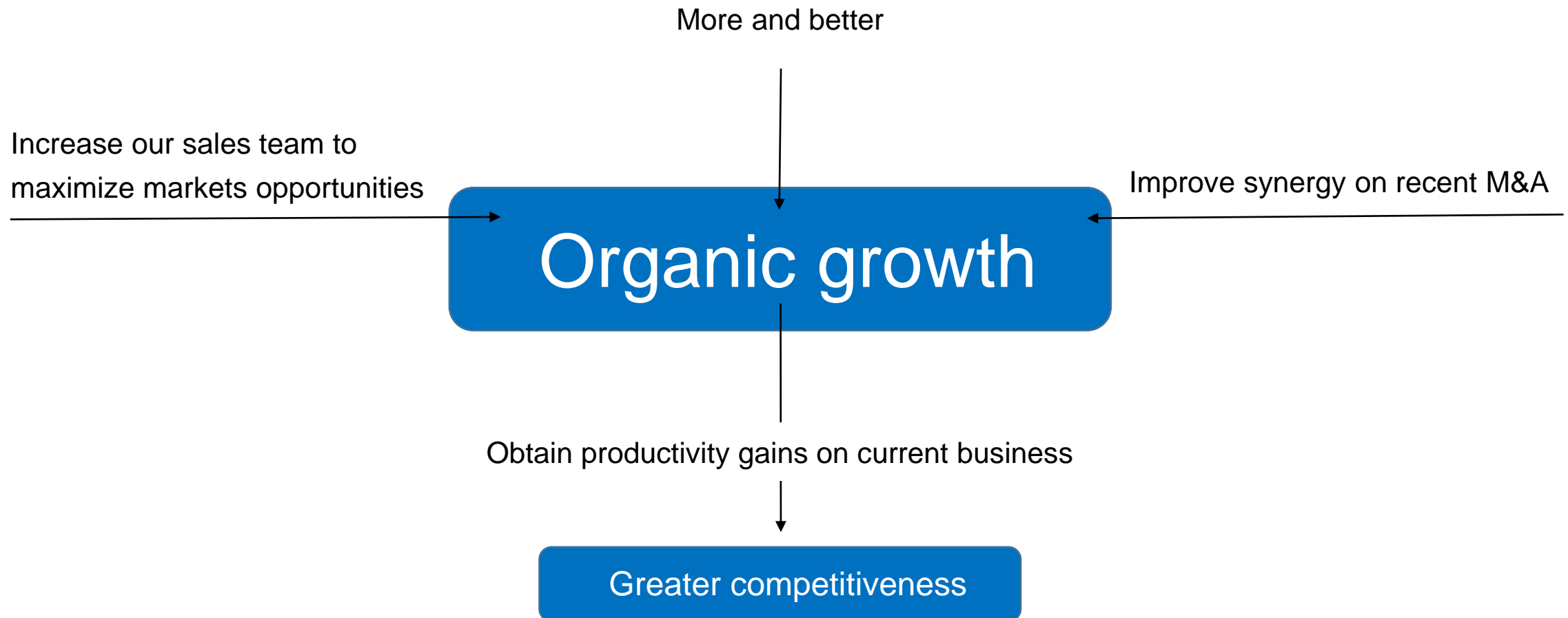




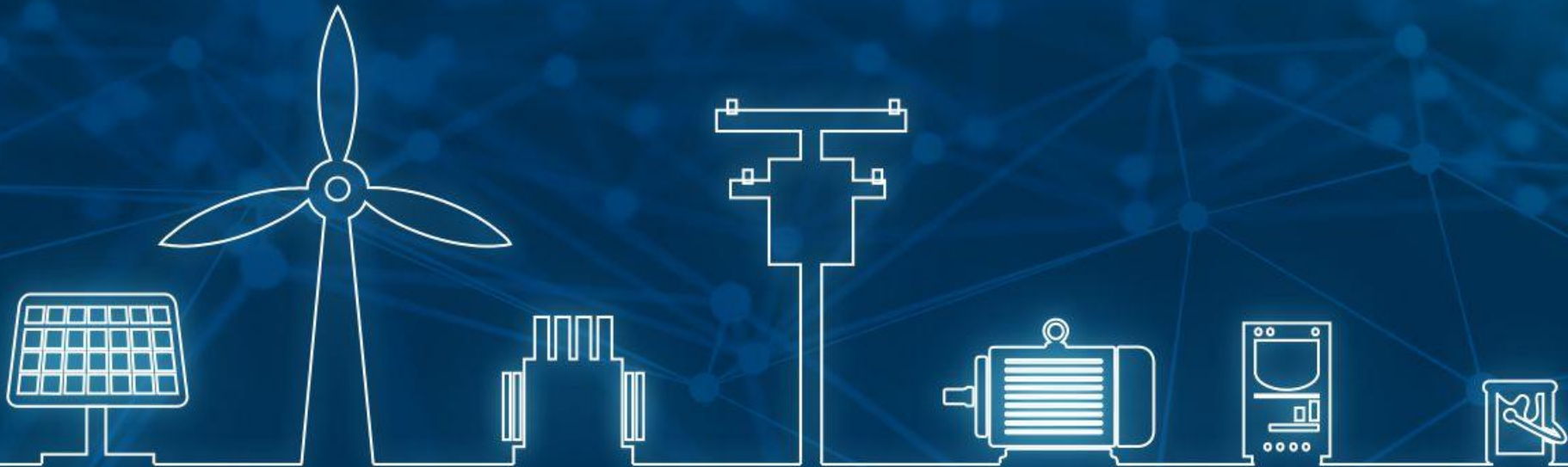
# Our strategic plan continue the same



# But, where is our focus on short term?



Q&A



**WEGDAY2018**

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Transforming energy into solutions. [ir.weg.net](http://ir.weg.net)

