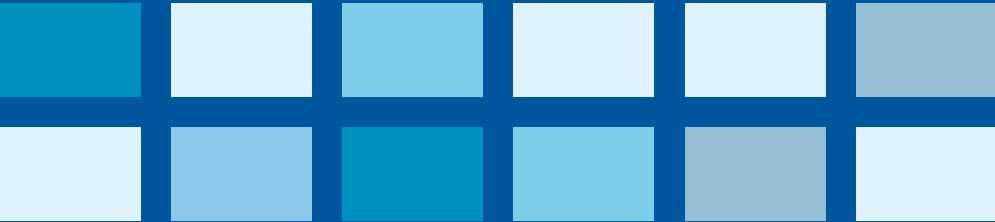


2017

Integrated Annual
REPORT
SHORT VERSION



Index

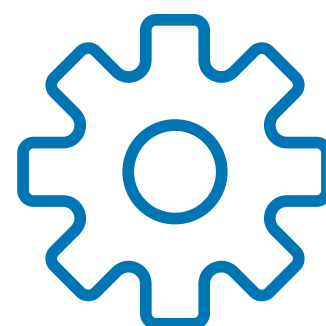


Innovation and Technology



INNOVATION IS ESSENTIAL FOR A COMPANY TO EVOLVE ITS PROCESSES, TO REMAIN COMPETITIVE AND TO STIMULATE THE DEVELOPMENT.

WEG works in the stimulation and strengthening of the use of renewable sources of energy, energy efficiency practices and the alignment of high technology and innovation with sustainable concepts, contributing with the clients to increase their competitiveness with a lower environmental impact.



Number of Patents



**INNOVATION
INDEX
53,4%**
PERCENTAGE OF SALES OF
PRODUCTS LAUNCHED IN THE
PAST FIVE YEARS.

1.561

EMPLOYEES DEDICATED FULL TIME
TO INNOVATION

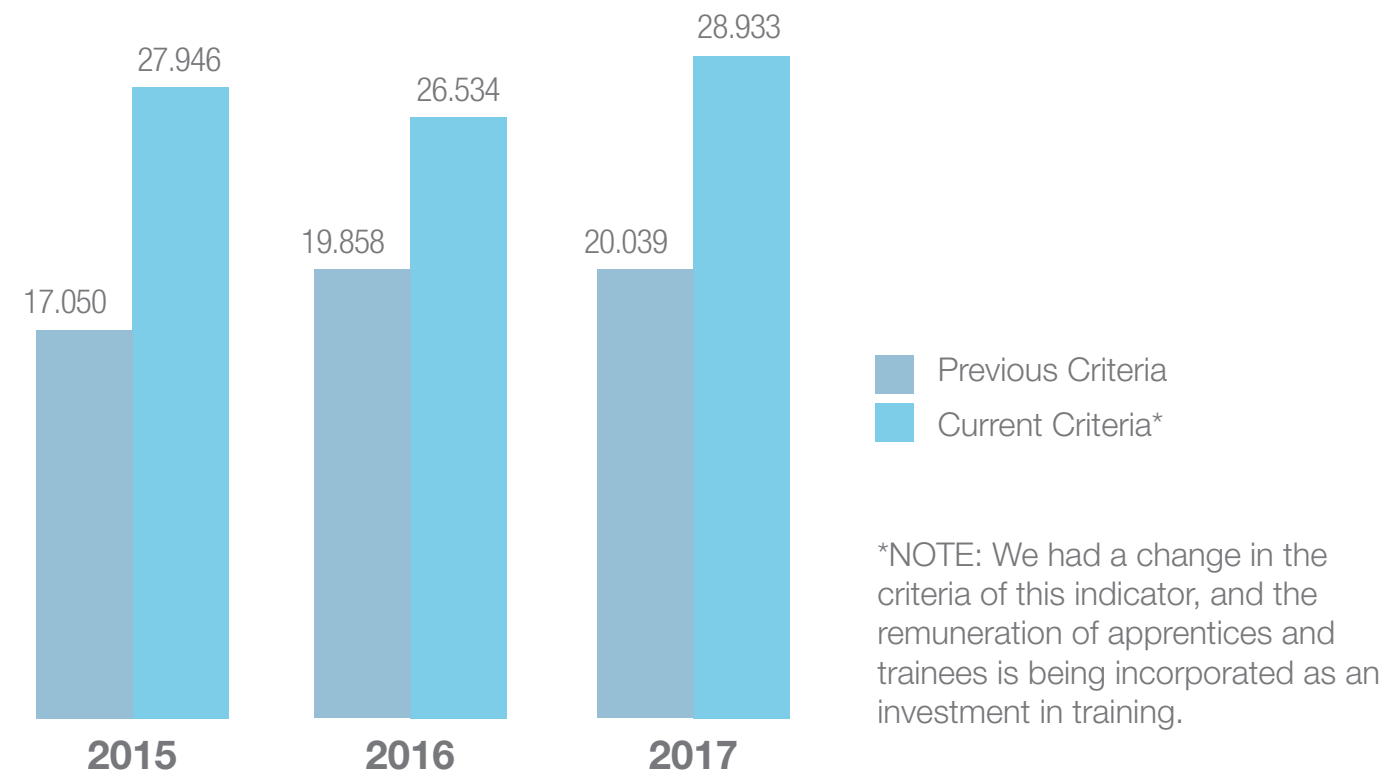
People

Training and Education

Qualified teams make better use of equipment, create solutions to everyday problems, adapt processes and products, develop and implement innovations.

This is critical for both good performance and professional development, as well as to contribute to and meet the Organization’s continuous and sustainable growth expectations.

Investment in training
(in thousand R\$):



The investment indicator increased by **9%** compared to the previous year.

Benefits Offered to Employees

In 2017, we invested more than **R\$ 343 MILLION** in benefits.

PROMOTION OF HEALTH

- Medical care
- Health Program for Chronic Diseases
- Retirement Preparation
- Health Campaigns

Aware that the success of any business depends on the life quality of the people who dedicate to it, WEG Brasil provides a set of benefits for its employees. Some of them are:

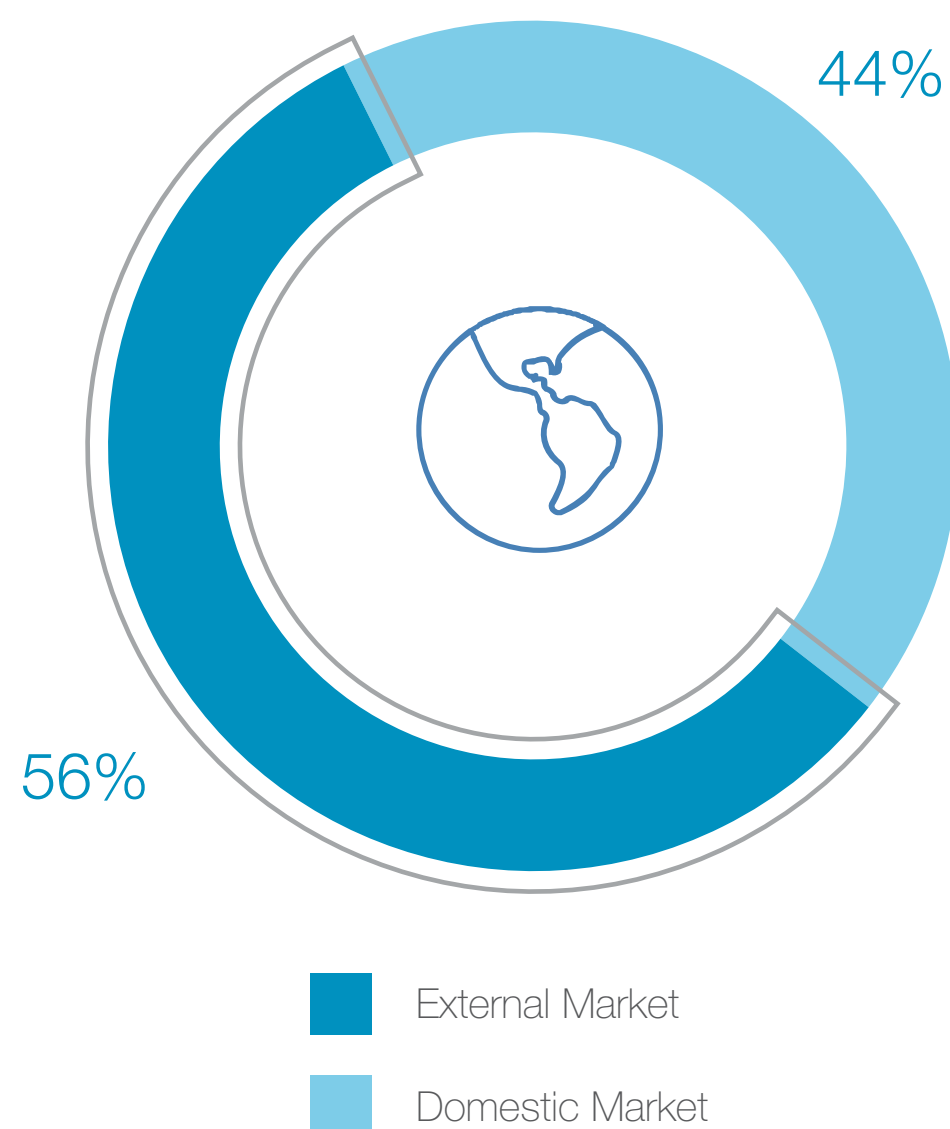
- | | | |
|-------------------------------|-----------------|---------------------------------|
| Profit Sharing | Health care | Meals |
| Dental Care | Pension plan | Life Insurance |
| Influenza vaccination program | Christmas Gifts | Child education support program |

Economic Performance

In 2017, Consolidated Net Operating Revenue (NOR) reached R\$ 9,523.8 million, an increase of 1.7% compared to 2016. This growth could have been higher, were it not negatively influenced by the still weak economic activity in Brazil, mainly on the businesses that demand high investments and that directly affect the area of GTD (Generation, Transmission and Distribution). In addition, we had an impact on the appreciation of the currency on revenues from our activities abroad, due to the 8.5% devaluation of the average dollar of 2017 compared to 2016, reducing consolidated revenue measured in Reais.

Net operating revenues

**R\$ 9.523
MILLION**



Net operating revenues in the domestic market reached R\$ 4,203.7 million, an increase of 5.0% over the previous year and representing 44% of total net operating revenue.



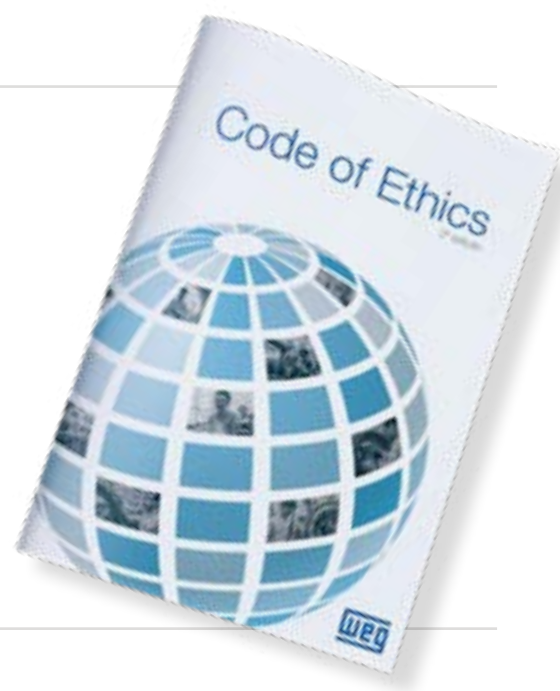
In the external market, there was a decrease of 0.8% in net operating revenue, reaching R\$ 5,320.2 million, corresponding to 56% of total net revenue.

Ethics and Integrity

WEG has a strong corporate policy and code structure and is constantly working on its improvement to ensure a fully integrated management of ethical issues.

Code of Ethics

In order to make complaints about its violation, the Code of Ethics has different communication channels, applied in a global way, these being:



WEG
website



E-mail



Telephones
WEG
website
(Brazil and
abroad)



Letter



Communication to the immediate
superior (chief, manager or director)

Sustainable Development Goals (SDG)

WEG, as a way of reaffirming its commitment to sustainability, has become a signatory of the Sustainable Development Goals. It is a voluntary initiative created by the UN that proposes coordinated global action between society as a whole - private sector, governments, civil society, among others - in order to achieve the SDG, as they are called.

Membership also strengthens WEG's positioning and engagement in the face of challenges and opportunities with regard to a sustainable development. The SDG are deployed in 17 goals and 169 targets to be achieved by 2030.



Coatings care

Coatings Care is one of the most important awareness and commitment programs that agents throughout the ink production chain that can take on a worldwide range. The purpose of this program is to assist manufacturers in managing their responsibilities for health, safety and environmental care.



Production
Management;



Transport and
Distribution
Management;



Product
Management;



Community
Responsibility.

The adoption of differentiated practices of Corporate Governance reflects the example set by the founders of WEG and respect for the partners who have been joining the company over time.

Board of directors

Composition on December 31, 2017



Décio da Silva
President



Nildemar Secches
Vice President
(Independent)



Martin Werninghaus
Member



Sérgio Luiz Silva
Schwartz
Member



Dan Ioschpe
Member
(Independent)



**Miguel Normando
Abdalla Saad**
Member (Independent)



Umberto Gobbato
Member

The members of the Board are elected and dismissed by the General Assembly for a unified term of two years and may be re-elected.

Audit committee

Composition on December 31, 2017

ALIDOR LUEDERS	Effective Member
PAULO CESAR SIMPLICIO DA SILVA	Effective Member
VANDERLEI DOMINGUEZ DA ROSA	Effective Member
ARAMIS SA DE ANDRADE	Alternate Member
ILÁRIO BRUCH	Alternate Member
PAULO ROBERTO FRANCESCHI	Alternate Member

The Audit Committee is permanent, composed of three (3) members and three (3) alternates, and the members are elected annually at the General Meeting.

As a collegiate body, we seek to gather in the Board of Directors such competences as:

- Experience of participating in other Boards of Directors, as senior executive, in change management and crisis management, in identifying and controlling risks and in people management;
- Knowledge of finance, accounting, legal aspects, WEG business, national and international markets;
- Network of contacts of interest to the organization.

DIRECTION EXECUTIVE

Composition on December 31, 2017

HARRY SCHMELZER JR.	CEO
ANDRÉ LUÍS RODRIGUES	CFO
PAULO GERALDO POLEZI	Director of Finance and Investor Relations
CARLOS DIETHER PRINZ	Director
DANIEL MARTELETO GODINHO	Director
EDUARDO DE NÓBREGA	Director
HILTON JOSÉ DA VEIGA FARIA	Director
LUIS ALBERTO TIEFENSEE	Director
LUIS GUSTAVO LOPES IENSEN	Director
MANFRED PETER JOHANN	Director
REINALDO RICHTER	Director
SIEGFRIED KREUTZFELD	Director
WANDAIR JOSÉ GARCIA	Director
WILSON JOSÉ WATZKO	Director

THE EXECUTIVE DIRECTION IS COMPOSED OF 14 (FOURTEEN) MEMBERS

The Board of Executive Officers, within the limits established by law and by the Company's Bylaws, is vested with broad and general management powers that enable all acts necessary to regulate the company's operations with a view to achieving its social objectives.

Relation With Customers

As one of our values, we will always develop new and efficient ways to respond to changing situations and meet the customer needs.

We have in our structure, policies and processes that strengthen our relationship with our customers and stimulate a more sustainable value chain.

Project - Conheça Nossa Casa

The Conheça Nossa Casa brings important clients and partners of WEG. There were four projects in 2017, involving about **178 visitors**.



Customer Training Center (CTC)

Since it was founded in 2000, About 42 thousand people have been trained in the in person courses of the WEG Customer Training Center. The CTC has the objectives of:

- Enable customers in the handling and use of WEG products;
- Contribute to the technical development;
- To promote the rational use of electric energy, generating less environmental impact;
- Strengthen relationships with educational institutions.

Structure

- 1.200 m² of infrastructure;
- 4 large and equipped rooms;
- 4 own instructors;
- Auditorium with 100 seats.

Courses

- 28 in person course;
- 1 distance course.



2017



2.770 people trained
in person courses



451 enrollment in
Distance Education



59.858 hours
training



We received **1.349 students**
of 38 education institutions

Occupational Safety and Health

Programs and processes

Safety And Ergonomics Committee

WEG Hearing Conservation Program

Emergency Teams – Brigade

Labor Gymnastics

Internal Commission Of Accident Prevention

WEG Safety and Ergonomics Program

Prevention, Safety and Health

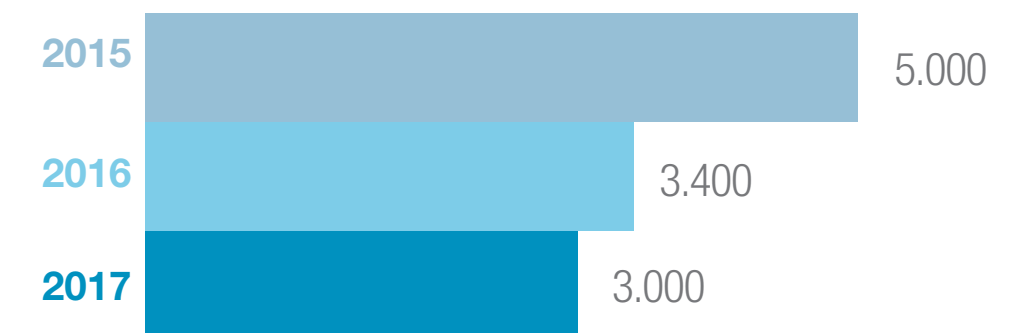
WEG Manufacturing System – WMS



**R\$ 9.4
MILLION**
Invested in PPE

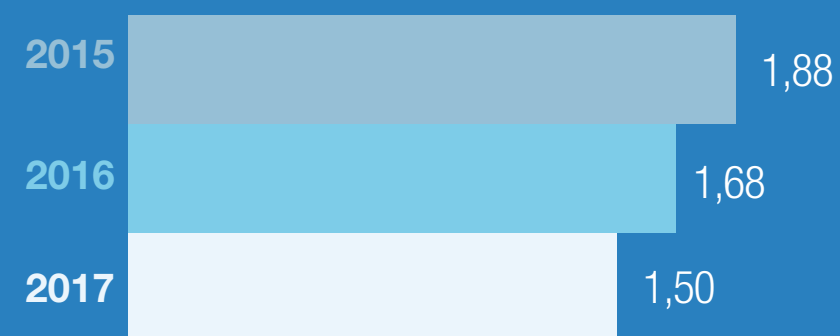
R\$ 3.2 MILLION INVESTED
in adequacy of machinery and equipment

Total Absenteeism
(Quantity of absenteeism every
200 thousand hours of work)



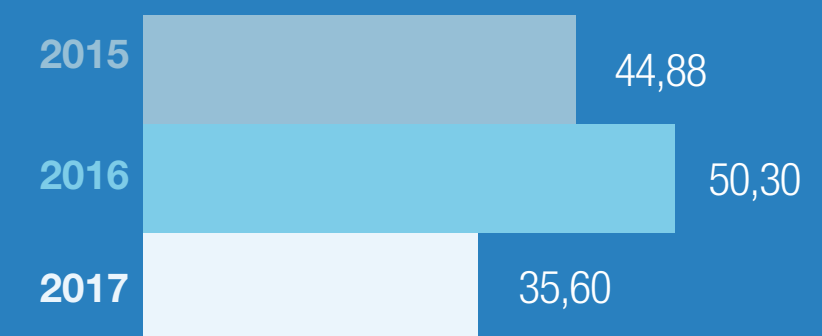
Injury rate

(Number of people involved in accidents
every 200 thousand hours of work)



Total number of working days missed

(Number of days employees missed due to
accidents with sick leaves every 200
thousand hours)



Energy Management



Reducing electricity consumption is one of the great challenges of the industry. Aware of the importance of this challenge for the environment and for the economy, we incorporate the energy efficiency in our products and in our energy management, which is carried out in a structured and systematic way.

Consumption of electric energy (MWh)



In 2017, the energy consumption of the WEG Group's plants increased by 7% compared to the previous year. This year, the consumption of the Bluffton Motor Works unit in the USA was incorporated.

Energy efficiency index

In order to measure the energy efficiency index, WEG has as its indicator the relation between the consumption of electricity by the Net Operating Income (NOI).

Consumption of electric energy (MWh/NOI)



Main improvement implements

Automation of screw compressors for compressed air

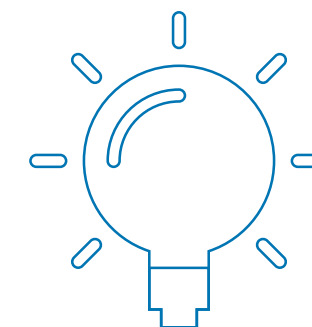
Impact: Maintaining adequate compressor operating temperature and compressed air pressure stable.

Automation of the operation of compressed air dryers

Impact: Maintaining compressed air quality without excessive energy expenditure.

Compressor Room Management

Impact: Control of all equipment in the compressor room, performed by a central system that controls the equipment, connecting the most efficient, generating alarms and allowing visualization and remote control of the compressor room.



Electric energy reduction targets

In Brazil, the units participating in the Energy Efficiency Program have targets for reducing electricity consumption.

Relations with the Community

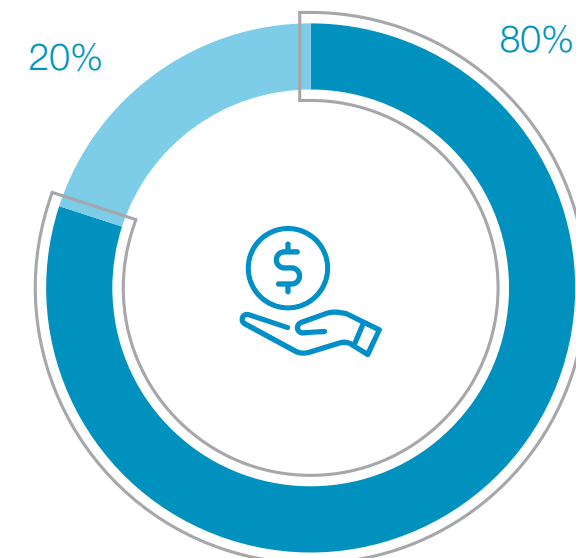


Promoting social development is a commitment that we have with the communities of our industrial operations. They are social initiatives of free initiative, in the search to improve the quality of life of the communities.

44 SOCIAL
projects sponsored

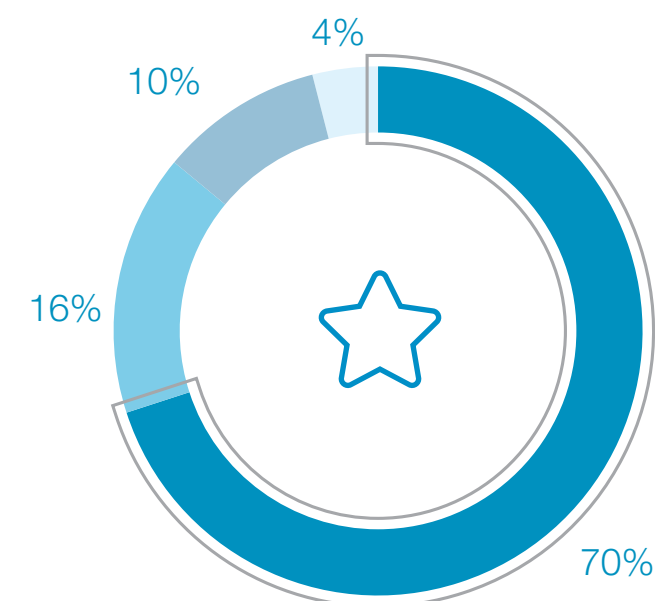
R\$ 8.4 MILLION
invested

Source of the funds



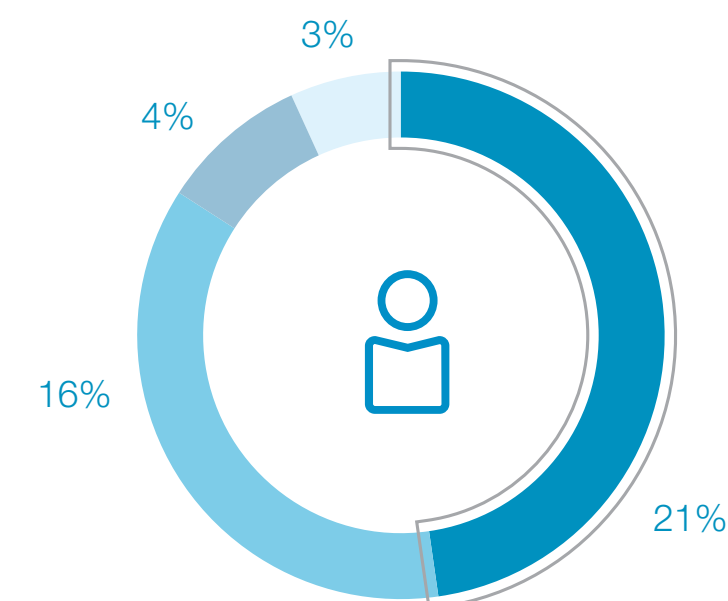
Own Resources
Incentive law

Investment by area



Education
Culture
Social Inclusion
Health

Application of projects by public



Children and Adolescents
Community in General
Adults
Elders

Relation with Suppliers



As business partners, WEG's suppliers are encouraged to grow together with WEG. With this purpose, the following practices stand out:

- Value of the Local Supplier;
- Supplier Development;
- WEG Quality Assurance Program (certification);
- Technological exchange;
- Product development;
- Periodic audits;
- Online communication system;
- Relationship with service providers;
- Development, selection and evaluation of suppliers based on sustainability criteria:



VERSIONS:

Portuguese, English and Spanish.

COMPLAINTS AND DOUBTS:

WEG offers different channels of communication for possible denunciations and/or doubts, these are:



WEG Website



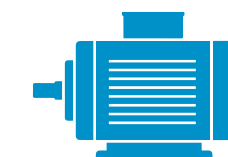
E-mail



Telephones
(Brazil and abroad)

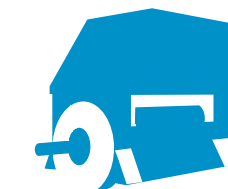


Letter



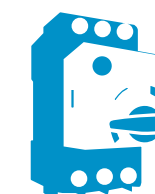
MOTORS UNIT

The Motors Unit had commercial transactions with **4.049 suppliers** of which 94.22% of purchases were in Brazil.



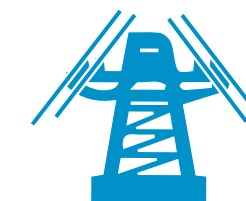
ENERGY UNIT

The Energy Unit had commercial transactions with **1.300 suppliers** of which 97% of purchases were in Brazil.



AUTOMATION UNIT

The Automation Unit had commercial transactions with **1.400 suppliers** of which 60% of purchases were in Brazil.



TRANSMISSION AND DISTRIBUTION UNIT

The Transmission and Distribution Unit had commercial transactions with **500 suppliers** of which 90% of purchases were in Brazil.



COATINGS UNIT

The Coatings Unit had commercial transactions with **1.800 suppliers** of which 55% of purchases were in Brazil.

