



INDEX		
	Message from the President	04
	About the Report	06
	Doing Our Part	07
	The Company	10
	Corporate Governance	17
	Products	21
	Awards	25
	Management System	27
	Environmental Performance	37
	Relationships	54
	Economic Performance	111

## MESSAGE FROM THE PRESIDENT



2013 was another remarkable year for WEG, with several events, achievements and results that reinforced our confidence in the path we have chosen and in the manner we have conducted ourselves in the pursuit of our mission: continuous and sustainable growth.

WEG achieved a Net Operating Income of R\$ 6.8 billion in 2013, an increase of 10.6% over the previous year. This growth was driven mainly by the Brazilian market, which expanded 13.8% over 2012.

We strive to offer our customers increasingly efficient products and complete solutions. Our product development efforts have as one of its key approaches the search for greater energy efficiency, and consequent reduction of energy consumption by our customers. We know that to continue growing, we must follow the new market trends and constantly innovate our products. Our research, development and technological innovation program is internationally recognized. In 2013, we were again finalists of FINEP Innovation Award and recognized as one of the eight Brazilian companies in the list of global companies that most invest in R&D.

In this same product line with positive environmental impact, we continue expanding our business in the sector of power generation from renewable sources. In 2013 we signed a new technology agreement with the company Northern Power Systems to manufacture wind turbines. The first units of wind turbines manufactured in Brazil bearing the WEG brand must start being delivered as of mid-2014. In the generation of solar photovoltaic energy, we closed some one of the largest supplies in the country, such as the generator park in Fernando de Noronha.

#### MESSAGE FROM THE PRESIDENT

Continuing our WEG 2020 strategic planning, we announced important investments to expand the capacity in Mexico and China, making our products more competitive on the international market. We intend thus to increase the production of industrial motors, verticalizing the manufacturing process, making those units similar to the largest industrial park of WEG in Jaraguá do Sul (SC). At the same time, we announced the acquisition of Hawker Siddeley Electric Africa (Pty) Ltd., expanding the transformers business in the African continent.

It was also a year of achievements for the stock market, with our shares and becoming part of the IBrX-100 Index, one of the performance benchmarks in the Brazilian stock market. In addition, our initiatives for sustainable growth, trying to build lasting relationships with suppliers, investors, customers and other stakeholders, contributed to maintaining WEG in the Corporate Sustainability Index (ISE) of BM&FBovespa. For the fourth time we integrate the ISE, and we are the only member in the capital goods sector.

Regarding social responsibility, we remain present in health, education, culture, sport and leisure projects. The social investment aims at helping the development of communities in which we operate, contributing to increasing opportunities.

We hope the main trends observed in recent years, the recovery of world economic growth, continue in 2014, which will allow us to continue the execution of the actions contained in WEG 2020 strategic planning, expanding into new markets and enhancing the line of products.

The prospects for the industrial sector in Brazil are more positive and we expect a gradual recovery of investments in energy generation, transmission and distribution. On the external market, we should continue benefiting from the economic recovery of mature economies and continue exploiting opportunities for expansion on new markets worldwide.

We remain confident about our prospects for the coming years, and we are thankful for all the support received from our employees, customers, suppliers, shareholders and the community in general.

Thank you all and have a good happy reading! Harry Schmelzer Jr. President

## ABOUT THE REPORT

WEG develops the Sustainability Report in order to disclose and report on its organizational performance oriented to sustainable development, reinforcing the commitment to its future and to all of its stakeholders.

The Sustainability Report is also used as an internal management tool, since it provides indicators to identify opportunities for improvements, aiming at continuous and sustainable development in the company.

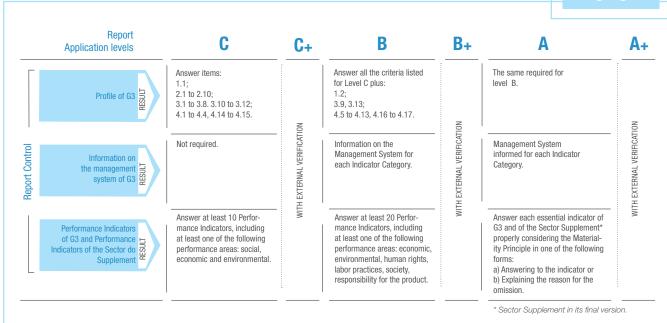
WEG Sustainability Report is published annually on the company's website, covering data and information from January 1st to December 31, 2013.

The scope of WEG Sustainability Report is global, including all manufacturing plants and sales offices of the WEG Group.

In order to prepare this Report, we followed the directives of the Global Reporting Initiative (GRI) in its version G3, at application level B (as per the figure below).

The content of the report is the result of the work of a multidisciplinary team, involving several areas and employees of the company.





## DOING OUR PART



In 2013, 10% of all energy produced in Brazil was wasted. Enough energy to make up for the increase in the national demand for about two years. In times of uncertainty in the energy sector of the country, actions of efficiency and the diversification of the matrix have become a concern again. The rational use of electric energy and the generation from renewable sources are the answers to the challenges of ensuring energy security and at the same time reducing environmental impacts.

If upward social mobility has raised the consumption and reflected on waste, the most significant bottlenecks related to energy efficiency are not in the lights of the cities. The industrial sector – which is the largest consumer of energy in the country, consuming about 40% of the total – still rely on electric motors manufactured in the 70s, with efficiencies much lower than the current standards. And such devices are responsible for almost 70% of all the energy consumed in a company.

The participation of the sector in the consumption, however, has been gradually decreasing, reflecting the deindustrialization of the country. In 2012, the industry accounted for 45% of the consumption. In this regard, efficiency is also an alternative for achieving productivity and reversing the process, as it helps decrease production costs.

Aware of the environmental and economic demands, WEG chose a "sustainable" business, pioneering the development of high-efficiency products, and standing out for the expertise accumulated over the past years in the generation of renewable energy.

#### DOING OUR PART

Back in the 70s, the company started its internationalization process with researches abroad to raise its product quality to the level of the most developed countries. Ten years before the creation of laws of efficiency in Brazil, the company already offered the national market high-performance motors. Thus, it not only anticipated the standards of minimum efficiency, but it served as the basis for them.

The automation of systems, also adopted by the countries with high technology, provided even higher efficiencies. The "efficient motors + frequency inverters" solution allows even today higher levels of efficiency than those proposed by the legislation.

Innovation for actions of lower environmental impact is not only in the development of these devices. For 17 years the company has granted a discount on the purchase of a new motor with performance above the legal requirements in exchange for a used one.

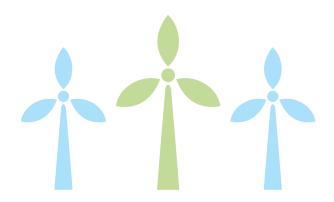


#### DOING OUR PART

With a diversified portfolio for sustainable energy generation, WEG integrates projects of Small Hydro Power (SHP) and solar plants, wind farms and biomass. Through partnerships with universities and international cooperation, it studies the development of better technologies in generation, which translate into greater competitiveness for the national market. Thus, WEG promotes the diversification of the energy matrix, and consequently less dependence on fossil resources, while avoiding the exclusive predominance of a single source.

Efficiency and sustainable generation relate to each other even more significantly when it comes to urban mobility. Brazil has already launched its first hybrid electric buses using hydrogen "H2+2", and the hybrid using ethanol, which is the most advanced technology available in the world. Besides being powered by renewable energy, electric vehicles have electric drive, which is almost five times more efficient than the conventional drive.

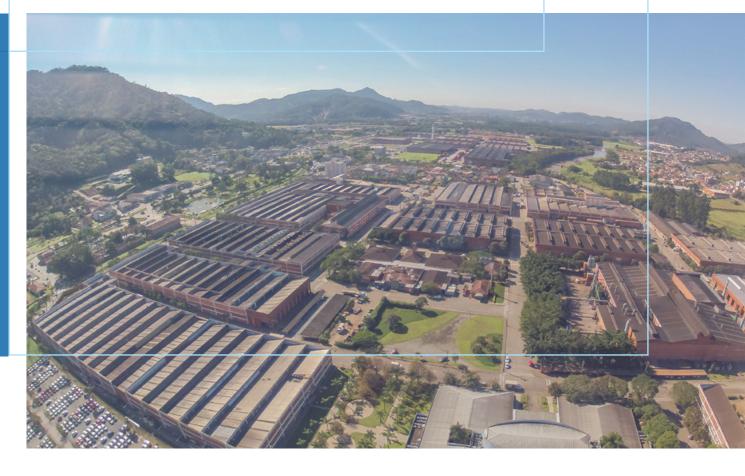
These and many other initiatives that make the country advance every day in efficiency and rational use of its resources, carry WEG technology. The company continues being driven by the challenge of identifying new ways to sustainable development, not only of its business, but of the whole country, ensuring economic, social and environmental balance, essential for future generations.







## THE COMPANY



Founded in the early 60s, WEG (then Eletromotores Jaragua) was born from the dream shared from Werner, Eggon and Geraldo, who combined their skills in order to form what is now one of the largest multinational companies in Brazil.

The expertise and respect among the founders served as a solid basis for the development of the company, making it a successful model of corporate governance and resource conservation.

The diversification of its product lines and the high rate of technological development made WEG a global giant.

Operating in the manufacture of electrical motors, industrial automation products, safety, energy generation and distribution, paints and varnishes.

The company is headquartered in Jaraguá do Sul/SC, with 25 other factories in nine countries (Brazil, Argentina, Mexico, United States, India, China, South Africa, Portugal and Austria), and commercial operation in more than 100.

26 factories in 9 countries

Business operation in more than 100 countries

# **BUSINESS UNITS**

# Motors



# Automation



# Energy



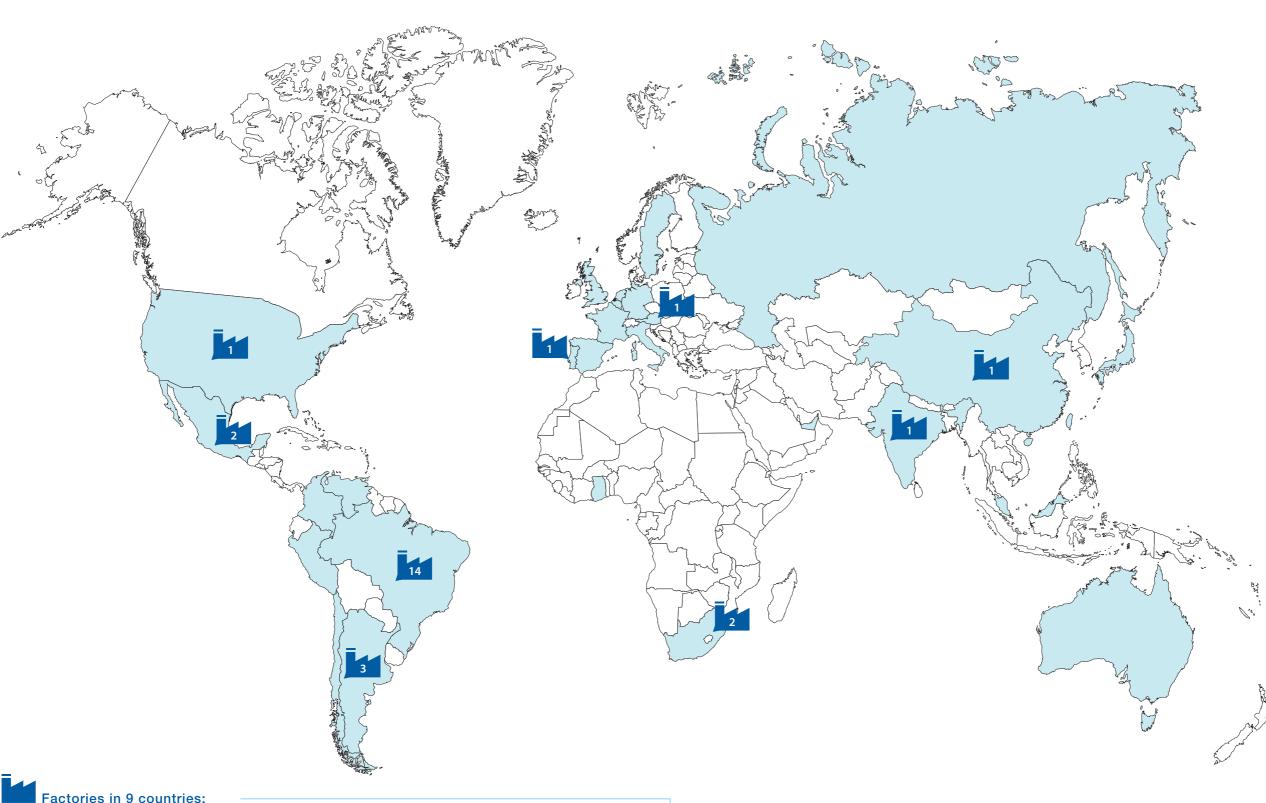
# Transmission & Distribution



# Coatings



#### Location of factories and branches



# Factories in 9 countries:

- South Africa (2 factories)
- Argentina (3 factories)
- Austria (1 factory)
- Brazil (14 factories)
- China (1 factory)
- USA (1 factory)

- India (1 factory)
- Mexico (2 factories)
- Portugal (1 factory)

### Commercial offices in 28 countries

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

## Location of companies and branches of the group

Companies	Country
WEG Equipamentos Elétricos S.A.	Brazil
RF Reflorestadora Ltda.	Brazil
WEG Tintas Ltda.	Brazil
WEG Amazônia S.A.	Brazil
WEG Administradora de Bens Ltda.	Brazil
WEG Logística Ltda.	Brazil
WEG Linhares Equipamentos Elétricos S.A.	Brazil
WEG Drives & Controls Automação Ltda.	Brazil
WEG Partner Aerogeradores S.A.	Brazil
WEG-Cestari Redut. Motorredut. S.A.	Brazil
WEG Automação Critical Power Ltda	Brazil
Hidráulica Industrial.S.A. Ind. e Com.	Brazil
Agro Trafo Adm. de Bens S.A.	Brazil
Injetel Ind. Com. Comp. Plásticos Ltda	Brazil
Ind. de Tintas e Vernizes Paumar S.A.	Brazil
WEG-Jelec Oil and Gas Sol Aut. Ltda	Brazil
WEG Equipamientos Electricos S.A.	Argentina
Pulverlux S.A.	Argentina
EPRIS Argentina S.R.L.	Argentina
WEG Chile S.A.	Chile
WEG Colômbia Ltda.	Colombia
WEG Electric Corporation	USA
Electric Machinery Holding Company	USA
WEG Service CO.	USA
WEG México S.A. de C.V.	Mexico
WEG Transformadores México S.A. de C.V.	Mexico
Voltran S.A de C.V. México	Mexico
WEG Indústrias Venezuela C.A.	Venezuela
Zest Electric Motors (Pty) Ltd.	South Africa
Zest Energy (Pty) Ltd.	South Africa

## Location of companies and branches of the group

Companies	Country
Shaw Controls (Pty) Ltd.	South Africa
WEG Transformers África (Pty) Ltd.	South Africa
Electromote (PTY) LTD	South Africa
Electric/Instrumentations Engineering Contractors(Pty)	South Africa
Zest Eletric Ghana Ltd.	Ghana
E & I Electrical Ghana Ltd.	Ghana
E & I Zambia Ltd.	Zambia
WEG Nantong CO Ltd.	China
WEG Middle East Fze.	United Arab Emirates
WEG Industries (Índia) Private Ltd.	India
WEG Electric (Índia) Private Ltd.	India
WEG Electric Motors Japan CO. Ltd.	Japan
WEG Singapore Pte. Ltd.	Singapore
WEG Germany GmbH.	Germany
Watt Drive Gmbh	Germany
WEG Benelux S.A.	Belgium
WEG Ibéria S.L.	Spain
WEG Ibéria Industrial S.L.	Spain
WEG France S.A.S	France
WEG Electric Motors (UK) Ltd.	England
WEG Italia S.R.L.	Italy
WEG Euro Ind. Electrica S.A.	Portugal
WEG Electric CIS	Russia
WEG Scandinavia AB.	Sweden
WEG Austrália Pty Ltd.	Australia
WEG Peru S.A.	Peru
Watt Drive Antriebstechnik GmbH	Austria
Watt Euro-Drive PTE Ltd.	Singapore
Watt Euro-Drive SDN BHD	Malaysia
WEG International Trading GmbH	Austria

#### **Associates**



Minneapolis/USA





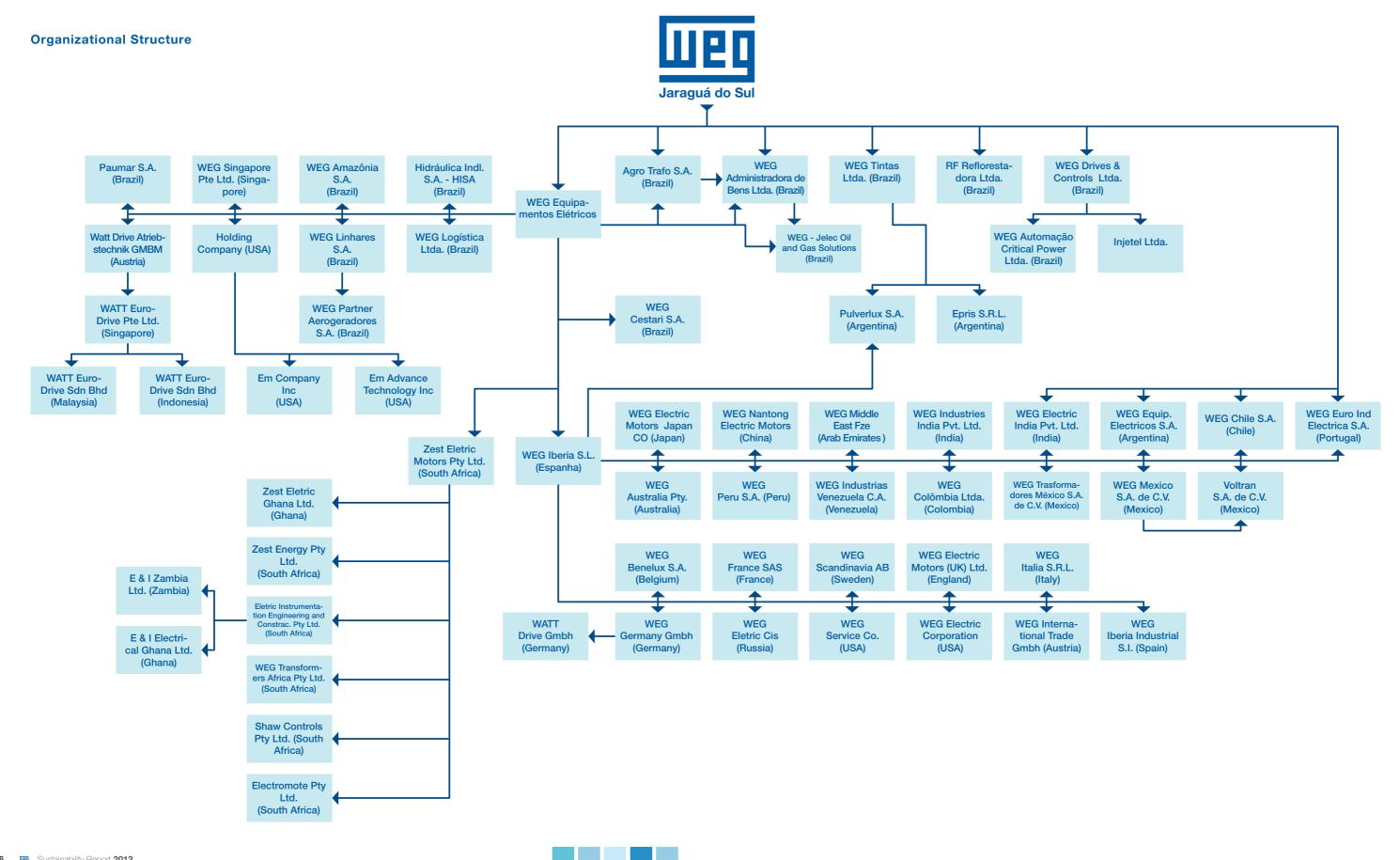












The adoption of special Corporate Governance practices reflects the example set by the founders of WEG, and the respect for the partners who have joined the company along its history. The company is committed to continuing working within the same principles of transparency, fairness and accountability to shareholders and other stakeholders. In this context, WEG joined the Novo Mercado listing segment and adopted the ABRASCA Code of Self-Regulation and Good Practices of Open Capital Companies.

The management of the WEG Group is exercised by the Board of Directors, with deliberative functions; by the Executive Direction, with executive and representative functions; and by the Audit Committee.

The Board of Directors consists of eight members, including a president and a vice-president. Three board members are considered "independent" in accordance with the provisions of the Listing Rules of Novo Mercado of BM & FBOVESPA.

It is for the Board of Directors to assess formally the performance results of the company, of the Board of Directors itself, of the Direction and, individually, of the members of each of these bodies. In order to do so, the Board of Directors meets whenever necessary, at least quarterly, convened by its President.

#### Board of Directors - members on December 31, 2013

Décio da Silva - President
Nildemar Secches - Vice-President (Independent)
Martin Werninghaus - Member
Miriam Voigt Schwartz - Member
Dan Ioschpe - Member (Independent)
Douglas Conrado Stange - Member
Moacyr Rogério Sens - Member (Independent)
Wilson Pinto Ferreira Junior - Member (Independent)



Board members are elected and dismissible by the General Meeting for a unified period of two years, and they may be reelected. As a committee, we seek to gather competences in the Board of Directors such as:

- Experience as a senior executive in other Boards of Directors, managing changes and crisis, identifying and controlling risks and managing people;
- Knowledge of finance, accounting, legal aspects of WEG's businesses and national and international market;
- Network of contacts significant for the corporation.

Individually, the candidates are expected to have:

- Alignment with the corporation's values;
- Ability to defend his/her point of view based on his/her own judgment;
- Time availability;
- Motivation;
- Strategic vision;
- Teamwork skills;
- Knowledge of the best practices in Corporate Governance;
- Capacity to read and understand managerial, accounting and financial reports;
- Notions of corporate legislation;
- Perception of the risk profile of the corporation.

The board member must also be free of fundamental conflict of interest (not manageable, not occasional or situational, which is or expected to be permanent) and be constantly alert to the issues of the corporation, in addition to understanding that his/her duties and responsibilities are comprehensive and not restricted to the meetings of the Board.

As per the Bylaws of the company, the positions of Chairman of the Board and President cannot be held by the same person.

The Executive Direction is composed of twelve members, as follows: A President, a Vice-President, and Director of Investor Relations, and other Directors. All members of the Direction are elected and dismissible at any time by the Board of Directors and may accumulate functions. The office term is two years, and reelection is permitted. The Board, within the limits set by law and by the Corporate Bylaws, is vested with broad and general management powers so as to enable the execution of all the necessary actions to regulate the operation of the company in order to achieve its corporate purposes.

#### Directory - members on December 31, 2013

Harry Schmelzer Jr. - President

Sérgio Luiz Silva Schwartz - Vice-President and Investor Relation Director

Antonio Cesar da Silva - Director

Carlos Diether Prinz - Director

Hilton José da Veiga Faria - Director

Luis Gustavo Lopes Iensen - Director

Reinaldo Richter - Director

Siegfried Kreutzfeld - Director

Sinésio Tenfen - Director

Umberto Gobbato - Director

Wandair José Garcia - Director

Wilson José Watzko - Director

#### Organization chart of the executive direction



President

Harry Schmelzer Jr.



Director of IT Wandair Garcia



Financial Director Sérgio Schwartz



Director of Controller Wilson Watzko



Director of Human Resources Hilton José da Veiga Farias



Director of Marketing Antonio Cesar da Silva



Vice-President **Sérgio Schwartz** 

International
Corporate
Director
Luis Gustavo
lensen



Superintendent Director MOTORS Siegfried Kreutzfeld



Superintendent Director AUTOMATION Umberto Gobbato



Superintendent Director ENERGY

Sinésio Tenfen



Superintendent Director T&D

Carlos Prinz



Superintendent Director COATINGS Reinaldo Richter

#### **Audit Committee**

The Audit Committee is permanent, composed of three effective members and three alternate members, and they are elected annually at the General Meeting.

#### Audit Committee Fiscal - composition on December 31, 2013

Alidor Lueders - Effective member

Eduardo Grande Bittencourt - Effective member

Gilberto Lourenço da Aparecida - Effective member

Ilário Bruch - Alternate member

Vanderlei Dominguez da Rosa - Alternate member

Marcelo Adolfo Moser - Alternate member

#### Remuneration

All the actions of the corporation are oriented to the achievement of the goals and economic, environmental and social performance indexes. Therefore, members of the Board of Directors and Executive Direction receive, in addition to the fixed remuneration, a variable remuneration according to the accomplishment of the goals. This model promotes consistent and transparent sharing of results, as well as the alignment of the interests of the company, managers and shareholders, in accordance with the best management and corporate governance practices.

#### **Risk Management**

WEG developed its Enterprise Risk Management System in compliance with the best international practices and standards set by regulatory agencies from Brazil and abroad, adapted to the specific characteristics of the company. The system establishes the directives, responsibilities and limits that guide the actions of the Committees, Commissions, Departments and Sections in accordance with the directions of the Board of Directors.

Anticipate, evaluate and produce effective responses to risks and opportunities are the scope of this system. In order to ensure the strategic objectives are not affected by unexpected events and conditions in any area of corporate activity, the system acts in four broad dimensions:

- 1. Strategic dimension: capability to anticipate, protect itself and/or adapt to changes.
- 2. Financial dimension: capability to obtain and/or maintain financial resources.
- **3.** People dimension: company's capability to attract, develop, retain and keep available human resources.
- 4. Process dimensions: capability to use available resources effectively and efficiently.

The Enterprise Risk Management System has the fundamental support of the corporate participative management structure, which establishes multidisciplinary commissions and committees to analyze, define, approve and implement changes in its business processes. Risk management is responsibility of such committees and commissions and is periodically submitted to the referendum of the Senior Management.



#### **PRODUCTS**

#### MAIN LINES OF PRODUCTS AND SERVICES

#### **Electric motors**

Industrial, commercial and residential.

#### **Drives**

Frequency inverters, photovoltaic solar inverter, PLCs and process control, AC/DC converter, operating interfaces (HMI), UPS, rectifiers, chargers and battery banks, servo drives, soft starters, voltage regulators and software.

#### Controls

Start and protection of motors, capacitors and power factor correction, control and signaling, electrical connections, protection of electrical circuits, power supplies, safety line, industrial sensors, plug sockets and switches.



#### Electrical panels

Electrical panel and learning workbench.



#### Energy generation, transmission and distribution

Transformers, disconnecting switches, generators, substations, wind turbines, electric turbines.

#### **PRODUCTS**

#### Coatings and Varnishes

Powder paints, liquid paints, industrial paints, paints for plastics, glass and mirrors and paint for automotive refinish.

#### Services

Specialized teams to perform services in the areas of automation, motors, generators and transformers.

#### **Solutions**

Integrated solutions for several segments such as energy, mining, oil & gas, sugar & ethanol, pulp & paper; propulsion & electric drive; energy efficiency, among others.



#### PRODUCTS BY BUSINESS UNIT

#### **WEG Motors**

High performance with maximum energy efficiency. This is the greatest quality of WEG electric motor. Considered one of the largest manufacturers of electrical motors in the world, WEG Motors offers many different solutions, from commercial and residential to industrial applications, always focusing on the customer's needs.

In addition to selling products by means of representatives, branches and distributors, WEG is constantly concerned about the services rendered to its customers, offering an after-sales service network prepared to provide technical support for applications and installations.

#### **WEG Automation**

National market leader in Frequency Inverters, Soft Starters and MCCs, the Automation unit works for the customers to increase their efficiency, produce more, and be more competitive by automating their processes with operational safety and safe energy. Standing out as the largest manufacturer of container-type electrical rooms in Brazil, it operates mainly in the areas of Automation Systems, Drives & Controls, Machine Safety, Critical Power and Building Automation.



#### **PRODUCTS**

#### **WEG Energy**

With extensive experience in the manufacture of more than 71.200 MVA in generators, WEG Energy offers a wide range of products to meet the requirements of many different applications, from the simplest to the most complex solution in extreme environments.

Besides selling the products, WEG Energy provides full after-sales technical support in applications and installations by means of a specialized customer service network.

#### **WEG Transmission & Distribution**

Focused on the industrial and energy generation, transmission and distribution market, WEG Transmission & Distribution offers products such as transformers and high voltage equipment; complete solutions ranging from turn-key conventional substations to transformers and mobile substations; retrofitting and rerating of transformers. This variety represents an annual manufacturing capacity of approximately 15,000 units and 33 GVAs.

#### **WEG Coatings**

In the 80s, WEG started to diversify its activities in order to offer integrated industrial solutions. As part of this strategy, the Coatings division of the WEG Group was created, with production units in Brazil and Argentina. Since its foundation, WEG Coatings has expanded its product line to industrial liquid paints, powder paints, automotive refinishing paints and electric insulating varnishes. Today, the Coatings division of the WEG Group ranks among the largest coating manufacturers in Latin America, being the largest manufacturer of powder paints in Brazil, and with outstanding performance in the marine and anticorrosive paint market.

#### **COVERED MARKETS**

Present in over 100 countries, WEG products are available on the following markets:

	2013	2012	2011
North America	34%	34%	34%
South and Central America	17%	16%	15%
Europe	26%	24%	26%
Africa	13%	15%	15%
Asia and Oceania	10%	11%	10%





#### • "Valuable Executive" Award

for Harry Schmelzer Jr. (category Industrial Machines and Equipment) - Jornal Valor Econômico;

#### • Top of Mind SC

(categories Large Company of the Industry, Innovation Distinctions and Management Benchmark) – RBS;

#### • Paint e Pintura Award

(category Best Powder Coating Industry) -Paint & Pintura Magazine;

#### • Brazil-Germany Personality 2013

for Décio da Silva - Brazil-Germany Chamber of São Paulo;

#### • Best Known Brands of Maintenance 2013

(categories Product and Service) - Portal manutenção.net;

#### Anuário Época Negócios 360°

(category Mechanics and Metallurgy) - Época Negócios Magazine;

#### • 500 Largest of the South

(Fourth in the general ranking of Santa Catarina and mong the ten largest from the south of the country) – Amanhã Magazine;

#### • Finep Innovation Award

(category Large Company) - Financiadora de Estudos e Projetos (Finep);

#### • ISE Portfolio

• (Corporate Sustainability Index) – BM&F BOVESPA;

#### • Human Being Award

(category People Management) - Brazilian Human Resources Association Santa Catarina Section (ABRH-SC);

#### • TOP FIVE

(eleven categories, including Electric Motors and Motor Drives) - NEI Magazine;

#### • "Companies that Best Commuicate with Journalists" Award (category Capital Goods)

- Negócios da Comunicação Magazine;

#### III Marine Quality and Sustainability Award

(category Path to Competitiveness) - Sindicato da Indústria de Construção e Reparação Naval e Offshore (Sinaval);

#### • Destaque Abreme Award

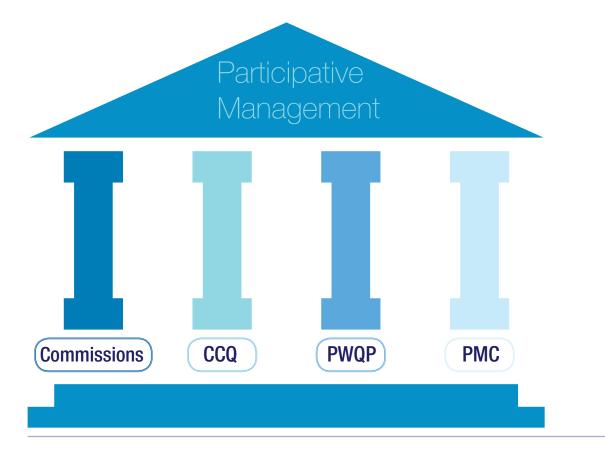
(the largest expressive growth in the Electric Components Industry) – Brazilian Associaton of Dealers and Distributors of Electrical Materials (Abreme);

• Best Innovator Award (tenth place among the twenty most innovative in the coutry) - Época Negócios Magazine.





WEG management model is based on Participative Management sustained by four pillars: Commissions, Quality Control Circles (QCC), WEG Quality and Productivity Program (WQPP) and Continuous Improvement Program (CIP).



#### Commissions

Considered the cornerstone of the formal leadership structure of the corporation, the Commission system was created in 1969. It was an initiative of the company's founders with the advice of the director of the Brazilian Institute for Quality Matters (IBAC), Walter Christian. Groups formally established and recognized by the Direction, the commissions have the power of decision in the first instance, acting in pursuit of three objectives aligned with the WEG culture:

- 1. Improve the decision-making process;
- **2.** Develop people different subjects from different areas widen knowledge and systemic view of the processes;
- 3. Commitment directed to the search for consensus.

All commissions have their specific responsibilities outlined at the moment of their creation and are registered in a Manual of Legal and Functional Structure. They must support the decision-making process by preparing proposals submitted to the approval of the Direction.

#### **Quality Control Circles - QCC**

Employees voluntarily take part in the QCC groups, in which they develop activities in search of solutions related to Quality, Productivity, Safety, Ergonomics, Sustainability and Work Environment. Among the objectives of the QCC is to create a healthy and happy work environment, where there is satisfaction and respect for the human nature. The QCC obtains benefits for the employees, such as: personnel qualification, opportunity for growth in the company, recognition of implemented projects, opportunity to express their opinion and see their ideas come true for the company. The benefits also include: improvement of product and service quality, optimal use of resources, greater integration of employees, among others.

The QCC was implemented in 1982, replacing the Work Rationalization Groups, which had been active since 1974. Currently, WEG has 608 QCC groups, distributed in different business areas. There are more than 4,900 members of QCC groups, with over 96 thousands ideas implemented in the past 31 years – 7,465 in 2013 only.





#### WEG Quality and Productivity Program – WQPP

Achieving international quality and productivity standards. This is the challenge of WEG Quality and Productivity Program (WQPP), involving employees in the development of goals and projects related to different areas of business, such as environment, health and safety, technological development, internal standardization and performance improvement in general.

According to the evaluation criteria of the program, the company distributes up to 12.5% of the net profit to all employees in Brazil. The calculation takes into account the achievement of goals, according to results of the Group, of the units, of the departments and the individual performance of the employees.

Created in 1991, the WQPP strengthens the engagement of employees in the management of the company and provides greater integration with the execution of work based on team spirit.

#### MANAGEMENT SYSTEM

#### **Continuous Improvement Program**

Eliminate losses, reduce lead time and costs and make efficient use of the company's resources. This is the essence of the WEG Continuous Improvement Program, launched in 2008. The program is guided by a constant review of the company's processes, using management tools based on the Lean Manufacturing concepts. The continuous improvement is pursued by establishing priorities, analyzing processes and eliminating waste. The challenge lies in strengthening the systematic and continuous search for improvements to achieve operational and customer service excellence.



#### **DATA ACCURACY**

The techniques for measuring economic, environmental and social data, and the calculation bases are exact, based on data collected from the ERP systems - SAP, SIG, and VetoRH People Management System - and, in some cases, electronic spreadsheets from the relevant areas.

#### MANAGEMENT SYSTEM



#### **MISSION**

Continuous and sustainable growth while maintaining simplicity.

#### **VISION**

Be global benchmark for electrical machines with a wide range of products, providing full and efficient solutions.

#### **VALUES**

#### **Human Company**

We value each individual contribution to our success, and we motivate people by means of integrity, ethics and constant support to personal development.

#### **Team Work**

Working as a team, we gather the best knowledge, intelligence and skill to constantly improve our work and benefit our customers.

#### **Efficiency**

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

#### **Flexibility**

We will always develop new efficient manners to respond to situations of change and meet the needs of the customers.

#### Innovation -

New ideas and technologies ensure the existence of the company. That is why we encourage and support an atmosphere favorable to think ahead of our time.

#### Leadership

Be benchmark for the relationship with customers.

#### **POLICIES**

WEG Policies were created so as to guarantee the achievement of conducts aligned with the company's culture and enhance their practices. They are:

#### Quality

Provide products and services with true quality, in other words, meet the needs of our customers at the lowest possible cost.

#### **Environment**

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

- Compliance with the applicable environmental legislation;
- Continuous improvement by establishing environmental goals and objectives;
- Operation in a preventive way, aiming at protecting the environment of which it is part;
- Eco-efficient processes and products, while preserving natural resources.



#### **Energy Efficiency**

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

#### **Health and Safety**

The WEG Group establishes as policy to value the health and safety of people in the development of their activities, products and services, and it is committed to:

- Adopting preventive approaches in all hierarchical levels;
- Identifying, eliminating and/or minimizing the significant risks to the safety and health of its employees, contractors and public in general;
- Identifying and complying with legal requirements for occupational health and safety related to its processes, products and services;
- Setting objectives and goals, aiming at continuously improving the performance of the management system.

#### MANAGEMENT SYSTEM



#### **Social Responsibility**

The WEG group conducts its business for continued and sustainable growth, valuing and respecting all stakeholders, maintaining transparency and ethics in the relationships and committing itself to:

- Complying with existing labor and tax laws, among others, applicable to all activities of the company and the place where it operates;
- Ensuring the eradication of child labor and forced or compulsory labor in all activities of the company;
- Ensuring the fight against sexual exploitation of children and adolescents in all activities of the company;
- Not hiring people under 18, except as apprentices;
- Encouraging and providing conditions for the development of employees, aiming at skill improvement and personal and professional growth;
- Valuing diversity and multiculturalism and restraining any act of discrimination by race, gender, sexual orientation, physical condition, religion, age, social class, political position and nationality;
- Rejecting any practices of moral and sexual harassment in work relationships that compromise the person's integrity;
- Respecting the right of its employees to join trade unions, as well as negotiating collectively, ensuring no retaliations;
- Supporting the communities which interact with the Group, strengthening the economic and social development.

#### SUSTAINABILITY COMMISSION

With corporate activities and a multidisciplinary team, the Sustainability Commission is part of the structure of the Participative Management of the WEG Group, composed of thirteen members representing the areas: Social, Economic, Product, Environmental and Corporate Sustainability.

The Commission has the responsibility to review, approve and implement policies and sustainability practices, as well as to disseminate the issues related to the subject in order to contribute to ensuring the sustainable development of the company. The commission reports to the General Direction, which, along with the President, analyzes and validates the proposed subjects.



#### SUSTAINABILITY GROUP

The Sustainability Group works on the centralization and planning of the sustainability actions of the company. Composed of a multidisciplinary team under the coordination of the corporate sustainability team, the group has seven members representing the social, institutional communication, economic, product and environmental areas. Its first activity was to conduct a structured diagnostic to assess the progress of the company's sustainability actions. The analysis formed the basis for the creation of a Sustainability Plan to be implemented over the next three years.

This plan includes 83 corporate actions in different areas. Thirteen actions were considered strategically priorities, encompassing subjects such as sustainability management, dissemination of the topic in the company, adherence to voluntary agreements, management of impacts on climate changes, engagement of suppliers in corporate sustainability, management of social and environmental impacts on new enterprises, acquisitions and mergers and inclusion of disabled people.

members representing the social, communication, economic, environmental and product areas

83 corporate actions in several areas

#### **CODE OF ETHICS MANAGEMENT COMMISSION**

Also part of the structure of the Participative Management of the company, the Code of Ethics Management Commission acts at corporate level, and it has nine members from multidisciplinary areas, with the following responsibilities:

- Interpret the code of ethics in case of uncertainty in order to harmonize the understanding and avoiding ambiguities in its application;
- Analyze periodically and review, when necessary, the Code of Ethics in the light of the ethics application and evolvement in the social field and within the company;
- Monitor the alignment of the application of the Code of Ethics across the units of the group;
- Check and inform the direction about the application of the Code in the company;
- Deliberate on the necessary resources for the application of the Code;
- Disseminate and distribute it internally, aiming at solidifying the company's culture.

#### **COMMITMENT TO EXTERNAL INITIATIVES**

#### **PROCEL**

In line with its business strategy to provide products with high levels of energy efficiency, WEG adhered to the Procel Stamp in the production of its line of high-efficiency, three-phase, induction motors in 1997. The Seal was developed and is granted by the National Program for Energy Conservation (Procel), coordinated by the Ministry of Mines and Energy of the Brazilian Government, with its Executive Office maintained by Eletrobras.

The Seal was created to guide the consumer in the purchase, indicating the products which have the best energy efficiency levels within each category, thus providing savings in the energy bill. It also stimulates the production and marketing of more efficient products, contributing to the technological development and the conservation of the environment.

The adhesion of companies to this Seal is voluntary and contributes to reducing energy consumption by the customers.



The adhesion of companies to this Seal is voluntary and contributes to reducing energy consumption by the customers.

#### MANAGEMENT SYSTEM

#### **Coatings Care**

Implemented in several countries, Coatings Care is one of the most important programs of awareness and commitment that the agents throughout the paint production chain can adopt worldwide. The objective of this program is to help manufacturers manage their responsibilities in relation to health, safety and care for the environment.

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

- Production Management;
- Transport and Distribution Management;
- Product Management;
- Community Responsibility.

The four codes, in turn, are subdivided into 67 management practices. In addition to defining these practices, the program provides the elements for the participating companies to establish systems of continuous self-evaluation, execution and improvement. In Brazil, the Coatings Care program was implemented in 2004 by the Brazilian Association of Paint Manufacturers (Abrafati), which is responsible for its coordination nationwide. WEG is a signatory of the program since 2007.

# coatings

#### **Brazilian Labeling Program (PBE)**

Coordinated by Inmetro, the Brazilian Labeling Program (PBE) provides information about the product performance, considering characteristics such as energy efficiency and other criteria that may influence the consumer's choice. In general terms, EBS comprises three benefits which are:

- Savings for the consumer;
- Development of the industry;
- Protection of the environment.

More efficient products bring greater protection for the environment and at the same time saving for the consumer. The contents of the labels help identifying different advantages of the products, such as the most economical, the ones with lower environmental impact, the quietest, and so on. Consumers generally have no specialized knowledge about the products they buy, and they often find it difficult to identify such aspects. The identification becomes an important tool to help them see such differences.

In the specific case of labeling programs focused on energy efficiency rating, its importance is related to the Brazilian energy saving goals. The National Energy Efficiency Plan (PNEF) reinforces the guidelines of the National Energy Plan (PNE2030), which sets a target of 10% reduction in energy consumption by means of energy efficiency measures.

WEG T&D is homologated by the Brazilian Labeling Program (PBE). Initially, its projects in this program will be oriented to the Distribution Transformers and subsequently to the larger Oil Transformers and Dry-Type Transformers.





The increase in society's interest in the performance of companies regarding their environmental responsibility is remarkable. A constant concern, since this performance is directed linked to the life quality of this and future generations.

Environmental issues are embedded in the DNA of the company and are part of its business strategies and commitments. The company promotes the conservation of the places where it operates, because it believes that only the companies that internalize that responsibility will be able to develop in a sustainable manner.

### **Environmental Objectives and Goals**

In order to meet the commitments undertaken, the WEG Group sets objectives and goals approved by the General Direction and provides all the structure and resources needed to achieve them.

The measurable objectives and goals are guided by a commitment to pollution prevention, continuous improvement and compliance with environmental legislation. The definition takes into account the relevant environmental aspects, legal requirements, technological options of the company, its financial, operational and business requirements and the opinions of stakeholders.

Once established, the objectives and goals are documented and implanted in all relevant levels and functions. The planned actions follow environmental guidelines established by the company:

- •Optimize the use of raw materials and inputs;
- •Develop more environmentally friendly processes and products;
- •Optimize the management of waste and effluents in the manufacturing processes.

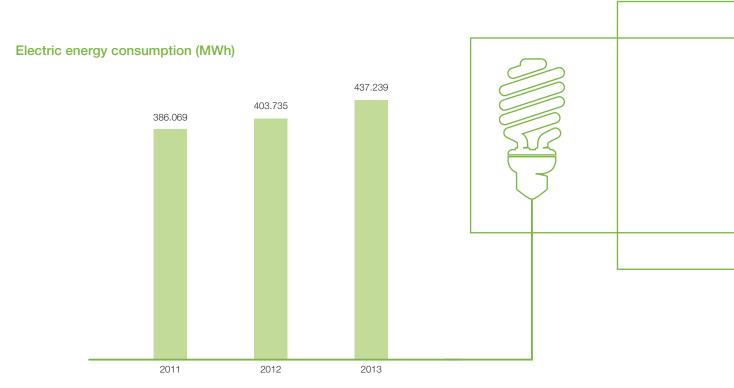
Based on these guidelines, each department of the company must set goals and implement actions for environmental improvement.



- Optimize the use of raw materials and inputs;
- Develop processes and products less aggressive towards the environment
  - Optimize the residue and effluent management in the manufacturing processes.

## **ELECTRIC ENERGY**

The graph below shows the electricity consumption of WEG units.



The rise in energy consumption observed in 2013 is the result of increased production and the inclusion of the consumption of Paumar, Injetel and Cabo de Santo Agostinho units.

However, despite this increase, when assessing the evolution of energy consumption by Net Operating Income (NOI) in 2013, we notice a reduction of 2.85% in this index over 2012. In 2013, for each R\$ 1 billion of sales, there was a consumption of 64,299 MWatts, while in 2012 for each R\$ 1 billion, there was a consumption of 66,186 MWatts.

Since 2011 WEG has maintained one of its factories certified by ISO 50001 (Energy Management System). In 2013, WEG launched the Energy Efficiency Program in the Brazilian units in order to improve systematically and continuously the performance of the manufacturing plants. The improvements are related to both the efficiency in use of fuel, and electric energy.

In the first phase of deployment, significant consumption equipment and its respective operating controls were identified, goals were set and 1,625 employees were trained in energy efficiency. The results are monitored by indicators that guide the improvement actions.

Last year, several energy efficiency actions were taken, including:

- Automation of the bag filters with flow control based on the needs of the process. Thus, the operations in the process are recognized and the flow rate required by the system is automatically regulated. In 2013 this solution was applied to eight filters.
- Implementation of speed control in the hydraulic circuit of plastic and aluminum injection molding machines, adapting to the needs of the injection cycles. Recirculation of hydraulic oil, which caused increase in temperature and reduction in the useful life, was eliminated. In 2013 this solution was applied to four plastic injection molding machines and two aluminum injection molding machines.
- Automation of the cooling towers with speed control of fans and pumps. The flow rate of the pumps is automatically adjusted according to the points of consumption, as well as the air flow in the ventilation. In 2013, five units started being implemented.

Those actions reduce the energy consumption by 1,671.2 MWatts per year.

Another measure taken was the optimization of the illumination system. The roof of the buildings features clear tiles, which allow the penetration of sunlight during the day, considerably reducing the use of electric energy.

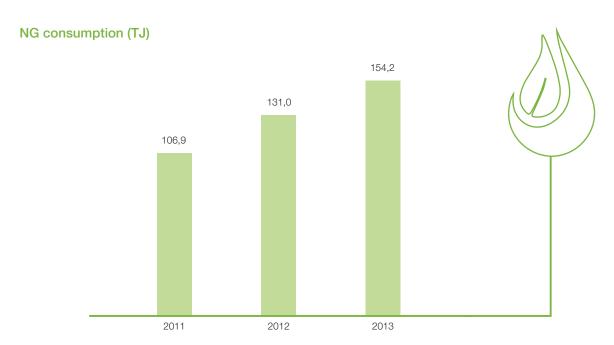
In all the efficiency projects mentioned, WEG products were used, such as the WMagnet motors, W22 - Premium motors, frequency inverters, among others.

Reduction of energy consumption **1.671,2 MWatts** a year



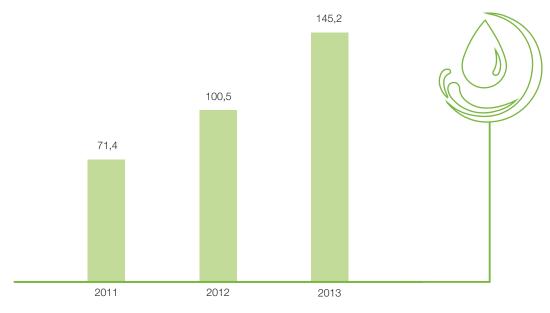
# **OTHER ENERGY SOURCES**

WEG units use other sources of energy besides electricity, mainly to generate thermal and driving power. Among those energy sources, we highlight the Liquefied Petroleum Gas (LPG) and Natural Gas (NG).



Heating source GN: Ultragaz

# Consumption of LPG (TJ)



Heat source GLP: Ultragaz

#### WATER AND EFFLUENTS

#### **WATER**

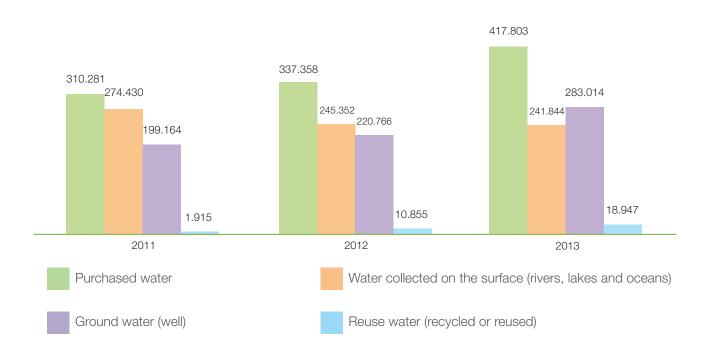
Currently, WEG uses different sources of water to supply the manufacturing plants of the units in Brazil. Among them, we can mention:

- Public Utility Company for drinking and industrial use;
- Surface Water for industrial use;
- Ground water for drinking and industrial use;
- Reuse water Toilets, urinals, industrial processes and fertigation.

#### Water collection by source

According to the following figure, WEG overall water consumption increased from 814,331 m $^3$  to 961,608.8 m $^3$ . The increase follows the growth of WEG, a result of the production expansion and incorporation of new companies.

#### Water collection by source (m<sup>3</sup>)



According to the figure above, the reuse water consumption increased 74% in 2013 in comparison to 2012, from  $10,855 \, \text{m}^3$  to  $18,947 \, \text{m}^3$ .

From the water used in 2013 by the company, 25.4% was collected from surface sources with own treatment, 28.9% from groundwater sources, 43.9% was purchased from public utility companies and 1.7% was reuse water.

### Water collection by source

The water consumption profile of the new Linhares Manufacturing Plant, displayed in the chart below, shows the evolution trend in the concept of new industrial plants, as well as the change in existing plants, where the company seeks to implant projects for water reuse.

In 2013 this park consolidated the operation of the surface treatment with closed circuit of rinsing water for the steel plate frames. The result was 2,4000,000 million liters of water saved along the year.

The percentage of water collected was 5% lower in 2013 compared to 2012. The percentage of reuse water was around 47% of the total.

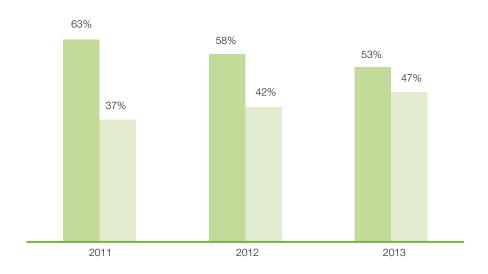
> Saving of **2.400.000** liters alongo the

year in the Linhares Manufacturing Plant

> The percentage of reuse water was around

of the total volume in the de Linhares Manufacturing Plant

#### % of use of water - Linhares







#### Actions for reducing water consumption

- Installation of a system to reuse water from the wastewater treatment plant in the water tightness test (check for leaks) of radiators, where 100% of the consumption of the water tightness test comes from the sewage treatment station;
- Replacement of faucets with manual operation for faucets with mechanical operation;
- Gradual replacement of faucets with manual operation for faucets with quarter turn faucets.
- Elimination of single discharge valve of all the urinals for individual valves;
- Use of the water of sink water in the urinals;
- Installation of frequency inverter system in cooling towers;
- Installation of aerators on the toilet faucets;
- Installation of a system to collect and use rain water in one of the administrative buildings of the PF II;
- Study for installation of improvements in the restaurant. In 2013, the main points of consumption were identified and equipment was installed in pilot areas. In 2014, the pilot areas will be monitored and new opportunities for improvements will be evaluated.

### Actions for 2014 aiming to reduce water consumption

In the Linhares/ES unit, studies will be carried out in 2014 for the installation of a treatment plant for different kinds of effluents and closed circuit in the cooling towers. In the same year, a car wash station in closed circuit may be installed.

In the Jaragua do Sul/SC unit, a new effluent treatment plant that will allow the reuse of treated effluent at different points, such as toilets, floor washing, cooling systems, among others, is being installed.

Also in the same unit, a study will be carried out for the installation of an effluent treatment plant, including a water reuse system.

### **EFFLUENTS**

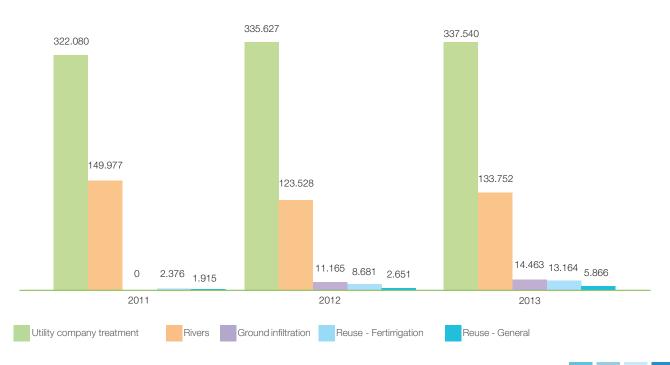
The generated effluents pass through treatment plants/processes, operating with physicochemical and biological processes.

## Disposal of effluents

According to the following figure, the largest volume of wastewater is released in the public sewage system for treatment by the utility company, with a volume of 337.540m³ in 2013. The second largest volume, 133.752 m³, is dumped into rivers after treatment.

Note: All wastewater dumped into rivers is treated internally and meets the legal requirements for disposal.

# Disposal of effluents (m³)



In 2013, the total generation of effluent was higher than in 2012, increasing from 481,652 m³ to 504.785m³. The increase is related to the growth of the company.

The water consumption per liter x Net Operating Income (NOI) in 2013 was 0.193.

## Type of wastewater treatment

According to the figure below, the largest volume of effluents is released and then treated in the treatment plant of the utility companies, using the biological process, with volume of 337,540 m³ in 2013.

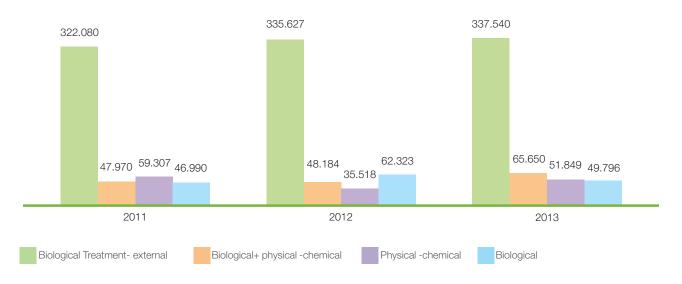
In 2013, 167,294.6 m³ of effluents were treated in the effluents treatment plants of WEG units.

In 2013, of effluents were treated

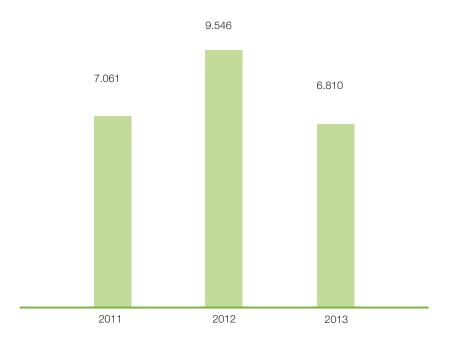
167.294,6m<sup>3</sup>

in the treatment plants of WEG units.

# Type of effluent treatment (m³)



# Organic load (kg)



### Note:

- 1) Organic loads related to effluents which are treated by subcontractors outside the premises of WEG are not included.
- **2)** BOD Biochemical Oxygen Demand. According to the figure above, there was a decrease in the BOD load, from 9,546 kg in 2012 to 6,810 kg in 2013.

# **SPILLS**

In 2013, there were no significant spills occurred in units of the WEG Group.

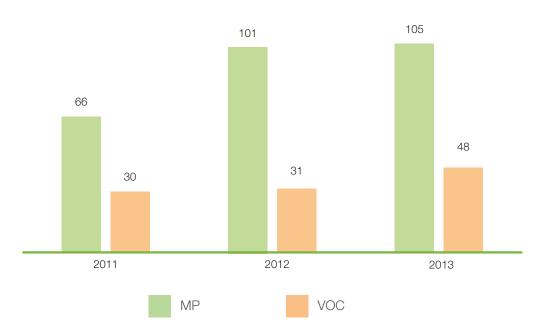
### ATMOSPHERIC EMISSIONS

Atmospheric emissions monitored by WEG are associated with metallurgical processes, impregnation of stators, painting, finishing of metal surface and enameling of copper wire. The technologies used in the mitigation of these emissions are: cyclones, scrubber, bag filters and catalytic burners.

The following chart quantifies the atmospheric emissions for Volatile Organic Compounds - VOC and Particulate Material from exhaust systems installed in production processes, classified as generators of significant environmental aspects by the environmental management system. The definition of the level of significance of environmental aspects related to air emissions is based on the chemical characteristics of the material emitted at the point of its disposal and on the frequency of emission.

Emissions of NOx and SOx were not considered significant due to the energy matrix used.

## Atmospheric Emissions (t)



In 2013 there was a slight increase in the emission of Particulate Material and Volatile Organic Compounds in relation to 2012. This fact is due to the inclusion of emissions of WEG branches in Brazil.

Since 2010, WEG has calculated emissions of greenhouse gases (GHG), according to the requirements established by NBR ISO 14064. Some actions contribute to reducing the greenhouse gas emissions, such as the Energy Efficiency Programs and "Carona Solidária" (carpooling), and the exchange of acetylene gas for LPG in the welding processes.

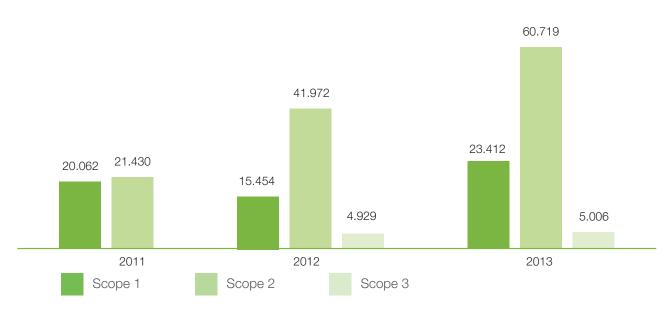
In 2013, the emissions of scope 1, scope 2 and scope 3 showed higher values.

Scope 1 emitted approximately 52% more than in 2012 due to increased production and the inclusion of new production units in the calculations.

Scope 2 emitted 31% more than in 2012. Although the actions to improve the energy efficiency in manufacturing plants in Brazil, contained in the Energy item of this report, helped control the electric energy consumption, increased production and inclusion of new branches in the scope contributed to increasing the indexes of emission of greenhouse gases. Besides these two aspects, it is relevant the increase in the electric energy emission factor (ton<sub>2</sub>CO e/MWh) of 28% in Brazil, due to the periods of drought and consequent increased use of thermal power plants.

In 2012, WEG began the count of scope 3, more specifically emissions from airplane business trips, both national and international. In 2013 there was an increase of 2% in the emissions of CO due to the increase in the total distance traveled in airplane trips because of the acquisition of new units abroad.

#### Emissions of GHG (tCO2e)



Scope 1: Direct emissions of energy GHG owned or controlled by the company.

Scope 2: Indirect GHG emissions from the purchase of electric energy.

Scope 3: Sources of energy not owned or not controlled by the company.

### **SOLID RESIDUES**

One of the great challenges of businesses today is to increase the efficiency of their processes, maximizing the use of resources and raw materials. This attitude, in addition to the inherent economic benefit, also reflects the environmental issue, regarding the reduction of solid waste generated by the organizations. Since its establishment, WEG has always been concerned about the environment, and thus about properly managing the solid waste generated by its units.

Along its history, the company has developed several projects to improve its process of generation and disposal of solid residue. Among its actions are the implementation of selective collection with the "Resíduo Zero – Acerte na Cor" (Zero waste) program, determination of environmental kaizen methodology, besides setting the reduction goals for the units.

Thus, in 2013 several actions were taken in order to reduce the generation of waste. Among them are:

- Decentralization of the waste areas of the manufacturing plants in Jaragua do Sul so as to improve the disposal and the possibility of creating indicators per areas;
- Greater reuse of crushed material in the injection process;
- Implementation of the chip centrifugation process to recover oil of milling machines at the Cestari unit, with average recovery of 2,600 liters/month;
- Recycling of over 70% of the waste generated, reducing the environmental impacts of prospection and destination of the materials.

In addition, for 2014, several other activities are being planned, such as expansion of the project to decentralize the waste areas, implementation of the organic waste crusher for cafeterias, which will reduce by 80% the destination weight, and expansion of the selective collection program for the acquired units.

We can establish that 97% of the waste generated in 2013 have no danger character.



Recycling of over

70%

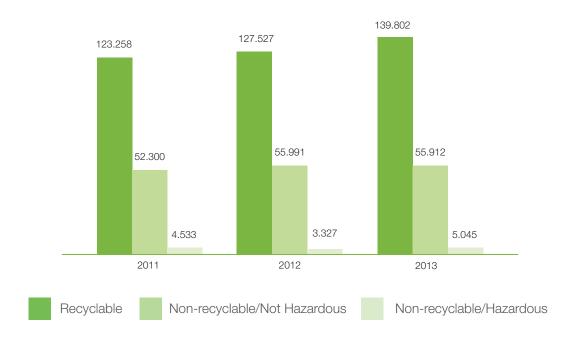
of the residues generated, which reduces the environmental impacts of prospection and disposal of the materials.

We can say

97%

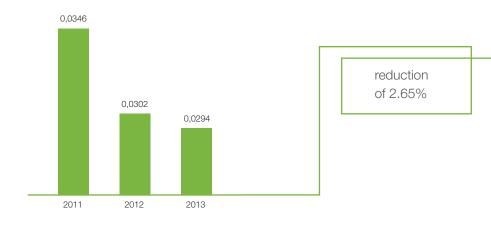
of the residues in 2013 are not hazardous.

## Solid Residues - Generation per Type (t)



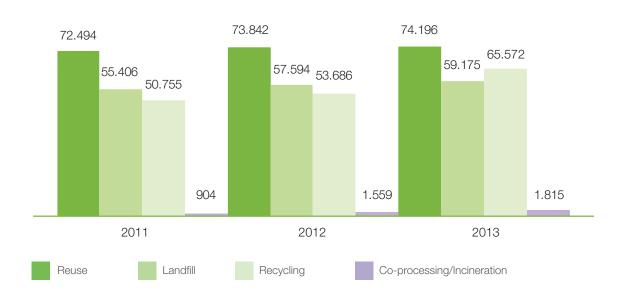
Although the numbers from 2012 to 2013 present a rise in the total gross value of residue generation, the analysis of the indicator of generated residues per revenue shows a reduction of 2.65%, as indicated by the graph below:

## Comparative Indicator of Residue per Revenue (kg/R\$ Revenue)



In the graph below we find that 37% of this waste is reused internally, 32.7% are sent to recycling companies, while 29.5% are sent to industrial landfills, and 0.90% for co-processing.

### Solid Residues - Type of Disposal (Quantity (t))



In 2013, the WEG Group neither imported nor exported hazardous residues.

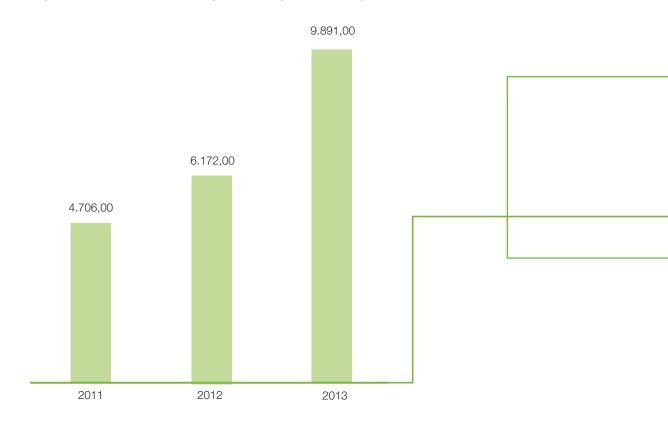
## INVESTMENTS WITH ENVIRONMENTAL PROTECTION

Investments in environmental protection are accounted for in two ways by WEG:

- Investments/operating expenses related to treatment and disposal of residues, treatment of atmospheric and liquid emissions, acquisition of environmental control equipment, environmental liability insurance and depreciation of devices and expenses with materials and maintenance, besides their operation;
- Investments in/expenses of prevention and management related to the remuneration of training personnel who act in environmental management, research and development, certification of environmental management systems and cleaner production.

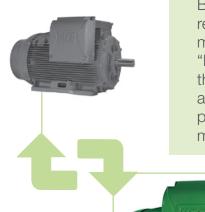
The amount of investments/expenses made in the period 2011 to 2013 is provided in the following chart.

### Investments/expenses with environmental protection (thousand R\$)



### **RECYCLING PROGRAM**

Recycling is a serious subject for WEG, extended up to its core business. By means of the program for reusing electric motors, the "Exchange Plan", the company has granted, for 16 years, a discount on the purchase of a new motor with performance above the law requirements in exchange for a used one. Besides the financial benefit to the customers, the initiative ensures that the used motor, with low efficiency level, be removed from use, which stimulates awareness of energy conservation and makes the industrial plant more efficient. Once collected by the company, the motors are dismantled and separated into parts for distribution to accredited and tracked recyclers.



By means of the reuse of electric motors program, the "Exchange Plan", the company grants a discount on the purchase of a new motor.





Grow thinking of the development of employees and surrounding community, with relationships based on respect, transparency and ethics. Heritage from its founders, that philosophy has always guided the company's relationships. The interaction in various levels and with different stakeholders has resulted in a strategic alignment with their needs; whether meeting the expectations of shareholders and trade receivables, forming partnerships with suppliers or engaging in public policies to defend competition.

The building of relationships of trust and loyalty occurs based on the planning of different actions for each public. Among the various initiatives are business contacts, visits, participation in trade shows and events, meetings with representatives, community and suppliers, and actions in organizations and conduction of training courses.

It is also noteworthy the improvement of communication channels to identify new demands and definition of future actions in the involved areas. Such demands oriented the preparation of this report and are best detailed for each public below.

# **INVESTORS**

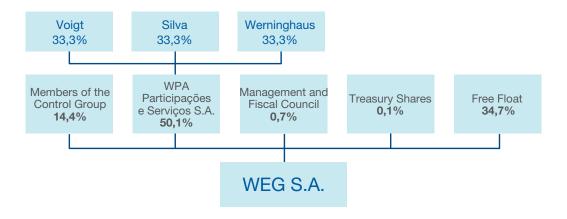
WEG S.A. (the "Company") is a Brazilian corporation headquartered at Avenida Prefeito Waldemar Grubba, 3.300, in Jaraguá do Sul/SC, Brazil, holding company part of the WEG Group. With its shares traded at the BM&FBOVESPA under the code "WEGE3", the company has been listed since June 2007 in the special segment of corporate governance named "Novo Mercado". The company also owns American Depositary Receipts "ADRs" – Level I, which are traded in the OTC ("over-the-counter") market in the United States under the symbol WEGZY.

Maintaining a continuous dialogue with shareholders and potential investors is a priority for the company. In order to report activities and results and to receive communications from stakeholders, different communication channels and relationships are used: Investor Relations website (ri@weg.net); direct channel to the area of Investor Relations by the e-mail ri@weg.net; Contact Us tool at the IR website; mailing list; disclosure of Annual Financial Statements and Quarterly Information, annual and special general meeting. Requests directed to the Board of Directors undergo an internal review before being delivered.

Among the activities performed by the IR area in 2013 are meetings with domestic and foreign investors, Apimec Meeting (Association of Capital Market Analysts), as well as non-deal road shows in Brazil and abroad. Analysts of the country and from abroad were also received, in addition to numerous telephone contacts. In the second half of 2013, the WEG Day was held for the second time, which offered investment analysts and managers of professional resources the opportunity to visit the manufacturing plants of Jaragua do Sul and Blumenau, in addition to presentations made by the President and other members of the Executive Direction about the company and perspectives of the different business units.

#### **Shareholding Structure**

In December 2013, the percentage of the outstanding shares (free float) was 34.7% and the controllers, along with members of the control group, held 65.2% of the total capital of the company.



#### **Shares**

At BM&FBovespa, the shares of WEG under the code "WEGE3" had a valuation of 18% in 2013, performance adjusted by income (dividends and interest on own capital). As of May 2013, the Company's shares have become part of IBrX-100 Index, one of the performance benchmarks on the Brazilian stock market.

In November 2013, for the fourth time WEG was selected to take part in the Business Sustainability Index (Índice de Sustentabilidade Empresarial - ISE) of BM & FBOVESPA. The portfolio will be valid from January 6, 2014 to January 2, 2015.



#### **Distribution of Dividends**

Before each Annual General Meeting, the Board of Directors must make a recommendation on the allocation of the net income of the previous year, which will be deliberated on by the Company's shareholders.

WEG observes the following factors in order to determine the allocation of resources:

- **I.** The current behavior and future perspectives of the company's current and potential operating markets are taken into account to identify existing investment opportunities;
- **II.** The need of resources to maintain and expand the production capacity and supporting structures to exploit such investment opportunities available for the company is taken into account;
- **III.** The resources available to make the necessary investments both own resources and resources from third parties, already available or which could be obtained in the future with reasonable confidence;
- **IV.** The need for flexibility and financial strength to maintain the businesses and access to credit by the company is taken into account;
- **V.** Exceeding resources are distributed to shareholders as a return on capital in the form of dividends.

#### **RELACIONAMENTOS**

The legislation establishes several conditions for the allocation of the annual results. The WEG Corporate Bylaws considers these limitations on how it defines the calculation of shareholders' remuneration with dividend distribution, which can also be distributed in the form of Interest on Own Capital, according to Law 9249/95. According to our Corporate Bylaws, dividends of WEG are defined as follows:

Article 37 - The fiscal period will end on the last day of December of each year, when the overall stock taking and annual balance sheet will be drawn.

Sole § - Ad Referendum of the General Meeting, the Board of Directors may decide on the distribution of interim dividends and / or interest on equity, in accordance with Law No. 9.249/95, as well as the payment of periodical dividends, provided that the balance sheet is drawn in accordance with legislation in force.

**Article 38** - Profit of the period, after the deductions established in Article 189 of the Business Corporation Act and after the deduction, subject to legal restrictions, of up to 10% (ten percent) as participation of the managers (Article 190 of the Business Corporation Act), will be allocated as follows:

- a) 5% (five percent) for the creation of legal reserve, which shall not exceed 20% (twenty percent) of the capital stock;
- b) amount, when necessary and duly justified by the managers, to form Contingency Reserves and to form Realizable Profit Reserve, in the form of the legislation;
- c) 25% (twenty five per cent) at least of the adjusted net income in accordance with article 202 of the Business Corporation Act for distribution of dividends and/or interest on equity, in accordance with Law No. 9.249/95, attributed to dividends;
- d) Withholding of the profit, when duly justified by the Managers, to fund capital budget approved by the General Meeting and annually reviewed;
- **e)** the remaining balance, after all the deductions above, will be distributed to Shareholders as dividends.

Sole § - In view of Law No. 9.249/95, the Board of Directors will deliberate on:

- a) the amount of interests as remuneration of own capital to be paid or credited to Shareholders, in cash or "in kind", wholly or partly; and
- **b)** attribution and deduction of the mandatory dividend from the amount of the interests paid or credited to Shareholders as remuneration of own capital.

WEG has been practicing the following policy with respect to the shareholders' remuneration:

- **I.** Semiannual dividends are declared, based on the results determined on June 30 and December 31 of each year;
- **II.** Additionally, quarterly interests on equity are declared, and they will be attributed to the amounts of the dividends distributed, for all legal purposes, in accordance with the relevant legislation;
- **III.** The declared dividends are paid twice a year.

# **CUSTOMERS**

From the various solutions offered by WEG, we always focus on what is appropriate for the situation of each customer. We understand that each one faces a specific set of needs and therefore seeks to offer increasingly synergetic and efficient solutions. We invest in a variety of marketing initiatives that assist us to contact new customers and strengthen existing partnerships.

#### **CONWEG**

The concern of WEG about serving well its partners and customers made the company hold in January the WEG Sales Convention, which gathered its 120 sales representatives from all over Brazil and the internal sales team to discuss and assess the new opportunities and new products and services available to the market. With informative focus, the convention seeks to integrate our sellers to offer more information and quality in the customer service.



#### **Business Meeting**

Analysis of business opportunities, discussion of the performances on the market, and strengthening of the relationships were some of the reasons that structured the Business Meeting, held in May 2013. A group of Integrated Dealers, 5-Star Certified Technical Assistants and Technical Assistants for Explosive Atmospheres was invited to the strategies and guidelines alignment meeting of the Strategic Planning WEG 2020 in order to concentrate their efforts and monitor the growth of WEG until 2020.

#### CONATEC

The WEG Technical Assistants Convention brought to Jaraguá do Sul 94 Authorized Repair Shops, from the Southeast and Center-West regions, in a total of 110 people. During the two days of the event, the group could talk to the internal team about the situation of the market and the needs of their customers, recycling information about the product and solution lines, besides visiting the manufacturing plant to see all the technology and innovation applied to the production processes. Also in the meeting, 39 Repair Shops were honored for 20, 25, 30, 35 and 40 years of partnership with WEG.



#### Marketing Plan with Dealers

Following the project started in 2012, visits were made to some WEG Dealers to align marketing strategies and strengthen relationships. The project consisted of developing a Marketing Plan for the Dealer to be able to identify and evaluate the opportunities on its market, defining an action plan to expand its business and its customer portfolio, observing their specific needs and providing integrated solutions not explored yet.

### Fairs, Seminars and Workshops

With increasingly efficient and integrated solutions, the company participated in 11 important fairs of its major sectors. Large structures were prepared to present the best products and solutions for the sugar & ethanol, oil & gas, wind energy, energy efficiency, refrigeration, power generation and distribution, electric drive industries, among others. We were also present in various seminars conducted by Brazil, where it was possible to discuss with experts on the most relevant issues today, such as renewable energy and mobility.

# Conheça Nossa Casa (Know Our Home) Project

To present our manufacturing plants, our factories, our home. This is the idea of the project, which has been successful for several years at WEG. In the projects undertaken this year, more than 180 customers had the opportunity to walk in the passageways of the factories, to see closely the processes and meet our staff. Five meetings were coordinated jointly by the Marketing area, dealers and representatives.

#### WFG em Revista

With quarterly publications, WEG em revista presents the main news of the company, and each edition brings stories of success and subjects that stand out in the company's businesses. To turn challenges into opportunities, internationalization in search of competitiveness, potential resources in energy efficiency and innovation were just a few of the highlights presented in 2013. With a print run of 8,500 copies, the publication is delivered to customers, suppliers, partners, universities and professional associations, in addition to the online version, available free on the website.

#### **CTC**

The Customer Training Center WEG received last year 2,619 customers who participated in over 59 thousand hours of training in the areas of automation, transformers, coatings, motors, energy efficiency, services and management (especially intended to our Technical Assistance and Authorized Dealers). The courses were conducted in Jaraguá do Sul and Blumenau/SC, São Paulo and São Bernardo do Campo/SP, and Recife /PE.



### Talk to Us

WEG maintains a permanent communication channel with the various stakeholders with whom it interacts. Through the Talk to Us, it interacts with the general public, whether to ask for technical explanations regarding products and services, to indicate business partners or to talk a little more about the company itself. The year 2013 recorded approximately one thousand interactions with the various publics, which were answered within three days on the average.

# **Noncompliance Cases**

In 2013, there were no reports of noncompliance cases regarding marketing announcements, advertising, promotion and sponsorship, as well as of privacy violation and loss of customers' data.

# **EMPLOYEES**

"If machines are needed, you can buy them; if there is no money, you borrow; but men you can neither buy nor borrow, and men motivated by an idea are the foundation for success". Eggon João da Silva

The statement of Eggon João da Silva, one of WEG founders, sums up the philosophy that today is part of the daily life of the company. The success of any business depends on the quality of life of people who are dedicated to it, which requires a harmonious and ethical environment which respects human beings. It is only possible through programs and policies that value and promote the health and safety of people, encourage and provide conditions for qualification and professional growth.

The climate management and communication are also considered strategic to achieve the goals of the group, promoting transparency, dialogue and building a healthy and positive environment to work. Besides being part of WEG's history, promoting health and human development is aligned with the company's business guided by sustainability.

### **CLIMATE MANAGEMENT**

Through diagnosis and measurement of the employees' satisfaction, the Organizational Climate Management at WEG acts to contribute to improving the working environment within the general scope of the company. In a cyclic and continuous way, the process uses some tools to measure the employees' satisfaction, such as Internal Climate Survey, Occasional Surveys, Magazine Surveys, Diagnoses, Development of Works to Improve Climate in the team and Dismissal Questionnaire. After the application of the survey and data analysis, we try to get answers that help identify possible failures or opportunities for improvement.

### Family visit program

An invitation to the families of employees to know WEG and its work environment. That is the intention of the program "Family Visits", which occurs outside the employee's working hours so that he can also participate. In order to participate, the employee must make an appointment with the manager. The program covers the manufacturing plants in Brazil.

"If machines are needed, you can buy them; if there is no money, you borrow; but men you can neither buy nor borrow, and men motivated by an idea are the foundation for success".

Eggon João da Silva

#### **HIGHLIGHTS IN 2013:**

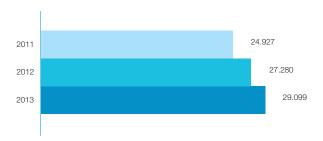
- Seminar on Management Practices: aims to enable managers exchanging experiences and sharing management practices with effective results to lead and develop their teams, besides being a channel for disseminating corporate guidelines. In 2013 six workshops were held at the headquarter and six other units, totaling 1,389 participations of managers.
- Diagnosis/Development/Monitoring/Redirecting of Climate Plans: they are works to improve the environment customized according to the needs of the requesting area. Based on research results and indicators of productivity, quality, safety and turnover, the works are built with the management team in order to improve the climate.
- Internal marketing: groups and/or representatives of the units in Brazil work on the planning of execution of corporate events, and motivational actions aiming at the employees' satisfaction. In 2013, the Internal marketing group was created in Linhares/ES to meet more effectively the requirements generated by the growth of the unit. Twelve corporate events were held by the groups in 2013, in addition other six local actions, which aimed to value specific dates for the employees.

#### PERSPECTIVES FOR THE COMING YEARS:

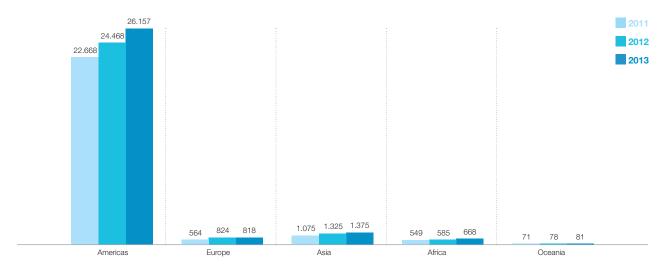
- Climate Management: act as support in the dissemination of processes across the group and the development of actions to increase satisfaction/profitability.
- Seminar on Management Practices: increasing of the number of local presentation, seeking greater dissemination of the practices across all units.
- Evolution of Organizational Climate Projects by business unit: specifically evaluate the implantations, changes and improvements in order to identify the impact and necessary adjustments.
- Corporate Actions for understanding and disseminating policies.
- Planning and monitoring of the development of managers in the units in Brazil.



# **Total Employees**



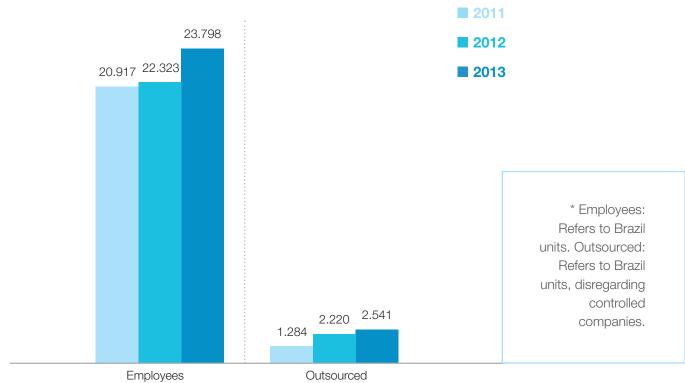
# **Total Employees per Continent**



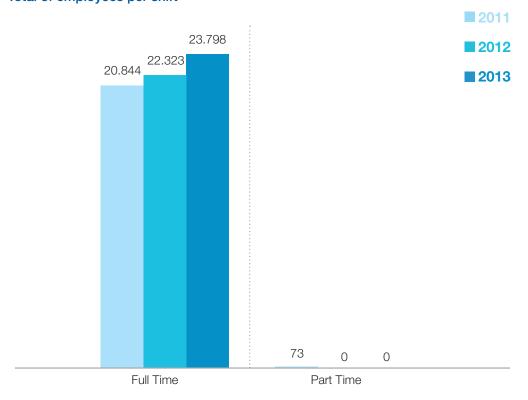
# **Employees per continent**

Continent	Countries	Total employe	Total employees		
		2011	2012	2013	
Americas	Brazil Argentina Mexico USA Other countries Subtotal	20.917 261 1.167 250 73 22.668	22.323 306 1.232 522 85 <b>24.468</b>	23.798 378 1.390 500 91 <b>26.157</b>	
Europe	Portugal Other countries Subtotal	294 270 <b>564</b>	314 510 <b>824</b>	313 505 <b>818</b>	
Asia	China India Other countries Subtotal	622 441 12 <b>1.075</b>	842 472 11 <b>1.325</b>	846 484 45 <b>1.375</b>	
Africa	South Africa Other countries Subtotal	549 - <b>549</b>	585 - <b>585</b>	668 - <b>668</b>	
Oceania	Australia Other countries Subtotal	71 - <b>71</b>	78 - <b>78</b>	81 - <b>81</b>	
Total employees of the WEG Group		24.927	27.280	29.099	

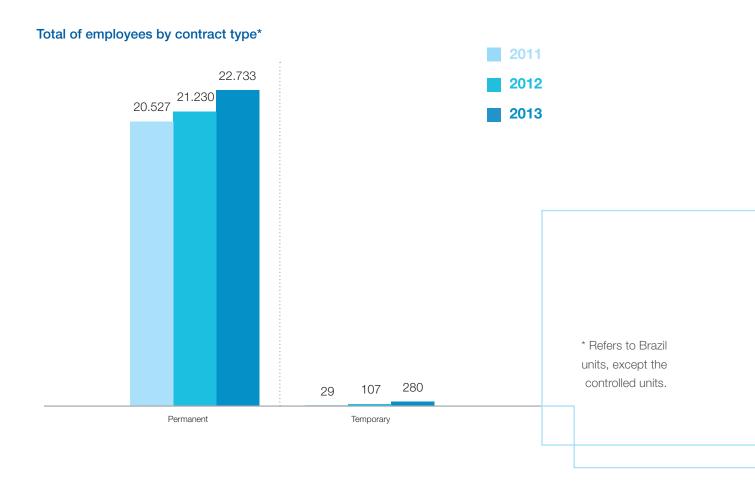
# Total Employees by type of job\*

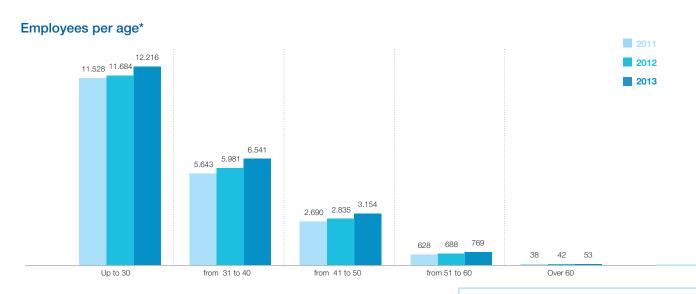


# Total of employees per shift\*



\* Refers to Brazil units.





\* Refers to Brazil units, excluding controlled units, outsourced employees and temps.

#### **Recruitment and Selection**

WEG Recruitment serves the needs of hiring personnel, finding qualified candidates, and helping managers choose motivated professionals who identify with the culture of the company and contribute to overcoming the corporate challenges with their attitude, skills and abilities.

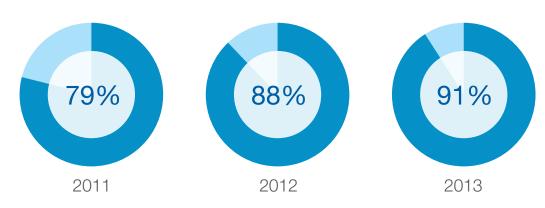
The selection processes are conducted in the cities where each unit is located, seeking to value the local culture and respecting diversity.

The company prioritizes internal recruitment, aiming at giving opportunities to employees and valuing internal potentials. The scope of the process is to offer employees the possibility of reaching a better position, encouraging professional development and career growth, while retaining talent in the company.

In the selection processes, WEG Recruitment also prioritizes applicants from the local community, which enables the inclusion of young people with no professional experience in the learning, training and qualification programs within the company.

The graph below shows the evolution of the percentage of senior managers hired from the local community, that is, it refers to members of the Direction who grew professionally in the company, indicating the good practice of prioritizing internal promotions.

### % of senior managers hired from the local community\*



\* Refers to Brazil units, excluding controlled units.

# WEG maintains a package of benefits for its employees (amounts in R\$)

Benefits	Description of the Benefit	2011	2012	2013	
Health Care	Provided for employees and dependents. The company contributes with a percentage of the values for the employees and their dependents.	16.256.184	20.451.713	24.442.563	
Dental Care	Provided for employees and dependents. The monthly fee is free for the employees.	1.541.053	1.748.887	2.146.358	
Pension Plan	The company has a pension plan, structured in the Variable Contribution mode. The liabilities of the Plan are fully covered by the reserves constituted and supported by the assets of the Plan, according to the Actuaria Statement issued on 12/31/2013 by the independent actuary responsible for the Plan. The contributions of the sponsors are defined in the costing plan and represent 2.98% of the total payroll. The participants contribute with a percentage freely chosen on the base salary, observing the minimum of 1%. Currently the Plan has 99% or participation, and 92% of the participants are contributors.	17.611.533	20.358.896	22.948.131	
Education and Training	Scholarships for the employees so that they continue taking languages courses, technical courses, college and post-graduation courses. Even training courses carried out in the company are offered.	7.285.690	7.646.759	7.189.703	
Meals	Offered to the employees and made and served in the company in restaurants. The employee pays up to 20% of the meals, and the company pays the rest.	22.502.610	24.369.063	31.072.244	
Influenza vaccination program	Provided for all employees of Brazil units. The company pays for the full amount.	136.978	124.250	192.215	
Life Insurance	WEG pays 100% of the Life Insurance for its employees. It also has additional plans of life insurance which are optional. In the Additional Plan 1: WEG pays 45.61% and the employee 54.39%; in the Additional Plan 2, WEG pays 37.15% and the employee pays 62.85%.	1.376.025	1.585.181	1.668.211	
Profit Sharing	Provided for all employees of Brazil units. Up to 12.5% of the net profit (Consolidated Balance Sheet) of the WEG Group are distributed if a profit equivalent to 10% of the net equity existing on 12/31 of the previous year is reached. The distribution is done following criteria for the reaching of goals of the WEG Group, business units, departments and performance assessment of the employee.	99.483.203	118.315.109	158.534.174	
Child Education Program	WEG holds agreements with Public and Private Child Education Centers in order to take care of employees' children with age 0 to 5 years old. The special advantage of the program is that both male and female employees have the right to the benefit.	1.578.717	1.790.413	2.045.246	
Christmas Gifts	Provided for all employees of Brazil units. In 2013 the employees has six options of Christmas gifts. It is offered to the employees that worked at least one day along the year.	2.942.374	3.115.872	3.471.040	
Other Benefits	Benefits such as transportation voucher, uniforms, labor gymnastics and recreational association are offered to the employees of Brazil units.	9.504.064	10.876.985	13.692.960	
Total		177.276.056	210.383.128	267.402.848	

## Corporate communication

In charge of disseminating information in a strategic and integrated way to its internal public, the Corporate Communication acts by means of communication channels, such as newsletters on information boards, Jornal do Colaborador (monthly internal newsletter), Jornal Mural (internal newsletter) on information boards in canteens, and the Employee's Manual.

In electronic media, WEG offers the IntraWEG, an intranet portal with a broad range of services and information, which can be accessed at kiosks with intranet access distributed across the factories, and videos produced along the year. In order to facilitate the face-to-face communication, all leaders of the company receive the agenda of the monthly meetings.

In 2013, various internal communication activities were conducted, as follows:

- 12 editions of the Jornal do Colaborador (internal newsletter)
- 787 bulletins
- 218 announcements
- 8 recommended readings
- 272 Intraweg articles

Outside the company, communication is directed to various media such as the WEG Portal, Social Networks, relationship with the press, newsletters and the magazine WEG em Revista, a quarterly publication with distribution throughout Brazil.





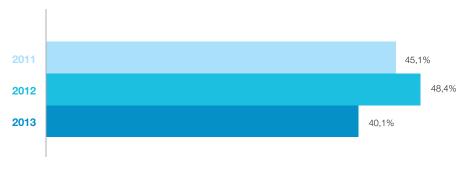
#### **Code of Ethics**

Sustainability, citizenship, ethics and respect among people are encouraged and practices standardized by means of two important tools: the Code of Ethics and WEG Social Responsibility Policy. Both are aligned with the UN human rights and the International Standard SA 8000 (Social Accountability International) and are widely disseminated in WEG units.

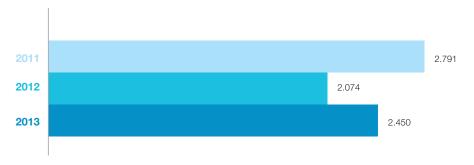
The Code of Ethics was established in 2007 and its principles are kept "alive" through constant dissemination in the internal communication channels. The Code of Ethics is also presented to the new employees during the introduction training.

- Guarantee of commitment to the society through the compliance with the law;
- Guarantee of the eradication of child labor and forced labor;
- Hiring of young people only over 18 years, except as apprentice;
- Incentive to the development of employees,
- Respect for diversity and multiculturalism;
- Rejection of practices of moral and sexual harassment in work relationships;
- Respect for the right of its employees to join in trade unions,
- Support to the communities with which it interacts directly.

# Security professionals trained in human rights



# Total hours of training in human rights



#### Notes:

- 1) It is practice of the to train its employees in human rights by means of department meetings, lectures and bulletins. The newly hired receive specific training on the subject through the presentation of the Code of Ethics.
- 2) All the employees of assets security are trained in human rights when they join the company, and there is a recycling course on the subject every two years.

### TRAINING AND HUMAN DEVELOPMENT

Education is the foundation for personal and professional development.

WEG offers programs that involve from young apprentices to the retired employees, in a structure that provides free internal courses. This practice has established a learning culture that extends to all areas and that allows employees to take advantage of opportunities. The education also extends to the community, offering opportunities to start a career as a young apprentice or as a trainee.

#### CentroWEG

The apprentice has guaranteed training at the WEG Training Center (WEGCenter). The professional training school, located in Jaraguá do Sul / SC, develops competences, qualifying young people to perform activities requiring technical training. WEG Training Center began its activities on April 23, 1968, at first to compensate the lack of qualified professionals. Over the years, it has expanded the areas of training and currently offers courses in the following areas:

- •One-year course: Machining and Electromechanical Assembly of machines;
- •Two-year course: Chemistry; Electronics; Electrotechnics; Mechanical Maintenance and Tooling.

With 15 professionals, the CentroWEG has 20 laboratories for practical activities and seven classrooms arranged in an area of 2,550 m<sup>2</sup>.

More than 2,900 young people have studied at the CentroWEG and about 140 professionals graduate every year. They are hired as apprentices and at the end of the course, everyone has a job opportunity in the manufacturing units.

Qualified teams use the best equipment, create solutions for the daily problems, adapt processes and products, develop and implement innovations. That is essential for the good performance and professional development, as well as to contribute to meeting the expectations of continuous and sustainable growth of the organization.



### **Internship Program**

The Internship Program aims at providing an opportunity for complementary education for students, in compliance with Law 11.788 of 25.09.2008, and also at enabling the application of the knowledge acquired in the Educational Institution by means of practical works actually useful for the company.

#### **Professional Qualification of Production Operators:**

The program offers opportunities for technical professional development to employees of the production areas and local community. That increases the level of technical knowledge for those who work on activities that directly affect the quality of the products, contributing to improvements in quality and productivity. Classes are structured with 78% of theoretical activities and 22% of laboratory practice.

### **Professional Qualification of Production Apprentices**

The program offers the community the opportunity for technical professional development as apprentices, according to current law. Eight 400-hour courses are offered, which enable these apprentices, recruited from the community, to work in the production areas, increasing the level of technical knowledge in the execution of activities directly affecting the quality of products, contributing to improvements in quality and productivity. The program is structured with 60% of theory (divided into 25% of theoretical concepts and 35% of exercises) and 40% of lab practice. In 2013 112 apprentices graduated.

#### **School Support**

WEG offers scholarships to employees so that they continue studying languages, technical courses, college and post-graduation courses.

#### Open external courses

Courses conducted with participants from several places and businesses, usually outside WEG premises, and with an external company or instructor.

### Closed external or in-company courses

Courses conducted only with WEG participants, usually at WEG premises and with an external company or instructor.



### Internal courses

They consist of courses conducted only with WEG participants and instructors, usually at the company's premises.

### **Professional Qualification for Engineers and Technologists**

The program provides an opportunity of knowledge oriented to engineers and technologists who work in technical, commercial and industrial areas. Among other functions, the Professional Qualification for Engineers and Technologists enables the increase of technical knowledge directed to the work reality, standardizes the information on electrical rotating machines and energy efficiency and creates an advantage in the service for internal and external customers.

### **Leadership Formation**

It provides the participants with self-improvement, development and improvement of administrative and behavioral qualities or skills, so as to improve the performance in their duties in the position of section head with efficacy and safety.

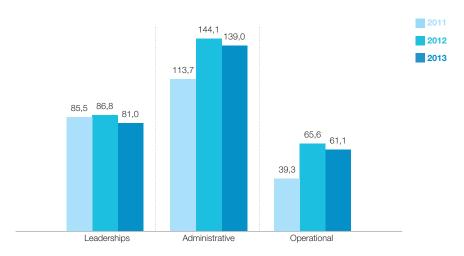
### In-company post-graduation

It creates opportunities for the company's employees to update and specialize in the fields of engineering and business management. The post-graduate courses can be at specialization or mastering level. The necessary courses and the participants is defined in conjunction with the areas involved (departments/directions) and the Training area.

### **Continuous Management Development**

Recycling program aimed at people management, in which all managers and section heads (two years after the completion of the Leadership Training) participate. The program's goal is to provide a space for reflection and practice to facilitate the conscious use of essential skills and behaviors of the leader. At the end of the program, all leaders can assess the current scenario of their behavior and of their team, reflecting on how their posture as a leader directly influences the performance and results of their group.

### Average hours of training per functional category



### **Management Development**

It aims at developing competences that drive the company to sustainable growth on the globalized market. In a systemic process that includes transparency and clarity about the company's expectations regarding the performance of the executive body, the philosophy of self-development is encouraged, besides the opening for systematic learning through the planning of medium and long-term development.

### **Potential Evaluation**

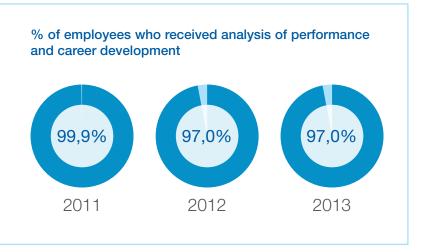
It is the identification of potentials considering administrative, interpersonal and intrapersonal characteristics. The evaluation aims to encourage the training and development, and to assist the company in making strategic decisions in promotions or transfers.

### **Performance and Competence Evaluation**

It is directed to all the employees of the company. They are evaluated once a year by the immediate supervisor in ten factors: communication, knowledge, creativity and innovation, focus on the customer, initiative, negotiation, productivity, quality, interpersonal relationship and responsibility.

### **Assessment of Managerial Competencies**

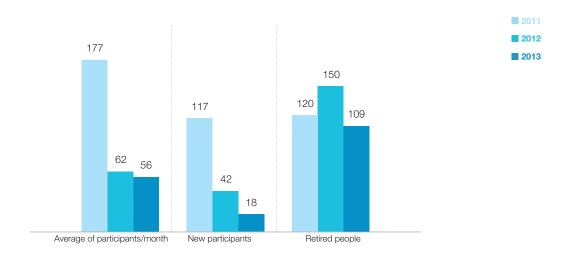
Managers are assessed every two years by the immediate supervisor with the help of peers and internal clients on the competences of "Group Synergy" and "Focus on the Customer", and by subordinates on the competence of "People Management". The evaluation takes into account some factors, such as: focus on the customer, pro-activity, management of the invested capital, people management, knowledge management, group synergy and multiculturalism. The routine underlies the plan for self-development of managers, reviewed at each evaluation process.



### **Active Maturity Program**

The Maturity Active Program was created so as to minimize the impacts generated by the dismissal of the company on retired employees, who remain in the organization. A year before his dismissal from the company, the employee is invited to participate in the program, which is optional. The program is also a form of valuation of the retired employees in which, by means of monthly meetings, the participants themselves define the issues and actions that will be proposed. The intention is to exercise the autonomy and a new way of experiencing the "post-WEG" daily life, and to identify their own potentials.

### Participation in the Active Maturity Program



### Highlights in 2013

Implementation of the Sales Training Track, involving employees from all WEG Units with sales areas. The complete program includes 126 hours of training with several courses that provide technical and behavioral knowledge.

### Investment in training (Amounts in thousand) R\$



### **HEALTH AND SAFETY**

The valuation of the human being in the development of its activities is one of WEG's policies. By means of campaigns and internal trainings on different issues related to safety and health, the company promotes awareness and dissemination of the prevention culture.

The Occupational Safety and Health Section provides corporate support for external units to perform diagnosis regarding the current condition of the unit and to conduct trainings to qualify operators of Overhead Cranes, Forklifts, among others.

The staff of the section is diversified, consisting of technicians, engineers, doctors, nurses, nursing assistants, speech therapist, physiotherapists, physical education instructors, ergonomists and administrative assistants.

### **SAFETY**

### • Safety and Ergonomics Committee

Consisting of members of the Direction, the committee regularly analyses process indicators and the result of WEG Safety and Ergonomics Program. The action ensures that health and safety issues be considered as integral part of the WEG Group business management. It covers WEG Brazil units, having a corporate representation that reaches 100% of WEG employees.

### Labor gymnastics

Labor Gymnastics seeks to improve the life quality, encourage physical activity and integration of employees, in addition to preventing stress and occupational diseases. The program covers all WEG units in Brazil.



### Internal Commission of Accident Prevention

In accordance with the requirements of the Regulatory Standard of the Department of Labor (NR-5), the Internal Commission of Accident Prevention develops improvements upon irregularities identified in the monthly inspection and promotes the Internal Accident Prevention Week, together with the Service Specialized in Occupational Safety and Health. The Internal Commission of Accident Prevention has 469 employees elected and appointed who are directly involved, reaching 2.1% of the total number of employees. Those teams server 100% of the employees of Brazil units.

"The emergency teams are composed of volunteer employees. 319 employees are involved, representing 1.4% of the total employees of the WEG Group Brazil".

### • Prevention, safety and health

The program has a performance directed to inspections, preceded by technical training on a specific topic and safe behavior. Formed with groups of three to five members, the program is limited to the business units located in Jaraguá do Sul and Blumenau, in which 310 employees are involved.

### • Emergency teams - Brigade

Emergency teams are composed of volunteer employees, trained and qualified to act in events such as fire, serious accidents, chemical spills, floods and other situations. The teams consist of nine to eleven members, acting in Brazil units. 319 employees are involved, which represents 1.4% of the WEG Group Brazil. All the employees of the units that have emergency brigades are served.

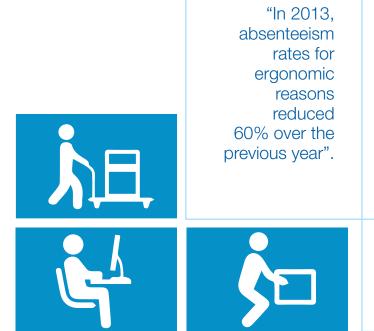


### • WEG Hearing Conservation Program

Standardizing measures to promote, maintain and prevent the hearing health of employees exposed to "occupational noise risk" is the objective of WEG Hearing Conservation Program. The program is based on education, assessment of areas of risk, engineering/administrative measures, individual protection and audiometric monitoring In order to implement the program, an action level is established from 80 dB (A) up. Among the actions are individual orientation on use of hearing protection, extra occupational exposures, periodic audiometric testing, in addition to lectures on hearing health, cleaning and correct use of hearing protection. The lectures are held annually in locations where the program is being reestablished.

### • WEG Ergonomics Program

In 2013, rates of absenteeism due to ergonomic reasons were reduced by 606% compared to the previous year. The result is directly linked to the performance of the WEG Ergonomics Program. Following criteria for safety and ergonomics, the program trains and qualifies employees in order to design new processes, workstation, machinery, equipment and devices. Furthermore, the program identifies and corrects safety and ergonomics issues in the workplace. It includes units of Jaragua do Sul/SC, Guaramirim/SC, Itajaí/SC and Linhares/ES.



### **HEALTH**

The biological, psychological and social health of the employees in promoted in a multidisciplinary way by a team of professionals from the medical care service, specialized in the clinical and occupational areas. There are approximately 73 employees directly involved in the area of occupational and clinical health, including physicians, nurses, nursing technicians, speech therapists, social workers, psychologists and administrative assistants. The medical care service stands out in all aspects of the employee's health, including:

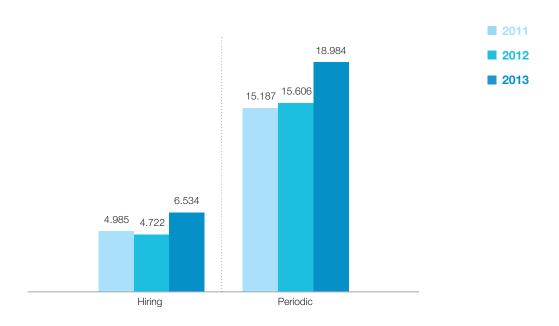
### • Occupational health:

It seeks to prevent, assess and monitor the health of employees. The main activities are routine medical examinations, and examinations for hiring, transfer, promotion and dismissal. In 2013, 54,981 occupational consultations and 32,340 occupational care procedures were performed in the medical care departments of WEG units in Brazil.

### • Health Service

These are medical care procedures for employees with different health problems. The process begins with the sorting of the problems conducted by nurses, and it goes up to the consultation with physicians and requests of tests and/or referral to specialists. In 2013, 31,056 consultations and 160,195 medical care procedures were performed in the medical care service departments of WEG units in Brazil.

### **Examinations**



### • Living Well Program

"Living Well" is the program dedicated to the life quality of employees, focused on preventing, delaying or mitigating chronic diseases (diabetes, hypertension and obesity).

The program is focused on the orientation as a measure of prevention and on the care of employees with diabetes, hypertension and obesity. The program includes the units of Jaraguá do Sul/SC and Guaramirim/SC. The average number of employees that the multi-professional team cares for is 73 per month.

Among the actions are lectures focused on life quality, based on prevention and dissemination of information and knowledge. In 2013, 20 lectures on the theme "The Right Body Weight" were performed to 895 employees.

### Restaurants

To provide a balanced and healthy diet. This is the main objective of WEG restaurants. With over 3,000 m<sup>2</sup> of built-up area, the restaurants are self-managed in the units of Jaraguá do Sul/SC, Guaramirim/SC and Araquari/SC, producing about 15 thousand meals a day. The employee pays up to 20% of the meals, and the WEG pays the rest.

In order to ensure food safety and excellence in the meals served to the employees, WEG uses the "Risk Analysis and Critical Control Points" system (HACCP). Through this management tool, which offers an effective program to control risks, it is possible to monitor and detect any problems during the production chain.

WEG also features the "Healthy Cooking" program, which aims to encourage, plan, and offer the employee tasty food with nutritional qualities by means of recipes with healthy ingredients. In 2013, WEG served about five million meals in the units in Brazil.

### Smoking Support Group

In 2013, the program was reviewed in order to redefine the process, adapting it to the current smoking situation. There were two awareness lectures in the week of the national day against tobacco.



"In 2013, WEG served about five million meals in the units in Brazil."

### • Psychological and social care

In 2013, 4,796 psychological and social consultations were provided to 2,039 employees. The program aims to contribute to the well-being of the employees so that they have conditions to perform their jobs, even when experiencing issues that influence their social relationships, or psychosocial or psychopathological alterations.

### • Influenza vaccination program

Once a year the flu vaccine is provided free of charge. To prevent and immunize employees against the flu and its consequences, the program covers all units in Brazil, including associates.

### % of employees vaccinated



### • Sick Leave Program

The program is dedicated to tracking and monitoring employees away from work for a period exceeding 15 days. In 2013, the professional team of physicians, nurses, psychologists and social workers attended 611 pre-existing cases and 170 new cases. Implemented in Jaraguá do Sul and Guaramirim, the program extends to the other units through the support of the team.

### • Health Campaigns

Annually, WEG conducts prevention campaigns to educate employees on topics such as:

- Fight against Cancer;
- Sexually Transmitted Diseases (STD)/AIDS.

The company has formal agreements with local trade unions to ensure the health and safety of the employee, encompassing Internal Commission of Accident Prevention, use of personal protective equipment (PPE), notice of occupational accident, hygienic needs, 24-hour medical care service, medical and dental statement, medical examinations, occupational health statement, pharmacy and accident prevention actions.

### Investments in safety

To maintain the quality and welfare of employees in the workplace, WEG continuously invests in improvements. The adaptations on machines, besides investment in developing new Personal Protection Equipment (PPE) and qualification of employees are some of the actions.

Investments in safety in 2013:

- Qualification and training: 69,751 hours, involving 13,758 employees;
- Reduction of risk and high-risk workstation (Ergonomics): 24% of reduction of the total workstations identified;
- Investment in PPEs: R\$ 5,586,537.96;
- Investment in improvements in machinery and equipment (NR-12): R\$ 5,423,554.16.

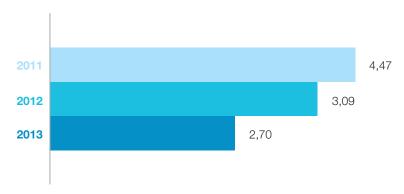


### Highlights in 2013

- Building of new medical care units at WEG Coatings, in Guaramirim, and at WEG Transformers, in Blumenau.
- Continuity of the process to serve the employees, prioritizing emergency care;

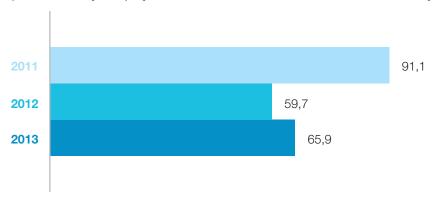
### Injury rate

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



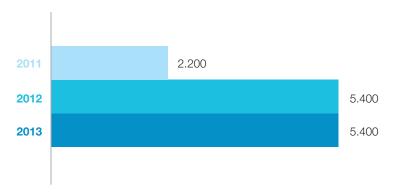
### Total number of working days missed

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



### Total absenteeism

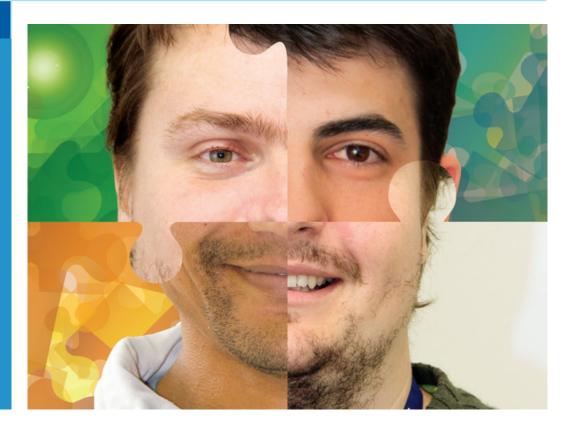
Amount of absenteeism every 200 thousand hours of work.



\*When an employee is absent from work due to any impairment, not only resulting from injury or illness related to work

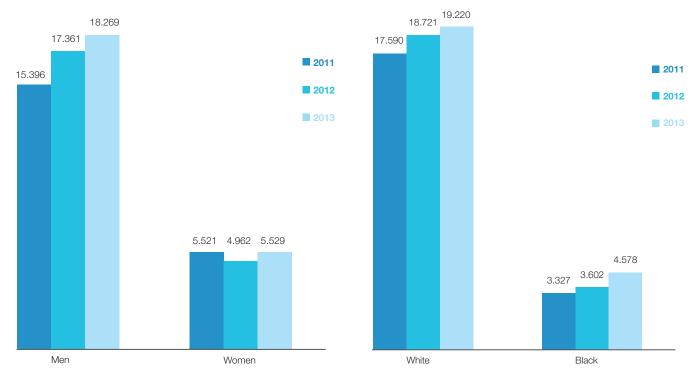
### Number of deaths due to occupational accidents

There were no deaths by occupational accident in 2011 and 2012. In 2013, there was one death related to occupational accident.



### **DIVERSITY**

Valuing diversity is part of WEG policy. The company believes in the difference among people and seeks to build an environment of mutual respect among everyone. One of the most relevant actions is the assessment of the health and safety in the adaptation to the workstation for women.



<sup>\*</sup> Refers to the units in Brazil, except for associates

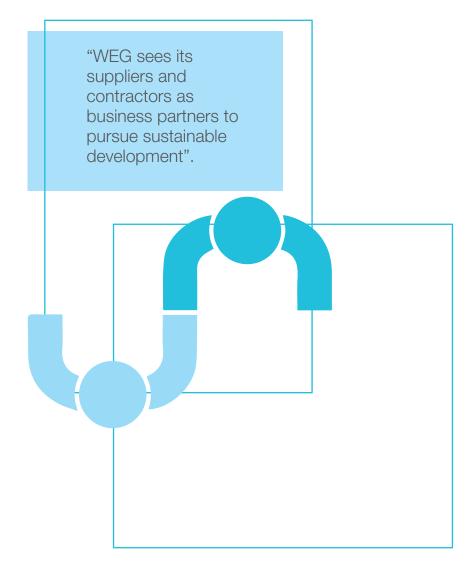
### **SUPPLIERS**

Keeping a strong partnership with its suppliers and contractors is a commitment stated in WEG Code of Ethics:

WEG sees its suppliers and independent contractors as business partners to seek sustainable development, treating them equally, without any undue favoring and observing the principles of free competition.

The sustainable development is expressed in the relationship with the suppliers and contractors, and in the formal agreement established in the respective supply and service contracts, preserving:

• Quality assurance of the products;



- Compliance with the RoHS Directive, which prohibits or restricts the use of certain chemical substances in raw materials and components or used in the manufacture processes of electrical and electronic equipment;
- Compliance with the standards established by the environmental legislation;
- The commitment to not use child labor, forced or compulsory labor in its production chain;
- Compliance with labor and tax obligations in accordance with the laws in force;
- Commitment to developing internal policies to promote diversity and fight discriminatory practices in compliance with international labor standards and conventions;
- The commitment to extend the requirements above to its main business partners, encouraging the alignment of such policies;
- Commitment to develop local and/or regional suppliers and contract small and/or mediumsized suppliers in its supply chain.

This formal commitment ensures the practice that everyone part of the supply chain is aligned with the sustainable development of their business and the society in which they operate.

As business partners, WEG suppliers are encouraged to grow together with the company. For this purpose, the following practices are emphasized:

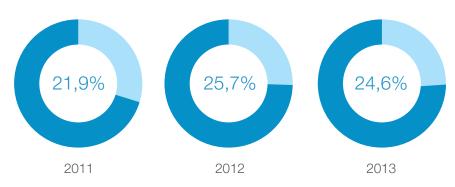
1) Valuation of the Local Supplier: Since its establishment, WEG has sought to be self-sufficient in its processes and manufacturing of inputs used in its products. This was one characteristic of its founders: producing internally all that was not available on the market in order to gain agility, productivity, while reducing costs. This operation model, commonly called "verticalization", was widely used until the late 1990s. Then, under the guidance of the Direction, the company began to focus efforts on its essence: producing laminations for stators and rotors, cast, machined, injected and extruded components with high added value or that depended on high technology or complex tooling for their production. A process started to identify products and services that would no longer be produced internally, but outsourced. Among the assumptions defined for outsourcing was developing local suppliers, primarily located in the state of the business unit. It was a long process that required efforts for the qualification of suppliers, but it brought and still brings excellent results, both for the community and for the suppliers. WEG establishes partnerships with these suppliers and they receive the necessary support to structure themselves solidly on the market.

Other benefits of this practice:

- Closer relationship with the suppliers;
- The community perceives WEG as a partner of other existing businesses in the region;
- The partnership with regional suppliers optimizes the commercial conditions, lead time and compliance with quality requirements of the end customer;
- Incentive to entrepreneurship for the creation and development of new companies.

The percentage of purchases from local suppliers by the business units in Brazil presents the following evolution in the past years:

### % of local suppliers



About 70% of the purchases of Brazil units are materials and components for which there is no strategy of purchasing from local suppliers, because they are purchased from global suppliers and the volume is not economically feasible to develop at local suppliers.

Among these materials are:

- Steel plates;
- Steel bars;
- Copper rods;
- Aluminum rods;
- Ingots of pure aluminum and alloys;

Note: It is understood by local suppliers those located in the federal state of the relevant business unit

**2) Development of Suppliers:** With the goal of promoting business growth and improving the quality of products, WEG encourages its current suppliers to develop, often providing laboratories, standards, devices, tools, introducing manufacturing processes and obtaining for these suppliers the same commercial conditions when negotiating with companies that supply both WEG and the suppliers.

**3) WEG Assured Quality Program:** This program certifies, through a careful process of approval, the suppliers, making them co-responsible for the quality of WEG final product. The certification is valid for an indefinite period for suppliers who maintain the Performance Index within the required standards. For products supplied with "Assured Quality", the receiving inspection is not necessary.

This program aims at:

- Developing reliable suppliers to ensure a uniform quality standard;
- Strengthening relations of trust and mutual assistance between the suppliers and the company;
- Promoting continuous and sustainable development of the supply chain;
- Increasing levels of competitiveness, reducing costs of our products and services:
- Improving the levels of customer service.

For suppliers, this Program provides the following benefits:

- Guarantee of continuity and increased participation in supplies;
- Technical support and sharing of resources and development;
- Preference in the development of new materials and products;
- Opportunity to make use of the Certificate of WEG Assured Quality as a marketing tool.



The certification is valid for an indefinite period for suppliers who maintain the Performance Index within the required standards.



- 4) Technological exchange: Following the commitment to partnership, WEG is always open for suppliers to provide new technologies related to components and processes, for assessment of the technical and economic feasibility of implementation.
- 5) Product development: Aligned with its commitment to partnership, the company develops materials and components together with suppliers for future application to WEG products.
- 6) Development, selection and assessment of suppliers based on sustainability criteria: Suppliers respond a self-assessment questionnaire assigning scores for quality, health and safety, environment and social responsibility. This questionnaire comprises one of the stages of development, selection and assessment of suppliers.
- 7) Periodic audits: they periodically assess: whether the quality system of the suppliers is evolving according to the needs of WEG; whether suppliers are complying with the specifications established in quality plans; whether they are respecting the supply agreements.



WEG is always open for suppliers to present new technologies.



Scores are given to requirements regarding quality, health and safety, environment and social responsibility.



8) Communication: The WEG Online System is already implemented in regional suppliers of Brazil business units located in the city of the company's headquarters. In this system, suppliers can check the programming of components and deliver the materials directly to the central stockroom of the company. For some regional suppliers of these units, the Milk Run is also used, where components are delivered directly to the assembly lines. With the other suppliers of Brazil business units and abroad, communication is carried out via email or phone.

9) Relationships with contractors: Before starting their activities in Brazil business units, all the independent contractors undergo an induction training, in which WEG policies and general information on the company are presented. In the induction training, the independent contractors are trained and oriented on safety and environment aspects so as to ensure that they perform their activities safely within the current regulations.

The performance of these contractors is coordinated by the respective areas in the company according to the service provided. The contracts are renewed annually; however, monthly audits are carried out to guarantee the payment of the taxes by these companies. There is a multidisciplinary commission responsible for setting corporate policies of selection, recruitment and assessment of contractors, as well as review of existing agreements and management indicators of the services provided.



# SURROUNDING COMMUNITY

The community in which the company operates provides the infrastructure, labor and partners, which are essential for the feasibility and success of the business. WEG policy of community involvement is based on respect for local customs and cultures, as well as the commitment to education and dissemination of social values for the company to fulfill its role as agent of social improvement.

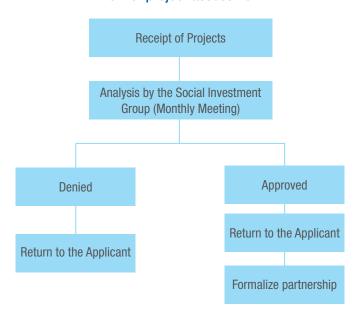
Social investment for WEG is to maintain a good relationship with the community, becoming co-responsible for local development and contributing to reducing inequalities and providing access. WEG social investments extend to the cities of Brazil units and, considering the impact on the region of Jaraguá do Sul (the company's headquarters), surrounding cities also benefit.

Since 2005, the community has had a specific channel to send WEG requests for donations and sponsorship: the Internal Group of Social Investment, which works to respond all requests efficiently and timely. HR, Communication, Social Responsibility, Accounting and Environmental Management are the areas of the company the compose the group.

What guides the decisions of the Internal Group of Social Investment are the directives for donations and sponsorship. The social investments sponsor projects focused on education, culture, citizenship, sports and health. The company's main focus is social projects related to children and adolescents.



### Flow of project assessment



### **HIGHLIGHTS IN 2013**

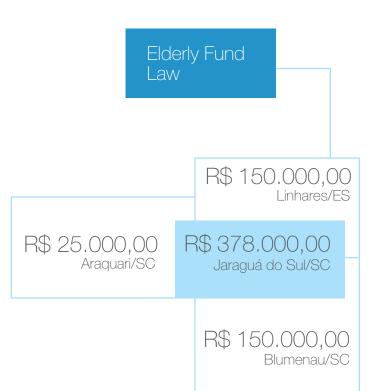
• 4th Community Sustainable Growth Meeting, with representatives of organizations with actions directed to people with disability and cancer. The meeting discussed Law 12.715, which establishes the rules and criteria to present and approve projects in the scope of the National Support Program for Oncology Care (PRONON) and National Program of Support and Attention to the Health of Disabled People (PRONAS/PCD).

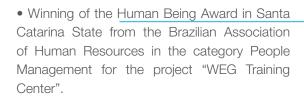
At the end of the meeting, nine of the twelve entities present, received advice from WEG. The assessment of the meeting was of 93% of satisfaction.

- Partnership with the Rã Bugio Institute through the project "Getting to Know the Richness of the Atlantic Forest", an environmental education program for the conservation of the Atlantic Forest biome.
- Beginning of the transfers of funds to the National Program to Support Oncology Care (PRONON) through Law 12.715 Decree # 7.988/2013. The first project to receive benefits was the "Expansion of the Pediatric Oncological Center" of the Pequeno Príncipe Hospital, in Curitiba.
- Continuity of the transfer of funds through the Elderly Fund Law, benefiting the cities of Linhares/ES with R\$ 150,000.00; Jaraguá do Sul/SC with R\$ 378,000.00; Blumenau/SC with R\$150,000.00; and Araquari/SC with R\$25,000.00.

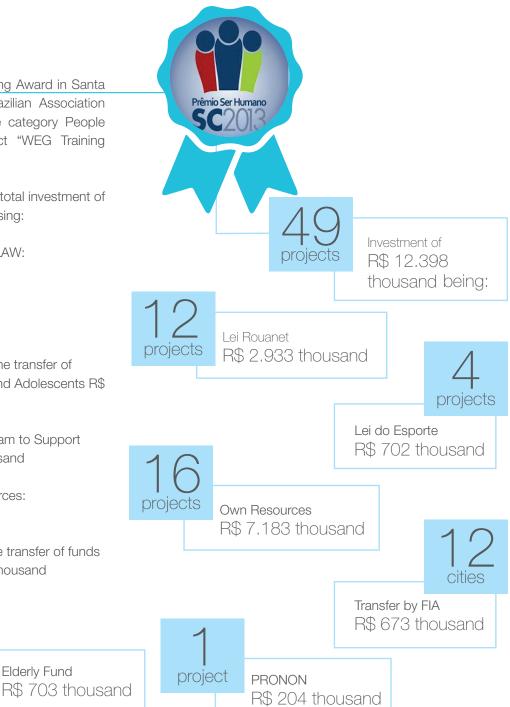








- 49 projects supported with total investment of R\$ 12.398 thousand, comprising:
- 12 projects via ROUANET LAW: R\$ 2.933 thousand
- 4 projects via SPORT LAW: R\$ 702 thousand
- 12 cities assisted through the transfer of funds via Fund for Children and Adolescents R\$ 673 thousand
- 1 project via National Program to Support Oncology Care: R\$ 204 thousand
- 16 Projects with own resources: R\$ 7,183 thousand
- 4 cities assisted through the transfer of funds to the Elderly Fund: R\$ 703 thousand



### **PROJECTS MAINTAINED BY WEG**

cities

To return to the community what the community itself helped generate is a position of social responsibility that many companies adopt nowadays. WEG conducts several social responsibility programs in the cities where it operates. The priorities are the programs for children and adolescents regarding culture, education, sports and health.

Elderly Fund



### **CULTURE**

Artistic Culture Society (Scar) Established in 1956, the Artistic Culture Society (Scar) promotes artistic activities regarding dance, theater, music and the fine arts. By means of its own resources and fiscal incentives, WEG has supported actions of Scar since its beginning, contributing to the building of its new cultural center and the maintenance of projects.

"WEG support is essential for the development of the cultural activities of Scar and the cultural center. WEG is a giant in the size of its installations, in the number of employees, products, customers and countries where it operates, as well as it is a giant in the social vision and support to education and culture, showing the sensitivity of the board of directors and its direction, contributing decisively to the social, cultural and economic evolvement of our city, state and country".

Udo Wagner President of the Artistic Culture Society (Scar)

At SCAR, we also support projects through the Rouanet Law; one of them is the Music for All.

Investment with Own Resources:

R\$ 24.000,00

Beneficiaries: community City: Jaraguá do Sul/SC



### **Music for All**

The project was developed in Jaraguá do Sul at the Artistic Culture Society in order to continue the musical education of about 250 children, young people and adults in 19 musical modalities, extending the experiences already initiated in a social inclusion project added to the opportunity to access art and musical culture.

Students have the opportunity to present to the public on the last Wednesday of each month on the stage of WEG Museum.

Investment through Rouanet Law: R\$ 280.000,00.

**Beneficiaries:** 250 students and 21 teachers directly, and about 3,500 people including relatives and community indirectly (public presentations).

City: Jaraguá do Sul/SC.

Investment throughRouanet Law:

R\$ 280.000,00

### Beneficiaries:

250 students, 21 teachers City: Jaraguá do Sul/SC

### **WEG Museum**

Established in 2003, the museum was created with the perspective of showing WEG's history, Jaraguá do Sul's culture and the wonders of science and technology. All that in a space of emotion, reflection and citizenship.

The museum was created mainly thinking of the children's education. It is an industrial museum, but with strong pedagogical appeal, where, by means of interactivity, each piece of information collected results in one more question, in a sequence of questions and answers that transforms us and helps us be better professionals and citizens. It is a place widely used by teachers, mainly of History, Geography, Mathematics and Physics.

EOn September 16 of 2013, after ten years of the permanent expography, WEG Museum closed for renovation and implementation of a new long-term exhibit.

The project uses the increasing importance of museums as privileged spaces in scientific education to create new interactive attractions showing the scientific and technological development behind the conception and manufacture of the main WEG products. In addition to the basic physics concepts, essential for the understanding of electricity and magnetism, visitors can learn and know how some products work and their actual application in the daily life of cities, homes and industries, besides WEG's history of over 50 years.

### Investment with Own Resources:

R\$ 366.947,00.

**Beneficiaries:** 4,187 visitors formally registered.

City: Jaraguá do Sul/SC.



Investment with own funds:

R\$ 366.947,00

4.187 registered visitors

### **Santa Catarina Music Festival (Femusc)**

It is the largest festival-school in Brazil and one of the largest and most important in Latin America, aiming at the musical education in a non-competitive environment, where talented young people from Brazil and abroad have the exceptional opportunity to interact with teachers, guest artists and masters renowned in their own countries and internationally.

The festival gathers teachers recognized in their artistic career and dedicated to educational and cultural causes in emerging countries, like Brazil.

With the same effort, FEMUSC seeks to attract the most promising and dedicated students, regardless their social status or level of musical learning. The universe of students is wide: it ranges from professionals already working in the best orchestras in the country to beginners coming from small cities. It is a time of incredible global integration that makes the event become memorable for those who participate. This emotion reaches the community and the population in general that attends the shows at no charge.

With its investment in the FEMUSC, WEG confirms its commitment to supporting quality cultural events, which benefits the entire community and the Brazilian talent.

### Investment through the Rouanet Law:

R\$ 550,000,00

**Beneficiaries:** 800 participants, among students and teachers, from 28 countries.

An average of 220 free presentations, taking place and the Artistic Culture Society (Scar), in squares, social entities, hospitals, etc.; a result of 3,000 rehearsals and a lot of dedication.

City: Jaraguá do Sul/SC.



Investmento through Rouanet Law:

R\$ 550.000,00

800 participants among students and teachers

28 countries

220 presentations



### **INSIDE DANCE**

OThe "Inside Dance" project aims at training approximately 150 children and adolescents, continuing the project that began in 2009 with educational purpose.

Dance has a great potential to open communication channels with reality and can stimulate perspectives including projects for the future. Thus, dance becomes an enriching experience with students and community participating in shows and presentations and contributing to social inclusion.

The project aims at developing this process of dance education, a more comprehensive process that promotes the learning of dance, developing the sensitivity of children and youngsters. Students take classes of Urban Dance, Classical Ballet, Contemporary Dance, Dance History, Body Percussion and Introduction to Music. They also participate in seminars, lectures and performances.

Investment through the Rouanet Law:

R\$ 165.000.00

Beneficiaries: 150 children and adolescents

Cidade: Jaraguá do Sul/SC

Investment through Rouanet Law:

R\$ 165.000,00

### **Beneficiaries:**

150 children and adolescents **City:** Jaraguá do Sul/SC

# FENATIB - National Children's Theater Festival of Blumenau

It promotes the continuing education of the audience and disseminates the national theater with a focus on productions for children and young people. Held annually in September, it has counted on WEG partnership since 2009.

The project also strengthens the exchange between artists and people, taking children's plays to schools, parks and theaters of the city.

The festival also promotes discussions about the shows presented, offers lectures and workshops that discuss current issues about the production of children's theater in Brazil.

The Festival is a non-competitive show open to the participation of theater groups from Brazil and South America, amateurs or professionals, who apply and are selected by a committee appointed by the organization.

### Investment through the Rouanet Law:

R\$ 50,000.00

Beneficiaries: Children and adolescents

City: Blumenau/SC



Investment through Rouanet Law: R\$ 50.000,00

### **Beneficiaries:**

Children and adolescents

City: Blumenau/SC

Investment through Rouanet Law:

R\$ 38.200,00

### **Art for Generations**

The project of the Alfredo Sigwall Theater promotes culture by offering people of all ages the possibility to discover, develop and improve talents in different segments of culture by means of art workshops and music.

### Investment through the Rouanet Law:

R\$ 38.200,00

Beneficiaries: 750 children and

adolescents

City: Joaçaba/SC

Beneficiaries:

750 children and adolescents

City: Joaçaba/SC

### **EDUCATION**

### Knowing the richness of the Atlantic Forest

The Rã-bugio Institute is an environmental non-governmental organization that promotes environmental education programs for children and adolescents. The focus of the institute is the actions for preservation of the remaining areas of Atlantic rainforest, particularly its springs and its biodiversity.

WEG supports implementation of environmental education activities conducted in the "Atlantic Forest Interpretative Trail" involving children and adolescents of elementary school.

> "The tour promotes environmental awareness by showing us that we can try to learn from the mistakes of our society". Jean Mary Facchini Teacher attended by the project

"The methodology used in the Interpretative Trail activities combines theory with practice and encourages that the knowledge gained is shared with family and community. Thus, the project benefits not only the student involved directly but the whole community". Elza Nishimura Woehl Project manager

Beneficiaries: 1,659 students of the 6th year of elementary school City: Jaragua do Sul/SC



### Free book

- · Raise awareness in society about the importance of environmental education for the preservation of life on the planet.
- · Encourage reading and promote books as personal cultural heritage of children and adolescents.
- Demonstrate the transformative impact of business management oriented by ethical practices and policies in view of welfare and sustainable development.

Because of those objectives WEG believed in the Evoluir Institute and together, with the support of the Secretariat of Education, implemented the Free Book project in Guaramirim/ SC. With actions in schools to encourage the exchange of recyclable material for books, the project enabled participants to obtain books written by authors from the region.

Altogether, there were:

- 19 Schools attended
- 3,363 Children benefited
- 174 Teachers involved
- 22,564 Books distributed: 2,436 to teachers and 22,564 to children.
- 31 Tons of recyclable materials collected

The financial investment of R\$ 280,000.00 via the Rouanet Law occurred in 2012. The implementation of the project took place in 2013.

### Educational program for resistance to drugs and violence (Proerd) - Military Police of the state of Santa Catarina

Focused on school community, the Educational Program for Resistance to Drugs and Violence (Proerd) aims to reducing / eliminating the use of alcohol, tobacco and other drugs by young people, as well as violent behavior. WEG is a partner in the program since 1999, enabling maintenance and providing materials and uniform for students.

"With the PROERD I learned many things that will improve my future not to get on the path of drugs and violence. I will stay away from drugs and violence. For everything I learned in Proerd made me think a lot about the value of life".

Tcharlata Françoise Stinghen

Student at E. E. B. Prof. João Romário Moreira and participant of the Proerd.

Investment with its own resources: R\$ 11,665.00 Benefited people: 4,000 students of the 5th grade

of elementary school

City: Jaragua do Sul/SC and micro-region



# 4000 students of 5th grade benefited

### **Junior Achievement**

Program aimed at children and adolescents from public schools to encourage volunteering. There are four pillars that support this valuable program: the Junior Achievement entity offering pedagogical support, WEG with its financial support and incentives to volunteers, the school providing opportunities to practice and the volunteers with their talent.

Volunteers go to the classroom, where, through lectures, explain the concept of corporate entrepreneurship. Courses also applied in the program: "Let's Talk about Ethics," "Attitudes for the Planet" and "Benefits are to stay at school". In the past year, 536 students participated in the courses and 25 volunteers devoted their talent.

### Pescar

The Pescar (Fishing) project began 15 years ago and provides vocational training for young people, and thus, creates access to the labor market. The course is offered by a team of 18 volunteers of WEG. The workload is divided in "Personal Development", "Citizenship" and "Professional Qualification". The initiative serves young people between 17 and 18 who are studying or have completed high school.

The WEG Unit in Gravatai/RS has a partnership with the Pescar Project Foundation since 1998.

Investment with its own resources: R\$ 165,000.00 Beneficiaries: 15 students aged between 17 and 18.

enefited

### **WEG Training center**

Created in 1968, just seven years after the founding of the company, is one of the pillars of the WEG culture. It provides ongoing training and appropriate vocational training to youngsters aged 16 to 18 years. It is a two-year course that trains skilled workforce for WEG and other companies in the region, in the mechanical, electronic, electrical, mechatronics and chemical areas. Young people are recruited from throughout the region of Jaragua do Sul/SC, undergo a selection process and selected are hired by the company, receiving benefits and costs assistance. During the course, students spend 70% of time in practical classes conducted in laboratories and classrooms, and have the same rights and duties as other employees. As vacancies of the Training Center are planned, hiring after the course is virtually 100% of selected students. The CentroWEG has a partnership with the National Industrial Apprenticeship Service (SENAI), which allows the project to meet the Apprentice Act.

In 2013, the project received the Human Being Award of the Brazilian Association of Human Resources (ABRH), in the category of Human Resources and the National Award for Quality and Sustainability in the category Path to Competitiveness.

Investment with its own resources: R\$ 4,126.553,00 Beneficiaries: 250 students. City: Jaraguá do Sul/SC



250 students benefited

### Hugging with art

Through volunteering, Friends of Autistic Association (Ama) manufactures handmade cards from recycled material. These cards are marketed to corporations and individuals. WEG buys cards and gifts for employees on the day of their birthdays and weddings. This attitude, along with other companies in the region, supports the sustainability of Ama.

Investment with its own resources: R\$ 39,000.00 Beneficiaries: 25 autistic students.

City: Jaraguá do Sul/SC

25 autistic students benefited

### **SPORTS**

### "A bola da vez" Project - Jaragua Basketball Association

This project aims to encourage the practice of sports, especially basketball. It happens in public schools in Jaragua do Sul/SC, benefiting children and young people aged 7 to 15 years. The support of WEG allows the provision of sports equipment and the payment of Physical Education professionals. The project, besides attending the public twice a week after school, helps in improving sports facilities in schools.

"The relationship with WEG could not be more productive. The company not only supports but also participates in the decisions of the project since its beginning. We perceive the affection of thecompany for the project, a fact that makes us very proud". Airton Luiz Schiochet

Manager and creator of the project

Investment via Sports Law: R\$ 253,847.00

Beneficiaries: 1,300 children and youngsters aged 7 to 15

City: Jaraguá do Sul/SC



1.300 children and youngsters aged 7 to 15

### Towards 2016 - Athletics Project - Community Association of Athletics

Developed by the Community Association of Athletics Itajai/SC, the project aims to contribute to the development of the sport through integration between youth and adults in the city, promoting health, education and technical development.

Investment via Sport Law: R\$ 79,000.00 Beneficiaries: 120 adolescents and adults

City: Itajai/SC

and adults benefited



### **HEALTH**

### Hospital and Maternity Ward Jaragua

Belonging to the Evangelical Lutheran Community of Jaragua do Sul, the Hospital and Maternity Ward Jaragua is a charity. It is a reference to maternal and child health, and over 60% of attendance of the hospital are directed to users of the Unified Health System (SUS). The funds transferred by WEG are allocated in equipment modernization for more complex treatment and maintenance of essential services in patient assistance, contributing to the humanized care to the population.

"WEG has supported us over the years in a series of projects, which makes us proud and motivates us. The reflection of this is not only measured in physical well-being, but in a society satisfied with high levels of health. This support has been of utmost importance to be the institution that we are, providing increasingly humanized health service, with quality and safety. Our projects have found great receptivity at WEG, which makes us privileged to receive support from one of the companies that, admittedly, most invests in community welfare".

Jeferson Gomes

Director of the Hospital and Maternity Ward Jaragua

Investment with its own resources: R\$ 1,000,000.00

Beneficiaries: Community in general

City: Jaraguá do Sul/SC

### Hospital and Maternity Ward Sao José

Since 2004, WEG has supported the development of projects for expansion and modernization of the Hospital and Maternity Ward Sao José. The funds were intended to improve the physical facilities and equipment. Thanks to the application of resources in infrastructure and technological upgrade of the hospital, it was possible to improve the assisted population, delivering quality care with cutting edge equipment.

"The improvement project strengthens the bond between the institution and the community, strengthening a relationship that started at its founding 77 years ago, when it appeared as a philanthropic entity, providing opportunities for quality care for life. The participation of WEG reaffirms the sense of responsibility and the company's commitment with the quality of community life".

Maurício Souto-Maior

Executive director of the Hospital and Maternity Ward São José

Investment with its own resources: R\$ 1,000,000.00

Beneficiaries: Community in general

City: Jaraguá do Sul/SC



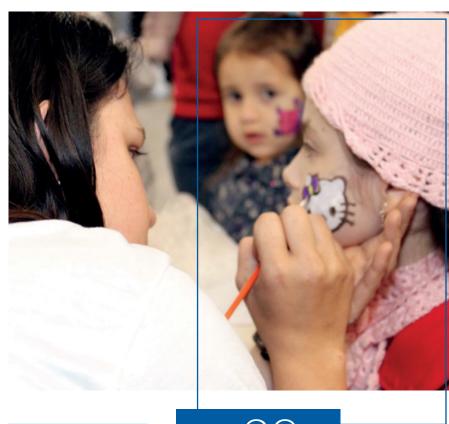
### **WEG Community action**

Since 1996 WEG has promoted "Community Action", offering free services in health, education, security, culture and entertainment for the entire population of Jaragua do Sul/SC and micro-region.

"Helping someone is very rewarding and magnifies the soul. Teamwork creates unity among volunteers. The community shows us with humility that all human beings deserve attention and respect. All this found in every gesture of volunteers from Community Action and learned that together we can offer the best for the community".

Jussara Mariano Ledoux Volunteer at WEG Community Action

In 2013, Community Action conducted 25,201 attendances, involving 60 partner organizations and 864 volunteers, and these are collaborators of partner organizations and employees WEG.



Partner entities

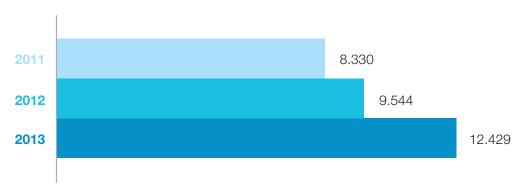
### Expansion of the Pediatric Cancer Center

WEG started in 2013 to allocate funds in projects through the National Program to Support the Oncology Care (Pronon). The first project of the hospital attended was the Pequeno Príncipe, which aims to expand the outpatient clinic and chemotherapy treatment, the bone marrow transplant and improve the infrastructure of the oncology services at thehospital.

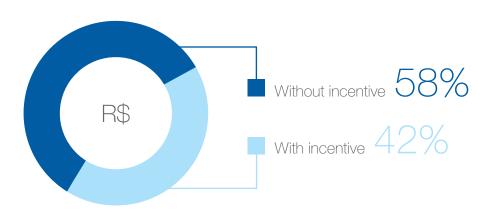
Investment through Pronon: R\$ 204,000.00 Beneficiaries: Children and adolescents. City: Jaragua do Sul/SC.

people served in 2012

### WEG social investment history (Million R\$)



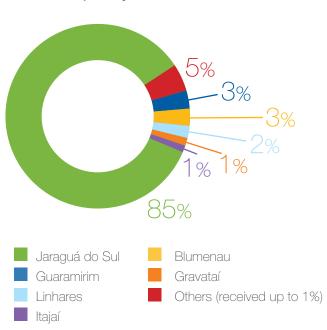
### Source of funds



### General application of resources per area

# 26% 19% 12% 6% 37% Education Culture Health Citizenship

### Investment per city



Sport

### **GOVERNMENT AND SOCIETY**

Committed to the development of the region in which it operates through generation of jobs and social responsibility projects, WEG maintains strong involvement with Class Associations and Government. This social responsibility is expressed in the mission of the Commerce Institutional Relations Department, which is part of the corporate structure of the WEG Group: "Assist in the enhancement of public policies aimed at promoting a pro-business environment, competitiveness and sustainable development of machinery, equipment and electronics industry in Brazil".

### Board Member in the Plano Brasil Maior (Greater Brazil Plan- Industrial Policy)

WEG contributes with suggestions for the implementation of public policies through participation in meetings and events related to the Brazilian Government and their agencies. With the Federal Government, their most important action happens in the Sector Competitiveness Councils, attached to the Plano Brasil Major:

- Capital Goods;
- Oil. Gas and Naval:
- Information Technology and Communications/Electrical and Electronic Complex;
- Renewable Energy (Biodiesel, Bioethanol, Solar Energy and Wind Energy);
- Thematic Subgroup for Wind Energy;
- Thematic Subgroup for Bioethanol;
- Thematic Subgroup for Solar Energy;
- Thematic Subgroup for Biodiesel.

We defend, together with class associations, industrial policy measures aimed at:

- Increased systemic and business competitiveness:
- Increased productive investment, technological effort and innovation of domestic enterprises;
- Financing of production and marketing;
- Expansion of the market: promotion of business in domestic and international markets;
- Productive and technological consolidation of value chains with expansion of the national added value;
- Incentive to investment and innovation;
- Foreign Trade (commercial defense and export finance/competitiveness);
- Defense of the Brazilian industry and market;
- Sustainable development and environmental preservation;
- Energy efficiency and Energy management;
- Isonomic treatment before entry of imported products into the country;
- Restoration of competitive equality of the domestic manufacturing industry.

We keep constantly updated the following internal documents accompanying the Plano Brasil Maior:

- Systemic measures of Plano Brasil Maior implemented or being implemented, as drafted by the Government;
- WEG Proposals for the rearticulating of National Supply Chain;
- Criticism to the sector agendas of the Plano Brasil Maior, evaluation of measures in sector agendas of Competitiveness Councils, in which we operate.

The document "Proposals for Re-articulation of the National Supply Chain" got contributions from the Brazilian Association of Machinery and Equipment (Abimaq), from departments of WEG business units and the company, serving as a guideline and understanding of the positioning of WEG in each subject, guiding the actions of representatives of WEG in Sector Competitiveness Councils in the Plano Brasil Maior.

#### **RELATIONSHIPS**

# Representative on the National Council of Industrial Development

Mr. Décio da Silva, Chairman of WEG Board of Directors, is a representative of the civil society on the National Council of Industrial Development, which is the highest body of institutional advice of Brasil Maior Plan.

As main duties, the council must define the general strategic guidelines and subsidize the activities of the management system



## **Representation in Trade Associations**

WEG participates in strategic meetings with trade associations and proposes actions to the political and economic bodies, aiming at strengthening and promoting the sustained development of the national electronics and capital goods industry.

The trade associations that most stand out are:

ABIMAQ - Brazilian Association of Machinery and Equipment Industry;

ABINEE - Brazilian Association of the Electronics Industry;

AEB - Brazilian Association of Foreign Trade;

FIESP - São Paulo State Industry Federation;

FIESC - Santa Catarina State Industry Federation;

CNI - National Industry Council;

ABNT - Brazilian Association of Technical Standards;

ABENAV - Brazilian Association of Companies of the Marine and Offshore Sector;

ABRAFATI - Brazilian Association of Paint Manufacturers:

INMETRO - National Metrology, Quality and Technology Institute;

ABESCO - Brazilian Association of Companies of Energy Conservation Service;

ABVE - Brazilian Association of Electric Vehicles.

## Internal work groups

They are established with the objective of preparing issues for discussion in Trade Associations, or handling them within the company (internalization of issues). In this context we highlight:

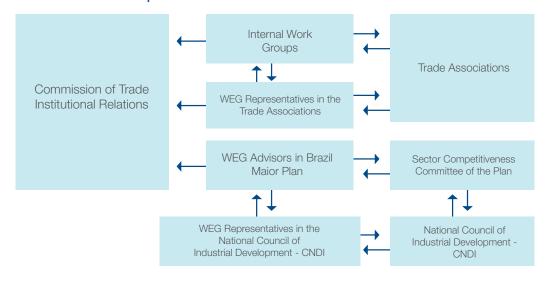
- Development of topics related to commerce and formulation of Public Policies to support the domestic industry activity and business segments in which WEG operates, especially rail vehicles, oil & gas, and marine.
- Equality of tax conditions of Brazilian suppliers compared with foreign suppliers;
- Relaxation and exemption of the taxes on raw materials which impact the competitiveness of domestic industry:
- Definition of Brazilian technical standards and increase of the Brazilian Labeling Program, helping reduce unfair competition of products that do not meet the laws of Energy Efficiency, NR12, among others.
- Take actions for the defense of the Internal Market, including the protection against unfair or predatory sales caused by imports and other mechanisms that cause imbalances on trade.
- Free trade agreements: Necessity of Brazil to integrate new international goods and value chains, by means of commercial agreements.

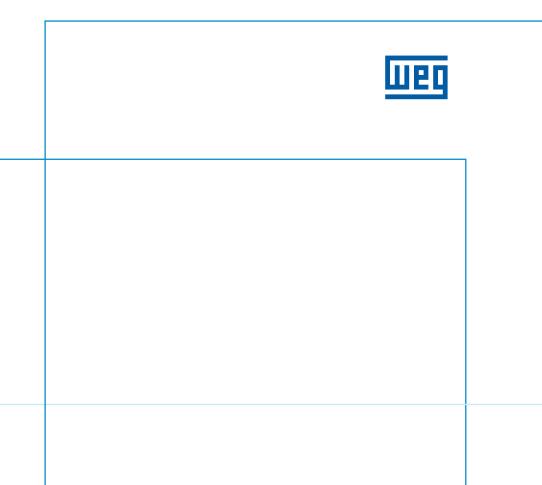
### Commission of trade institutional relations

Part of the structure of Participative Management of the company, this committee has the primary responsibility to deliberate in the first instance, and prepare for analysis subjects who rely on the decision of the General Direction of WEG, such as:

- Complementary Measures of the Brasil Maior Plan;
- Performance of WEG Representatives in Trade Associations;
- · Company Position regarding international trade agreements, special tax regimes, trade defense projects, among others.

## Diagram of WEG institutional representation





2013 ECONOMIC PERFORMANCE

#### **SCENARIO**

In 2013, the movement of gradual recovery of global economic activity became clearer. It also showed a change in pattern, with developed economies gaining some more dynamism, while emerging, responsible for much of global growth since the crisis of 2008, with a tendency to expand a bit smaller.

This changing pattern of recovery and the prospect of reducing the need for monetary stimulus to growth, especially in the U.S., accounted for most of the volatility in financial markets, including the appreciation of the U.S. currency against almost all others, including Real. On the other hand the uncertainty regarding peripheral Europe decreased and ceased to be a source of instability. In this context, we observed:

- · According to projections from the International Monetary Fund, published in the World Economic Outlook October 2013 world output is expected to increase 2.9% in 2013, below the rate of 3.2% observed in 2012 and 3.9% in 2011. Much of this reduction in growth is lower contribution of emerging economies, which are expected to expand 4.5% on average in 2013, down from 4.9% in 2012 and 6.2% 2011. The contribution of the most advanced economies remains small yet in 2013, with growth of 1.2% on average, compared with 1.5% in 2012 and 1.7% in 2011;
- In Brazil, the growth of gross domestic product is expected to be around 2% compared to 2012, again a very modest performance, especially considering the stimulus policies adopted. Brazilian industrial production, measured by the IBGE ended 2013 with growth of 1.2%. The production of capital goods, an increase of approximately 13%, was the category of use with better performance in the year, strongly influenced, however, by the recovery of the production of heavy vehicles;
- The most current forecast of the Brazilian Association of Electrical and Electronics Industry (ABINEE) is that the Brazilian electronics industry to get in 2013, nominal growth of 8% in sales over the previous year. The areas closer to the WEG business should show performance close to the industry average: Estimated growth of 9% in industrial automation, industrial equipment 7% and 5% in electricity generation, transmission and distribution (GTD).

The major change in the Brazilian macroeconomic environment was undoubtedly the trend of gradual depreciation of the exchange rate, reversing a movement assessment that lasted nearly 10 years. This is a favorable development for the competitiveness of the manufacturing sector and part of the measures implemented within the "Programa Brasil Maior", as tax cuts and incentives to investment credit allowed partial recovery of production in the country.

## **OPERATING REVENUE**

In 2013, the consolidated Net Operating Revenue (NOR) reached R\$ 6,828,9 million, an increase of 10.6% as compared to prior year. The growth though it occurred in practically all areas of business was higher in Industrial electro-electronic equipment and Paints and varnishes, who maintained good performance, and Motors for domestic use, which reversed a modest performance in 2012. Only in GTD observe a relative stability to revenues in 2012. We highlight the following in each of these areas:

## Industrial electro-electronic equipment

The business area has shown 10% growth in net revenue compared to 2012, with slightly higher performance in Brazil in relation to foreign markets. In the Brazilian market we observed good performance, series of industrial products, invested in equipment for the production of consumer products, reflecting mainly the new exchange rate level, which increased the competitiveness of Brazilian industry and enabled our customers to recover lost positions in Brazil over the last few years for imported products. This good performance did not recur, however, the products more developed, destined for the industry of processes and infrastructure projects. In this case, we note an environment still marked by some major investments in capacity expansion and concentrated in certain segments. In foreign markets, where we observe high growth rates the last years, was a year of consolidation of positions and setting new bases for future growth. New investments in production capacity in Mexico and China allow us to continue pursuing the increasingly important market position the next few years. We remain executing our strategy based on expansion geographical, taking advantage the strength of the WEG brand in electrical machines among leading global manufacturers of capital goods, and the introduction of new products and services, increasing the scope of our offering and making our increasingly integrated systems. In addition, we seek to expand our presence in new market segments, seeking additional applications for products that are already part of our production line, such as Safety of machinery and building automation.

## Energy generation, transmission and distribution (GTD)

Net Growth of 0.2% of net revenue compared to 2012. In the business of transmission and distribution (T & D) conditions, demand continued favorable, at least until mid year, with prices observed in major world markets slight recovery, reflecting a gradual improvement in the balance between capacity and demand The highlight was the supply of substations to interconnect wind generation units to the system integrated national business that WEG became a major player in short time. The equipment for energy generation (G) also observed a gradual improvement in market conditions, changes in competitive conditions and regulation of energy auctions. New orders obtained, however, will only be recognized as revenue when its actual delivery. Our offer of wind generation equipment, has been competitive and we see better conditions for the generation of small hydropower (SHP) and biomass. One of the great highlights was the solar source generation, in which the WEG already has national solution in the integration of the generation system and has won significant supplies, including the largest solar plant in Brazil, Tractebel, with 3 MW of power.

#### Motors for domestic use

Revenue growth of 38% compared to 2012. The good performance in this area of business is due to the additional competitiveness of our customers with local production due to the new exchange rate level, the same situation observed in industrial products with features previously mentioned serial. Additionally, the new exchange rate level allowed incentives to increase consumption, such as the tax reductions, had more direct effect on the entire supply chain and not just at the tip end.

#### **FCONOMIC AND FINANCIAL ASPECTS**

#### Paints and varnishes

The area remained good performance the last few years, with growth of 18% over the previous year. These consistent results show that the strategy of leveraging customer relationships to cross-sell to customers already developed maximizes return on sales effort.

## **DOMESTIC MARKET**

In the domestic market, net operating revenue reached R\$ 3,432.0 million, an increase of 13.8% over the previous year and representing 50% of our total net revenues. This performance was considered good if the context of the Brazilian economy in 2013, with low economic growth and industrial production Our strategy to expand our product and service portfolio, providing industrial solutions increasingly comprehensive and integrated, allows us to remain Brazil's market leaders in many of the our operating areas. The main factor of dynamism was the new exchange rate level, which allowed a large portion of our customers conquer market positions that had been lost to imports, especially in serial products for more related to consumer equipment products. Another point of dynamism was the electricity sector, with gradual improvement of conditions in the auctions for new generation capacity and energy transmission lines.

## **EXTERNAL MARKET**

Net operating revenues in, external market grew 7.6% over the previous year and reached R\$ 3,396.9 million, representing 50% of total net operating revenues. Converted to average US\$ dollars, net operating revenues in, external market reached US\$ 1,567.7 million, showing decrease of 2.6% compared to 2012. The year 2013 was a year in which we consolidate the conquered positions in foreign markets from the economic recovery in 2010. Moreover, comparisons in U.S. dollars are hindered by this currency appreciation against practically all other currencies in our markets.

Finally, it is important to note that growth in 2013 was eminently organic, both in the Brazilian market and overseas. Adjusted for the merger and integration of business and manufacturing operations of several transactions announced in the past two years, growth in the Brazilian market would be 12.9% (13.8% without adjustment) and 7.3% in the external market (7, 6% without adjustment).

## **COST OF GOODS SOLD**

Cost of goods sold (COGS) reached R\$ 4,592,1 million, or 67.2% of NOR (69.5% in 2012), generating gross margin of 32.8%, 2.3 percentage point higher than previous year.

The margin expansion was due to: (i) the relative stability of raw material costs, when measured in Reais, (ii) the positive effect of the devaluation of the real on revenues, (iii) better dilution of fixed costs with the increased use capacity, and (iv) innovations in products and production processes, with productivity gains. We remain working on several fronts to improve the competitiveness of our manufacturing operations, both in Brazil and overseas. We have global sourcing of raw materials and inputs, and continuous improvement to capacity optimization and increased industrial efficiency programs. New industrial units, despite its low initial contribution and worse dilution of fixed costs during the ramp-up of production enable us to reach a growing share of the market. Finally, we have conducted extensive research and development effort, bringing products with innovative design and important advantages for the market cost.

We also highlight the contribution to the competitiveness of the measures taken by the Brazilian government, such as tax cuts payroll of wages, for example. These measures, together with the conditions for long-term credit offered by agents such as BNDES, created more dynamic conditions in the Brazilian industry.

# **SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Expenses Selling, General and Administrative consolidated totaled R\$ 1,045.2 million, representing 15.3% of net operating revenues (R\$ 927.2 million or 15.0% of net operating revenues in 2012). Compared to the prior year operating expenses grew 12.7% in absolute terms, with relatively small growth of 0.3 percentage points, resulting from initiatives structuring and expansion of the sales force in new markets.

### **EBITDA**

As a result of the effects described above, and using the methodology established by the Brazilian Securities and Exchange Commission (CVM) Instruction 527/2012, EBITDA totaled R\$ 1,230.0 million, an increase of 21% on the result obtained in 2012. EBITDA margin reached 18%, 1.5 percentage points above that observed in the previous year.

Only for the purposes of consistency of comparison, EBITDA calculated according to the methodology defined by the Brazilian Securities and Exchange Commission (CVM) in Official Circular 01/07, would have been R\$ 1,267.1 million, with a margin of 18.6%, showing a growth of 20.2% over 2012.

## FINANCIAL INCOME AND EXPENSES

The net financial income was R\$ 73.1 million (R\$ 55.7 million in 2012), with financial income of R\$ 600.0 million (R\$ 460.4 million in 2012) and financial expenses of R\$ 526.9 million (R\$ 404.7 million in 2012). These results stem from the combination of adequate financial costs and attractive returns on cash management.

## **NET INCOME**

As a result of the aforementioned effects, the Consolidated Net Income attributable to WEG S.A.'s shareholders reached R\$ 843.5 million, an increase of 28.6% over the R\$ 656.0 million recorded in 2012. Return on equity was 20.8% in 2013 (17.3% in 2012) and net margin reached 12.4% (10.6% in 2012).

## **CAPITALIZATION**

We believe that our financial flexibility, which is our ability to finance investment opportunities with attractive returns and without excessive increase in risk exposure is a major reason for our success in the long run. We work to maintain a strong capital structure and preserve access to resources and sources of liquidity at competitive costs, including agents such as BNDES, the International Finance Corporation (IFC) and the Financier of Studies and Projects (FINEP), in addition to other financial institutions.

Throughout 2013, we changed the debt profile, lengthening the maturities with attractive interest rates. At the same time, we work to significantly reduce the financial exposure to exchange rate variations.

On December 31, 2013 cash and cash equivalents totaled R\$ 3,376.0 million invested in top-tier banks and mostly in local currency, while gross debt totaled R\$ 3,209.0 million, of which 28% in operations short-term and 72% in long-term operations. At the end of 2013 WEG had net cash of R\$ 167.0 million.

### **ECONOMIC AND FINANCIAL ASPECTS**

			ECEMBER 2012			
CASH & EQUIVALENT	3.376.029		2.565.532		3.212.250	
Short-term	3.373.799		2.563.500		2.931.615	
Long-term	2.230		2.032		280.635	
DEBT	3.209.004		2.689.840		3.457.728	
Short-term	912.796	28%	1.645.772	61%	1.701.435	49%
In Reais	462.336		1.067.683		585.687	
In other currencies	450.460		578.089		1.115.748	
Long-term	2.296.208	72%	1.044.068	39%	1.756.293	51%
In Reais	2.048.766		824.910		1.560.712	
In other currencies	247.442		219.158		195.581	
Net Cash (Debt)	167.025		(124.308)		(245.478)	

## **INVESTMENTS**

Investments in fixed assets for expansion and modernization of production capacity totaled R\$ 243.7 million in 2013, with 80% allocated to, industrial plants, and other facilities in Brazil and the remaining the production units and other subsidiaries abroad. In addition, R\$ 15 million were included in fixed assets arising from acquisitions Paumar and Hawker Siddeley Electric Africa held in 2013.

The original estimated disbursements in capacity expansion for 2013 R\$ 265 million, was practically reached, with some additional disbursements in 2014. Always remember that the investment program is managed to optimize the occupancy capacity and maximizing return on invested capital.

#### **INVESTMENTS** IN RESEARCH, DEVELOPMENT AND **INNOVATION (RD&I)**

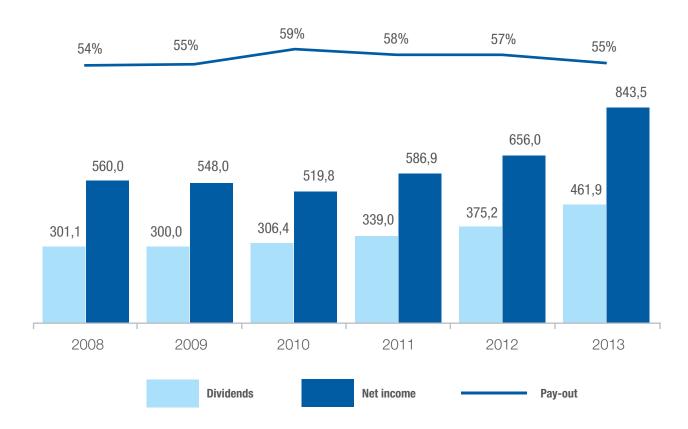
In 2013 these investments totaled R\$183.0 million, reflecting 2.7% of Net Operating Revenue. Our effort technological development is an important part of our competitiveness and fundamental condition for our continued success. Our industry continues to go through significant technological change, with impacts on markets and products. Our program of research, development and technological innovation, recognized internationally, seeks to develop new products, continuous improvement of products already available, the application and adaptation of engineering products and systems, and improvement of industrial processes.

## **DIVIDENDS**

The Management will propose to the Annual General Shareholders' Meeting the allocation as remuneration to shareholders on the results of the year 2013 in the amount of R\$ 461.9 million for the payment of dividends and interest on capital, corresponding to R\$ 0.74389605 per share before eventual deductions for income tax . This amount represents 55% of net income before statutory adjustments.

As of August 21st, 2013 we held the payment of dividends to shareholders regarding the remuneration that were declared during the first half of 2013 (intermediate dividends), the total amount of R\$ 198.7 million. The payment of dividends for the second half of 2013 (supplementary dividends), totaling R\$ 263.2 million, should occur from March 12th, 2014.

# **NET INCOME, DIVIDENDS AND PAY-OUT (%)**



## **ACQUISITION OF HAWKER SIDDELEY ELECTRIC AFRICA**

On September 09th announced the acquisition of the business of manufacturing of transformers and substations belonging to Hawker Siddeley Electric Africa (Pty) Ltd. ("HST") in South Africa. The acquired business has become a new subsidiary, WEG Transformers Africa (Pty) Ltd.. HST was one of the companies pioneering in its segment and has become one of the largest manufacturers of mini-substations and distribution transformers in South Africa, with the ability to develop, design and manufacture linhacompleta to serve the industrial sector in the country.

## **TECHNOLOGY AGREEMENT IN WIND ENERGY**

On August 14th announced the signing of a technology agreement with Northern Power Systems Company ("Northern Power" or "NPS"). Founded in 1975 and based in Barre, Vermont, USA, Northern Power designs, develops and manufactures wind turbines, been a pioneer and one of the technological leaders in wind turbine permanent magnet direct drive ("PM / DD" or permanent magnets and no cash speed multiplier).

The technological cooperation agreement provides for the WEG can offer to the South American market wind turbines between 2.1 and 2.3 MW and rotor shovels of between 93 and 110 meters in diameter, installed in towers up to 120m high, which meet technicians from various wind regimes requirements. Wind turbines with PM / DD technology typically have greater availability and lower cost of maintenance and repair when compared to traditional wind turbines, resulting in higher energy production throughout the equipment life and maximizing economic returns for investors.

On the same date it was announced the first delivery using the new technology. The Windmill Generator Bons Ventos da Serra I SA, a partnership between the Servtec Group, a Brazilian company engaged in the fields of engineering and energy, and several investment funds managed by Rio Bravo, one of the most active investors in this industry, has acquired 11 wind turbines with a capacity of 2.1 MW for wind park installation in Ibiapina (EC), from mid-2014.

# INVESTMENTS IN CAPACITY EXPANSION IN MEXICO AND CHINA

On September 30th announced investments of US\$ 345 million over the next five years to expand production capacity of electric motors in Mexico and China.

In Mexico, the investments will, in addition to expanding local production capacity, increase the vertical integration of production processes, integrating the production process of the Mexican operation and making it similar to what exists today in the largest industrial park WEG in Jaragua do Sul (SC). The project includes the construction of an iron foundry that will meet all the need of castings machined components for all carcasses of industrial

#### HIGHLIGHTS

electric motors to be produced in Mexico with target consumers in North American markets. The planned investment is US\$ 210 million over the next 5 years.

In China, the expansion plans to invest US\$ 135 million by 2020 to build a new industrial park industrial engines targeted to the Asian market as well as additional investments in the unit currently in operation in Nantong. The selected location for this new facility was Rugao, an area of technological and industrial development (ZTDE), 65km away from Nantong and 180km from Shanghai.

## **FINEP 2013 AWARD**

On December 04th, we were again finalists FINEP Innovation Award. The process of innovation management WEG was in second place in the category "Large Company". The Award is organized by the Financier of Studies and Projects (FINEP), linked to the Ministry of Science, Technology and Innovation (MCTI) and was created to recognize and promote innovative efforts of companies, scientific and technological institutions, and Brazilian inventors, developed in Brazil and has invested in the country or abroad.

## **OUTLOOK**

We hope that the main trends observed the last years, the gradual recovery of world economic growth, is maintained in 2014. These conditions have allowed us to implement the actions set out in our strategic planning WEG 2020 as expansion into new markets and the expansion of the product line, both with their own research and development efforts, such as through acquisitions and strategic partnerships, resulting in continuous and sustainable growth of our activities.

In Brazil, the perspectives is positive for the industry, considering the selective maintenance of tax exemption measures, incentives to investment credit and an exchange rate that allows to continue improving the competitiveness of the local production.

We also expect gradual recovery of investments in generation, transmission and distribution of energy, as observed in 2013. These investments, as well as in other infrastructure sectors, are key to improving the competitiveness of the Brazilian economy and will continue to offer us attractive business opportunities.

In external markets should continue benefiting from the economic recovery in mature economies and continue to explore opportunities to expand into new markets around the world. Our competitive advantages of proximity to customers, broad portfolio of products and services, technological innovation capability and providing customized solutions, will be even stronger with new investments in productive structure, as recent announcements of expansion units in Mexico and China.

## Our capital budget for 2014 provides for the following investments:

Investments	(R\$ million)
Property, plant and equipment (plant expansion/modernization)	592,4
Intangible (Software)	12,1
Working capital	179,1
Total investments	783,6

These investments will be supported by the utilization of the Capital Budget Reserve and of funds to be raised with financial institutions in Brazil and abroad.

## **AUDIT SERVICES**

In accordance with CVM Instruction No. 381/03, we hereby inform that the Company and its subsidiaries adopt as a formal procedure to seek advice from independent auditors, KPMG Auditores Independentes ("KPMG"), in order to ensure that the provision of these other services will not affect the independence and objectivity required for the performance of independent audit services. In this regard, KPMG issues an annual statement of independence, under the terms of NBC TA 260, issued by Brazil's National Association of State Boards of Accountancy (CFC), whereby it states that, as provided for in the independence rules adopted by the Brazilian Securities and Exchange Commission (CVM), the relation between KPMG (and its subsidiaries and affiliates) and the Company does not impair independence. This statement is submitted to WEG's Board of Directors. The policy of the Company and its subsidiaries for the engagement of independent auditor's services ensures there is no conflict of interests, loss of independence or objectivity.

During 2013, KPMG provided specific management advisory services, as well as the translation of financial statements into English, in addition to the assurance services of financial statements, as follows:

	2013	%
Audit financial statements	891.3	81,4
Legal advisory	203,2	18,6
TOTAL GENERAL	1.094,5	100,0

# **ARBITRATION CHAMBER**

The Company is bound to arbitration by the Market Arbitration Chamber, pursuant to the arbitration clause provided for in its articles of incorporation.

Jaraguá do Sul (SC), February 2014.

# WEG S.A.

BALANCE SHEET At December 31, 2013 and 2012 In thousands of reais

		COMPANY		CONSO	LIDATED
	Notes	31/12/13	31/12/12	31/12/13	31/12/12
Assets					
Currents assets					
Cash and cash equivalents	4	870.906	561.214	3.373.799	2.302.256
Short-term investments	_	-	261.244	-	261.244
Clients	5	-	-	1.658.806	1.472.839
Inventories	6 7	-	- 0.407	1.445.927	1.306.273
Taxes recoverable	1	10.573	6.107	166.384	183.627
Dividends and interest on equity receivable Other current assets		62.324	60.832	206.871	- 183.778
Other current assets		-	-	200.071	103.770
		943.803	889.397	6.851.787	5.710.017
Noncurrent assets					
Short term investment		_	_	2.230	2.032
Judicial deposits	14.D	1.328	864	35.260	27.844
Recoverable to related parties	8	1.193	-	-	-
Deferred taxes	9	2.977	_	60.376	36.891
Taxes recoverable	7	-	-	16.793	16.032
Other noncurrent assets		-	-	9.207	6.034
	10	3.714.150	3.259.097	7.264	7.622
Investments	11	4.830	4.947	2.614.556	2.537.094
Property, plant and equipment	12	-	10	543.820	529.984
Intangible assets					
		3.724.478	3.264.918	3.289.506	3.163.533
Total assets		4.668.281	4.154.315	10.141.293	8.873.550

See the accompanying notes to the financial statements.

# **BALANCE SHEET**

# WEG S.A.

BALANCE SHEET At December 31, 2013 and 2012 In thousands of reais

in thousands of reals	•	COMI	PANY	CONSOL	CONSOLIDATED		
Notes	S	31/12/13	31/12/12	31/12/13	31/12/12		
Liabilities							
Current liabilities Trade accounts payable Loans and financing Labor and social charges and federal tax obligation income and social contribution taxes payable Dividends and interest on equity capital payable Advance from clients Profit sharing Other current liabilities	13 on	- 11.459 16 87.305 - - 1.207	9.716 86 79.070 - - 1.200	420.250 912.796 272.352 83.771 87.723 459.130 34.191 307.835	331.037 1.645.772 222.559 72.927 79.381 358.124 33.559 269.465		
Noncurrent liabilities Loans and financing Tax obligations Payables to related parties Provisions for contingencies Deferred taxes Other noncurrent liabilities	13 8 14 9	- - - 10.522 - -	90.072 - 296 3.475 123 -	2.578.048 2.296.208 30.199 - 235.334 294.405 64.832	3.012.824 1.044.068 47.328 - 206.613 320.503 90.588		
		10.522	3.894	2.920.978	1.709.100		
Equity Company's shareholders Paid-in capital Capital reserves Options granted Treasury stock Retained earnings/accumulated losses Equity valuation adjustments Additional proposed dividends	17 6.d	2.718.440 (55.337) 1.325 (9.533) 1.015.425 724.267 163.174	93.966  2.718.440 (50.293) 758 (10.055) 570.044 703.652 127.803	5.499.026  2.718.440 (55.337) 1.325 (9.533) 1.015.425 724.267 163.174  4.557.772	2.718.440 (50.293) 758 (10.055) 570.044 703.652 127.803		
Non-controlling shareholders		-	-	84.495	91.277		
Total equity		4.557.772	4.060.349	4.642.267	4.151.626		
Total liabilities and equity		4.668.281	4.154.315	10.141.293	8.873.550		

# **INCOME STATEMENT**

# WEG S.A.

INCOME STATEMENT Years ended December 31, 2013 and 2012 In thousands of reais, except when indicated otherwise

			COMPANY	CO	NSOLIDATED
	Notes	31/12/13	31/12/12	31/12/13	31/12/12
Net revenue	18	-	-	6.828.896	6.173.878
Cost of goods and services sold	20	-	-	(4.592.130)	(4.293.191)
Gross profit		-	-	2.236.766	1.880.687
Selling and distribution expenses Administrative Management fees Other operation expenses Equity pickup	20 20 8 21 10	- (1.179) (1.916) (10.612) 798.281	(2.140) (2.011) (3.130) 607.970	(716.358) (310.853) (18.010) (179.792)	(621.715) (289.652) (15.646) (145.263)
Income before financial results		784.574	600.689	1.011.753	808.411
Financial income Financial expenses	22 22	56.731 (264)	54.975 (180)	599.974 (526.848)	460.420 (404.729)
Income before taxes		841.041	655.484	1.084.879	864.102
Current taxes Deferred taxes	23 23	(675) 3.101	(367) 862	(274.859) 35.284	(228.859) 29.621
Net income for the year		843.467	655.979	845.304	664.864
Atributable to: Company shareholders Non-controlling shareholders				843.467 1.837	655.979 8.885
Earnings basic per share (em R\$) Earnings diluted per share (em R\$)				1,3595 1,3588	1,0573 1,0569

See the accompanying notes to the financial statements.

# STATEMENTS OF COMPREHENSIVE INCOME

# WEG S.A.

STATEMENTS OF COMPREHENSIVE INCOME Years ended December 31, 2013 and 2012 In thousands of reais

	CO	MPANY	CONSOLIDATED		
	31/12/13	31/12/12	31/12/13	31/12/12	
Net income for the year	843.467	655.979	845.304	664.864	
Accumulated translation adjustment (*)	83.760	78.521	83.520	83.513	
Total comprehensive income attributable to:	927.227	734.500	928.824	748.377	
Company shareholders Non-controlling shareholders			927.227 1.597	734.500 13.877	

<sup>(\*)</sup> The item in the comprehensive income's not taxable, as mentioned in not 29.

# STATEMENTS OF CHANGES IN EQUITY

# WEG S.A.

STATEMENTS OF CHANGES IN EQUITY Years ended December 31, 2013 and 2012 In thousands of reais		Capital	Capital reserve		Treasury	Income reserve		Equity valuation adjustment	Proposed	Retained	Equity		
	Capital		Revaluation of assets of subsidiaries	option plan	stock	Legal reserve	Capital budget reserve	Translation Deemed adjustment cost	additional dividends	earnings	Company's sharehoders	Non-controlling shareholders	Total
At january 1,2012	2.265.367		- 3.834	239	(10.055)	29.347	664.715	(31.515) 704.466	173.714	-	3.800.112	106.477	3.906.589
Dividends paid Capital increase Capital transactions Pricing of granted options (Note 17) Realization of revaluation reserves Reversal of dividends of previous years Equity valuation adjustment: Accumulated translation adjustments Realization of deemed cost net of taxes Net income for year Proposed allocations: Legal reserve (Note 16.c)	453.073 - - - - - -	(54.077	  - (50)  	- 519 - - - -	-	- (29.347) - - - - - -	- (423.726) - - - - -	78.521 - (47.820)	(173.714) - - - - - - -	- - 50 442 - 47.820 655.979	(173.714) - (54.077) 519 - 442 78.521 - 655.979	- (26.353) - - - 4.992 - 8.885	(173.714) - (80.430) 519 - 442 83.513 - 664.864
Dividends (Note 16.b) Interest on equity (Note 16.b) Capital budget reserve  At december 31, 2012	2.718.440	(54.077	7) 3.784	758	(10.055)	-	296.256 537.245	47.006 656.646	127.803	(32.799) (189.844) (185.392) (296.256)	(62.041) (185.392) - 4.060.349	(1.940) (784)	(63.981) (186.176)
Dividends paid Treasury stock Capital transactions Pricing of options granted (Note 17) Realization of revaluation reserves Reversal of dividends of previous years Equity valuation adjustment Accumulated translation adjustments: Realization of deemed cost net of taxes Net income for the year Proposed allocations: Legal reserve (Note 16.c) Dividends (Note 16.b) Interest on equity (Note 16.b) Capital budget reserve	- - - - - - - -	20 (5.177		- - 567 - - - - - -	533 - - - - - - - -	- - - - - - 42.173	- - - - - - - 403.208	83.760 - (63.145) - 	(127.803) - - - - - - 163.174 - -	65 72 521 63.145 843.467 (42.173) (277.952) (183.937) (403.208)	(127.803) 738 (5.177) 632 - 521 83.760 - 843.467 - (114.778) (183.937)	91.277 - (7.019) - - (240) - 1.837 - (544) (816)	4.151.626 (127.803) 738 (12.196) 632 - 521 83.520 - 845.304 - (115.322) (184.753)
At december 31, 2013	2.718.440	(59.049	9) 3.712	1.325	(9.522)	74.972	940.453	130.766 593.501	163.174	-	4.557.772	84.495	4.642.267

See the accompanying notes to the financial statements.

# STATEMENTS OD CASH FLOW – INDIRECT METHOD

# WEG S.A.

## STATEMENTS OD CASH FLOW – INDIRECT METHOD

Years ended December 31, 2013 and 2012

In thousands of reais		COMPANY	CONSC	)LIDATED
	31/12/13	31/12/12	31/12/13	31/12/12
Operating activities				
Income before taxes Depreciation and amortization Stock option plan expenses Equity pickup Provision for risk credits Provision for tax, civil and labor liabilities Provision for investories losses Provision for product warranty Write off for noncurrent assets Provision for interest on loan and financing Employees profit sharing	841.041 117 567 (798.281) - - - - -	655.484 250 519 (607.970) - - - - -	1.084.879 218.279 567 - 9.783 28.721 6.394 11.486 15.052 138.564 142.872	864.102 208.337 519 - 5.044 36.297 958 2.489 8.097 136.982 108.466
Employees profit sharing	43.444	48.283	1.656.597	1.371.291
Increase (decrease) in accounts receivable Increase (decrease) in accounts payable Increase (decrease) in inventories Other changes in assets and liabilities Income and social contribution taxes paid Payment of employees' profit sharing Net cash flow from operating activities	(13.097) 6.655 - 1.906 (745)	(9.101) 2.732 - 1.686 (316)	(299.506) 187.409 (146.049) 25.920 (280.483) (116.454)	(324.344) 187.545 92.326 21.913 (210.296) (99.790)
Net eash now from operating activities	38.163	43.284	1.027.434	1.038.645
Investing activities				
Investments Goodwill in capital transactions Property, plant and equipment Intangible assets Acquisition of subsidiary Acquisition of noncontroling Long-term financial investments Disposal property, plant and equipment Dividends/interest Accumulated currency translation adjustments Net cash flow applied in investing activities	- - - - 261.244 - 400.281 -	- - - - (21.384) - 335.240 - 313.856	(5.177) (258.699) (21.943) - (6.260) 261.046 2.030 - 83.761	(7.220) (54.077) (237.882) (17.939) (183.156) (52.090) 17.359 14.730 - 78.521
Financing activities				
New loans and financing obtained Payment of loans and financing Interest paid on loan and financing Treasury stock Dividends/interest on equity paid Net cash flow applied in financing activities	- - 738 (390.734) (389.996)	- - - (316.865) (316.865)	1.890.267 (1.353.734) (155.933) 738 (391.987) (10.649)	845.738 (1.578.739) (174.827) - (318.422) (1.226.250)
Increase (decrease) net cash and cash equivalent	309.692	40.275	1.071.543	(629.359)
Cash and equivalents at January 1	561.214	520.939	2.302.256	2.931.615
Cash and cash equivalents at December 31	870.906	561.214	3.373.799	2.302.256

# STATEMENT OF VALUE ADDED

# WEG S.A.

STATEMENT OF VALUE ADDED Years ended December 31, 2013 and 2012 In thousands of reais

Revenues         COMPANY         CONSOLIDATED           Sale of goods, products and services         -         -         7.922.884         7.074.406           Other revenues         -         -         -         -         7.349         23.939           Provision for losses on trade receivables         -         -         -         (10.081)         (6.417)           Inputs acquired from thrird parties         (8.975)         (2.541)         (4.292.444)         (3.979.234           Material, energy, third party         (8.697)         (1.548)         (28.607)         (50.887)           Others         (8.697)         (1.548)         (28.607)         (50.887)           Others         (8.697)         (2.541)         3.627.708         3.112.694           Depreciation, amortization and depletion         (117)         (250)         (218.279)         (208.337)           Value added received in transfers         854.713         66.945	in thousands of reals					
Sale of goods, products and services		COMPANY		CONSO	LIDATED	
Sale of goods, products and services   -   -   7.922.884   7.074.406   Other revenues   -   -   7.349   23.939   Provision for losses on trade receivables   -   -   7.349   23.939   Provision for losses on trade receivables   -   -   7.349   23.939   Provision for losses on trade receivables   -   -   7.349   23.939   Provision for losses on trade receivables   -   -   7.922.844   (6.417)   Inputs acquired from third parties   (8.975)   (2.541)   (4.292.444)   (3.979.234)   Material, energy, third party services and other   (278)		31/12/13	31/12/12	31/12/13	31/12/12	
Other revenues         -         -         7.349         23.939           Provision for losses on trade receivables         -         -         (10.081)         (6.417)           Inputs acquired from third parties         (8.975)         (2.541)         (4.292.444)         (3.979.234)           Material, energy, third party services and other         (278)         (993)         (4.263.837)         (50.887)           Gross value added         (8.975)         (2.541)         3.627.708         3.112.694           Depreciation, amortization and depletion         (117)         (250)         (218.279)         (208.337)           Net value added generated by the entity         (9.092)         (2.791)         3.409.429         2.904.357           Value added received in transfers         854.713         662.945         599.974         460.420           Equity pickup         798.281         667.970         -         -           Financial income         56.432         54.975         599.974         460.420           Total value added to be distributed         845.621         660.154         4.009.403         3.364.777           Distribution of value added         845.621         660.154         4.009.403         3.364.777           Personnel         4.041	Revenues	-	-	7.920.152	7.091.928	
Material, energy, third party services and other Others         (278) (8,697)         (1,548)         (28,607)         (3,928,347) (50,887)           Gross value added         (8,975)         (2,541)         3,627,708         3,112,694           Depreciation, amortization and depletion         (117)         (250)         (218,279)         (208,337)           Net value added generated by the entity         (9,092)         (2,791)         3,409,429         2,904,357           Value added received in transfers         854,713         662,945         599,974         460,420           Equity pickup         798,281         607,970         -         -         -           Financial income         56,432         54,975         599,974         460,420           Total value added to be distributed         845,621         660,154         4,009,403         3,364,777           Personnel         4,041         3,880         1,456,866         1,277,996           Direct remuneration         3,882         3,769         1,249,742         1,097,014           Benefits         87         55         141,500         123,360           F.G.T.S.         72         56         65,624         57,622           Taxes, charges and contributions         (1,777)         <	Other revenues		- - -	7.349	23.939	
Services and other         (278) (8.697)         (4.263.837) (2.8607)         (3.928.347) (50.887)           Gross value added         (8.975)         (2.541)         3.627.708         3.112.694           Depreciation, amortization and depletion         (117)         (250)         (218.279)         (208.337)           Net value added generated by the entity         (9.092)         (2.791)         3.409.429         2.904.357           Value added received in transfers         854.713         662.945         599.974         460.420           Equity pickup         798.281         607.970         -         -           Financial income         56.432         54.975         599.974         460.420           Total value added to be distributed         845.621         660.154         4.009.403         3.364.777           Distribution of value added         845.621         660.154         4.009.403         3.364.777           Personnel         4.041         3.880         1.456.866         1.277.996           Direct remuneration         3.882         3.769         1.249.742         1.097.014           Benefits         87         55         141.500         123.360           F.G.T.S.         72         56         65.624         57.622	Inputs acquired from third parties	(8.975)	(2.541)	(4.292.444)	(3.979.234)	
Depreciation, amortization and depletion   (117)   (250)   (218.279)   (208.337)	services and other Others	(8.697)	(1.548)	(28.607)	(50.887)	
Net value added generated by the entity         (9.092)         (2.791)         3.409.429         2.904.357           Value added received in transfers         854.713         662.945         599.974         460.420           Equity pickup         798.281         607.970         -         -         -         -           Financial income         56.432         54.975         599.974         460.420           Total value added to be distributed         845.621         660.154         4.009.403         3.364.777           Distribution of value added         845.621         660.154         4.009.403         3.364.777           Personnel         4.041         3.880         1.456.866         1.277.996           Direct remuneration         3.882         3.769         1.249.742         1.097.014           Benefits         87         55         141.500         123.360           F.G.T.S.         72         56         65.624         57.622           Taxes, charges and contributions         (1.777)         188         1.148.954         991.837           Federal         (1.777)         187         1.034.349         885.100           State         -         -         1         7.698         8991			:			
Value added received in transfers         854.713         662.945         599.974         460.420           Equity pickup Financial income         798.281         607.970         -         -         -           56.432         54.975         599.974         460.420           Total value added to be distributed         845.621         660.154         4.009.403         3.364.777           Distribution of value added         845.621         660.154         4.009.403         3.364.777           Personnel         4.041         3.880         1.456.866         1.277.996           Direct remuneration         3.882         3.769         1.249.742         1.097.014           Benefits         87         55         141.500         123.360           F.G.T.S.         72         56         65.624         57.622           Taxes, charges and contributions         (1.777)         188         1.148.954         991.837           Federal         (1.777)         187         1.034.349         885.100           State         -         -         1         7.698         8991           Remuneration of third party capital         (110)         107         558.279         430.080           Interest	Depreciation, amortization and depletion	(117)	(250)	(218.279)	(208.337)	
Equity pickup         798.281 56.432         607.970 599.974         -	Net value added generated by the entity	(9.092)	(2.791)	3.409.429	2.904.357	
Equity pickup         798.281 56.432         607.970 599.974         -						
Financial income         56.432         54.975         599.974         460.420           Total value added to be distributed         845.621         660.154         4.009.403         3.364.777           Distribution of value added         845.621         660.154         4.009.403         3.364.777           Personnel         4.041         3.880         1.456.866         1.277.996           Direct remuneration         3.882         3.769         1.249.742         1.097.014           Benefits         87         55         141.500         123.360           F.G.T.S.         72         56         65.624         57.622           Taxes, charges and contributions         (1.777)         188         1.148.954         991.837           Federal         (1.777)         187         1.034.349         885.100           State         -         -         106.907         97.746           Municipal         -         1         7.698         8991           Remuneration of third party capital         (110)         107         558.279         430.080           Interest         (10)         107         524.536         402.520           Remuneration of own capital         843.467         655.979	Value added received in transfers	854.713	662.945	599.974	460.420	
Distribution of value added         845.621         660.154         4.009.403         3.364.777           Personnel         4.041         3.880         1.456.866         1.277.996           Direct remuneration         3.882         3.769         1.249.742         1.097.014           Benefits         87         55         141.500         123.360           F.G.T.S.         72         56         65.624         57.622           Taxes, charges and contributions         (1.777)         188         1.148.954         991.837           Federal         (1.777)         187         1.034.349         885.100           State         -         -         106.907         97.746           Municipal         -         1         7.698         8991           Remuneration of third party capital         (110)         107         558.279         430.080           Interest         (110)         107         524.536         402.520           Remuneration of own capital         843.467         655.979         845.304         664.864           Dividends         277.952         189.844         277.952         189.844           Interest on equity         183.937         185.392         183.937		:	:	- 599.974	- 460.420	
Personnel         4.041         3.880         1.456.866         1.277.996           Direct remuneration         3.882         3.769         1.249.742         1.097.014           Benefits         87         55         141.500         123.360           F.G.T.S.         72         56         65.624         57.622           Taxes, charges and contributions         (1.777)         188         1.148.954         991.837           Federal         (1.777)         187         1.034.349         885.100           State         -         -         106.907         97.746           Municipal         -         1         7.698         8991           Remuneration of third party capital         (110)         107         558.279         430.080           Interest         (110)         107         524.536         402.520           Rents         -         -         33.743         27.560           Remuneration of own capital         843.467         655.979         845.304         664.864           Dividends         277.952         189.844         277.952         189.844           Interest on equity         183.937         185.392         183.937         185.392	Total value added to be distributed	845.621	660.154	4.009.403	3.364.777	
Direct remuneration         3.882         3.769         1.249.742         1.097.014           Benefits         87         55         141.500         123.360           F.G.T.S.         72         56         65.624         57.622           Taxes, charges and contributions         (1.777)         188         1.148.954         991.837           Federal         (1.777)         187         1.034.349         885.100           State         -         -         106.907         97.746           Municipal         -         1         7.698         8991           Remuneration of third party capital         (110)         107         558.279         430.080           Interest         (110)         107         524.536         402.520           Rents         -         -         33.743         27.560           Remuneration of own capital         843.467         655.979         845.304         664.864           Dividends         277.952         189.844         277.952         189.844           Interest on equity         183.937         185.392         183.937         185.392           Retained profit/loss for the year         381.578         280.743         381.578         280.743<	Distribution of value added	845.621	660.154	4.009.403	3.364.777	
Retained profit/loss for the year – non controlling 1.837 8.885	Direct remuneration Benefits F.G.T.S. Taxes, charges and contributions Federal State Municipal Remuneration of third party capital Interest Rents Remuneration of own capital Dividends Interest on equity Retained profit/loss for the year	3.882 87 72 (1.777) (1.777) - (110) (110) - 843.467 277.952 183.937	3.769 55 56 188 187 - 1 107 107 - 655.979 189.844 185.392	1.249.742 141.500 65.624 1.148.954 1.034.349 106.907 7.698 558.279 524.536 33.743 845.304 277.952 183.937	1.097.014 123.360 57.622 991.837 885.100 97.746 8991 430.080 402.520 27.560 664.864 189.844 185.392	
	·	-	-		:	

See the accompanying notes

## WEG S.A.

NOTES TO FINANCIAL STATEMENTS At December 31, 2013 (In thousands of reais, except when indicated otherwise).

## 1. Company information

WEG S.A. (the "Company") is a publicly traded company with main place of business at Avenida Prefeito Waldemar Grubba, No 3.300, in Jaraguá do Sul - SC, Brazil, holding company member of the WEG Group, and its business purpose is the manufacture and marketing of capital goods, such as, electric motors, generators and transformers; reducers, geared reducers, frequency inverters, starter motors and maneuver devices; control and protection of electric circuits and industrial automation; electric traction solutions (land and sea); solutions for the generation of renewable and distributed energy, exploring all opportunities in small hydroelectric plants and thermal biomass, wind and solar energy sources; no-breaks and alternators for groups of generators; electric substations; industrial electrical and electronic equipment systems; and industrial paint & varnish. The operations are performed through manufacturing facilities located in Brazil, Argentina, Mexico, United Stated, Portugal, Austria, South Africa, India, and China.

The Company has shares traded on BM&F Bovespa under the code "WEGE3" and has been listed since June 2007 in the special segment of corporate governance called New Market.

The Company has American Depositary Receipts (ADR) – Level 1 that are traded on over-thecounter (OTC) market, in the United States under the symbol WEGZY.

## 2. Accounting policies

Preparation of financial statements requires the use of certain accounting estimates and judgment by the Company's management, the most relevant of which are disclosed in Note 3.

Authorization to complete the preparation of these financial statements was granted at the executive board meeting on February 7, 2014.

In relation to the consolidated and individual financial statements the policies adopted were:

### A. Individual financial statements (Company)

The individual financial statements were prepared in accordance with the accounting practices adopted in Brazil issued by the Brazilian FASB (CPC) and are published jointly with the consolidated financial statements. The accounting practices adopted in Brazil applied in the individual financial statements differ from the International Financial Reporting Standards (IFRS) applicable to the individual financial statements only concerning the valuation of investments by the equity method, since under IFRS they would be measured at cost or fair value.

#### B. Consolidated financial statements

The financial statements were prepared in accordance with accounting practices adopted in Brazil, that include rules issued by the Brazilian Securities and Exchange Commission (CVM) and pronouncements (CPC), which comply with international accounting standards issued by international (IASB).

#### 2.1 Consolidation basis

Are prepared in the same reporting period as the parent company, using consistent accounting policies, and are represented by the financial statements of the subsidiaries.

All balances, revenue, expenses and unrealized gains and losses, arising from the transactions of companies of the Group included in the consolidation.

A change in interest equity on a subsidiary that does not result in loss of control is accounted for a transaction between shareholders under equity.

The profit and loss for the year and comprehensive income are attributed to the company's shareholders and the non-controlling shareholders of consolidated companies. Losses are attributed to noncontrolling interest, even if these result in negative balance.

## 2.2 Business combination

Upon acquiring a business, the Company assesses financial assets and liabilities assumed so as to classify them and allocate them in accordance with contractual terms, economical circumstances and relevant conditions within no longer than one year from acquisition date. In the event of a business combination in stages, fair value on acquisition date of interests previously held in the acquired company's capital is reassessed at fair value on the acquisition date, and any impacts are recognized in income statements.

Goodwill is initially measured as transferred payment exceeding amount in relation to acquired net assets (identifiable net assets acquired and liabilities assumed). If payment is lower than fair value of acquired net assets, difference should be recognized as gain in income statements.

After initial recognition, goodwill is measured at cost, net of any accumulated impairment losses. For impairment test purposes, goodwill acquired in a business combination is, as from acquisition date, allocated to each Company's cash generating unit, which are expected to benefit from such combination synergy, regardless of other assets or liabilities of the acquired company being attributed to these units. When goodwill is part of a cash generating unit and a portion thereof is disposed of, goodwill related to the portion sold is to be included in the cost of operations upon computing gains or losses from disposal. Goodwill of this transaction is computed based on amounts proportional to the portion sold in relation to the cash generation unit.

## 2.3 Foreign currency translation

## A. Functional currency of companies of the Group

Consolidated financial statements are presented in reais (R\$), which is the functional currency of the Company

The functional currency of the foreign subsidiaries is determined based on the primary economic environment in which it operates, and when the currency differs from the financial statements' functional currency and presentation, this shall be translated into reais (R\$) on the date of the financial statements.

### B. Transactions and balances

Transactions in foreign currencies are initially recorded based on the functional exchange rate effective at the date of the transaction. Monetary assets and liabilities stated in foreign currency are then retranslated at the functional currency exchange rate in force as of balance sheet date. All currency translation differences are recognized in P&L. Nonmonetary items are measured at historical cost in foreign currency are translated into foreign currency by using the exchange rate prevailing on dates of initial transactions. Nonmonetary items that are measured at fair value in a foreign currency are translated using the exchange rates prevailing upon the fair value determination.

## C. Translation of balances of the Group's company

Assets and liabilities of foreign subsidiaries are translated into reais by the exchange rate effective on the date of financial statements, and the corresponding financial statements are translated by the monthly average exchange rate. Exchange rate differences resulting from such translation shall be individually accounted for in equity. Whereupon the sale of a subsidiary abroad, the cumulative deferred value recognized in equity, related to this subsidiary abroad, shall be recognized in the financial statements.

## 2.4 Cash and cash equivalents

Include cash, credit balances in current accounts, investments redeemable in the short and long term, which are registered at cost plus interest earned up to the year closing date, in accordance with rates agreed with financial institutions and do not exceed its market or realization value.

## 2.5 Short-term investments

Are registered at cost plus interest earned up to the year closing date, in accordance with rates agreed with financial institutions and do not exceed its market or realization value. Shortterm investments are not considered cash and cash equivalents for these are not immediately redeemable.

#### 2.6 Customers

Correspond to trade accounts receivable for the sale of goods or rendering of services in the normal course of activities, presented at present and realization value, Allowance for doubtful accounts is calculated based on credit risk analysis, which considers the percentage trade acceptance bill, market liquidity and the credit level, being sufficient to cover losses on amounts receivable.

#### 2.7 Inventories

Inventories are evaluated and stated at average acquisition or production cost, considering the present value, when applicable. The Company's inventory costing is carried out by means of absorption, by using the weighted moving average. Provisions for inventory for : (i) realization; (ii) slow-moving; and (iii) obsolete inventories are set up, when deemed necessary by the Management. Imports of raw materials in transit are stated at accumulated cost of each import.

## 2.8 Related parties

Purchase and sale of inputs, products and services are carried out under terms and conditions similar to those of transactions with non-related third parties.

## 2.9 Property, plant and equipment

PP&E are assessed at acquisition and/or construction cost, plus interest capitalized during the construction period, when applicable. PP&E are presented deducted from the corresponding depreciations, which does not apply to land, considering it is not depreciated. Include costs incurred with loans during the period of construction, improvement and expansion period of industrial units.

Expenses with repair and maintenance that do not increase the useful life of assets are recognized as expenses, when incurred. Gains and losses from disposals are assessed by comparing the sale's product with the net book value and are recognized in the financial statement.

Depreciation is calculated by the straight line method considers the asset's useful life, and reviewed periodically with the purpose of adjusting depreciation rates.

## 2.10 Intangible assets

These are assessed at acquisition cost, deducted of amortization and of provisions, if any, in order to adjust these to the probable realization, when necessary. Intangible assets with indefinite useful life are amortized based on the estimated period for the generation of future economic benefits. Goodwill based on estimated future profitability, with indefinite life, was amortized up to December 31, 2008, being subject to recoverability test on an annual basis or where evidence indicates possible loss in economic value.

## 2.11 Research, development and innovation

Expenditures on research, development and innovation undertaken with the opportunity to gain knowledge, scientific and technological understanding and care projects customized products activities are recognized in income as incurred.

### 2.12 Evaluation of assets at recoverable value

PP&E and intangibles assets, including goodwill for expected future profitability and, where applicable, other non-current assets are assessed annually for impairment through future cash flows. Assumptions are considered: growth rates of sales, operating margins, investments as estimated in the annual budget and strategic planning, and discount rates that reflect the market assessment of the value of money over time and the risks of each cash generating unit.

## 2.13 Provision for contingencies

Provisions are recognized when the Company and its subsidiaries have a current obligation arising from past events, with probable need for an outflow of resources to offset the obligation and allowing for the amount to be reliably estimated. Provision are periodically reviewed according to their nature and based on the opinion of the Company's legal counselors.

## 2.14 Profit sharing

The provision for profit sharing to employees and directors based on programs that establish operational goals annually and approved by the Board of Directors. The amount is recognized in the income statement in accordance with the achievement of goals.

## 2.15 Dividends and interest on equity

Dividends and interest on equity capital allocated to dividends are recognized as a liability based on minimum dividends defined by the Company's articles of incorporation. Any amount exceeding the minimum mandatory is only recognized as a liability upon the shareholder's approval in a Special or Annual General Meeting or Board of Directors.

## 2.16 Adjustment to present value

Assets and liabilities from short-term operations, when relevant, were adjusted at present value based on discount rates that reflect the best market's evaluation. The discount rate used is the Certificate of Interbank Deposit (CDI). The measurement of the adjustment at present value was carried out on a "pro rata die", as from the origin of each transaction.

## 2.17 Benefit plan

The Company sponsors a pension plan that provides benefits to risks and benefit of scheduled term. The benefits of risk (disability, death pension, sickness and death benefit) are structured in the form of defined benefit and funded entirely by the Sponsor, the financial arrangements split. The benefit of scheduled term (monthly life annuity reversible and permanent financial monthly income ) are structured according to the Variable Contribution and funded by the Participants and the Sponsor, the financial scheme Financial Capitalization Actuarial liabilities to the plan of benefits are established and recorded based on actuarial calculations prepared periodically by independent actuaries, being covered by collateral assets of the benefit plan. The actuarial calculations are made using actuarial, financial and economic assumptions such as mortality table mortality table invalid, annual real rate of interest and historical event data, death, disability and disease, occurring in prior periods for calculation of corresponding costs.

#### 2.18 Financial instruments

The Company's financial instruments include:

- A) Cash and cash equivalents: Presented at market value, equivalent to its book value;
- B) Short-term investments: The market value is reflected in the amounts recorded in the balance sheets. Short-term investments are classified as intended for trading.
- C) Customers: Recognized at their realization value through the tax effective rate and are classified are loans and receivables.
- D) Trade accounts payable: Recognized based at their amortized cost based on the tax effective rate and are classified are receivables.
- E) Loans and financing: The main purpose of this financial instrument is to generate resources to finance the Company's expansion programs and supply cash flows' needs within a short term;
- Financings and loans in local currency are classified as financial liabilities non-measured at fair value and accounted for at their restated amounts pursuant to the fees agreed upon. Market values of said loans are equivalent to their book value, for being financial instruments with particular characteristics from specific financing sources.
- Loans and financing in foreign currency taken out to support working capital of commercial operations in Brazil and in subsidiaries abroad and are restated pursuant to fees agreed upon.
- Swap and NDF Operations "Non Deliverable Forwards": Classified as derivative financial instruments, registered based on their market price.

## 2.19 Treasury stock

These are recognized at cost and deducted of equity. No gains or losses are recognized in P&L on purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the book value and the consideration received is recognized in other capital reserves.

## 2.20 Stock option plan

The company grants stock purchase options to its statutory officers or its subsidiaries in Brazil, which will exercise their option only after specific grace period. The options are measured at fair value based on the granting date by using the Black-Scholes-Merton pricing model and are recognized as expenses under the other results accounts in the income statement for the year matched against capital reserve in Equity to the extent that the deadlines for the exercise of call option periods are realized.

Changes and reversals subsequent to calculation of acquisition are performed only upon: (i) decrease in the price of options granted for the year; (ii) decrease in number of options that are expected to be granted.

## 2.21 Government grants and assistance

The government grants are recognized when there is reasonable assurance that the benefit will be received and the corresponding conditions were met. When the benefit refers to expense item, it will be recorded in income in equal amounts throughout the expected useful life of the corresponding benefit, on a systematic basis in relation to cost of which the benefit intends to settle. When the benefit refers to assets, it is recognized as deferred income and recorded in income in equal amounts over the expected useful life of the corresponding asset. When the Company receives non-monetary benefits, the relevant item and the benefit are recorded at par value and reflected in the income statement over the expected useful life of the asset in equal annual installments.

## 2.22 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will be generated in favor of the Company. Revenue is measured at the fair value of the consideration received, excluding deductions, rebates and taxes or duties on sales. Revenue from the sale of goods is recognized in income statements when all inherent risks and rewards have been transferred to the buyer. The revenue of services is recognized in income based on its realization.

## 2.23 Constructions contracts

When the results of a construction contract is estimated reliably, revenue and costs are recognized based on the stage of completion at the end of the period, measured according to the proportion of costs incurred in relation to the estimated total contract costs.

## 2.24 Taxes

A. Income and social contribution taxes—current and deferred

Except for subsidiaries established abroad, which comply with tax rates valid in the respective country, income and social contribution taxes of the Company and subsidiaries in Brazil are calculated at 25% and 9% rates, respectively.

#### B. Other taxes

Revenues, expenses and assets are recognized net of taxes on sales, except: (i) when taxes on sales incurred on the purchase of goods or services are not recoverable with the tax authorities. case in which taxes on sales are recognized as part of the acquisition cost or of expense item, as follows; (ii) when amounts receivable and payable are presented together with taxes on sales; and net value of taxes on sales, recoverable or payable, is included as a component of amounts receivable or payable in the balance sheet.

## 2.25 Earnings per share - basic and diluted

Base earnings per share is calculated by dividing the net profit attributable to the Company's shareholders by the weighted average number of common shares issued during the fiscal year. Diluted profit per share is calculated by adjusting the weighted average number of outstanding common shares assuming all common shares that would potentially result in dilution. (Note 28).

## 2.26 Segment information

The management defined the operational and geographical segments of the Company based on the reports used internally for strategic business decision-making. management is structured and aligned with information of the operations considering the industrial, energy, foreign and consolidated segments.

## 2.27 Statement of value added

The Company prepares the statements of value added (DVA), as required by Brazilian law as part of their individual financial statements and supplementary information to the consolidated financial statements. This statement aims to disclose the wealth created by the Company and its distribution in the period. The first part represented by revenues (gross sales revenue, including taxes incident it took thereon and other revenue net of allowance for doubtful accounts), inputs acquired from third parties (cost of sales and purchases of materials, energy and outsourced services, including taxes levied at the time of acquisition, the effects of loss and recovery of assets, depreciation and amortization) and the amount received from third parties (equity income, interest income and other income). The second part represented by the distribution of wealth among personnel, taxes, fees and contributions, interest on third-party capital and pay equity.

## 2.28 New pronouncements that are not yet in force

The Management has been following the pronouncements that: (i) were issued, however shall be effective only as from January 1, 2014; and (ii) are under investigation by regulatory organs and are public knowledge, and concluded that none of these pronouncements should cause significant impacts on the Company's financial statements.

## 3 Estimates and assumptions

The financial statements included the use of estimates that considered past and current event experiences, assumptions related to future events and other objective and subjective factors. Significant items subject to these estimates and assumptions include:

- 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) fair value measurement of financial instruments;
- D) commitments with employees' benefit plans;
- **E)** transactions with stock option plan;
- F) deferred income tax assets on income and social contribution tax losses, and
- **G)** Provisions for contingencies

The settlement of transactions involving these estimates may result in amounts different from those recorded in the financial statements due to the misstatements inherent to the estimate process. Estimates and assumptions are periodically reviewed.

## 4 Cash and cash equivalents

#### Investments in Brazil:

Are remunerated at the rates of 100% to 103.5% of the CDI (98% to 107% of CDI at December 31, 2012).

	CC	MPANY	CONSOLIDATED		
	31/12/13	31/12/12	31/12/13	31/12/12	
A. Cash and banks	28	28	248.149	211.295	
B. Short-term investments	870.878	561.186	3.125.650	2.090.961	
In local currency	870.878	561.186	3.027.945	1.932.330	
Bank Deposit Certificate (CDB) and					
Investment funds	870.878	561.186	3.027.945	1.932.330	
In foreign currency	-	-	96.036	149.656	
Certificates of Deposits Abroad	-	-	67.997	128.596	
Other balances held abroad	-	-	28.039	21.060	
SWAP	-	-	553	8.956	
NDF – Non Deliverable Forwards	-	-	1.116	19	
TOTAL	870.906	561.214	3.373.799	2.302.256	

## Investments abroad:

Certificates of deposits issued by foreign financial institutions are bear interest as follows:

- In Euros with interest of 0.08% to 0.47% p.a. at the original amount of EUR 7,910, of which balance amounts to R\$ 25,002 (R\$ 91,635 at December 31, 2012);
- In US dollars with interest of 0.12% to 0.25% p.a. at the original amount of US\$ 18,635, of which the balance amounts to R\$ 42,995 (R\$ 36,961 at December 31, 2012);
- In the original currency with interest from 2.8% to 21.2% p.a. at the amount of R\$ 28,039 (R\$ 21,060 at December 31, 2012),

Financial investments readily convertible to a known amount of cash, and aren't subject to significant risks of change in value. For these, were considered as cash equivalents in the statements of cash flows.

5 Trade accounts receivable					
o made accounts receivable	CONSOLIDATED				
4.5	31/12/13	31/12/12			
A. Breakdown of balances  Domestic Market  External Market	833.903 856.826	753.737 738.189			
SUBTOTAL	1.690.729	1.491.926			
Present value adjustment Allowance for losses on trade receivables	(3.950) (27.973)	(897) (18.190)			
TOTAL	1.658.806	1.472.839			
B. Losses on trade accounts receivable for the period	2.345	3.010			
C. Maturity of trade notes					
Not yet due	1.470.047	1.266.632			
Due: Up to 30 days	104.446	97.068			
Over 30 days	116.236	128.226			
TOTAL	1.690.729	1.491.926			

The changes of provision with losses on trade accounts receivable is as follows:

Balance at 01/01/2012	(13.146)
Losses written-off	3.010
Setting up of provisions	(8.810)
Reversal of provisions	756
Balance at 12/31/2012	(18.190)
Losses written-off	2.345
Setting up of provisions	(14.068)
Reversal of Provisions	1.940
Balance at 12/31/2013	(27.973)

6 Inventories	CONSO	LIDATED
	31/12/13	31/12/12
Finished products	271.911	229.276
Products in process	260.049	222.197
Raw materials and others	248.487	229.249
Imports in transit	63.501	51.167
Provision for obsolescence	(11.012)	(9.780)
Total inventories - domestic market	832.936	722.109
Finished products	427.344	408.681
Products in process	93.497	72.734
Raw materials and others	114.545	119.982
Provision for obsolescence	(22.395)	(17.233)
Total inventories - external market	612.991	584.164
OVERALL TOTAL	1.445.927	1.306.273

The changes of provision for slow moving is as follows:

Balance at 01/01/2012	(26.055)
Inventories write-off	9.067
Setting up of provisions	(10.025)
Balance at 12/31/2012	(27.013)
Inventories write-off	6.915
Setting up of provisions	(13.309)
Balance at 12/31/2013	(33.407)

Inventories are insured and their coverage is determined considering the values and level of risk involved. Recognition and reversal of provision of loss for slow moving are recorded in cost of goods sold.

7 Taxes recoverable					
7 Taxoo Too Vorable	COM	PANY	CONSOLIDATED		
	31/12/13	31/12/12	31/12/13	31/12/12	
State VAT (ICMS) on capital expenditures	-	-	25.989	23.462	
Value Added Tax (IVA) from foreign subsidiaries	-	-	67.222	69.400	
PIS/COFINS on capital expenditures	-	-	2.585	3.696	
ICMS	-	-	22.991	24.554	
IPI	-	-	13.368	12.643	
IRPJ/CSLL recoverable	10.573	6.107	21.552	16.050	
PIS/COFINS	-	-	7.335	33.416	
Reintegra	_	_	17 882	11 714	

10.573

10.573

6.107

6.107

4.253

183.177

166.384

16.793

4.724

199.659

183.627

16.032

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

Other

**TOTAL** 

Short-term

Long-term

## 8 Related parties

The financial statements include the financial information of the Company and its subsidiaries as in Note 10.

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 and management fees are as follows:

Balance Sheet				
Dalance Sheet	COM	IPANY	CONSOL	IDATED
	31/12/13	31/12/12	31/12/13	31/12/12
Noncurrent assets				
Management of financial resources	1.193	-	-	_
WEG Equipamentos Elétricos S.A.				
Current liabilities	1.193	-	-	-
Agreements with directos/officers	-	-	2.206	2.092
Noncurrent liabilities		-	2.206	2.092
Management of financial resources	-	296	-	-
WEG Equipamentos Elétricos S.A.				
	-	296	-	-
Income Statement				
moonio otatomone	CONTRO	LADORA	CONSOLI	IDADO
	31/12/13	31/12/12	31/12/13	31/12/12

1.916

1.017

1.916

1.017

899

899

2.011

1.342

1.582

1.058

524

669

18.010

2.033

15.977

15.662

1.888

13.774

15.646

1.825

13.821

9.849

1.439

8.410

## Additional information:

B) Variable (profit sharing)

**Board of Directors** 

**Executive Board** 

Management compensation:

Board of Directors

**Executive Board** 

A. Fixed (fees)

## A. Business transactions

The transactions of purchase and sale of inputs and products are made under the same conditions with unrelated third parties, prevailing spot sales;

## B. Management of financial resources

The financial and commercial operations between Group companies are recorded, in compliance with the requirements of the Group's bylaws, not subject to interest;

The credit/debit contracts entered into with Administrators are recorded subject to interest between 95% and 100% of the CDI variation;

## C. Services provision and other covenants

WEG Equipamentos Elétricos S.A. entered into an agreement for "Guarantees and Other Covenants" with Hidráulica Industrial S.A. Ind. e Com - HISA, for WEG to be guarantor in loan operations and provide guarantee to customers (Performance Bond, guarantee insurance, etc.);

## D. Securities and guarantees

WEG S.A. granted guarantees and sureties to foreign subsidiaries, in the amount of US\$ 196,9 million (US\$ 237,9 million at December 31, 2012);

## E. Management compensation

Board of Directors members were paid the amount of R\$ 2,033 (R\$ 1,825 at December 31, 2012) and the executive officers were paid the amount of R\$ 15,977 (R\$ 13,821 at December 31, 2012), for their services, aggregating the total of R\$ 18,010 (R\$ 15,646 at December31, 2012).

Was planned in AGO/13 the participation of 0% to 2.5% of net income to be paid to management as long as the result of activity on capital invested is at least 10%. The provision is recognized in P&L for the period, in the amount of R\$ 15,662 (R\$ 9,849 at December 31, 2012), under other operating expenses. Board members and officers receive additional corporate benefits, as follows: Health and dental insurance, life insurance, supplementary pension benefits, among others.

## 9 Deferred taxes

Deferred income tax and social contribution tax credits and debts were determined in accordance with each country's ruling standards.

## A. Breakdown:

A. Di Caraowii.				
	COM	PANY	CONSOL	LIDATED
	31/12/13	31/12/12	31/12/13	31/12/12
lancoura ferri lancoura	007		05.047	00 774
Income tax losses	267	-	35.917	26.771
CSLL tax losses	172	21	7.947	3.277
Temporary differences:				
Provision for contingencies				
Taxes questioned in court	-	-	40.206	32.302
Losses on trade receivables	3.576	879	27.038	24.383
Losses on low movement inventories	-	-	5.275	4.399
Labor severance pay and for contract termination	-	-	9.887	7.588
Freight and sales commissions	-	-	12.656	13.316
Services from third	-	-	8.858	7.936
Employee profit sharing	-	-	22.915	15.241
Adjustment of transition tax regime	-	-	10.759	11.254
Others	561	614	15.005	(8.659)
Accelerated depreciation incentive - Law n° 11.196/05	(52)	(51)	(133.428)	(97.766)
Deemed cost of PP&E	-	-	(5.522)	(4.359)
TOTAL	(1.547)	(1.586)	(291.542)	(319.295)
Noncurrent assets	2.977	(123)	(234.029)	(283.612)
Noncurrent liabilities	2.977	-	60.376	36.891
	-	(123)	(294.405)	(320.503)

### B. Estimated realization term

Management estimates that deferred assets arising from temporary differences will be realized in proportion to realization of contingencies, losses and projected obligations.

In relation to deferred tax credits calculated on income and social contribution tax losses, management estimates that they will be realized within the next 5 years, with a view to projecting future profits.

The estimated realization of tax losses is founded based on the projection of the discounted cash flow calculated with assumptions periodically according to the economic situation.

# 10 Investments

# 10.1 Investments in subsidiaries

## WEG Equipmentons Elefricos S.A.   Brazil   3122 002   70.8172   100.00   - 100.00   - 995.222   93.372   317.2713   317.2713   317.2712   317.2713   317.2712   317.2713   317.2712   317.2713   317.2713   317.2712   317.2713   317.2712   317.2713   317.2713   317.2712   317.2713   317.2712   317.2713   317.2712   317.2713   317.2712   317.2713   317.2713   317.2712   317.2713   3			Atombook	DOL		Investment in Capital (%)		Eqi	Equity		Book Value	
Section   Sect	Co	Country	Ajusted Shareholders'	P&L	31/12	2/13	31/1:	2/12				
Fire Friendstanders Lida.   Brazil   167.488   6.051   100,00   - 100,00   - 2.288   2.071   88.702   Fire Friendstander & Brazil   39.120   2.283   0,00   99.91   0,00   99.91   0,00   22.289   2.427   88.702   78.702   79.70									31/12/13	31/12/12	31/12/13	31/12/12
WEG Timbus Lists   Brazil   99,783   22,310   99,91   0,09   99,91   0,09   22,289   23,427   88,702   WEG Amazonia S.A   Brazil   33,121   22,831   30,02   99,98   0,02   99,98   0,05   99,98   0,05   99,98   0,05   99,98   0,05   99,98   0,05   99,98   0,05   99,98   0,05   99,98   0,05   99,98   0,05   99,98   0,05   99,99   0,00	pamentos Elétricos S.A.	Brazil	3.122.002	704.812	100,00	-	100,00	-	695.222	533.587	3.122.002	2.667.895
WIGE Administration de Bens Lidus         Brazil         31.20         2.283         0.02         99,98         0.02         99,98         1         16         645         3.450         1.656           WEG Longiste Lidus         Brazil         63.392         9.163         50.0         50.90         9.99         1         100.00         -         10.00         -         10.00         -         10.00         -         10.00         -         10.00         -         10.00         -         1         1.56         3.57         25.218         0.01         99.99         0.01         99.99         0.01         89.91         0.01         89.91	stadora Ltda. E	Brazil	167.488	6.051	100,00	-	100,00	-	6.051	10.012	167.488	237.332
WES Authoristration de Bens Lidus   Brazil   5.9529   9.153   1.0000   5.99   94.91   64.5   (3.450   1.656   WES Logistical Lidus   6.972   1.0000   5.993   9.999   0.01   9.999   0.01   68.951   41.344   30.558   30.000   0.01   9.999   0.01   68.951   41.344   30.558   30.000   0.01   9.999   0.01   68.951   41.344   30.558   30.000   0.01   9.999   0.01   68.951   41.344   30.558   30.000   0.01   9.999   0.01   68.951   41.344   30.558   30.000   0.01   9.999   0.01   68.951   41.344   30.558   30.000   0.01   39.95   0.01   0.0000   0.0000   0.0000   0.0000   0.0000   0.0000	s Ltda. E	Brazil	98.793	22.310	99,91	0,09	99,91	0,09	22.289	23.427	98.702	82.840
WES Linkhares Equips. Elithfricos S.A. Pizzell 37.272 32.518 0,01 99.99 - 99.99 0,01 68.951 41.344 305.583 WEG-Orsear Redut. Motorrediat. S.A. Brazil 10 - 99.90 0,01 99.99 0,01 68.951 41.344 305.583 WEG-Orsear Redut. Motorrediat. S.A. Brazil 10 - 99.90 0,01 99.99 0,01 68.951 41.344 305.583 WEG-Orsear Redut. Motorrediat. S.A. Brazil 19.565 21.23 0.05 99.95 0.05 99.95 1 1 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	zônia S.A. E	Brazil	39.120	2.283	0,02	99,98	0,02	99,98	-	(1)	6	6
WEST Limited February   1965   1965   141.44   305.58   305.58   305.54   305.54   305.58   305.54   305.58   305.54   305.58   305.54   305.58   305.54   305.58   305.54   305.58	nistradora de Bens Ltda.	Brazil	33.131	12.691	5,00	95,00	5,09	94,91	645	(3.450)	1.656	1.238
WEB Orbins & Controls Aut. Litch.   Straid   S	stica Ltda.	Brazil	63.929	9.163	-	100,00	-	100,00	-	-	-	
WEG Patrier Aerogeradores S.A.   Brazil   10   - 99.90	ares Equips. Elétricos S.A. E	Brazil	133.722	32.518	0,01	99,99	-	99,99	-	-	1	1
Wiss-Graderal Redut, Motorreuti, S.A.   Brazil   1868   3765   50,01   50,01   -   -	s & Controls Aut. Ltda.	Brazil	305.584	68.951	99,99	0,01	99,99	0,01	68.951	41.344	305.583	254.217
WEG Authorages Critical Prover Lida.   Brazil   19,895   2,123   0,05   99,95   0,06   99,95   1   1   2,04   1,	ier Aerogeradores S.A.	Brazil	10	- :	-	99,90	-	99,90	-	- 1	-	
Hidrafulica Indi S.A. Ind. a Com.   Brazil   44.831   7.957   62.22   - 61.92   - 6   - 6   - 7   - 7   - 6   - 7   -		Brazil	37.588	3.765	-	50,01	-		-	-	-	
Agro Tarlo Adm. de Bens S.A   Brazil   Says   C.194   91,75   92,55   91,75   82,55   91,967   667   66.22	mação Critical Power Ltda. E	Brazil		2.123	0,05	99,95	0,05	99,95	1	1	20	ć
Sensores Elertónicos Instrutech Ltda. Brazil 1.625 811 100.00 - 10	Indl. S.A. Ind. e Com.	Brazil	44.831	(7.957)	-	62,32	-	61,92	-	-	-	
Injected Ind. Com. Comp. Pilésticos Ltda.   Brazil   16.25   811	Adm. de Bens S.A.	Brazil	6.997	2.144	91,75	8,25			1.967	667	6.420	4.453
Ind. de Tinthas e Vernizes Poumars S.A   Brazil   86.529   8.951   0.01   99.99   - 100,00       -	Eletrônicos Instrutech Ltda. E	Brazil	-	672	-	-	0,05	99,95	-	1	-	1
Wife- Electic Oil and Gas Sol. Auf. Ltda.         Brazil         1 0         -         1 0,00         -	Com. Comp. Plásticos Ltda.	Brazil	1.625	811	- :	100,00	-	100,00	-	-	-	
WEG Equipamientos Electricos S.A. Argentina 688 512   10,000	tas e Vernizes Paumar S.A. E	Brazil	86.529	8.951	0,01	99,99	-	100,00	-	-	-	
Pulverfux S.A.	c Oil and Gas Sol. Aut. Ltda.	Brazil	10	- :	-	100,00	-	-	-	-	-	
ERISA Agentina S.R.L.   Argentina   180	pamientos Electricos S.A. Arg	rgentina	57.180	19.150	10,44	89,55	10,44	89,55	1.995	1.425	5.970	5.666
WEB Colombia Ltda.   Colombia   26,947   6,335   8,00   92,00   555   288   2,156   MEB Colombia Ltda.   C	S.A. Arg	rgentina	668	512	-	100,00	-	100,00	-	-	-	
WEG Calombia Ltda.   Colombia   13.138   8.22   1.00   99.00   1.00   99.00   6   16   131   1.116	entina S.R.L. Arç	rgentina	180	44	-	100,00	-	100,00	-	- 1	-	
WEG Electric Corp.   EUA	S.A.	Chile	26.947	6.935	8,00	92,00	8,00	92,00	555	288	2.156	1.929
Electric Machinery Holding Company   EUA   54.619   (8.8.38)   - 100,00   - 100,00   - 100,00   -   -	nbia Ltda. Co	olombia	13.138	822	1,00	99,00	1,00	99,00	6	16	131	120
WEG Service CO	ric Corp.	EUA	141.562	19.057	0,79	99,21	0,79	99,21	176	121	1.116	808
WEG México S.A. de C.V.   Mexico   133.866   18.470   0,01   99,99   - 99,99   - 99,99   - 1   1   1   1   1   1   1   1   1	achinery Holding Company	EUA	54.619	(8.838)	-	100,00	-	100,00	-	-	-	
WEG México S.A. de C.V.         Mexico         133.866         18.470         0,01         99.99         -         99.99         - <t< td=""><td>ce CO.</td><td>EUA</td><td>1.327</td><td>1.394</td><td>-</td><td>100,00</td><td>-</td><td>100,00</td><td>-</td><td>- 1</td><td>-</td><td></td></t<>	ce CO.	EUA	1.327	1.394	-	100,00	-	100,00	-	- 1	-	
WEG Transform México S.A. de C.V.   Mexico   41.829   1.892   - 60.00   - 60.00   - 60.00   - 7   -	seas S.A. Virg	gin Islands	-	(9)	-	-	100,00	-	(9)	(11)	-	(
Voltran S.A. de C.V.         Mexico         54.436         3.051         -         60.00         -         60.00         -	co S.A. de C.V.	Mexico	133.866	18.470	0,01	99,99	-	99,99	-	- 1	1	
WEG Indústrias Venezuela C.A.   Venezuela   7.683   306   306   399.99   - 99.99   - 92.57   - 0   -	sform. México S.A. de C.V.	Mexico	41.829	1.892	-	60,00	-	60,00	-	-	-	
Zest Electric Motors (Pty) Ltd.	A. de C.V.	Mexico	54.436	3.051	-	60,00	-	60,00	-	-	-	
Zest Energy (Pty) Ltd.	strias Venezuela C.A. Vei	enezuela :	7.683	306	-	99,99	-	99,99	-	-	-	
Shaw Controls (Pty) Ltd.   South Africa   5.091   72   - 89,47   - 89,47   - 89,47   - 85,47	ric Motors (Pty) Ltd. sou	outh Africa	180.388	30.653	-	96,62	-	92,57	-	-	-	
WEG Transf. África (Pty) Ltd.   South Africa   4.497   (182)   - 100,00   - 10,00   - 100,00   -	yy (Pty) Ltd. Sou	outh Africa	3.923	5.329	-	70,00	-	70,00	-	-	-	
Electric/Instrumentations Eng.Cont.(Pty)   South Africa   20.348   1.460   - 86,67   - 86,67   - 100,00   - 100,00   2   - 2	trols (Pty) Ltd. Sou	outh Africa	5.091	72	-	89,47	-	89,47	-	-	-	
Zest Eletric Ghana Ltd. Ghana (906) (18) - 100,00 - 100,00 - 0 - 0 - 0 - 0 - 0 - 0 - 0 - 0 -	sf. África (Pty) Ltd. Sou	outh Africa	4.497	(182)	-	100,00	-	100,00	-	-	-	
E & I Electrical Ghana Ltd.	strumentations Eng.Cont.(Pty) 📱 Sou	outh Africa	20.348	1.460	-	86,67	-	86,67	-	-	-	
E & I Zambia Ltd.  Zambia  Santong CO. Ltd.  China  China  78.684  12.693  - 100,00  -	c Ghana Ltd.	Ghana	(906)	(18)	-	100,00	-	100,00	-	-	-	
WEG Nantong CO. Ltd.         China         78.684         12.693         -         100,00         -         100,00         - <td>rical Ghana Ltd.</td> <td>Ghana</td> <td>1.712</td> <td>533</td> <td>-</td> <td>90,00</td> <td>-</td> <td>90,00</td> <td>-</td> <td>-</td> <td>-</td> <td></td>	rical Ghana Ltd.	Ghana	1.712	533	-	90,00	-	90,00	-	-	-	
WEG Middle East Fze.         uated Arab Emiratine         (425)         1.327         - 100,00         - 100,00         - 99,99 <th< td=""><td>oia Ltd. Z</td><td>Zambia</td><td>531</td><td>- :</td><td>-</td><td>50,00</td><td>-</td><td>50,00</td><td>-</td><td>-</td><td>-</td><td></td></th<>	oia Ltd. Z	Zambia	531	- :	-	50,00	-	50,00	-	-	-	
WEG Industries (Índia) Private Ltd.         India         113.705         3.897         -         99,99         -         99,99         -	ong CO. Ltd.	China	78.684	12.693	-	100,00	-	100,00	-	- 1	-	
WEG Electric (India) Private Ltd         India         642         (53)         4,99         94,99         4,99         94,99         (3)         13         32           WEG Electric Motors Japan CO. Ltd.         Japan         1.395         140         -         100,00         -         100,00         -	le East Fze. United	ed Arab Emirates	(425)	1.327	-	100,00	-	100,00	-	- 1	-	
WEG Electric Motors Japan CO. Ltd.         Japan Meg Singapore         1.395 2.492         140 370 - 100,0	stries (Índia) Private Ltd.	India	113.705	3.897	-	99,99	-	99,99	-	- 1	-	
WEG Singapore Pte. Ltd.         Singapore Germany GmbH.         Germany Germany Singapore Singa	ric (Índia) Private Ltd	India	642	(53)	4,99	94,99	4,99	94,99	(3)	13	32	34
WEG Germany GmbH.         Germany Germany         52.331         3.695         - 100,00         - 100,00         - 100,00	ric Motors Japan CO. Ltd.	Japan	1.395	140	-	100,00	-	100,00	-	-	-	
Watt Drive GmbH.         Germany         4.009         224         -         100,00         -         100,00         -	apore Pte. Ltd. Sir	ingapore	2.492	370	-	100,00	-	100,00	-	-	-	
WEG Benelux S.A.         Belgium         37.828         2.612         0,01         99,99         -         99,99         -	nany GmbH. : Ge	Germany	52.331	3.695	-	100,00	-	100,00	-	-	-	
WEG Ibéria S.L.         Spain         931.553         120.448         -         100,00         -         100,00         -	GmbH. Ge	Germany	4.009	224	-	100,00	-	100,00	-	-	-	
WEG Ibéria S.L.         Spain         931.553         120.448         -         100,00         -         100,00         -	lux S.A. B	Belgium	37.828	2.612	0,01	99,99	-	99,99	-	-	-	
WEG Ibéria Industrial S.L.         Spain         10         -         -         100,00         -         100,00         -	:	- :		:	-		-		-	-	-	
WEG France SAS         France         13.784         (8391)         -         100,00         -         100,00         -         100,00         - <td></td> <td></td> <td>10</td> <td>-</td> <td>-</td> <td>100,00</td> <td>-</td> <td>100,00</td> <td>-</td> <td>- 1</td> <td>-</td> <td></td>			10	-	-	100,00	-	100,00	-	- 1	-	
WEG Itália S.R.L.         Italy         12.789         1.044         0,07         99,93         0,07         99,93         1         1         9           WEG Euro Ind. Electrica S.A.         Portugal         49.728         7.795         5,74         94,26         5,74         94,26         433         529         2.856           WEG Electric CIS         Russia         6.879         2.155         -         100,00         -         100,00         -	ce SAS F	France	13.784	(8391)	-	100,00	-	100,00	-	-	-	
WEG Itália S.R.L.         Italy         12.789         1.044         0,07         99,93         0,07         99,93         1         1         9           WEG Euro Ind. Electrica S.A.         Portugal         49.728         7.795         5,74         94,26         5,74         94,26         433         529         2.856           WEG Electric CIS         Russia         6.879         2.155         -         100,00         -         100,00         -		;	: :		-		-		-	-	-	
WEG Euro Ind. Electrica S.A.         Portugal         49.728         7.795         5,74         94,26         5,74         94,26         433         529         2.856           WEG Electric CIS         Russia         6.879         2.155         -         100,00         -         100,00         -	` '			1.044	0,07		0,07		1	1	9	
WEG Electric CIS         Russia         6.879         2.155         -         100,00         -         100,00         -	•	-							433	529	2.856	2.52
WEG Scandinavia AB.         Sweden         5.110         1.890         -         100,00         -         100,00         -	•				-				-	-	-	
WEG Austrália Pty Ltd.         Australia         28.588         (1.162)         -         100,00         -         100,00         -         <					-		-		-	-	-	
WEG Peru S.A.         Peru         2.750         1.780         0,05         99,95         0,05         99,95         1         -         1           Watt Drive Antriebstechnik GmbH         Austria         14.919         1.334         -         100,00         -         100,00         -         -         -         -           Watt Euro-Drive PTE Ltd.         Singapore         14.925         2.024         -         100,00         -         100,00         -         -         -           Watt Euro-Drive SDN BHD         Malaysia         3.268         234         -         100,00         -         100,00         -         -         -         -         -         -	•				-		-		-	_	-	
Watt Drive Antriebstechnik GmbH         Austria         14.919         1.334         -         100,00         -         100,00         -					0.05		0.05		1	_	1	
Watt Euro-Drive PTE Ltd.         Singapore         14.925         2.024         -         100,00         -         100,00         -         -         -         -           Watt Euro-Drive SDN BHD         Malaysia         3.268         234         -         100,00         -         100,00         -         -         -         -         -	•								-	-	-	
Watt Euro-Drive SDN BHD         Malaysia         3.268         234         -         100,00         -         100,00         -         -         -         -	:	:			_ :		_		-	-	-	
	:	:	: :		_ :		-		-	-	-	
	:	- :	:				: :		-	-	-	
Total 798.281 607.970 3.714.150				·:	:	,	:		700.004	007.070	3.714.150	3.259.09

## 10.2 Acquisitions

## (i) Zest Electric Motors (Pty) Ltd.

In January 2013, the subsidiary WEG Equipamentos Elétricos S.A., acquired 4.05% of Zest Electric Motors (Pty) Ltd. The goodwill, in the amount of R\$ 5,169, was initially measured as transferred payment exceeding amount in relation to acquired net assets and recognized in equity as capital transaction. The consideration transferred was realized through resources available in cash and cash equivalents in the amount of R\$ 11,437.

# (ii) WEG Transformers África (Pty) Ltd.

In September 2013, WEG Transformers África (Pty) Ltd., subsidiary of Zest Eletric Motors (Pty) Ltd., acquired the business of manufacturing of transformers and substations belonging to Hawker Siddeley Eletric África (Pty) Ltd. (HST) in South Africa. The goodwill, in the amount of R\$14,479, was initially measured as transferred payment exceeding amount in relation to acquired net assets. The consideration transferred was realized through resources available in cash and cash equivalents in the amount of R\$ 18,443.

## 10.3 Restructing

## Incorporation - Sensores Eletrônicos Instrutech Ltda

In September 2013, the subsidiary WEG Drive & Controls - Automação Ltda., incorporated the company Sensores Eletrônicos Instrutech Ltda., aimed at reducing costs and operational expenses, mainly due to the implementation of ERP (SAP System), allowing greater interaction and synergy of activities related to the production process and material flow as well as strengthening the management of the process of customer service generating greater competitiveness.

# 11 Property, plant and equipment

The Company capitalized in 2013, the cost of borrowing in the amount of R\$ 592 (R\$ 1,306 at December 31, 2012) regarding ongoing constructions. The costs are capitalized until the moment of transfer of construction in progress to property, plant and equipment in use.

		COM	PANY	CONSO	LIDATED
	_	31/12/13	31/12/12	31/12/13	31/12/12
Land		1.440	1.440	337.735	332.030
Construction and facilities		5.639	5.639	878.537	809.192
Equipment Furniture and fixtures		-	-	2.831.826	2.652.581
Hardware		-	_	95.235 84.030	82.998 83.145
Construction in progress		-	-	84.418	76.079
Reforestation		_		51.571	50.005
Other		_	_	39.246	41.221
Subtotal		7.079	7.079	4.402.598	4.127.251
Accumulated deprec,/depletion	Annual depreciation rate (%)	(2.249)	(2.132)	(1.788.042)	(1.590.157)
Construction and facilities	02 a 03	(2.249)	(2.132)	(217.469)	(191.688)
Equipment	05 a 20	-	-	(1.434.703)	(1.271.564)
Furniture and fixtures	07 a 10	-	-	(49.010)	(41.592)
Hardware	20 a 50	-	-	(58.802)	(60.502)
Reforestation	-	-	-	(11.033)	(8.464)
Other	-	-	-	(17.025)	(16.347)
TOTAL		4.830	4.947	2.614.556	2.537.094

# A. Summary of changes in property, plant and equipment - consolidated:

PP&E Classification	31/12/12	Transfer between classes	Acquis.	Write-offs	Deprec. and depletion	Exchange effect	31/12/13
Land	332.030	-	2.104	(1.000)	-	4.601	337.735
Construction and facilities	617.504	30.076	23.810	(1.810)	(20.738)	12.226	661.068
Equipment	1.381.017	19.156	152.465	(12.040)	(169.908)	26.433	1.397.123
Furniture and fixtures	41.405	65	9.726	(476)	(5.911)	1.416	46.225
Hardware	22.643	(149)	8.926	-	(7.727)	1.535	25.228
Construction in progress	76.079	(48.825)	57.294	-	-	(130)	84.418
Reforestation	41.540	-	1.566	-	(2.568)	_	40.538
Other	24.876	(323)	2.808	(1.756)	(3.522)	138	22.221
TOTAL	2.537.094	-	258.699	(17.082)	(210.374)	46.219	2.614.556

## B. Amounts offered in guarantee

PP&E items were provided as collateral for loans, financing, labor claims and tax suits in the amount of R\$ 23,118 (R\$ 15,790 at December 31, 2012).

## 12 Intangible assets - consolidated

	Amortization/ Years	1.064	Accumulated Amortization	31/12/13	31/12/12
Software license	5	80.284	(56.551)	23.733	17.371
Other	5	50.842	(33.803)	17.039	13.844
Subtotal		131.126	(90.354)	40.772	31.215
Goodwill - Acquisition of subsidiaries	-	524.401	(21.353)	503.048	498.769
TOTAL		655.527	(111.707)	543.820	529.984

## A. Summary of changes in intangible assets:

	31/12/12	Additions	Amortization	Exchange effect	31/12/13
Software license	17.371	12.419	(5.081)	(976)	23.733
Other	13.844	6.905	(2.824)	(886)	17.039
Subtotal	31.215	19.324	(7.905)	(1.862)	40.772
Goodwill - Acquisition of subsidiaries	498.769	2.619	-	1.660	503.048
TOTAL	529.984	21.943	(7.905)	(202)	543.820

## B. Schedule of amortization of intangible assets (except goodwill):

	31/12/13	31/12/12
2013	-	7.461
2014	9.232	6.789
2015	7.098	4.584
2016	6.148	3.917
After 017	18.294	8.464
TOTAL	40.772	31.215

## 13 Loans and financing

Financing raised in foreign currency comprises Prepayment of Export, BNDES-FINEM in currency basket, BNDES-FINEM in dollar and IFC in dollar (+) LIBOR.

Financing taken by foreign subsidiaries for working capital purposes is denominated in US dollars and/or in the currency of each country, amounting to R\$ 378.8 million in the short-term (R\$ 490.7 million at December 31, 2012) and R\$ 108.2 million in the long-term (R\$ 40.8 million at December 31, 2012), corresponding to US\$ 207.9million (US\$ 260.1 million at December 31, 2012).

Direct loans from BNDES are guaranteed by the parent company, WEG S.A. Finame operations are guaranteed by collateral signature and statutory lien.

All covenant clauses related to indicators of capitalization, current liquidity and the relation between net debt/Ebitda, included in the BNDES and IFC contracts, are being met.

		CONSO	LIDATED
Туре	Annual charges	31/12/13	31/12/12
In Brazil SHORT TERM		533.972	1.155.042
Working capital (ACCs)	Interest of 2.6% to 3.0% p.a. (+) exchange variation	-	37.406
Working capital	TJLP (+) 1.4% to 5.0% p.a.	284.099	490.076
Working capital	Interest of 3.5% to 8.0 %p.a.	150.480	545.257
Working capital	US\$ dollar (+) 1.4% to 1.8% p.a.	23.082	20.166
Working capital	US\$ dollar (+) Libor (+) 3.3% p.a.	7.401	6.876
Working capital	UFIR (+) 1.0% to 4.0% p.a.	18.124	23.074
Prepayment of Export	US\$ dollar (+) Libor (+) 1.1% p.a.	33.519	14.558
Non Deliverable Forwards (NDF)	Exchange rate variation	6.867	7.901
Property, plant and equipment	TJLP (+) 1.0% to 8,7% p.a.	6.667	6.244
SWAP	-	1.936	254
Other	Sundry	1.797	3.230
LONG TEDM		2 107 060	1 002 260
LONG TERM Working Capital	T II D ( 1) 1 40/ to 5 00/ 2 2	2.187.968 409.477	1.003.260 391.430
Property, plant and equipment	TJLP (+) 1.4% to 5.0% p.a.	409.477 36.178	391.430 44.427
	UFIR (+) 1.0% to 4.0% p.a.		373.596
Working Capital	Interest of 3.5% to 8.0 %p.a.	1.578.716	
Property, plant and equipment Working Capital	TJLP (+) 1.0% to 8.7% p.a.	16.921	8.866 52.423
0 1	US\$ dollar (+) 1.4% to 1.8% p.a.	37.149	
Working Capital	US\$ dollar (+) Libor (+) 3.3% p.a.	35.139	37.464
Prepayment of Export	US\$ dollar (+) Libor (+) 1.1% p.a.	66.914	88.137 6.917
Other	Sundry	7.474	0.917
ABROAD SHORT TERM		378.824	490.730
Working Capital	EURIBOR (+) 0.6% to 1% p.a.	15.692	202.796
Working Capital	LIBOR (+) 0,7% to 1.9% p.a.	134.599	173.116
Working Capital	90% of PBOC (7.1% to 8.2%) p.a.	1.311	8.899
Working Capital	BBSY (+) 2.3% p.a.	881	5.328
Working Capital	Interest of 0.7% to 15.0% p.a.	85.341	100.093
Non Deliverable Forwards (NDF)	Exchange rate variation	-	498
LONG TERM		108.240	40.808
Working Capital	Libor (+) 0.7% to 1.9% p.a.	91.369	15.943
Working Capital	Interest of 1.0% to 15.0% p.a.	5.018	13.471
Working Capital	Euribor (+) 0.6% to 1.0% p.a.	4.487	3.307
SWAP	<del>-</del>	7.366	8.087
TOTAL SHORT TERM		912.796	1.645.772
TOTAL LONG TERM		2.296.208	1.044.068
Maturity of long-term financing and	l loans:	31/12/13	31/12/12
2014		-	405.730
2015		745.968	386.643
2016		1.305.799	144.776
2017		67.502	59.253
2018 TOTAL		176.939	47.666
TOTAL		2.296.208	1.044.068

### 14 Provision 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 respective provisions were set up 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 set up is sufficient to cover any losses from the proceedings in progress.

## A. Balance of provision for contingencies:

		COM	PANY	CONSOL	IDATED		
		31/12/13	31/12/12	31/12/13	31/12/12		
(I) = 11 . 1/ 1		40.700	:	00.040			
(I) Tributárias:		10.522	2.586	93.248	89.122		
IRPJ e CSLL	(a.1)	-	-	16.096	14.668		
INSS	(a.2)	3.046	2.586	39.926	36.977		
Presumed IPI credit	(a.3)	-	-	-	24.700		
IRRF	(a.4)	7.476	-	7.811	-		
Other		-	-	29.415	12.777		
(II) Labor		-	-	79.189	46.118		
(III) Cívil		-	-	60.161	68.980		
(IV) Other		-	889	2.736	2.393		
TOTAL		10.522	3.475	235.334	206.613		
(V) Restricted judicial dep	osits	1.328	864	32.458	25.133		
Tax		1.328	864	23.363	19.670		
Other		-	-	9.095	5.463		

# B. Changes in the provision for contingencies for the period - consolidated

	31/12/12	Additions	Interest	Write-offs	Reversals	31/12/13
A) Tax	89.122	26.934	7.921	(20.405)	(10.324)	93.248
B) Labor	46.118	42.827	3.144	(4.449)	(8.451)	79.189
C) Civil	68.980	11.120	1.926	(5.945)	(15.920)	60.161
D) Other	2.393	1.630	-	(532)	(755)	2.736
TOTAL	206.613	82.511	12.991	(31.331)	(35.450)	235.334

# C. The provisions recorded basically refer to:

## (I) Tax contingencies

(A.1) The Company maintains a provision of 16,24% for the proceeding referring to IPC difference (51.82%) of January 1989 "Plano Verão" (Summer Plan). The decision is favorable to the limit of the index of 35.58%.

A.2 Refers to social security contribution taxes payable. The litigation refers to social security charges levied on the private pension plan, profit sharing, education funding tax, among others.

A.3 Refers to judicial proceedings, in order to ensure the right to claim IPI credits (from the acquisition of raw materials, materials, intermediate products and packaging exempt, taxed at zero rate or not subject to taxation) offset against IRPJ, CSLL, PIS, COFINS.

A.4 Refers to a late payment penalty levied on credit IRRF for interest on capital received, offset by debts the same nature, whose compensation has not been confirmed by the RFB

#### (II) Labor contingencies

The Company and its subsidiaries are defendants in labor claims primarily involving health and risk exposure, among others. Was provisioned the amount of R\$ 79,189 (R\$ 46,118 at December 31, 2012).

### (III) Civil contingencies

These correspond primarily to civil lawsuits, including personal injury, aesthetic damage, occupational diseases and indemnities arising out of occupational accidents. Was provisioned the amount of R\$ 60,161 was set up (R\$ 68,980 at December 31, 2012).

#### D. Restricted judicial deposits

	COM	PANY	CONSOLIDATED		
	31/12/13	31/12/12	31/12/13	31/12/12	
IRPJ/CSLL "Summer Plan"	-	-	13.195	13.195	
Other	1.328	864	19.263	11.938	
TOTAL RESTRICTED JUDICIAL DEPOSITS	1.328	864	32.458	25.133	
Non-restricted judicial deposits	-	-	2.802	2.711	
TOTAL JUDICIAL DEPOSITS	1.328	864	35.260	27.844	

The judicial deposits not associated ace contingencies are waiting authorized to withdraw from court.

# E. Contingencies classified as possible losses

The Company and its subsidiaries are parties to other suits, the likelihood of loss of which are rated as "possible", for which no provision for contingencies was set up.

The estimated amount of such litigation relates to the tax proceedings totaling R\$ 85,142 (R\$ 143,997 at December 31, 2012).

The processes with to possible are:

- taxation on profits computed abroad in the total estimated amount of R\$ 35 million.
- taxation on products of Information Technology Acts in the amount of R\$ 36 million.
- non-approval of IPI credits amounting to R\$ 10.6 million.

### 15 Benefit plan

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

The Plan managed by WEG Seguridade Social includes monthly income benefits, supplementation of sick-leave, supplementation of retirement due to disability, pension due to death, lump sum benefit (due to death), proportional deferred benefit and self-funding.

The number of participants is 22,240 participants (20,431 at December 31, 2012). The Company and its subsidiaries made contributions in the amount of R\$ 22,498 (R\$ 20,359 at December 31, 2012).

Based on actuarial calculations carried out by independent actuarial, as per the procedures established by CVM Resolution No. 695/12 - technical pronouncement CPC 33 (R1), actuarial liabilities were identified in the amount of R\$ 5,000.

## 16. Equity

#### a) Capital

The Company's capital stock is made up by 620,905,029 common registered and uncertified shares, without par value, all of which with voting rights, not including the 473,515 shares held in treasury as per item "d".

# b) Dividends and interest on equity

The Group's Bylaws provide for the distribution of at least 25% of Adjusted Net Income, considering that the Company propose the following:

	31/12 /13	31/12 /12
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF COMPANY  ( -) Legal Reserve  (+) Realization of Revaluation Reserve (1989) and deemed cost (2010)	843.467 (42.173) 63.217	655.979 (32.799) 47.870
CALCULATION BASE DIVIDENDS  - Dividends for the 1st half R\$ 0.185/share (R\$ 0.100/share in 2012)  - Interest on equity of the 1st half R\$ 0.115/share (R\$ 0.130/share in 2012), IRRF R\$ 12,591 (R\$ 14,233 in 2012)  - Dividends for the 2nd half R\$ 0.263/share (R\$ 0.206/share in 2012)  - Interest on equity of the 2nd half R\$ 0.137/share (R\$ 0.124/share in 2012), IRRF R\$ 15,000 (R\$ 13,576 in 2012)	864.511 114.778 83.938 163.174 99.999	671.050 62.041 94.886 127.803 90.506
Total dividends and interest on equity for the year	461.889	375.236

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#### c) Transfer to reserves:

- Legal reserve recognized in the amount of R\$ 42,173 (R\$ 32,799 at December 31, 2012) equivalent to 5% of net income obeying the limit of 20% of the capital;
- Retained earnings represents the remaining net income R\$ 339,405, plus the retained earnings balance of R\$ 63,803 (arising from the realization of revaluation reserve (1989), the completion of the cost (2010), reversal of provision of the option shares exercised and reversal of previous dividends) exercises intended to reserve to the capital budget for 2014 to the investment plan.

### d) Treasury stock

The Company, based on the Board of Directors' minutes of April 26, 2011 and with the purpose of supporting its Stock Option Plan, was authorized to acquire up to 500,000 Company's common shares, 500,000 common shares were acquired, in the amount of R\$10,055 at average cost of R\$ 20.11/share. The shares acquired shall be held in Treasury to be used in the exercise of the purchase right of stock options by the Company's stock option plans beneficiaries or the subsequent cancellation or disposal. Were exercised by the beneficiaries of the stock option plan the amount of 26,485 shares. The Company maintains 473.515 treasury shares in the amount of R\$ 9.522.

# 17. Stock option plan

### (i) Plan description

The Plan is managed by the Board of Directors, seeking to grant Stock Option Plans for WEG S.A.'s (Company) shares to its statutory officers or of its subsidiaries with head offices in Brazil, so as to attract, motivate and retain them, as well as aligning their interests to that of the Company and its shareholders.

Each option grants its bearer with the right to acquire 1 (one) common Company-issued share (BM&FBOVESPA: "WEGE3"), strictly according to the terms and conditions established in the Plan ("Option").

Share purchase options to be granted are limited to 2% (two percent) of the total Company's capital.

The participant must maintain the invested shares blocked during the retention period, according to the minimum levels determined by the Plan.

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

# (ii) Programs

The Board of Directors may approve, each semester, a Share Purchase Option Program ("Program"), which will define the participants, number of Options, exercise price, Option distribution, term and other rules specific to each Program.

In order to participate in each Program, the participant must invest an amount of his/ her variable compensation in each period in Company's shares.

	Number of shares					In reais (R\$)				
Program	Granted	Acquired	Rights	Vesting Period	Number of Options Rights	Strike Price	Price corrected by IPCA	Option price	Option Difference	Amount appropriate (thousand R\$)
April /11 Subtotal	274.678	46.653	91.056	1° 2° 3°	30.352 30.352 30.352 91.056	21,01 21,01 21,01	23,16 24,32 25,54	30,60 32,98 35,29	7,43 8,66 9,76	226 263 296 785
September/11 Subtotal	274.678	18.072	35.894	1° 2° 3°	11.965 11.965 11.964 35.894	17,45 17,45 17,45	19,39 20,43 21,54	25,08 27,05 29,00	5,70 6,62 7,46	68 79 89 236
March/12 Subtotal	535.000	41.000	75.200	1° 2° 3°	25.067 25.067 25.066 75.200	19,17 19,17 19,17	21,34 22,51 23,75	27,22 29,40 31,51	5,89 6,89 7,76	148 173 194 515
September/12 Subtotal	110.000	21.162	40.824	1° 2° 3°	13.608 13.608 13.608 40.824	17,50 17,50 17,50	19,48 20,56 21,69	25,51 27,33 29,16	6,02 6,78 7,47	82 92 102 276
April/13 Subtotal	242.974	45.572	82.574	1º 2º 3º	27.525 27.525 27.524 82.574	24,43 24,43 24,43	27,28 28,83 30,47	34,58 37,24 39,91	7,30 8,41 9,44	201 231 260 692
September/13 Subtotal Total	174.452	22.810	41.870	1° 2° 3°	13.957 13.957 13.956 41.870 367.418	24,96 24,96 24,96	27,97 29,60 31,33	37,47 40,55 43,50	9,50 10,95 12,16	132 153 170 455 2.959

The weighted average of fair value was determined based on the Black-Scholes-Merton method, considering the following aspects:

		Eversion	l ifoonon of	0	Formanda de la 1994	lakana ak fina a af idali
Program	Vesting Period	Exercise price of option (R\$)	Lifespan of the option – in days	Current price for corresponding share (R\$)	Expected volatility in share price (%)	Interest free of risk for the lifespan of the option (%)
	i Gilou	οραστι (πφ)	iii dayo	σπατο (πφ)		οριιοπ (70)
April /11	1º		755	22,10	26,33	12,79
	2°	21,01	1.008	22,10	26,33	12,81
	3°		1.260	22,10	26,33	12,83
	1º		756	18,06	29,88	10,90
September/11	2°	17,45	1.008	18,06	29,88	11,05
'	3°	ĺ	1.259	18,06	29,88	11,22
	1º		755	19,80	29,85	9,76
March /12	2º	19,17	1.008	19,80	29,85	10,12
	3°	,	1.257	19,80	29,85	10,33
	1º		753	20,10	24,50	8,32
September /12	2°	17,50	1.006	20,10	24,50	8,57
'	3°	ŕ	1.257	20,10	24,50	8,78
	1º		760	25,72	28,53	8,67
April /13	2º	24,43	1.008	25,72	28,53	9,01
'	3°	,	1.260	25,72	28,53	9,24
	1º		756	27,75	28,25	11,29
September /13	2º	24,96	1.007	27,75	28,25	11,69
2.4	30	,	1.258	27,75	28,25	11,81

Summary of the movement of shares plan:

Program	Balance Granted Expire		Expired	Exercised	Balance 12/31/2013
April/11 September/11	91.056 35.894	-	(2.667)	(18.949) (7.536)	69.440 28.358
March/12	75.200	-	(1.000)	-	74.200
September/12	40.824	-	-	-	40.824
April/13	-	82.574	-	-	82.574
September/13	-	41.870	-	-	41.870
TOTAL	242.974	124.444	(3.667)	(26.485)	337.266

The recognition of expenses with stock option is carried out throughout the period of acquisition of "vesting rights".

In December 31, 2013, R\$ 771 (R\$ 519 at December31, 2012) was recorded as other results in the financial statements for the year against capital reserve in Equity.

The options exercised during 2013 were held under capital reserves in equity in the amount of R\$ 204 and R\$ 139 for the options held and R\$ 65 reversal of accrued amount recorded in retained

The accumulated equity totals R\$ 1,325 in December 31, 2013 (R\$ 758 at December 31, 2012).

## 18 Net revenue

BREAKDOWN OF NET REVENUE	CONSOL	LIDATED
	31/12/13	31/12/12
Gross revenue	8.146.901	7.240.816
Domestic market	4.525.025	3.945.096
External market	3.621.876	3.295.720
Deductions	(1.318.005)	(1.066.938)
Taxes	(1.093.988)	(900.528)
Returns and Rebates	(224.017)	(166.410)
Net revenue	6.828.896	6.173.878
Domestic market	3.432.040	3.016.662
External market	3.396.856	3.157.216

# **19 Construction contracts**

Construction contract's revenues and costs are recognized according to the execution of each project by the method of percentage of incurred costs.

Composition of net revenue	CONSOL	OLIDATED	
	31/12/13	31/12/12	
Gross operational revenue recognized Incurred costs	121.147 (104.034)	103.116 (67.027)	
	31/12/13	31/12/12	
Received prepayments	66.007	54.330	

# 20 Operating expenses by nature

	CONSOL	LIDATED
	31/12/13	31/12/12
EXPENSE BY NATURE Depreciation, amortization and depletion Personnel expenses Raw materials and use and consumption materials Freight and insurance costs Other expenses	(5.817.143) (218.279) (1.481.450) (2.961.985) (214.182) (941.247)	(5.365.467) (208.337) (1.352.979) (2.797.680) (181.766) (824.705)
EXPENSE BY FUNCTION Cost of products and services sold Selling expenses General and administrative expenses Management fees Other operating expenses	(5.817.143) (4.592.130) (716.358) (310.853) (18.010) (179.792)	(5.365.467) (4.293.191) (621.715) (289.652) (15.646) (145.263)

## 21. Other operating revenue/expenses

The recorded values are relative to profit sharing, reversal/ (provision) for lawsuits and others, as follows:

	CONSOLIDATED	
	31/12/13	31/12/12
OTHER OPERATING REVENUE  Other OTHER OPERATING EXPENSES  Profit sharing - Employees  Profit sharing - foreign subsidiaries  Profit sharing - executive board  Constitution/Reversal of provision for tax proceedings  Tax debits of REFIS IV  Tax incentives of Rouanet Law  Other	16.431 16.431 (196.223) (132.084) (10.788) (15.662) 3.795 (14.240) (4.959) (22.285)	18.593 18.593 (163.856) (99.608) (8.858) (9.849) (12.201) - (3.629) (29.711)
TOTAL NET	(179.792)	(145.263)

# 22. Financial income (expenses), net

	COM	PANY	CONSOL	IDATED
	31/12/13	31/12/12	31/12/13	31/12/12
FINANCIAL INCOME Short-term investment yield Exchange variation Present value adjustment - customers Pis/Cofins on interest on equity Other income	56.731 68.462 - (12.450) 719	54.975 67.088 - - (12.552) 439	599.974 219.206 278.441 44.952 (12.450) 69.825	460.420 222.910 156.712 42.824 (12.552) 50.526
FINANCIAL EXPENSES Interest on loans and financing Exchange variation Present value adjustment - suppliers Other expenses	(264) - - - (264)	(180) - - - (180)	(526.848) (155.933) (290.642) (12.355) (67.918)	(404.729) (174.827) (191.919) (13.389) (24.594)
NET FINANCIAL INCOME	56.467	54.795	73.126	55.691

#### 23. Provision for income and social contribution taxes

The parent company and subsidiaries in Brazil assess income and social contribution taxes according to taxable income, except for WEG Administradora de Bens Ltda. and Agro Trafo Administradora de Bens S.A., which adopt profit computed as a percentage of the Company's gross revenue. The provision for income tax was constituted at a 15% rate added of a 10% additional, and social contribution with a 9% rate. Taxes for companies abroad are constituted according to the Law of each country.

Reconciliation of income and social contribution taxes	COME	PANY	CONSC	CONSOLIDATED		
	31/12/13	31/12/12	31/12/13	31/12/12		
Income before taxes on profit Statutory rate	841.041 34%	655.484 34%	1.084.879 34%	864.102 34%		
IRPJ and CSLL calculated at the statutory rate	(285.954)	(222.865)	(368.859)	(293.795)		
Adjustment to determine effective income and social contribution taxes: Result from investments in subsidiaries Rate difference on foreign results Tax incentives Interest on equity Other adjustments	271.416 - - 16.775 189	207.889 - - 16.898 (1.427)	(4.108) 2.135 59.428 62.816 9.013	(2.414) (2.114) 40.750 63.300 (4.965)		
IRPJ and CSLL as per the income statement Current tax Deferred tax	2.426 (675) 3.101	495 (367) 862	(239.575) (274.859) 35.284	(199.238) (228.859) 29.621		
Effective rate - %	-0,29%	-0,08%	22,08%	23,06%		

# 24. Insurance coverage

The corporate unit in Brazil is responsible for the management of the insurance portfolio of the WEG Group in Brazil and abroad; and continuously constitutes, jointly with the executive board, the risk policies for the WEG Group so as to protect its assets. Risk analysis assumptions adopted, given their nature, are not included in the audit scope and, as a result, were not audited by our independent auditors.

The Company implemented the Worldwide Insurance Program - WIP, through which the local insurance policies will be replaced by worldwide policies, such as: transport risk (Export, Import and Domestic), Civil Product Liability, Civil Management's Liability (D&O), Surety Insurance, General Civil Liability, Properties and Environment Pollution, Contractual Insurance and Risk Engineering Installation and Assembly.

The insurance policies are issued only by first tier multinational insurance companies which are able to cater to the WEG Group in the countries where it operates. The financial structure and sustainability of said insurance companies are continuously monitored by the Brazilian corporate unit.

Below we highlight some of the policies and the due capital.

- Operating Risks (Equity): US\$60 million;
- Loss of profits: US\$13 million (for the paint and vanishes companies);
- Civil liability US\$25 million;
- Civil liability products: US\$ 100 million;
- Transport: US\$ 4 million per shipment (Import and Export) and R\$ 6 million (Domestic);
- Environmental pollution: US\$25 million;
- Contractual Insurance: as stipulated in the contract;
- Risk Engineering Installation and Assembly: R\$ 40 million Latin America and USD 5 million United States.
- Managers civil responsibility (D&O): US\$ 30 milion.

#### 25. Financial instruments

The Company and its subsidiaries carried out an evaluation of its financial instruments, including derivatives, recorded in the financial statements, which presented the following book and market values:

	BOOK	VALUE	MARKET	VALUE
	31/12/13	31/12/12	31/12/13	31/12/12
Cash and cash equivalents Cash and banks	3.373.799 248.149	2.302.256 211.295	3.373.799 248.149	2.302.256 211.295
Short-term investments:	3.125.650	2.090.961	3.125.650	2.090.961
- Local currency	3.027.945	1.932.330	3.027.945	1.932.330
- Foreign currency	96.036	149.656	96.036	149.656
- SWAP	553	8.956	553	8.956
<ul> <li>Non Deliverable Forwards - NDF</li> </ul>	1.116	19	1.116	19
Short-term investments	2.230	263.276	2.230	263.276
Customers	1.658.806	1.472.839	1.658.806	1.472.839
Total assets	5.034.835	4.038.371	5.034.835	4.038.371
Suppliers	420.250	331.037	420.250	331.037
Loans and financing:	3.209.004	2.689.840	3.209.004	2.689.840
- Local currency	2.509.933	1.892.593	2.509.933	1.892.593
- Foreign currency	682.902	780.181	682.902	780.181
<ul> <li>Non Deliverable Forwards (NDF)</li> </ul>	6.867	8.399	6.867	8.399
- SWAP	9.302	8.667	9.302	8.667
Total liabilities	3.629.254	3.020.877	3.629.254	3.020.877

The risk factors of financial instruments are relate to:

## (i) Financial risks

#### Foreign currency risk

The Company has import and export operations in various currencies, it manages and monitors its exposure to foreign currency, seeking to balance its financial assets and liabilities within the limits established by Management.

The financial exposure limit (balance sheet) is equivalent to 2 months of revenue in foreign currency as defined by the Company's Board of Directors.

The Company had export operations totaling US\$ 899.8 million (US\$ 905.5 million at December 31, 2012), which acts as a natural hedge for indebtedness and other costs pegged to other currencies, especially US Dollars.

# 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 revenues relative to financial investments from subsidiaries. The Company continuously monitors the interest rates in the market so as to evaluate the need, if any, of protection against the risk of volatility of said rates.

#### **Derivative financial instruments**

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

#### a) NDF derivative financial instruments - Non Deliverable Forwards, with notional amount of:

- (i) US\$ 10.5 million, (US\$ 66.6 million at December 31, 2012) held by subsidiary WEG Equipamentos Elétricos S.A., seeking to protect exports from the fluctuation risks of the exchange rates;
- (ii) EUR 15.0 million, (EUR 42.3 million at December 31, 2012) held by subsidiary WEG Equipamentos Elétricos S.A. to protect exports from the fluctuation risks of the exchange rates;
- (iii) US\$ 5,6 million, (US\$ 13.7 million at December 31,2012) held its subsidiary abroad Zest ElectricMotors (Pty) Ltd., to protect imports from the fluctuation risks of the exchange rates,
- (iv) US\$ 3.7 million held by its foreign subsidiary Zest Electric Motors (Pty) Ltd, in order to protect their operations imports of products from the risks of fluctuations in exchange rates;
- (v) GBP 0.2 million held by its foreign subsidiary Zest Electric Motors (Pty) Ltd, in order to protect their operations imports of products from the risks of fluctuations in exchange rates;
- (vi) EUR 0.5 million held by its foreign subsidiary Zest Electric Motors (Pty) Ltd, in order to protect their operations imports of products from the risks of fluctuations in exchange rates;

#### b) SWAP operations, in the notional amount of:

- (i) EUR 10 million, held by its subsidiary Watt Drive Antriebstechnik GmbH, with the purpose of hedging financing from fluctuation risks of Euribor;
- (ii) US\$ 30 million held by subsidiary WEG Equipamentos Elétricos S.A. to protect against Libor increase risks;
- (iii) R\$ 200 million, held by the subsidiary WEG Equipamentos Elétricos S.A., SWAP from fixed to floating interest rate, to hedge against decrease risk in interest rate.

The Company's Management and that of its subsidiaries permanently monitors the derivative financial instruments contracted through its internal controls.

The sensitivity analysis statement chart must be read jointly with the other financial assets and liabilities expressed in foreign currency as at December 31, 2013, as the estimated impact of the foreign currency rate over the NDFs and on SWAPs presented below will be offset, if effective, entire or partially, with loss of value of assets and liabilities.

Management defined that the Company must use the exchange rates used to mark financial instruments to market valid as at December 31, 2013 for the likely scenario (market value). Said rates represent the best estimate of future behavior of said prices and represent the value for which the positions may have been settled on their maturity date.

Unrealized profit and losses in operations with derivatives are recorded (in case of loss) in the loans and financing line or (in case of profit) as financial investments and matched against exchange gains (losses) in P&L.

The table below presents "cash and expense" effects of the results of financial instruments in real scenarios.

# a) NDF Operations - "Non Deliverable Forwards":

Diak	Notional		Market value 12/31/13		Possible scenario 36%			Remote scenario 50%		
Risk	value (thousands)	Currency	Average price	R\$ thousand	Average price	R\$ thousand	Average price	R\$ thousand		
USD Increase	1.500 500 500 1.000 500 1.000 5.500 1.200	US\$/R\$ US\$/R\$ US\$/R\$ US\$/R\$ US\$/R\$ US\$/R\$ US\$/R\$ US\$/R\$	2,3768 2,4197 2,4235 2,3858 2,3718 2,3704 2,3886 0,8809	(390) (128) (129) (256) (116) (269) (1.468) 144 (2.612)	2,9710 3,0246 3,0294 2,9823 2,9647 2,9631 2,9886 1,1011	(1.280) (431) (432) (853) (412) (862) (4.752) (1.700) (10.722)	3,5653 3,6295 3,6352 3,5787 3,5577 3,5557 3,5863 1,3213	(2.172) (733) (735) (1.449) (709) (1.455) (8.036) (1.885) (17.174)		
EUR Increase EUR Increase EUR Increase EUR Increase EUR Increase EUR Increase Total EUR	1.500 500 6.000 1.000 1.000 5.000	EUR/R\$ EUR/R\$ EUR/R\$ EUR/R\$ EUR/R\$ EUR/R\$	3,3755 3,3047 3,3587 3,3292 3,2680 3,3077	(488) (254) (1.330) (214) (241) (1.522) (4.049)	4,2194 4,1309 4,1983 4,1615 4,0850 4,1346	(1.753) (667) (6.368) (1.046) (1.059) (5.657) (16.550)	5,0633 4,9571 5,0380 4,9938 4,9020 4,9615	(3.019) (1.081) (11.406) (1.878) (1.875) (9.792) (29.051)		
Libra Increase Total Libra	837 837	GBP/ZAR	17,4348	(62)	21,7935	(876)	26,1522	(1.690) (1.690)		
USD Decrease USD Decrease USD Decrease USD Decrease USD Decrease USD Decrease Total US\$	101 5.500 1.675 264 1.721 9.261	US\$/ZAR US\$/ZAR US\$/ZAR US\$/ZAR US\$/ZAR	10,5205 10,6038 10,4334 10,6351 10,5754	(62) 6 635 206 9 162 1.018	7,8904 7,9529 7,8251 7,9763 7,9316	(876) (54) (2.618) (769) (147) (853) (4.441)	5,2603 5,3019 5,2167 5,3176 5,2877	(1.690) (113) (5.870) (1.744) (304) (1.868) (9.899)		
EUR Decrease Total EUR	473 473	EUR/ZAR	14,2119	(15) (15)	10,6589	(390) (390)	7,1060	(765) (765)		
Libra Decrease Total Libra	167 167	GBP/ZAR	17,3860	(31) (31)	13,0265	(177) (177)	8,6843	(324) (324)		
TOTAL				(5.751)		(33.156)		(58.903)		

## b) SWAP Operations:

	Notional vallue	Market value at 12/31/13		Possible scenar	io 25%	Remote scenario 50%		
Risk	(milion)	Average price	R\$ thousand	Average price	R\$ thousand	Average price	R\$ thousand	
Euribor decrease Libor decrease Libor decrease CDI increase CDI increase CDI increase	USD 15.0 USD 15.0 R\$ 80.0 R\$ 50.0	Interest of 1.94% p.a. Interest of 0.69% p.a. Interest of 0.77% p.a. Interest of 11,2% p.a. Interest of 11,1% p.a. Interest of 11,3% p.a.,	(282) (157) (1.450) 553	Interest of 1.46% p.a. Interest of 0.52% p.a. Interest of 0.58% p.a. Interest of 14,0% p.a. Interest of 13,9% p.a. Interest of 14,1% p.a.	(220) (6.209)	Interest of 0.97% p.a. Interest of 0.34% p.a. Interest of 0.39 % p.a. Interest of 16.8% p.a. Interest of 16.7% p.a. Interest of 16.9% p.a.	(10.187) (371) (283) (9.616) (3.336) (5.899)	
Total			(8.749)		(20.048)		(29.692)	

We carried out the accounting record based on the market price as at December 31, 2013 according to the accrual method. These operations had a net positive impact as at December 31, 2013 of R\$ 9,528 (R\$ 6,977 negative at December 31, 2012), which were recognized as financial expenses. The Company did not have outstanding derivative financial instruments at December 31, 2013.

# (ii) Operational risks

#### Credit risk

Risks arise from the possibility of the Company's subsidiaries not receiving the amounts related to sales or not receiving credit from financial institutions regarding financial investments. To mitigate the risk from sales, the Company's subsidiaries analyze the financial situation of their customers, as well as establish a credit limit and permanently assess their debtor balance. Regarding financial investments, the Company and its subsidiaries invest in low risk credit institutions.

## 26. Subsidies and assistance government

The Company obtained subventions in the amount of R\$ 34,733 (R\$ 19,958 at December 31, 2012) from tax incentives, recognized in the year:

	CONSOLIDATED		
	31/12/13	31/12/12	
	34.733	19.858	
a) WEG Amazônia S.A.	460	91	
- ICMS incentive credit of 90.25%	281	91	
- Corporate Income Tax (IRPJ) 75.00% reduction	179	-	
b) WEG Linhares Equipamentos Elétricos S.A ICMS incentive credit of 85.00%	20.696 18.784	8.361 8.337	
- Corporate Income Tax (IRPJ) 75.00% reduction	1.887	0.007	
1	25	24	
- Municipal investment	20	24	
c) WEG Equipamentos Elétricos S.A.	171	165	
- Municipal Investment	171	165	
d) WEG Logística Ltda.	13.406	11.241	
- ICMS incentive credit of 75.00%	13.406	11.241	
		•	

All conditions to obtain government incentives were met.

# 27. Information by segment

	Brazil				Foreign		Eliminations ar	nd adjustments	Consolidated	
	Industry		Energy							
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Revenue from sale of products / services  Earnings before income taxes	4.283.237 1.429.174	3.628.243 1.059.513	1.455.914 459.803	1.414.518 398.621	3.147.370 207.865	2.873.460 166.420	(2.057.625) (1.011.963)	(1.742.343)	6.828.896 1.084.879	6.173.878 864.102
Depreciation /Amortization / Depletion	135.331	127.787	40.846	41.224	42.102	39.326	-	-	218.279	208.337
Identifiable assets	3.103.575	3.318.386	1.295.485	1.370.784	2.282.020	1.938.375	(18.715)	(391.884)	6.662.365	6.235.661
Identifiable liabilities	780.033	758.499	471.689	394.642	781.749	601.254	(360.911)	(328.808)	1.672.560	1.425.587

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, control panels and system integration services.

Foreign: composed by operations carried out by subsidiaries in other countries.

The adjustment and elimination column include the eliminations applicable to the Company in the context of the Consolidated IFRS Financial Statements. All operating assets and liabilities are presented as identifiable assets and liabilities.

## 28. Earnings per share

#### A. Basic

Calculation of basic earnings (loss) per share is made by dividing net income (loss) for the year, attributed to common shareholders, by the weighted average number of common shares available during the year.

	31/12 /13	31/12 /12
Profit attributed to Company shareholders Weighted average number of outstanding common shares (shares /thousand) Basic earnings per share - R\$	843.467 620.422 1,3595	655.979 620.405 1,0573

## B. Diluted

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

	31/12 /13	31/12 /12
Profit attributed to Company shareholders	843.467	655.979
Weighted average of potentially diluted common shares held by shareholders (shares/thousand) Basic and diluted earnings per share - R\$	620.727 1,3588	620.648 1,0569

The amount of 322,962 shares (242,974 at December 31, 2012) was considered to be shares with potential to dilute, related to the stock option plan.

## 29. Statement of comprehensive income

The Company presents as other comprehensive income the values of accumulated translation adjustment. These values are not taxable.

The presentation of the comprehensive income results is required by CPC 26 - Financial Statement Presentation and includes the comprehensive results which correspond to revenue and expense items which are not recognized in the financial statements as required or allowed by the standards, interpretations and guidance issued by the CPC.

#### 30. Other information

#### Provisional Measure 627, of November 11, 2013

The Company has reviewed the provisions of the Provisional Measure 627 of November 11, 2013 ("MP 627") and Instruction 1397, to September 16, 2013, as amended by IN 1422 December 19, 2013 ("IN 1397").

Although the MP 627 comes into force from January 1, 2015, there is the possibility of an option (irreversibly) for its implementation from January 1, 2014. The Company monitors the matter and its conversion into law, to implement these measures.

#### **BOARD OF DIRECTORS**

Décio da Silva - Chairman Nildemar Secches- Vice-Chairman Dan loschpe Douglas Conrado Stange Martin Werninghaus Miriam Voigt Schwartz Moacyr Rogério Sens Wilson Pinto Ferreira Junior

### **Executive Board**

Harry Schmelzer Junior - CEO Sérgio Luiz Silva Schwartz - Executive vice-president and IRO Antônio Cesar da Silva - CMO Carlos Diether Prinz – T&D Division Managing Director Hilton Jose da Veiga Faria - HR Officer Luis Gustavo Lopes Iensen – International Division Managing Director Reinaldo Richter - Paints Managing Director Siegfried Kreutzfeld – Electric Motors Division Managing Director Sinésio Tenfen – Energy Division Managing Director Umberto Gobbato - Automation Division Managing Director Wandair José Garcia - Information Technology Officer Wilson José Watzko - Controller

#### Accountant

Homero Fabiano Michelli CRC/SC 025.355/O-2 CPF 850.936.709-44

## **Supervisory Board**

Effective Alidor Lueders Eduardo Grande Bittencourt Gilberto Lourenço da Aparecida

Substitutes Ilário Bruch Vanderlei Dominguez da Rosa Marcelo Adolfo Moser

#### INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors Weg S.A. Jaraguá do Sul - SC

#### Introduction

We have audited the financial statements, Individual and Consolidated, of Weg S.A. ("Company") identified as Company and Consolidated, respectively, that comprise the balance sheet on December 31, 2013 and the related statements of income, comprehensive income changes in shareholders' equity and statements cash flows for the year then ended, as well as the summary of the main accounting practices and other note financial statement.

#### Management's responsibility for the financial statements

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

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Company's financial statements 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 internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion on the individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of WEG S.A. at December 31, 2013, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

## Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of WEG S.A. at December 31, 2013, and its consolidated financial performance and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

## **Emphasis of matter**

As described in Note 2, the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. For WEG S.A., such practices differ from IFRS applicable to the separate financial statements only with regards to assessment of investments in subsidiaries, affiliated companies and joint ventures under the equity method, while for the purposes of IFRS these are assessed cost or fair value. Our opinion is not qualified regarding this matter.

## **OTHER MATTERS**

#### Statements of value added

We have also examined the individual and consolidated statement of value added, referring to the year ended December 31, 2013, prepared under the responsibility of the Company's Management, whose presentation is required for Brazilian corporate law for listed companies, and as supplementary information under IFRS that does not require disclosure. These statements were submitted to the same audit procedures described above and, in our opinion, they are fairly presented in all material respects in relation to the financial statements taken as whole.

#### Audit of the prior year's amounts

The amounts for the year ended December 31, 2012, presented for comparison purposes, were previously audited by other independent auditors, who issued a report dated February 8, 2013 that had no changes.

Joinville, February 7, 2014

**KPMG** Auditores Independentes CRC SC-000071/F-8

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 at December 31, 2013, and the proposals of the Management for allocation of Net Income, 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 07, 2014. Opines that these documents are conditions being examined and voted at the Annual General Meeting.

Jaraguá do Sul (SC), February 25, 2014.

**ALIDOR LUEDERS** VANDERLEI DOMINGUEZ DA ROSA GILBERTO LOURENÇO DA APARECIDA

#### **STATEMENT**

By the present document, the Executive Managing Director and the other Directors of WEG S.A., a publicly-traded corporation, headquartered at Avenida Prefeito Waldemar Grubba, nº 3300, enrolled with Brazilian IRS Registry of Legal Entities under CNPJ No. 84.429.695/0001-11, for purposes of items V and VI, article 25 of CVM Rule No. 480, dated December 7, 2009, declare that they:

- (I) reviewed, discussed and agreed with the express opinions in the report of KPMG Auditores Independentes, dated February 07, 2014, related to the financial statements of WEG S.A. and its consolidated financial statements for the year ended December 31, 2013, and
- (II) reviewed, discussed and agreed with the financial statements of WEG S.A. and its consolidated financial statements for the year ended December 31, 2013.

Jaraguá do Sul (SC), February 07, 2014.

Harry Schmelzer Junior - CEO Sérgio Luiz Silva Schwartz - Executive vice-president and IRO Antônio Cesar da Silva - CMO Carlos Diether Prinz – T&D Division Managing Director Hilton Jose da Veiga Faria - HR Officer Luis Gustavo Lopes Iensen – International Division Managing Director Reinaldo Richter - Paints Managing Director Siegfried Kreutzfeld – Electric Motors Division Managing Director Sinésio Tenfen – Energy Division Managing Director Umberto Gobbato – Automation Division Managing Director Wandair José Garcia - Information Technology Officer Wilson José Watzko - Controller

## SOCIAL BALANCE OF 2013 and 2012 - CONSOLIDATED BRAZIL

(Figures are expressed in thousands of Reais, except for employee indicators)

(i.igairee are expressed in areasairae er riear	-,	you manuatore	7			
1- Calculation Basis		2013			2012	
1.1 - Gross Operational Revenue	8.146.901			7.240.816		
1.2 - Net Operational Revenue	6.828.896			6.173.878		
1.3 - Profit Before Taxes						
		1.084.87		864.102		
1.4 - Payroll w/ Charges		1.325.98	38		1.226.9	14
0 Labor indicators	0010	0/ of Cuons	0/ of Not Operation	0010	0/ of Cuosa	0/ of Not Operating
2 - Labor indicators	2013	% of Gross	% of Net Operating	2012	% of Gross	% of Net Operating
		Payroll	Income		Payroll	Income
2.1 - Meals	31.072	2,34	. 2,86	24.369	. 1,99	2,82
2.2 - Compulsory Social Charges	335.947	25,34	30,98	367.958	29,99	42,59
2.3 - Profit Sharing	158.534	11,96	14,61	118.315	9,64	13,69
2.4 - Private Pension	22.948	1,73	2,12	20.359	1,66	2,36
2.5 - Medical and Dental Care	26.589	2,01	2,45	22.325	1,82	2,58
	l		•	7.647		
2.6 - Education	7.190	0,54	0,66		0,62	0,88
2.7 - Other Benefits	17.406	1,31	1,60	14.253	1,16	1,65
TOTAL	599.687	45,23	55,28	575.226	46,88	66,57
		<del>-</del>	:		:	
3 - Social indicators	2013	% of Gross	% of Net Operating	2012	% of Gross	% of Net Operating
		Payroll	Income		Payroll	Income
3.1 - Taxes	802.065	60,49	73,93	675.163	55,03	78,13
3.2 - Contributions to Society	10.132	0,76	0,93	6.486	0,53	0,75
•	l					
3.2.1 - Education and Culture	3.303	0,25	0,30	2.103	0,17	0,24
3.2.2 - Sport and Leisure	561	0,05	0,05	529	0,05	0,06
3.2.3 - Social Assistance and Philanthropic Institutions	6.268	0,47	0,59	3.854	0,31	0,46
TOTAL	812.197	61,25	74,87	681.649	55,56	78,89
		•	•		•	•
4 - Environmental Indicators	2013	% of Gross	% of Net Operating	2012	% of Gross	% of Net Operating
		Payroll	Income		Payroll	Income
Environmental Investments	9.891	0,75	0,91	6.172	0,50	
Regarding the establishing of "annual goals" to		,	,		,	
minimize waste, consumption in general in production/	( ) does not set	aols ()	meets from 51 to 75%	( ) does not set g	nols ( ) n	neets from 51 to 75%
operation and increase efficiency in the use of natural			meets from 76 to 100%			neets from 76 to 100%
resources, the company:	( ) 1110013 110111 0	710 00 70 (X)	1110013 110111 7 0 10 100 70	( )	7 to 50 70 (X) II	110010 110111 7 0 10 100 70
5 - Indicators of workforce		2013			2012	
5.1 - Number of employees at the end of the period		23.798	:		22.323	:
5.2 - Number of employees hired in the period		5.703			5.737	
5.3 - No dismissals in the period		4.228			4.331	
5.4 - Number of women at end of the period		5.529			4.962	
5.5 - % of management positions held by women		5			5	
5.6 - Number of outsourced workers		2.541			2.220	
5.7 - Number of interns		89			38	
5.8 - Number of employees over 45 years old		2.412			1.840	
5.9 - No. of black people working for the company		4.578			3.602	
		;			2.002	
5.10 - % of management positions held by black people		: 2	:		: 4	:
6 - Relevant information regarding		2013			2012	
exercise of business citizenship						
Total number of work-related accidents		744			762	
Social and environmental projects developed by the company	( ) B	oard ( ) Board ar	nd Management	( ) Bo	oard ( ) Board an	d Management
were defined by:		(X) All empl	oyees		( X ) All emplo	oyees
Safety and health standards at the	( ) B	oard ( ) Board ar	nd Management	( ) Bo	oard ( ) Board an	d Management
workplace were defined by:	l(	X) All employe	es + Cipa	[(	X) All employee	es + Cipa
With regard to the freedom of association, the right to collective	( ) does not	get Involved ( )	( ) follows ILO norms			) follows ILO norms
bargaining and the internal representation of workers, the company:		encourages and		( ).	encourages and	follows ILO
The private pension scheme includes:	( )Board ( )Board and Management ( X )All employees ( )Board ( )Board and Management ( X )A		nent ( X )All employees			
The profit sharing scheme includes:	( )Board ( )Board and Management ( X ) All employees ( )Board ( )Board and Management ( X					
When selecting suppliers, the same ethical and social and environmental	nmental ( ) are not considered ( ) are suggested ( ) are not considered ( ) are					
responsibility standards adopted by the company:	( X ) are demanded ( X ) are demanded					
With regard to employees' participation in voluntary work programs,	( ) does not get Invo	olved ( ) suppor	ts (X) organizes and encourages	( ) does not get Invo	olved ( ) support	s (X) organizes and encourages
the company:						
Total value added to be distributed		In 2013: R\$ 4.0			In 2012: R\$ 3.3	
	36% emp	•	29% government	38% emp		29% government
Distribution of Value Added (DVA)	1 21% sha	reholders	14% third part	20% shai	renolders	13% third part
					A	

Accounting Dept. 03/03/2014

# **GRI Index**

Indicator	Description	Page
	Strategy and Analysis	
1.1	Message From the President	4
1.2	Main impacts, risks and opportunities	7/112
	Organizational Profile	
2.1	Name of the Organization	174
2.2	Main brands, products and/or services	22
2.3	Operational structure	16
2.4	Location of the headquarters	174
2.5	Countries in which it operates	12
2.6	Legal nature	10
2.7	Markets served	24
2.8	Size of the Organization	4/10/64
2.9	Main changes during the period covered by the report	119
2.10	Awards	26
	Parameter for the Report	
3.1	Period covered by the Report	6
3.2	Date of the most recent previous report	6
3.3	Report issue cycle	6
3.4	Contact data for queries	174
3.5	Process to define the report content	6
3.6	Report limit	6
3.7	Limits regarding the scope or report limit	6
3.8	Joint ventures, subsidiaries, leased installations, outsourced operations and other organizations	15
3.9	Data measurement techniques and calculation basis	30
3.10	Consequences of reformulation of information provided in previous reports	There were no reformulations of information
3.11	Significant changes in the scope, limit or measurement methods	There were no significant
3.12	Table that identifies the location of information in the report	169
3.13	Current practice and policy regarding the search of external verification for the report	No external verifications were carried out on the report
	Governance, commitment and engagement	
4.1	Governance structure	17
4.2	Indication in case the president of the highest governance body is also an executive director	19
4.3	Number of independent or non-executive members of the highest governance body	17

# **GRI Index**

Indicator	Description	Page
4.4	Mechanism for shareholders and employees to make recommendations or give directions to the highest governance body	28; 56; 174
4.5	Relation between remuneration for members of the highest governance body and the performance of the organization (including social and environmental performance)	20
4.6	Processes in effect in the highest governance body to ensure that conflicts of interest are avoided	35
4.7	Process to determine the qualifications of the members of the highest governance body to define the strategy of the organization for issues related to economic, environmental and social matters	18
4.8	Mission and value statement, codes of conduct and internal principles	31
4.9	Procedures of the highest governance body to supervise the identification and management of the economic, environmental and social	18
4.10	Self-assessment of the performance of the highest governance body	18
	Commitment to external initiatives	
4.11	Explanation of how the organization applies the precaution principle	20
4.12	Letters, principles or other initiatives the organization underwrites or endorses	35
4.13	Participation in national/international defense associations and/or bodies	108
	Engagement with stakeholders	
4.14	List of stakeholders engaged for the organization	55
4.15	Base to identify and select stakeholders with whom it wants to engage	55
4.16	Approaches for the engagement of the stakeholders	55
4.17	Main subjects and concerns raised by the engagement of stake-holders	55

# Economic performance indicators

Indicator	Description	Page
EC1	Direct economic value generated and distributed	128
EC2	Financial implications and other risks and opportunities for the activities of the organization due to the climate	7/112
EC3	Coverage of the obligations of the pension plan with defined benefit that the organization offers	68
EC4	Significant financial support received from the government	116
EC6	Policies, practices and proportion of expenses of local suppliers	85
EC7	Procedures for local hiring and proportion of members of senior management recruited from the local community	67
EC8	Development and impact of the investments in infrastructure and services offered, mainly for public benefit	91

# Environmental performance indicators

Indicator	Description	Page
EN3	Direct energy consumption detailed by primary energy source	39
EN5	Energy saving due to improvements in conservation and efficiency	40
EN6	Initiatives to supply products and services with low energy consumption	7
EN8	Total water removal by source	42
EN16	Total direct and indirect emissions of greenhouse effect gases by weight	48
EN18	Initiatives to reduce the emission of greenhouse effect gases and reductions obtained	49
EN20	NOx COx and other significant atmospheric emissions, by type and weight	48
EN21	Total disposal of water by quality and destination	45
EN22	Total residue weight by type and disposal method	51
EN23	Number and total volume of significant spills	47
EN24	Weight of residues transported, imported, exported or treated considered hazardous in terms of the Basel Agreement	52
EN30	Total investments and expenses in environmental protection	53

# Social indicators regarding labor practices and decent work

Indicator	Description	Page
LA1	Total works by type of job, labor agreement and region	64
LA3	Benefits offered to full time employees	68
LA6	Percentage of employees represented in formal safety and heath committees	76
LA7	Rates of injures, occupational diseases, missed days, absenteeism and deaths related to work	83
LA8	Education program, training, advice, risk prevention and control in progress to assist employees and their families or members of the community regarding serious diseases	80
LA9	Subjects related to safety and health covered by formal agreements with trade unions	81
LA10	Average of training hours per year, per employees, detailed by functional category	73
LA11	Programs for competence and continuous learning management that support the continuity of the employees' employability and to manage the end of career	71
LA12	Percentage of employees that regularly receive performance career development analysis	74

# Indicators related to human rights

Indicator	Description	Page
HR3	Total hours of training for employees on policies and procedures regarding human rights aspects relevant for the operations, including the percentage of employees trained.	70
HR8	Percentage of the security personnel trained on the policies and procedures of the organization regarding human rights aspects that are relevant for the operations	70

# Social indicators regarding society

Indicator	Description	Page
S05	Positions regarding public policies and participation in the preparation of the public policies and lobbies	108
S07	Total number of lawsuits for unfair competition, trust and monopoly practices and their results	There were no lawsuits for unfair competition, trust and monopoly practices in the period

# Social indicators regarding the responsibility for the product

Indicator	Description	Page
PR5	Practices related to the customer's satisfaction, including results of surveys that measure such satisfaction	59
PR7	Cases of noncompliance with regulations and codes regarding marketing communication, including advertising, promotions and sponsorship	61
PR8	Proved complaints regarding violation of privacy and loss of customers' data	61

# Take part in the next report

The faleconosco@weg.net channel is available for those who have questions or want to make suggestions for future reports



WEG S.A.

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## Staff

General Coordination Harry Schmelzer Jr.

President

Analysis of the information

**Information Disclosure Committee** 

Content and Publishing Coordination

Department of Continuous Improvement and Environment

Coordination of publishing and graphic production

**Corporate Marketing Section** 

Direction of Art and Graphic Design

Compreendo Comunicação

Pictures

WEG Group files

Thanks

To all who participated in the preparation of this Report