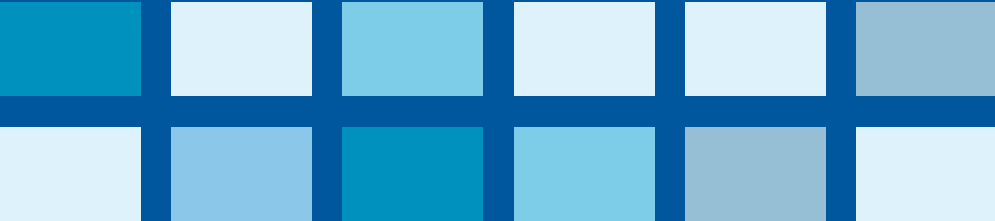


2017

Integrated Annual
REPORT



Index



Guide To Navigate in This Report

This report was developed with resources that seek to facilitate interactivity and navigation, in addition to demonstrating the alignment of our activities with the global ODS sustainability agenda.

INTERACTIVE INDEX

In addition to the traditional index, we provide at the top of the pages an interactive index to facilitate the navigation through the themes of this report.

SUSTAINABLE DEVELOPMENT GOALS (SDG)

In order to demonstrate the relation of our activities to the Sustainable Development Goals and their goals, the icons that represent each objective are present at the beginning of each chapter that has relation with them.



Contact for questions, suggestions
and comments regarding the report:
sustentabilidade@weg.net

Message from the President

Since its foundation, WEG is looking forward to innovate. It is in the company's DNA to keep up with the market trends and anticipate opportunities, whether internal or for the market. For this, the investment in innovation has been continuous, which reflects directly in technologies that allow a more sustainable development.

We have been consistently diversifying our portfolio, expanding our global market participation, expanding our business and becoming increasingly attractive to our customers, employees and shareholders.

In 2017, the recapture of growth in the foreign market was the highlight of the company. We grew 8.1% in dollars abroad, driven mainly by the advances of the businesses developed by the manufacturing units in Mexico, China and India.

In addition, we have had the opportunity to increase our market share in the North American transforming business through the acquisition of a transformer unit in the USA. We have consolidated our presence in America and positioned ourselves as a leader in the production of transformers for application in renewable sources, with leadership in the USA, market and technology.

In Brazil, we continue to invest in the development of businesses with smart electricity measurer, electric traction for buses and trucks and expanding our offer for power generation. Today, WEG is a company that offers the complete solution for renewable, hydro-power, wind, solar and biomass energy.

To accomplish all these things, we have invested continuously in people. A proof of this is that we are, for the 5th consecutive time, in the ranking of 150 Best Companies to Work for, of the Magazine VOCÊ S/A, and in the Career Value Award - The Best in People Management 2017.

And among other actions that it will be possible to check in the course of this Report, those ensured WEG good performance and led to a significant appreciation of the shares, more than 50% in the year.

Our goal is to continue to grow in a sustainable way, expanding operational efficiency and delivering the same quality products as we always do. All this in an agile way, with products and solutions that are increasingly innovative, more efficient, maintaining the high satisfaction rate of our stakeholders.

Thank you for the trust, encouragement and dedication of all WEG employees, customers, suppliers and shareholders.

Thank you and good reading!



Harry Schmelzer Jr.
CEO

Materiality

The materiality process identified the most relevant aspects of sustainable development for WEG in a consultation involving key stakeholders allied with WEG's internal perception.

This process is realized at each two years, and is strategically used, as in plans, and is used in alignment with the GRI methodology of this report.

PROCESS



THE CONSULTATION PROCESS HAS BEEN APPLIED ONLINE and presented several aspects related to sustainability, where the 10 priorities for WEG were listed in order of relevance.



WEG

The material aspects were defined through the WEG Sustainability Group and endorsed by the General Directorate.

STAKEHOLDERS

Stakeholders involved in the process of defining material aspects:

- Employees
- Suppliers
- Investors
- Community
- Class entities
- Customers

RESULT

The consultation process, which consolidated the views of WEG and stakeholders, defined in order of relevance the following material aspects:



1. Innovation and Technology



3. Economic Performance



5. Corporate Governance



7. Health Management and Work Safety



9. Relations whit the Community



2. People Management



4. Ethics and Integrity



6. Relation with Customers

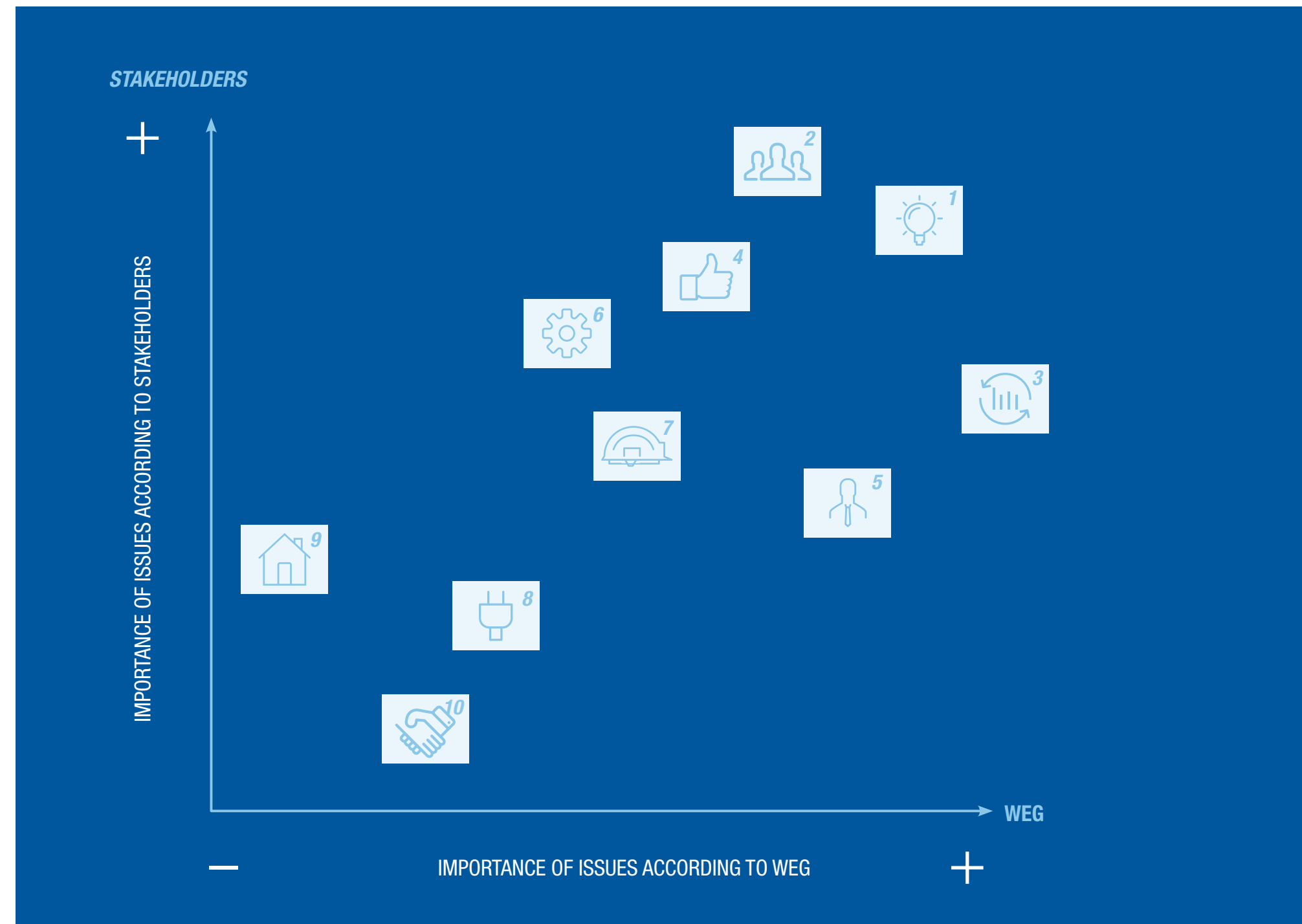


8. Energy Management



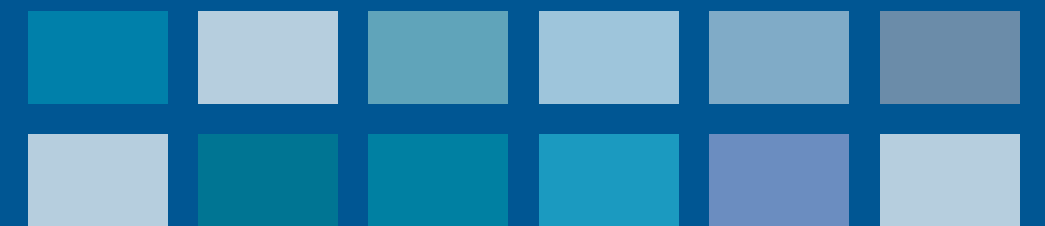
10. Relation with Suppliers

MATERIALITY MATRIX





WEG



WEG Global Presence



40
PLANTS



12 COUNTRIES
5 CONTINENTS

COMMERCIAL SUBSIDIARIES IN 29 COUNTRIES

- South Africa
- Germany
- Argentina
- Australia
- Austria
- Belgium
- Brazil
- Chile
- China
- Colombia
- United Arab Emirates
- Ecuador
- Scandinavia
- Spain
- United States
- France
- Ghana
- India
- Italy
- Japan
- Malaysia
- Mexico
- Netherlands
- Peru
- Portugal
- Ukraine
- Russia
- Singapore
- Venezuela



Distributors in
90 countries



Sales for over
135 Countries



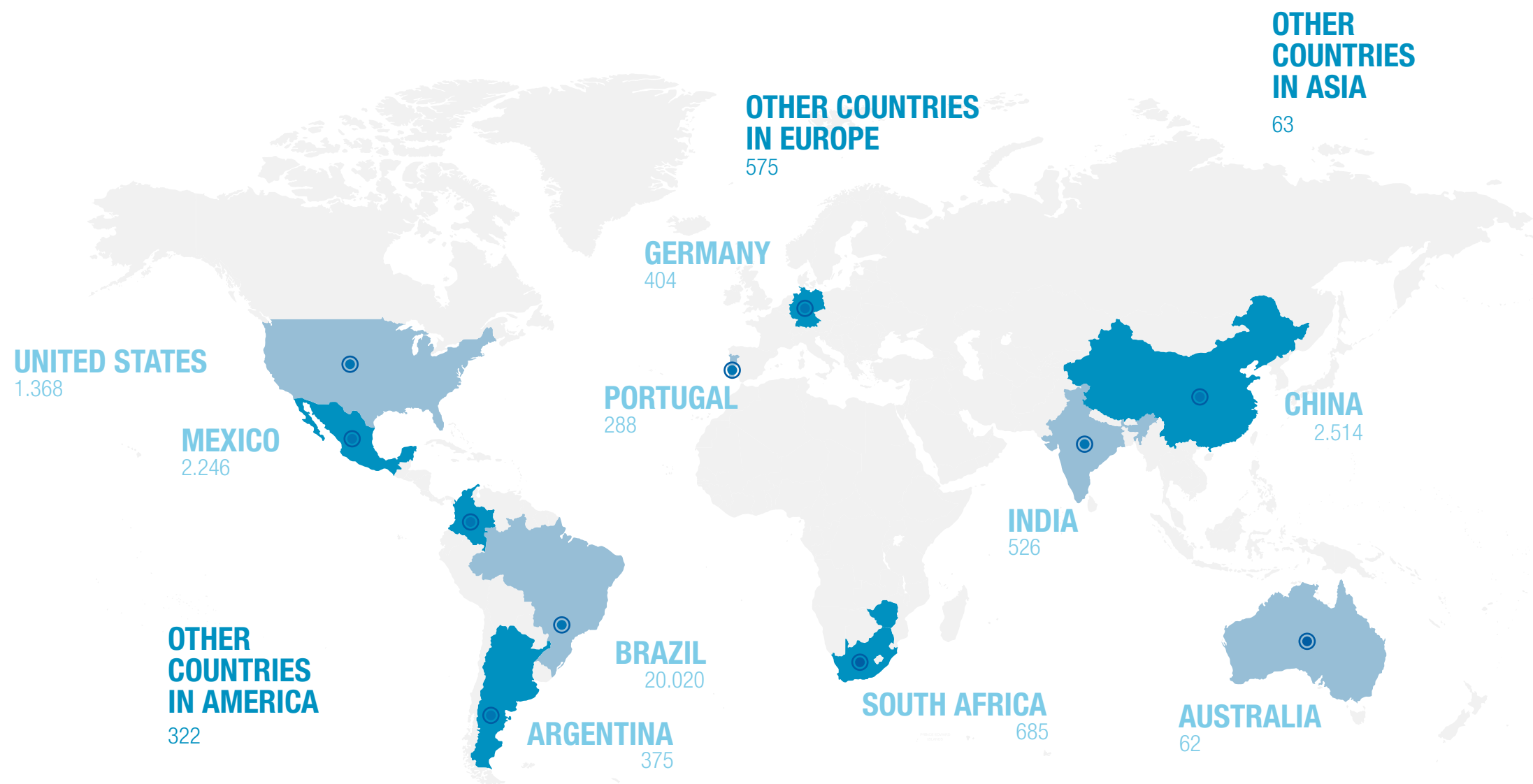
More than **1.400**
Technical Assistants
around the world.

Distribution of Net Revenue by geographic region in the external market

COVERED MARKETS	2015	2016	2017
North America	40%	41%	41%
South and Central America	16%	15%	14%
Europe	24%	26%	26%
Africa	10%	9%	9%
Asia and Oceania	10%	9%	10%

Profile of the Employees

Total of Employees



AMERICA
24.331

2016 | 24.029
2015 | 25.798

EUROPA
1.267

2016 | 1.232
2015 | 1.262

AFRICA
685

2016 | 644
2015 | 783

ASIA
3.103

2016 | 3.225
2015 | 3.053

OCEANIA
62

2016 | 64
2015 | 77

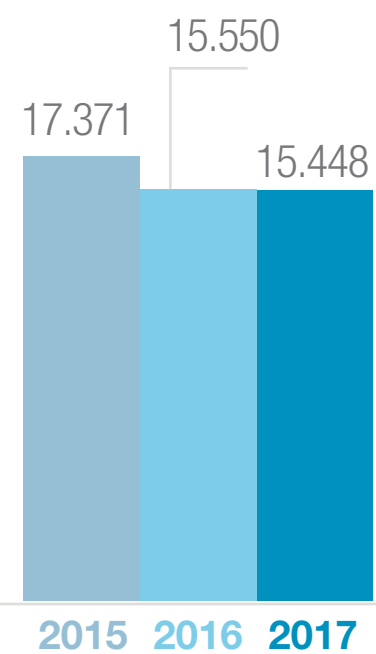


TOTAL OF EMPLOYEES
29.448

2016 | 29.194 2015 | 30.973

Profile of the Employees

GENDER



MEN

WOMEN

TOTAL EMPLOYEES BY:

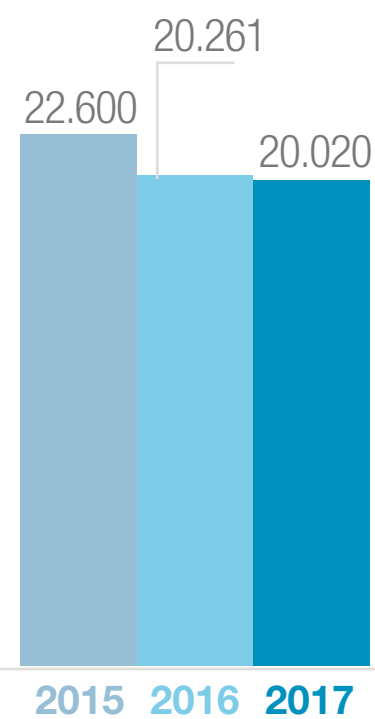
If refers to the units in Brazil

Working hours (full time)



2015 2016 2017

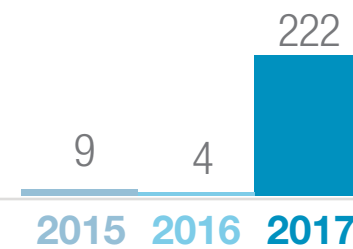
Type of contract



2015 2016 2017

PERMANENT

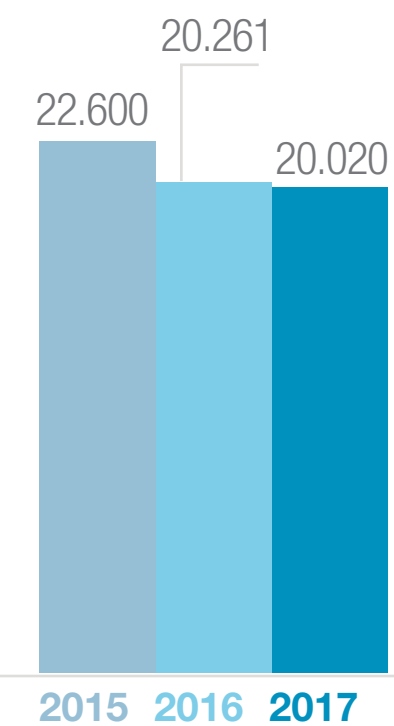
Except controlled units



2015 2016 2017

TEMPORARY

Kind of job



2015 2016 2017

EMPLOYEES

2015 2016 2017

OUTSOURCED WORKERS

WEG does not have employees working part-time.

Main Recognitions in 2017

- Company with the best reputation in Brazil in the Capital Goods sector – **Merco Consulting Ranking**
- 25 most valuable corporate reputations in Brazil – **2017 Brazil Reputation Dividend Report**
- HarrySchmelzerJr., ‘Executive with Value2017’ – Category Machines and Industrial Equipment. – **Journal Valor Econômico**
- Best country CEOS (Harry Schmelzer Jr.) – **Forbes Brasil**
- Harry Schmelzer Jr. among the most influential of Energy – **Full Energy Magazine**
- Best powder coatings industry and best industrial liquid inks – **21st Paint & Painting Award**
- The most innovative in Brazil – **Economic Value**
- Best in the Capital Goods Sector – **Best & Largest | EXAME Magazine**
- Best mechanics and metallurgy company in Brazil – **Época Business Directory 360°**
- Highlights of the Year for the third consecutive year – **SMACNA**
- Latin America Executive Team Ranking 2017 – **Institutional Investor Magazine:**
 - Best Investor Relations Program, Best Investor Relations Team (2nd place)
 - Best Meeting with Analysts (2nd place)
 - Best Website (2nd place)
 - Best CEO: Harry Schmelzer Jr.
- Big winner of ‘Empresas Mais’ – **Estadão**



- Kaizen Lean Award, category “Excellence in Continuous Improvement System – **KAIZEN Institute**
- Best Companies to Work for in Brazil – **Você S/A**
- “The Best in People Management” – **Valor Carreira Award 2017 Economic Value**
- 100 + Innovative IT in Brazil – **PwC in partnership with IT Media**
- Professional Award for Information Technology 2017, category “General Industry” – **Informática Hoje Magazine**
- Leader in Innovation – **Líderes do Brasil 2017 Award**
- Selected to compose the **ISE (Corporate Sustainability Index – BM&FBOVESPA)** for the 6th consecutive year
- Selected to compose the **DJSI (Dow Jones Sustainability Indexes – Emerging Markets)** for the 4th consecutive year
- Selected to compose the **Exame Sustainability Guide** for the 4th consecutive year, being considered the most sustainable company of the Capital Goods sector for the 2nd consecutive year



Innovation and Sustainability



Innovation and Sustainability

Innovation is essential for a company to evolve its processes, to remain competitive and to stimulate the development. When innovation and technology contribute to minimizing environmental impacts by providing efficient solutions, they maximize people's quality of life and contribute to the sustainable 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.

KNOW ON THE PAGES TO FOLLOW THE HIGHLIGHTS OF THE WEG BUSINESS UNITS



Diovana M. Ockner, collaborator of the Liquid Paints Development - Guaramirim/SC

Motors Unit

Energy Efficiency

Energy efficiency has an important role for our society to develop by optimizing resources and generating less environmental impact. The Motors unit continuously stimulates the development of its high efficiency lines, benefiting users by saving energy and reducing maintenance costs over the entire life of the engines, in addition to contributing to a lower environmental impact.

In 2017, Brazil got an important step towards increasing the efficiency of electric motors through the publication of Interministerial Ordinance No. 1, dated as of June 29, 2017. This new Ordinance establishes the level of income IR3 Premium as standard of market for engines produced as from 08/30/2019. From the publication until the entry into force, the expectation is that the equipment manufacturers start a migration process. In addition, the new Ordinance has a broader scope, increasing the range of powers with regulated income and equate Brazil to the developed countries.

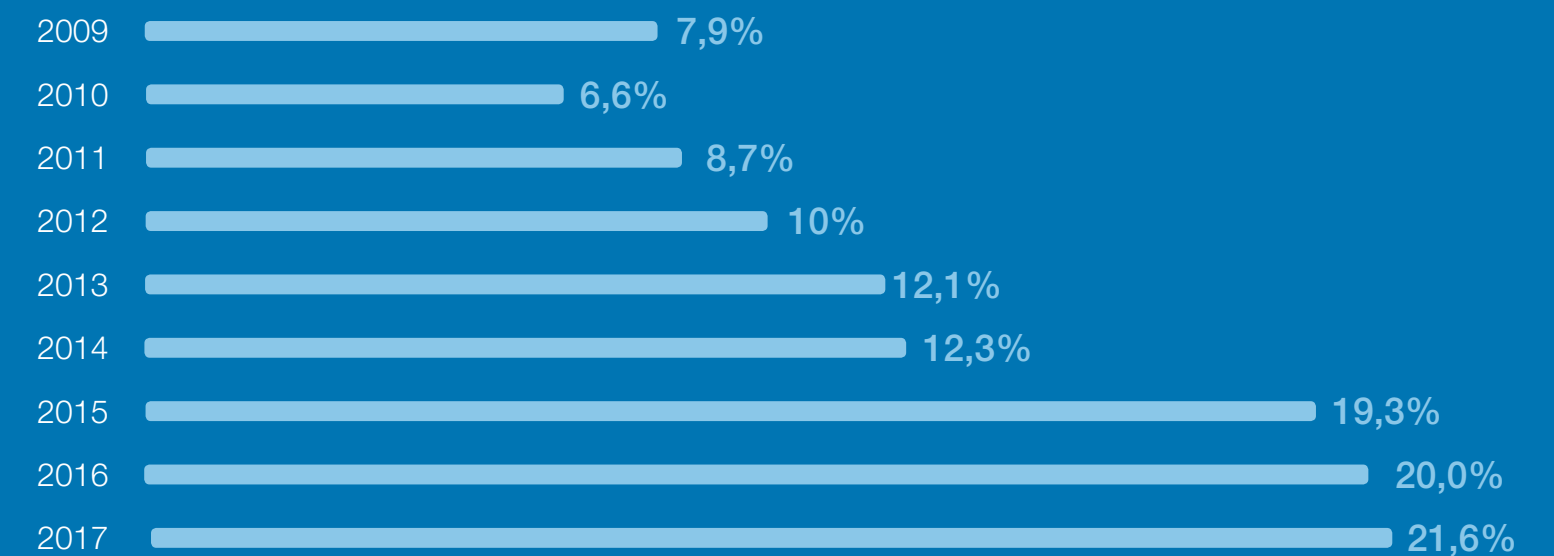
In this scenario, WEG has a prominent position, being the only national manufacturer of electric motors able to meet, and even surpass, the income levels of the new Ordinance.

Another favorable factor for the increase in sales of high efficiency motors was the continuation of ANEEL's Priority Energy Efficiency Project No. 002/2015, as part of the acquisition investment subsidized by energy concessionaires, many consumers were interested in replacing their old engines with high efficient new ones. WEG, as a manufacturer and supplier of new engines, is also responsible for the reverse logistics and correct disposal of the old engines replaced under the Project, as it already does through its own Plan of Exchange.



DINACIR DA SILVEIRA WOLLINGER,
collaborator of the Manufacturing
Department IV - Jaraguá do Sul/SC

PRODUCTS SOLD IN THE UNIT ENGINE WITH FOCUS ON HIGH ENERGY EFFICIENCY



Automation Unit

Power

The year of 2017 was marked by a series of changes in the solar energy sector, with several plants entering in operation, several supplies in distributed generation and a strong interest in investments in the sector. An example of this is the incentive programs for the installation of photovoltaic systems, such as the Solar Industry program, an initiative of WEG in conjunction with the Federation of Industries of the State of Santa Catarina (FIESC) and the Generator of Electric Energy Engie Brasil. However, there is still a great market to be conquered, since Brazil has a strong potential in this area.

A pioneer in delivering photovoltaic solar energy solutions to the national market, WEG develops solutions tailored to every need, using all its expertise and technology to make the best use of the potential of renewable energy sources, offering customers complete solutions, with modules, inverters, transformers, cubicles and substations, as well as all integration engineering and application software, whether for plants, industries, trades or residences.

An example that illustrates the potential of this market is the provision of a photovoltaic generator to the Superior Electoral Court of Brasília (DF). The project includes the supply of photovoltaic modules, solar inverters, switchboards, monitoring system, metal structures and meteorological station, besides the electromechanical installation and the commissioning of the plants.

Altogether, 3,080 photovoltaic modules of 325 Wp each are connected in 15 solar inverters of 60 kW, which will reduce the electricity consumption of the TSE by 20%. The total capacity of the plant will be 1001 kWp (kilowatt-peak).

12% PRODUCTS SOLD IN THE
AUTOMATION UNIT



Energy Unit

Wind turbines

Wind energy generation has achieved a significant participation in the world energy matrix and has been showing a steady growth in Brazil in the last years, which justified the installation of factories for the production of wind equipment. WEG, as an integral part of this market, in 2010, began its first research as well as the development of generators and other equipment for wind generation. Since 2014, when WEG made its first wind turbine supply, 134 wind turbines (281.4 MW) were installed by 2017.

At the end of 2018, 256 (537.6 MW) will be installed.

Alternators for generator sets

The need to supply energy in activities that can not have any interruption, such as hospitals, manufacturing industries, commercial centers, among others, make use of groups that generate energy from combustion engines (diesel, gas, ethanol, etc.).

With the aim of reducing fuel consumption and minimizing the impact on the environment, WEG has launched an alternator replacement plan. The program encourages the replacement of low-yield alternators by removing old, rewinded or even scrapped parts from the market, which will be accepted as part of the payment for the purchase of new alternators.

WEG alternators offer up-to-date technology and greater reliability in power generation, reduces fuel consumption, contributes to lower the CO2 emissions and increasing the financial return on the operation.



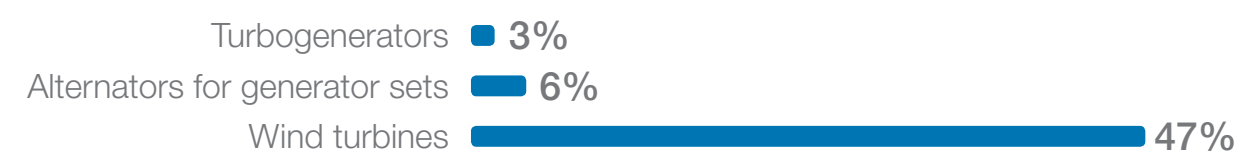
Turbogenerators

For better energy utilization, WEG started to use the first two-pole turbogenerator manufactured in Brazil.

An unprecedented project at a sugar and ethanol plant in Brazil has led to more innovation and technology to optimize renewable energy cogeneration from sugarcane bagasse during the harvest and off-season periods.

The expressive production of electric energy allows the plant to market the surplus of domestic consumption, a quantity that for a year will enable it to supply other consumers.

% of Net Operating Income (NOI) at the unit in 2017



Coatings Unit

The Ink Unit seeks to track sustainable trends by developing solvent-free and heavy-metal-free products, reducing the emission of VOCs (Volatile Organic Compounds). Thus, it contributes to a better quality of lives of painting professionals and society. In this group, there are water-based liquid paints, high solid liquid paints, heavy metal-free powder paints and zero VOC varnishes.

Liquid Paints

Liquid paints include products from different segments, such as sanitation, offshore, floors, among others, some examples:

- **WEG TAR FREE HSD 302 HT:** Non-toxic anticorrosive pigments for surface and carbon steel. Thus, meeting the standards AWWA-210-07 and SABESP NTS 036 and Ordinance 2914 of the Ministry of Health of contact with drinking water. Used in exterior and interior pipes in high bed thicknesses in a single coat.
- **LACKPOXI 76 WET SURFACE N 2680:** Solvent-free product developed for application to surfaces prepared by abrasive blasting and hydroblasting, being tolerant to wet surfaces. It stands out for presenting certification for contact with food (drinking water, alcoholics, fatty foods, grains, etc.).
- **Line W-POXI BLOCK N 2912 (type I, II and III):** Very low solvent contents. In the Type III formulation, it still has an addition of glass flakes, which provide excellent barrier protection ensuring high resistance to abrasion and impact.
- **Varnishes W-POXI VERNIZ HSS 301 and W-POXI HBA 301:** Solvent-free, with characteristic sealant to offer adhesion on surfaces of concrete, masonry, tiles, ceramics and wood. On porous substrates it decreases the excessive or irregular absorption of the finishing part. Being thus used in the painting of floors, concrete tanks, walls and columns.
- **W-POXI HBA 301:** No solvent use, with very low VOC content, for use indoors, for new or old floors, for the most different types of traffic (light cars, trucks, general industries).



Electrolysis

Lacktherm 1419 H: Varnish for electric motors zero VOC class H epoxy.

Powder Coatings

Highlight the low cure paints. These inks are indicated in situations where a reduction in energy expenditure (gas consumption) or increase in productivity (increase in line speed or reduction of curing time) is need. Another indication is for application in materials where it is not possible to cure in the time specified by conventional powder paints due to the characteristic of the substrate or particularities in the production process. This line of products corresponds to 9.3% of unit sales.

Transmission and Distribution Unit

The Transmission & Distribution unit constantly seeks to find solutions that enable the rational use of natural resources by working on the development of equipment such as transformers for suspended wind applications, which are more compact and allow for lower losses and greater energy efficiency.

Transformers for renewable energies - Wind Segment

In the last year, the Transmission & Distribution Unit intensified the development of equipment for renewable energy and in the specific case of transformers for wind generation, several technical evolutions were made possible by monitoring these equipment under similar application conditions, in generation parks located in quite diverse regions. Although in all cases of large-winded regions, regime alternations and local characteristics have peculiarities that allow specific projects, and this was the direction given to the development of these equipment for wind generation, which, from the data from that application itself, implied in highly customized final projects, focusing on the maximum capacity transfer.

In 2017, Brazil became the eighth country in the world with the largest installed capacity in wind farms, with around 12.8 gigawatts. According to the Brazilian Association of Wind Energy (Abreeólica), the amount generated by wind power is already equivalent to the average consumption of about 24 million homes per month.



This wind generation growth has been driven by strong investor interest due to the characteristics of the country’s winds, mainly in the Northeast region, seen by many experts as one of the best in the world for the production of electricity.

The transformers for suspended wind applications include a totally special thermal design, considering the incidence of natural ventilation at the top of the wind towers, with the objective of obtaining maximum power density, enabling an extremely compact equipment, with a significant reduction in the volume of natural necessary resources for the manufacture.

% financial sales to the wind segment on total sales to the Internal Market.



High efficiency energy distribution transformers

Considering the need to make better use of natural resources, WEG has been working on the development of equipment that, on the one hand, requires less natural resources for its manufacture and, on the other hand, provides maximum energy efficiency. Maximizing the efficiency of the WEG product results in less demand on the energy needed to enable its operation, alleviating the source’s capacity and generating a virtuous circle. With this in mind, WEG has re-dimensioned its entire Distribution transformers range (30 to 300 kVA), covering both the conceptual part and applied materials, manufacturing processes and changed the efficiency level of its equipment to a higher yield range.

Dry-type transformers for special applications

The line of Dry Transformers converges with environmental needs. The complete suppression of the possibility of thermal insulator fluid spills, regardless of the intrinsic constitution of these fluids, is always a very important item to be considered in the development of materials and equipment. Given the environmentally responsible view of Seco transformers in this regard, WEG diversified this product line and developed equipment for operation in special applications, such as the Multi-pulse Dry-type Transformers for joint application with frequency inverters.

Innovation in Management

At WEG, all ideas are organized and systematized through the PWQP (WEG Quality and Productivity Program). Within it is the PDT (Technological Development Program), which brings together innovation projects and targets related to new products and processes. From the Technological Strategic Planning are defined the various projects that will be part of the programs.

INNOVATION IN NUMBERS



INNOVATION INDEX

53,4%

(Percentage of product invoicing released in the last 5 years)

Number of Patents

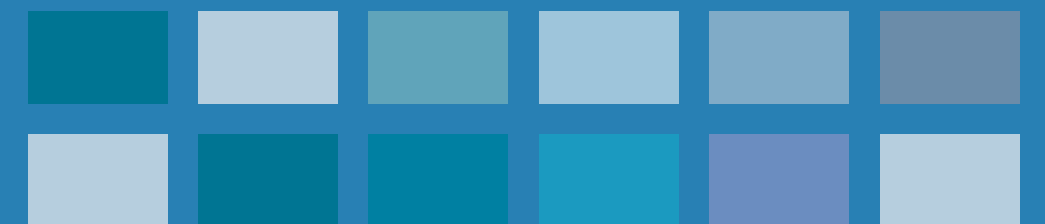


1.561

EMPLOYEES DEDICATED TO INNOVATION IN INTEGRAL TIME



People



Training and Education

Seeking the continuous development of its employees, WEG offers training and education programs that involve both technical and behavioral training, aiming to offer a higher qualification and generate more competitive strategies to the market. Education also extends to the community in the opportunities to start the career in the company as a young apprentice or trainee.



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.



Employees

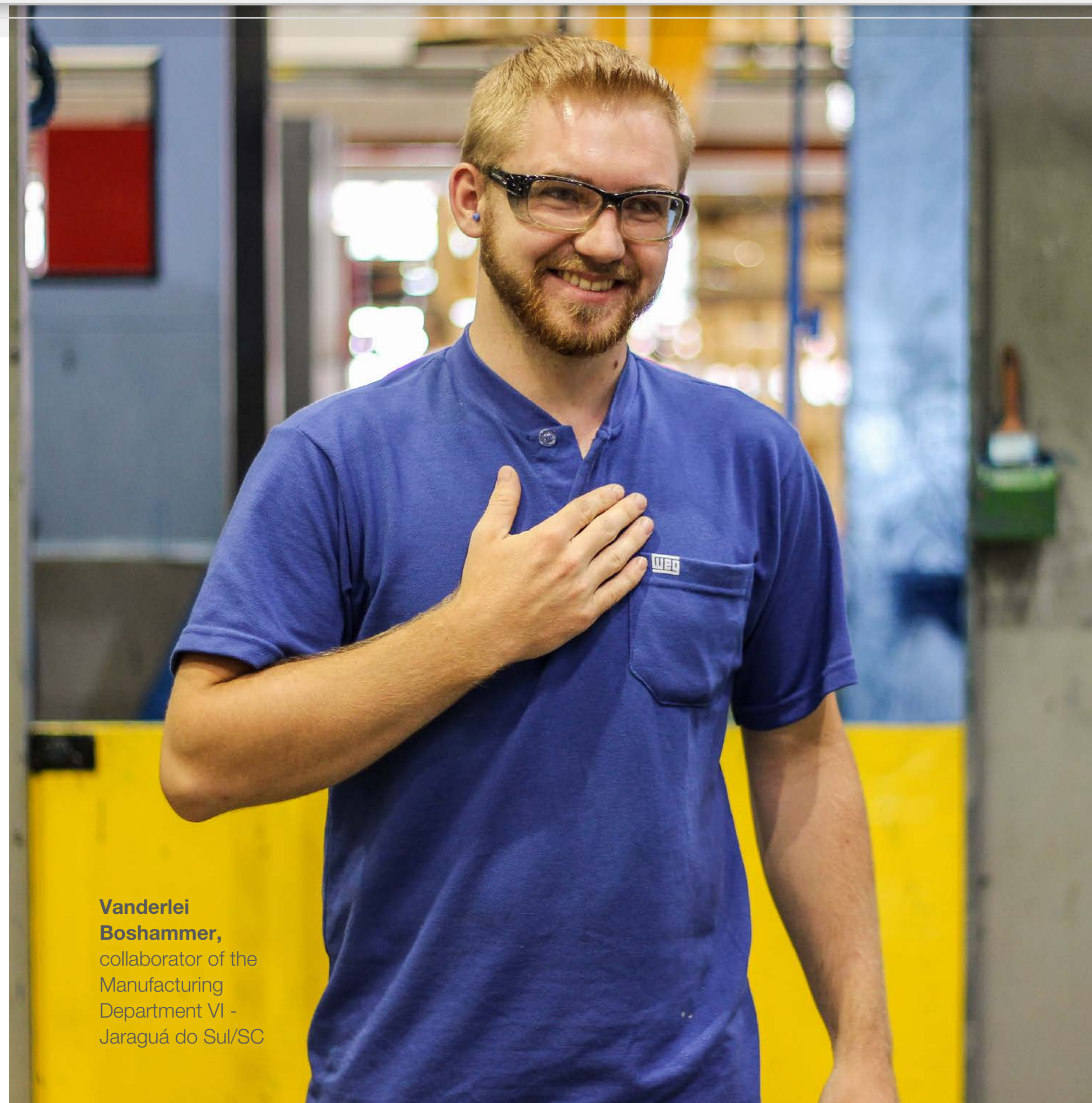
Investment in the development of our employees is a priority in the company, an inheritance of our founders. Through this investment we have made it possible, over the years, to achieve our strategic objectives and guarantee the perpetuity of the company.

Assessment of Performance and Competences

Tool directed to all employees, which are evaluated once a year by the immediate superior. This evaluation includes competences of: Communication, Knowledge, Creativity and Innovation, Customer Focus, Initiative, Negotiation, Assiduity and Punctuality, Safety at Work, Discipline, Productivity, Quality, Interpersonal Relationship and Responsibility.

Through the results of this evaluation, employees can carry out their Self-Development Plan (PAD), defining actions to develop both in the educational and technical area, as well as behavioral.

**WITH THE AIM OF ASSISTING THEM IN THIS
DEVELOPMENT, WEG HAS PROGRAMS OF
ELEVATION OF SCHOOLING AND
PROFESSIONAL QUALIFICATION.**



**Vanderlei
Boshammer,**
collaborator of the
Manufacturing
Department VI -
Jaraguá do Sul/SC

ELEVATION PROGRAMS OF EDUCATION

EJA (Youth and Adult Education):

Since 2010 in partnership with SESI (Social Service Industry), the program provides opportunity for employees to increase their education, free of charge. By 2017, 346 employees graduated from primary and secondary education in this program.

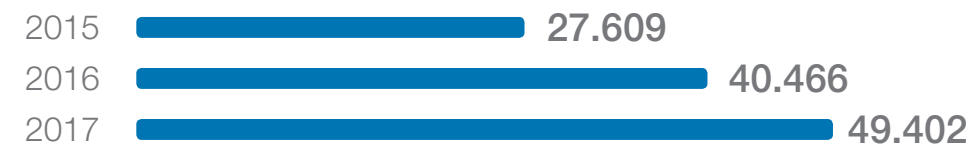
During the year, actions are realized with the aim of mobilizing employees who are not yet trained to return to their studies.

- **School Aid:** The purpose of this program is to provide scholarships to employees for training in technical, superior, postgraduate and language courses.

PROFESSIONAL QUALIFICATION PROGRAMS

- **Internal Trainings:** The employee can perform the internal training offered by the company, aiming to improve technical performance and interpersonal relationships. These trainings are divided in person and distance. The courses are developed with in-house instructors to meet the reality and demand of the company, as well as strengthen the WEG culture.

Face-to-face training (number of participations)



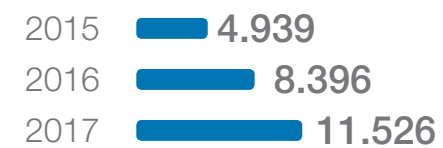
Distance training (EaD) (number of participations)



Open or in-company external training:

All requests for the development and training of employees with external entities are evaluated by a Personnel Development Committee and endorsed by the Board of Executive Officers in order to direct investment to the needs of the company.

(Total of participations)



Professional Qualification of Production Operators (QPOP)

The program has the following objectives:

- To offer opportunities for technical professional development to the collaborators of the production areas;
- Increase the level of technical knowledge of employees who work in activities that directly affect the quality of products;
- Contribute to the improvement of quality and productivity.

Number of Program Courses:
36

Coverage:
BRAZIL, MEXICO, INDIA AND CHINA

Number of Participations until 2017:
MORE THAN 30 THOUSAND

Professional Qualification for Engineers and Technologists (QPET):

Created with the objective of providing knowledge directed to engineers and technologists, as well as technical, commercial and industrial. The technical knowledge focused on the reality of the work, equalizing information about rotating electric machines and transformers of distribution and force, creating a differential in the attendance to internal and external customers.

Postgraduate in company

Its objective is to provide the company's employees with up-to-date and specialization in the fields of engineering and business management. Postgraduates can be at the level of specialization or masters.

The need for courses, as well as the definition of the participants, is a work done together with the areas involved (departments/directories) and the Training area.

Specialization courses completed until
December of 2017:

17 SPECIALIZATION COURSES
3 MASTER LEVEL COURSES IN TECHNICAL AREAS

Expatriate Collaborator Accompaniment Program:

The program aims to provide greater support to the employee and his/her family in the process of long expatriation, following the period of adaptation and performance in the foreign unit.

The total number of expatriate employees and spouses who participated in the program up to 2017 was of **60 PERSONS.**

YEAR	EMPLOYEES	SPOUSES
2015	06	06
2016	13	09
2017	14	12
TOTAL	33	27

The courses were realized through agreements with educational institutions considered as a reference in the subject, these being:

- UFSC (Federal University of Santa Catarina);
- FURB (Regional University of Blumenau);
- SOCIESC (Educational Society of Santa Catarina);
- UTFPR (Federal Technological University of PR);
- PUC-PR (Pontifical Catholic University);
- ESAG (School of Administration);
- FEST (Technology Foundation Espírito Santense)
- FGV-SP (Getúlio Vargas Foundation).

THE PROGRAMS CONDUCTED INVOLVED APPROXIMATELY 727EMPLOYEES.

Leaderships

Developing leaderships is one of the main directives of the company. This development aims to provide leaders with a greater commitment to the achievement of the company's strategic objectives, guaranteeing its perpetuity.

Potential Evaluation

A tool that consists on identifying potentialities, considering administrative, interpersonal and intrapersonal characteristics with the purpose of assisting the company in making strategic decisions, in case of promotions to management positions, specialist, management or board of directors. The tool also stimulates the development of these potentials. Candidates are nominated by their immediate superior and evaluated by external consultants, who make use of behavioral tests and competency interviews. The final decision of the chosen candidate will be the hierarchical superior (applicant).

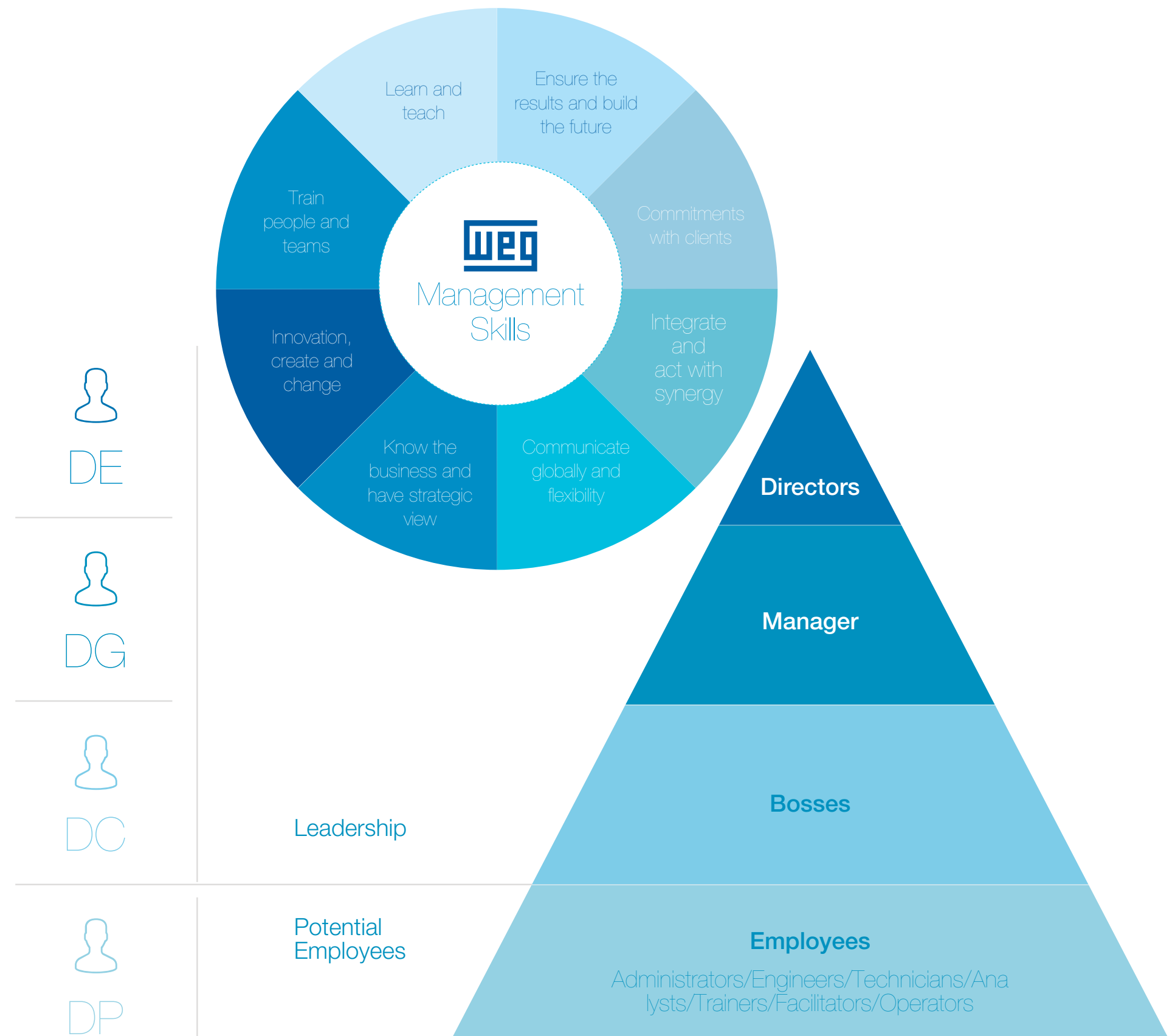
Leadership Academy

In 2017, the WEG Leadership Academy was restructured to provide participants with ongoing development and improvement of management and behavioral skills to improve the performance of the assignments at all levels from potential leaders to Directors.

The Leadership Academy now uses the methodological foundation of the WEG Management Competencies and the Ram Charan Leadership Pipeline, which aims to develop leaderships internally and make them even more efficient and productive.

For each hierarchical level there is a Development Program:

- Professional Development (DP) - Directed to employees who do not act as managers and need development in aspects of leadership;
- Leadership Development (DC) - Directed to Section Chiefs;
- Management Development (DG) - Directed to Department Managers;
- Executive Development (ED) - Directed to the Executive Officers.



One of the highlights of the Leadership Development Program is the WEG LEADERSHIP WEEK, which aims to provide new leaders with immersion in WEG CULTURE and highlight the importance of their role in the PEOPLE MANAGEMENT process.

In Management and Executive Development Programs, the company develops current executives and potential senior management talents, meeting the growing demand of new professionals. Thus, WEG allows the growth of the employees who stand out, valuing and providing the development of the same.

The programs are held in business schools in Brazil and abroad, such as Amana, Cenex, Insead, Kellogg, Stanford, Indian Institute of Management, Trend School among others. From 2013 to 2017, 21 executives participated in the program.

In parallel to this program, managers identified as potential can conduct a specialization in Business Management in company, in partnership with the institution FGV-SP, which aims to prepare their potential for future leadership. By 2017, 3 classes were completed.



Succession Plan

The company has a tool for mapping current executives and the identification of possible and potential successors. Potentials are indicated by immediate superiors and validated by a specific committee, based on future demand and/or length of study. Annually, the nominated names are re-evaluated by the Committee. The goal is to identify potential managers and directors in the medium and long term, recognize/value the people of the company and plan the development/growth of these outstanding employees, preparing them for the future. For this, a development plan is generated so that they are ready for new positions in up to three years.

These mapped employees have the opportunity to conduct external or incompany training.

Coaching

WEG offers its leaders another development tool for their career, the Coaching, as the objective to work the self-knowledge and empower the skills to achieve the goals, which involve management and relationship skills.

Management Practice Seminars

The Seminar on Management Practices was developed with the objective of sharing good practices related to people management, as a way to stimulate internal benchmarking among managers. These meetings take place monthly with a duration of 1h30min and with pre-established topics based on climate indicators and the result of the evaluation of managerial competencies. Managers who can not attend in person have the possibility to follow via Skype.

Participation Number:

2015	2016	2017
1.330	2.277	2.519

Evaluation of Management Skills

A tool that helps managers to identify the competencies that are best developed and which can be worked on. Managers are evaluated at every two years by the immediate superior, by the peers and by their subordinates, and the latter assess only the competency “Forming people and teams”. After these evaluations, the managers generate a self-development plan (PAD), revised to each evaluation process, aiming at its continuous development. The last Evaluation process was realized in 2017, involving 16.495 employees (between evaluators and evaluated). The skills assessed are illustrated below:



Community

CENTROWEG

At CENTROWEG (WEG Training Center), the apprentice receive a guaranteed training. The vocational school develops skills, qualifying young people to work in activities that require technical training. CENTROWEG began its activities on April 23, 1968.



The school has **21 LABORATORIES** for practical activities and **5 CLASSROOMS**, arranged in a structure of 2.550m² of built area and **13 PROFESSIONALS**.

COURSES OFFERED:

- Machining and Electromechanical Assembly (1 year of duration);
- Chemistry, Electronics, Electrotechnics, Maintenance Mechanics, Tooling and Information System Programming (2 years of duration);

The trainees hired as WEG employees receive benefits such as:

- Apprentice salary;
- Subsidized food;
- Subsidized transport;
- Health and dental plan;
- Profit Sharing;
- Private Pension;
- Free educational material;
- Job opportunity when graduating in the course.



RESULTS OF THE PROGRAM:

Annually,
about **140**
employees
graduate;

More than
3.700 young
people have
passed by
CENTROWEG;

49% of these
3,700 young
people remain
working in the
company until
today;

More than **120**
management
positions are held
by students who
have already
participated in
CENTROWEG.

Internship Program

The Internship Program aims to provide the opportunity for educational complementation to students, in accordance with Law 11.788 as of September 25, 2008, and also to provide the application of the knowledge acquired in the educational institution through practical work aligned with the needs of the company.

Number of participants



QPAP

Professional qualification of production apprentices. Created in 2010 with the objective of qualifying apprentices (up to 24 years old) to meet the needs of the company in the production areas in functions or activities that require technical knowledge and/or mastery of equipment used in industrial processes.

Number of courses:
**8 COURSES WITH 400
HOURS CLASS HOURS**

Number of apprentices
trained until 2017:
789



Highlights in 2017

Reformulation of the Integration of new employees (WEG Brasil)

The integration of new employees aims at a humanistic approach in the process of information, education and stimulation to a greater engagement of the employee with the company since the hiring process.

The process was reformulated, being divided in 3 moments:

1. Integration date: realized for recently admitted employees to the initiation of activities in the area of work, with the purpose of knowing company rules and procedures, rights and duties and adherence to the benefits offered. The performance is in the face-to-face mode, with a minimum duration of 5 hours and coordinated by the HR.

2. Integration in the Workplace: In the first week of work, the immediate superior should receive the employee, welcome him/her, integrate the new employee in the team, welcome and arouse the feeling of belonging to the group, as well as present the necessary administrative aspects, the functions of the area and each employee and the rules, rights and duties of the work area.

3. Workplace Training (TLT): In the first weeks of work, the information is passed through TLT with the help of the experienced facilitator or partner defined by the immediate superior, and aims to know in detail the working procedures, security and WEG programs in the area of work, as well how to receive the initial training needed to perform the activity.



Leader Portal

The leader has an important role in the development of the team and for this reason, he/she must be exposed to constant information of management and development of people.

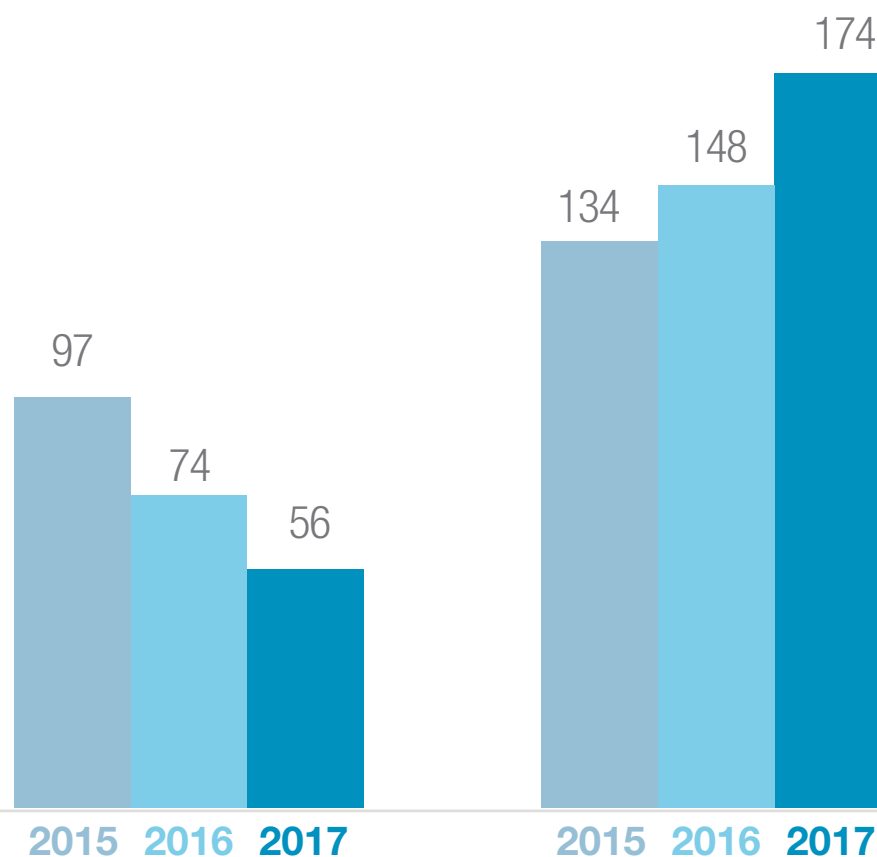
Launched in 2017, the Leader Portal objective was to create a single communication portal in which the manager can obtain all information pertinent to his/her management function and also share experiences. The Leader Portal also provides materials for the development of these managers and their teams.

Training Indicators

Average of training hours per employee:



Average hours of training per functional category



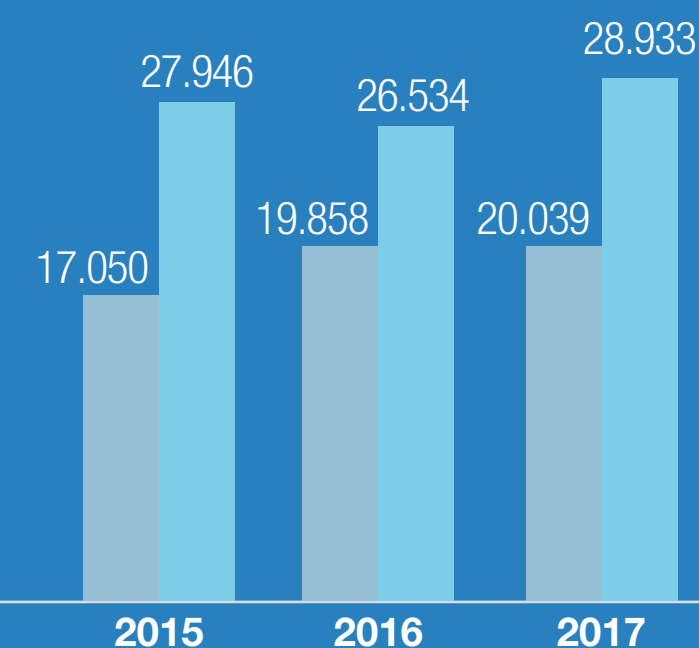
LEADERSHIPS

ADMINISTRATIVE

OPERATIONAL

Investment in training (in thousand R\$):

Previous Criteria
Current Criteria*



*NOTE: We had a change in the criteria of this indicator, and the remuneration of apprentices and trainees is being incorporated as an investment in training.

Organizational Climate

Magazine VOCÊ S/A - 150 Best Companies to Work For

Participation in VOCÊ S/A magazine's "Best Companies to Work for" evaluates employee satisfaction and motivation in the workplace. It is the only evaluation of the country's organizational climate that has a qualitative stage: the visit of the journalist, being a way of recognizing the initiatives realized in the company.

In 2017, we participated with a sample of 2.500 employees with national coverage. Employees from all locations and functions received a questionnaire and responded spontaneously to satisfaction with the company.



In 2017, WEG was classified by the **5TH TIME** of this the beginning of its participation among the **150 BEST COMPANIES** to work.

Career Value Award - The Best in People Management/2017

The award offers participating companies an overview of how their employees' engagement is perceived, presenting the factors that impact on this engagement and which are premises for the development of talent focused on high performance culture.



Through a questionnaire answered by the **2.120 EMPLOYEES**, reached the level of High Performance and the **4TH PLACE IN THE CATEGORY** above **17 THOUSAND EMPLOYEES** in the year of 2017.

It is one of the awards for which WEG has been recognized and contributes to the search for a good working environment, an achievement that is only possible due to the commitment of everyone.

Benefits Offered to Employees

WEG Brazil offers a benefits package to its employees.

[Profit Sharing](#)

[Health Care](#)

[Dental Care](#)

[Pension plan](#)

[Meals](#)

[Influenza Vaccination Program](#)

[Life Insurance](#)

[Christmas Gifts](#)

[Child Education Support Program](#)

In 2017, we invested more than

R\$ 343 MILLION

In benefits.

Cleimar del Monego Ferreira, employee of the Department of Industrial Engineering - Jaraguá do Sul/SC



Promotion of Health

The promotion of health and good practices for the well-being and quality of life of our employees is offered through several programs and actions, among them:

[Medical care](#)

[Health Program for Chronic Diseases](#)

[Retirement Preparation](#)

[Health Campaigns](#)

WEG involves its units in around the world in campaigns like:

Pink October

Every year, there has been increasing adherence to the “Pink October”, a worldwide movement, which aims to draw attention directly to the current reality of breast cancer and the importance of early diagnosis. WEG involves employees from every city in the world where we are involved. In 2017, in addition to the units in Brazil, collaborators from South Africa, Germany, Austria, Belgium, China, Spain, USA, India, England, Malaysia, Mexico and the Middle East participated in the campaign.



Blue November

Awareness about male diseases, with emphasis on prevention and early diagnosis of prostate cancer. WEG involves employees from every city in the world where we are involved. In 2017, in addition to the units in Brazil, collaborators participated in the campaign in Austria, China, the Middle East, United Kingdom and Sweden.



Occupational Safety and Health

The valorization of the human being in the development of the activities is established as a WEG policy. Through internal programs and processes that address different topics related to work safety, the company promotes awareness and dissemination of the prevention culture.

PROGRAMS AND PROCESSES

Safety and Ergonomics Committee

Formed by board members, the committee acts in the periodic analysis of the process and results in indicators of the WEG Program of Safety and Ergonomics.

WEG Manufacturing System - WMS

The WMS is a manufacturing management system that aims to improve administrative and productive processes through a structured set of methods and tools. Structured in 10 technical pillars and 10 management pillars, one of the technical pillars is the Safety.

The Safety Pillar organizes the tools and methods in 7 steps. The creation of prevention culture evolves through the implementation of each of the steps of the safety pillar, which aims to eliminate accidents and risks, in pursuit of ZERO accidents.

Sindy Pamella Deretti Torres, employee of the
Department of Manufacture VI - Jaraguá do Sul/SC



Principles of Safety at Work and Routing

The principles of safety are the golden rules to be practiced by all employees at WEG. The basic rules were organized in the model of continuous improvement. The principles of security establish a logical order of performance in work safety, and serves as a guide to establish prevention actions in the environment. The principles are structured considering the preparation of a safe environment, training of the people, compliance of rules, perception of the risks and communication. The rules are widespread in all work environments, through monthly meetings, daily security dialogues and banners. For trajectory, the rules follow the same structuring, but facing the defensive direction.

WEG Hearing Conservation Program - PWCA

To standardize measures to promote, maintain and prevent the auditory health of the employee exposed to “occupational noise risk” are the objectives of the WEG Program for Hearing Conservation (PWCA).

WEG Security and Ergonomics Program - PWSE

It is an ergonomics and safety program focused on the manufacturing areas, which encourages the participation of employees in the solution of improvements in the workstations.

Internal Commission for the Prevention of Accidents - CIPA

CIPA is committed to the development of improvements to the irregularities identified in the monthly inspection.



Emergency teams - Brigade

Emergency teams are formed by volunteer employees, trained and with capacity to deal with accidents such as fires, serious accidents, chemical leaks, floods, and other situations.

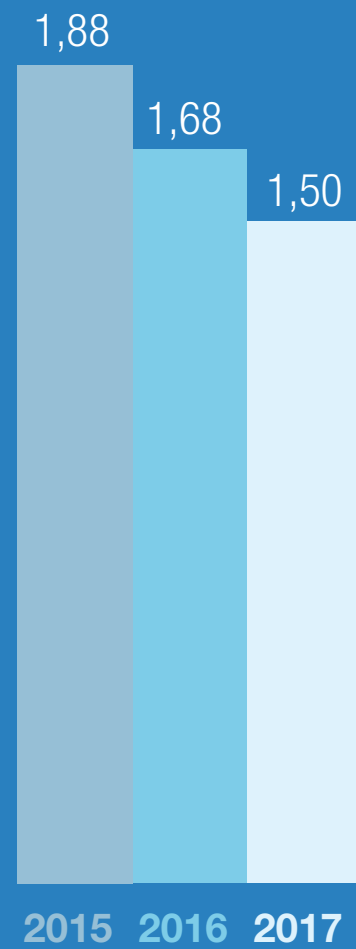
Labor gymnastics

The work gymnastics seeks to improve the quality of life, encourage the practice of physical activities and the integration of employees, as well as the prevention of stress and occupational diseases.

Health and Safety Indicators

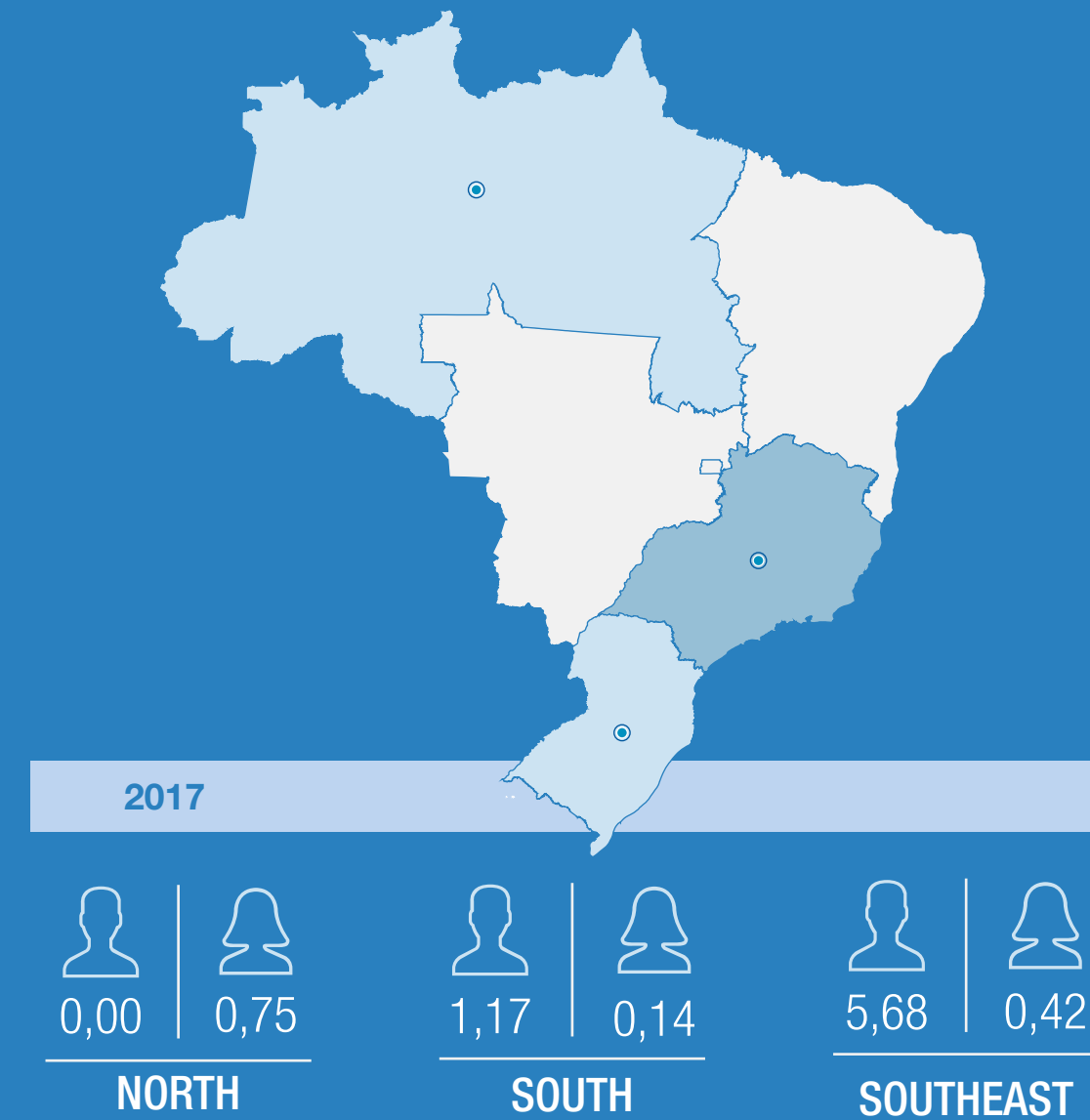
Injury Rate

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



By region and gender (Brazil):

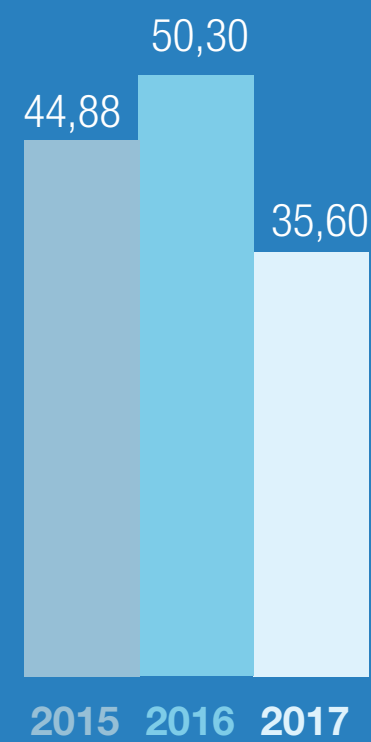
2015	2016
SOUTH	
Men 1,56 Women 0,29	Men 1,57 Women 0,21
SOUTHEAST	
Men 1,85 Women 0,14	Men 1,12 Women 0,16
NORTH	
Men 0,82 Women 1,44	Men 0,35 Women 0,00



Health and Safety Indicators

Total number of working days missed

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



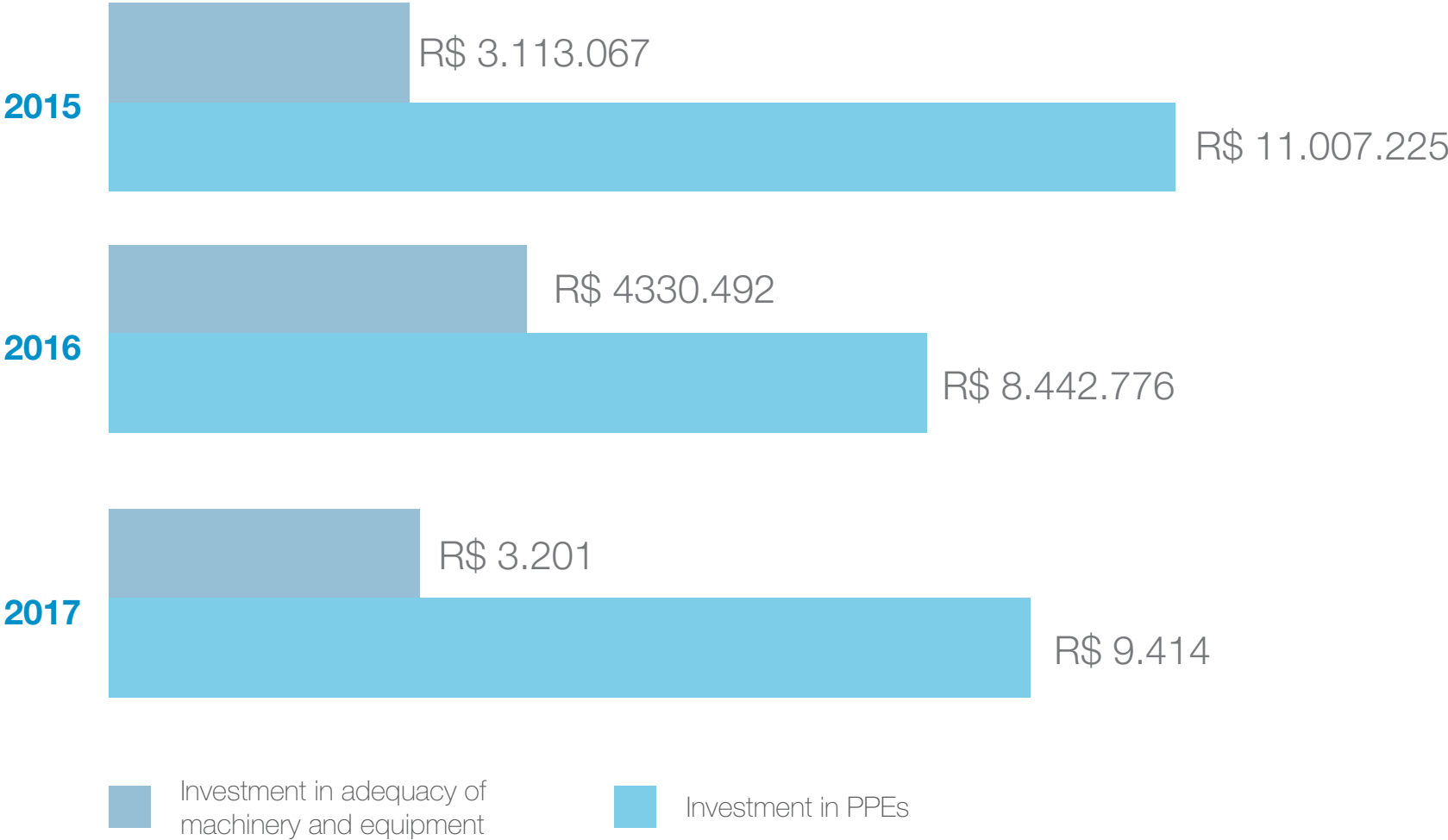
By region (Brazil):

2015	2016
SOUTH	
49,39	57,37
SOUTHEAST	
15,88	13,91
NORTH	
49,23	84,54

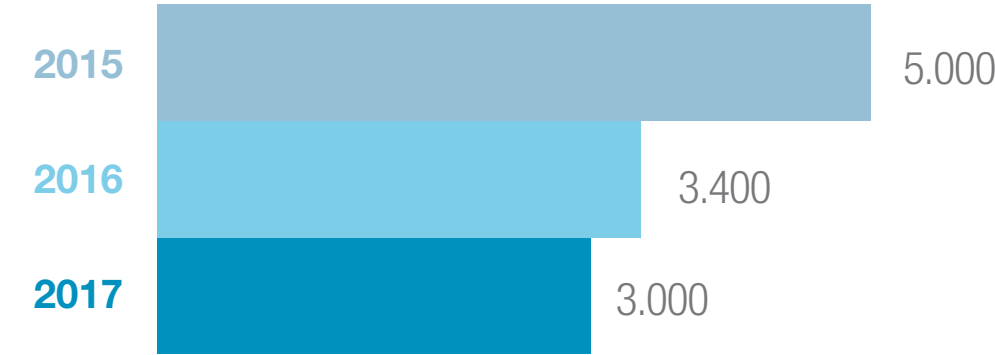


Health and Safety Indicators

Investments in Safety (in Thousand R\$)



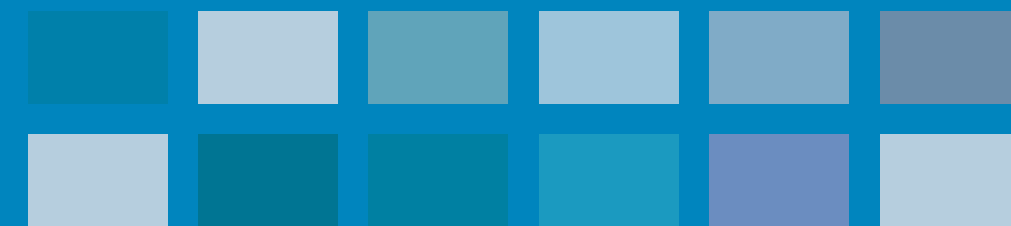
Total Absenteeism
(Quantity of absenteeism every 200 thousand hours of work)



By region (Brazil):

	SOUTH	SOUTHEAST	NORTH	NORTHEAST
2015	2,4	1,2	3,3	0
2016	1,7	1,4	3,4	0
2017	1,7	1,4	3,4	0,4

Corporate Governance



Corporate Governance

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. The Company's commitment is to continue acting within the same principles of transparency, fairness and accountability to shareholders and other interested parties. In this context, WEG adhered to the New Market segment of B3 and adopted the ABRASCA Code of Self-Regulation and Good Practices of Publicly-Held Companies.



THE ADMINISTRATION OF THE WEG GROUP it is exercised by the Board of Directors, with deliberative functions; by the Executive Board, with representative and executive functions and by the Fiscal Council.

The Board of Directors is composed of seven members, one being a president and one being a vice-president. Three directors are considered “independent” in accordance with the provisions of the B3 New Market Listing Regulation.

It is the responsibility of the Board of Directors to formally evaluate the results of the performance of the company, the Board itself, the Board of Directors and, individually, the members of each of these bodies. To this end, the Board of Directors shall meet whenever necessary, at least quarterly, upon convocation by their Chairman.



Board of Directors

Composition on 12/31/2017



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. 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.

Individually, candidates are expected to have:

- Alignment with organizational values;
- Ability to defend their point of view from self-judgment;
- Availability of time;
- Motivation;
- Strategic view;
- Ability to work in a team;
- Knowledge of the best practices of Corporate Governance;
- Ability to read and understand managerial, accounting and financial reports;
- Notions of corporate legislation;
- Perception of the organization's risk profile.

The counselor must also be free from fundamental (non-managerial, nonpunctual or situational, which is or is expected to be permanent) interest conflict and permanently attentive to the affairs of the organization, in addition to understanding that his/her duties and responsibilities are comprehensive and not restricted meetings of the Council. According to the Company's Bylaws, the charges of Chairman of the Board of Directors and Executive may be accumulated by the same person.

Direction Executive

The Board of Executive Officers is comprised of 14 (fourteen) members, being: one Executive Chief Executive Officer, one Financial Administrative Superintendent Officer, and Finance and Investor Relations Officer and other Executive Officers. All members of the Board of Executive Officers are elected and dismissed at any time by the Board of Directors and may accumulate functions. The term of office is two years, reelection being allowed.

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.

Composition on 12/31/2017



Harry Schmelzer Jr
Chief Executive
Officer



**André Luís
Rodrigues**
Chief
Financial
Administrative
Officer



**Paulo Geraldo
Polezi**
Director of
Finances and
IR



**Daniel Marteleto
Godinho**
Director



**Carlos Diether
Prinz**
Director



**Luiz Gustavo
Lopes Iensen**
Director



**Luis Alberto
Tiefensee**
Director



**Eduardo de
Nóbrega**
Director



Siegfried Kreutzfeld
Director



**Hilton José
da Veiga Faria**
Director



Reinaldo Richter
Director



**Wandair José
Garcia**
Director



**Manfred Peter
Johann**
Director



**Wilson José
Watzko**
Director

Audit Committee

The Fiscal Council is permanent, composed of 3 (three) effective members and 3 (three) alternates, and the Annual General Meeting is held annually by the election of the members.

COMPOSITION ON DECEMBER 31, 2017	
Alidor Lueders	Effective Member
Vanderlei Dominguez da Rosa	Effective Member
Paulo Cesar Simplicio da Silva	Effective Member
Ilário Bruch	Substitute Member
Paulo Roberto Franceschi	Alternate Member
Aramis Sa de Andrade	Alternate Member

Remuneration

The achievement of goals and indicators of economic, environmental and social performance is the goal that guides all the actions of the organization. For this reason, the members of the Board of Directors and of the Executive Board receive, in addition to fixed remuneration, a variable remuneration according to the achievement of the goals.

This form of compensation promotes consistent and transparent sharing of results, as well as the alignment of the interests of the company, the managers and the shareholders, in accordance with the best practices of management and corporate governance.

Proportion of higher salary and average of employees (Brazil): 38

Risk Management

WEG has developed its Corporate Risk Management System in accordance with the best international practices and with standards defined by the Brazilian and Foreign regulators, adapted to the company's specific profile. Guidelines, responsibilities and limits are established to guide the actions of the Committees, Commissions, Departments and Sections in the execution of the actions, in accordance with the guidelines of the Board of Directors.

Anticipating, assessing and generating effective responses to risks and opportunities is the scope of this system. So that the achievement of the strategic objectives is not affected by unexpected facts and conditions in any area of corporate action, the system covers four major dimensions:

The management of the Corporate Risks System relies on the fundamental contribution of the organization's participatory management structure, which establishes multidisciplinary committees and commissions to analyze, define, approve and implement changes in its business processes. Risk management is the responsibility of these committees and commissions and is periodically submitted to the referendum of the Senior Management.

**STRATEGIC DIMENSION:**

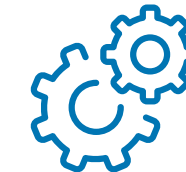
ability to anticipate, protect and/or adapt to changes.

**FINANCIAL DIMENSION:**

ability to obtain and/or preserve financial resources.

**PEOPLE DIMENSION:**

ability to attract, develop, retain and make the human resources available.

**PROCESS DIMENSION:**

ability to use the available resources effectively and efficiently.

Governance in Sustainability

Corporate Sustainability

The corporate sustainability area has the following attributes:

- Coordination of development of WEG Integrated Annual Report;
- Coordination of the process of participation in Sustainability Indexes;
- Coordination of the WEG Sustainability Group;
- Development of projects for improvements in sustainability;
- Meet other stakeholder demands, such as sustainability client audits, market questionnaires, among others.

WEG Sustainability Group



SUSTAINABILITY GROUP

acts in a corporate manner in the planning and execution of strategic actions of sustainability of the company.

Formed by a multidisciplinary team, coordinated by the corporate sustainability team, the group is formed by the following areas: Investor Relations, Financial, Health and Safety, Communication, Human Resources, Environment, Training, Organizational Climate, Relationship with Community, Product, Corporate Marketing, Supplies, Insurance, Risk and Corporate Sustainability.



Quality and Sustainability Commission

It is responsible for the analysis, monitoring and approval of sustainability policies and practices. The Commission is subordinate to the General Directorate, which, together with the Chief Executive Officer, analyzes and validates the matters proposed and approved by the Commission.

Information Disclosure Committee

Among its attributions, the Information Disclosure Committee analyzes previously the content of the specific communications with the capital market that contains relevant information about WEG, among them about sustainability, ensuring that no relevant information not yet disclosed by the company is inadequately disclosed.

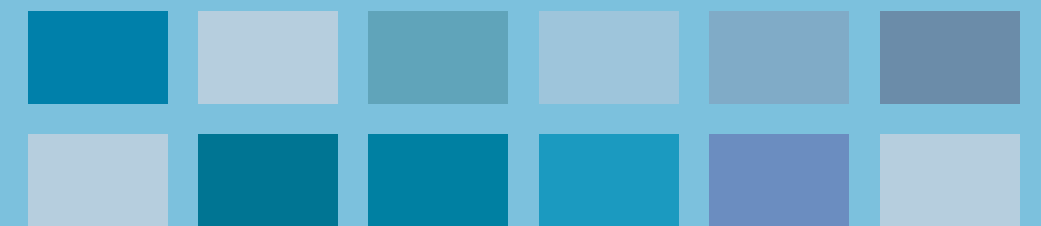


Tinta em Pó
Pintura en Polvo / Powder Coatings



Tinta em Pó
Pintura en Polvo / Powder Coatings

Relations with Suppliers



Relation with Suppliers

WEG understands that the sustainability and continuity of the entire value chain that is linked to the organization's responsibility to sensitize all its suppliers and service providers to adopt management based on specific economic, social, environmental, technical and standards criteria of legal assistance.

The pursuit of sustainable development is expressed in the relationship with suppliers and service providers and in the formal commitment established in the respective supply agreements and contracts, preserving:

- Product quality assurance;
- Compliance with the Directive RoHS, which prohibits or restricts the use of certain chemicals present in raw materials and components, or used in the manufacturing processes of electrical and electronic equipment;
- Compliance with the standards established by the environmental legislation;
- The compliance will not to make use of forced or compulsory child labor in its productive chain;
- The fulfillment of labor and tax obligations in accordance with the laws in force;
- The commitment to develop internal policies to value diversity and combat discriminatory practices, complying with international labor standards and conventions;
- The commitment to extend the aforementioned requirements to its main business partners, encouraging the alignment of these policies;
- The commitment to develop local and/or regional suppliers and the hiring of small and/or medium suppliers in their supply chain.



THIS FORMAL COMMITMENT ensures the practice that all those in the supply chain are aligned with the sustainable development of business and society where these companies are inserted.

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:** development of materials and components together with suppliers for future application in WEG products);
- **Periodic audits;**
- **Online communication system** (allows suppliers to visualize component programming and deliver these materials directly to the company's central warehouse);
- **Relationship with service providers** (training and awareness about safety and environmental aspects with the purpose of ensuring that they perform their activities safely, within the current norms);
- **Development, selection and evaluation of suppliers based on sustainability criteria:** New and strategic suppliers respond to the sustainability assessment form. The evaluation form, which has versions in Portuguese, Spanish and English, considers requirements related to environmental management, health and safety at work and social responsibility. The evaluation generates a performance result, which allows you to assess whether the supplier complies with these requirements or if there is need to get an improvement plan to fit as a WEG supplier.



Code of Ethics for Suppliers

The Code of Ethics is another important channel of communication on ethical aspects relevant to the evolution of business with WEG's suppliers. WEG encourages the Code's guidelines to be disclosed in all spheres of decision and operation of suppliers and also to the respective supply chains.

VERSIONS:

Portuguese, English and Spanish.

DENOUNCEMENTS AND QUESTIONS:

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



WEG website



Email



Telephones
(Brazil and abroad)



Letter



Supply Chain

Motors Unit

The Engines Unit purchases components and raw materials from suppliers in various regions of Brazil, as well as suppliers from abroad.

In 2017, WEG Motores had commercial transactions with 4.049 suppliers of which 94.22% of purchases were in Brazil. Among purchases made in Brazil, 44% were in the states of Santa Catarina, Amazonas and Espírito Santo (locations where WEG has units). The other most representative regions in the volume of purchases were São Paulo, Rio de Janeiro and Minas Gerais.

The main groups of suppliers are in the following segments: steel rod, steel bar, copper rebar, rolling, aluminum ingot, plastic injected parts, machined, boiler, stamping, insulation materials, electric conductor, fasteners and brakes.

WEG ALWAYS ENCOURAGES ITS BUSINESS
UNITS TO BUY FROM REGIONAL SUPPLIERS
WITH THE INTENTION TO STRENGTHEN THE
LOCAL ECONOMY AND GENERATE
OPPORTUNITIES.



Gisele Cristina Nunes, employee of the
Manufacturing Department VI - Jaraguá do Sul/SC

Automation Unit

In the year of 2017 almost 1400 suppliers, from the most diverse sectors, from screws to semiconductors, attended the Automation Unit. Even with the high degree of complexity of its products, the Unit acquired 60% of its raw materials in Brazil.

Among these diverse materials semiconductors, printed circuit boards, polymers, special alloys, electronic components, magnetic (reactors, transformers, inductors) and steels are highlighted. This year we also reached a rejection rate of 0.41%, the lowest value in the last 10 years.

MAIN CHANGES

The year of 2017 was marked as a year of maintenance of the supply chain focused on the expansion of technical-commercial partnerships with emphasis on quality enhancement.



Energy Unit

The Power Unit realized commercial transactions with more than 1.300 suppliers in 2017, of which approximately 90% are Brazilian nationals and 97% are located in the South and Southeast of Brazil.

WEG always encourages its business units to buy from regional suppliers in order to strengthen the local economy and generate opportunities. For the wind segment, there are approximately 300 suppliers with active contracts. Suppliers are distinguished in several families of materials, among them: metal sheets, steel bars, copper bars and rings, insulating materials, metal parts, metal calendered parts, machined parts, cast or forged parts, among others.



Michel Coral Arruda, employee of the Assemble Department - WEN - Jaraguá do Sul/SC

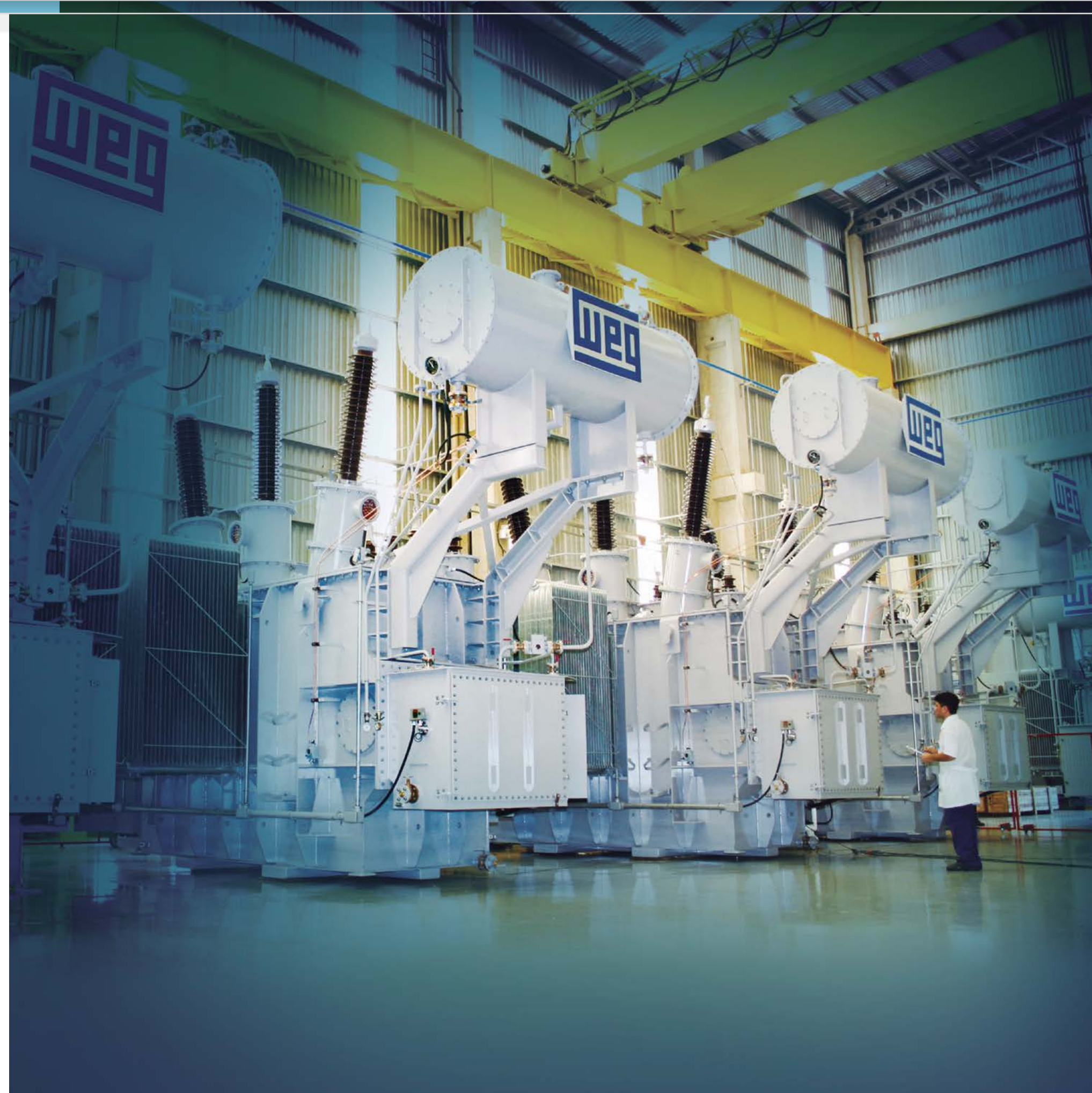
Transmission and Distribution Unit

WEG Transmission and distribution only purchases the most technologically complex production materials from foreign suppliers. For the other items, the vast majority, and in general labor-intensive, the volume of purchases is very concentrated with suppliers of the local market.

During 2017, it had commercial relations with around 500 suppliers, 90% of the local market and 10% of suppliers in the foreign market. Suppliers are distinguished in several lines of materials, including: coils or sheet metal, insulating mineral oil, transformer tap changers, paper or polymer insulation materials, porcelain bushings, cast, among others.

MAIN CHANGES

In 2017 WEG acquired CG Power USA Inc. located in Washington, Missouri, USA. This operation, now called WEG Transformers USA Inc., has two plants and is specialized in manufacturing, assembly, supervising and commissioning services for Distribution and Power Transformers up to 60 MVA - 161 kV. Among the customers served, the renewable energy sector (wind sites and solar farms) stands out.



Coatings Unit

In 2017, the Inks Unit maintained the acquisition of raw materials and various products from suppliers in Brazil and abroad, and had commercial relations with about 1800 suppliers. Purchases in Brazil accounted for 55% of the total value purchased, and about 89% were made in the Southeast and South regions.

Imported materials were purchased from the American, Asian, European and African continents. The main groups of suppliers are of the following segments: pigments, solvents, additives, mineral fillers, catalysts, hardeners, monomers and reagents, resins, packaging, mineral and vegetable oils, industrial equipment, among others.

MAIN CHANGES

In 2017, the integration of the Santa Catarina and São Paulo units, together with the Argentina units and the distribution center in Cabo de Santo Agostinho, allowed the expansion of the logistics capacity of industrial paints, as well as the better permeation in the markets for paint for glass, mirrors, plastics, auto parts, automotive refinishing and for the wind segment.





Relations with Customers



Relations 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.

Customer Training Center (CTC)

Since it was founded in 2000, about 42 thousand staff 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.

Who can attend the courses?

- Resellers;
- Technical Assistants;
- OEM's (Machinery Manufacturers);
- Final Consumers;
- Technical Schools and Universities;
- Sales Representatives;
- WEG Collaborators.



Monitoring of market technological trends:

Periodically, new courses are launched, adequate to the new initiatives of WEG, such as:

- Solar energy;
- Industrial Communication Networks;
- Graphic HMIs (Interfaces of Operation);
- Shielded Bar (civil construction);
- UPS/Nobreaks;
- Floor/Coating Paint in Industrial Painting.

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



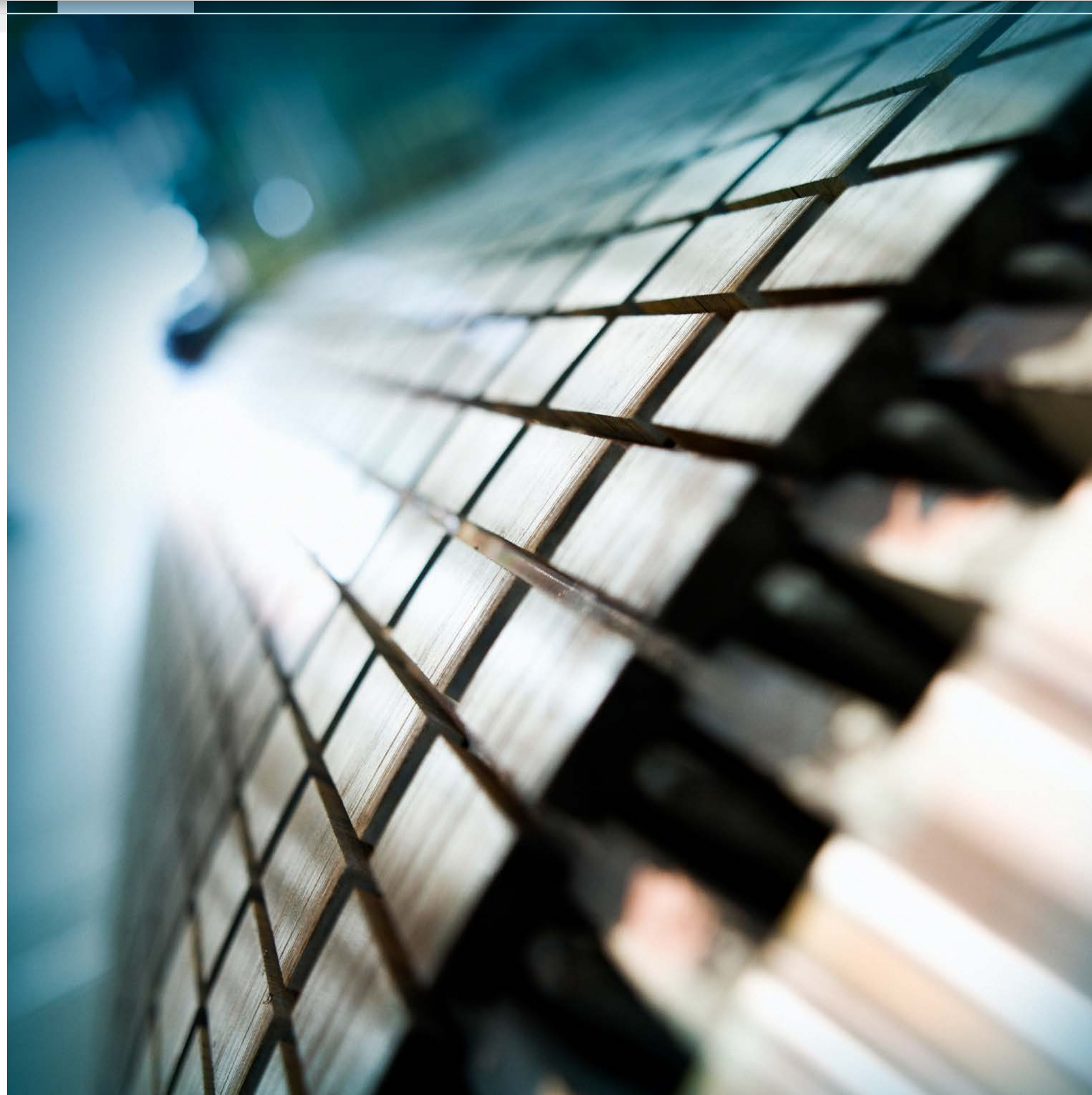
59.858 hours
training



451 enrollment in
Distance Education



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



Conheça Nossa Casa [Know Our House] Project

The Conheça Nossa Casa brings important clients and partners of WEG. There were four projects in 2017, involving about 178 visitors, who had the opportunity to know our facilities and production processes, administrative, engineering and production areas. We also had access to our vertical structure, from the analysis and design of projects to the final delivery of solutions.

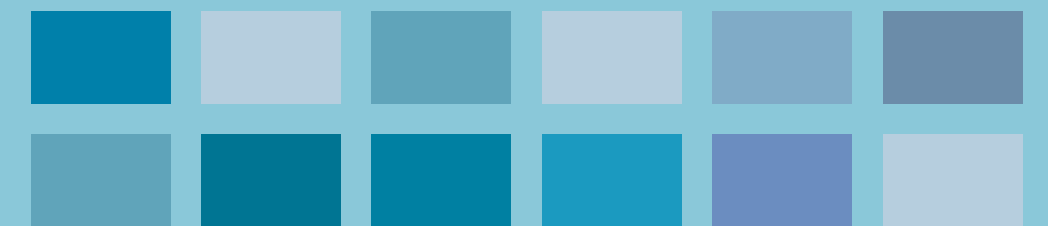
Marketing Politics

This policy aims to ensure the alignment of the actions and marketing communication projects of GRUPO WEG, with its mission and its principles regarding sustainability, in a responsible, transparent, ethical and true way, respecting individuality, diversity and the environment. Minimize risks in the company's business activities, with respect to industry self-regulation codes and legislation. Finally, it aims to create positive values in society as a way of contributing to sustainable development.





Government and Society



Government and Society

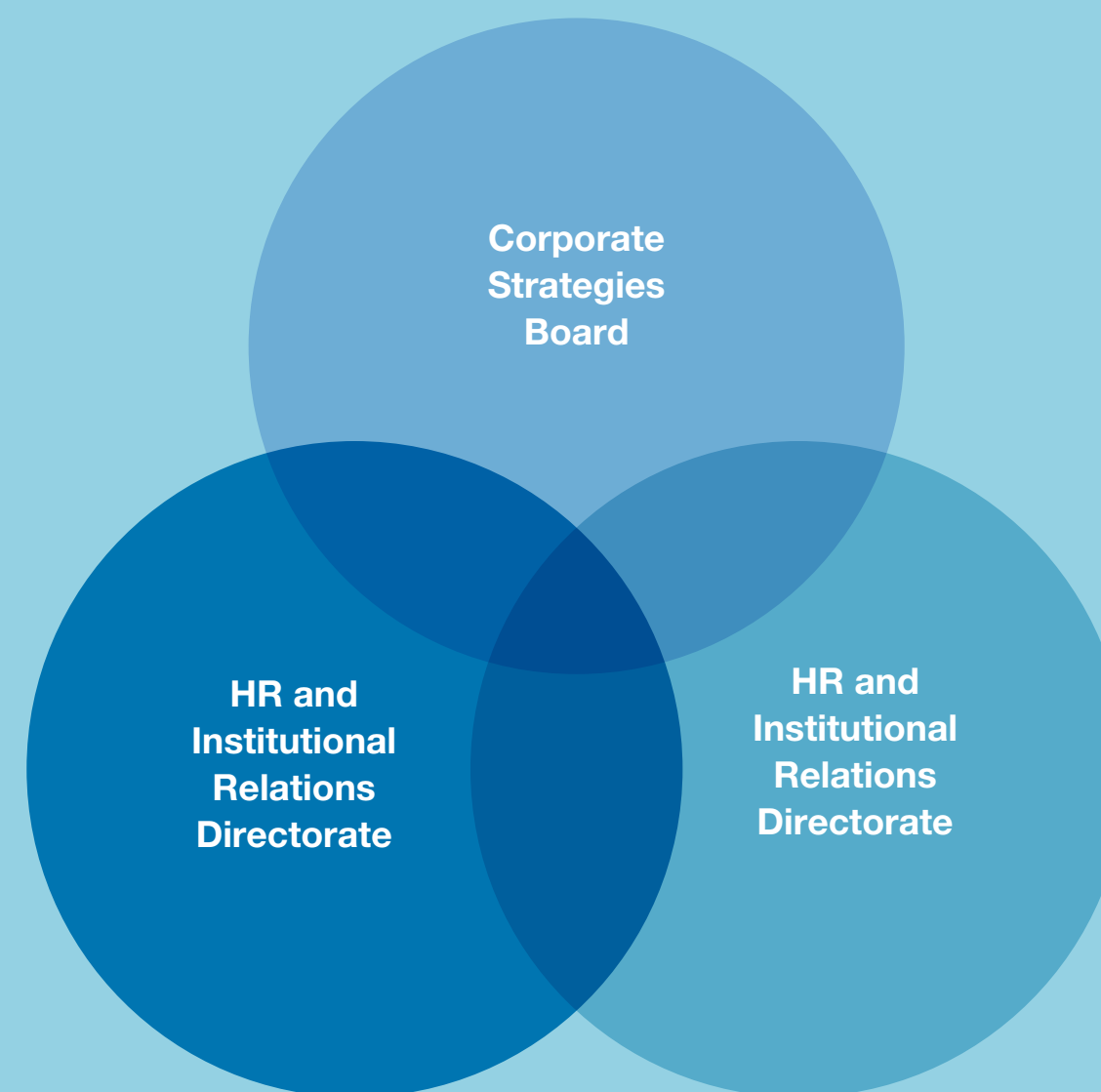
Committed to the growth of the country through the generation of jobs and sustainable growth, WEG maintains strong involvement with Class Entities and Governments, focusing on industrial, commercial and sectorial policies of the industry installed in Brazil.

As a company operating in several industry segments, WEG is present simultaneously in various forums (Working Groups, Boards, Committees, Boards of Directors and Administration), distributed in different Entities and Associations of Class.

Depending on the nature of the topic, WEG participates through the Corporate Strategies Board, the HR Board and Institutional Relations, or directly by representatives of the Business Units involved, as shown in the image on the side:

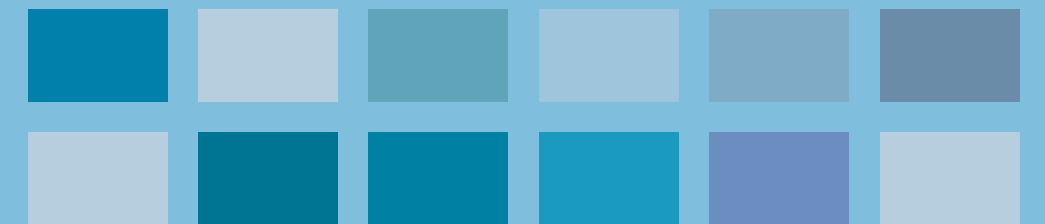
Internally, in the company, the themes are discussed in a shared way through specific Commissions and/or Committees formed by representatives of the respective areas involved. These forums have the function of evaluating proposals from the entities represented and recommending actions or positions in the name of the company.

The process ensures that the positions and actions of the Company in the various forums take place in a coordinated manner and are in line with the reality of all the businesses and markets in which WEG operates, effectively fulfilling its role of promoting job creation and sustainable industry.





Ethics and Integrity



Ethics and Integrity

Acting in a sustainable way depends fundamentally on ethical conduct in the company and on the relationship between the interested parties. 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

Development and approval

The coordination process of the last version was carried out by the Management Committee of the Code of Ethics, which defined a transversal discussion process involving several hierarchical levels of the company until final approval by the top management and Board of Directors.

Internal application

At the launch of the latest version, the Code of Ethics was delivered to all employees and administrators, and its content is presented in its entirety. The employees and administrators read and signed a compromise agreement, stating their receipt and compliance with the Code of Ethics. In cases of new employees, when contracted, they undergo the same procedure.

In addition, WEG encourages the application of the guidelines of the Code of Ethics to its stakeholders, such as affiliated companies, suppliers, service providers, sales representatives, resellers and technical assistants, customers, investors, community and government.



Ênio Gilberto Belém da Rosa, collaborator of the Boilerwork Department - Blumenau/SC

Topics covered

- Compliance with Laws and Regulations;
- Information;
- Patrimony;
- Employees and Work Environment;
- Suppliers and Service Providers;
- Customers;
- Community;
- Competitors;
- Shareholders and Capital Markets,
- Finance and Accounting;
- Public Powers;
- Class Entities;
- Communication;
- Corruption;
- Environment.

Denouncement Management System

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



Email



Telephones
(Brazil and abroad)



Letter



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

The information received is kept in confidence, except in situations where WEG has a legal obligation to inform the government bodies and audits. The cases that are not included in the document that are discussed by the Management Committee of the Code of Ethics, in conjunction with the Human Resources Board, which is responsible for this management tool.

The Code of Ethics has global application, with versions in Portuguese, English, Spanish, Mandarin and Russian.

Duties of the Code of Ethics Management Commission:

- Interpret the Code of Ethics in cases of doubts, aiming at harmonizing the understanding and avoiding ambiguities in the application of the same;
- Analyze, periodically, and revise, when necessary, the Code of Ethics in light of ethical application and evolution in the social field and within the company;
- Monitor the alignment of the application between the units of the group;
- Check and report to management on the application of the code in the company;
- Deliberate the necessary resources for the application of the code.



This is WEG

MISSION

Continuous and sustainable growth while maintaining simplicity.

VISION

To be a global reference in electric machines and with a wide range of products, providing efficient and complete solutions.

VALUES

HUMAN COMPANY

We value every individual contribution to our success and motivate people through integrity, ethics and constant support for personal development.

TEAM WORK

Working as a team, we bring together the best of knowledge, intelligence and ability to constantly improve work and benefit our customers.

EFFICIENCY

Every day we work to make things better. All products, processes and developments are driven by increased efficiency.

FLEXIBILITY

We will always develop new, efficient ways to respond to changing situations and meet customer needs.

INNOVATION

New ideas and technologies guarantee the company's existence. That is why we encourage and support a climate to think beyond today.

LEADERSHIP

Be a reference in the relationship with customers.

WEG Policies

Quality

Provide products and services with authentic quality, ie meet the needs of our customers at the lowest possible cost.

Health and Safety

The WEG Group establishes as a policy the value of the human being in the development of its activities, products and services regarding aspects related to safety and health, committing itself to:

- Adopt prevention positions at all hierarchic levels;
- Identify, eliminate and/or minimize significant risks to the safety and health of its employees, service providers and the public in general;
- Identify and meet legal requirements applicable to occupational health and safety, associated with its processes, products and services;
- Establish goals and targets to continuously improve the performance of the management system.

Energy Efficiency

Ensure the development, production and marketing of products and services, with greater efficiency and continuous improvement of business processes, meeting the legal requirements and allowing the reduction of energy consumption and impacts on the energy matrix.

Environment

The WEG Group's policy is to ensure the lowest environmental impact of its products and production processes, seeking to:

- To comply with applicable environmental legislation;
- Continuous improvement through the establishment of environmental goals and targets;
- To act in a preventive way, aiming at the protection of the environment in which it is inserted;
- Processes and eco-efficient products, preserving natural resources.

Social Responsibility

The WEG Group establishes as a policy to conduct its business for continuous and sustainable growth, valuing and respecting all the public with which it relates, maintaining transparency and ethics in relations and committing itself to:

- Comply with applicable labor and tax laws, among others, applicable in all activities of the company and places where it operates;
- Ensure the eradication of child labor and forced and compulsory labor in all company activities;
- Guarantee the fight against the sexual exploitation of children and adolescents in all activities of the company;
- Do not hire minors under 18, except as a minor apprentice;
- Encourage and provide conditions for the development of employees, aiming to expand skills, personal and professional growth;
- Value diversity and multiculturalism and to restrain any attitude of discrimination on the basis of race, gender, sexual orientation, physical condition, religion, age group, social class, political conviction and nationality;
- Repel practices of moral and sexual harassment in work relations that compromise the integrity of the person;
- Respect the right of union members in trade unions, as well as bargain collectively, ensuring that there is no reprisals;
- Support communities in which they relate directly, strengthening the economic and social development.

Policy of Prevention and Fight Against Corruption and other Detrimental Acts

Its purpose is to strengthen WEG's policies and commitment to existing good practices in order to prevent, detect and remedy deviations, frauds, irregularities and unlawful acts against public or national authorities, as well as to encourage the denunciation for its non-compliance.

This policy represents a synthesis of the company's existing guidelines and forms a set of internal integrity, auditing, prevention and anti-corruption mechanisms.

ALIGNMENT WITH INTERNATIONAL LAWS AGAINST CORRUPTION

In addition to the norms expressed in the policy, this policy also complies with national and foreign legislation, such as the United States Foreign Corrupt Practices Act (FCPA) and the United Kingdom Bribes Act (UKBA).

ABRANGENCY

This Policy covers all directors, members of the Audit Committee, managers, employees, suppliers, customers, business representatives and other persons who may act on behalf of WEG and authorized by it.

STATEMENT OF RESPONSIBILITY

Administrators, members of the Fiscal Council, managers and other employees who have a relationship with the public administration, nationally or abroad, must sign a term of responsibility, in the sense of Anti-Corruption Law 12.846/2013, characterizing in this way the dissemination of the information, as well as seeking the commitment of all those involved.

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.



The 17 sustainable development goals (SDGs)

Objective 1

End poverty in all its forms, everywhere.

Objective 2

End hunger, achieve food security, improve nutrition and promote sustainable agriculture.

Objective 3

Ensure a healthy life and promote wellbeing for all, at all ages.

Objective 4

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Objective 5

Achieve gender equality and empower all women and girls.

Objective 6

Ensure the availability and sustainable management of water and sanitation for all.

Objective 7

Ensure reliable, sustainable, modern and affordable access to energy for all.

Objective 8

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Objective 9

Build resilient infrastructures, promote inclusive and sustainable industrialization and foster innovation.

Objective 10

Reduce inequality within and between countries.

Objective 11

Make cities and human settlements inclusive, secure, resilient and sustainable.

Objective 12

Ensure sustainable production and consumption patterns.

Objective 13

Take urgent action to combat climate change and its impacts.

Objective 14

Conservation and sustainable use of oceans, seas and marine resources for sustainable development.

Objective 15

Protecting, restoring and promoting the sustainable use of terrestrial ecosystems, sustainable managing forests, combating desertification, halting and reversing land degradation and detaining the loss of biodiversity.

Objective 16

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels.

Objective 17

Strengthen the means of implementation and revitalize the global partnership for sustainable development.

WEG, understanding the importance that the Sustainable Development Goals have for the global sustainable development agenda, has adhered to the initiative, which is aligned with the principles and values of WEG, being an important part of the sustainable development strategy with our stakeholders, seeking to minimize negative impacts and maximize positive impacts.

Panorama WEG

We have already realized a series of internal actions and in partnership with stakeholders that are aligned with the Sustainable Development Objectives, such as:



Ensure a healthy life and promote well-being for all, at all ages.

The promotion of health and good practices for the well-being and quality of life of our employees is offered through various programs and actions, among them: medical care, health program for chronic diseases; health campaigns.

Through internal programs and processes, which address different topics related to work safety, the company promotes the awareness and dissemination of the prevention culture.

Some of the programs and processes:

- Principles of Safety at Work and Routing
- WEG Hearing Conservation Program - PWCA
- WEG Security and Ergonomics Program - PWSE
- Emergency teams - Brigade
- Internal Commission for the Prevention of Accidents - CIPA
- Labor gymnastics
- Safety and Ergonomics Committee
- WEG Manufacturing System - WMS



INVESTMENTS IN SAFETY:



Investment in adequacy of
machinery and equipment 2017:
R\$ 3.2 million

Investment in PPEs:
R\$ 9.4 million



Ensure inclusive, equitable and quality education, and promote lifelong learning opportunities for all.

Seeking the continuous development of its employees, WEG offers education and training programs that involve both technical and behavioral training. Education also extends to the community in the opportunities to start the career in the company as a young apprentice or trainee.

Some of the programs:

- **EJA (Youth and Adult Education):** Since 2010, in partnership with SESI (Social Service of Industry), the program provides an opportunity for employees to wide their education, free of charge. Up to 2017, 346 employees graduated from primary and secondary education in this program.

- **School aid:** This program aims to provide scholarships to employees for training in technical, higher, postgraduate and language courses.

Professional Qualification of Production Operators:

Number of Program Courses: 36

Coverage: Brazil, Mexico, India and China

Number of Participations until 2017: More than 30 thousand

- **Postgraduate in company:** Accomplished through agreements with educational institutions considered as reference in the subject: UFSC - FURB SOCIESC - UTFPR - PUC-PR - ESAG - FEST and FGV-SP. The programs conducted involved approximately 727 employees.

- **CENTROWEG (apprentices):** More than 3.700 young people have already passed by CENTROWEG, which annually forms about 140 professionals.

OTHER INDICATORS:

Average of training hours
per employee:

116 hours

Investment in
Training in 2017:

R\$ 28,9 million



Ensure reliable, sustainable, modern and affordable access to energy for all.

Energy efficiency

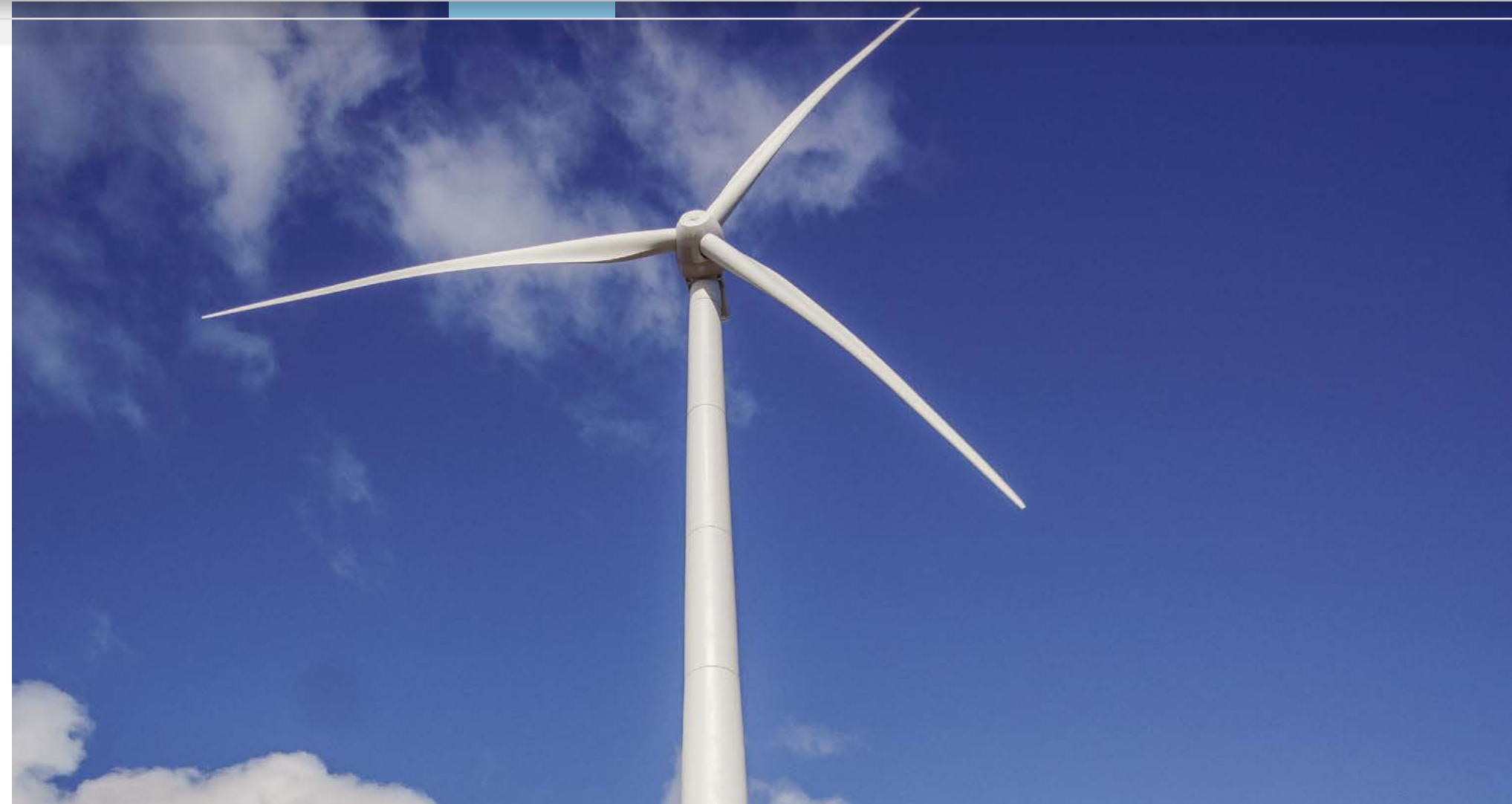
We continuously stimulate the development of the high efficiency lines, benefiting users by saving energy and reducing maintenance costs throughout the life of the engines, in addition to contributing to a lower environmental impact. The percentage of products sold focused on high energy efficiency has increased by about 10% in three years.

Renewable Energy

Solar Energy: With several mills in operation, several supplies in distributed generation and a strong interest in investments in the sector, solar energy is growing. WEG is also involved in incentive programs for the installation of photovoltaic systems, such as the Solar Industry program, an initiative jointly with the Federation of Industries of the State of Santa Catarina (FIESC) and the Generator of Electric Energy Engie Brasil.

Wind Energy

WEG, as an integral part of this market, in 2010, began its first research as well as the development of generators and other equipment for wind generation. Since 2014, when WEG made its first wind turbine supply, until 2017, 134 wind turbines (281.4 MW) were installed.



Promote sustained economic growth, inclusive and sustainable, full and productive employment and decent work for everybody.

WEG Economic Growth

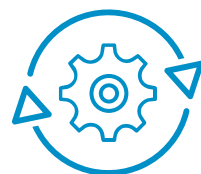
WEG has a track record of job creation and strong economic growth. Our Net Operating Income (NOI) in 2017 was R\$ 9.5 billion, 1.7% higher than in 2016. Our diversification, technological modernization and innovation impact this context.



Build resilient infrastructures, promote inclusive and sustainable industrialization and foster innovation

At WEG, all ideas are organized and systematized through the PWQP (WEG Quality and Productivity Program). Within it is the PDT (Technological Development Program), which brings together innovation projects and targets related to new products and processes. From strategic planning from the technological strategic planning the various projects that will be part of the programs are defined.

NUMBER OF PATENTS IN 2017:



155 patents
7% bigger
than last year.



Ensure sustainable production and consumption patterns.

Our environmental management is based on preventive measures to environmental challenges, aiming at protecting the environment. We invest in technologies and ongoing process improvements through the establishment of environmental goals and targets.

Power management: We have an Energy Efficiency Program, being that one of our plants is certified in ISO 50001 (Energy Management Systems). In Brazil, the units participating in the Energy Efficiency Program have targets for reducing electricity consumption.

Atmospheric Emissions Management: Each year, we conduct our inventory of atmospheric emissions, which aims to quantify emissions, as well as enabling strategies to improve emissions management and thus reduce environmental impact.

Water Management: We work in the management of water resources and have water reuse practices. By the year of 2017, we have saved 151,121 m³ with the use of reuse water, which would be sufficient to supply the consumption of 513 families during a year.

Residues Management: We work on waste management, seeking to generate greater efficiency and lower environmental impact. In 2017, 39.6% of the waste generated was reused internally, 30.9% were sent to companies that promote recycling and 28.7% were sent to an industrial landfill.



Take urgent action to combat climate change and its impacts.

Reduction of emissions in processes

We apply improvements in internal processes to reduce our impact on atmospheric emissions, for example, energy efficiency work, which has an important impact in this context because the emissions due to the consumption of electricity that are responsible for approximately 75% of our gas emissions greenhouse effect.

Reducing Emissions from Customers

As part of our business strategy, we have developed to our customers technologies designed to improve energy efficiency with short-term returns, the generation of renewable energy and the reduction of electricity and greenhouse gas consumption.



SOLUTIONS:

Solar energy, wind energy, hydroelectric power stations, biomass, industrial systems modernization.



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels.

We are increasingly reinforcing processes and policies to avoid any kind of corruption. We have established a Policy to Prevent and Fight Corruption and other Injurious Acts, which represents a synthesis of the company's existing guidelines and forms a set of internal mechanisms of integrity, auditory, prevention and anti-corruption fight.

In 2016, it was the first time that the company started to protect the itself from corruption, which had as its target audience the Board of Directors, Managers of subsidiaries and subsidiaries in Brazil, sales departments, supplies and employees that interact with public entities. The training was conducted in three languages, where 2.766 employees were trained, 2.277 in Brazil and 489 abroad.





Strengthen the means of implementation and revitalize the global partnership for sustainable development

We actively participate in class entities and are simultaneously present in various forums (Working Groups, Boards, Committees, Boards of Directors and Administration) distributed in different Entities and Associations of Class.

Goals

WEG establishes convergent goals for SDG, these being:

WEG GOALS	SDG GOAL RELATIONSHIP
<p>The departments that participate in the Energy Efficiency Program establish energy reduction targets.</p> <p>Exemple:</p> <ul style="list-style-type: none">• Reduce the consumption of Electrical Energy Department (Locksmith) in kWh by 5%.	 <p>SDG 7.3 - By 2030, double the overall rate of improvement of energy efficiency.</p>
<p>Attend to 3.000 students from primary and secondary schools, applying educational actions.</p>	 <p>SDG 4.1 - By 2030, ensure that all girls and boys complete the first and second levels of education, equitable and of quality, that conducts to results of learning that are relevant and effective.</p>

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.

Being coordinated by an international committee composed of leaders of associations representing paint manufacturers worldwide, the program is governed by four codes, which can be put into practice together or separately:

These four codes, in their turn, are subdivided into 67 managerial practices. In addition to defining these practices, the program provides the elements for participating companies to establish systems for continuous self-assessment, implementation and improvement.

In Brazil, the Coatings Care program was implemented in 2004 by the Brazilian Association of Ink Manufacturers (Abrafati), whose coordination is national. WEG has been a signatory of the program since 2007.



Production
Management;



Transport and Distribution
Management;



Product
Management;



Community
Responsibility.





Environment Management



At WEG, respect for the environment, it is incorporated into our internal management and our relationship with our stakeholders.

Our environmental management is based on preventive measures to environmental challenges, aiming at protecting the environment, where we invest in technologies and in constant improvements of processes through the establishment of environmental goals and targets.

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.

Energy Management System

In 2011, we certify one of our plants in the norm ISO 50001 - Energy Management Systems, and from 2014 we implemented our Energy Efficiency Program, based on ISO 50001, in our production units.

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.



HIGHLIGHTS - 2017

Actions of the Energy Efficiency Program

- Identification of critical processes;
- Monitoring of energy efficiency indicators;
- Activities of raising awareness of our employees regarding the importance of the rational use of electric energy.

Performance

Energy Consumption (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).

Electricity Consumption (MWh /NOI)



Atmospheric Emissions Management

Since 2010, WEG has an inventory of greenhouse gas emissions following the methodology of the Brazilian GHG Protocol Program. The inventory aims to quantify the emissions, as well as to enable the definition of strategies to improve emissions management and thus cause less environmental impact.

Transparency

WEG reports information on its management and performance in atmospheric emissions publicly in the Corporate Sustainability Index (ISE) and the Carbon Disclosure Project (CDP).

Greenhouse Gas Emissions - Scope 2

Scope 2 refers to the indirect emissions of greenhouse gases (GHG) from the acquisition of electric energy. Scope 2 is the most relevant for WEG, as electricity consumption accounts for approximately 75% of the company's greenhouse gas emissions.

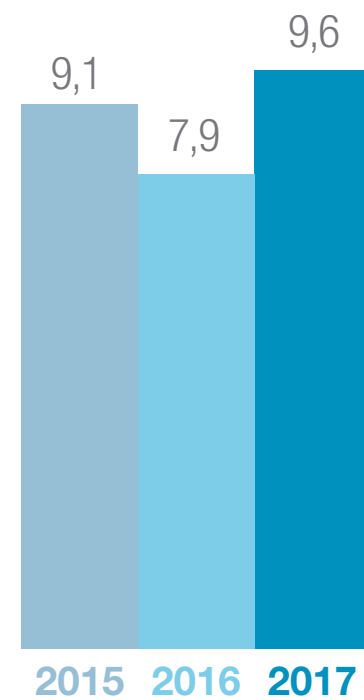


Performance

Scope 2 (tCO₂e)



Scope 2 (tCO₂e/mil NOI)

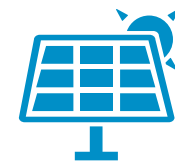


The increase in emission of Scope 2 had as main reasons:

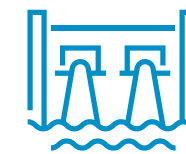
- The inclusion of Bluffton Motor Works- USA units, WEG (JIANGSU) Electric Equipment CO., LTD. - China and Zest WEG units - South Africa in the emissions inventory.
- Increase in the emission factor of Brazilian electricity in relation to 2016.

Reducing Emissions from Customers

In addition to internal management to reduce our impact on atmospheric emissions, we have developed technologies for customers to improve energy efficiency with short-term returns, the generation of renewable energy and the reduction of electricity consumption and the reduction of greenhouse gases.



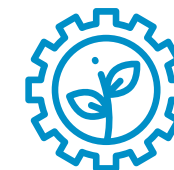
Solar Energy



Hydroelectric Power Plants



Wind Energy



Biomass



Modernization of industrial systems

Water Management

Water scarcity is increasingly worrying on the world stage, encouraging companies to seek action to reduce the consumption of this input and, consequently, to preserve water for future generations.

Water Resources Management

Currently, our water resources management is realized based on our Environmental Policy and corporate guidelines. Based on these guidelines, each unit defines its environmental goals, as well as the execution of projects that enable them to be achieved.

We also work on the acquisition of more efficient equipment for the use of water or for reuse, such as reuse effluent treatment plants, washing machines and multi-cycle cleaning trolleys.

General Water Consumption

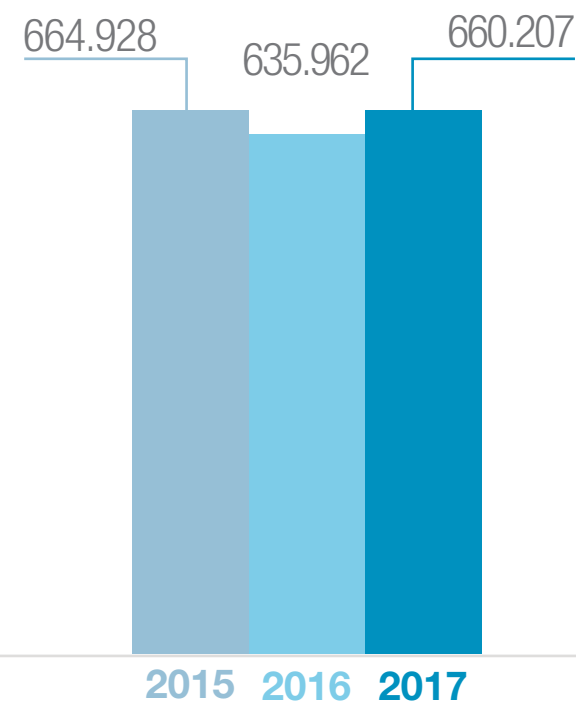
Our industrial parks in Brazil have different sources of water abstraction, and each park operates according to its sources of abstraction, which are:

- Purchased water (public concessionaire) - For potable and industrial use;
- Surface water - For industrial use;
- Groundwater - For potable and industrial use;
- Reusable Waters - Sanitary vessels, urinals, industrial processes and fertirrigation;
- Rainwater - Industrial use.



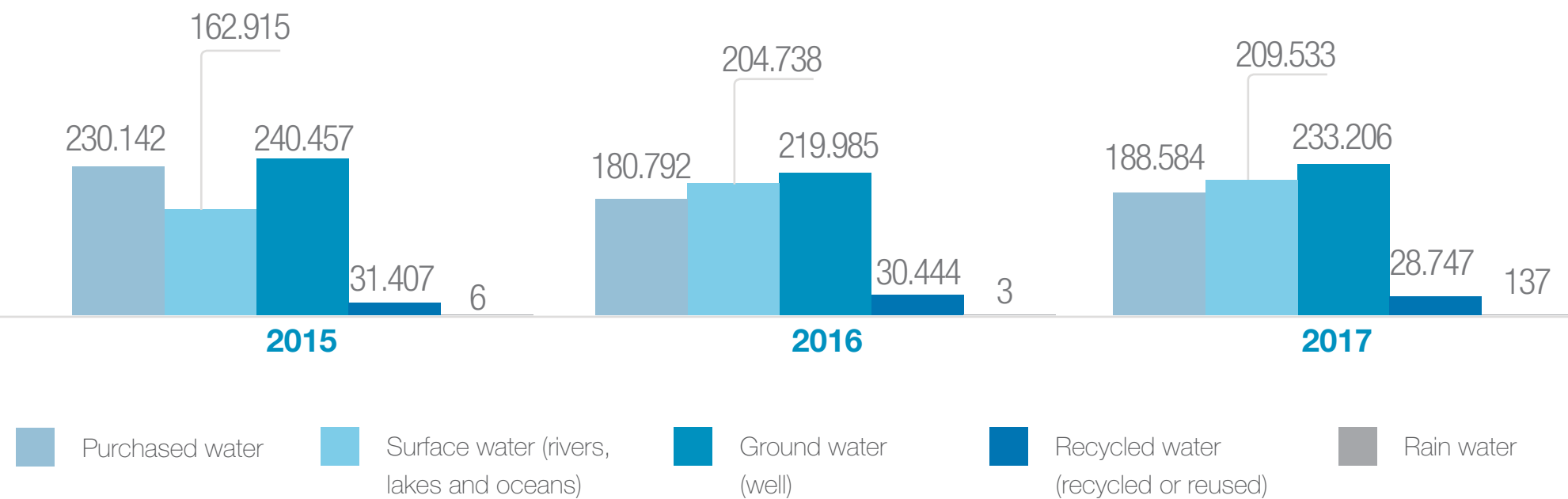
Performance

Consumption of water in WEG Brazil units (m³)



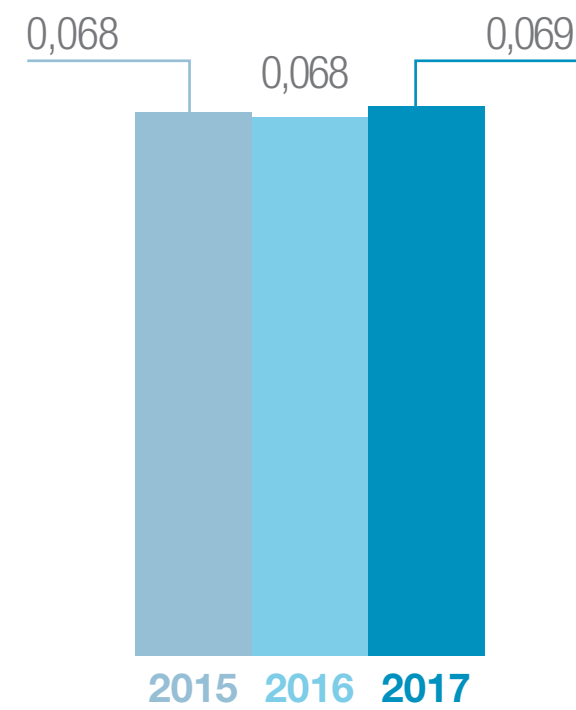
Water consumption, according to the indicator, represented an increase of 3.8% over the last year.

Water consumption by source (m³)



The most significant increase in the consumption of the sources was groundwater, 6% in relation to the last year. On the other hand, the consumption of reuse water decreased by 5.5%, due to the reduction of water consumption of the unit due to the decrease in production, which prevented a greater amount of effluent reuse. We highlight the significant increase in the consumption of rainwater, going from 3 m³ to 137 m³.

Water consumption by Net Operating Income (NOI)



Water consumption in relation to NOI increased by 1.4% in relation to the last year.

Volume of recycled water – Accumulated (m³)



By 2017, we have already saved 151.121 m³ with reuse water, which would be sufficient to supply the consumption of 513 families during a year.

Solid Waste Management

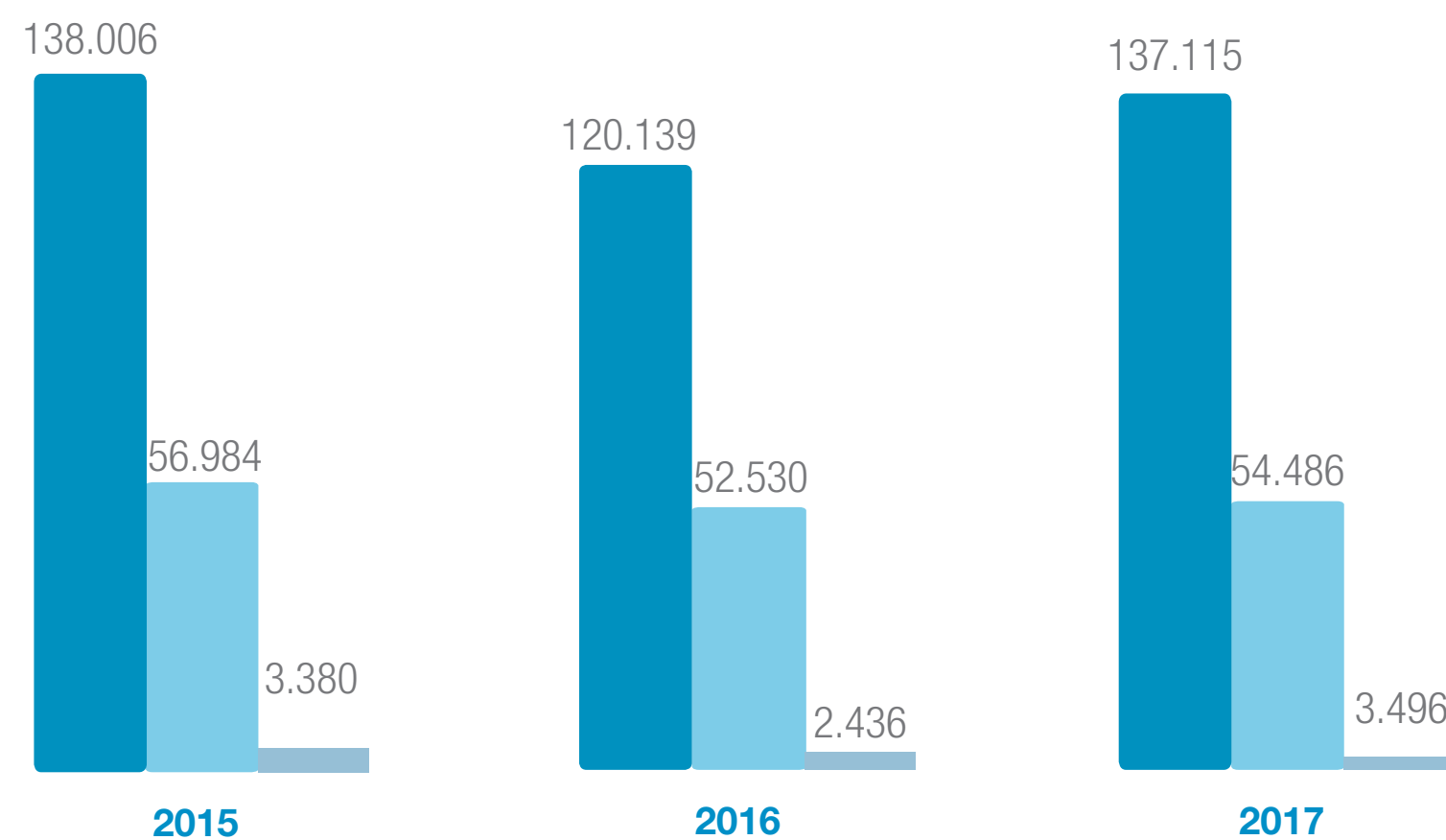
The generation of solid waste is an intrinsic part of the productive processes of the companies. We do not regard them as trash, debris or materials devoid of value or use. The waste generated by a company is a compound of its raw materials, acquired at a great cost, which were not processed and should now be discarded in order to generate the least environmental impact.

By properly managing their waste, companies improve their efficiency (generating less waste while production increases) and ensure the best destination for those who should eventually be destined:



Performance

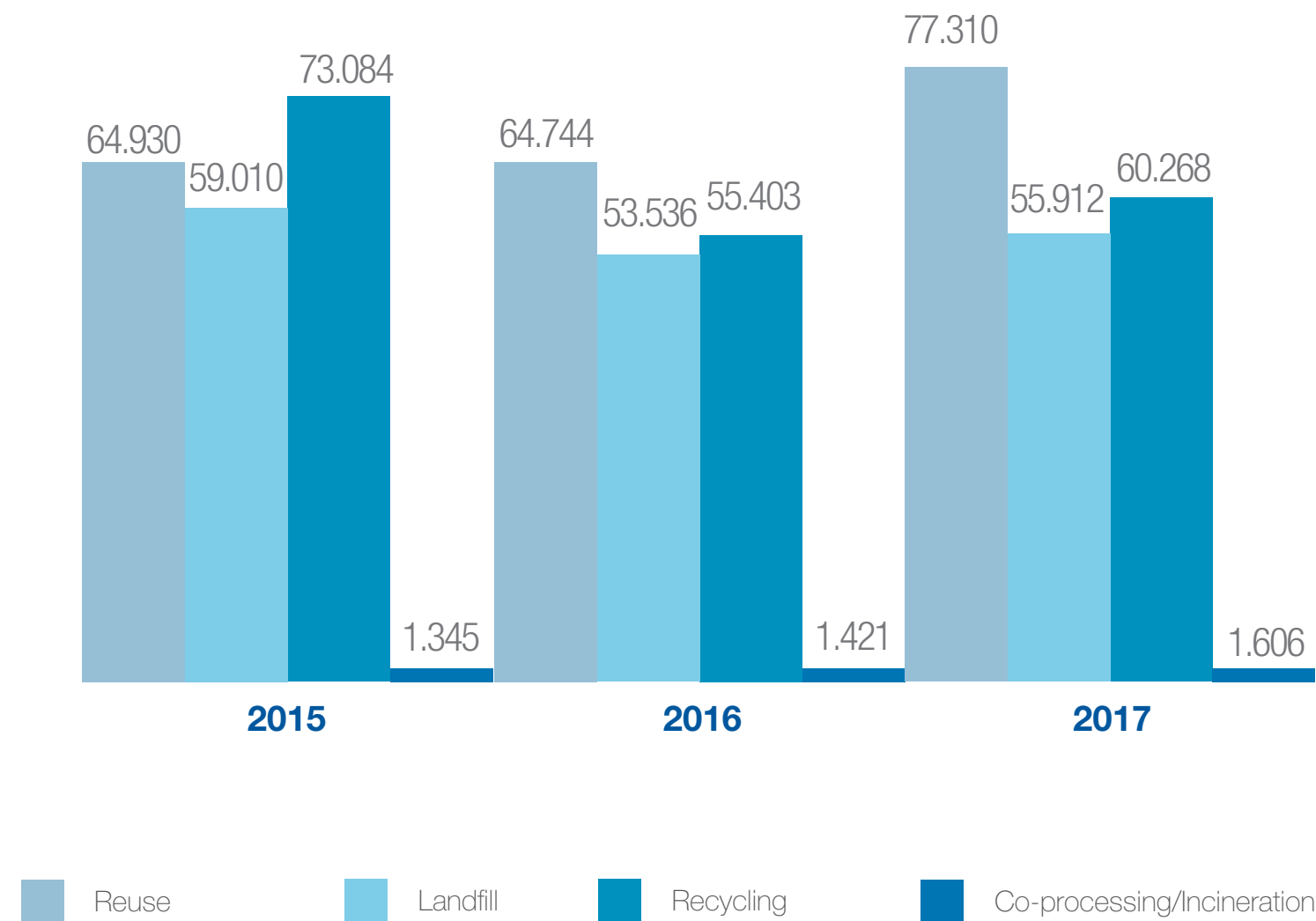
Solid Waste - Generation by Type
(Quantity (ton))



The indicators show that 98.2% of the waste generated in Brazil are exempt from dangerousness (Class 2A or 2B). The quantities of waste increased by around 10% over the last year and reduced by approximately 1.7% compared to 2015.

■ Recyclable ■ Non-recyclable / Non-hazardous ■ Non-recyclable / Hazardous

Solid Waste - Disposal Type (Quantity (ton))



It is identified that:

39,6%

of the waste generated is internally reused;

30,9%

are sent to companies that promote recycling;

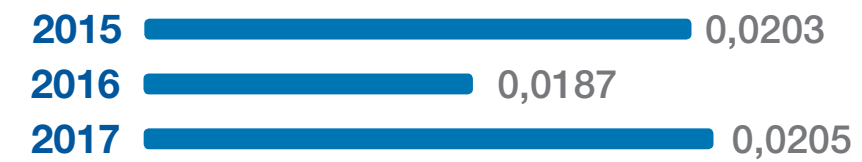
28,7%

are sent to industrial landfill;

0,8%

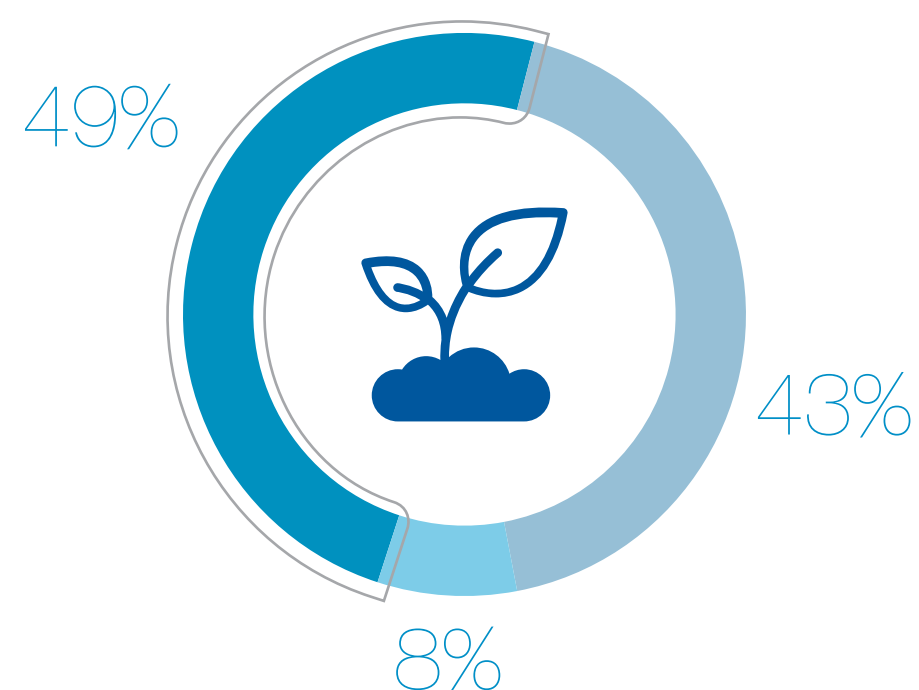
are forwarded to coprocessing or other destinations.

Waste generation ton/NOI



Environmental Information

2017
Environmental Investment - WEG Brazil



■ Environmental Control ¹ ■ Equipment ² ■ Management ³

R\$ 3.141,00

R\$ 534,00

R\$ 2.770,00

R\$ 6.445,00

Notes:

1 - Related to treatment and disposal of waste, treatment of atmospheric and liquid emissions, insurance of environmental liability and depreciation of equipment and expenses with materials and maintenance services, in addition to the operation of these.

2 - Related to the acquisition of equipment for environmental control.

3 - Related to the remuneration of training professionals who realize activities of environmental management, research and development, certification of environmental management systems.

Biodiversity

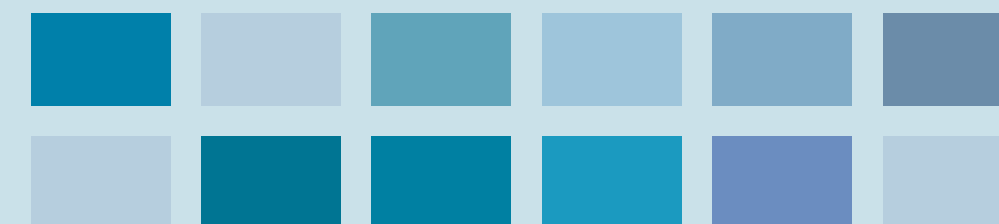
AREAS	
Reforestation	6.026,09 ha
Natural Forests	2.810,78 ha
Legal Reserve	2.445,54 ha*
Permanent Preservation Areas	818,43 ha**

* Area of Legal Forest Reserve not considered in the item "Natural Forests"

^{**} Areas of Permanent Preservation not considered in the item "Natural Forests"



Relations with the Community



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. Transparency and respect are the basis for the relationship we form, both through financial support and dialog for the development of the parties. We seek to visit the entities and closely monitor the implementation of the projects. We realize that this dialog brings us together to understand the real need of the community and to understand how the project is influencing the improvement of the local reality.

Communication Channel with the Community

To meet the entities and communities we have a form available on our website:



Governance

The analysis of these entities and projects is carried out monthly by the Social Investment Group and according to the impact and values we involve the Board of Directors Committee for final approval. The approved projects are accompanied by the representatives of this Group, which is responsible for representing WEG to the local community in social affairs.

The Group carries out the analysis based on the WEG Social Investment Policy, which prioritises support for projects that link sustainable and educational actions for all.

Principles governing the Social Investment Policy:

They occur in cities where WEG has industrial operations;

- They come from a private, non-profit organization whose legislation allows tax deduction and has a recognized history;
- Have as objective the collective scope;
- They aim at social improvement and quality of life for the population;
- Involve WEG and / or family members;
- Are related to the needs and interests of the community;
- Contribute to sustainable development;
- Promote the positive image of WEG;
- Be maintained by one more sponsor, so as not to rely solely on WEG resources;
- Be in line with the principles of WEG's Code of Ethics and Policy on Preventing and Combating Corruption and Other Injurious Acts.

In 2017, we invested R\$ 8.4 million

in 44 social projects, involving education, culture, social inclusion and health.

80% of the invested resources were through Own Resources and **20%** through Tax Incentives, divided into 5 Tax Incentive Laws:

- Rouanet Law;
- Law of Sport;
- Childhood and Adolescence Fund;
- Fund of the Elderly;
- PRONAS.

In 2017, we held, for the first time in the city of Linhares / ES, the WEG Meeting of Sustainable Growth, bringing together 20 entities and 53 participants. The meeting focused on how WEG works, encouraging entities to dedicate themselves to the development of projects and talking about the importance of seeking fiscal incentives to meet the needs for community service.

The Satisfaction Survey presented that 91.5% considered the meeting as great.



Acting in Education



70% of
the investments were
allocated to projects
involving education.

It is a commitment of WEG to help educational development and thus we know that directly social and economic development are impacted.

Some projects:

Projeto Pescar

Projeto Pescar, from Fundação Pescar, is a socio-professional training program that provides access to the world of work by young people. The great motivation of the entity and of all the partners is to build a more solidary society, with transforming people and organizations.

The program takes place inside the WEG unit in Gravataí/RS, maintained with its Own Resources, where the course of personal development and winding takes place. In addition to the free training, transportation vouchers, uniforms, snacks and didactic material are offered.



JA (Junior Achievement)

JA (Junior Achievement) is a social organization of an educational character. It is considered to be the largest and oldest organization of practical education in economics and business in the world. It involves more than 10.5 million young people each year in 120 countries. Project maintained by WEG with the Own Resources.

How it works:



JUNIOR ACHIEVEMENT RESULTS HISTORY SUPPORTED BY WEG						
Year	2012	2013	2014	2015	2016	2017
Groups attended	15	21	26	38	78	63
No. of students participating	347	536	616	1122	2100	1782
No. of volunteers participating	21	25	27	63	96	142
Applied courses	“Personal Economics - EF Let’s Talk about Ethics - EM”	“Advantages Remain School - EF Let’s Talk about Ethics - Attitude for the Planet - EM”	“Personal Economics - EF Let’s Talk about Ethics - Attitude for the Planet - EM My Money, My Business - EM”	“Our World - EF Intr. to the Business World - EF Personal Economics - EF Advantages of staying in School - EF Let’s Talk about Ethics - Attitude for the Planet - EM My Money, My Business - EM”	“Our World - EF Intr. to the Business World - EF Personal Economics - EF Advantages of staying in the School - EF Let’s Talk about Ethics - EM Attitude for the Planet - EM Micro Company - EM”	“Let’s Talk about Ethics - EM Skills for Success - EM Mini Company - EM”
Monthly Investment	R\$ 1.100,00	R\$ 1.100,00	R\$ 1.200,00	R\$ 1.200,00	R\$ 1.200,00	R\$ 3.680,00
City of Application	Jaraguá do Sul/SC	Jaraguá do Sul/SC	Jaraguá do Sul/SC	Jaraguá do Sul/SC	Jaraguá do Sul/SC	"Jaraguá do Sul/SC Linhares/ES"

In 2017, we maintain in Jaraguá do Sul/SC the application of punctual programs of Junior Achievement with the courses:

Let's talk about Ethics, Skills for Success and we expand the application of the programs for schools in the city of Linhares/ES, with the course Let's talk about Ethics. In Linhares/ES, with the support of 94 volunteers who attended 1.200 students.

In Jaraguá do Sul/SC, we expanded the Micro-Company program from 2 to 4 schools. This program includes young people of the second year of high school and takes place for 15 weeks. The meetings happen in a weekly basis, called working days, and use the learn-doing method. It enables young people to create and run a company from the time of the adhesion of shareholders, through the processes of production, payment of employees, sale of products, financial closing, closure of the company and division of profits among shareholders.



IN 2018, THE INTENTION IS TO EXPAND THE COURSES to another city where WEG has industrial operations.



Graduation of students participating in Miniempresa Jaraguá do Sul/SC in 2017



This is just the beginning of a long road called life. Another step completed of so many that will arise. We overcome the obstacles united, overcome fears, expectations and, mainly, all the negative thoughts. If we are here today it is because we believe in this project, but mainly because we believe in our capacity. We are all victorious, we have made the difference as a whole, each with the unique way of being and expressing things."

Students of Miniempresa BanConfort.

Culture Actuation



We allocate 16%

of investments for projects focused on Culture. Of these, 10% were allocated to projects through the Rouanet Culture Incentive Law.

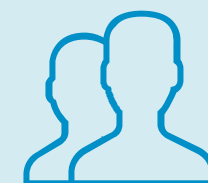
Some relevant projects:

WEG Museum of Science and Technology

The WEG Museum of Science and Technology is located in the city of Jaraguá do Sul/SC. In it, the visitor has the possibility to know everything from the processes generating energy up to the applications in the daily life. Understanding the phenomena and the way our society appropriates them, leads the visitor to understand the complexity of the operations involved in the simple act of lighting a lamp.

WEG is part of the history of electric energy in Brazil and worldwide. Electricity is the basis of all the processes and solutions of the company, which today occupies a prominent position worldwide. Connecting these stories, preserving memory and providing an interactive space and social inclusion is a daily challenge of the project. With access to wheelchairs, elevator, floor and tactile model, the WEG Museum of Science and Technology is a reference in accessibility and has become the ideal environment for emotion, reflection and citizenship.

In the virtual tour we find a little of this universe cared for with so much affection.



Maintained with 50% of Own Resources and 50% with resources encouraged by the Rouanet Law, the museum received

18.003 visitors in 2017,

being more than 6,000 of these visitors attended through Educational Action or Guided Tours.



Festival de Música de Santa Catarina (FEMUSC)

Since its first edition, the Femusc - Santa Catarina Music Festival, held in Jaraguá do Sul/SC, has become an event of great importance in the Brazilian culture, both for the presentation of concerts of the highest international artistic level and of instrumental classes with great masters of music, as well as for the social commitment. WEG supports the project via the Rouanet Culture Incentive Law.

Femusc attracts the best teachers, not only for the consecration of their careers as interpreters of music and their recognition as pedagogues, but especially for their humanitarian dedication to educational and cultural causes in emerging countries like Brazil. With equal determination, Femusc aims to attract the most talented and dedicated music students, regardless of their social status or level of musical learning. Femusc students are professionals working in the best orchestras in the country, young beginners and amateurs from cities in the interior where musical education is limited, as well as young musicians from other countries on four continents.

The 12nd edition of Femusc occurred in January of 2017 and gathers students, professors and reagents coming from 15 countries, that enchanted the public with presentations of concerts and recitals in many points of the city.



Social Actuation

Bom de Bola, Bom de Escola

The project Bom de Bola, Bom de Escola, which is held in the city of Joaçaba/SC, is a socio-sports-educational program supported by WEG through the Sports Incentive Law, which uses an Olympic sport modality as a social inclusion program.

In order to participate in the program, the student must be regularly enrolled and attending school, in addition to being in the age group between 10 and 14 years. The activities are realized in places called Núcleos de Iniciação Sportiva e Cidadania (NIDECS), implemented in schools or communities that have joined the program. In Joaçaba, the nuclei were in Colégio Celso Ramos, central area, Colégio Frei Bruno, neighborhood Santa Tereza and Santíssima Trindade, in the neighborhood Cruzeiro do Sul.



Within the nuclei, recreational and recreational activities are developed, without pretending to train athletes, but offering a leisure option that allows awakening principles such as: **group interaction, discipline, respect, order, initiative and leadership, indispensable for the moral and ethical formation of the participants.**



For the students who have an aptitude in the modality, the opportunity is offered to enter the sport of income, participating in official competitions, regulated by sports organizations.

This completes the cycle of health promotion, education and citizenship, with the generation of opportunity and income through sports, joining income teams.



Real Feminino

Project supported by WEG through the Childhood and Adolescence Fund, in the city of Schroeder/SC, located in the Jaraguá do Sul/SC micro-region, treats the transition from childhood to adolescence, a phase surrounded by changes, doubts and discoveries.

The program, called Real Feminino, was created by Schroeder's Department of Social Assistance and has specific activities to help girls get through this moment. Groups of 10 young people meet in a weekly basis. The encounters were based on the physical, emotional and behavioral transformations of each adolescent, approaching subjects such as self-knowledge, self-image, selfesteem, relationships and life projects.

The objective of the program is to provide children and adolescents with experiences that aid their own development and socialization.



We work on many issues such as self-esteem, prevention and overcoming situations of vulnerability, physical and emotional changes, and self-perception of each and what it transmits through the behavior”, **explains the director of Social Assistance, Daiane Wolf.**

Arte para Todos

The ARTE PARA TODOS project, in Blumenau/SC, maintained through the Rouanet Culture Law, serves children and adolescents between the ages of 6 and 14. The proposal and the dynamics of the work do not have the function of being another school. But the activities maintain the formative and educational function, working in a playful and interactive way.

Center for Formation and Coexistence Catarina von Bora is an institution of the Martim Lutero Community which provides children and adolescents with opportunities that contribute to their cultural development and their social and environmental responsibility through artistic workshops in various forms (theater, plastic arts, instrumental music, singing, literature, etc.).



Health Actuation



Improvement of the qualification of the surgical assistance to the oncological patient of the Hospital Santo Antônio

Project of the Hospital Foundation of Blumenau/SC, supported by WEG through PRONON. It consists of the acquisition of equipment to increase the number of oncological surgeries in the institution and to improve the surgical assistance of the oncological patient of the Hospital Santo Antônio, with the expansion of a surgical room and use of advanced technology.

Acquisition of a linear energy accelerator for the CEPON Radiotherapy

The Center for Oncology Research - CEPON is a reference in Oncology Treatment in Santa Catarina and Reference Center of the World Health Organization (WHO) for Palliative Medicine in Brazil.

It presents as a Mission “To provide comprehensive, humanized and quality care to the cancer patient, within the scope of SUS, in Santa Catarina” and has as its Vision “To be a Reference Center in High Oncological Complexity (CACON) until 2018, promoting teaching and research actions”.



In 2017, CEPON realized about **200 thousand procedures/exams, 90 thousand consultations**, 1.900 hospitalizations and 1.000 surgeries. Such numbers can only be achieved with an adequate infrastructure and a specialized team, in constant training.

The CEPON Radiotherapy Unit is also a reference in the State of Santa Catarina under the SUS and some types of treatments are offered only in this institution. This is the case of Radiosurgery and Radiotherapy of Modulated Intensity (IMRT).

In order to maintain the high level of care, it is necessary to update the technological part linked to the treatment of patients by acquiring a linear accelerator of energy, receiving support from WEG through PRONON.

Campaigns

Appeal and Awareness for Blood Donation

IPST's mission is to ensure and regulate the activity of transfusion and transplantation medicine at a national level and to guarantee the donation, collection, analysis, processing, storage and distribution of human blood, blood components, organs, tissues and cells of human origin.

WEGeuro, in the cities of Santo Tirso and Maia, in Portugal, together with IPST, developed an internal action to raise awareness and give importance to the Blood Donation. In this joint action, we counted 120 registrations that resulted in 86 blood donations. More than 344 lives can be saved (balance made and provided by IPST).

We are who we are - Pirilampo Mágico in Portugal

The beneficiary organizations of the campaign are non-profit private institutions that provide direct or indirect assistance to people with intellectual disabilities and/or multi-disabilities in a variety of fields, including educational structures, training centers and employment support units protected employment and occupational activity centers designed to develop socially useful activities for people with profound disabilities; residential units, home support and early intervention.



WEGeuro Portugal

was associated to this solidarity cause, enabling the employees to purchase materials from the Pirilampo Mágico campaign.

Tapatón WEG

In 2017, the Tapatón WEG event was held, which objective was the collection of caps to donate to AMANC (Mexican Association of Child Cancer Assistance), which allows them to obtain economic resources to perform chemotherapy and provide comprehensive follow-up services (support for lodging, food, medication, emotional support, transfers to hospitals and etc.) for children with cancer and their relatives.

The campaign began with calls inviting the children of WEG staff to donate caps. Each child had to collect 150 covers to be able to visit WEG and receive a shirt allusive to the event. On August 18, 2017, the event was held and more than 300 children were received at WEG México facilities to make their donations. In total, 48 thousand covers were collected. The children participated in various outdoor activities, which encouraged healthy coexistence and a sense of belonging.

Trenzatón WEG

In 2016, we started the WEG Trenzatón campaign with the objective of inviting all our employees and members of the families to donate their hair, to make wigs for cancer patients.

The answer was very satisfactory because during the year 2017 several people joined the cause, bringing with them the braid (of employees and relatives. We collected 50 braids, which were delivered on October 30, 2017, at the Juárez Hospital, to Fundación México Sonríe, a civil association that contributes to the quality of life of sick people through various activities which are the search for hair donors to make wigs, because in this way, the cost is smaller.

Aldeas Infantiles SOS

For several years, support campaigns were made for the SOS Villages community, an independent, non-governmental and private, non-religious and social development assistance organization whose main objective is the formation of families for children who have lost their protection of their parents. Some of the activities that have been realized are: donation of mattresses to replace mattresses in poor conditions, present for children during the holiday period, donation of non-perishable foods and etc.

In 2017, in addition to the articles that were collected during the “Running for Health and Safety at Work” event, the “Open Doors” campaign was held, inviting WEG Mexico employees to donate school supplies. The materials served as a support for the Village students in the next school year. The collaborators also participated in an event of gratitude organized by the villagers for the institutions that provide support. In it, some young people gave their testimony about their support for completing their studies, belonging to a family, and preparing to be independent.



Aldeas Infantiles SOS



Earthquake situation support

As a result of the earthquakes in Mexico, a campaign was conducted to solicit donations from WEG staff (non-perishable food, cleaning supplies and toiletries). The collected items were delivered on September 22, 2017 at an educational institution (National Polytechnic Institute), through which students brought support to communities and affected people.

WEG Volunteer Program

WEG has among its employees, thousands of volunteers. It is very common to get reports from collaborators about mutual aid actions in the most different areas, in the pursuit of the common good.

We formally consider the employees who are part of the WEG Volunteer Program, those who participate in the Junior Achievement Program and the WEG Museum Volunteer Program, which added 166 participants in 2017.

We pay tributes to all the volunteers who devote part of their time to the community welfare.

In an exchange of ideas we asked some volunteers, what motivates you to be a volunteer?

“Teaching by learning. Learn by teaching”.
(Vinícius de Menezes Teixeira)

“To see the brightness in the eyes of young entrepreneurs, to make a difference and also hear my 14-year-old daughter speak that she is proud to know that her mother is part of this team”. **(Daniely Spezia)**

“Teach how to fish instead of just fishing. This is the true way to transform and improve people’s lives”. **(Jefferson Andre Zipperer)**

SOCIAL ARTICULATION

Social Fund of Jaraguá do Sul/SC

In 2017, SESI/SC, an entity of the Federation of Industries of Santa Catarina (Fiesc) and the Jaraguá do Sul Business Association (ACIJS), together with companies such as WEG and civil society organizations, set up the Social Fund in Jaraguá do Sul/SC.

It is an initiative that offers management of social projects benefiting from taxexempt legislation and directs companies to redirect part of the taxes to projects via the Rouanet, Sport, FIA, Fund for the Elderly, PRONON and PRONAS of the micro-region, strengthening the development of the local economy, with positive social consequences.

WEG Social Investment Track Record

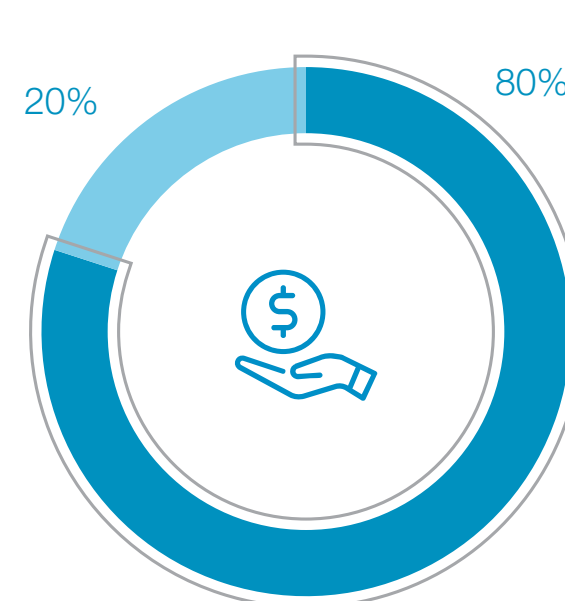


In 2017 WEG sponsored
44 social projects

Total investment (R\$ thousand)
(Own resources and incentive laws)

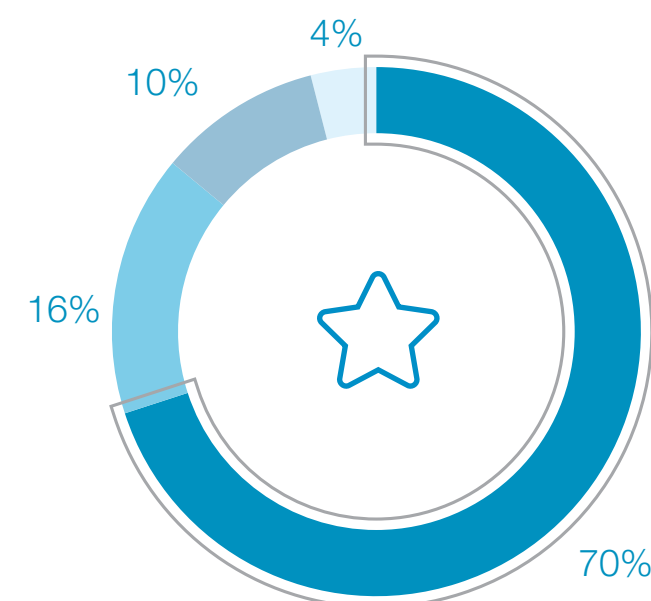


Source of the funds



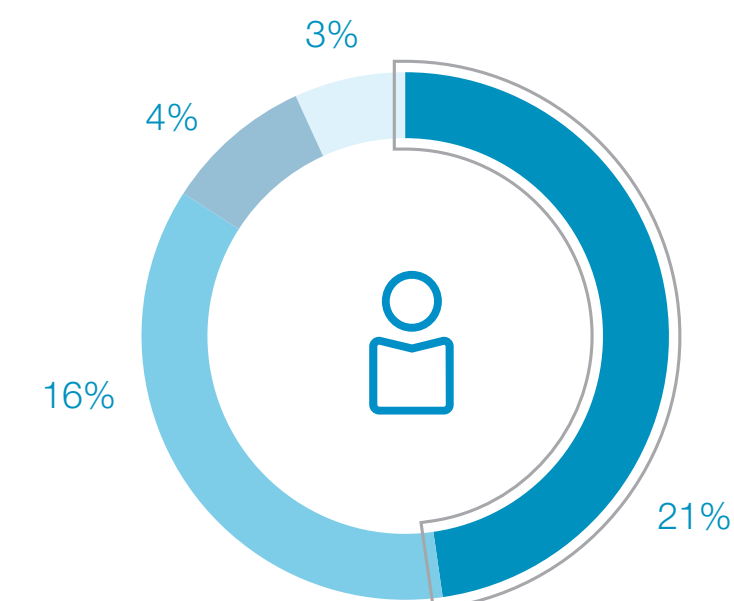
Own Resources
Incentive law

Investment by area

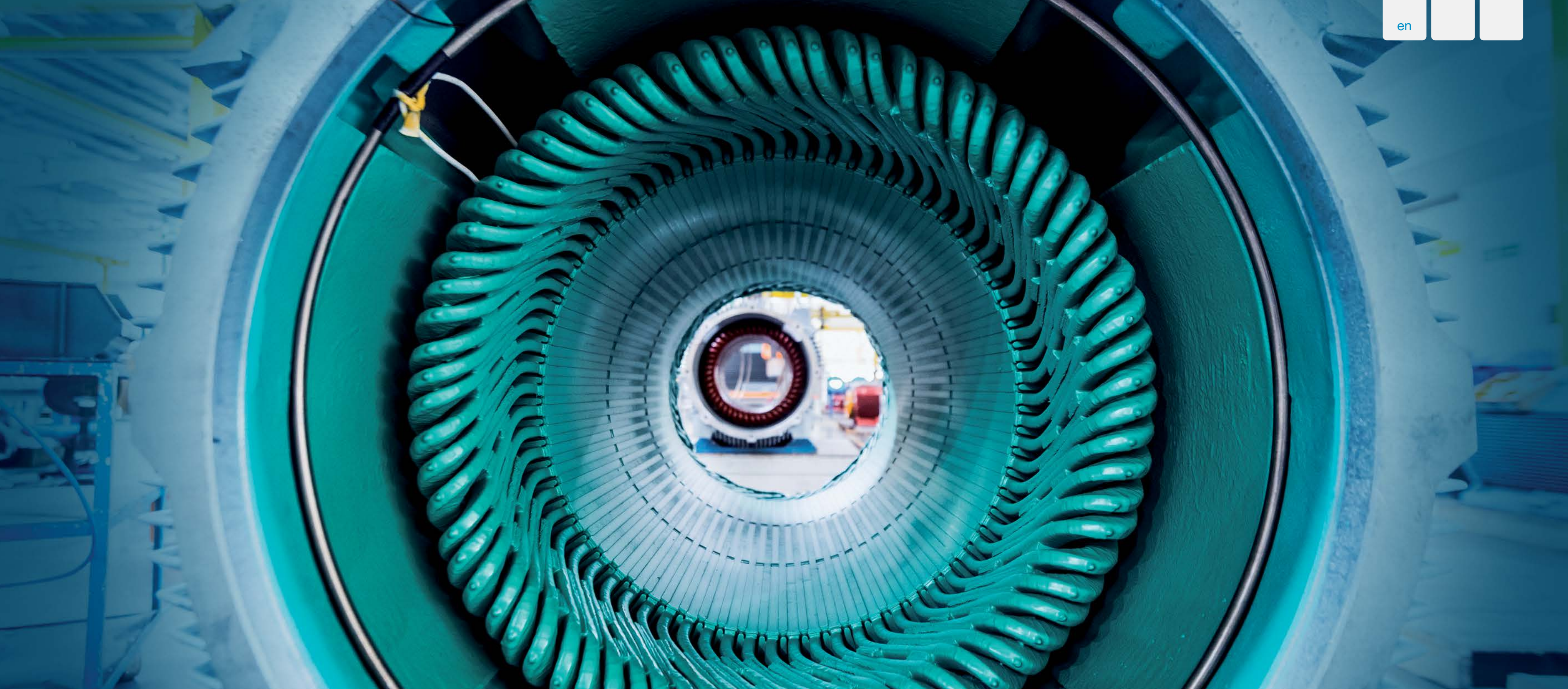


Education
Culture
Social Inclusion
Health

Application of projects
by public

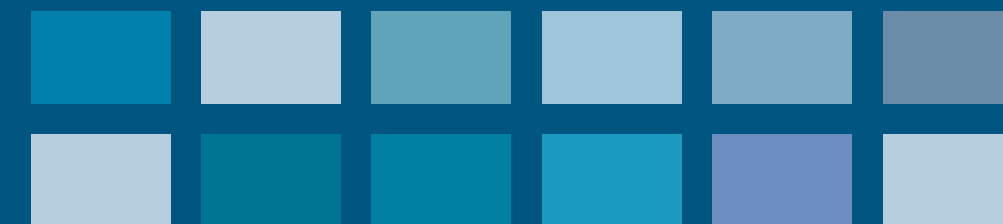


Children and adolescents
Community in General
Adults
Elders



Financial Statements

December 31, 2017 and 2016



WEG S.A.
MANAGEMENT REPORT
December 31, 2017

We present to our shareholders the Consolidated Financial Statements of the WEG Group and WEG S.A. for the fiscal year ended December 31, 2017.

Outlook

In 2017, the growth of world economic activity was driven mainly by the performance of India and China. In mature economies, however, we also observed historically high levels of industrial activity with low inflation, generating expectations of gradual withdrawal of stimulus and interest increase. In Brazil, economic performance showed slow and gradual expansion, with the improvement of the business environment, increased business confidence and recovery in industrial production throughout the year.

- According to the projections of the International Monetary Fund, the world GDP growth forecast for 2017 is 3.6%, the highest level in recent years. The projection for 2018 is growth of 3.7%. Both the advanced and the emerging economies have shown growth, with the expansion of industrial production in several countries, the resumption of investments and the improvement of the business environment. The continuity of this expansion scenario will depend on commodity prices, the level of inflation of the main economies and the evolution of interest, mainly in the United States
- In Brazil, economic performance presented a slight recovery with the improvement of macroeconomic conditions, reflecting the fall in inflation and interest rates, as well as a gradual expansion in industrial activity, contributing to an estimated GDP growth of around 1% after two years of strong retraction.



Economic and Financial Aspects

Revenue

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.

We highlight the following aspects in each of these business areas:

a) Industrial electro electronic equipment. This was the business area with the best performance, presenting a 7.1% growth in net operating revenue compared to 2016. In Brazil, growth was concentrated in short-cycle products, with normalization of maintenance investments in industry, for market share of automation products and expansion of sales to machine manufacturers (OEMs). Long-cycle products were below expectations and the recovery for this product line will depend on the resumption of investments in increasing production capacity in the industry. In foreign markets growth was also concentrated in short cycle products, mainly low voltage electric motors, but capacity building projects and new plant construction, which also demand long cycle products, begin to appear moderately, mainly in the related industries consumption or infrastructure.

b) Energy generation, transmission and distribution (GTD). The 5.1% decrease in net operating revenue compared to 2016 is a result of the fall in economic activity in the last two years in Brazil and the resulting surplus of electricity in the market. Hydraulic and thermal generation projects were below historical levels, while wind

power projects showed small growth compared to 2016. In addition, we started to recognize important revenues in the solar generation business in the last quarter of the year. Abroad we continue to seek opportunities in other markets. Our competitiveness, supported by the productive verticalization, allows us to take advantage of the best opportunities available in the market and to continue with the expansion plan mainly from the units of Mexico, the United States, Colombia and South Africa.

c) Motors for domestic use. We observed a 2.7% decrease in consolidated revenue in relation to the previous year. In the domestic market there was a gradual resumption of consumption, with growth of 1.8% in sales, driven by a combination of low inflation, lower interest rates and increased consumer confidence. Added to the macro factors, the release of inactive FGTS accounts also contributed to the increase in the disposable income of Brazilian families. In the foreign market we presented revenue growth in dollars, but the appreciation of the currency impaired our performance in Reais, resulting in a 5.9% drop in revenue. The work done in recent years has positioned us as one of the main suppliers of manufacturers of consumer goods worldwide.

d) Paints and varnishes. This business area decreased by 2.3% in relation to the previous year. The performance of the domestic market reflected the poor performance of industrial activity and consumption, with a small improvement observed during the year, focused on some specific segments, such as agricultural implements and road implements, as well as the return of preventive maintenance in important segments such as oil and gas, mining and shipping. The foreign market reflects our search for new customers in Latin America, with products already consolidated in Brazil.

Domestic Market

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. The performance reflects the observed economic conditions of slow recovery of industrial activity. As of the second half of the year, we observed a marked improvement with the increase of consumption, normalization of maintenance investments in the industry and better order intake for long cycle projects, mainly in GTD.

External Market

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. If measured in US dollars, there was growth of 8.0% over the previous year and 5.0% if adjusted for the acquisitions made in the period. Growth in the industrial electronics business pulled by short-cycle products partially offset the decline observed in the GTD business due to the slow recovery of capacity expansion investments, mainly in the oil and gas and mining business.

Cost of Goods Sold

The Cost of Goods Sold (COGS) increased by 0.5% and reached R\$ 6,765.4 million, which represent a gross margin of 29.0% (28.1% in 2016). The 0.5% growth in costs was lower than the revenue growth, justifying the 0.9% increase in gross margin, as a result of efforts to reduce costs and adjust capacity, as well as the redesign of products and mainly processes, which provided important gains in

productivity.

General, Administrative and Selling Expenses

Consolidated Sales, General and Administrative Expenses totaled R\$ 1,383.0 million, a decrease of 0.5% compared to 2016, and these expenses represented 14.5% of net operating revenue (14.8% in 2016). It is possible to see the results of productivity-enhancing efforts.

EBITDA

EBITDA (earnings before interest, taxes, depreciation and amortization), calculated in accordance with the methodology established by CVM Instruction 527/2012, reached R\$ 1,466.3 million, growth of 4.2% over the previous year and margin EBITDA 15.4% (15.0% in 2016).

Financial Revenue and Expenses

The net financial result was positive in R\$ 58.0 million in 2017 (R\$ 215.8 million in 2016). This net result is derived from Financial Revenues of R\$ 851.8 million in 2017 (R\$ 816.1 million in 2016), and Financial Expenses of R\$ 793.8 million in 2017 (R\$ 600.2 million in 2016). The decrease in the financial result is mainly due to the lower interest rates recorded during 2017, which directly impacted the remuneration of post-fixed financial investments in conjunction with higher exchange variation expenses of operations abroad.

Net Income

As a result of the aforementioned effects, the Consolidated Net Income attributable to the shareholders of WEG SA reached R\$ 1,142.1 million, 2.2% above the R\$ 1,117.6 million obtained in 2016.



The return on shareholders' equity was 19.2% in 2017 (18.5% in 2016) and net margin reached 12.0% (11.9% in 2016).

Debt and Cash Position

The ability to identify and capitalize on investment opportunities with attractive returns is one of the key features of WEG's business model. This capacity is given by the financial flexibility, which allows us to take advantage of investment opportunities when they arise and which is evidenced by the solid capital structure and by the maintenance of preferential access to resources and sources of competitive financing, with financial institutions in Brazil and abroad.

At December 31, 2017, cash and cash equivalents and financial investments totaled R\$ 4,755.9 million, applied to first-tier banks and mainly to domestic currency, while gross financial debt totaled R\$ 4,110.1 million, of which 49% short-term and 51% in long-term operations. At the end of 2017, the net cash position was R\$ 645.8 million.

(R\$ THOUSAND)	DECEMBER 2017		DECEMBER 2016		DECEMBER 2015	
CASH AND FINANCIAL INSTRUMENTS	4.755.885		4.948.613		4.813.700	
Current	4.585.606		4.779.392		4.442.278	
Long term	170.279		169.221		371.422	
DEBT	4.110.082	100%	4.489.698	100%	5.170.654	100%
Current	2.027.375	49%	1.028.952	23%	1.286.071	25%
In Brazilian reais	1.300.232		642.413		638.990	
In other currencies	727.143		386.539		647.081	
Long term	2.082.707	51%	3.460.746	77%	3.884.583	75%
In Brazilian reais	457.386		1.925.350		1.751.352	
In other currencies	1.625.321		1.535.396		2.133.231	
NET CASH (DEBT)	645.803		458.915		(356.954)	-

Investments

The fixed assets investment program for expansion and modernization of production capacity has focused on the two new electric motor producing units in Mexico and China. In both cases we closed the first phase of the investments and we are seeing the gradual growth of production, in line with the growth of our commercial presence.

Investments in expansion and modernization of production capacity totaled R\$ 265.8 million in 2017, 56% of which are destined to industrial parks and other subsidiaries abroad and 44% to assets in Brazil. In addition to these organic investments, the acquisition of CG Power USA in 2017 meant the incorporation of R\$ 74.0 million in fixed assets. The total value of the investment program in 2017 was below the originally budgeted amount of R\$ 347 million.

It is important to highlight our ability to adjust the speed of execution of the investment program to the effective demand of the market, always seeking to maximize return on invested capital. In research, development and innovation (RD&I) we spend R\$ 259.3 million in 2017, or approximately 2.7% of net operating revenue.

The RD&I program focuses on the development of new products, the continuous improvement of products already available, application engineering and the improvement of industrial processes, always seeking to maintain our position of technological leadership in the market.

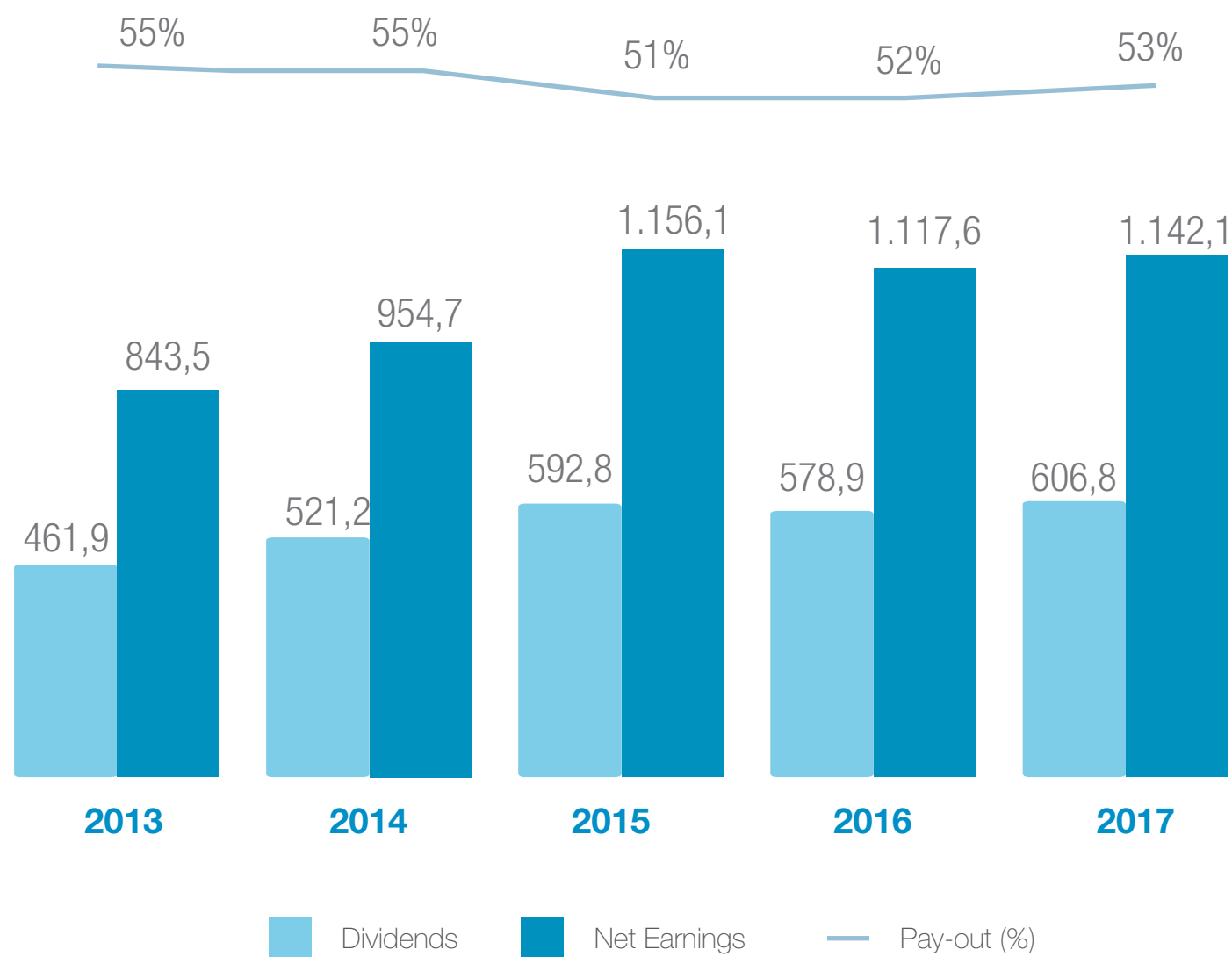
Dividends

Management will propose to the Annual Shareholders 'Meeting the allocation of R\$ 606.8 million for payment of dividends and interest on shareholders' equity, as compensation to shareholders for the year 2017, representing 53.1% of net income before statutory adjustments.

As of August 16, 2017, we paid the dividends payable to shareholders that were declared during the first half of the year (interim dividends), totaling R\$ 288.5 million. The payment of the dividends for the second semester (complementary), of R\$ 318.3 million, will occur from March 14, 2018.

In accordance with our income allocation policy, we declare interest on capital quarterly and dividends based on the profit obtained each semester, that is, six proceeds each year, which are paid semiannually.

Net Profit, Dividends and *Pay-Out* (%)



WEGE3 Share Performance

The Company has 1,614,353,076 common shares, the shares are traded on B3 under the code “WEGE3” and closed the last trading session of December 2017 quoted at R\$ 24.11, with a nominal high of 55.5% in the year and of 58.5% considering the dividends and interest on capital declared in the period.

	2017	2016	Δ%
Share Price (R\$)	24,11	15,50	55,5%
Financial volume traded (R\$ thousand)	9.012.994	8.379.888	7,6%
Number of shares traded (thousand)	465.867	555.186	-16,1%
Book value per share (VPA)	4,17	3,70	12,7%
Market value (R\$ billion)	38,9	25,0	55,5%

Highlights

Acquisition of CG Power USA Inc., USA

In June 21, we announced the acquisition of CG Power USA Inc., a company specializing in the manufacture, assembly, supervision and commissioning services of Distribution and Power Transformers up to 60 MVA - 161 kV. It has three units occupying a constructed area of 26,300 square meters and has 452 employees. In fiscal year 2016/17, the Company's net revenue was US\$ 128 million.

Prospects

By 2018 we expect another year of economic growth, projected world GDP growth is 3.7%, in line with the growth shown in 2017 of 3.6%. The continuity of this expansion scenario will depend on commodity prices, the level of inflation of the main economies and the evolution of interest, mainly in the United States.

In Brazil, conditions are more favorable, with lower interest rates and inflation within the government's target, as well as greater corporate confidence that should contribute to increased investments.

Thus, we will continue to expand our presence in new markets and expand the

product line, both organically, investing in research, development and innovation, as well as acquisitions and strategic partnerships.

In 2018, our capital budget includes the following investments:

(R\$ millions)	
INVESTMENTS	2018
Property, Plant & Equipment (PP&E) (plant expansion/modernization)	357,5
Intangible Assets (software)	14,1
Current (working capital)	162,2
Total Investments	533,8

These investments will be supported by the use of the reserve for capital and fund budget to be raised with financial institutions in Brazil and abroad.

Human Resources

The Company ended the year with 29,448 employees, a increase of 0.9% compared with the prior year. The distribution of employees by geographic region is shown below.

	2017	2016	Δ%
Total of Employees	29.448	29.194	0,9%
North America	3.614	3.041	18,8%
South America	20.717	20.988	-1,3%
Europe	1.267	1.232	2,8%
Africa	685	644	6,4%
Australasia	3.165	3.289	-3,8%

Audit Services

In accordance with the CVM Instruction 381/03, we inform that the Company and its subsidiaries adopt the formal procedure of consulting auditors, KPMG Auditores Independentes (“KPMG”), in the sense of obtaining assurance that the use of other services may not affect the independence and objectivity of the latter, which are required for the performance of independent audit services.

In this sense, KPMG issues on a yearly basis an independence statement, under the Federal Accounting Council (CFC) Brazilian Accounting Standard (NBC) TA 260 (R2), in which they declare that, as established by the independence rules

adopted by the Brazilian Securities and Exchange Commission (CVM), there is no relationship between KPMG, its associated companies and affiliates and the Company that may affect independence. This statement is submitted to WEG's Board of Directors. The policy of the Company and its subsidiaries for engaging independent auditors' services assures that there is no conflict of interests, loss of independence or objectivity.

During the course of the year 2017, KPMG provided, in addition to the audit service of the financial statements, occasional administrative consultancy services and services regarding the translation of the financial statements into the English language, as follows:

	(R\$ thousand)	
	2017	
Audit of financial statements	1.507,0	90,9%
Administrative Consultancy	150,4	9,1%
Grand Total	1.657,4	100,0%

Arbitration Chamber

The Company is subject to arbitration in the Court of Arbitration of the Market, pursuant to an arbitration clause contained in its bylaws.

Jaraguá do Sul (State of Santa Catarina - SC), February 2018.
The Management.

WEG S.A.
BALANCE SHEET
As of December 31, 2017 and 2016
In thousands of Reais

		PARENT COMPANY		CONSOLIDATED		
		Notes	12/31/17	12/31/16	12/31/17	12/31/16
Asset						
Current Assets						
Cash and cash equivalents	4	798.191	748.385	3.162.685	3.390.662	
Financial Investments	5	429.717	395.822	1.411.046	1.373.287	
Derivative financial instruments	28	-	-	11.875	15.443	
Trade receivables	6	-	-	2.242.613	2.251.922	
Inventories	7	-	-	1.852.266	1.575.055	
Recoverable Taxes	8	4.827	19.952	419.845	269.626	
Dividends and interest on own capital receivable		136.276	144.731	-	-	
Other current assets		-	-	315.337	251.488	
		1.369.011	1.308.890	9.415.667	9.127.483	
Noncurrent Asset						
Derivative financial instruments	28	-	-	170.279	169.221	
Court Deposits	16.d	4.657	4.338	50.815	48.476	
Related Parties	9	13	24	-	-	
Deferred taxes	10	1.944	811	148.284	130.291	
Recoverable Taxes	8	-	-	9.941	10.296	
Other noncurrent assets		-	-	64.525	39.099	
Investments	11	5.516.084	4.870.452	268	223	
Property, plant & equipment	12	4.393	4.479	3.160.111	3.032.716	
Intangible Assets	13	-	-	966.097	951.526	
		5.527.091	4.880.104	4.570.320	4.381.848	
Total assets		6.896.102	6.188.994	13.985.987	13.509.331	

The notes are an integral part of these financial statements.

WEG S.A.
BALANCE SHEET
December 31, 2017 and 2016

In thousands of Reais

		PARENT COMPANY		CONSOLIDATED	
	Notes	12/31/17	12/31/16	12/31/17	12/31/16
Liabilities					
Current liabilities					
Trade payables	14	-	-	750.533	562.851
Loans and financing	15	-	-	2.014.530	991.433
Derivative financial instruments	28	-	-	12.845	37.519
Payroll and tax charges		8.142	29.490	284.334	295.364
Income and social contribution taxes		48	92	29.672	29.241
Dividends and interests on the own capital payable		160.729	191.022	160.892	191.365
Advances from clients		-	-	429.258	577.688
Profit sharing		-	-	138.788	124.764
Accounts payable - subsidiaries abroad		-	-	180.119	182.426
Other current liabilities		1.527	775	325.817	286.204
		170.446	221.379	4.326.788	3.278.855
Noncurrent liabilities					
Loans and financing	15	-	-	2.041.912	3.408.892
Derivative financial instruments	28	-	-	40.795	51.854
Tax obligations		-	-	2.530	911
Provisions for contingencies	16.a	4.730	4.741	506.961	434.402
Deferred taxes	10	-	-	116.629	159.203
Other noncurrent liabilities		-	-	107.065	104.382
		4.730	4.741	2.815.892	4.159.644
Total liabilities		175.176	226.120	7.142.680	7.438.499
Equity					
Company's shareholders					
Share capital	18.a	3.533.973	3.533.973	3.533.973	3.533.973
Capital reserves		(75.412)	(54.509)	(75.412)	(54.509)
Stock all option plan		4.437	1.971	4.437	1.971
Treasury shares	18.d	(17.392)	(11.924)	(17.392)	(11.924)
Profit reserves		2.463.155	1.890.881	2.463.155	1.890.881
Equity valuation adjustments		406.240	442.032	406.240	442.032
Other comprehensive income		273.470	57.700	273.470	57.700
Additional dividends proposed		132.455	102.750	132.455	102.750
		6.720.926	5.962.874	6.720.926	5.962.874
Noncontrolling interest		-	-	122.381	107.958
Total equity		6.720.926	5.962.874	6.843.307	6.070.832
Total liabilities and equity		6.896.102	6.188.994	13.985.987	13.509.331
Total equity		13.617.028	12.151.868	20.829.294	19.580.163

The notes are an integral part of these financial statements.

WEG S.A.
INCOME STATEMENT

Years ended on December
31 of 2017 and 2016

In thousands of Reais, unless
otherwise stated

	PARENT COMPANY			CONSOLIDATED	
Notes	12/31/17	12/31/16	12/31/17	12/31/17	12/31/16
Net revenue	21	-	-	9.523.830	9.367.008
Costs of goods sold and services rendered	23	-	-	(6.765.383)	(6.731.229)
Gross profit		-	-	2.758.447	2.635.779
Selling expenses	23	-	-	(894.353)	(924.999)
Administrative expenses	23	(1.534)	(1.533)	(465.050)	(442.783)
Management fees	9	(2.337)	(2.219)	(23.631)	(22.600)
Other operating expenses	24	(5.408)	(2.401)	(193.001)	(181.723)
Share of profit of equity-accounted invested	11	1.070.952	1.016.056	-	-
Income before finance income		1.061.673	1.009.903	1.182.412	1.063.674
Finance income	25	79.982	108.889	851.852	816.087
Financial taxes	25	(246)	(243)	(793.816)	(600.247)
Income before taxes		1.141.409	1.118.549	1.240.448	1.279.514
Current taxes	26	(393)	(954)	(167.681)	(245.415)
Deferred taxes	26	1.133	29	68.175	93.733
Net income for the year		1.142.149	1.117.624	1.140.942	1.127.832
Attributable to:					
The Company's shareholders	31			1.142.149	1.117.624
Noncontrolling interest				(1.207)	10.208
Earnings per share attributable to the Company's shareholders					
Basic earnings per share (in R\$)	31.a			0,70789	0,69278
Diluted earnings per share (in R\$)	31.b			0,70767	0,69238

The notes are an integral part of these financial statements.

WEG S.A. STATEMENT OF
COMPREHENSIVE INCOME

Years ended on December
31 of 2017 and 2016

In thousands of Reais

	PARENT COMPANY		CONSOLIDATED	
Notes	12/31/17	12/31/16	12/31/17	12/31/16
Net income for the year	1.142.149	1.117.624	1.140.942	1.127.832
Amounts that may be subsequently reclassified to income statement				
Hedge accounting	15.593	(32.722)	15.593	(32.722)
Accumulated currency translation adjustments	200.177	(551.940)	213.690	(573.143)
Total comprehensive income attributable to:	1.357.919	532.962	1.370.225	521.967
The Company's shareholders			1.357.919	532.962
Noncontrolling interest			12.306	(10.995)

The notes are an integral part of these financial statements.

WEG S.A.
STATEMENT OF CHANGES IN EQUITY
Years ended on December 31, 2017 and 2016

In thousands of Reais

	Share capital	Capital Reserve		Stock Call Option Plan	Treasury Shares	Profit Reserve		Equity Valuation Adjustment	Additional Dividends Proposed	Accumulated Results	Other comprehensive income		Equity		
		Goodwill Reserve	Revaluation of the Subsidiaries assets			Statutory reserve	Reserve for Capital Budget	Deemed Cost			Translation Adjustment	Hedge Accounting	Company's shareholders	Noncontrolling interest	Total
On January 1, 2016	3.533.973	(59.518)	3.630	2.474	(17.069)	105.539	1.194.329	493.106	130.554	-	636.588	5.774	6.029.380	126.680	6.156.060
Payment of dividends	-	-	-	-	-	-	-	-	(130.554)	-	-	-	(130.554)	-	(130.554)
Treasury shares sold	-	1.385	-	-	5.145	-	-	-	-	-	-	-	6.530	-	6.530
Pricing of stock option (Note 20)	-	-	-	(503)	-	-	-	-	-	442	-	-	(61)	-	(61)
Capital transactions	-	(6)	-	-	-	-	-	-	-	-	-	-	(6)	(4.911)	(4.917)
Reversal of prior year dividends	-	-	-	-	-	-	-	-	-	766	-	-	766	-	766
Equity valuation adjustment															
Realization of deemed cost, net of taxes	-	-	-	-	-	-	-	(51.074)	-	51.074	-	-	-	-	-
Accumulated translation adjustment	-	-	-	-	-	-	-	-	-	-	(551.940)	-	(551.940)	(21.203)	(573.143)
Hedge Accounting - Cash Flow, net of Taxes	-	-	-	-	-	-	-	-	-	-	-	(32.722)	(32.722)	-	(32.722)
Net Income for the year	-	-	-	-	-	-	-	-	-	1.117.624	-	-	1.117.624	10.208	1.127.832
Proposed allocations:															
Statutory Reserve (Note 18.c)	-	-	-	-	-	55.881	-	-	-	(55.881)	-	-	-	-	-
Dividends (Note 18.b)	-	-	-	-	-	-	-	-	102.750	(161.315)	-	-	(58.565)	(2.276)	(60.841)
Interest on own capital (Note 18.b)	-	-	-	-	-	-	-	-	-	(417.578)	-	-	(417.578)	(540)	(418.118)
Reserve for capital budget	-	-	-	-	-	-	535.132	-	-	(535.132)	-	-	-	-	-
As of December 31, 2016	3.533.973	(58.139)	3.630	1.971	(11.924)	161.420	1.729.461	442.032	102.750	-	84.648	(26.948)	5.962.874	107.958	6.070.832
Payment of dividends	-	-	-	-	-	-	-	-	(102.750)	-	-	-	(102.750)	-	(102.750)
Treasury shares sold	-	1.685	-	-	3.208	-	-	-	-	-	-	-	4.893	-	4.893
Treasury shares acquired	-	-	-	-	(8.676)	-	-	-	-	-	-	-	(8.676)	-	(8.676)
Pricing of stock options (Note 20)	-	-	-	2.466	-	-	-	-	-	(590)	-	-	1.876	-	1.876
Capital transactions	-	(22.588)	-	-	-	-	-	849	-	-	-	-	(21.739)	2.118	(19.621)
Reversal of prior year dividends	-	-	-	-	-	-	-	-	-	831	-	-	831	-	831
Equity valuation adjustment															
Realization of deemed cost, net of taxes	-	-	-	-	-	-	-	(36.641)	-	36.641	-	-	-	-	-
Accumulated translation of adjustments	-	-	-	-	-	-	-	-	-	-	200.177	-	200.177	13.512	213.689
Hedge Accounting - Cash Flow, net of taxes	-	-	-	-	-	-	-	-	-	-	-	15.593	15.593	-	15.593
Net income for the year	-	-	-	-	-	-	-	-	-	1.142.149	-	-	1.142.149	(1.207)	1.140.942
Proposed allocations:															
Statutory reserve (Note 18.c)	-	-	-	-	-	57.108	-	-	-	(57.108)	-	-	-	-	-
Dividends (Note 18.b)	-	-	-	-	-	-	-	-	132.455	(217.944)	-	-	(85.489)	-	(85.489)
Interest on own capital (Note 18.b)	-	-	-	-	-	-	-	-	-	(388.813)	-	-	(388.813)	-	(388.813)
Reserve for capital budget	-	-	-	-	-	-	515.166	-	-	(515.166)	-	-	-	-	-
As of December 31, 2017	3.533.973	(79.042)	3.630	4.437	(17.392)	218.528	2.244.627	406.240	132.455	-	284.825	(11.355)	6.720.926	122.381	6.843.307

The notes are an integral part of these financial statements.

WEG S.A.
STATEMENT OF CASH
FLOWS - INDIRECT
METHOD
Years ended on December
31 of 2017 and 2016
In thousands of Reais

	PARENT COMPANY		CONSOLIDATED	
	12/31/17	12/31/16	12/31/17	12/31/16
Operating activities				
Income before taxes	1.141.409	1.118.549	1.240.448	1.279.514
Depreciation and amortization	87	117	283.875	343.257
Expenses on stock call option plan	3.464	1.469	3.464	1.469
Equity pickup	(1.070.952)	(1.016.056)	-	-
Provision of risk of credit	-	-	(6.031)	(5.896)
Allowanse for doubtful accounts	(11)	221	72.559	94.434
Provision for tax, civil and labor liabilities	-	-	14.867	(7.571)
Provision for losses in inventory	-	-	15.233	21.011
Write-off of noncurrent assets	-	-	11.954	3.962
Interest provided for regarding loans and financing	-	-	199.767	191.238
Profit sharing - employees	-	-	193.361	168.060
	73.997	104.300	2.029.497	2.089.478
(Increase) / decrease in accounts receivable	3.909	(12.261)	(104.890)	89.449
(Increase) / decrease in inventories	-	-	(172.271)	276.537
Increase/(decrease) in accounts payable	(20.630)	7.401	(107.770)	109.674
Income and social contribution taxes paid	(437)	(1.006)	(167.250)	(244.334)
Payment of profit sharing - employees	-	-	(187.180)	(189.892)
Net cash flow from operating activities	56.839	98.434	1.290.136	2.130.912
Investment Activities				
Investments	(20.803)	(56.605)	-	-
Acquisition of property, plant and equipment	-	-	(254.955)	(325.504)
Acquisition of intangible assets	-	-	(10.822)	(37.121)
Acquisition of company - business combination	-	-	(95.828)	(292.301)
Cash acquired from company - business combination	-	-	1.154	4.014
Financial investments held to maturity	-	(353.039)	-	(923.039)
Redemption of financial investments	-	-	144.931	881.948
Income of financial investments	(33.895)	(42.783)	(182.690)	(174.338)
Receipt from the sale of fixed asset	-	-	11.694	13.611
Receipt from the sale of intangible	-	-	3.760	-
Receipt from dividends/interest on own capital	601.478	585.418	-	-
Net cash flow used in investment activities	546.780	132.991	(382.756)	(852.730)
Financing activities				
Loans and financing obtained	-	-	1.161.890	1.142.860
Payment of loans and financing	-	-	(1.403.289)	(1.279.654)
Interest paid on loans and financing	-	-	(357.638)	(405.540)
Treasury shares	(5.468)	5.145	(5.468)	5.145
Payment of dividends/interest on own capital	(548.345)	(511.542)	(548.502)	(526.730)
Net cash flow used in financing activities	(553.813)	(506.397)	(1.153.007)	(1.063.919)
Exchange variation on cash and cash equivalents	-	-	17.650	(100.716)
Net increase/(decrease) in cash and cash equivalents	49.806	(274.972)	(227.977)	113.547
Cash and cash equivalents on January 1	748.385	1.023.357	3.390.662	3.277.115
Cash and cash equivalents as of December 31	798.191	748.385	3.162.685	3.390.662

The notes are an integral part of these financial statements.

WEG S.A.
STATEMENT OF
VALUE ADDED
Years ended on December
31 of 2017 and 2016

In thousands of Reais

	PARENT COMPANY		CONSOLIDATED	
	12/31/17	12/31/16	12/31/17	12/31/16
Revenue	-	-	10.723.565	10.526.086
Sales of goods, products and services	-	-	10.659.081	10.507.774
Other revenues	-	-	58.453	12.416
Loss/provision of accounts receivable	-	-	6.031	5.896
Inputs purchased from third-parties	(3.886)	(2.167)	(5.947.041)	(5.914.233)
Cost of materials, electricity, third party services and others	(449)	(450)	(5.904.864)	(5.892.018)
Others	(3.437)	(1.717)	(42.177)	(22.215)
Gross value added	(3.886)	(2.167)	4.776.524	4.611.853
Depreciation, amortization and depletion	(87)	(116)	(283.875)	(343.257)
Net value added value generated by the entity	(3.973)	(2.283)	4.492.649	4.268.596
Value added received in transfers	1.150.934	1.124.944	851.852	816.087
Equity pickup	1.070.952	1.016.056	-	-
Financial income	79.982	108.888	851.852	816.087
Total value added to be distributed	1.146.961	1.122.661	5.344.501	5.084.683
Distribution of value added	1.146.961	1.122.661	5.344.501	5.084.683
Personel	4.739	3.317	2.162.737	2.051.066
Direct remuneration	4.571	3.159	1.865.541	1.769.084
Benefits	70	67	216.629	205.859
F.G.T.S.	98	91	80.567	76.123
Taxes, charges and contributions	(171)	1.509	1.209.491	1.261.944
Federal	(171)	1.509	1.095.681	1.156.060
State	-	-	99.972	91.852
Municipal	-	-	13.838	14.032
Remuneration of third party capital	244	211	831.331	643.841
Interest	244	211	787.614	597.008
Rents	-	-	43.717	46.833
Remuneration of own capital	1.142.149	1.117.624	1.140.942	1.127.832
Dividends	217.944	161.315	217.944	161.315
Interest on equity	388.813	417.578	388.813	417.578
Retained profit	535.392	538.731	535.392	538.731
Retained profit - non controlling	-	-	(1.207)	10.208

The notes are an integral part of these financial statements.

WEG S.A.**NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017**

(Amounts in thousands of Reais, except otherwise stated)

1 Information on the Company

WEG S.A. (“Company”) is a publicly-held limited liability corporation headquartered at Avenida Prefeito Waldemar Grubba, 3300, in Jaraguá do Sul - State of Santa Catarina (SC), Brazil, holding company comprising the WEG Group (“Group”), whose main activity is the production and trade of capital goods such as electric motors, generators and transformers; gear units and geared motors; frequency converters; motor starters and maneuver devices; control and protection of electric circuits and industrial automation; electric traction solutions for urban and sea transportation; solutions for the generation of renewable and distributed energy, exploring all opportunities in small hydro, thermal biomass, wind and solar energy powerplants; no-breaks and alternators for groups of generators; electric substations; industrial electro electronic equipment systems; and industrial paint & varnish. The operations are performed through manufacturing facilities located in Brazil, Argentina, Colombia, Mexico, United States, Portugal, Spain, Austria, Germany, South Africa, India, and China.

The Company has shares traded on B3 under the code “WEGE3” and has been listed since June 2007 in the special segment of corporate governance called Novo Mercado.

The Company has American Depositary Receipts (ADRs) - Level 1 that are traded on the over-the-counter (OTC) market in the United States under the symbol “WEGZY”.

2 Basis of preparation and significant accounting policies

The consolidated and company financial statements (“financial statements”) have been prepared taking into consideration all the Company’s significant information,

which corresponds to that information used by the Management in its management, prepared in accordance with the International Financial Reporting Standards - “IFRS”, which have been implemented in Brazil by the Committee for Accounting Pronouncements (“CPC”), approved by the Brazilian Securities and Exchange Commission (“CVM”) and the Brazilian Federal Accounting Council (“CFC”).

The financial statements have been prepared on the historical cost basis and adjusted, except for the assessment at fair values of certain financial instruments, when required by the standard.

These consolidated and company financial statements were authorized for issue at the Executive Board’s meeting held on February 2, 2018.

2.1 Basis of consolidation

The consolidated financial statements have been jointly prepared with the parent company’s, using consistent accounting policies, and are comprised of the direct and indirect subsidiaries’ financial statements.

All unrealized balances, revenues, expenses, gains and losses arising from intercompany transactions of the Group included in the consolidation are eliminated. Changes in the corporate interest in a subsidiary that do not result in a loss of control are accounted for as transactions between shareholders in equity.

Profit and loss for the period and comprehensive income are attributable to the parent company’s shareholders and noncontrolling interest of the consolidated companies. Losses are attributable to minority interest, even if they result in a negative balance.

The subsidiaries that comprise the consolidated financial statements are presented in Note 11.

2.2 Business Combinations

When the Company acquires a business, it assesses the assets and liabilities assumed aiming at classifying them and allocating them in accordance with the contractual terms, the economic circumstances, and the relevant conditions, in up to one year subsequent to the acquisition date.

The goodwill is initially measured as the excess of the consideration transferred in relation to net assets acquired (identified assets and assumed liabilities). If the consideration is less than the fair value of the net assets acquired, the difference is recognized as gain in the income statement.

Subsequent to the initial recognition, the goodwill is measure at cost, minus any accumulated losses of the recoverable value, which is tested on a yearly basis. For recoverable value testing purposes, the goodwill acquired in a business combination is, as from the date of acquisition, allocated to each one of the Company's cash generating units (CGUs) which are expected to benefit from the combination synergies, regardless of other acquiree's assets or liabilities being attributable to those units.

When the goodwill be part of a cash generating unit and a portion of this unit be disposed, the goodwill related to the portion disposed is included in the operation cost on the determination of gain or loss. The goodwill of this operation is determined based on the amounts proportionate to the portion disposed in relation to the cash generating unit.

Financial information of subsidiaries is recognized in the individual financial statements of the parent company using the equity method.

2.3 Foreign currency translation

a) Functional currency of the Group's companies

These consolidated financial statements are presented in Reais (R\$), which is the Company's and its located-in-Brazil subsidiaries' functional currency.

The functional currency of subsidiaries located abroad is determined based on the principal economic environment in which they operate, and translated into Real (R\$) as of the reporting date.

b) Transactions and balances

Transactions in foreign currency are recognized using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency in force at the reporting date. All differences are recognized in the statement of profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate in force at the date of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate in force at the date on which the fair value was determined.

c) Translation of balance sheets regarding the Group's companies located abroad

Foreign currency assets and liabilities recognized by the foreign subsidiary are translated into Reais using the exchange rate of the reporting date, and the corresponding income statements are translated using monthly average exchange rates. Foreign exchange differences resulting from the aforementioned translation are separately recorded in the account cumulative translation adjustments in equity. At the time of sale of a subsidiary abroad, the cumulative translation amount recognized in equity, related to this subsidiary abroad, is recognized in the income statement.

2.4 Cash and cash equivalents

Cash and cash equivalents include the balances in current account and short-term highly liquid financial investments which are recorded at cost value plus income earned up to the balance sheet closing date, in accordance with the rates agreed upon with the financial institutions, which do not exceed their market or realization value.

2.5 Financial investments

Financial investments are investments with liquidity over three months classified as held to maturity, and they are recorded at cost value plus income earned up to the balance sheet closing date, in accordance with the rates agreed upon with the financial institutions, which do not exceed their market or realization value.

2.6 Trade receivables

Trade receivables consist of cash receivable from clients for goods sold or services rendered over the normal course of the Company's activities, stated at present and realization value. Allowance for doubtful accounts is calculated based on the analysis of credit risk, which considers the percentage of trade notes overdue, the market liquidity and the credit level, and is sufficient to cover losses on cash receivable.

2.7 Inventories

Inventories are assessed and are stated at the average production or acquisition cost,

considering the present value, when applicable. The Company and its subsidiaries determine the cost of their inventories using the absorption method, based upon the weighted moving average.

Provisions for inventories due to: realization; slow moving; and obsolete inventories, are recorded in accordance with the Company's policies. Imports in progress are stated at the accumulated cost of each import.

2.8 Property, plant and equipment

Fixed assets are assessed at the cost of acquisition and/or construction, minus the corresponding depreciation, except for land which is not depreciated.

Maintenance or repair expenditures which do not significantly increase the useful life of the assets are recorded as expenses, when incurred. Gains and losses on disposals are determined by comparing the sale amount and the residual amount, and are recognized in the income statement.

Depreciation is calculated using the straight-line method and it takes into account the economic useful life of assets, and it is reviewed periodically aiming at adapting the depreciation rates as required.

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the Company recognizes a reduction in the carrying amount of this asset.

2.9 Intangible Assets

They are stated at cost of acquisition, minus amortization. Intangible assets with

defined useful lives are amortized taking into account the estimated time of future economic benefit generation. Goodwill due to expectations of future profitability, without a definite useful life, was amortized up to December 31, 2008. As from 2009 goodwill is subject to recoverability testing on a yearly basis, or whenever there are signs of a possible loss of economic value.

2.10 Research, development and innovation

Research, development and innovation expenditures incurred on opportunities for gaining scientific and technological know-how, process improvement, and on meeting requirements of customized product projects, which are recognized as profit or loss as incurred.

2.11 Provision for contingencies

Provisions are recognized when the Company and its subsidiaries have a current liability resulting from past events, and it is probable that an outflow of funds will be required to settle the obligation, and a reliable estimate of the value may be made. Provisions are reviewed periodically, respecting their nature and substantiated by the opinion of legal advisors

2.12 Provision for warranties

A provision for warranties is recognized when products are sold or services rendered based on historical data and warranty periods.

2.13 Profit Sharing

The Company and its subsidiaries provide profit sharing to the employees and the Management based on programs which establish operating goals, approved by the Board of Directors, on a yearly basis. The amount shared is recognized as profit or loss as goals are accomplished.

2.14 Dividends and interest on shareholders' equity

Dividends and interest on shareholders' equity are recognized as a liability based on the minimum dividends established by the Company's Bylaws. Any amount above the minimum non-discretionary dividends is only recognized as liability when approved by the Board of Directors and ad referendum at the Ordinary General Meeting. Dividends proposed for the Board of Directors remain recorded in equity in the caption Additional Dividends.

2.15 Private pension plan

The Company and its subsidiaries sponsor a supplementary private pension fund,

which ensures risk benefits and programmed term benefits. Risk benefits (disability, death pension, sickness benefit, and monetary death reserve) are structured in the mode of defined benefit, and fully financed by the sponsor, by the financial allocation system. The programmed term benefit (reversible monthly income for life and the permanent monthly financial income) are structured in the mode of variable contribution and financed by the participants and by the sponsor, by the financial capitalization system. The actuarial commitments to the benefit plan are recorded and provided for based on actuarial calculations, which are periodically prepared by an independent actuary, and they are covered by the benefit plan's guarantee assets. Actuarial calculations are performed using actuarial, financial and economic assumptions such as the mortality chart, mortality chart for disabled persons, actual annual interest rate and historical data of events, death, disability and sickness, occurred in periods prior to the determination of the corresponding costs.

2.16 Financial instruments

The Company's and its subsidiaries' main financial instruments include the following ones:

a) Cash and cash equivalents: Cash and cash equivalents are stated at market value, which is equivalent to their carrying value;

b) Financial investments: Fair value is reflected in the amounts recorded in the balance sheets. Financial investments are classified as securities held to maturity;

c) Loans and financing: The main purpose of this financial instrument is to generate funds to finance the Company's and its subsidiaries' expansion programs, and possibly cover the needs for its cash flow in the short term:

- **Loans and financing in local currency:** are classified as financial liabilities

not measured at fair value and are recorded at their corrected amounts, according to the contracted rates. The market values of these loans are equivalent to their carrying values, as they are financial instruments which have exclusive characteristics, resulting from specific financing sources.

- **Loans and Financing in foreign currency:** they are financially contracted to provide support to working capital of sales operations performed in Brazil, and of subsidiaries located abroad, and are corrected according to the rates contracted.

d) Derivative financial instruments:

- *Operations with Non Deliverable Forwards (NDF) and SWAPs* - recognized at fair value in assets and/or liabilities in contra-entry to the financial profit or loss in the income statement.

- *Hedge accounting* - it aims at hedging against variation risk arising from foreign exchange rates. These operations are recognized at fair value in assets and/or liabilities against the financial profit or loss in the income statement. The amount recorded in equity is immediately transferred to the statement of profit or loss when the transaction subject to hedge affects profit or loss.

2.17 Treasury shares

Treasury shares are recognized at cost, and deducted from equity. No gains or losses on the purchase, sale, issue or cancelation of the Company's own equity instruments are recognized in the income statement. Any difference between the carrying amount and the compensation is recognized in capital reserves.

2.18 Share-based plan

a) Long-Term Incentive Plan – The Company grants shares to its offices, which will only be delivered after grace periods. Shares are measured at fair value based on the date of grant, using the Black-Scholes-Merton pricing model and are recognized as expenses in the caption Other Income in the income statement for the year against the capital reserve in equity as the terms of the periods for exercising the options are performed.

b) Stock call option plan – The Company grants stock call options to its officers, who will only exercise the option subsequent to the vesting period. Options are measured at fair value based on the date of the grant, using the Black-Scholes-Merton pricing model, and recognized as expenses in the caption Other Income in the income statement for the year against the capital reserve in equity as the terms of the periods for exercising the options are performed.

Changes and reversals subsequent to the acquisition calculation are made only when there is: (i) reduction in the exercise price of the granted options; and (ii) reducing the number of options that are expected to be granted.

2.19 Subsidies and Government grants

Government subsidies are recognized when there is reasonable assurance that they will be received and that the corresponding conditions associated with the subsidy have been met. When the benefit refers to an expense item, it is recognized as revenue during the course of the benefit period, on a systematic basis, in relation to the costs whose benefit aims at offsetting. When the benefit refers to an asset, it is recognized as deferred income and entered into profit or loss at equal amounts over the expected useful life of the corresponding asset.

2.20 Revenue Recognition

Revenue is recognized to the extent that it is probable that economic rewards will be generated in favor of the Company and its subsidiaries. It is measured at the fair value of the consideration received, excluding discounts, rebates and taxes or charges over sales.

Revenue from the sale of goods is recognized in profit or loss when all risks and rewards inherent in the product are transferred to the buyer. Service revenue is recognized in profit or loss as a result of its realization.

2.21 Construction Contracts

When the results of a construction contract are accurately estimated, revenues and costs are recognized based on the completion stage of the contract at the end of the period, considering the legal possibility of demanding payment by the customer or delivery of the product to the customer (transfer of control), and measured on the basis of the proportion of costs incurred in relation to the total costs estimated in the contract.

2.22 Taxes

a) Current and deferred income and social contribution taxes

Current and deferred income and social contribution taxes of the Company and its subsidiaries in Brazil are calculated based on the 25% and 9% rates, respectively, and take into account tax losses and negative basis limited to 30% of the taxable profit, except for the subsidiaries located abroad, in which the tax rates valid in the countries where these subsidiaries are located are complied with.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the corresponding amounts used for taxation purposes.

b) Other taxes

Revenues, expenses and assets are net of taxes on sales, except when the taxes on purchases of goods or services are not recoverable with the tax authorities, in which event the tax is recognized as part of the acquisition cost of the asset or expense item, as the case may be.

2.23 Information by segment

Management determines the Company's and its subsidiaries' operating and geographic segments base on reports issued internally as business management and strategic information. The Company's management is structured, using the operations' information, taking into account the industry, energy, foreign and consolidated segments.

2.24 Statement of value added

The Company and its subsidiaries prepare the Statements of Value Added (DVAs), as required by the Brazilian legislation, as a part of its Company financial statements and supplementary information to the consolidated financial statements.

2.25 New procedures which are not yet in effect

New standards, amendments to standards, and interpretations are effective for annual periods beginning after January 1st, 2018. The Company and its subsidiaries did not adopt these changes in the preparation of these financial statements:

a) CPC 47 / IFRS 15

The CPC 47 / IFRS 15 – Revenue from contracts with clients introduces a comprehensive framework to determine whether and when revenue is recognized, and how revenue is measured. CPC 47 / IFRS 15 supersedes the current standards for recognizing revenues, including CPC 30 (IAS 18) Revenues, CPC 17 (IAS 11) Construction Contracts and CPC 30 Interpretation (IFRIC 13) Customer Loyalty Programs.

The Company and its subsidiaries are required to adopt CPC 47 / IFRS 15 - Revenue from contracts as of January 1st, 2018. Based on the evaluations carried out up to the date of these financial statements, the adoption of the standard should not have a material impact on the equity of the Company and its subsidiaries on January 1st, 2018.

The Company plans to adopt CPC 47 using the cumulative effect method, with initial application of the standard on the initial date, ie, January 1st, 2018. As a result, the Company and its subsidiaries will not apply the requirements of CPC 47 to the comparative period introduced.

b) CPC 48 / IFRS 9

CPC 48 / IFRS 9 Financial Instruments establishes requirements to recognize and measure financial assets, financial liabilities and certain contracts to buy or sell non-financial items. This standard supersedes the CPC 38 Financial Instruments: Recognition and Measurement.

(i) Classification - Financial Assets

CPC 48 / IFRS 9 contains three main classification categories for financial assets: Measured at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss.

The Company considers that the new classification requirements will not have a relevant impact on the accounting of accounts receivable, loans, investments in debt securities and investments in equity securities.

(ii) Reduction in recoverable value (Impairment) – Financial Assets and Contractual Assets

CPC 48 / IFRS 9 replaces the “incurred losses” model of CPC 38 with a prospective “expected credit loss” model. This will require a relevant judgment on how changes in economic factors affect expected credit losses.

The Company understands that its current model for the evaluation of impairment of financial assets and contractual assets is adequate to reflect expected losses in the realization of its assets. Accordingly, it will not have a relevant impact on the equity of the Company and its subsidiaries on January 1st, 2018.

(iii) Classification - Financial Liabilities

IAS 39 establishes that all changes in the fair value of the liabilities are recognized in profit or loss, whereas, in accordance with CPC 48 / IFRS 9, these fair value changes are recognized as follows:

- The value of the change in fair value that is attributable to changes in the credit risk of the financial liability is presented in Other Comprehensive Income;
- The remaining amount of the fair value variation is presented in the statement of income.

The Company considers that will not have a relevant impact on the classification of financial liabilities on January 1st, 2018.

(iv) Hedge accounting

In the initial application of CPC 48 / IFRS 9, Management may choose as the accounting policy to continue applying the hedge accounting requirements of CPC 38 instead of the new requirements of CPC 48 / IFRS 9. The Company chose to use the exemption provided for in CPC 48 / IFRS 9 and maintain the hedge accounting policy and requirements set forth in CPC 38.

c) IFRS 16

IFRS 16 introduces a single model for the recording of leases for leaseholders to use in the balance sheet. The leaseholder recognizes a right-of-use asset which represents its right to use the leased asset and a lease liability which represents its obligation of performing the lease payments. Optional exemptions are available for short-term leases and low-value items. The lessor’s accounting remains similar to the current standard, i.e. the leaseholders continue to classify leases as financial or operational ones.

IFRS 16 supersedes the existing lease standards, including CPC 06 (IAS 17) Leases and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) Supplementary Aspects of Leases. This standard is effective for annual periods beginning on or after January 1st, 2019.

3 Accounting Estimates

The financial statements include the use of estimates that took into consideration the Management’s assessments and judgments, past and current event experiences, assumptions related to future events and other objective and subjective factors. The significant items subject to those estimates are:

a) credit risk analysis for the determination of the allowance for doubtful accounts;	b) review of the economic useful life of fixed assets and their recovery in operations;	c) impairment test of intangible assets;	d) fair value measurement of financial instruments;
e) commitments to employee benefit plan;	f) transactions with share-based plan;	g) deferred income and social contribution taxes;	h) provisions for contingencies.

The settlement of transactions involving those estimates may lead to amounts significantly different from those recorded in the financial statements due to the inaccuracies inherent in the estimate process. These estimates are periodically reviewed.

4 Cash and cash equivalents

	PARENT COMPANY		CONSOLIDATED	
	12/31/17	12/31/16	12/31/17	12/31/16
a) Cash and banks	12	18	224.249	223.267
b) Interest-earning bank deposits	798.179	748.367	2.938.436	3.167.395
In local currency:	798.179	748.367	2.847.251	3.091.597
Bank Deposit Certificate(CDB) and Repurchase Operations Compromised	798.179	748.367	2.847.251	3.091.597
In foreign currency:	-	-	91.185	75.798
Certificates of deposits abroad	-	-	83.075	61.204
Other investments abroad	-	-	8.110	14.594
TOTAL	798.191	748.385	3.162.685	3.390.662

Investments in Brazil:

Are remunerated at rates ranging between 99.0% and 102.8% of CDI (100% to 105.0% of CDI as of December 31, 2016).

Investments abroad:

			CONSOLIDATED	
	INTEREST RATE	AMOUNTS IN THE ORIGINAL CURRENCY	12/31/17	12/31/16
In US Dollars	0,10% a 2,00% a.a.	12.045	39.878	29.450
In Indian Rupees	5,35% a 6,60% a.a.	676.000	35.027	20.651
In Argentine Pesos	26,98% a.a.	30.517	5.332	8.046
In Mexican Pesos	6,36% a.a.	16.920	2.838	3.057
In other currencies	0,05% a 7,32% a.a.	Sundry	8.110	14.594
TOTAL			91.185	75.798

5 Financial investments

	PARENT COMPANY		CONSOLIDATED	
	12/31/17	12/31/16	12/31/17	12/31/16
Bank Deposit Certificate (CDB) and Repurchase Operations Compromised and funds	429.717	395.822	1.411.046	1.373.287
TOTAL	429.717	395.822	1.411.046	1.373.287

Financial investments are remunerated at rates ranging between 16.2% and 16.4% p.a. (14.8% to 16.4%p.a. as of December 31, 2016).

6 Trade receivables

	CONSOLIDATED	
	31/12/17	31/12/16
a) Breakdown of balances:		
Domestic market	904.309	1.177.642
External market	1.382.276	1.124.283
SUBTOTAL	2.286.585	2.301.925
Allowance for doubtful accounts	(43.972)	(50.003)
TOTAL	2.242.613	2.251.922
b) Effective losses on loans from clients for the year	14.686	13.333
c) Maturity of trade notes:		
Due	1.957.365	2.023.087
Overdue:	329.220	278.838
Up to 30 days	196.401	113.225
From 31 to 90 days.	65.017	62.460
From 91 to 180 days.	27.498	31.205
Over 180 days	40.304	71.948
TOTAL	2.286.585	2.301.925

The movement of the allowance for doubtful accounts is shown as follows:

BALANCES AT 01/01/2016	(55.899)
Losses written off for the year	13.333
Recording of provision for the year	(20.206)
Reversal of provision for the year	12.769
Balances at 12/31/2016	(50.003)
Losses written off for the year	14.686
Recording of provision for the year	(28.551)
Reversal of provision for the year	19.896
BALANCES AT 12/31/2017	(43.972)

7 Inventories

	CONSOLIDATED	
	31/12/17	31/12/16
Finished goods	341.328	268.469
Work in progress	233.397	222.270
Raw materials and other	293.146	275.085
Imports in progress	58.189	35.533
Provision for slow-moving inventory losses	(21.642)	(13.991)
TOTAL INVENTORIES - DOMESTIC MARKET	904.418	787.366
Finished goods	586.213	504.031
Work in progress	182.499	149.657
Raw materials and other	252.618	200.267
Provision for slow-moving inventory losses	(73.482)	(66.266)
Total inventories - external markets	947.848	787.689
GRAND TOTAL	1.852.266	1.575.055

The movement of the provision for slow-moving inventory losses is shown as follows:

Balances at 1/1/2016	(87.828)
Recording of provision for the year	(13.541)
Reversal of provision for the year	21.112
Balances at 12/31/2016	(80.257)
Recording of provision for the year	(44.792)
Reversal of provision for the year	29.925
Balances at 12/31/2017	(95.124)

Inventories are insured and their coverage is determined considering the values and level of risk involved. The recording and reversal of provisions for slow-moving inventory losses are recorded in the costs of goods sold.

8 Taxes recoverable

	PARENT COMPANY		CONSOLIDATED	
	12/31/17	12/31/16	12/31/17	12/31/16
State VAT (ICMS) on acquisitions of fixed asset	-	-	18.890	21.256
IVA from foreign subsidiaries	-	-	118.025	80.785
ICMS (State VAT)	-	-	48.382	22.083
IPI (Federal VAT)	-	-	78.644	23.112
IRPJ/CSLL recoverable	4.827	19.952	77.471	87.184
PIS/COFINS	-	-	72.793	38.099
REINTEGRA	-	-	11.907	1.770
Other	-	-	3.674	5.633
TOTAL	4.827	19.952	429.786	279.922
Current Asset	4.827	19.952	419.845	269.626
Non-current Asset	-	-	9.941	10.296

Credits will be realized by the Company and its subsidiaries through regular tax collection, also including tax credits subject to refund and/or offsetting.

9 Related Parties

The Company performed business transactions of purchase and sale of products, raw materials and contracting of services as well as financial transactions of loans, raising of funds among Group companies, which are eliminated in the consolidation, and Management fees.

AMOUNT OF EXISTING BALANCES:	PARENT COMPANY		CONSOLIDATED	
	12/31/17	12/31/16	12/31/17	12/31/16
EQUITY ACCOUNTS				
Non-current Asset:	13	24	-	-
Management of financial resources WEG Equipamentos Elétricos S.A.	13	24	-	-
Current liabilities:	1.202	427	14.781	7.703
Contracts with Management	-	-	5.172	5.076
Profit sharing of the Management	1.202	427	9.609	2.627
INCOME STATEMENT ACCOUNTS				
	PARENT COMPANY		CONSOLIDATED	
	12/31/17	12/31/16	12/31/17	12/31/16
MANAGEMENT COMPENSATION:				
a) Fixed (fees)	2.337	2.219	23.631	22.600
Board of Directors	1.115	1.060	2.230	2.120
Executive Board	1.222	1.159	21.401	20.480
b) Variable (profit sharing)	1.970	685	15.916	3.862
Board of Directors	937	321	1.874	642
Executive Board	1.033	364	14.042	3.220

Supplementary Information:

a) Business transactions

The purchase and sale transactions regarding inputs and goods are performed under the same conditions performed with unrelated third parties;

b) Management of financial resources

The financial and commercial operations performed between the Group companies are recorded and supported by the Group's convention. The credit/debit contracts executed with the Management are remunerated by interest between 95% and 100% of the CDI variation;

c) Sureties and guarantees

WEG SA has sureties and guarantees to subsidiaries abroad, in the amount of US\$ 43.2 million (US\$ 70.8 million at December 31, 2016);

d) Rent revenue

WEG Equipamentos Elétricos S.A. has lease contracts for machines and equipment with WEG Linhares Equipamentos Elétricos S.A. (lessee), and in 2017 the amount paid was R\$ 10,711 (R\$ 10,711 as of December 31, 2016), and a property lease contract with WEG Drives & Controls - Automação Ltda (lessee), and in 2017 the amount paid was R\$ 873 (R\$ 676 as of December 31, 2016).

e) Management's compensation

The Board of Directors members were paid the amount of R\$ 2,230 (R\$ 2,120

as of December 31, 2016) and the executive board was paid the amount of R\$ 21,401 (R\$ 20,480 as of December 31, 2016), for their services, aggregating the total of R\$ 23,631 (R\$ 22,600 as of December 31, 2016).

It is expected the participation of 0% to 2.5% of consolidated profit to be paid to management provided the minimum operating performance goals are met. The performance goals refer to Return on Invested Capital (75% weight), net revenue growth (25% weight). The corresponding provision in the amount of R\$ 15,916 (R\$ 3,862 as of December 31, 2016) was recorded for the period under the caption other operating results. Management receives common benefits to the exercise of the function.

10. Deferred taxes

Income and social contribution deferred tax credits and debts were determined in accordance with the CVM Resolution 599/09 that approved the technical pronouncement CPC 32 - Taxes on income.

a) Breakdown of amounts:

	PARENT COMPANY		CONSOLIDATED	
	12/31/17	12/31/16	12/31/17	12/31/16
Corporate income tax (IRPJ) losses	374	-	95.696	74.181
Negative basis of CSLL calculation	151	-	16.205	12.018
Temporary differences:				
Provisions:				
Labor and civil contingencies	-	-	95.789	75.848
Taxes questioned in court	1.608	1.612	40.721	37.184
Losses on trade receivables	-	-	9.978	8.169
Losses on slow-moving inventories	-	-	13.688	11.840
Indemnities on labor rights and contractual	-	-	16.900	18.293
Freight and sales commissions	-	-	10.182	8.328
Third-party services	-	-	59.119	60.166
Employee profit sharing	-	-	40.829	37.961
Unrealized gains from derivatives	-	-	(25.808)	(30.168)
Derivatives held for hedge accounting	-	-	5.849	13.882
Acceleration depreciation incentive	-	-	(8.084)	(7.450)
Amortization difference between tax goodwill and accounting goodwill	-	-	(31.209)	(29.054)
Amortization difference between tax goodwill and accounting goodwill (useful life)	(14)	(15)	(159.973)	(149.343)
Other	1.226	654	44.867	41.139
PP&E deemed costs	(1.401)	(1.440)	(193.094)	(211.906)
TOTAL	1.944	811	31.655	(28.912)
Non-current assets	1.944	811	148.284	130.291
Non-current liabilities	-	-	(116.629)	(159.203)

b) Estimated realization term

Management considers that the deferred assets resulting from temporary differences will be realized in proportion to the realization of contingencies, losses and forecast obligations.

In relation to deferred tax credits calculated on income and social contribution tax losses and negative basis of social contribution, management estimates that they will be realized within the next 5 years, taking into consideration the projection of future profits.

11 Investments

11.1 Investments in subsidiaries

	Country	Sharehold- er's Equity	Year Profit	Investment in the Capital (%)				Share of profit of equity-accounted investees		Investment book value	
				12/31/17		12/31/16		12/31/17	12/31/16	12/31/17	12/31/16
				Direct	Indirect	Direct	Indirect				
WEG Equipamentos Elétricos S.A. (*)	Brazil	4.675.366	950.942	100,00	-	100,00	-	947.537	900.971	4.675.366	4.082.588
RF Reflorestadora Ltda.		165.634	7.610	100,00	-	100,00	-	7.615	2.317	165.634	161.877
WEG Tintas Ltda.		18.824	21.394	-	-	99,91	0,09	21.375	36.413	18.806	148.261
WEG Amazônia S.A.		60.718	14.209	0,02	99,98	0,02	99,98	2	1	9	8
WEG Administradora de Bens Ltda.		16.959	4.623	99,31	0,69	79,97	20,03	2.388	5.785	16.842	52.520
WEG Logística Ltda.		145.540	16.042	-	100,00	-	100,00	-	-	-	-
WEG Linhares Equip. Elétricos S.A.		346.842	95.080	-	100,00	-	100,00	-	-	2	1
WEG Drives & Controls Aut. Ltda.		484.036	88.313	100,00	-	89,20	10,80	84.966	68.442	484.036	407.436
WEG Partner Aerogeradores S.A.		8	(1)	0,10	99,90	0,10	99,90	-	-	-	-
WEG-Cestari Redut. Motorredut. S.A.		36.611	899	-	50,00	-	50,00	-	-	-	-
Hidráulica Indl.- Ind. e Com. Ltda.		39.750	(31.175)	-	100,00	-	62,39	-	-	-	-
Agro Trafo Adm. de Bens S.A.		8.586	1.362	91,75	8,25	91,75	8,25	1.250	(585)	7.689	7.323
Paumar S/A Indústria e Comércio		354.882	9.075	38,87	61,13	-	100,00	3.239	-	137.943	-
WEG-Jelec Oil and Gas Sol. Aut. Ltda.		11	-	-	100,00	-	100,00	-	-	-	-
Transformadores do Nordeste Ltda.		16.197	(965)	0,01	99,99	0,01	99,99	-	-	-	-

	Country	Sharehold- er's Equity	Year Profit	Investment in the Capital (%)				Share of profit of equity-accounted investees		Investment book value	
				12/31/17		12/31/16		12/31/17	12/31/16	12/31/17	12/31/16
				Direct	Indirect	Direct	Indirect				
Zest WEG Group Africa (PTY) Ltd.	South Africa	198.549	(29.830)	-	100,00	-	100,00	-	-	-	-
Zest Energy (Pty) Ltd.		8.837	32	-	93,33	-	76,09	-	-	-	-
Zest WEG Manufacturing (Pty) Ltd.		(25.327)	(20.126)	-	100,00	-	100,00	-	-	-	-
Zest WEG Electric (Pty) Ltd.		80.676	18.098	-	74,80	-	74,90	-	-	-	-
ENI Electric/Instrumentations Eng. Cont.(Pty)		(3.075)	(1.254)	-	86,67	-	86,67	-	-	-	-
Zest WEG Group Namibia Ent. (Pty) Ltd.		1.544	133	-	100,00	-	100,00	-	-	-	-
Zest WEG Investment Company (Pty) Ltd.		79.656	569	-	64,70	-	-	-	-	-	-
WEG Germany GmbH	Germany	34.135	(3.507)	-	100,00	-	100,00	-	-	-	-
Watt Drive GmbH		4.338	(52)	-	100,00	-	100,00	-	-	-	-
Wurttembergische Elektromotoren GmbH		12.336	420	-	100,00	-	100,00	-	-	-	-
Antriebstechnik KATT Hessen GmbH		235	(3.527)	-	100,00	-	100,00	-	-	-	-
WEG Equipamientos Electricos S.A.	Argentina	65.171	20.768	10,45	89,55	10,45	89,55	2.535	2.679	6.835	7.843
Pulverlux S.A.		7.570	1.982	-	100,00	-	100,00	-	-	-	-
WEG Australia Pty Ltd.	Australia	17.683	(1.000)	-	100,00	-	100,00	-	-	-	-
Watt Drive Antriebstechnik GmbH	Austria	42.045	1.773	-	100,00	-	100,00	-	-	-	-
WEG International Trade GmbH		456.810	389.603	-	100,00	-	100,00	-	-	-	-
WEG Holding GmbH		2.243.119	448.535	-	100,00	-	100,00	-	-	-	-
WEG Benelux S.A.	Belgium	45.270	5.325	-	100,00	-	100,00	-	-	-	-
WEG Chile S.A.	Chile	36.514	576	8,00	92,00	8,00	92,00	45	(360)	2.919	2.592

	Country	Patrimony Net	Result of Exercise	Social Capital Participation (%)				Patrimony Equivalence		Investment Patrimony Value	
				12/31/17		12/31/16		12/31/17	12/31/16	12/31/17	12/31/16
				Direct	Indirect	Direct	Indirect				
WEG (Nantong) Electric Motor Co., Ltd.	China	179.431	7.303	-	100,00	-	100,00	-	-	-	-
Changzhou Sinya Electromotor Co., Ltd.		61.640	(12.760)	-	100,00	-	100,00	-	-	-	-
Changzhou Yatong Jiewei Elect., Ltd.		18.834	(13.349)	-	100,00	-	100,00	-	-	-	-
Wuxi Ecovi Technology Co., Ltd.		7.619	1.934	-	100,00	-	100,00	-	-	-	-
Jiangsu Shiya Elect. Technolog. Co.,Ltd.		11.275	(1.429)	-	100,00	-	100,00	-	-	-	-
The First Drive Technology Co., Ltd.		14.000	(1)	-	100,00	-	100,00	-	-	-	-
WEG (Jiangsu) Electric Equip. Co., Ltd.		158.588	7.235	-	100,00	-	100,00	-	-	-	-
WEG Singapore Pte. Ltd.	Singapure	24	(3.357)	-	100,00	-	100,00	-	-	-	-
WEG Colombia S.A.S.	Colombia	85.891	3.662	-	100,00	-	100,00	-	-	-	-
FTC Energy Group S.A.		4.322	(308)	-	100,00	-	51,00	-	-	-	-
WEG Transformadores Colombia S.A.S.		20.421	1.790	-	100,00	-	100,00	-	-	-	-
WEG Middle East Fze.	United Arab Emirates	(10.183)	(2.951)	-	100,00	-	100,00	-	-	-	-
WEG Iberia Industrial S.L.	Spain	59.469	3.172	-	100,00	-	100,00	-	-	-	-
Autrial S.L.		(8.991)	(2.790)	-	51,00	-	51,00	-	-	-	-
WEG Electric Corp.		493.218	27.867	-	100,00	-	100,00	-	-	-	-
Electric Machinery Company LLC	United States	55.643	27.529	-	100,00	-	100,00	-	-	-	-
FTC Energy Group Inc.		710	398	-	100,00	-	51,00	-	-	-	-
Bluffton Motor Works, LLC		265.689	2.977	-	100,00	-	100,00	-	-	-	-
WEG Transformers USA LLC		109.091	(13.032)	-	72,00	-	-	-	-	-	-
WEG Investment North America Inc		119.410	(1.111)	-	100,00	-	-	-	-	-	-
WEG France SAS		France	29.033	2.116	-	100,00	-	100,00	-	-	-
Zest Electric Ghana Ltd.	Gana	1.903	2.300	-	100,00	-	100,00	-	-	-	-
E & I Electrical Ghana Ltd.		(1.493)	(909)	-	90,00	-	90,00	-	-	-	-

	Country	Net Equity	Outcome Result	Social Capital Participation (%)				Patrimony Equivalence		Investment Patrimony Value	
				12/31/17		12/31/16		12/31/17	12/31/16	12/31/17	12/31/16
				Direct	Indirect	Direct	Indirect				
WEG Industries (India) Private Ltd.	India	195.845	12.520	-	100,00	-	100,00	-	-	-	-
WEG Electric (India) Private Ltd.		-	-	-	-	-	100,00	-	(8)	-	-
WEG (UK) Ltd.	England	8.827	(9.040)	-	100,00	-	100,00	-	-	-	-
WEG Italia S.R.L.	Italy	28.832	1.864	-	100,00	-	100,00	-	-	-	-
WEG Electric Motors Japan Co. Ltd.	Japan	2.525	278	-	95,00	-	95,00	-	-	-	-
WEG South East Asia SDN BHD	Malaysia	400	(772)	-	100,00	-	100,00	-	-	-	-
WEG México S.A. de C.V.	Mexico	205.345	3.632	-	100,00	-	100,00	-	-	1	1
WEG Transform. México S.A. de C.V.		58.999	2.969	-	72,00	-	60,00	-	-	-	-
Voltran S.A. de C.V.		73.206	(32)	-	72,00	-	60,00	-	-	-	-
ENI Electrical Mozambique (Pty) Limited	Mozambique	11	(1)	-	66,67	-	66,67	-	-	-	-
Zest WEG Group Mozambique, Lda		(10.189)	(10.042)	-	100,00	-	-	-	-	-	-
WEG Peru S.A.	Peru	3.575	111	0,05	99,95	0,05	99,95	-	1	2	2
WEGEuro Ind. Eléctrica S.A.	Portugal	90.725	8.503	-	100,00	-	100,00	-	400	-	-
WEG Electric CIS	Russia	8.906	3.533	-	100,00	-	100,00	-	-	-	-
WEG Scandinavia AB	Sweden	10.548	(2.400)	-	100,00	-	100,00	-	-	-	-
ENI Electrical Tanzania (Pty) Limited	Tanzania	384	(11)	-	100,00	-	100,00	-	-	-	-
WEG Industrias Venezuela C.A.	Venezuela	(58)	(45.554)	-	100,00	-	100,00	-	-	-	-
E & I Zambia Ltd.	Zambia	(770)	(472)	-	50,00	-	50,00	-	-	-	-
TOTAL								1.070.952	1.016.056	5.516.084	4.870.452

(*) Equity pickup adjusted by unearned income between related parties.

The Consolidated Financial Statements of the Company include the Company financial statements of WEG S.A. and all of its subsidiaries. The subsidiaries are fully consolidated as from the date on which the control is obtained. The Company does not hold companies which are not part of the Consolidated Financial Statements.

11.2 Acquisition in 2016 – Does not integrate the Financial Statements of December 31, 2017

TGM Indústria e Comércio de Turbinas e Transmissões Ltda.

On December 15, 2016, the Company announced the execution of an agreement for the acquisition of the share control of TGM Indústria e Comercio de Turbinas e Transmissões Ltda. (TGM”), company which manufactures turbines and energy transmission equipment. The acquisition is not part of the financial statements as of December 31, 2017 due to the awaited approval by the Administrative Council for Economic Defense (CADE).

11.3 Acquisitions in 2017

(i) FTC Energy Group S.A.

In March 2017, the subsidiary WEG Colômbia S.A.S. acquired the remaining 49% participation of FTC Energy Group S.A.. The goodwill of R\$ 1,997 was measured as being the exceeding of the counterpart transferred in relation to the net assets acquired, and recognized in the equity as a Capital Transaction.

(ii) CG Power USA Inc.

In June 2017, the subsidiary WEG Electric Corp. announced the signature of the purchase agreement of the company CG Power USA Inc., a manufacturer of transformers in the United States. The goodwill of R\$ 23,343 was initially measured as being exceeding amount in the compensation transferred in relation to the net assets acquired. The Company was consolidated from the effective date of the purchase, which occurred in August 2017.

(iii) WEG Transformadores México S.A. de C.V. e Voltran S.A. de C.V

In October 2017, the subsidiary WEG Investment North America Inc. acquired a 12% participation in WEG Transformadores México S.A. de C.V. and a 12% participation in Voltran S.A. de C.V. The goodwill, in the amount of R\$ 16,762, was initially measured as being exceeding amount in the compensation transferred in relation to the net assets acquired, and recognized in the equity as a Capital Transaction.

(iv) Hidráulica Industrial – Indústria e Comércio Ltda.

In November 2017, the subsidiary WEG Equipamentos Elétricos S.A. acquired 10.39% remaining participation in Hidráulica Industrial - Indústria e Comércio Ltda. The goodwill, in the amount of R\$ 3,644, was initially measured as being exceeding amount in the compensation transferred in relation to the net assets acquired, and recognized in the equity as a Capital Transaction.

11.4 Societary events in 2017

(i) Zest WEG Investment Company (Pty) Ltd.

In August 2017, the company Zest WEG Investment Company (Pty) Ltd. was set up in South Africa. The company Zest WEG Group Africa (PTY) Ltd. controls 64.7% of the shares. The objective of this restructuration is to adjust the supply criteria for the companies with headquarter in the country, according to the South African government’s regulation.

(ii) WEG Investment North America Inc.

In August 2017, the company WEG Investment North America Inc. was set up in the United States. The company WEG Electric Corp. controls 100% of the shares through the integralization of 98.9% of the investment from WEG Transformer’s USA LLC. (CG Power USA Inc.).

(iii) Electric Machinery Holding Company

In August 2017, the subsidiary WEG Equipamentos Elétricos S.A. performed the merger of the investment in Electric Machinery Holding Company, with the objective of reducing the societary structure.

(iv) Paumar S/A Indústria e Comércio

In September 2017 there was a parcial split related to the fabrication of paints, vernishes, lacquers, among others of WEG Tintas Ltda. and, as a result, the incorporation of the splitted part in Paumar S/A Indústria e Comércio. The objective of this restructuration is to better the management of the industrialization and commercialization processes, as well as to concentrate the activities related to paint and vernishes products and services in one company.

(v) Changzhou Machine Master Co., Ltd. e Changzhou Master Machinery Co., Ltd.

In October 2017, was a merger of the companies Changzhou Machine Master Co., Ltd. e Changzhou Master Machinery Co., Ltd. through the incorporation of its assets and liabilities by WEG Equipamentos Elétricos S.A. in Changzhou Sinya Electromotor Co., Ltd.. The objective of this restructuring is the simplification and synergy of technical and administrative services, as well as the reduction of operating costs and administrative expenses.

12 Property, plant and equipment

		PARENT COMPANY		CONSOLIDATED	
		12/31/17	12/31/16	12/31/17	12/31/16
Land		1.440	1.440	375.171	367.566
Constructions and Facilities		5.639	5.639	1.349.041	1.184.070
Equipment		-	-	3.766.631	3.574.527
Furniture and fixtures		-	-	153.177	121.552
Hardware		-	-	126.391	103.962
Construction in progress		-	-	183.391	137.860
Reforestation		-	-	56.487	55.050
Other		-	-	134.369	125.418
TOTAL PROPERTY, PLANT AND EQUIPMENT		7.079	7.079	6.144.658	5.670.005
Accumulated depreciation/depletion	Annual depreciation rate (%)	(2.686)	(2.600)	(2.984.547)	(2.637.289)
Constructions and facilities	02 a 03	(2.686)	(2.600)	(403.092)	(313.935)
Equipment	05 a 20	-	-	(2.302.220)	(2.125.086)
Furniture and fixtures	07 a 10	-	-	(109.606)	(75.093)
Hardware	20 a 50	-	-	(103.144)	(81.214)
Reforestation	-	-	-	(22.875)	(19.457)
Others	-	-	-	(43.610)	(22.504)
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET		4.393	4.479	3.160.111	3.032.716

a) Summary of changes in property, plant and equipment - consolidated:

PP&E CLASSIFICATION	12/31/16	TRANSF. BETWEEN CLASSES	ACQUISITIONS	WRITE-OFFS	DEPRECIATION AND DEPLETION	FOREIGN EXCHANGE EFFECT	12/31/17
Lands	367.566	54	4.230	(1.815)	-	5.136	375.171
Constructions and facilities	870.135	41.202	45.441	(982)	(32.722)	22.875	945.949
Equipment	1.449.441	53.065	150.986	(18.907)	(199.598)	29.424	1.464.411
Furniture and fixtures	46.459	2.748	4.441	(699)	(10.582)	1.204	43.571
Hardware	22.748	55	8.493	(213)	(8.425)	589	23.247
Construction in progress	137.860	(88.272)	128.181	-	-	5.622	183.391
Reforestation	35.593	-	1.437	-	(3.418)	-	33.612
Advances to suppliers	87.376	(383)	(19.916)	-	-	6.200	73.277
Other	15.538	149	5.662	(1.032)	(3.724)	889	17.482
TOTAL	3.032.716	8.618	328.955	(23.648)	(258.469)	71.939	3.160.111

b) Amounts offered in guarantee

PP&E items were provided as guarantee for loans, financing, labor claims and tax suits in the consolidated amount of R\$27,921 (R\$25,940 as of December 31, 2016).

c) PP&E useful life review

The company reviewed the useful life of Brazil's companies PP&Es, considering its use conditions, conservation status and maintenance and operation conditions, in accordance with current rules.

The review was adopted from January 2017 onwards and resulted in an useful life increase of PP&E. The effect of this review decreased the depreciation expenses in 2017 in the approximate amount of R\$ 60 millions. The useful life review doesn't impact tax depreciation due to being in accordance with the rates established by tax law.

13 Intangible Assets - consolidated

	AMORTIZATION / NO. OF YEARS	COST	ACCUMULATED AMORTIZATION	31/12/17	31/12/16
Software License	5	127.438	(93.838)	33.600	37.821
Right to use property	50 – 99	66.898	(19.053)	47.845	47.582
Trademarks and Patents	5	17.133	(8.741)	8.392	23.557
Other	5	245.934	(193.089)	52.845	52.240
Subtotal		457.403	(314.721)	142.682	161.200
Goodwill - Acquisition of subsidiaries	-	844.768	(21.353)	823.415	790.326
TOTAL		1.302.171	(336.074)	966.097	951.526

a) Summary of changes in intangible assets:

	12/31/16	ADDITIONS	WRITE-OFFS	TRANSFER	AMORTIZATION	FOREIGN EXCHANGE EFFECT	12/31/17
Software License	37.821	7.509	(6)	245	(12.415)	446	33.600
Right to use property	47.582	917	(3.754)	-	(649)	3.749	47.845
Trademarks and Patents	23.557	4.947	-	(19.772)	-	(340)	8.392
Other	52.240	2.654	-	9.597	(12.342)	696	52.845
Subtotal	161.200	16.027	(3.760)	(9.930)	(25.406)	4.551	142.682
Goodwill - Acquisition of subsidiaries	790.326	23.343	-	1.312	-	8.434	823.415
TOTAL	951.526	39.370	(3.760)	(8.618)	(25.406)	12.985	966.097

b) Breakdown of the goodwill balance generated in the acquisition of subsidiaries:

	12/31/17	12/31/16
Electric Machinery Company LLC	159.732	159.732
Bluffton Motor Works, LLC	135.015	133.067
Zest WEG Group Africa (PTY) Ltd.	71.992	71.992
Trafo Equipamentos Elétricos S.A. (Incorporated)	62.827	62.827
WEG-Cestari Redutores e Motorreductores S.A.	48.139	48.139
WEG Transformadores Colombia S.A.S.	47.263	46.491
Changzhou Sinya Electromotor Co., Ltd.	46.107	46.107
Stardur Tintas Especiais Ltda. (Incorporated)	43.402	43.402
Watt Drive Antriebstechnik GmbH	42.985	42.985
Changzhou Machine Master Co., Ltd. (Incorporated)	29.393	29.393
Other	136.560	106.191
TOTAL	823.415	790.326

c) Amortization schedule of intangible assets (except goodwill):

	12/31/17	12/31/16
2017	-	41.509
2018	26.832	23.496
2019	21.499	17.855
2020	16.073	11.429
2021	6.995	5.511
From 2022 onwards	71.283	61.400
TOTAL	142.682	161.200

d) Impairment testing:

In 2017, the Company performed Impairment tests of goodwill in the amount of R\$ 823,415. The tests are annually performed, being anticipated if events or circumstances indicate the reason for that.

The calculation of the recoverable amount is made through the discounted cash flow method, according to the information available on the market of each business, which have specific goals and objectives based on conditions to reach the premises in a way that improves performance. The main assumptions used by the Company to calculate the value in use are described below:

Valuation period: the evaluation of the cash-generating unit (CGU) is carried out for a period of 10 years due to the maturity of the acquisitions and strategic planning, and from then on, it is considered the perpetuity of the operation.

Growth rate: the growth rate of revenues, costs and expenses were projected considering the forecast of GDP and inflation specific to each market.

Discount rate: the discount rate used, based on the WACC (Weighted Average Cost of Capital) of each country, of the average of companies in the same industry, being in the Americas a variation of 8.4% to 24.3%, Europe from 6.5% to 7.3%, Australasia from 13.8% and Africa from 17.1%.

Perpetuity: considered the same growth rates (GDP and inflation) used in the projection of revenues, costs and expenses.

Investment: the investment estimates were prepared according to the realization (depreciation) of the assets in operation and aiming at maintaining the updated plant stock.

The impairment tests of goodwill balances in the Company and its subsidiaries did not result in the need to recognize loss in the year ended December 31, 2017.

14 Suppliers

CONSOLIDATED		
	12/31/17	12/31/16
Balance composition:		
Domestic Market	253.834	240.115
External Market	496.699	322.736
TOTAL	750.533	562.851

15 Loans and financing

Direct loans from BNDES and FINEP are guaranteed by the parent company WEG S.A.’s sureties. FINAME operations are guaranteed by sureties and fiduciary alienation. All covenant clauses related to indicators of capitalization, current liquidity and the relation between net debt/Ebitda included in the contracts entered into with BNDES are being met.

CONSOLIDATED			
Type	Annual Charges on 12/31/17	12/31/17	12/31/16
IN LOCAL CURRENCY			
CURRENCY		1.300.232	642.413
In Reais, prefixed rate			
Working Capital	3.5% to 11.0% p.y.	522.766	576.770
Property, plant and equipment	2.5% to 8.7% p.y.	5.381	6.686
In Reais, floating rate			
Working Capital	TJLP (+) 1.4% to 2.5% p.y.	756.545	44.863
Property, plant and equipment	UFIR (+) 1.0% to 4.0% p.y.	12.829	11.084
Other			
Other	Sundry	2.711	3.010
NON-CURRENT		457.386	1.887.571
In Reais, prefixed rate			
Working Capital	3.5% to 11.0% p.y.	234.321	1.053.765
Fixed Asset	2.5% to 8.7% p.y.	16.050	16.405
In Reais, prefixed rate			
Working Capital	TJLP (+) 1.4% to 2.5% p.y.	201.576	798.017
Working Capital	UFIR (+) 1 0% to 4 0% p.y.	2.146	13.671
Other			
Other	Sundry	3.293	5.713

CONSOLIDATED			
Modality	Annual Charges on 12/31/17	12/31/2017	12/31/2016
<u>IN FOREIGN CURRENCY</u>			
CURRENT		714.298	349.020
In US Dollar			
Prepayment of Export (PPE)	Variation US \$ (+) Libor (+) 1.0% to 1.5% p.y.	397.525	127.276
In US Dollar EUA			
Working Capital	Libor (+) 0.7% to 1.5% p.y.	168.506	68.349
In Euros			
Working Capital	Euribor (+) 1.9% p.y.	7.516	2.831
In Mexican Pesos			
Working Capital	TIE (+) 1.1% to 1.5% p.y.	1.282	82.797
In Rande (South Africa)			
Working Capital	8.8% to 10.3% p.y.	96.903	29.028
In Colombian Pesos			
Working Capital	7.7% to 11.2% p.y.	40.112	5.186
In Other Currencies			
Working Capital	Local market rates	2.454	33.553
NON-CURRENT		1.584.526	1.521.321
In Dollar EUA			
Export Prepayment (PPE)	Variation US\$ (+) Libor (+) 1.0% to 1.5% p.y.	938.001	1.311.003
In Dolares EUA			
Working Capital	Libor (+) 1.4% to 1.5% p.y.	336.524	2.296
In Euros			
Working Capital	Euribor (+) 1.9% p.y.	33.893	34.525
In Mexican Pesos			
Working Capital	TIE (+) 1.1% to 1.5% p.y.	268.789	119.351
In Rande (South Africa)			
Working Capital	8.8% to 9.3% p.y.	2.189	53.852
In other currencies			
Working Capital	Local market rates	5.130	294
TOTAL LOANS AND FINANCINGS		4.056.442	4.400.325
TOTAL CURRENT		2.014.530	991.433
TOTAL NON-CURRENT		2.041.912	3.408.892

Maturity of long-term loans and financing:

	12/31/17	12/31/16
2018	-	2.023.801
2019	1.024.663	990.660
2020	215.274	182.528
2021	85.401	51.875
2022	377.108	4.634
From 2023 onwards	339.466	155.394
TOTAL	2.041.912	3.408.892

16 Provisions for contingencies

The Company and its subsidiaries are parties to administrative and judicial proceedings of labor, civil and tax nature arising from the normal activities of their businesses. The corresponding provisions were recorded for proceedings the likelihood of loss of which was rated as “probable” based on the estimate of value at risk determined by the Company’s legal counselors. The Company’s Management estimates that the provision for contingencies recorded is sufficient to cover any possible losses arising from the proceedings in progress.

a) Balance of provisions for contingencies:

		PARENT COMPANY		CONSOLIDATED	
		12/31/17	12/31/16	12/31/17	12/31/16
(i) Tax:		4.730	4.741	195.494	177.617
IRPJ e CSLL	(a.1)	-	-	77.936	71.293
INSS	(a.2)	4.730	4.265	48.589	61.311
PIS e COFINS	(a.3)	-	-	58.608	35.660
IRRF		-	476	-	476
Other		-	-	10.361	8.877
(ii) Labor		-	-	234.261	181.610
(iii) Civil				74.081	71.789
(iv) Other		-	-	3.125	3.386
TOTAL		4.730	4.741	506.961	434.402

b) Changes in the provisions for contingencies for the period - consolidated:

	31/12/16	Addition	Interest	Write-offs	Reversals	12/31/17
a) Tax	177.617	29.792	13.234	-	(25.149)	195.494
b) Labor	181.610	52.841	9.735	(7.833)	(2.092)	234.261
c) Civil	71.789	15.378	2.043	(13.045)	(2.084)	74.081
d) Other	3.386	1.754	-	-	(2.015)	3.125
TOTAL	434.402	99.765	25.012	(20.878)	(31.340)	506.961

c) The provisions recorded mainly refer to:

(i) Tax contingencies

(a.1) This refers to the proceeding regarding the Consumer Price Index (IPC) difference for January 1989 (Plano Verão) on the 16.24% monetary correction, and the proceeding regarding the calculation basis of expenditures on RD&I projects (“Lei do Bem” - Innovation Tax Incentive Law).

(a.2) This refers to social security contribution taxes payable. The litigation refers to social security charges levied on the private pension plan, profit sharing, education allowance, among others.

(a.3) Refers to non-homologation by the Brazilian Federal Revenue Office (RFB) about the request for offsetting the credit balance of PIS and COFINS with federal tax debts.

(ii) Labor contingencies

The Company and its subsidiaries are defendants in labor claims primarily involving health and risk exposure, among others.

(iii) Civil contingencies

These correspond primarily to civil lawsuits, including personal injury, aesthetic damage, occupational diseases and indemnities arising out of occupational accidents.

d) Court deposits:

	PARENT COMPANY		CONSOLIDATED	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Tax	4.657	4.338	37.683	35.281
Labor and Civil	-	-	9.812	10.209
Other	-	-	539	440
TOTAL RESTRICTED JUDICIAL DEPOSITS	4.657	4.338	48.034	45.930
Non-restricted judicial deposits	-	-	2.781	2.546
TOTAL JUDICIAL DEPOSITS	4.657	4.338	50.815	48.476

The non-restricted judicial deposits related to contingencies are waiting authorization for withdrawal from court.

e) Contingencies assessed as possible losses:

The Company and its subsidiaries are parties to other suits, whose chances of loss are assessed as “possible”, for which no provision for contingencies was recorded.

The estimated amount of such litigation relates to the tax proceedings totalizes R\$ 119,878 (R\$ 97,187 as of December 31, 2016). The the main proceedings assessed as “possible” loss are the following:

- Taxation on profits earned abroad in the total estimated amount of R\$ 41.2 million;
- Non-homologation of IPI credits in the amount of R\$10.6 million;
- Incidence of ICMS-ST on purchase transactions of raw materials amounting to R\$ 15.8 million;
- Incidence of social security contribution about dental care, education allowance, technical courses and education salary in the amount of R\$ 22.9 million

17 Private pension plan

The Company and its subsidiaries are sponsors of WEG Social Security - Private Pension Plan, which primarily seeks to supplement the retirement benefits offered by the official social security system.

The Plan managed by WEG Seguridade Social includes monthly income benefits (retirement), annual bonus, supplemental sickness benefits, supplemental disability retirement, pension due to death, supplementation of the annual bonus and death benefit.

The number of participants is 19,276 (19,335 as of December 31, 2016). The Company and its subsidiaries made contributions in the amount of R\$ 29,654 (R\$ 27,188 as of December 31, 2016).

Based on actuarial calculations carried out by independent actuaries, aiming to define the taxable net value between the defined benefit obligation and the fair value of plan assets in accordance with the procedures established by the CVM Resolution 695/12 - technical pronouncement CPC 33 (R1) Employee Benefits, the Company maintains a provision recorded in the amount of R\$ 4,092 (R\$ 4,092 as of December 31, 2016).

18 Shareholders' equity

a) Share capital

The Company's capital is R\$ 3,533,973 (R\$ 3,533,973 as of December 31, 2016) composed of 1,614,353,076 registered book-entry ordinary shares with no par value, all with voting rights, including 1,310,021 treasury shares pursuant to item "d".

b) Dividends and interest on shareholders' equity

The Bylaws establish the allocation of at least 25% of the adjusted profit, and Management proposed the following:

	12/31/2017	12/31/2016
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS.	1.142.149	1.117.624
(-) Statutory reserve	(57.108)	(55.881)
(-) Reversal/(Supplement) of provision for stock option plan	(590)	442
(+) Reversal of prior year dividends	831	766
(+) Realization of revaluation reserve (1989) and deemed cost (2010)	36.641	51.074
CALCULATION BASIS FOR DIVIDENDS	1.121.923	1.114.025
Dividends for the 1st. semester = R\$ 0.05300/share (R\$ 0.03630/share in 2016)	85.489	58.565
Interest on shareholders' equity for the 1st. semester R\$ 0.10700/share (R\$ 0.10369/share in 2016), IRRF R\$ 30,455 (R\$ 29,521 in 2016)	203.030	196.808
Dividends for the 2nd. semester = R\$ 0.08212/share (R\$ 0.06369/share in 2016)	132.455	102.750
Interest on shareholders' equity for the 2nd. semester = R\$ 0.09790/share (R\$ 0.11632/share in 2016), IRRF R\$ 27,867 (R\$ 33,115 in 2016)	185.783	220.770
TOTAL DIVIDENDS AND INTEREST ON SHAREHOLDERS'S EQUITY	606.757	578.893

Under Article 37 of the Company's Bylaws and Article 9 of Law 9949/95 interest on shareholders' equity will be charged from mandatory dividends and will be paid as from March 14, 2018.

c) Recording of profit reserves

Statutory reserve - it was recorded in the amount of R\$ 57,108 (R\$ 55,881 as of December 31, 2016) equivalent to 5% of the profit for the year, in compliance with the 20% limit of capital;

Reserve for capital budget - it corresponds to the amount remaining from the profit for the year R\$ 478,284, plus the balance of retained earnings of R\$ 36,882 (deriving from the realization of the deemed cost (2010), reversal of exercised shares of the provision for stock options and reversal of prior year dividends) aimed at the reserve for capital budget for the 2018 investment plan.

d) Treasury shares

In February 21, 2017, the Board of Directors approved the acquisition of 500,000 shares at the average cost of R\$ 17.35 per share.

The shares acquired by the Company are held in treasury to be used by the beneficiaries of the Share Purchase Option Plan and the Long Term Incentive Plan of the Company or subsequent disposal or cancellation.

The amount of 241,650 shares were exercised by the beneficiaries of the Share Purchase Option Plan until December 31, 2017. The Company holds in treasury 1,310,021 shares at the average cost of R\$ 13.28 per share in the total amount of R\$ 17,392 (R\$ 11,924 as of December 31, 2016).

19 Long-term Incentive Plan (LTIP)

The EGM held on June 28, 2016 approved the establishment of a share-based remuneration plan called Long-term incentive plan (LTIP PLAN) in favor of its Management and managers.

i) Plan

The Plan is managed by the Board of Directors, seeking to grant WEG S.A.'s (Company), named "WEGE3" by B3, shares to its statutory officers so as to attract, motivate and retain them, as well as align their interests to those of the Company and its shareholders.

For the LIP Plan to be applied each year, and the following granting of the shares, it is a minimum condition (trigger) that the Company has obtained, in the prior fiscal year, at least 10% of return on invested capital (ROIC).

The shares to be granted for this LIP Plan are limited to the maximum of 2% (two percent) of the total shares representing the Company's capital.

The availability of shares granted to the participants is registered on clauses 7 and 8 of the LIP Plan, which establishes the criteria for the amount of shares to be granted and the grace period to be complied with.

The Plan may be extinguished, suspended or altered at any moment, through a proposal approved by the Company's Board of Directors.

ii) Program

The Board of Directors may approve, each year, Long-Term Incentive Programs ("Programs"), which will define the participants, number of Options, value of shares, term and other rules specific to each Program.

2016 Program

The 2016 program participants are the company’s statutory directors and its subsidiaries with head offices in Brazil, excluding the statutory directors of subsidiaries with third party participation.The weighted average fair value was determined based on the Black-Scholes-Merton method

Program	GRANTED SHARES		AVERAGE FAIR VALUE- BLACK-SCHOLES-MERTON METHOD				
	Quantity	Share value (R\$)	Installment lifespan - in days	Expected volatility in share value (%)	Current share value at grant date (R\$)	Share value (R\$)	Expense value to be appropriated during the plan (R\$ thousand)
2016	280.408	15,54	520 – 1.022	25,6	17,10	21,78	6.107

The expenses recognition is made throughout the grace period of the installments established by the LIP (Long-Term Incentive Plan).

In 2017, was recorded expenses in the amount of R\$ 2,337 in account of other income in the financial statements for the year in counterpart to the capital reserve in Equity.

2017 Program

The Company’s Board of Directors approved the 2017 Program with identical conditions to the 2016 Program.

20 Stock call option plan

The EGM held on June 28, 2016 approved the discontinuity of the Company's Stock Purchase Option Plan which had been approved at the EGM held on February 22, 2011, and subsequent amendments, complying with the contracts already entered into and not yet completed.

Summary of the plan's shares movement:

Program	12/31/16	Exercised	12/31/17
April/11	9.188	(9.188)	-
September/11	5.340	(5.340)	-
March/12	14.040	(4.160)	9.880
September/12	23.824	(20.028)	3.796
April/13	81.921	(54.079)	27.842
September/13	39.596	(30.394)	9.202
March/14	155.874	(43.234)	112.640
August / 14	61.828	(15.854)	45.974
March/15	119.020	(12.236)	106.784
August/15	181.055	(39.837)	141.218
March/16	194.575	(7.300)	187.275
TOTAL	886.261	(241.650)	644.611

The recognition of expenses on stock options is carried out throughout the period of acquisition of the right "vesting period".

In 2017, expenses in the amount of R\$ 1,127 (R\$ 1,469 in 2016) were registered in the account Other Results in the Income Statement in counterpart to Capital Reserve in Equity.

The options exercised in 2017 were recorded in the amount of R\$ 1,588 (R\$ 1,530 in 2016) being recorded in Equity, in the account Capital Reserves, the amount of R\$ 998 (R\$ 1,972 in 2016), and the amount of R\$ 590 (R\$ 442 as reversal of the amount provisioned in 2016) as a complement to the amount provisioned registered in the accumulated profits account.

21 Net revenue

CONSOLIDATED		
BREAKDOWN OF NET REVENUE	12/31/2017	12/31/2016
Gross Revenue	10.854.789	10.943.203
Domestic market	5.231.447	5.316.659
External Market	5.623.342	5.626.544
Deductions	(1.330.959)	(1.576.195)
Taxes	(1.135.251)	(1.140.764)
Returns and rebates	(195.708)	(435.431)
Net revenue	9.523.830	9.367.008
Domestic market	4.203.680	4.002.279
External Market	5.320.150	5.364.729

22 Construction Contracts

The revenues and costs of construction contracts are recognized in accordance with the execution of each project by the method of incurred costs percentage, considering the legal possibility of demanding payment by the customer or delivery of the product to the client (transfer of control).

CONSOLIDATED		
	12/31/2017	12/31/2016
Recognized operational revenue	821.013	804.033
Incurred costs	(730.743)	(654.950)
	31/12/17	31/12/16
Advances received	1.478.138	846.037

23 Operating expenses by nature and function

CONSOLIDATED		
	12/31/2017	12/31/2016
EXPENSES BY NATURE	(8.341.418)	(8.303.334)
Depreciation, amortization and depletion	(283.875)	(343.257)
Personnel expenses	(2.218.279)	(2.148.008)
Raw materials, materials for use, and consumables	(4.371.131)	(4.362.612)
Freight expenses and insurance	(252.095)	(234.006)
Other expenses	(1.216.038)	(1.215.451)
EXPENSE BY FUNCTION	(8.341.418)	(8.303.334)
Cost of goods sold and services rendered	(6.765.383)	(6.731.229)
Selling expenses	(894.353)	(924.999)
General and administrative expenses	(465.050)	(442.783)
Management fees	(23.631)	(22.600)
Other operating income (expenses)	(193.001)	(181.723)

24 Other operating income (expenses)

The amounts recorded refer to profit sharing, reversal of/provision for tax suits and other, as shown below:

CONSOLIDATED		
	12/31/2017	12/31/2016
OTHER OPERATING INCOME	23.205	15.526
Others	23.205	15.526
OTHER OPERATING EXPENSES	(216.206)	(197.249)
Employee profit sharing	(171.335)	(143.320)
Profit sharing - subsidiaries abroad	(22.026)	(24.740)
Management profit sharing	(15.916)	(3.862)
Tax incentives of the Rouanet Law	(1.677)	(2.368)
Other	(5.252)	(22.959)
TOTAL NET	(193.001)	(181.723)

25 Net financial expenses

	PARENT COMPANY		CONSOLIDATED	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
FINANCIAL INCOME	79.982	108.889	851.852	816.087
Financial investment income	113.492	144.327	494.153	556.401
Exchange variation	-	-	276.649	342.811
Exchange variation - Trade payables	-	-	52.634	85.743
Exchange variation - Trade receivables	-	-	78.495	96.216
Exchange variation - Loans	-	-	78.353	126.269
Exchange variation – Other	-	-	67.167	34.583
Discounted present value of trade receivables	-	-	-	51.080
PIS/COFINS levied on interest on shareholders' equity	(29.141)	(29.344)	(29.180)	(29.500)
PIS/COFINS levied on finance income	(5.317)	(6.741)	(25.954)	(27.364)
Derivative financial instruments	-	-	34.480	(153.639)
PROEX - Equaliz. Interest rate	-	-	10.228	16.823
Other revenues	948	647	91.476	59.475
FINANCIAL EXPENSES	(246)	(243)	(793.816)	(600.247)
Interest applicable to Loans and financing	-	-	(287.347)	(267.651)
Exchange variation	-	-	(322.384)	(83.156)
Exchange variation - Trade payables	-	-	(34.406)	(43.016)
Exchange rate - Customers	-	-	(79.854)	(164.597)
Exchange variation - Loans	-	-	(121.732)	175.377
Exchange variation - Other	-	-	(86.392)	(50.920)
Discounted present value of trade payables	-	-	-	(29.418)
Derivative financial instruments	-	-	(100.267)	(165.416)
Other expenses	(246)	(243)	(83.818)	(54.606)
NET FINANCIAL RESULT	79.736	108.646	58.036	215.840

26 Provision for income and social contribution taxes

The parent company and subsidiaries in Brazil determine income and social contribution taxes according to taxable income, except for WEG Administradora de Bens Ltda, and Agro Trafo Miner., Agric., Pec. e Administradora de Bens S.A., which adopt the determination using the presumed income. The provision for income tax was recorded at a 15% rate, plus of additional of 10% and social contribution at a 9% rate. The taxes abroad are recorded according to the legislation of each country.

RECONCILIATION OF INCOME AND SOCIAL CONTRIBUTION TAXES:	PARENT COMPANY		CONSOLIDATED	
	12/31/17	12/31/16	12/31/17	12/31/16
Profit before taxes on income	1.141.409	1.118.549	1.240.448	1.279.514
Statutory nominal rate	34%	34%	34%	34%
IRPJ and CSLL calculated at nominal rate	(388.079)	(380.307)	(421.752)	(435.035)
Adjustments for determination of actual income and social contribution taxes:				
Income from investments in subsidiaries	364.124	345.459	(4.754)	5.310
Rate difference on profit or loss abroad	-	-	105.367	123.484
Tax incentives	-	-	81.900	59.251
Reintegra (Special Regime for the Reimbursement of Taxes paid by Export Companies)	-	-	12.364	596
Interest on shareholders' equity	25.082	34.116	132.264	142.071
Provision for income and social contribution taxes (Lei do Bem - Innovation Tax Incentive Law)	-	-	(6.596)	(52.968)
Other adjustments	(387)	(193)	1.701	5.609
IRPJ and CSLL in profit or loss	740	(925)	(99.506)	(151.682)
Current tax	(393)	(954)	(167.681)	(245.415)
Deferred tax	1.133	29	68.175	93.733
Effective rate - %	-0,06%	0,08%	8,02%	11,85%

27 Insurance coverage

The corporate unit in Brazil is responsible for WEG Group’s management regarding the insurance portfolio in Brazil and abroad, establishing risk policies for the Group in order to protect its assets. The Company and its subsidiaries have a Worldwide Insurance Program - WIP, in which the following world policies established stand out, such as: Transport risk (Export, Import and Domestic), Civil Product Liability, Directors and Officers (liability) insurance (D&O), Surety Bond, General Civil Liability, Properties and Environment Pollution, Contractual Insurance and Engineering Installation and Assembly Risk.

The insurance policies are issued only in first-tier multinational insurance companies that can meet the WEG Group in the countries where it has operations. The financial structure and sustainability of the aforementioned insurance companies are continuously monitored by WEG’s Brazilian corporate unit.

Some of the policies and their insured capital are highlighted below:

- **Operational Risks (Equity):** US\$ 36 million;
- **Loss of Profits:** US\$ 11.7 million (for Paint companies and newly acquired companies for the first 12 months with an indemnity period of 6 months);

- **General Civil liability:** US\$ 10 million;
- **Products Civil liability:** US\$ 40 million;
- **Domestic Transport:** R\$ 12 million per shipment/accumulation/trip and cabotage up to R\$ 40 million;
- **International Transport - Export and Import:** US\$ 5 million per boarding/accumulation/trip;
- **Environment pollution:** US\$ 20 million;
- **Contractual Insurance:** As stipulated in contract;
- **Installation and Assembly Engineering Risk:** R\$ 150 million in Brazil, US\$ 30 million in Latin America (except Cuba) and US\$ 5 million in the USA;
- **Directors & Officers (liability) insurance (D&O):** US\$ 30 million.

28 Financial instruments

The Company and its subsidiaries performed the valuation of its financial instruments, including derivatives recorded in the financial statements, presenting the following values:

	CARRYING VALUE		FAIR VALUE	
	12/31/17	12/31/16	12/31/17	12/31/16
Cash and cash equivalents	3.162.685	3.390.662	3.162.685	3.390.662
Cash and Banks	224.249	223.267	224.249	223.267
Financial investments	2.938.436	3.167.395	2.938.436	3.167.395
In local currency	2.847.251	3.091.597	2.847.251	3.091.597
In foreign currency	91.185	75.798	91.185	75.798
Financial investments	1.411.046	1.373.287	1.411.046	1.373.287
Derivative financial instruments	182.154	184.664	182.154	184.664
<i>Non Deliverable Forwards - NDF</i>	4.986	15.425	4.986	15.425
SWAP	174.214	169.221	174.214	169.221
<i>Hedge accounting</i>	2.954	18	2.954	18
TOTAL - ASSETS	4.755.885	4.948.613	4.755.885	4.948.613
Loans and financing	4.056.442	4.400.325	4.056.442	4.400.325
In local currency	1.757.618	2.529.984	1.757.618	2.529.984
In foreign currency	2.298.824	1.870.341	2.298.824	1.870.341
Derivative financial instruments	53.640	89.373	53.640	89.373
<i>Non Deliverable Forwards - NDF</i>	7.774	12.061	7.774	12.061
SWAP	40.795	47.105	40.795	47.105
<i>Hedge accounting</i>	5.071	30.207	5.071	30.207
TOTAL - LIABILITIES	4.110.082	4.489.698	4.110.082	4.489.698

28.1 Risk factors

Risk factors regarding financial instruments are basically related to:

a) Credit risk

Arises from the possibility of the company's subsidiaries not receiving amounts arising from sales or credit transactions with financial institutions generated by financial investments. To mitigate the risk arising from sales operations, the Company's subsidiaries adopt a policy of analyzing the financial position of their customers, establishing a credit limit and permanently follow their outstanding balance. With regard to financial investments, the Company and its subsidiaries invest with institutions with low credit risk.

b) Foreign Currency Risks

The Company and its subsidiaries have import and export operations in various currencies, they manage and monitor their exposure to foreign currency, seeking to balance their financial assets and liabilities within the limits established by Management. The limit of exposure to foreign exchange sold (net) may be equivalent to up to two months of exports in foreign currencies as established by the Company's Board of Directors.

The Company and its subsidiaries had export operations totaling US\$ 651.4 millions (US\$ 596.9 millions as of December 31, 2016), which acts as a natural hedge for indebtedness and other costs related to other currencies, especially US Dollars.

c) Risks related to debt charges

These risks arise from the possibility that the subsidiaries may suffer losses due to fluctuations in interest rates or other debt indexes, which increase financial expenses related to loans and financings obtained in the market, or decrease financial income related to the subsidiaries' short-term investments.

The Company and its subsidiaries continually monitor market interest rates aiming at assessing the possible need for hedging against the volatility of these rates.

28.2 Derivative financial instruments

The Company and its subsidiaries have the following operations with derivative financial instruments:

a) Non Deliverable Forwards - NDF, in the notional amount of:

(i) US\$ 45.3 million, held by subsidiary WEG Equipamentos Elétricos S.A., with the purpose of protecting its exportations from the currency exchange fluctuation risks;

(ii) US\$ 13.5 million, held by subsidiary Zest WEG Group Africa (PTY) Ltd, aiming at protecting the importation operations against currency exchange fluctuation risks;

(iii) EUR 31.3 million, held by subsidiary WEG Equipamentos Elétricos S.A., with the purpose of protecting the exportations against currency exchange fluctuation risks;

(iv) US\$ 78.5 million, held by subsidiary WEG Holding GmbH, with the purpose of protecting its intercompany financing operations against the risks of Euro decreases;

b) Swap operations, in the notional amount of:

(I) EUR 10 million, held by subsidiary Watt Drive Antriebstechnik GmbH, with the purpose of protecting its financing from the Euribor fluctuation risks;

(II) US\$ 462.3 million held by the subsidiary WEG Equipamentos Elétricos S.A., with the purpose of protecting the financing operations against the US\$ Dollar increase risks;

(III) R\$ 80 million, held by subsidiary WEG Equipamentos Elétricos S.A., with the purpose of protecting against the interest rate decreases risk.

The Company's Management and that of its subsidiaries maintain a permanent monitoring of the derivative financial instruments contracted, through their internal control.

The sensitivity analysis statement chart (item 28.3) must be read jointly with the other financial assets and liabilities expressed in foreign currency as of December 31, 2017, as the estimated impact of the foreign currency rate over NDFs and SWAPs presented will be offset, if effective, in whole or in part, with the devaluation of all assets and liabilities.

Management has determined that, for the probable scenario (market value), the exchange rates used to mark to market the financial instruments, valid on December 31, 2017, should be considered. These rates represent the best estimate of the future performance of these prices and represent the amount by which the positions could be settled at maturity.

The Company and its subsidiaries made the accounting based on their market price on December 31, 2017 at fair value and on the accrual basis. These operations had net negative impact as of December 31, 2017 in the amount of R\$ 65,787 (R\$ 319,055 negative as of December 31, 2016) which were recognized as financial income. The Company and its subsidiaries have no margin guarantees for derivative financial instruments outstanding as of December 31, 2017.

c) Derivative financial instruments designated to hedge accounting (hedge accounting)

The Company made the formal designation of its operations subject to protection accounting (hedge accounting) for derivative financial instruments of protection of inputs purchase and expenses denominated in foreign currency, documenting:

- Date of designation and identification of the hedging relation;
- Description of the purpose of hedging and risk management strategy;
- Hedge compliance statement and risk management;
- Description and identification of the derivative instrument and the hedged item;
- Description of the risks covered and excluded risks;
- Description of the evaluation method of the actual hedge effectiveness;
- Frequency of evaluation effectiveness of prospective and retrospective;
- Description of hedge accounting policy.

The Company and its subsidiaries have operations of hedge accounting as of December 31, 2017, in the notional amount of US\$ 31.3 million and EUR 4.8 million, held by subsidiary WEG Equipamentos Elétricos S.A.

The Company and its subsidiaries made the accounting based on their fair value as of December 31, 2017, and on the accrual basis. The net accumulated value, net of taxes, recorded in equity is R\$ 11,355 negative (R\$ 26,948 negative at December 31, 2016).

The Company and its subsidiaries have no margin guarantees for derivative financial instruments outstanding as of December 31, 2017.

28.3 Sensitivity analysis

The tables below present “cash and expense” effects deriving from the results of financial instruments in each one of the scenarios.

a) Financial investments and Financing:

Operation	Risk	Currency	National Value (in thousands)	Market value on 12/31/2017		Possible scenario 25%		Remote Scenario 50%	
				Average price	In thousands R\$	Average price	In thousands R\$	Average price	In thousands R\$
Short-term investments	Decrease of CDI	R\$	3.276.968	Rate 6.89% p.a.	225.783	Rate 5.17% p.a	169.419	Rate 3.45% p.a	113.055
	TOTAL				225.783		169.419		113.055
Financing	Increase of TJLP	R\$	958.121	Rate 7.00% p.a. 3.3074	(67.068)	Rate 8.75% p.a. 4.1343	(83.836)	Rate 10.50% p.a. 4.9611	(100.603)
	Increase of Dollar	US\$	402.300	3,3074	(206.632)	4,1343	(539.301)	4,9611	(871.970)
	TOTAL				(273.700)		(623.137)		(972.573)

(*) Analysis of sensitivity variation of investments: risk of the Company in the event of reduction in interest rates, considering as static the position of applications backed by the CDI rate as of December 31, 2017.

(**) Financing variation sensitivity analysis: the Company's risk in the event of rising interest rates, considering the static funding position backed TJLP of December 31, 2017.

b) Non Deliverable Forwards - NDF operations:

Operation	Risk	Currency	National Value (in thousands)	Market Value in 12/31/2017		Possible scenario 25%		Remote scenario 50%	
				Average price	In R\$ Thousands	Average price	In R\$ Thousands	Average price	In R\$ Thousands
Non Deliverable Forwards - NDF	Increase of Dollar	US\$/R\$	45.300	3,3436	(512)	4,1796	(38.378)	5,0155	(76.245)
	Decrease of Dollar	US\$/R\$	297	3,3329	(422)	2,4997	(670)	1,6665	(917)
	Increase of Dollar	US\$/ZAR	978	15,4367	(384)	19,2958	(1.399)	23,1550	(2.414)
	Decrease of Dollar	US\$/ZAR	13.496	13,6625	(443)	10,2621	(12.863)	6,8416	(25.282)
	Decrease of Dollar	US\$/EUR	78.500	1,2029	3.261	0,9022	(83.082)	0,6015	(255.770)
	Total Dollar		138.571		1.500		(136.392)		(360.628)
	Decrease of Dollar	EUR/ZAR	82	14,8188	(8)	11,1141	(90)	7,4094	(171)
	Increase of Euro	EUR/R\$	31.300	4,0250	(3.932)	5,0313	(35.428)	6,0376	(66.924)
	Decrease of Dollar	EUR/R\$	208	4,0063	(294)	3,0047	(503)	2,0032	(711)
	Total Euro		31.590		(4.234)		(36.021)		(67.806)
	Decrease of Pound	GBP/ZAR	187	17,0944	(92)	12,8251	(307)	8,5506	(522)
	Total Pound		187		(92)		(307)		(522)
	Decrease of Cingapure Dollar	SGD/EUR	2.948	1,6117	38	1,2087	(2.382)	0,8058	(7.221)
	Total Singapore Dollar		2.948		38		(2.382)		(7.221)
	TOTAL				(2.788)		(175.102)		(436.177)

c) SWAP Operations:

Operation	Risk	Currency/ Quotation	National Value (in thousands)	Market value on 12/31/2017		Possible Scenario 25%		Remote Scenario 50%	
				Average price	In Thousand R\$	Average price	In Thousand R\$	Average price	In Thousand R\$
SWAP	Decrease of Euribor	EUR	10.000	Interest 0.11% p.a.	(8.591)	Interest 0.08% p.a.	(8.644)	Interest 0.05% p.a.	(8.697)
	Decrease of Dollar	US\$	462.333	3,2980	138.076	2,4735	(221.153)	1,6490	(581.525)
	Increase of CDI	R\$	80.000	Rate 6.28%	3.934	Rate 7.84%	2.998	Rate 9.41%	2.086
	TOTAL				133.419		(226.799)		(588.136)

d) Hedge accounting operations:

Operation	Risk	Currency	National Value (in thousands)	Market value on 12/31/2017		Possible Scenario 25%		Remote Scenario 50%	
				Average price	In Thousand R\$	Average price	In Thousand R\$	Average price	In Thousand R\$
Hedge Accounting	Dollar depreciation	US\$/R\$	31.315	3,3472	(1.136)	2,5104	(27.339)	1,6736	(53.544)
	Euro depreciation	EUR/R\$	4.813	3,9835	(981)	2,9876	(5.776)	1,9917	(10.569)
	TOTAL				(2.117)		(33.115)		(64.113)

29 Subsidies and Government grants

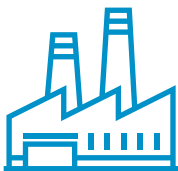
The Company and its subsidiaries obtained subsidies in the amount of R\$ 74,776 (R\$ 52,176 as of December 31, 2016) deriving from tax incentives, recognized in the profit or loss for the period:

CONSOLIDATED		
	12/31/17	12/31/16
Total subsidies and government grants	74.776	52.176
a) WEG Linhares Equipamentos Elétricos SA	43.447	40.844
ICMS incentive credit of 85.0%	30.716	31.935
Corporate Income Tax (IRPJ) 75.0% reduction	12.006	8.380
Corporate Income Tax (IRPJ) 30% reduction due to reinvestment	700	504
Municipal investment	25	25
b) WEG Drives & Controls – Automação Ltda.	16.981	-
ICMS incentive credit	16.981	-
c) WEG Logística Ltda.	10.360	10.522
ICMS incentive credit	10.360	10.522
d) WEG Amazônia SA	2.983	810
ICMS incentive credit of 90.25%	402	378
Corporate Income Tax (IRPJ) 75.0% reduction	2.581	432
d) WEG Equipamentos Elétricos SA	1.005	-
ICMS incentive credit	1.005	-

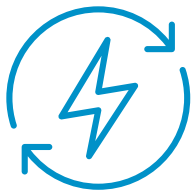
There are no contingencies related to the aforementioned subsidies, and all of the conditions for obtaining government subsidies have been met.

30 Information by Segment

	BRAZIL				FOREIGN		ELIMINATIONS AND ADJUSTMENTS		CONSOLIDATED	
	Industry		Energy							
	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16
Revenue from sale of products/services	4.677.288	4.341.305	2.034.590	2.185.202	5.566.322	5.585.702	(2.754.370)	(2.745.201)	9.523.830	9.367.008
Earnings before income taxes	1.648.245	1.427.489	724.502	841.155	469.699	630.995	(1.601.998)	(1.620.125)	1.240.448	1.279.514
Depreciation / Amortization / Depletion	135.157	182.700	50.292	64.237	98.426	96.320	-	-	283.875	343.257
	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16
Identifiable Assets	3.098.156	2.967.103	1.517.913	1.735.504	4.923.974	3.871.977	(489.471)	(192.857)	9.050.572	8.381.727
Identifiable Liabilities	773.478	867.463	600.952	614.173	1.487.813	1.317.424	(594.290)	(635.228)	2.267.953	2.163.832



INDUSTRY:
single phase and triple phase motors with low and medium tension, drives and controls, equipment and services for industrial automation, paints and varnishes.



ENERGY:
electricity generators for thermal and hydraulic power plants (biomass), hydraulic turbines (PCHs), transformers, substations, wind power generators, control dashboards, integration services of renewable and distributed energy systems and solutions.



ABROAD:
composed of operations carried out by subsidiaries located in various countries.

The adjustment and elimination column includes the eliminations applicable to the Company in the context of the Consolidated Financial Statements.

All operating assets and liabilities are presented herein as identifiable assets and liabilities.

31 Earnings per share

a) Basic

The calculation of basic earnings per share is performed by means of dividing the net income for the year attributable to the holders of the Company's ordinary shares, by the weighted average number of ordinary outstanding shares for the year.

	12/31/17	12/31/16
Earnings attributable to the Company's shareholders.	1.142.149	1.117.624
Weighted average number of outstanding ordinary shares (adjusted including splitting) held by shareholders (shares/thousand)	1.613.447	1.613.245
Basic earnings per share - R\$	0,70789	0,69278

b) Diluted

Net earnings per share is calculated by dividing the net earnings attributable to Company's holders of ordinary shares by the weighted average number of outstanding ordinary shares for the year plus the weighted average number of ordinary shares that would be issued upon the conversion of all potential diluted ordinary shares into ordinary shares.

	12/31/17	12/31/16
Earnings attributable to the Company's shareholders.	1.142.149	1.117.624
Weighted average number of outstanding ordinary shares (adjusted including splitting) potentially diluting held by shareholders (shares/thousand)	1.613.968	1.614.188
Diluted earnings per share - R\$	0,70767	0,69238

BOARD OF DIRECTORS

Décio da Silva - Chairman
Nildemar Secches - Vice Chairman
Dan Ioschpe
Martin Werninghaus
Miguel Normando Abdalla Saad
Sérgio Luiz Silva Schwartz
Umberto Gobbato

ACCOUNTANT

Homero Fabiano Michelli
CRC/SC 025355/O-2
TAX ID No. 850.936.709-44

**STATUTORY AUDIT COMMITTEE
INCUMBENTS**

Alidor Lueders
Paulo Cesar Simplicio da Silva
Vanderlei Dominguez da Rosa

DEPUTIES

Ilário Bruch
Aramis Sa de Andrade
Paulo Roberto Franceschi

EXECUTIVE BOARD

Harry Schmelzer Junior - CEO (Chief Executive Officer)
André Luis Rodrigues - CFAO (Chief Administrative and Financial Officer)
Carlos Diether Prinz - Officer - Transmission and Distribution
Daniel Marteleto Godinho - Corporate Strategies Director
Eduardo de Nóbrega - Officer - Energy
Hilton José da Veiga Faria - CHRO (Chief Human Resources Officer)
Luis Alberto Tiefensee - Officer - Motors
Luis Gustavo Lopes Iensen - International Department Director
Manfred Peter Johann - Officer - Automation
Paulo Geraldo Polezi - Finance and Investors Relations Officer
Reinaldo Richter - Officer - Paints
Siegfried Kreutzfeld - Officer - China
Wandair José Garcia - Chief Information Technology Officer
Wilson José Watzko - Chief Controlling Officer



Independent auditors' report on the Financial Statements

**To the Board of Directors and
Management WEG S.A.
Jaraguá do Sul - Santa Catarina (SC)**

OPINION

We have audited the individual and consolidated financial statements of WEG S.A. ("the Company"), respectively referred to as Parent and Consolidated, which comprise the statement of financial position as at December 31, 2017 the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of the WEG S.A. as at December 31, 2017 and of its individual and consolidated financial performance and its cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

BASIS FOR OPINION

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion about the individual and consolidated financial statements, and therefore, we do not provide a separate opinion on these matters.

• Business Combinations

See notes 2.2 and 11 of individual and consolidated financial statements.

In 2017 the Company acquired the control of CG Power USA Inc, company based in United States, a manufacturer of electrical transformers.

The accounting standard requires the measurement of the fair value of the consideration transferred, the assets acquired and the liabilities assumed and the result of the goodwill by expectation of future profitability.

This transaction was considered a significant matter for our audit, due to the uncertainties inherent in the definition process of estimates and the impact that possible changes in the assumptions used in those estimates might have on the financial statements.

HOW OUR AUDIT ADDRESSED THIS MATTER

We evaluated the contracts that supports the business combination and reviewed the supporting documentation that we understand to be relevant.

With the assistance of our specialists in corporate finance, based on our knowledge of the entity acquired and the industry in which it operates, we assessed the assumptions and methodologies used by the Company and its legal advisors in the determination and appropriate recognition of the fair value of assets and liabilities acquired and compared the estimates and judgments with the independent calculations performed based on external and historic data in order to analyze the reasonableness of the fair values determined. We also assessed the appropriateness of the disclosures made in the financial statements.

As a result of the evidence obtained through the procedures described above, we understand that the recognition and disclosure of the business combination is acceptable in the context of the financial statements taken as a whole.

• Valuation of the goodwill recoverable value

See notes 2.2, 2.9, 11 and 13 of individual and consolidated financial statements.

The Company has a significant amounts of goodwill recognized in intangible assets, which originated in the various acquisitions performed by the Company, which is subject to an annual impairment test and whose realization depends on estimates of future profitability based on the business plans and annual budget prepared by the Company and which are supported by economic and business assumptions such as rates of growth and discount.

Due to relevance of goodwill, the uncertainties inherent in the definition process of estimates and the impact that possible changes in the assumptions used in those estimates might have on the financial statements, we consider that this is a significant matter for our audit.

HOW OUR AUDIT ADDRESSED THIS MATTER

With the support provided by our specialists in corporate finance, we assessed the assumptions and methodologies used by the Company in the preparation of the analysis that supports the analyses of determined goodwill recoverable value, particularly those used in the preparation of cash flow forecasts and compared them with historical data and data obtained from external sources. We carried out a sensitivity analysis of those assumptions made by Company.

We also carried out the analysis of reasonableness of mathematical calculations and assessed the appropriateness of disclosures made by the Company.

Based on the evidence obtained through the procedures described above, we consider that it is acceptable to assess the recoverability of goodwill in the context of the financial statements taken as a whole.

OTHER MATTERS

Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2017, prepared under the responsibility of the Company's management, and presented herein as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we assessed whether those statements are reconciled with the financial statements and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement 09 (CPC 09) - Statement of Value Added issued by the Committee for Accounting Pronouncements (CPC). In our opinion, the statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement, and are consistent with the

overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for the other information comprising the management report.

Our opinion on the individual and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the individual and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this respect.

Responsibilities of Management and Those Charged with Governance for the Individual and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Brazilian accounting practices and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern,

disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and subsidiaries financial reporting process.

Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and evaluate the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve the override of internal control, collusion,

forgery, omissions or intentional misrepresentations.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the

direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in

our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Joinville, February 02, 2018

KPMG Auditores Independentes
CRC SC-000071/F-8
Original report in Portuguese signed by
Marcelo Lima Tonini
Accountant CRC PR-045569/O-4 T-SC

Marcelo Lima Tonini
Accountant CRC PR-045569 / O-4 T-SC

WEG S.A.
FINANCIAL STATEMENTS
REPORT OF SUPERVISORY BOARD

The Supervisory Board of WEG S.A., performing its legal function, has examined the Management Report, Financial Statements as of 12/31/2017, and the proposals of the Management for: (a) allocation of Net Profit; and (b) Plan Investment / Capital Budget, based on the tests and clarifications offered by the Management, by the representatives of the Independent Auditors, and also based on the report of KPMG - Auditores Independentes on the non-qualified Financial Statements dated February 02, 2018, opines that these documents are in condition to be examined and voted at the Annual General Meeting.

Jaraguá do Sul (SC), February 27, 2018.

ALIDOR LUEDERS PAULO CESAR SIMPLICIO DA SILVA VANDERLEI DOMINGUEZ DA ROSA

Statement

Through this instrument, the CEO and other Officers of WEG S.A., a publicly owned company, with head office at Avenida Prefeito Waldemar Grubba, 3300, registered under CNPJ (Brazilian IRS Registry of Legal Entities) No. 84.429.695/0001-11, for the purposes described in items V and VI of Article 25 of CVM instruction 480, of December 7, 2009, hereby state that:

(I) Reviewed, discussed and agreed with the opinions expressed in the report of KPMG, dated February 2, 2018, regarding the financial statements of WEG S.A. and consolidated for the year ended December 31, 2017, and

(II) Reviewed, discussed and agreed with the financial statements of the WEG S.A. and consolidated for the year ended December 31, 2017.

Jaraguá do Sul (SC), February 2, 2018.

Harry Schmelzer Junior - CEO (Chief Executive Officer)

André Luis Rodrigues - CFAO (Chief Administrative and Financial Officer)

Carlos Diether Prinz - Officer - Transmission and Distribution

Daniel Marteleto Godinho - Corporate Strategies Director

Eduardo de Nóbrega - Officer - Energy

Hilton José da Veiga Faria - CHRO (Chief Human Resources Officer)

Luis Alberto Tiefensee - Officer - Motors

Luis Gustavo Lopes Iensen - International Department Director

Manfred Peter Johann - Officer - Automation

Paulo Geraldo Polezi - Finance and Investors Relations Officer

Reinaldo Richter - Officer - Paints

Siegfried Kreutzfeld - Officer - China

Wandair José Garcia - Chief Information Technology Officer

Wilson José Watzko - Chief Controlling Officer

Remissive Index

DESCRIPTION	PAGE
STRATEGY AND ANALYSIS	
G4-1: Message from the President	4
ORGANIZATIONAL PROFILE	
G4-3: Name of the organization	WEG S.A.
G4-4: Main brands, products	14
G4-5: Location of the headquarters	Av Prefeito Waldemar Grubba, 3.300 – 89256-900 – Jaraguá do Sul – SC - Brazil
G4-6: Number of the countries in which it operates and their names	8
G4-7: Nature and legal form of organization	WEG S.A.
G4-8: Covered markets	8
G4-9: Size of organization (No. of employees, sales, etc.)	8
G4-10: Total employees: contract type, gender, region, etc.	9
G4-11: Inform the percentage of employees covered by collective bargaining agreements.	In Brazil 100% of employees are covered by the collective bargaining agreements.
G4-12: Description of the supply chain of the organization	50
G4-13: Main changes in the period of the report	54
G4-14: Explanation on how the organization applies the precautionary principle	47
G4-15: Letters, principles or other initiatives that the organization subscribes or endorses	70
G4-16: Participation in national/international defense associations and/or entities	63
MATERIAL ASPECTS IDENTIFIED AND LIMITS	
G4-17: Entities included in the consolidated financial statements or documents equivalent of the organization.	110
G4-18: Process to define the content	5
G4-19: List all material aspects identified in the process of content definition of the report.	6
G4-20: For each material Aspect, inform the Limit of the Aspect inside the organization	6
G4-21: For each material Aspect, inform the Limit of the Aspect outside the organization	6
G4-22: Consequences of reformatting information provided in previous reports	5
G4-23: Significant changes in scope, limit or measurement methods	5

DESCRIPTION**PAGE****ENGAGEMENT OF STAKEHOLDERS**

G4-24: Present a list of stakeholder groups engaged with the organization

5

G4-25: Base to identify and select stakeholders with whom to engage

5

G4-26: Approaches for the engagement with the stakeholders

5

G4-27: Main subjects and concerns raised by means of the engagement with the stakeholders

6

REPORT PROFILE

G4-28: Period covered by the report

Year of 2017

G4-29: Date of the last report published

In 2017, with the publication of the “Integrated Annual Report 2016”

G4-30: Publishing cycle of the report

Annual

G4-31: Contact for frequently asked questions regarding the report

sustentabilidade@weg.net

G4-32: Inform the ‘I agree’ option chosen by the organization

For the preparation of this Report, the guidelines of the Global Reporting Initiative (GRI), in its G4 version, were followed in the option ‘Essential’.

G4-33: Current policy and practice regarding external verification of the report

The socio-environmental information has not yet been externally verified, and only the economic-financial information

GOVERNANCE

G4-34: Inform the governance structure of the organization, including the committees of the highest governance office. Identify any committees in charge of assisting the council in making decisions that have economic, environmental and social impacts.

43

ETHICS AND INTEGRITY

G4-56: Describe the organization’s values, principles, standards and behavioral standards, such as codes of conduct and ethics.

65

MATERIAL INDICATORS	PAGE
G4-EC2: Financial implications and other risks and opportunities for the activities of the organization due to the climate changes	13
G4-LA9: Average number of hours of training per employee year, broken down by gender and functional category	33
G4 EC1: Direct economic value generated and distributed	122
G4-SO4: Communication and training in policies and procedures of fight against corruption	69
G4-46: Inform the role played by the highest governance office in the analysis of the effectiveness of the organization’s risk management for economic, environmental and social matters	47
G4-LA6: Rates of injuries, occupational diseases, lost days, absenteeism and number of work-related deaths, separated by region and gender	39
G4-EN5: Energy intensity	81
G4 EC7: Development and impact of investments in infrastructure and services	92
G4-EN32 - Percentage of new suppliers selected based on environmental criteria;	51



General coordination

Harry Schmelzer Jr. - CEO

Information Analysis

Information Disclosure Committee

Content and Publishing Coordination

Corporate Sustainability Team

Coordination of Publishing and Graphic Production

Corporate Marketing Section

Direction of Art and Graphic Design

Compreendo Comunicação

Pictures

WEG Group Files

Thanks

To all employees and stakeholders who took part in the preparation of this report.



WEG Group
Jaraguá do Sul - SC - Brazil
Telephone: +55 (47) 3276-4000

