



Sustainability Report 2012





SUMMARY

03

Message from
the President

05

Doing our
part

08

The company

09

Business units

12

Associates and
Joint Ventures

13

Organizational
structure

14

Corporate
governance

19

Products

25

Awards

26

Management
Approach

29

Policies

35

Environmental
Performance

52

Relationships

Message from the President



Harry Schmelzer Junior
Chief Executive Officer

Here is our Sustainability Report for the year 2012, an important document as it focuses beyond the usual aspects used in the assessment of business performance. Naturally, financial results, revenue growth, market share growth are all important metrics, fundamental to understanding the trajectory of any company. But we at WEG believe we should also assess the impact we have on the lives of people, employees and their families, suppliers and business partners, customers and shareholders, as well as on the communities surrounding our operations. We deem this impact has been very positive over the years.

The inclusion of the WEGE3 shares in the Corporate Sustainability Index (ISE) of BM&FBovespa was an important recognition of the evolution of our practices. WEG is the only member of the ISE in the capital goods segment.

In this report you will have the chance check our positive evaluation, learning more about our activities and results. We sought to produce a report that goes beyond the mere listing of social benefits and environmental programs. Of course, these activities exist and are very important. Our programs for the welfare of our employees go far beyond the usual benefits and our concern about environmental preservation and mitigation of impacts of our activities on the environment is acknowledged. Data on energy and water consumption, and wastewater, gas and solid emission are clearly presented.

But we believe that this report will enable the reader to realize that those social and environmental aspects are inextricably embedded in our way of doing business. For example, we have developed products that, due to their energy efficiency, collaborate to reduce the power consumption of our customers, with significant impacts on the consumption of fossil fuels. Likewise, our focus on developing electricity generation technology based on alternative energy from renewable resources contributes to a sustainable economic development. They are feasible, competitive and readily available technologies, developed or fully adapted for the Brazilian conditions.

After reading this report, we believe you will have a broader and more complete understanding of WEG, on how we conduct our business and on how we seek to establish lasting relationships with our partners and employees.

We are a company driven by great challenges and we will continue focusing on the execution of the WEG Plan 2020, which outlined ambitious goals for the years to come. With the support we have received from our employees, customers, suppliers, shareholders and the community in general, we are sure that our chances of success are greater. And our shareholders will benefit from a company that grows in a sustainable manner, while maintaining simplicity.

Thank you all for the confidence and enjoy your reading.

HARRY SCHMELZER JR.
President



About the Report

Measuring, disclosing and reporting organizational performance aiming at the sustainable development, both of the company and society. This is the role of a Sustainability Report. WEG publishes its Sustainability Report, presenting its performance in 2012 and reinforcing the commitment to its future and to all its stakeholders.

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

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

Report Levels of Application		C	C+	B	B+	A	A+
Answer Control	G3 Profile	Answer items: 1.1; 2.1 a 2.10; 3.1 a 3.8. 3.10 a 3.12; 4.1 a 4.4, 4.14 a 4.15.	WITH EXTERNAL VERIFICATION	Answer all criteria listed for Level C plus: 1.2; 3.9, 3.13; 4.5 a 4.13, 4.16 a 4.17.	WITH EXTERNAL VERIFICATION	The same requirement for Level B.	WITH EXTERNAL VERIFICATION
	Information about G3 management	Not required.		Information about the management approach for each indicator category.		Form of management disclosed for each indicator category.	
	G3 performance indicators and performance indicators of managerial supplement	Answer a minimum of 10 performance indicators, including at least one from each of the following areas: social, economic, environmental, human rights, labor practices, society, product liability.		Answer a minimum of 20 performance indicators, including at least one from each of the following performance areas: economic, environmental, human rights, labor, society, product responsibility.		Answer each G3 key indicator and Sector Supplement with due consideration to the principle of materiality of the following ways: a) reporting on the indicator or b) explaining the reason for the omission.	

* Sector supplement in final version.

The content was defined by a multidisciplinary team involving the areas of corporate sustainability, HR, procurement, marketing, environment, finance and product, based on the demands of each of the stakeholders to whom the company relates.

Thus, the report was structured so as to present the company, its management philosophy, its economic, social and environmental performance, as well as the form of engagement and good practices of sustainability with each of those stakeholders.

The data collection for this Report occurred at the beginning of 2013, involving many different areas of the company.

WEG Sustainability Reports are published annually, always in the first semester on the company's website.



Doing our part

In 2020, energy efficiency will save the equivalent to 22 million tons of oil, more than the consumption of the whole metallurgical industry in one year. Energy savings per year expected to increase from 0.6% in 2011 to 4.5%, with the industry accounting for half of that reduction.

These projections of the Ministry of Mines and Energy reveal a promising future with more actions aiming at energy efficiency. The importance of rational use of energy by the industry in general is directly related to the high cost of this input that affects effectively the national competitiveness. Linked to that question is the worldwide concern about establishing goals for reducing emissions of greenhouse gases.

Pioneer in initiatives focused on the industry, WEG is proud to be part of and even to have guided this transformation in the country.

Innovations resulting from the incorporation of new technologies and processes to the manufacturing plants allowed the company not only to precede the performance standards for electric motors, but also influence them. The production of electric motors for other countries within a quality standard and size that were still not required in Brazil, for example, led ABNT to establish the technical standardization of the equipment. In the 90s, ten years before the making of laws of efficiency in the country, the company already offered the national market high performance motors.

The solution efficient motors + frequency inverters



allows even today higher levels of efficiency than those proposed by the current legislation. Responsible for the control and protection of motors,

frequency inverters reduce power consumption by means of the adjustment of the power used by the electric motors to the power required in the process, avoiding energy losses.

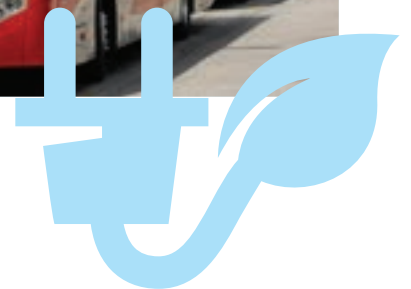
In Brazil, funding lines available for modernization of industrial parks have stimulated an increase in the incorporation of more efficient equipment. In an innovative initiative, for 16 years the company has granted a discount on the purchase of a new motor with performance above the law requirements in exchange for a used one. Besides the financial benefit to customers, the reuse of electric motors proposed in the “Exchange Plan” ensures that the used motor with low efficiency be removed from operation.

Rational use of energy has been a continuous pursuit of the industry in general. Brazil has a high energy cost, impairing national competitiveness.

The forecasts are also optimistic regarding power generation using renewable sources. Brazil has competitive advantages such as the mastery of efficient ethanol production, and potential for low environmental impact and for the expansion of the electricity production by means of other sources. While in the rest of world fossil sources will probably continue on top of the energy matrix, Brazil already has almost half the matrix composed of renewable energy and tends to advance in the use of unconventional sources such as biomass, wind and solar energy. WEG integrates Research and Development projects that promote increased addition of renewable energies in the Brazilian energy matrix, providing complete systems for power generation, generators, transformers and automation and integration services. The power plants integrate Small Hydro Plants, biomass, solar and wind energy.

It has recently been selected to participate in a project carried out by the University of São Paulo which will analyze the performances of different technologies used in photovoltaic systems. This will be the first project to use a container-type electrical room in Brazil and the first time that the system with WEG solar inverter SIW 700 of 150 kWp will be applied.

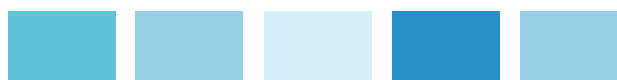
WEG is also present in prototypes that combine energy efficiency and use of renewable energy in the development of more economical and less polluting solutions for urban and marine mobility. Among them are the Amazonia Solar Boat, in a partnership with the Federal University of Santa Catarina, the hybrid electric and hydrogen “H2 +2” bus and the hybrid electric and ethanol bus, in partnership respectively with the Federal University of Rio de Janeiro and Itaipu Power Plant. The electric drive systems supplied by WEG have also become a strong tendency for the means of transportation. The electric drive increases the efficiency of both urban and sea transportation and decreases by 90% the emission of pollutants. Transports with this technology present lower noise, are more economical and have low maintenance cost.





Efficiency is also aggregated to the coating of the equipment and structures by means of products like water-based coatings and 100% solids coatings. Applied to the hulls of sea and river vessels, anti-fouling coatings prevent the proliferation of marine matter and do not jeopardize the motor efficiency of these vessels and, consequently, the fuel consumption. Antifungal coatings applied in alcohol tanks avoid the darkening and thus reduce the losses by alcohol evaporation.

In all applications, the advantages go beyond reducing power consumption, with consequent reduction in operating costs, coupled with the environmental gain of reducing emissions. Besides providing options for rational use of energy to customers, WEG also does its part to contain CO2 emissions. The manufacturing process of equipment based on transformation has a quite low level of emission of greenhouse gases, as evidenced by the emission assessment conducted in 2012.



At the forefront of high performance products and its expertise in renewable generation developed over the recent years, WEG maintains its mission to grow in a continuous and sustainable way. To ensure the lowest environmental impact and increased efficiency of its products, enabling the reduction of energy consumption, is more than a business for WEG. It is a commitment stated in its policies: quality, energy efficiency and environment.



The company

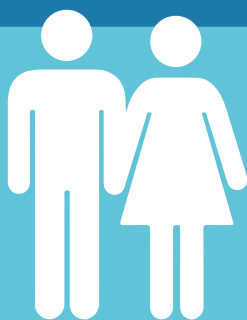
With sales offices in 28 countries and manufacturing facilities in nine, WEG is one of the largest manufacturers of electrical equipment in the world, employing 27,280 people.

The company began operations in September 16, 1961 and today is a corporation headquartered in Jaraguá do Sul City in the state of Santa Catarina, Brazil.

Holding company part of the WEG group, it also operates in the areas of control and protection, speed variation, industrial process automation, power generation and power distribution, and industrial paints and varnishes.

In Brazil, the group has its headquarter and main industrial plants in Jaraguá do Sul-SC. Its other factories are spread over the states of Santa Catarina, Rio Grande do Sul, São Paulo, Amazonas, Espírito Santo, Pernambuco and Paraná. Abroad, WEG has manufacturing plants in Argentina, Mexico, Portugal, South Africa, China and India, besides distribution and trading centers in the USA, Venezuela, Colombia, Chile, Germany, England, Belgium, France, Spain, Italy, Sweden, Australia, Japan, Singapore, India, Russia and United Arab Emirates.

27.280
employees



28
Countries

Business units



Motors



Automation



Energy



Transmission and
Distribution



Coatings

Location of Factories and subsidiaries

From the first building to the total installed plants



MANUFACTURING PLANTS IN 9 COUNTRIES

- Brazil
- Argentina
- Mexico
- USA
- Austria
- Portugal
- China
- India
- South Africa



OFFICES IN 28 COUNTRIES

- Argentina
- Brazil
- Chile
- Colombia
- Venezuela
- Peru
- Mexico
- USA
- Portugal
- Spain

- Italy
- France
- Austria
- UK
- Germany
- Belgium
- The Netherlands
- Sweden
- United Arab Emirates
- Russia

- India
- China
- Singapore
- Thailand
- Japan
- Australia
- South Africa
- Ghana











Companies of the group and location

COMPANIES	COUNTRY
WEG Equipamentos Elétricos S.A.	Brazil
WEG Tintas Ltda.	Brazil
WEG Amazônia S.A.	Brazil
WEG Linhares Equipamentos Elétricos S.A.	Brazil
WEG Administradora de Bens Ltda.	Brazil
WEG Logística Ltda.	Brazil
WEG Drives e Controls – Automação Ltda.	Brazil
WEG Partner Aerogeradores S.A.	Brazil
Hidráulica Industrial S.A. Ind. Com. – HISA	Brazil
RF Reflorestadora Ltda.	Brazil
Agro Trafo Administradora de Bens S.A.	Brazil
Sensores Eletrônicos Instrutech Ltda.	Brazil
WEG Automação Critical Power Ltda.	Brazil
Stardur Tintas Especiais Ltda.	Brazil
WEG-Cestari Redutores e Motorreduzores S.A.	Brazil
Injetel Ind. E Com. De Componentes Plásticos Ltda.	Brazil
Indústria de Tintas e Vernizes Paumar S.A.	Argentina
WEG Equipamientos Electricos S.A.	Argentina
Pulverlux S.A	Argentina
EPRIS Argentina S.R.L.	Chile
WEG Chile S.A.	Peru
WEG Peru S.A.	Colombia
WEG Colômbia Ltda.	Venezuela
WEG Industrias Venezuela C.A.	Mexico
WEG México S.A. de C.V.	Mexico
WEG Transformadores México S.A. de CV	Mexico
Voltran S.A. de C.V. México	Mexico

Companies of the group and location

COMPANIES	COUNTRY
WEG Electric Corporation	USA
WEG Service CO.	USA
Electric Machinery Holding Company	USA
WEG Electric Motors Japan CO., Ltd.	Japan
WEG Electric CIS	Russia
Zest Electric Ghana Ltd.	Ghana
E&I Electrical Ghana Ltd.	Ghana
Zest Energy (PTY) Ltd.	South Africa
Shaw Controls (PTY) Ltd.	South Africa
Electric Motors Laminations (PTY) Ltd.	South Africa
Electric/Instrumentations Engineering and Contractors (PTY) Ltd.	South Africa
WEG Scandinávia AB	Sweden
WEG Germany GmbH	Germany
WEG Benelux S.A.	Belgium
WATT Drive Antriebstechnik GmbH	Austria
WEG France S.A.S	France
WEG Ibéria S.L.	Spain
WEG Euro Ind. Electricas S.A.	Portugal
WEG Itália S.R.L	Italy
WEG Electric Motors (UK) Ltd.	England
Zest Electric Motors (Pty) Ltd.	South Africa
WEG Austrália PTY	Australia
WEG Electric (Índia) Private Limited	India
WEG Industries (Índia) Private Ltd.	India
WEG Singapore Pte Ltd.	Singapore
WEG Middle East FZE.	USA
WEG Nantong Electric Motors Manufacturing	China

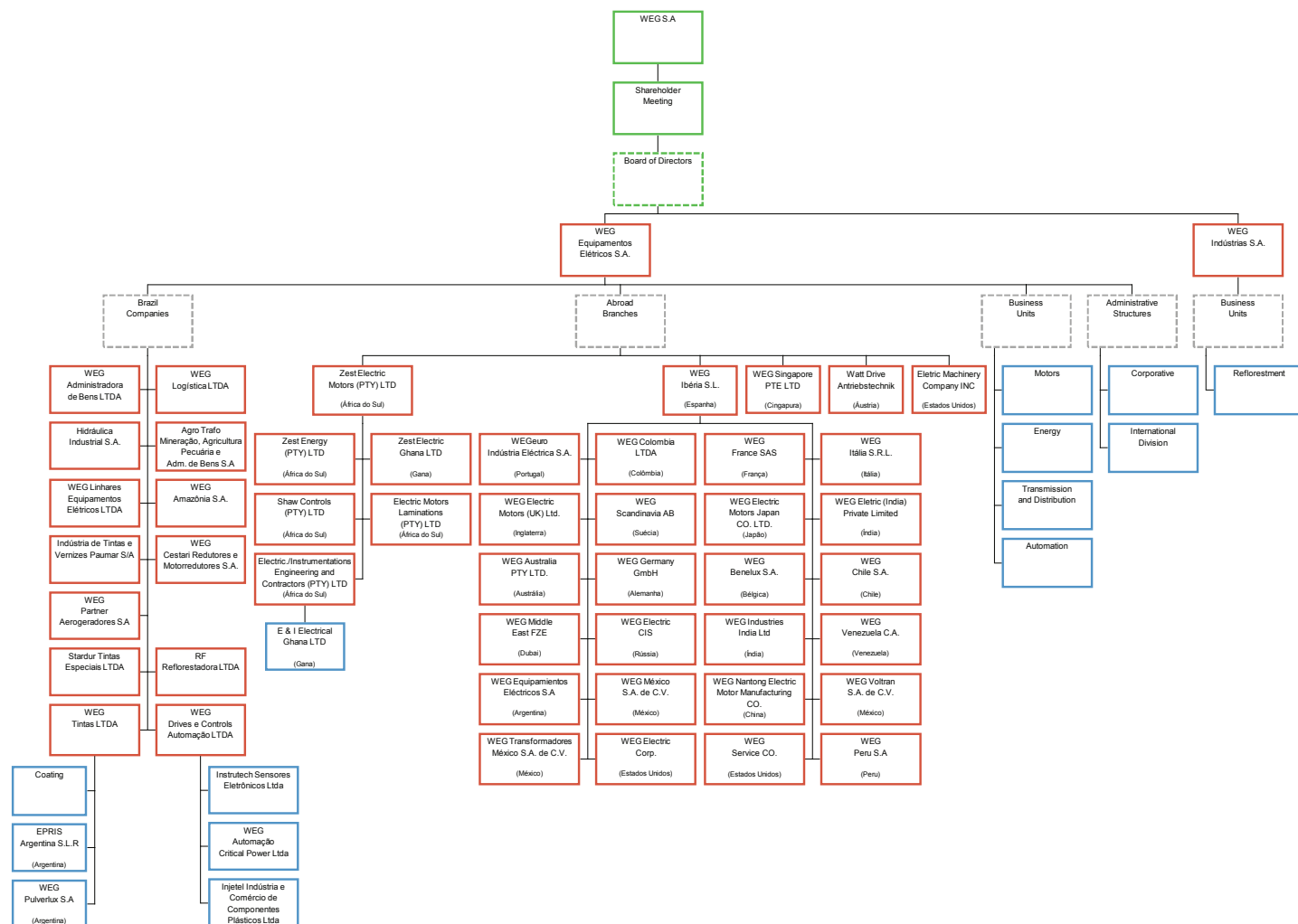
Associates and Joint Ventures

Brand	Status	Location
	Associate	Joaçaba - SC
	Associate	Mineápolis - USA
	Associate	São Paulo - SP
	Associate	Mauá - SP
	Associate	Buenos Aires - Argentina
	Associate	Indaiatuba - SP
	Associate	Tizayuca - Mexico
	Associate	Markt Piesting - Áustria
	Associate	Johannesburg - África do Sul
	Associate	Monte Alto - SP



Organizational Structure

WEG S.A.



See the main structural changes in Economic Performance.

Corporate Governance

The adoption of differentiated Corporate Governance practices reflects the example set by the founders of the company of great respect for the partners who have joined the company over its history. The company is committed to continuing working within the same principles of transparency, fairness and accountability to shareholders and other stakeholders.

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 chairman, a vice-president (Independent) and six members, two of them independent.

It is considered an Independent Board Member those who meet the requirements of the Listing Rules of the New Market of BM&F BOVESPA, as well as the elected board members as established in §§ 4 and 5 of Article 141 of Brazilian Law No. 6.404/76

It is for the Board of Directors to evaluate 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



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

- experience of participating in other Boards of Directors;
- accounting knowledge;
- experience as a senior executive;
- legal knowledge;
- experience in change management and crisis administration;
- knowledge of the businesses of the organization;
- experience in identifying and controlling risks;
- knowledge of national and international markets;
- experience in people management;
- contacts of interest of the organization.
- knowledge in finance;

Individually, we seek candidates having:

- alignment with the organization's values;
- ability for teamwork;
- ability to defend his/her point of view based on his/her own judgment;
- knowledge of best practices in Corporate Governance;
- time availability;
- ability to read and understand managerial, accounting and financial reports;
- motivation;
- notions of corporate law;
- strategic vision;
- perception of the risk profile of the organization.

The board member shall also be free of fundamental conflict of interest (not manageable, not occasional or situational, that is or is expected to be permanent) and be permanently alert to matters of the organization, as well as understand that his/her duties and responsibilities are comprehensive and not restricted to the meetings of the Board.

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

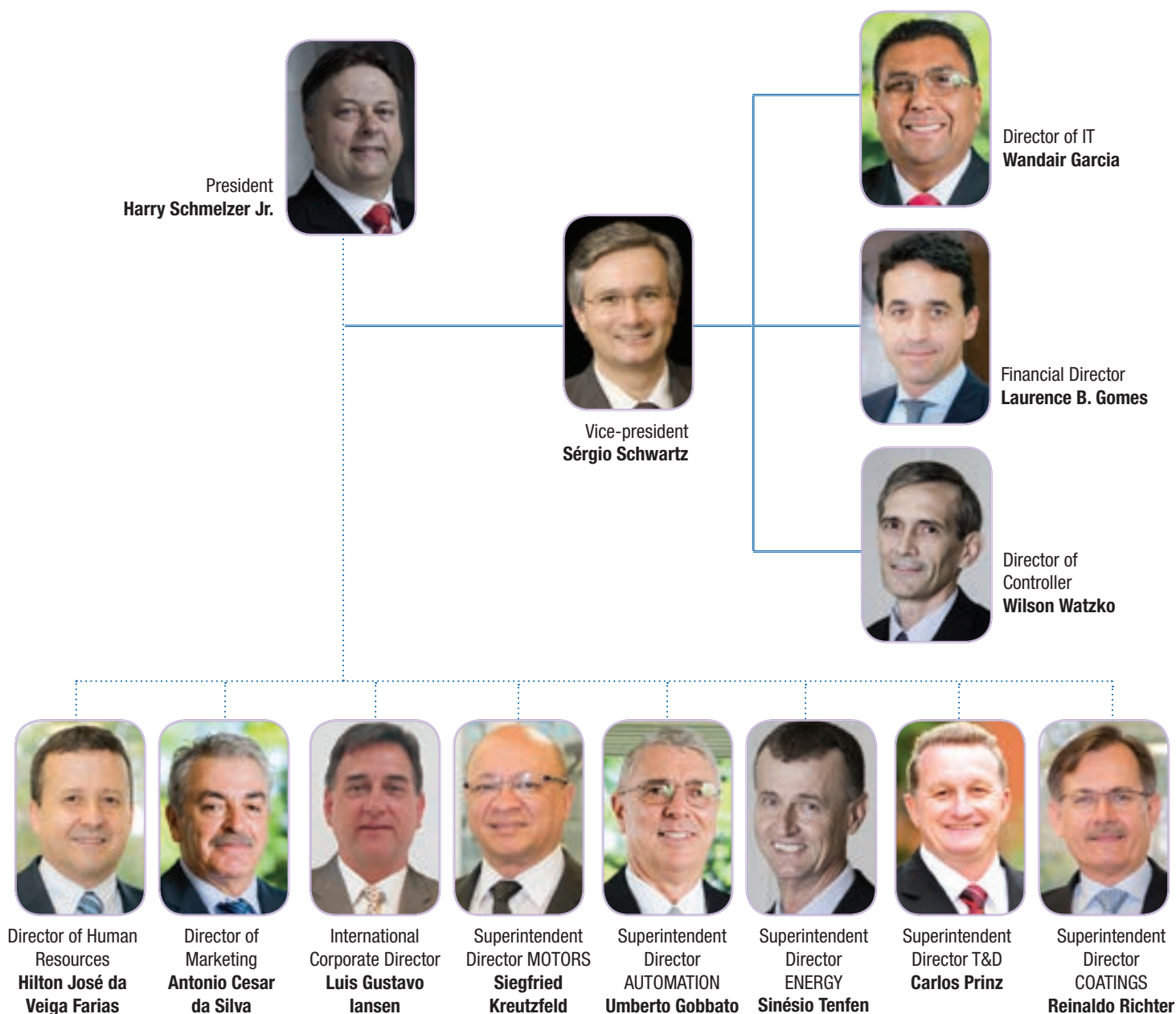


The **Executive Direction** is composed of thirteen (13) members, as follows: a President, a Vice-President, a Director of Investor Relations and other Directors. All members of the Direction are elected and dismissible at any time by the Board of Directors and may accumulate functions. The office term is two years, and reelection is permitted. The Board, within the limits set by law and by the Bylaws of the company, is vested with broad and general management powers so as to enable the execution of all necessary actions to regulate the operation of the company in order to achieve its corporate purposes.

Executive Direction

13
members

Organization chart of the Executive Direction



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

Remuneration

The achievement of goals and indicators of economic, environmental and social performance is the goal that guides all actions of the organization. For this reason, members of the Board of Directors and the Executive Direction receive, in addition to fixed remuneration, variable remuneration in accordance with the achievement of goals. This form of compensation promotes consistent and transparent sharing of results, as well as the alignment of the interests of the company, directors 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 international best practices and the standards set by regulatory agencies in Brazil and abroad adapted to the specific characteristics of the company. Guidelines, responsibilities and limits are set in order to 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 achievement of strategic goals is not affected by unexpected events and conditions in any area of corporate activity, the system comprises four large dimensions:

1

Strategic dimension

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

3

People dimension

ability of the company to attract, develop, retain and have human resources available.

2

Financial dimension

ability to obtain and/or preserve financial resources.

4

Process dimension

ability to use available resources effectively and efficiently.

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

Products



Main product lines and services

Solutions

- Mining
- Oil & Gas
- Energy
- Marine
- Sugar & Ethanol
- Steel
- Cellulose & Paper
- Food & Beverage
- Civil Construction
- Sanitation
- Energy Efficiency

Electric Motors

- Industrial
- Commercial and Residential
- Special Industrial Low and High Voltage
- Direct Current

Drive

- Frequency Inverters
- Photovoltaic Solar Inverter
- PLCs and Process Control
- AC/DC Converter
- Operation Interface (HMIs)
- UPSs, Rectifiers,
- Battery Chargers and Banks
- Servo Drives
- Soft-Starters
- Software

Controls

- Motor Start and Protection
- Capacitors and Power Factor Correction
- Command and Signaling
- Electrical Connections
- Protection of Electric Circuits
- Power Supplies
- Safety Line
- Industrial Sensors
- Sockets and Switches

Power Generation, Transmission and Distribution

- Transformers
- High Voltage Equipment
- Generators
- Turnkey Substations
- Hydraulic Turbines

Electric Panels

- Electric Panel
- Learning Workbench

Coatings and Varnishes

- Powder Coatings
- Liquid Coatings
- Industrial Varnishes
- Coatings for Plastics, Glass and Mirrors - Paumar
- Coatings for automotive refinish – Stardur

Service

- Automation
- Motors and Generators
- Transformers

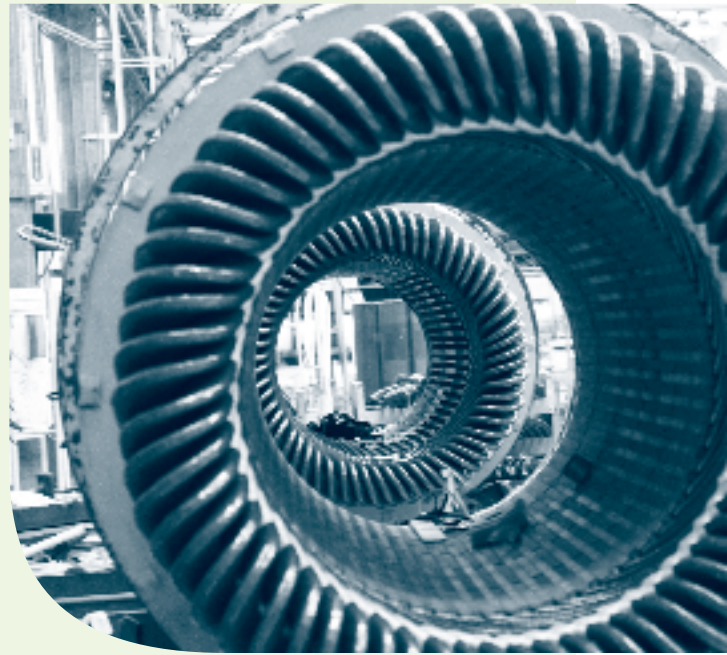


WEG MOTORS

Acknowledged as one of the largest manufacturers of electric motors in the world, WEG Motors is the largest unit of the group. With ten manufacturing plants in six countries (Brazil, China, Mexico, Argentina, Portugal, Austria), the unit has 13 thousand employees making more than 12 million motors per year. Machines distinguished by high performance and maximum energy efficiency.

Focused on customer needs, the unit offers solutions for any application, from the simplest ones in regular environments to the most complex project in harsh environments.

In addition to selling products by means of representatives, branches and distributors, WEG Motors extends its services to the after sales service, with a service network prepared to provide technical support for applications and installations.



WEG AUTOMATION

Leader in several product lines in Brazil, the Automation unit stands out as the only national manufacturer of Drives for safety equipment and is the largest manufacturer of Container-type electrical rooms in the country. It also has the only private laboratory in South America with the capacity to test high current short circuit up to 65kA, which ensures products with high technology of automation, operation and protection of electrical systems for different industries, civil construction, solar energy and sustainable systems of electric drive. With manufacturing facilities in Santa Catarina, Paraná and São Paulo states, the unit has been diversifying its portfolio with solutions for critical power, urban transportation and construction (sockets and switches).

WEG ENERGY

Result of the diversification strategy, WEG Energy complements the company's portfolio, which currently leads the Brazilian market for high voltage power generation and critical power motors and is benchmark in Latin America.

The solutions include specialized services and equipment to meet specifications of various applications and industries, such as oil and gas, marine, sugar and ethanol, cement, mining, pulp and paper, steel, among others.

With manufacturing in Brazil, USA, India, China, Mexico and Portugal, WEG Energy strengthened its production at home and abroad, increasing its product portfolio and offering increasingly efficient solutions that meet the needs of its customers.



WEG TRANSMISSION AND DISTRIBUTION



Largest transformer manufacturer in Latin America, leader in the production and supply of Mobile Solutions and one of the main players in Substations in Brazil. This is WEG Transmission & Distribution.

Directed to the power generation, transmission and distribution, the unit operates in several market segments, such as power utility companies, oil and gas, sugar and ethanol, wind power, pulp and paper, mining, among others. Its two manufacturing plants in Brazil and Mexico have a manufacturing capacity above 33.000 MVA/year.

WEG COATINGS

The presence in various applications and in different segments ensures WEG leadership on the market of powder coatings and insulating varnishes in the country. Additionally, the unit is one of the three largest manufacturers of industrial, anticorrosive and marine coatings.

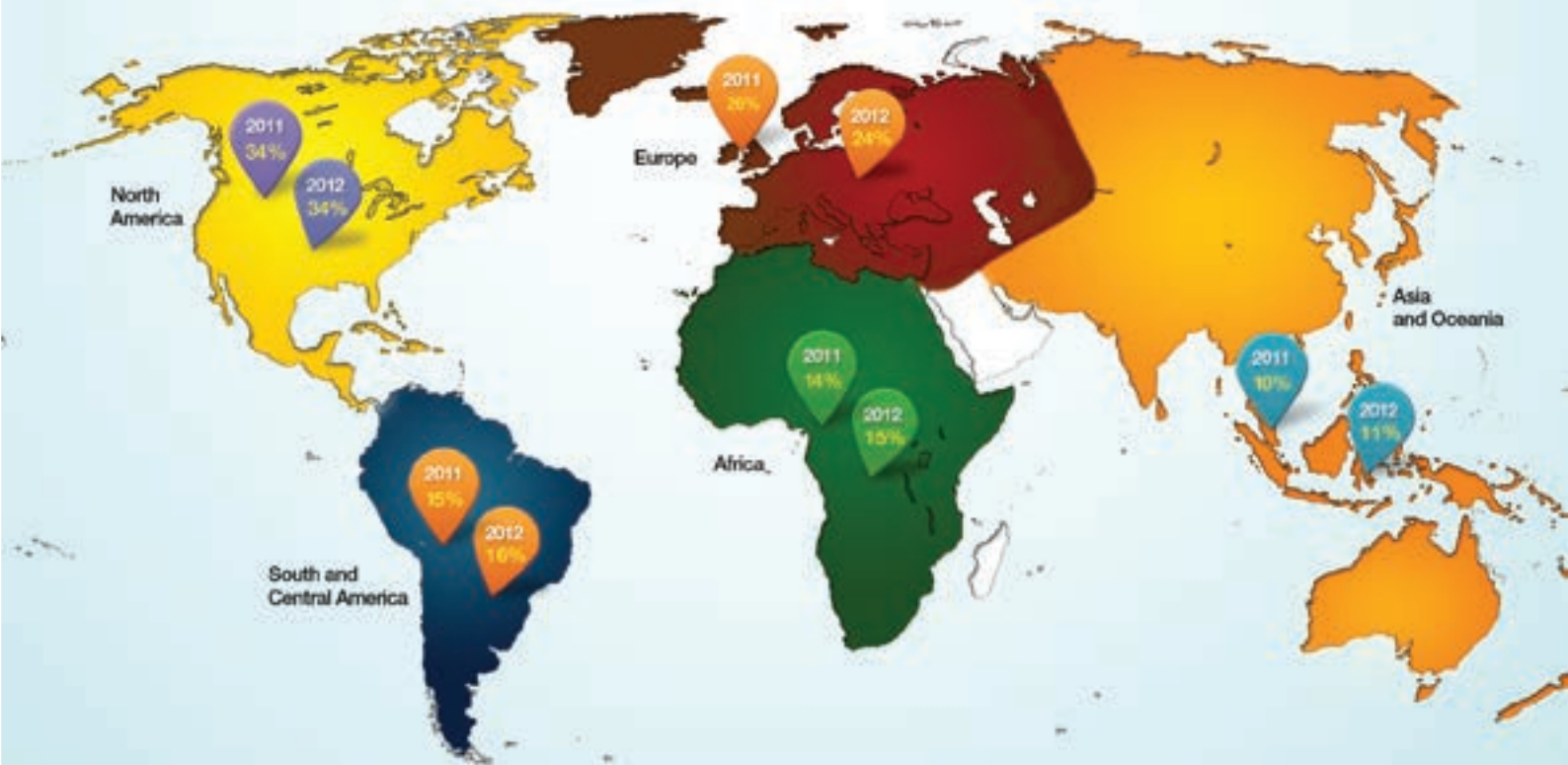
Applications range from the protection of oil platforms, ships, power plants, steel structures, agricultural machines and equipment, automotive refinishing, car parts and road equipment, fishing and leisure boats to metal furniture, light fixtures and appliances.

The brands WEG and STARDUR stand out in Brazil and Latin America and PULVERLUX in the Argentine market.



Covered markets

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



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

Awards

- Quality Award 2012 – Eletricidade Moderna Magazine;
- Executive of Value, Harry Schmelzer Jr. – Valor Econômico Newspaper (Industrial Machinery and Equipment segment);
- The Best Ones of Brazil – Brasil Econômico Newspaper (Industrial Machinery and Equipment segment);
- Top of Mind SC (Executive) – A Notícia Newspaper (Management, Innovation and Large Business Industry categories);
- Gazeta Empresarial – Gazeta Network (Media) (Linhares/ES);
- The 500 Biggest Ones of Santa Catarina (4th place) – Amanhã Magazine;
- SESI Quality at Work Award (PSQT) – Santa Catarina, Education and Development category, QPOP case;
- Human Being Award – Santa Catarina (Socioenvironmental Projects Category, Grupo de Convivência Conviver case – APAE);
- Best Innovator – Época Negócios Magazine (11th place);
- Produz Brasil Award – Racar Publishing House and FAESP (Agricultural Federation of the State of São Paulo): second place in the Most Remembered brand in Agribusiness category;
- ISE (Corporate Sustainability Index) – BM&F BOVESPA;
- Professor Caspar Erich Stemmer Award of Innovation in Santa Catarina – FAPESC (Foundation of Support for Research and Innovation of the State of Santa Catarina);
- FINEP Innovation Award – FINEP (Financing Agency for Studies and Projects);
- Business Leaders Forum Award – Líderes Magazine. The President Harry Schmelzer Jr. was ranked among the 130 best leaders of Brazil for the fifth consecutive time.

Management approach

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



I Commissions

Created in 1969, WEG Commission System is considered the foundation of the formal leadership structure of the organization. It was an initiative of the founders of the company with the support of the director of the Brazilian Institute for Quality Affairs (IBAC), Walter Christian.

Groups formally constituted and recognized by the Direction, the commissions have the power of decision in the first instance, acting in pursuit of three objectives aligned to the WEG culture:

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

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



I Quality Control Circles – QCC

the employees who participate in the Quality Control Circles (QCC) are called “circulists”. Voluntarily, the group of five to eight members conducts activities in search of solutions related to Quality, Productivity, Safety, Ergonomics, Work Environment and Sustainability. Among the objectives of the QCC is to create a healthy and happy work environment, where there is satisfaction and respect for human nature. The model of Quality Control Circles came to Brazil in 1971. At WEG, the system was implemented in 1982, replacing the Work Rationalization Groups, which had been operating since 1974.

Currently, more than **4,900** employees are circulists. WEG has **605 groups** and has already implanted more than **88,593 improvements** the past 30 years, **7,379** only in 2012.

I WEG Quality and Productivity Program – WQPP

Achieve 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 equation takes into account the achievement of goals, according to results of the Group, of the units, of the department and the individual assessment of each employee.



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

I Continuous Improvement Program– CIP

Eliminate losses, reduce 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 business processes, using management tools based on the kaizen concept.

The continuous improvement is pursued by establishing priorities, analyzing processes and eliminating waste. The challenge lies in strengthening the culture of systematic and continuous search for improvements to achieve operational and service excellence to the customer.



Data Accuracy

The techniques for measuring economic, environmental and social data and the bases of calculations are exact, based on data collected from the ERP systems – SAP, GIS and Senior Sistemas VetoRH People Management – and, in some cases, electronic spreadsheets from the relevant areas.

Mission

Continuous and sustainable growth while maintaining simplicity.

Vision

Be global benchmark in electric machines with 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

Work as a team, we gather the best of the knowledge, intelligence and ability to constantly improve the 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. Therefore, we encourage and support an atmosphere favorable to think ahead of our time.

Leadership

Be benchmark in 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 related to: **Quality**

Environment

Energy Efficiency

Health and Safety

Social Responsibility

1

Quality

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

2



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;
- Preventive operation, aiming at protecting the environment of which it is part;
- Eco-efficient processes and products, while preserving natural resources.

3

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.



4

Health and Safety

The WEG Group values human life in the development of its activities, products and services, taking into account the safety and health aspects, and is committed to:

- Adopting preventive approaches in all hierarchical levels;
- Identifying, eliminating and/or minimizing the significant risks to 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.



5 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 to:

- Complying with existing labor and tax laws, among other things, applicable to all activities of the company and 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 integrity of the person;
- 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 multidisciplinary training, the Sustainability Commission is part of the structure of Participative Management of the WEG Group, composed of thirteen members representing the social, economic, product, environmental and corporate sustainability areas. Established since 2010, the committee

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

Sustainability Group

Established in 2011, the Sustainability Group operates in the centralization and planning of future 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 for assessment of the status of sustainability actions of the company. The analysis provided the basis for the creation of a Sustainability Plan for the next three years.

Thirteen actions were strategically considered 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, social and environmental impacts on new enterprises, acquisitions and mergers and inclusion of disabled people.

This plan contains
83 corporate
actions in several
areas, of which
33 started in
2012.

Management Commission of the Code of Ethics

Also part of the structure of the Participative Management of the company, the Management Commission of the Code of Ethics has corporate action and ten members of multidisciplinary areas, with the following responsibilities:

a

Interpret the code of ethics in case of uncertainty in order to harmonize the understanding and avoiding ambiguities in its application;

b

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;

c

Monitor the alignment of the application of the code of ethics between units of the group;

d

Check and inform the direction about the application of the code in the company;

e

Deliberate on the necessary resources for the application of the code;

f

Disseminate and distribute internally, aiming at solidifying the company's culture.



Commitment to external initiatives

In line with its business strategy to provide products with high levels of energy efficiency, WEG adhered to 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 adherence of companies to this Seal is voluntary and contributes to reduce energy consumption of by the customers.



Environmental Performance

The increase in society's interest in the performance of companies regarding their environmental responsibility is remarkable. A constant concern, since this performance is directly linked with 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 sustainably.



Environmental objectives and goals

To meet the commitments, 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, the 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.

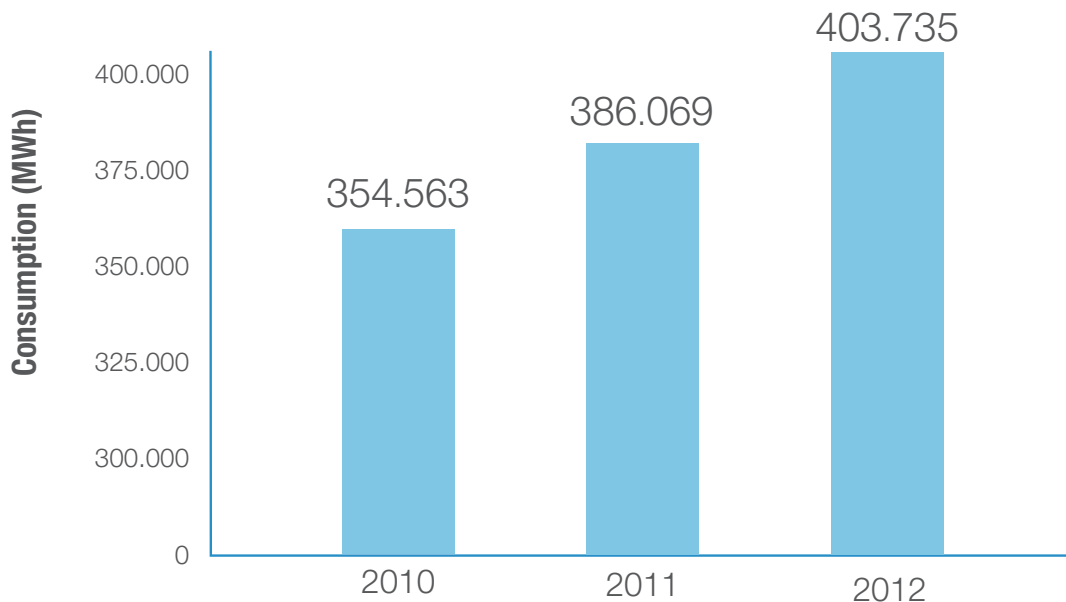
Based on these guidelines, each department of the company must set goals and implement actions for environmental improvement.



Electric Energy

The graph below shows the electricity consumption of WEG units.

Electricity consumption



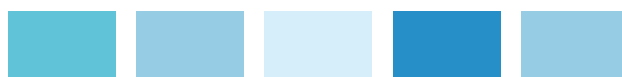
The increase in energy consumption recorded in 2012 is a result of increased production and the presence of new plants in the scope: Mauá (WEG Coatings) and Monte Alto (WEG Cestari) in Brazil, Buenos Aires (Pulverlux) in Argentina, Wollersdorf Steinabruckl (Watt Drive) in Austria and Johannesburg (ZEST) in South Africa.

On the other hand, actions to improve efficiency in manufacturing plants provided an advance of 12% in the index of energy consumption performance per income. The power consumed by WEG units in Brazil, which represents most of the consumption of the company, is hired on the Brazilian energy open market.

Actions to reduce energy consumption are identified and implemented in internal processes with the support of some pillars:

- Quality Control Circles– QCC;
- Kaizen Projects;
- Projects to improve processes;
- Internal application of WEG efficient solutions developed for the market.

Actions which, in addition to reducing energy costs, enable the application of technological innovations and improvement of operating routines.



Among the works of the pillars aforementioned, in the category cost reduction and optimization / process innovation we can point out:

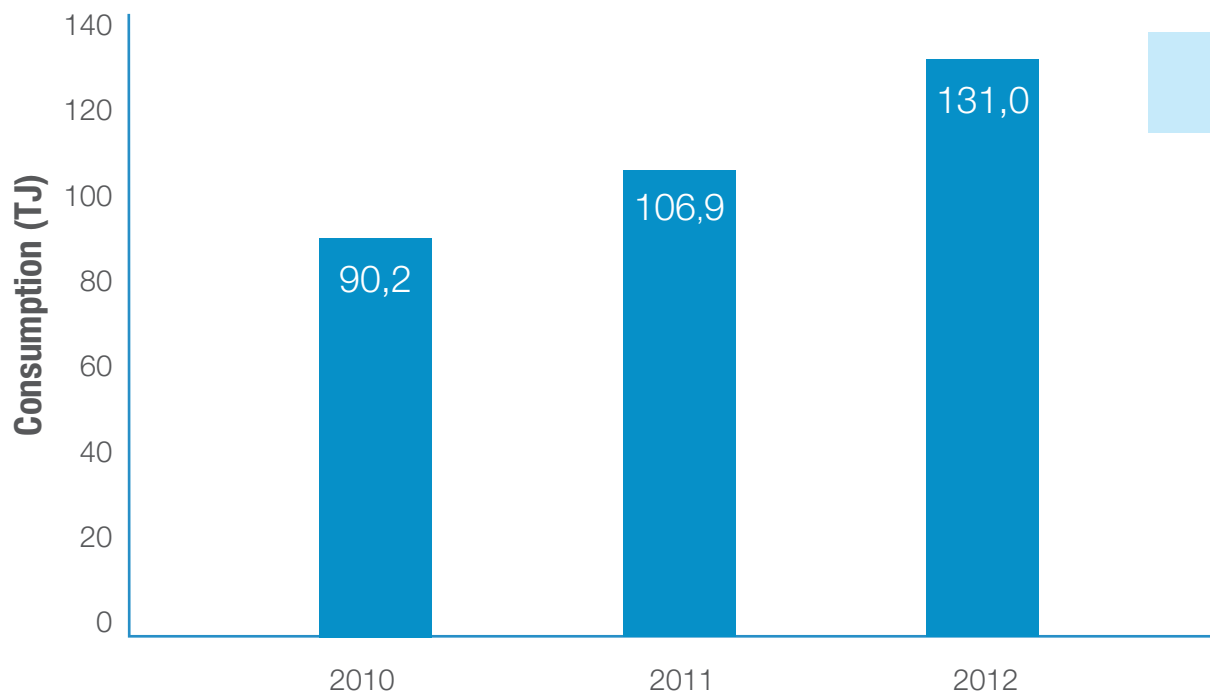
- Implementation of ISO 50001 (Energy Management System) at Plant VII, unit responsible for manufacturing the electric motors of the lines HGF 315-400 (220V to 13800V) and W22 - 355 (220V to 1000V) with outputs from 175 to 1100 CV and at the electric testing laboratory. The system was certified in December 2011, and during 2012 trainings were carried out and several operating jobs and controls were implanted, generating a 13.2% reduction in energy consumption of Plant VII and 17.7% in the Laboratory.
- Replacement of three cooling towers for lower power devices, thus reducing energy consumption and maintenance costs. Reduction in electricity consumption of approximately 200 MWatts per year.
- Completion of the replacement of Standard motors for High-performance motors. According to a plan started in 2007, the electric motors with higher power consumption were replaced by others with better efficiency. Reduction in electricity consumption of approximately 310 MWatts per year.
- Implementation of speed control in the hydraulic circuit of plastic and aluminum injection machines, adapting to the needs of the injection cycles. Recirculation of hydraulic oil, which caused increase in temperature and reduction in useful life, was eliminated. In 2012 this solution was applied to two plastic injection machines and two aluminum injection machines with a reduction in power consumption of about 90 MWatts per year.
- Automation of the bag filters with flow control based on the needs of the process. Thus, the maneuvers in the process are recognized and the flow rate required by the system is automatically regulated. In 2012 this solution was applied in nine filters with a reduction in power consumption of about 1360 MWatts per year.
- Automation of 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 ventilation. In 2012 we started the implementation of four devices with a reduction in power consumption of about 300 MWatts per year.

Other energy sources

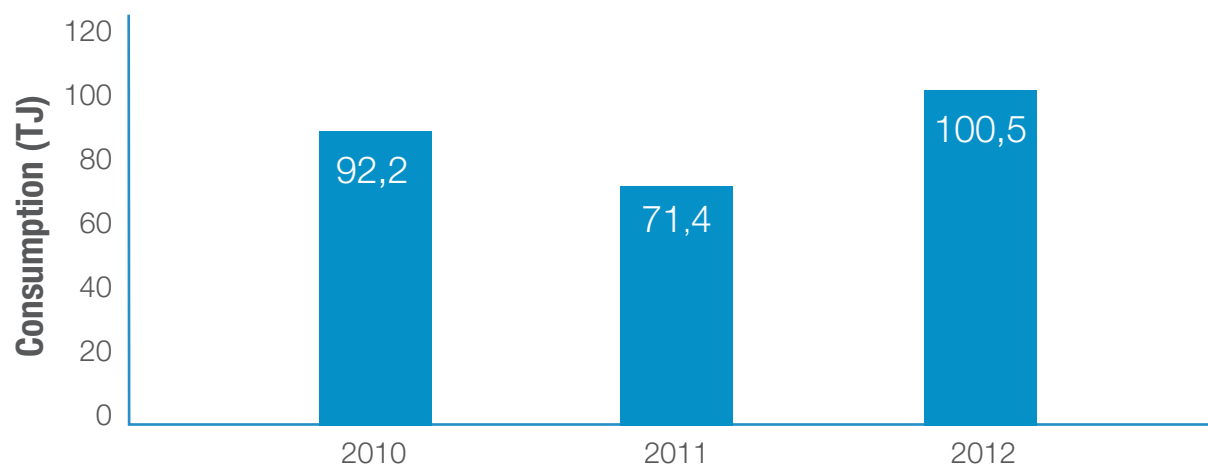
WEG units use other sources of energy besides electricity, mainly to generate thermal and driving power. Among these energy sources, we highlight the Liquefied Petroleum Gas - LPG and Natural Gas - NG.



Consumption of NG



Consumption of PLG

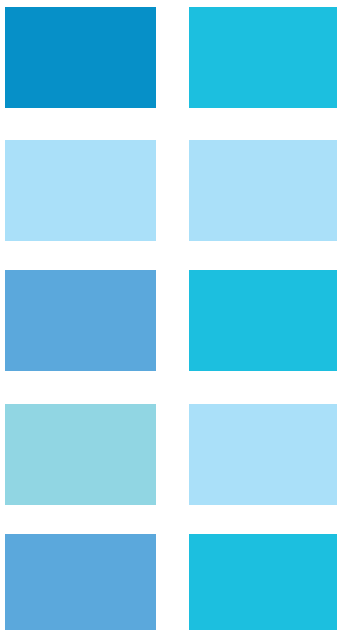


Water and effluents

Water

The manufacturing plants of WEG Business Units are supplied with water using the following sources:

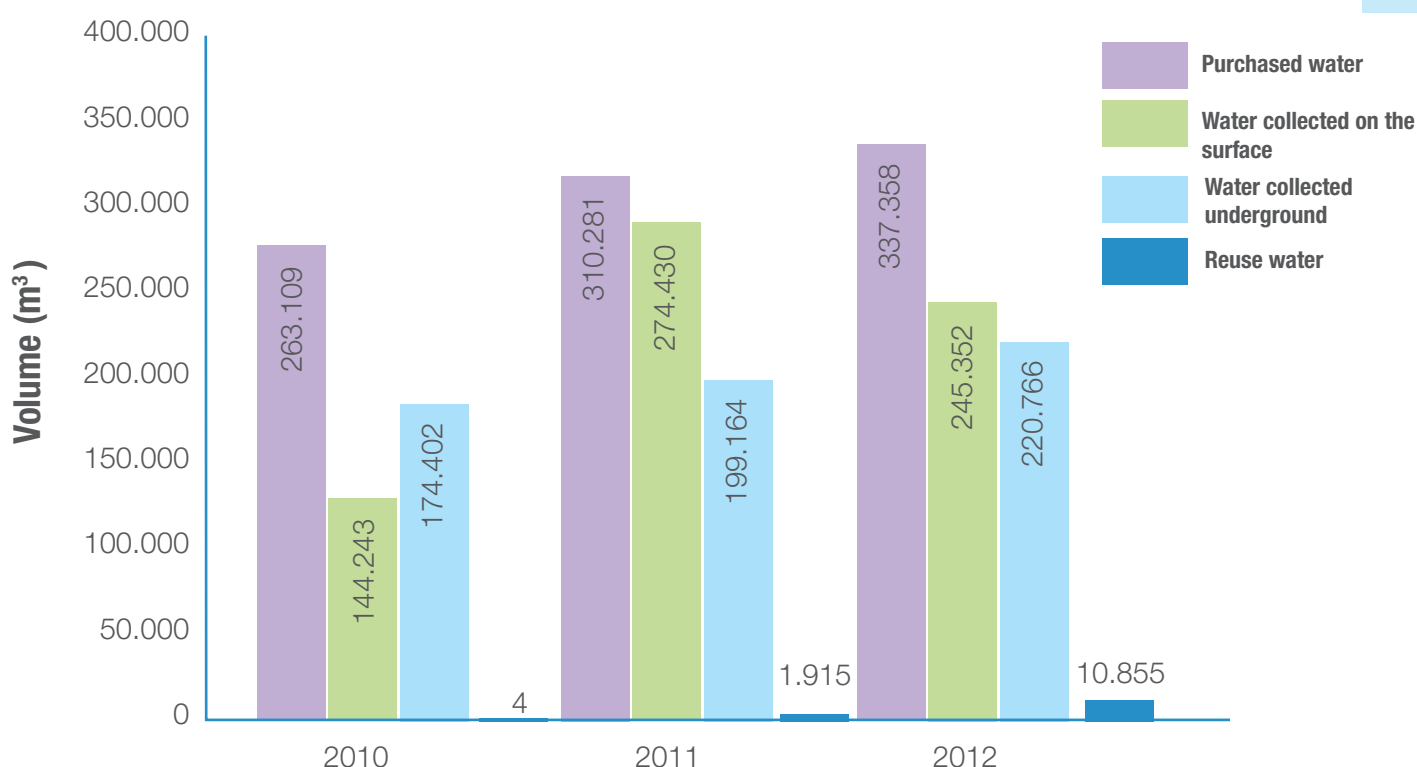
- Public Utility Company - for drinking and industrial use;
- Surface Water - for industrial use;
- Ground water - for drinking and industrial use;
- Reuse water - Toilets, urinals, industrial processes and fertirrigation.



According to data from the illustration below, the overall water consumption increased from 785,790 m³ in 2011 to 814.331 m³ in 2012.

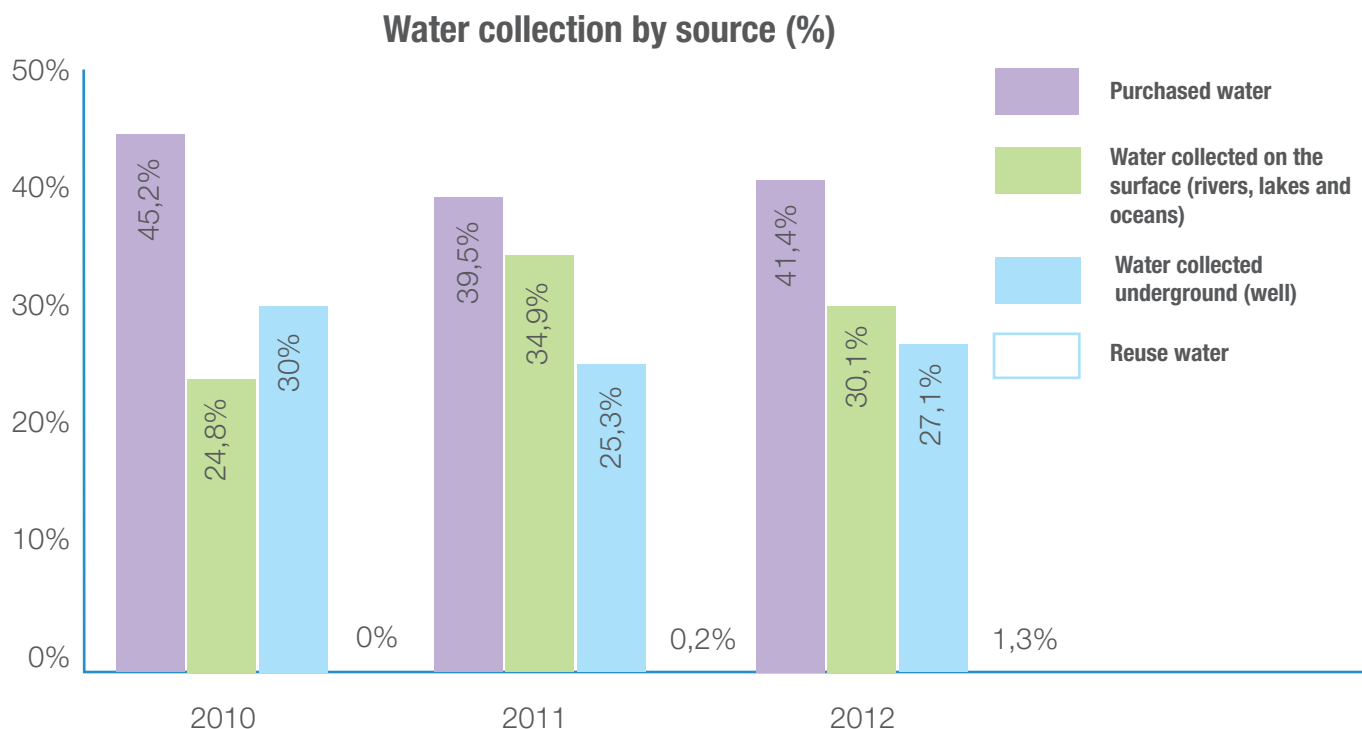
In 2012, the reuse water, used in the fertirrigation process started to be taken into account, which resulted in an increase from 1915 m³ in 2011 to 10.855 m³. If fertirrigation had not been considered as point of reuse, the increase in consumption from this source would be only 736 m³ (item which can be better seen in the “Disposal of Wastewater” graph).

Water collection by source



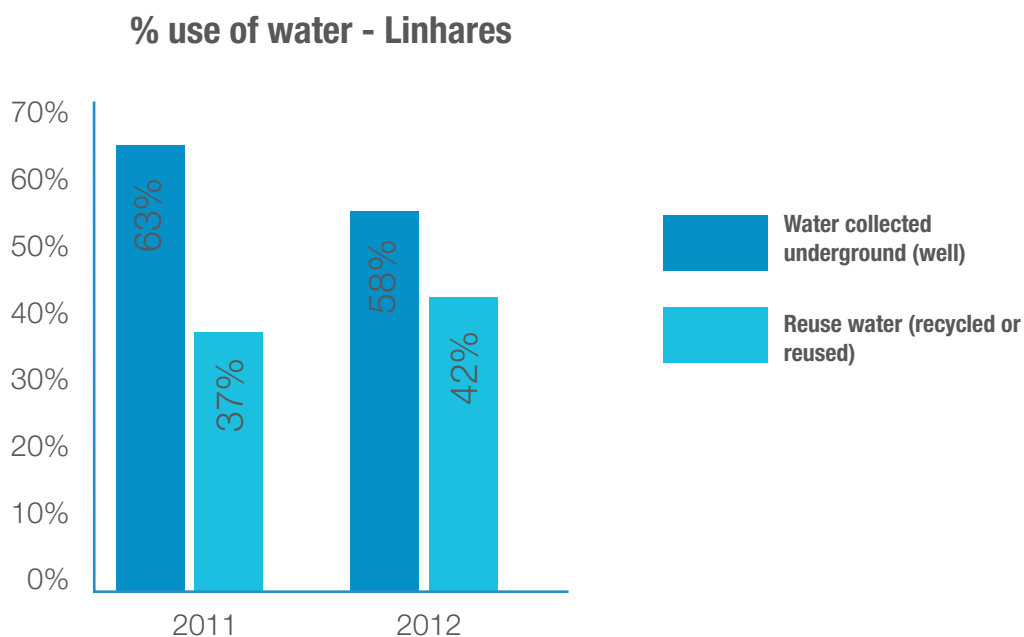
The increased water consumption follows the growth of WEG, since new companies were acquired and their consumption included. In 2012, information of the units of Cabo de Santo Agostinho, Cestari, Hisa, Joaçaba, Instrutech, Mauá, Paumar, WEG Critical Power (formerly Equisul) was added.

On the graph below, you can see that in 2012 30.1% of the water used was collected from surface sources with own treatment, 27.1% from groundwater sources, 41.4% was purchased from public utility companies and 1.3% was reuse water.



The water consumption profile of the new Linhares Manufacturing Plant displayed in the chart below highlights the evolution trend in the design of new industrial plants, as well as the change in existing plants, where the company seeks to implant projects for water reuse. As an example, in 2012 a surface treatment line with closed circuit went into operation for rinsing water of steel frames at the Linhares unit. The result was savings of 850,000 liters from December 2012 to March 2013.

From 2011 to 2012 the percentage of use of reuse water increased from 37% to 42%, as illustrated in the graph below:



Effluents

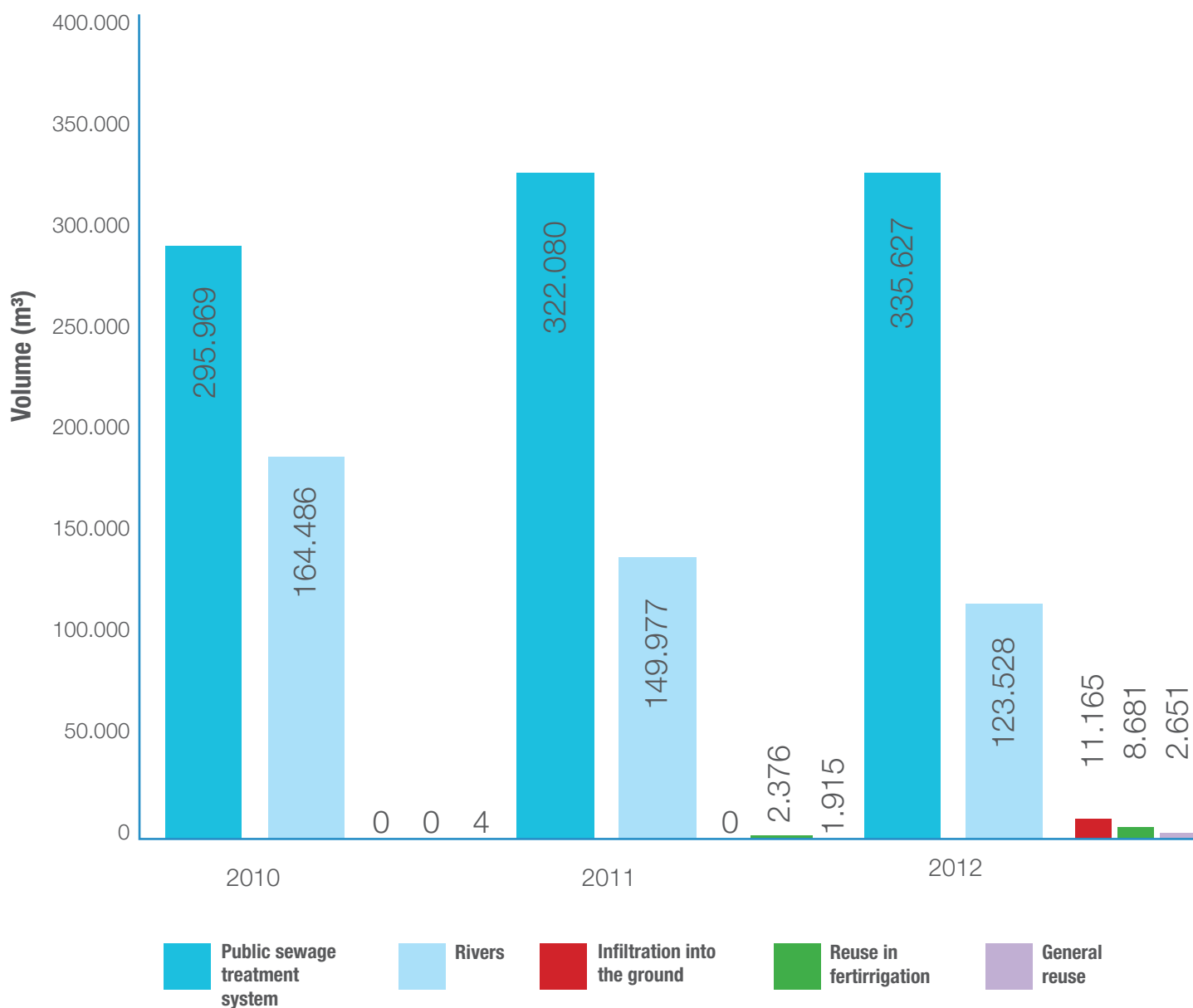
The generated effluents pass through treatment plants / processes, operating with physicochemical, biological, and physicochemical and biological processes.

In 2012, the treatment of sewage at the Linhares / ES unit had 42% of the treated effluents reused in urinals, toilets, and the remaining was used for the fertirrigation.

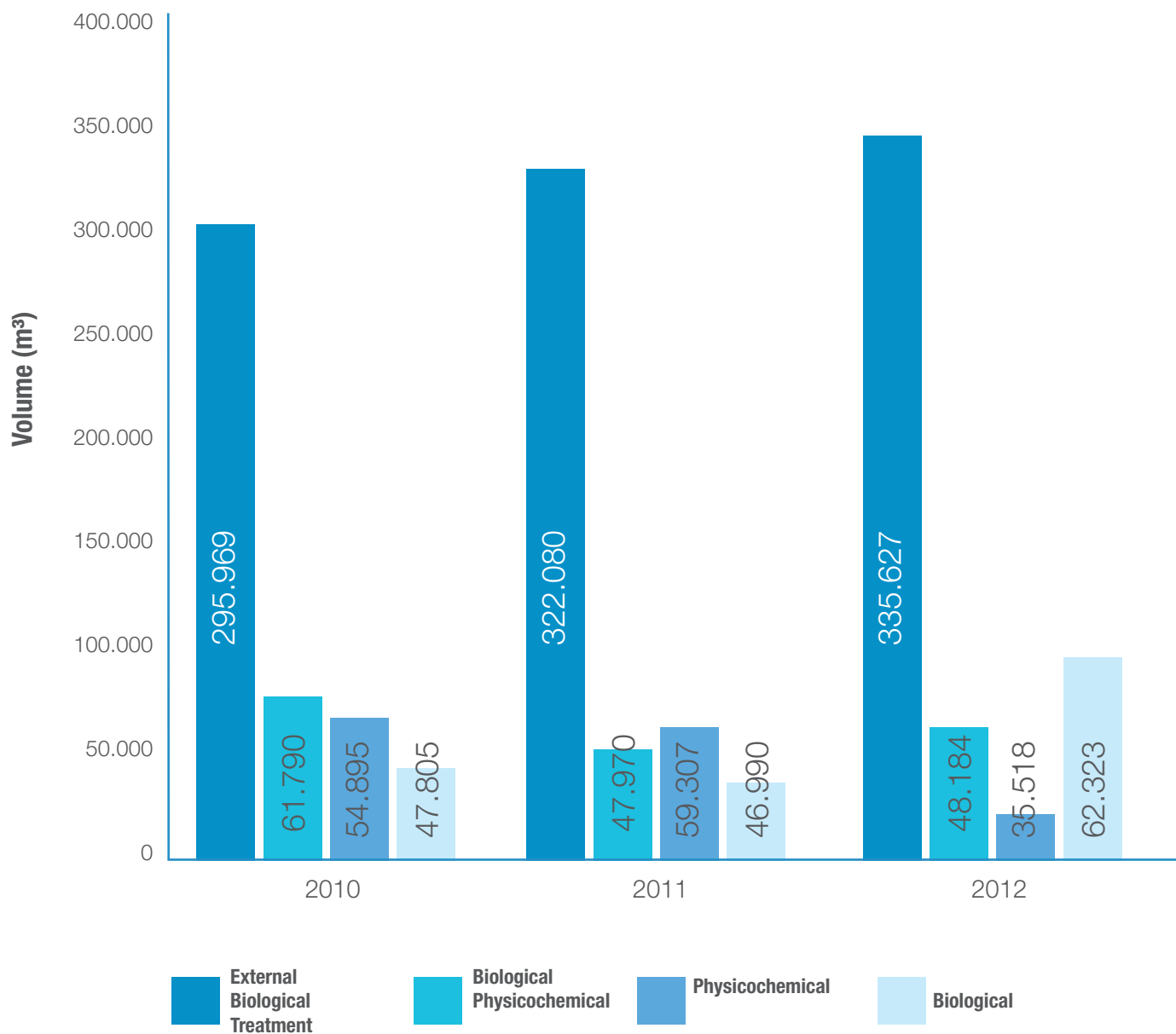
According to the following figure, the largest volume of wastewater is released in the public sewage system for treatment by the utility company, with a volume of 335,627 m³ in 2012. The second largest volume, with a value of 123 528 m³, is dumped into rivers. It is noteworthy that all wastewater dumped into rivers is treated internally and meets the legal requirements for disposal.

In 2012, the data of recently acquired companies were inserted, which resulted in the inclusion of infiltration as the final destination for this year only.

Disposal of effluents



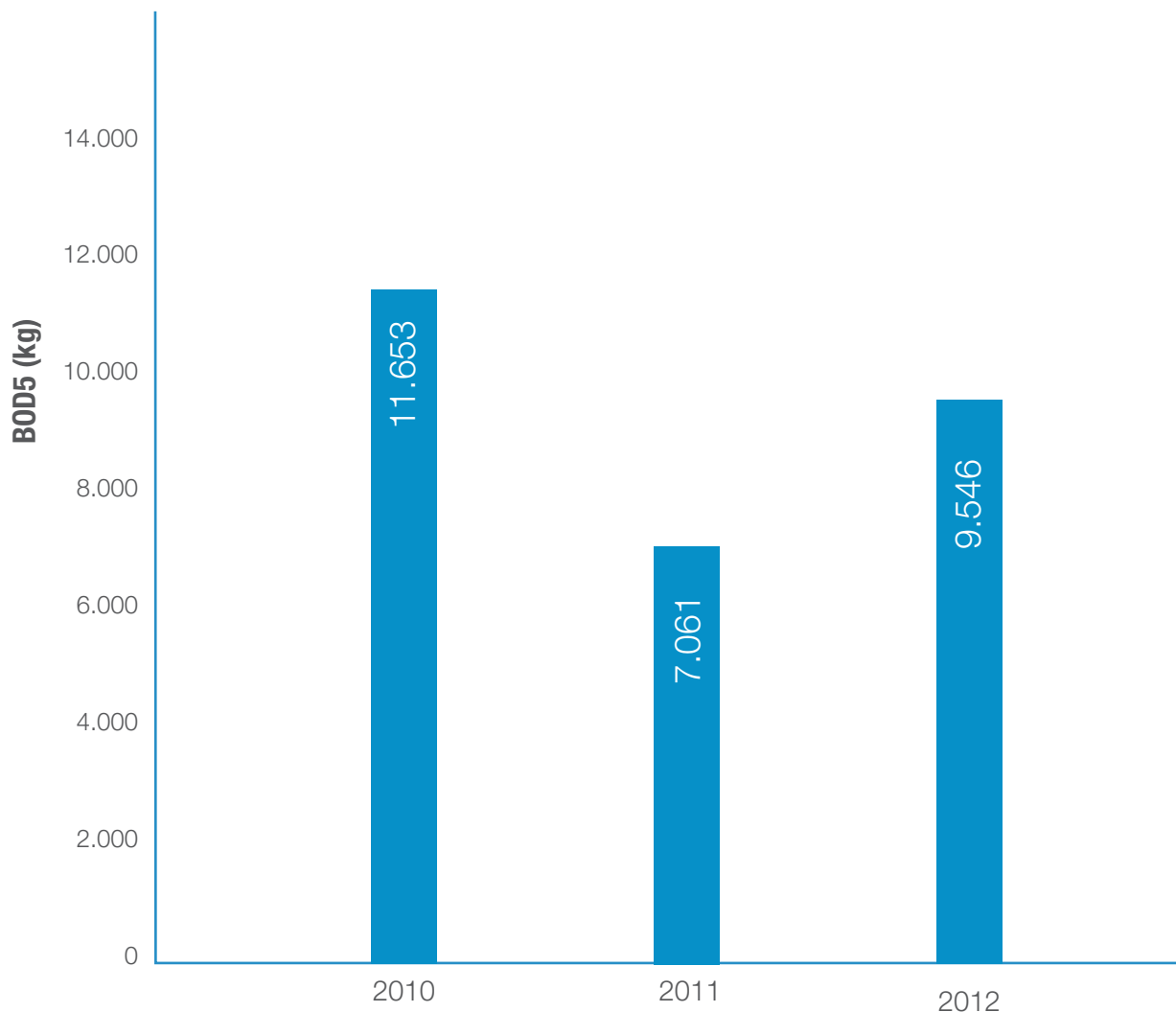
Type of wastewater treatment



In 2012, effluent generation surpassed 2011, with 481,652 m³ in comparison to 476.347 m³. According to the above illustration, the largest volume of effluents is released and subsequently treated in the treating plant of the utility company, “Biological treatment - external”, with volume of 335.627 m³ in 2012. In 2012, 146.025 m³ of effluents were treated in the effluents treatment plants of WEG units.

It is noticeable that this year the biological treatment increased around 15,000 m³ when compared to the previous year. The volume of effluents treated by a physicochemical process had a reduction of nearly 23,700 m³ and the volume of effluents treated by biological + physicochemical process remained close to the volume of 2011, with an increase of only 214 m³.

Organic load

**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 an increase in the BOD5 load from 7,061kg in 2011 to 9,546kg in 2012. The increase is related to the incorporation of new companies by WEG and also to variations in BOD concentration obtained along the year.

SPILLS

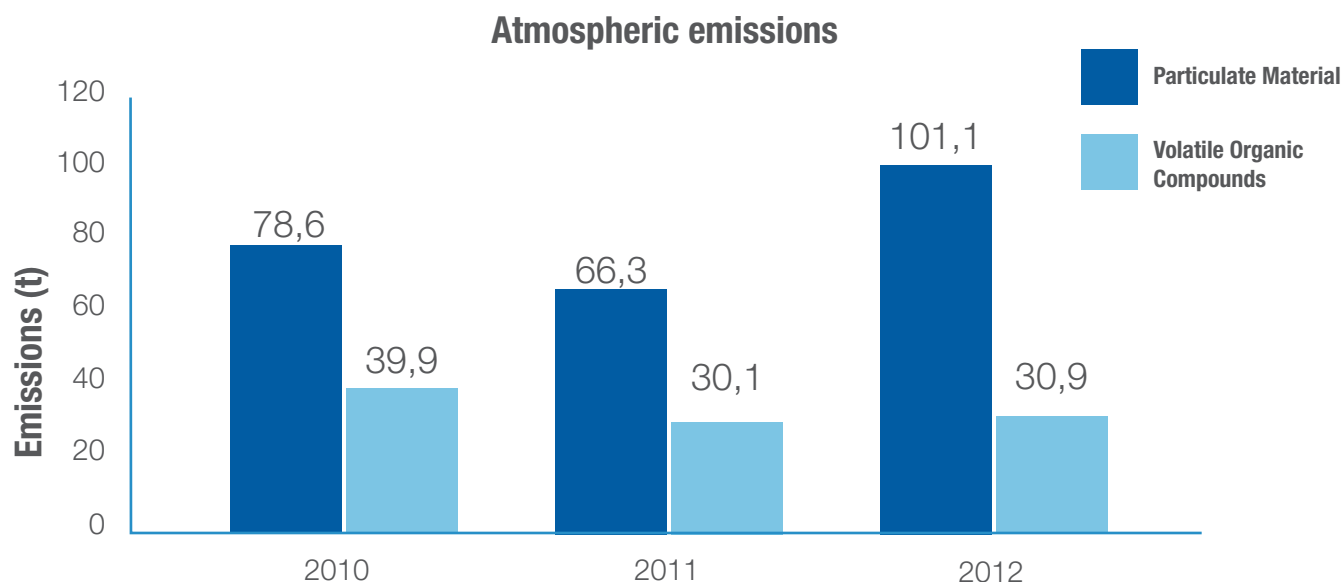
In 2012, there were no significant spills occurred in units of the WEG Group.

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. In order to mitigate emissions, technologies such as scrubbers, bag filters and catalytic burners, which reduce the electricity consumption of furnaces, are used. The reduction resulting from this technology is possible with the reuse of the hot gases generated in the burning of the solvent evaporated in the curing process for heating.

The following chart quantifies 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 atmospheric emissions is based on the chemical characteristic of the gas at the point of disposal and on the emission frequency.

Emissions of NO_x and SO_x were not considered significant due to the energy matrix used.



The chart shows significant increase in the emission of particulate material in 2012. This elevation results from the inclusion of some sources in the scope and from the increase in the production and flow of some monitored points. Even so, the average emission concentration is in the range 88-96% below the established by law.

Since 2010, WEG calculates the greenhouse gas (GHG) emissions of scopes 1 and 2 according to the requirements of ISO 14064. The inventory for the years 2010, 2011 and 2012 reveals that the emissions of scope 1 decreased in last year due to the use of more efficient processes, which resulted in savings in fuel consumption.

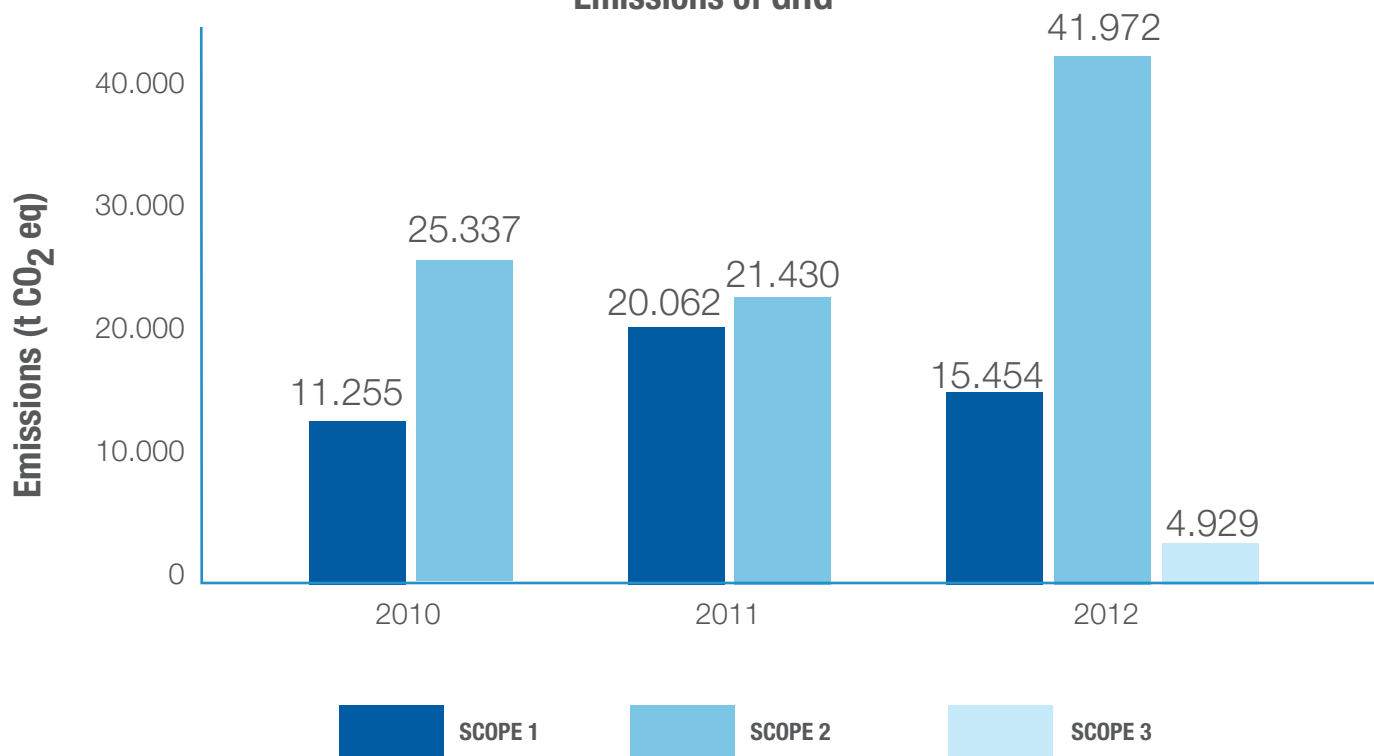
With respect to scope 2, in 2012 there was a significant increase in power consumption due to the consideration or acquisition of new manufacturing plants, like the unit of Maua (WEG Coatings) and Monte Alto (WEG Cestari) in Brazil, Buenos Aires (Pulverlux) in Argentina, Wöllersdorf Steinabrückl (Watt Drive) in Austria,

and Johannesburg (ZEST) in South Africa.

Another reason that contributed to the elevation of emissions was the increase in the electricity emission factor (ton of CO₂e/MWh) by 20% in Brazil, due to the drought periods along the year. Even with the energy efficiency improvement actions implanted in manufacturing plants in Brazil, the reasons that caused the increased emission were relevant, causing the increase.

In 2012, WEG began the inventory of scope 3, more specifically emissions from business air travel, both national and international.

Emissions of GHG



Scope 1: Direct emissions from sources owned or controlled by the company.

Scope 2: Indirect GHG emissions of electricity.

Scope 3: Other emissions from sources not owned or not controlled by the company.

SOLID RESIDUES

The proper disposal of residues generated in manufacturing processes and administrative areas, as well as the promotion of reuse and recycling concepts are functions of the WEG Selective Collection Program – called Zero Residue/Get the Color Right, created in 1998.

Aligned with the program, the works undertaken in the past years resulted in an average reduction of 748.1 tons of residues/year that were sent to industrial landfill. Among the actions, we highlight the post blasting recycling, the change in packaging of paint booth residues and the recycling of used paper towels. Together with these initiatives are improvements implemented in production processes that culminated with the reduction of waste generation by 653.3 tons, amongst them:

A

Metallurgical exhaustion powders: installation of magnets separating metal powders present in the sand, enabling recycling. So far, the implantation of this measure in the metallurgical plant II, located in the manufacturing plant II, resulted in the average recycling of 268.32 ton / year of residues that were previously sent to industrial landfills. There is still the potential for reduction of 570 tons / year with the implementation of this measure in 2013 in metallurgical plants I, III e IV.

B

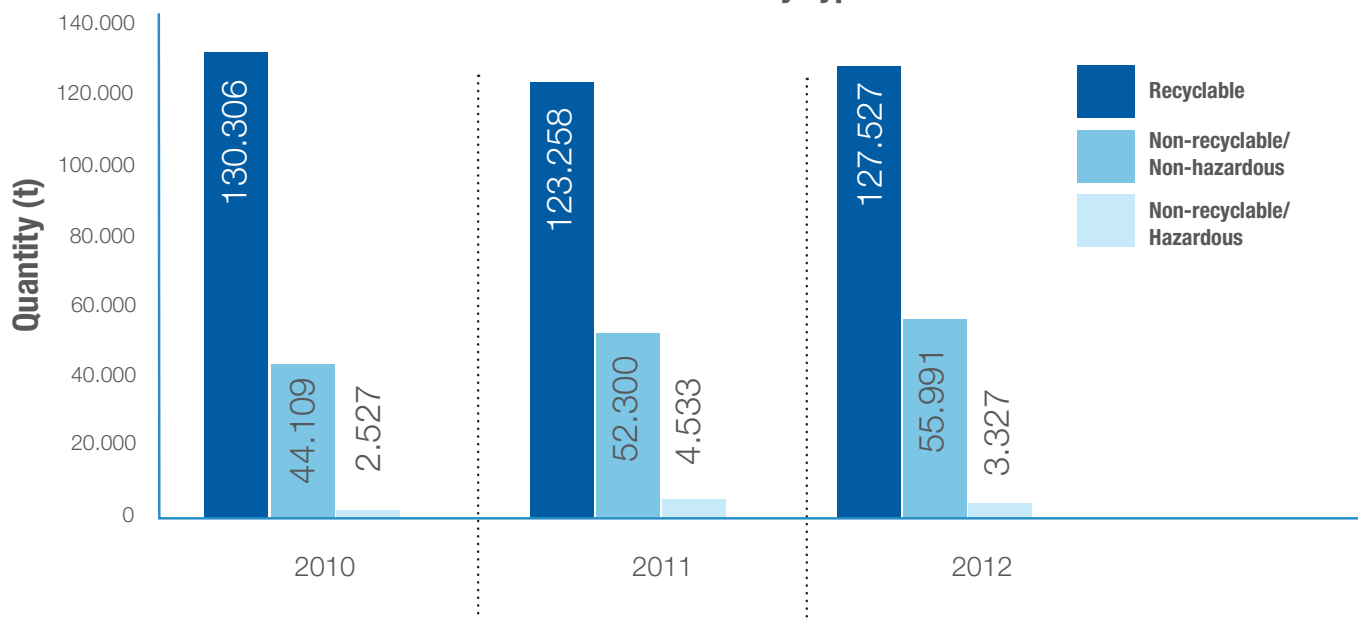
Economical cutting of plates in Stamping WMO: Implementation of economic sheet cutting tools, reducing the loss of scrap. So far there was a gain of 385 ton / year of plates that are no longer scrapped. There is still the potential to reduce 218 tons / year with the implementation of improvements in 2013 to cut sheets for frame 200.

Non-recyclable wastes of Manaus unit started to be sent, in 2012, for incineration treatment. The resulting ashes were incorporated into the manufacture of mortar, and thus those residues are no longer sent to landfills.

The average waste generation of Brazilian units of the WEG group is 186,680 tons per year. Of which 84.7% are generated in the headquarters in Jaraguá do Sul, followed by Blumenau units with 4.4%, Linhares with 4.4% and the others 6.5%.

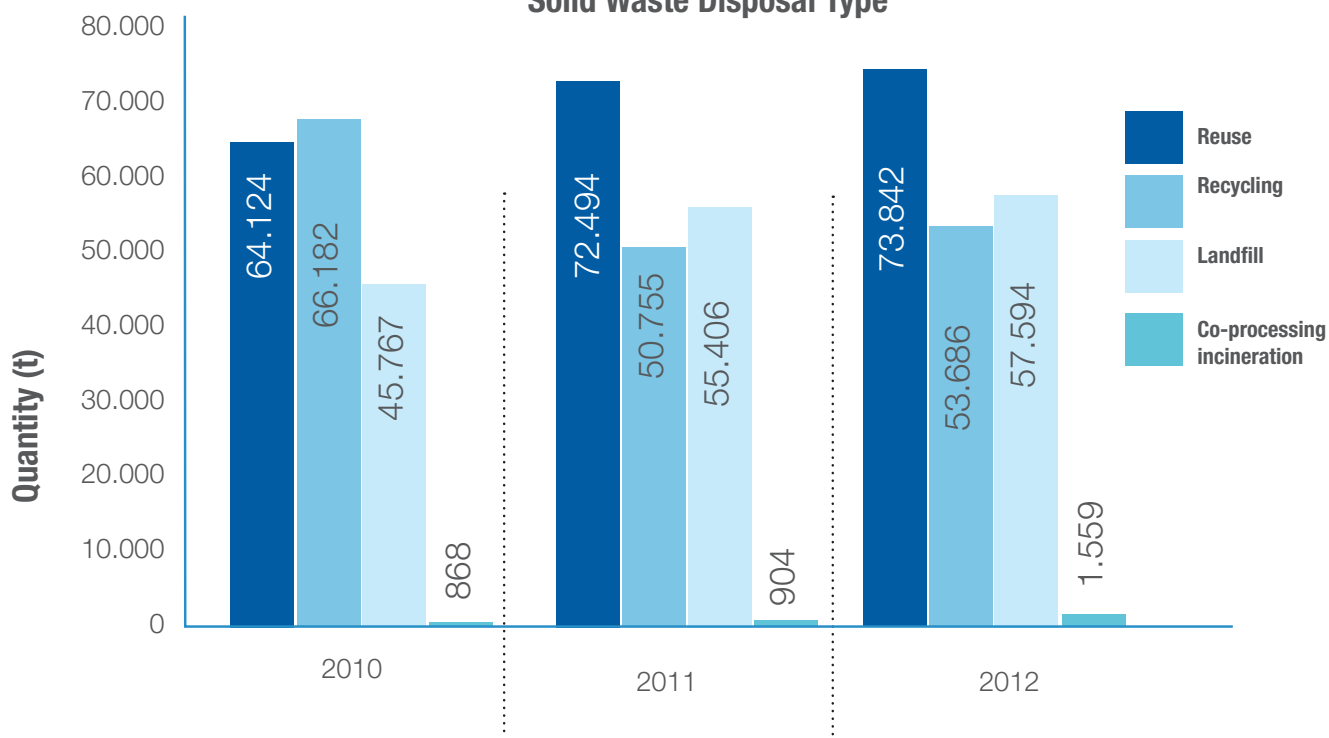
The variation in the trends of solid residue generation by type – and consequently in the way to dispose of them – in the period 2010-2012, shown in the charts below, shows the increase in the demand by the market.

Solid Waste Production by Type



In the chart below we find that 39.6% of this waste are reused internally, 28.8% are sent to companies that promote recycling, while 30.9% are sent to industrial landfills and 0.8% for co-processing.

Solid Waste Disposal Type



A key initiative of reuse is the transformation of scrap generated in the process of stamping and machining into frames and other cast iron parts in casting processes.

The so called “Non-recyclable / Non-hazardous” wastes, including: casting sand, sanitary paper, electrical insulation of motors, rubber, sweeping, etc.. and ‘Non-recyclable / Hazardous waste: paint booth filters, paint sludge, solids contaminated with oil, grease, coatings, and others are sent to industrial landfills.

Both hazardous and non-hazardous residues receive special treatment by specialized companies hired to ensure proper transportation and disposal. These companies have environmental permit for transportation, as well as for the treatment to meet the requirements of the environmental agencies.

The company’s challenge is the reduction of foundry residues sent to industrial landfills. The residue represents about 20% of the total amount generated within the company. WEG and other foundries associated to ABIFA - Brazilian Foundry Association are developing projects in search of feasible alternatives to use this material.

In 2012, 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:

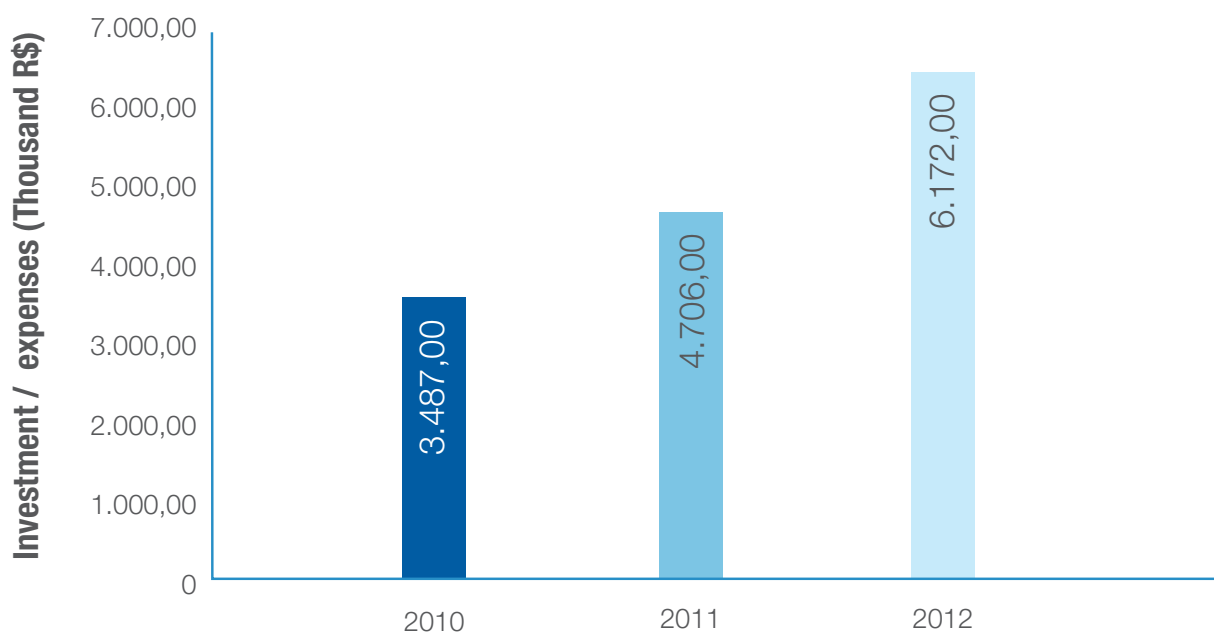
Investments/operating expenses related to treatment and disposal of residues, treatment of atmospheric and liquid emissions, acquisition of environmental control equipment, environmental liability insurance and depreciation of devices and respective expenses with materials and services for their maintenance and operation;

Prevention and management investments/ expenses related to training professionals who act in environmental management, research and development, certification of environmental management systems and cleaner production.

The amount of investments/expenses made for the period 2010 to 2012 is provided in the following chart.



Investments / expenses with environmental protection



RECYCLING PROGRAM

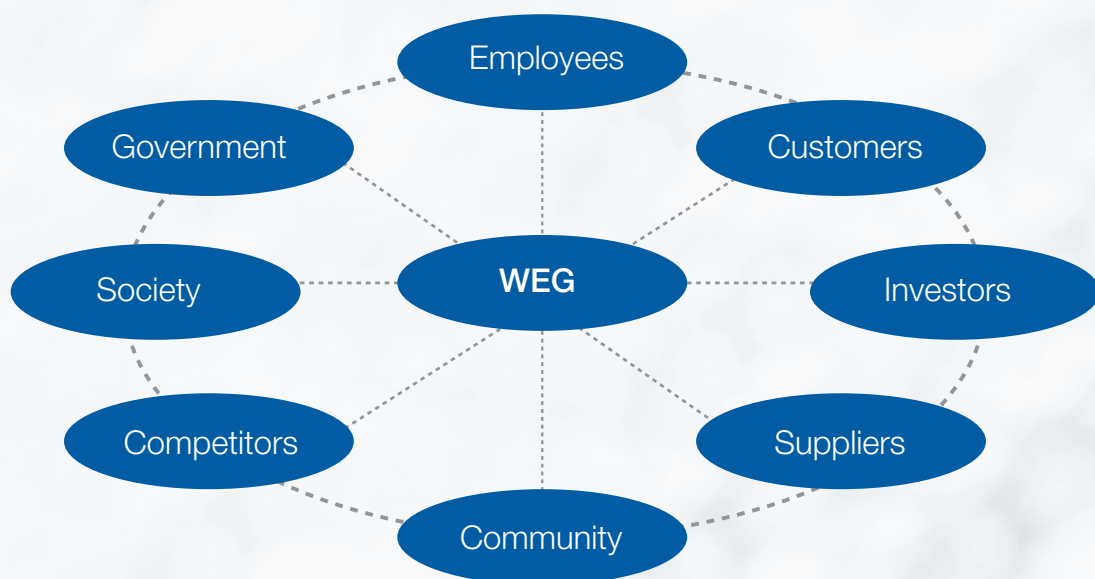
Recycling is a serious subject for WEG, extended up to its core business. By means of the program for reusing electric motors, the “Exchange Plan”, the company has granted, for 16 years, a discount on the purchase of a new motor with performance above the law requirements in exchange for a used one.

Besides the financial benefit to the customers, the initiative ensures that the low-efficiency motor is no longer used. Once collected by the company, the motors are dismantled and separated into parts for distribution to accredited and tracked recyclers.



Relationships

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 customers, 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. These 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, No. 3300, in Jaraguá do Sul - SC, Brazil, holding company part of the WEG Group.

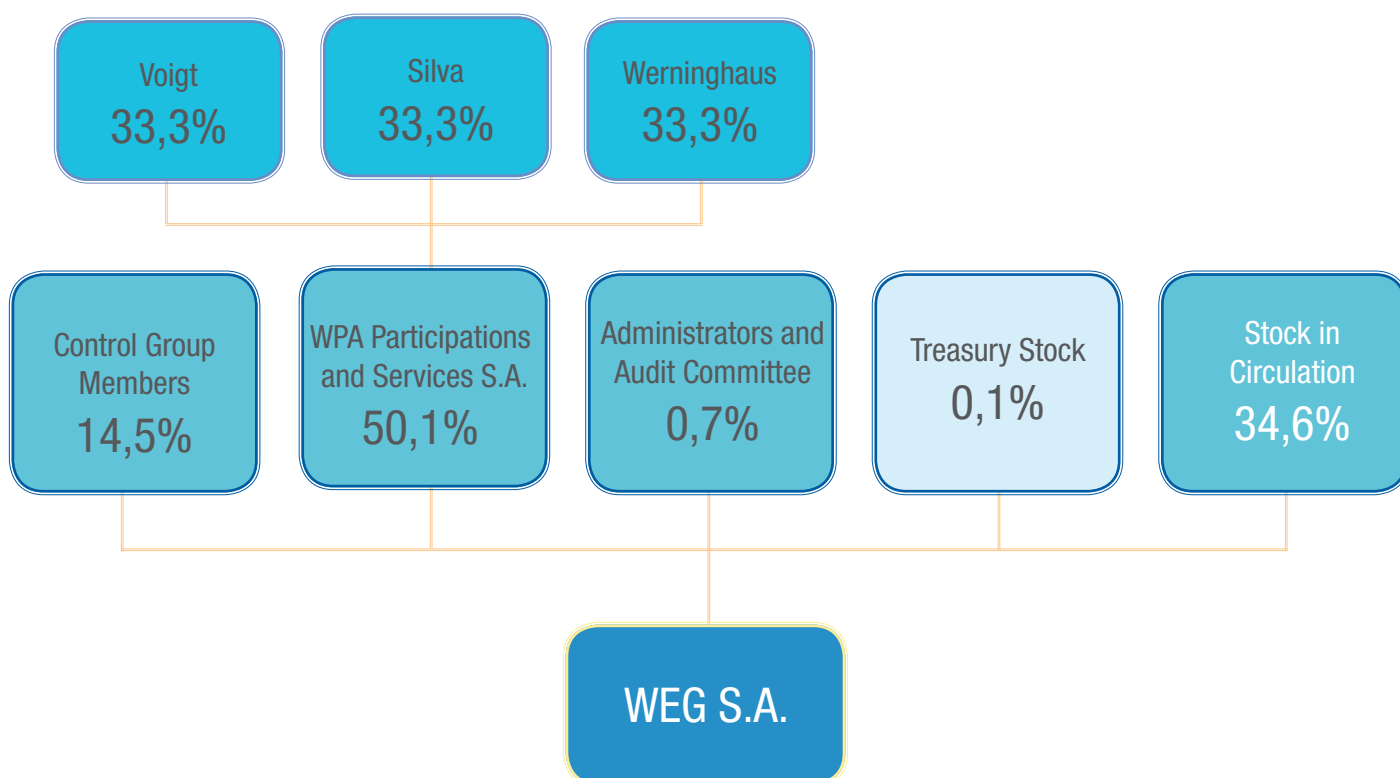
With its shares traded at the BM & FBOVESPA under the code “WEGE3”, the company has been listed since June 2007 in the special segment of corporate governance named Novo Mercado.

It 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 (www.weg.net/ri); direct channel to the area of Investor Relations by e-mail ri@weg.net; Contact Us tool at IR Web site; 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.

In December 2012, the percentage of the free float capital stock was 34.6% and controllers, along with members the control group, held 65.4% of the total capital of the company.

Share Structure - 12/31/2012



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 by the Company's shareholders.

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

- I. The company's current behavior and future perspectives of the 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 in order to exploit such investment opportunities available for the company is taken into account;
- III. It is taken into account 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 business and for the 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.

The legislation establishes several conditions for the allocation of the annual results. The Bylaws of WEG consider such limitations in the way it defines the calculation of the shareholders' remuneration with the dividend distribution, which can also be distributed as Interest on equity, as permitted by Law 9.249/95



According to our Bylaws, WEG dividends 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) to 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 equity to be paid or credited to Shareholders, in cash or “in kind”, wholly or partly; and
 - b) attribute an deduct the mandatory dividend from the amount of the interests paid or credited to Shareholders as remuneration of equity.

WEG Day

In the second semester of 2012 we conducted the WEG Day for shareholders interested in visiting the company's facilities. Investors could enroll on the site and 40 of them were selected to participate in the event. The program began at WEG Museum, where participants had the opportunity to learn about the history of the company and proceeded with visits to factories and presentations of the President and Finance Direction. The WEG Day is a great opportunity to get closer to our shareholders and introduce them to the culture and values of the company. Presenting our home is the simplest way to narrow our relationships.

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 interest on equity is 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

The innovation capacity of WEG reflects directly on the products the company develops. Besides the constant search for quality equipment, the company adopts sustainable measures, from manufacturing to the use of its products.

With a wide range of solutions, we focus on what is appropriate to meet the needs of each customer consistently. Thus, we are present in their everyday actions by means of relationship marketing actions, such as events, visits and trade fairs.



CTC

With a variety of courses, the WEG Customer Training Center (CTC) provided more than 57,000 hours of learning to 2,516 customers enrolled in 2012. In addition to the training focused on the equipment offered by the business units, the CTC provides two management courses: Successors of Service Technicians, suitable for children of our partners, and Business Agent, which aims at arousing interest and vision to new market segments, especially regarding services.

Marketing Plan with Dealers

To align the strategies of the Strategic Plan 2020 with the tactics of growth of each of the partners, the marketing team has developed a new project together with its major dealers in 2012. Visits along 2012 to dealers all over Brazil were characterized by narrowing relationships and indicating the best analysis tools by means of a marketing plan. The program provided the presentation of a work methodology, analysis of key market situations and determination of marketing actions so as to achieve the goals of the customers.

ISO 9001 Certified Repair Shops

WEG's concern about the quality and attention to customer service also extends to companies that represent it. Therefore, the company created the AT 5 Star Certification program, which evaluates and qualifies the Repair Shops accredited according to criteria such as compliance with service WEG Program of Network Quality, presence of Management System, according to ISO 9001:2008, and certificate of technical capability, issued by major customers.



Participants of 1st Nomination in June/2012 - Estel, Aracruz (ES); Revimaq, Jundiaí (SP); Ajel Service, Goiânia (GO); Manutronik, Santo André (SP); Dismotor, Campinas (SP); Electro Julifer, São João de Meriti (RJ); C.O. Mueller, Curitiba (PR); Sossai Eletromecânica, Macaé (RJ)

The AT 5 Star is recognized by the market as benchmark for quality in the service provided by the repair shops. This year, after a cycle of audits at the companies, eight participants were accredited in the Category 5 Star Certified Technical Assistant.

Fairs

Products with a high index of national components and funding opportunities through the National Bank for Development in Brazil (BNDES). That's how WEG stood out in the direct participation in six fairs held in Brazil in 2012. Differentiated products and technological innovations were presented in exhibits oriented to the areas of mechanics, energy efficiency, sugar and ethanol, metallurgy, oil and gas and wind energy. The participation in fairs also occurred indirectly by means of dealers and repair shops.

Mining Workshop

The need to align knowledge and provide solutions to the mining sector resulted in a specific event held by WEG in October. Over 100 customers, including dealers, manufacturers and final consumers attended the event which featured a lecture by the director of the mining sector of the company, Fernando Garcia. Among the subjects of the event, some topics stood out, such as power quality, stock optimization, techniques for reducing operating costs and maintenance optimization.

"The event helped keep customers updated on the development of WEG new technologies." H. O. - participant of the Workshop.

Events for the Sugar and Alcohol sector

Maceió Dinner and 124th Technological Qualification Meeting – April Dinner

WEG has been aiming at improving its portfolio of products and solutions for different sectors. In order to thank the partnerships carried out during the year and leadership on the market of generation with biomass, the group held two major events for customers from the Brazilian Sugar and Ethanol industry. While participating in the 124th Technological Qualification Meeting, conducted by the Association of Electrical and Electronic Professionals - April, with support of CONFEA-CREA, from Alagoas State, it presented for over 500 manufacturers and consumers the efficiency of its products, the nationalization of its production, funding opportunities through the National Development Bank (BNDES) and the effects of the Law on repairs of products for classified/area.



Get to Know Our Home Project

Once more the Get to Know Our Home program brought to Jaraguá do Sul important WEG customers and partners. There were five projects involving over 180 visitors who had the opportunity to know our facilities and production processes, administrative, engineering and production areas. They also had access to our vertical structure, from the analysis and conception of projects to the final delivery of solutions.



"Congratulations on your organization, it was really worth it. Very cool this Get to Know Our Home project, you all deserve congratulation. Thank you all". C.J. F. - Dealer in Rio Grande do Sul. May/2012

"I appreciate the opportunity to participate in the project, it enlarged a lot my knowledge and certainly changed my vision of WEG." R.F. - Dealer in Rio Grande do Sul. May/2012

2nd WEG Award of Technological Innovation

More than 60 college and post-graduation students signed up for the WEG Award of Technological Innovation in 2012, with projects in the areas of product and production process innovation and new applications. For the second year in a row, the company launched the competition for engineering students from the whole country. The initiative aims at driving the development of projects in the areas of Electric Drive, Renewable Sources of Energy, Smart Grids, Electric Motors and Generators, Transformers and Power Substations, Automation, Industrial and Anticorrosive Coatings and Varnishes.



1st WEG Internal Award of Technological Innovation



The incentive to develop efficient and innovative solutions was also extended to employees of the company. As a way of recognizing the most innovative employees in the Motors and Energy units, the company launched parallel to external competition, the 1st WEG Internal Award of Technological Innovation. There were 40 works submitted, involving over 60 employees who developed solutions for all areas in which the company operates.

WEG em Revista (WR)

Produced by WEG Corporate Communication department, the quarterly publication “WEG em Revista” features general news about the company, supply cases and special articles on current affairs involving economy, politics, people management, marketing, among others. The success cases include products and solutions applied by the company in various industry sectors. With more than 10,000 copies of each edition, WR is distributed to customers, suppliers, partners, universities and professional associations. The magazine is also available online at WEG website.



Customer Satisfaction Survey

Every two years WEG conducts a satisfaction survey with key end customers and partners to evaluate the quality levels of its products and services. The next analysis of this category will be done in 2013.

Noncompliance cases

In 2012, there were no reports of noncompliance cases regarding marketing announcements, advertising, promotion and sponsorship, as well as of privacy violation and losses of customers' data.

Employees



“If machines are lacking, 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 everyday business. 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. Only possible through programs and policies that enhance 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 the 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 process at WEG acts to contribute to the improvement of 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 Staff Climate and Dismissal Questionnaire. After the application of the survey and analysis, we try to get answers that help identify possible failures or opportunities for improvement.

Highlights in 2012:

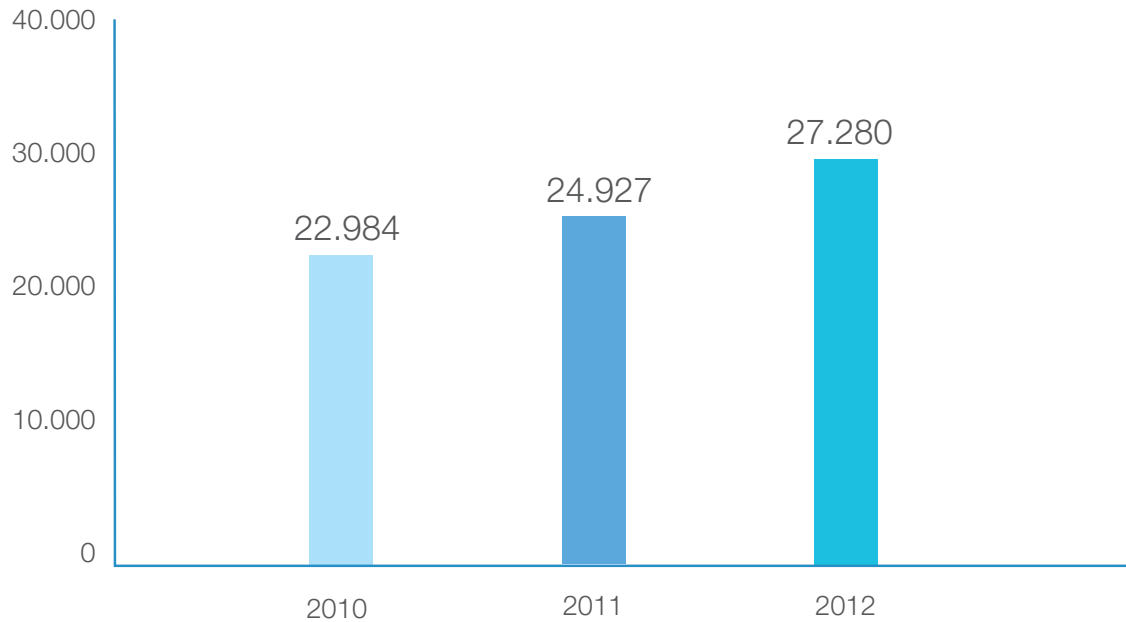
- Seminar of Management Practices - aims at the sharing of management practices and the exchange of experiences by the managers. In 2012, five workshops were held and ten cases presented with participation of 347 managers.
- Diagnosis / Development / Monitoring / Redirecting Climate Plans - they are climate improvement works customized according to the need of the requesting area, based on survey results, productivity, quality, relationship and turnover.
- Internal marketing – Groups and/or representatives of the units in Brazil working on the planning of corporate events and motivational actions aiming at the employees' satisfaction. In 2012, ten corporate events were held by the staff.

Perspectives for the coming years:

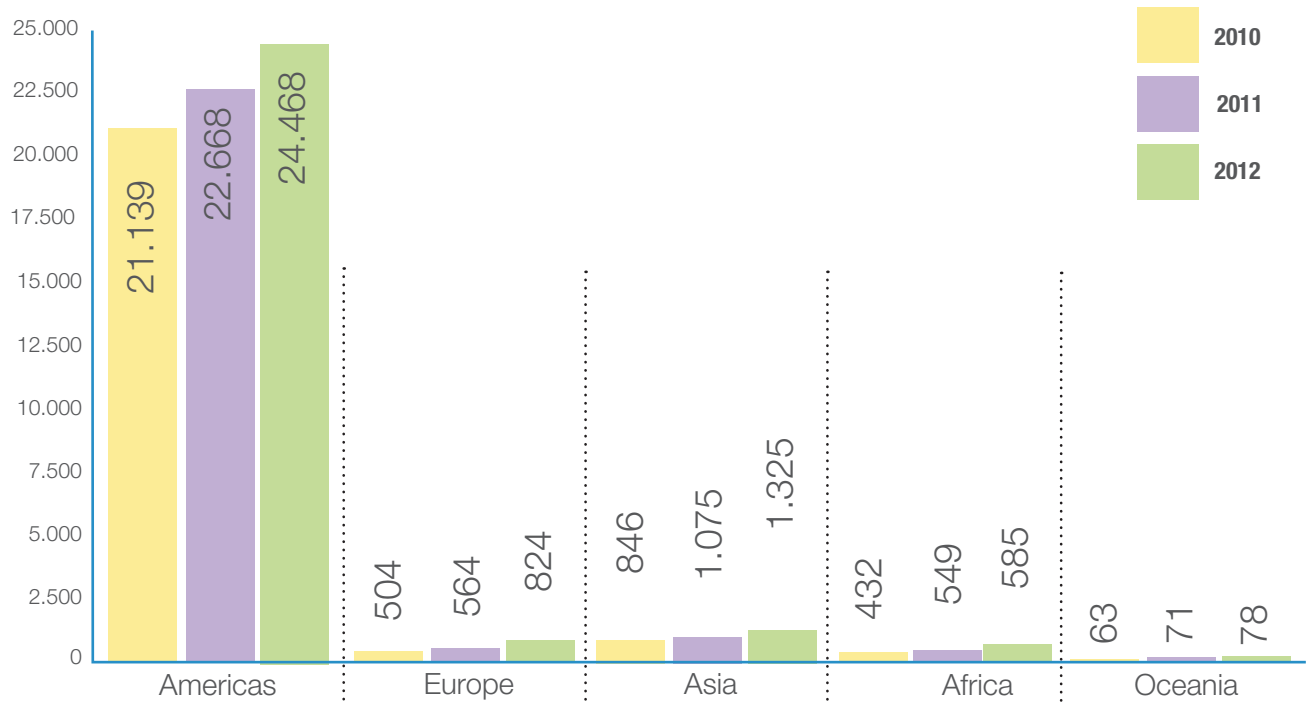
- Climate Management - act as support in the dissemination of processes across the group and the development of actions to increase satisfaction/profitability.
- Occasional Surveys WEG Brazil - occasionally evaluate the implantations, changes and improvements in order to identify the impact and necessary adjustments.
- Corporate Actions for the understanding and dissemination of the meritocracy policy.
- Planning and monitoring of the development of managers in units in Brazil.

Total number of employees *

* Watt Drive and Electric Machinery are not included



Total number of employees per continent*

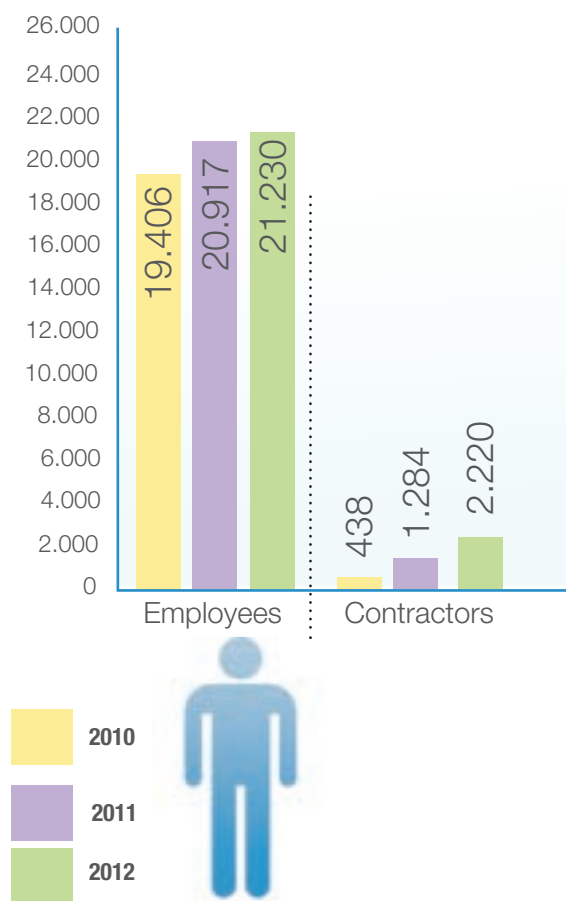


Employees by continent*

Continent	Country	Total of Employees		
		2010	2011	2012
America	Brazil	19.406	20.917	22.323
	Argentina	220	261	306
	Mexico	1.224	1.167	1.232
	USA	221	250	522
	Other Countries	68	73	85
	Total	21.139	22.668	24.468
Europe	Portugal	262	294	314
	Other Countries	242	270	510
	Total	504	564	824
Asia	China	622	622	842
	India	211	441	472
	Other Countries	13	12	11
	Total	846	1.075	1.325
Africa	South Africa	432	549	585
	Other Countries	-	-	-
	Total	432	549	585
Oceania	Australia	63	71	78
	Other Countries	-	-	-
	Total	63	71	78
Total of WEG Employees		22.984	24.927	27.280

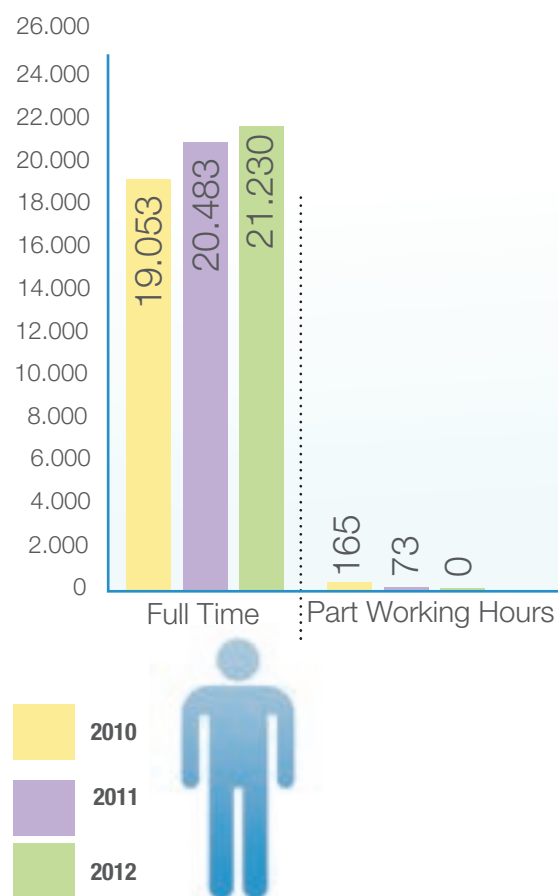
* Watt Drive and Electric Machinery are not included

Total number of employees by type of job*



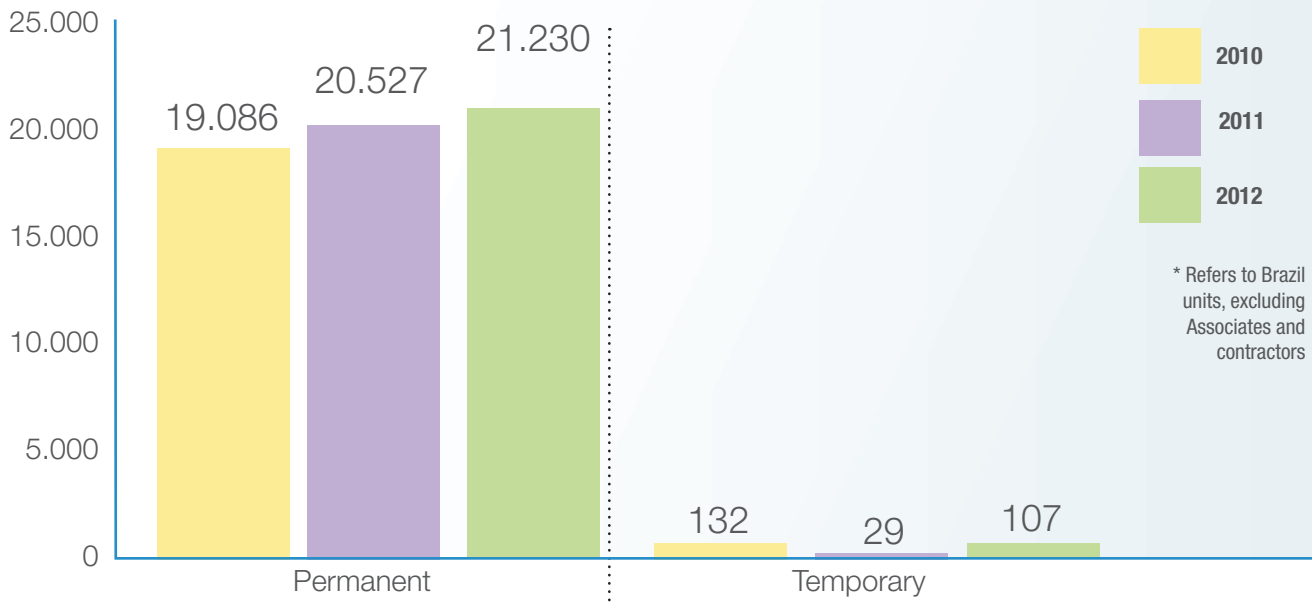
* Refers to Brazil units

Total number of employees per shift*

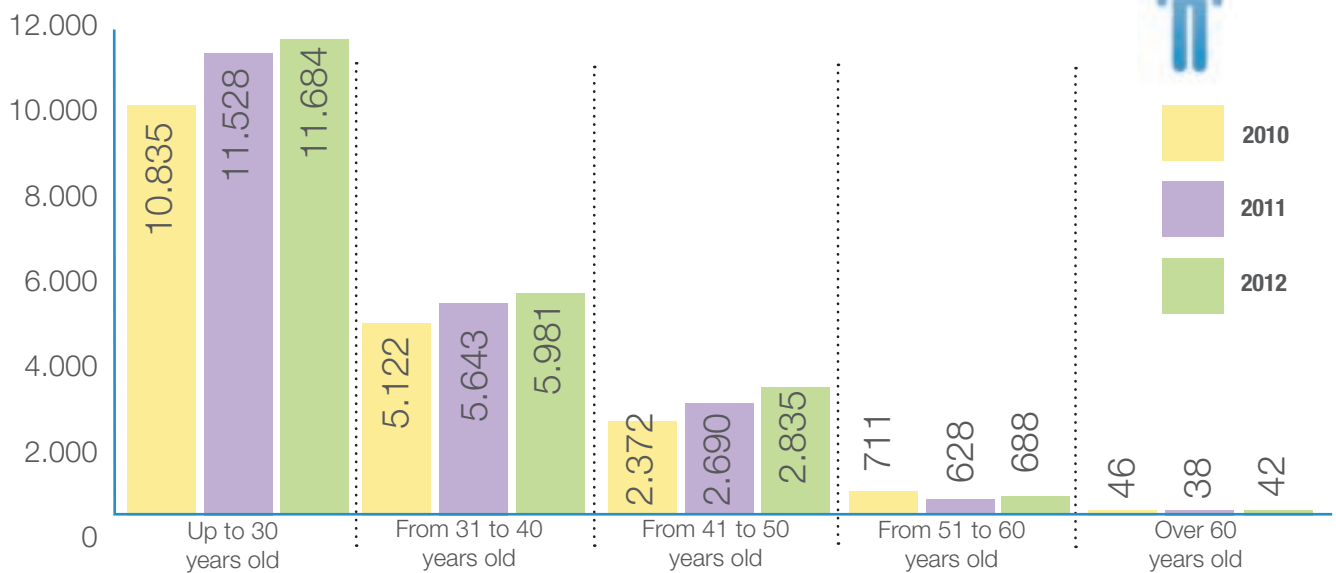


* Refers to Brazil units, excluding Associates and contractors

Total number of employees by type of contract*




Employees per age*



* Refers to Brazil units, excluding Associates, contractors and temporary employees



Recruitment and Selection



The WEG Recruitment serves the needs of hiring, identifying qualified candidates and assisting managers in choosing motivated professionals who identify with the culture of the company and contribute to 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 potential. The scope of the process is to offer employees the possibility of reaching a better position, encouraging professional development and career development while retaining talent in the company.

In the selection processes, the 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 Board who grew professionally in the company, indicating the good practice of prioritizing internal promotions.

% of senior managers hired from the local community*



83%

2010

79%

2011

88%

2012

* Refers to Brazil units except for associates

WEG maintains a benefit package for its employees (amounts in R\$)

Benefit	Description of benefit	Investments carried out by the company		
		2010	2011	2012
Medical care	Offered to employees and their dependents. The company pays part of values for employees and their dependents	15.884.254	16.256.184	20.451.713
Dental plan	Offered to employees and their dependents. The monthly fee is free for employees.	1.033.466	1.541.053	1.748.887
Pension plan	The company has a pension plan structured as a variable contribution. The liability of the Plan is fully covered by reserves established and supported by Plan Assets, as per Actuarial Statement issued on 31/12/2012 by the independent actuary responsible for the Plan. The contributions of the sponsors are set out in the funding plan and represent 2.98% of the total payroll. Participants choose the percentage on the base salary they will contribute, subject to a minimum of 1%. The Plan has 99% adherence, and 92% of participants are contributors.	15.526.244	17.611.533	20.358.896
Education and Training	Scholarships provided to employees to continue their studies in language course, technical courses, graduation and post-graduation. Training conducted in-house is also offered.	7.570.244	7.285.690	7.646.759
Meals	Offered to employees and internally produced and served in canteens. The employee contributes on the average with 20% of the meal value.	19.987.511	22.502.610	24.369.063
Anti-flu vaccination program	Offered to all employees of the units in Brazil. The company pays the full value.	132.053	136.978	124.250
Life insurance	Offered to all employees of the units in Brazil. 62.22% of the benefit is funded by the company and the remaining 37.78% by the employee.	1.219.104	1.376.025	1.585.181
Profit Share	Offered to employees of the units in Brazil. Up to 12.5% of the net income of the WEG group (Balance Sheet) is distributed, if the profit equivalent of 10% of the net equity existing on 12/31 of the previous year is reached. The distribution occurs following criteria for attaining goals of the WEG group, business units, departments and performance evaluation of the employees.	89.072.532	99.483.203	118.315.109
Preschool Education Program	WEG has agreements with public and private Children Education centers for education of employees' children aged between 0-5 years. The differential of the program lies in the fact that male and female employees are entitled to the benefit.	1.392.997	1.578.717	1.790.413
Christmas Gift	Offered to employees of the units in Brazil. Employees have three choices of a Christmas gift. It is offered to employees who worked at least one day during the year and are employed to the date of the delivery of the gift.	2.542.019	2.942.374	3.115.872
Other benefits	Offered to employees of Brazil units, benefits such as bus tickets, uniforms, labor gymnastics and recreation association.	8.977.468	9.504.064	10.876.985
Total		160.795.872	177.276.056	340.630.096

Corporate communication

In charge of disseminating information in a strategic and integrated way to its internal public, the Corporate Communication acts by means of media such as newsletters on information boards, Jornal do Colaborador (Internal Newsletter) on a monthly basis, Jornal Mural (Internal Newsletter) 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 communication face to face, all leaders of the company receive the agenda of the monthly meetings.



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

In 2012, various internal communication activities were conducted, as follows:



- 10 editions of the Jornal do Colaborador



- 745 Newsletters



- 216 Announcements



- 4 Recommended Readings



- 77 Members of the Internal Marketing



- 349 IntraWeg News



Code of Ethics

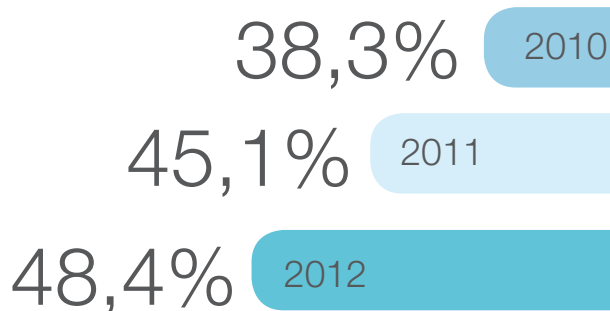
Sustainability, citizenship, ethics and respect among people are encouraged and standardized practices through two important tools: Code of Ethics and WEG Social Responsibility Policy. Both are aligned with the UN human rights and the International Standard SA 8000 (Social Accountability International) 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 media. New employees are introduced to the text during the introduction to the company.

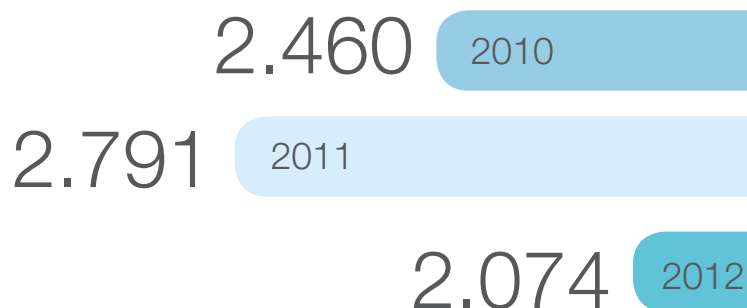
WEG Social Responsibility policy in 2010 strengthened the company’s commitment to human rights through the following:

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

Security professionals trained in human rights



Total number of hours of training in human rights



Notes:

- 1) It is a company practice the training of its employees on human rights through departmental meetings, lectures and newsletters. The newly admitted undergo specific training on the subject in the presentation of the Code of Ethics;
- 2) 100% security employees undergo a human rights training course when joining the company and a refresher training course on this subject every two years.

A blue-tinted photograph of two young men in a workshop. They are both wearing safety glasses and light-colored button-down shirts. The man in the foreground, identified by his name tag as 'Vanderson', is looking down at a mechanical component. The man behind him, identified as 'Kahle', is also looking at the same component. The component is a metal assembly with a central cylindrical part and several bolts. The background is slightly blurred, showing shelves with various items.

Training and human development

Education is the foundation for personal and professional development of employees. WEG offers programs that involve from young apprentices to the retirees, in a structure that provides free internal courses. This practice has established a culture of learning that extends to all areas and that allows employees to take advantage of opportunities. Education also takes to the community the opportunities to start a career as a young apprentice or as a trainee.

CentroWEG

The apprentice has guaranteed training at the WEG Training Center. The vocational 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, initially to compensate the lack of mechanical 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, Mechanics for Maintenance and Tooling.



About 130 young people graduate each year. They are hired as apprentices and at the end of the course, transferred to plants. Besides the professionalization of young people, CentroWEG is engaged in training employees in three courses with length of one year each: General Mechanics, general Electricity and Mechanical Projects of Electrical Machines. Dedicated to the improvement or to the learning of a profession, the qualification has facilitated access to promotions or contributed to a better job performance.

With 16 instructors, the CentroWEG has 20 laboratories for practical activities and seven classrooms arranged in a structure of 2,550 square meters.



Internship Program: The Internship Program aims at providing an opportunity for complementary education to students, in compliance with Law 11.788 of 09.25.2008, and also the application of the knowledge acquired in the Educational Institution by means of practical works truly useful for the company.

Professional Qualification of Production Operators: The program offers the opportunity for professional development to the employees from the production areas and local community, increasing the level of technical knowledge of those who work in activities that directly affect the quality of 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 aims at offering the community the opportunity for professional development as learners, 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. It is structured with 60% of theory (25% of theoretical foundations and 35% of practical exercise) and 40% of laboratory practice. In 2012, 202 apprentices were trained.

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.

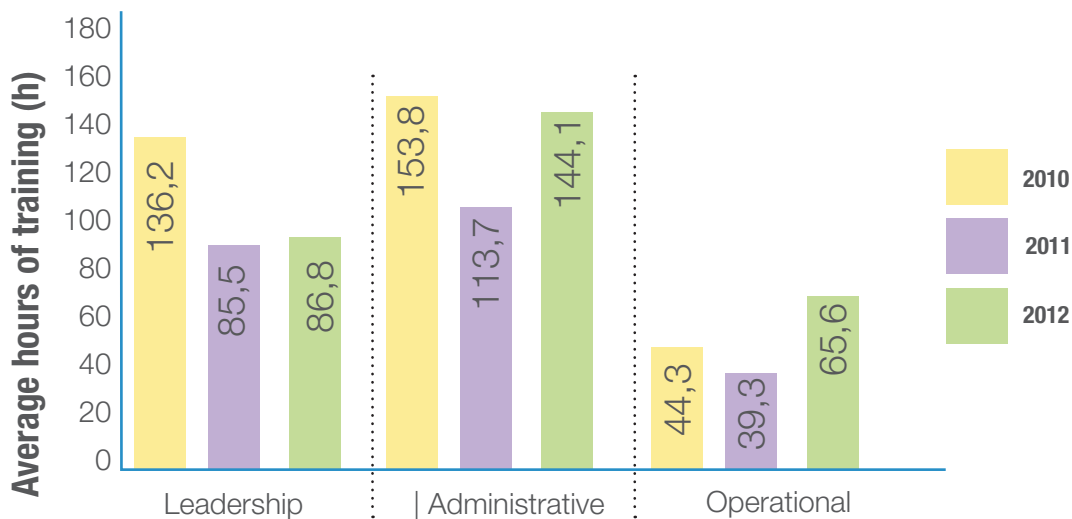
Internal courses: They consist of courses conducted only with WEG participants and instructors, usually at the company's premises.

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 attributions, the Professional Qualification for Engineers and Technologists enables the increase of technical knowledge directed to the work reality, standardizes the information on rotating electrical machines and energy efficiency and creates an advantage in the serving of 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 of their duties in the position of section head with efficacy and safety.

Continuous Management Development: In 2012 the company adopted a 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 make a reading of the current scenario of their behavior and of their team, reflecting on how their posture as leader directly influences the performance and results that their group produces.

Average hours of training per functional category



In 2010, we had a significant increase in the average hours of training due to reduced activities in some industrial units in the group. Thus, we took advantage of the drop in production to train and develop employees.

Management Development: It aims at developing competences that drive the company to sustained 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, we seek to encourage the philosophy of self-development and opening to systematic learning through planning of development in the medium and long terms.

Evaluation of Potential: It consists of identifying potentials considering administrative, interpersonal and intrapersonal characteristics in order to stimulate training and development and to assist the company in making strategic decisions in case of promotions or transfers.

Performance and competence evaluation: It is directed to all employees of the company, which are evaluated once a year, on the anniversary of their hiring, by their immediate superior in ten factors: communication, knowledge, creativity and innovation, focus on the customer, initiative, negotiation, productivity, quality, interpersonal relationship and responsibility.

Assessment of Managerial Skills: Managers are evaluated every two years by the immediate superior with the help of peers and internal customers on the competences of Synergy Group 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.

% of employees who received analysis of performance and career development

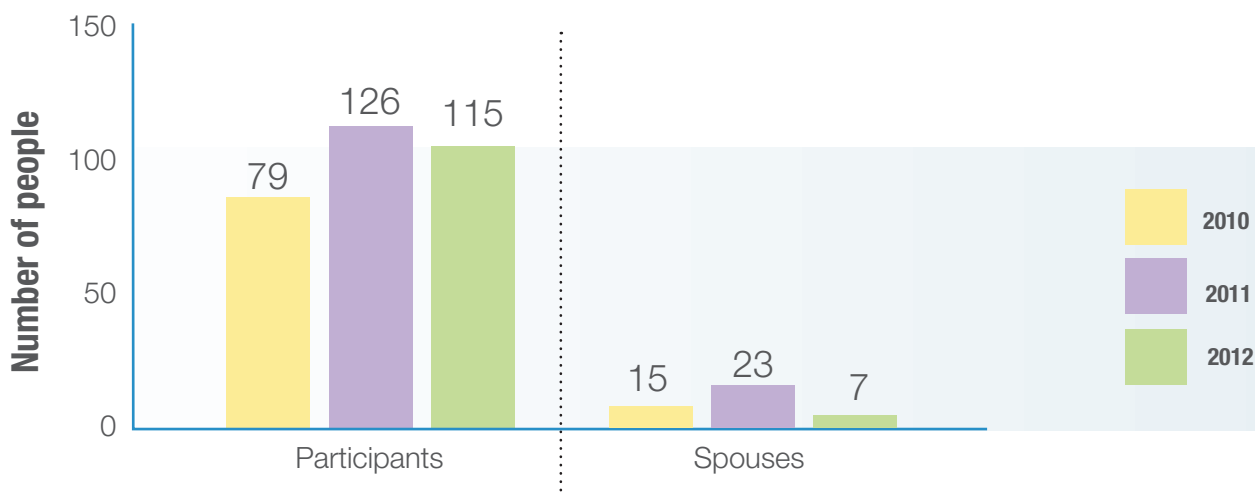
2010 97,0%

2011 99,9%

2012 97,0%

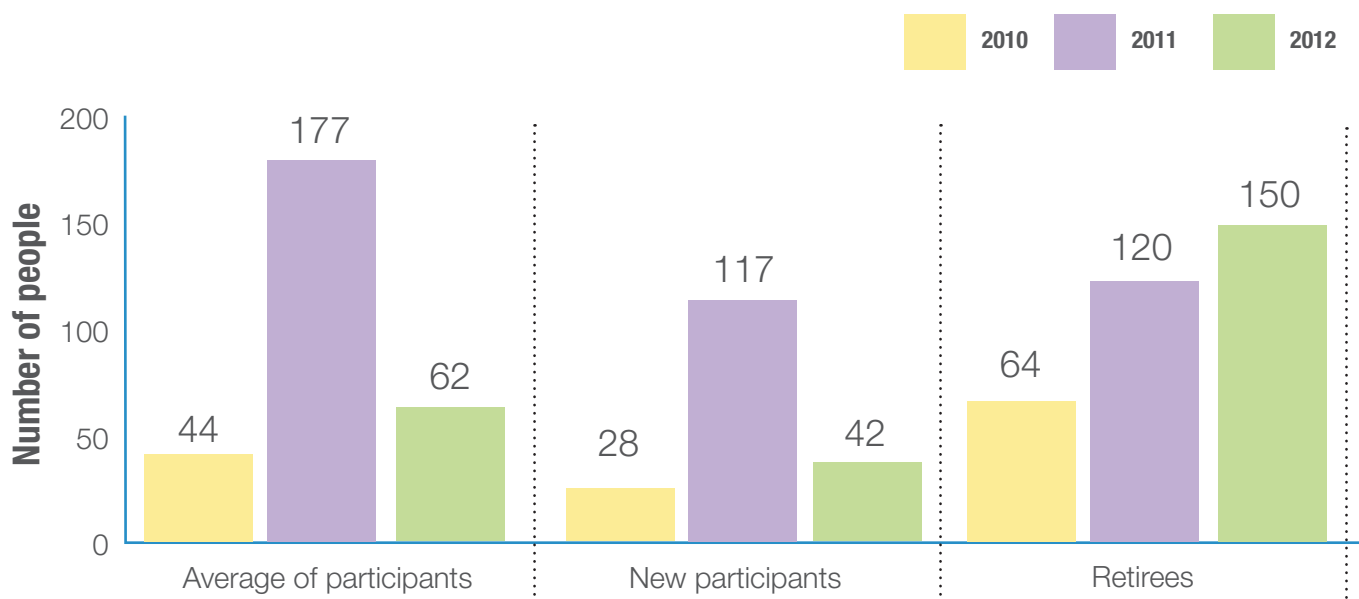
Program of Preparation for Retirement: It prepares the employee for the process of retirement. Intended to men over 55 and women over 50, extended to their spouses. Held in Jaraguá do Sul, Guaramirim and Blumenau, the program consists of six meetings to discuss topics like lifecycle, health, nutrition, financial planning, private and social pension plan (Social Security and WSS) and life project after retirement.

Participation in the program of preparation for retirement



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. The employee is invited to participate one year before the termination of the employment. Participation is optional. Through monthly meetings, the participants themselves define the issues and actions to be proposed. The goal is to exercise autonomy and a new way of experiencing the “post-WEG” daily life – remunerated or not – and the identification of their potential.

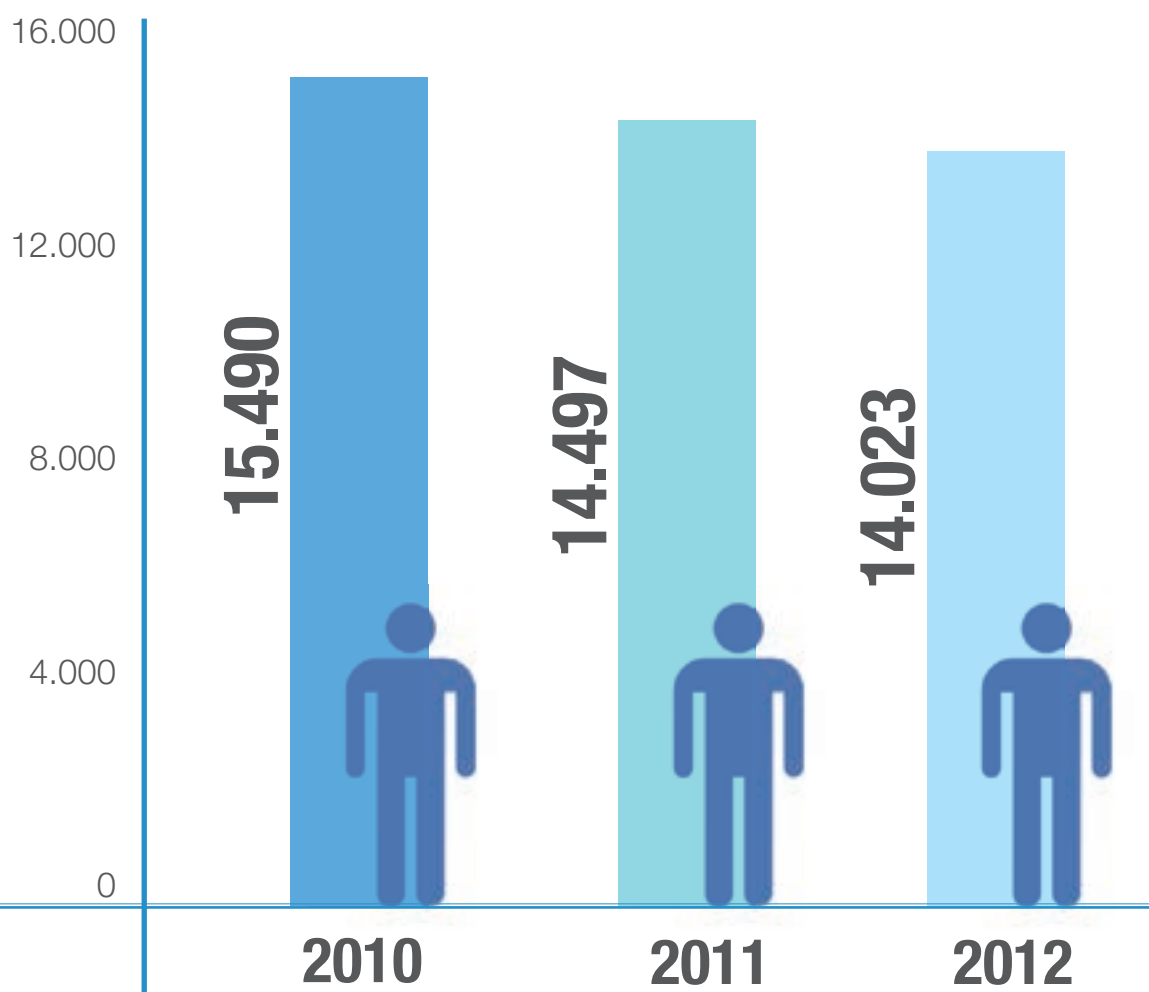
Participation in the Active Maturity Program



Highlights in 2012

- Implantation of the program of Leadership Practices, a project aimed at recycling all WEG section heads and managers.
- Implementation of Online Managerial Assessment
- INTEGRARH: Program that aims at putting the managers into contact with the HR reality and content, promoting the integration and exchange of information for the clear dissemination and according to the directives of the company. In 2012, six meetings took place.

Investments in training (Amounts in thousands) R\$



Health and Safety

The valuation of the human being in the development of their activities is a WEG policy. Through campaigns and internal trainings that address different issues related to health and safety, the company promotes the awareness and dissemination of the culture of prevention.

The Occupational Safety and Health Section provides corporate support to external units to perform diagnosis of 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 therapists, physiotherapists, physical education instructors, ergonomists and administrative assistants.

All units have first-aid rooms to promptly take care of employees and their dependents. Services provided at the first-aid room include health and dental insurance, nursing and medical care.

Participation of employees in commissions

The commissions are composed of members of the Direction (Committees) and Managers and Heads (Commissions). The meetings occur monthly and the subjects are oriented to evaluation according to the precepts established by the commissions, focusing on attributions, actuation, development of the members and decision making.

- Health and Safety Commission

Consisting of members of the Direction, the committee acts on the regular analysis of the process and result indicators of WEG Safety and Ergonomics Program. This action ensures that the issues regarding health and safety be considered as integrating part of the business management of the WEG Group. It covers WEG Brazil units, having a corporate representation, comprising 100% of the WEG employees.

- 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, directly involved, reaching 2.1% of the total number of employees. The scope of operation of these teams is 100% of employees of Brazil units.

- Prevention, safety and health

The Program has activities focused on inspections, preceded by technical qualification on a specific topic and safe behavior. Formed with groups of three to five members, the program is limited to business units located in Jaraguá do Sul and Blumenau, in which 680 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, working in Brazil units. 441 employees are involved, which represents 1.9% of the WEG Group workforce. The scope of service of these teams is 100% of the 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 units of the WEG Group in Brazil.



- WEG Hearing Conservation Program

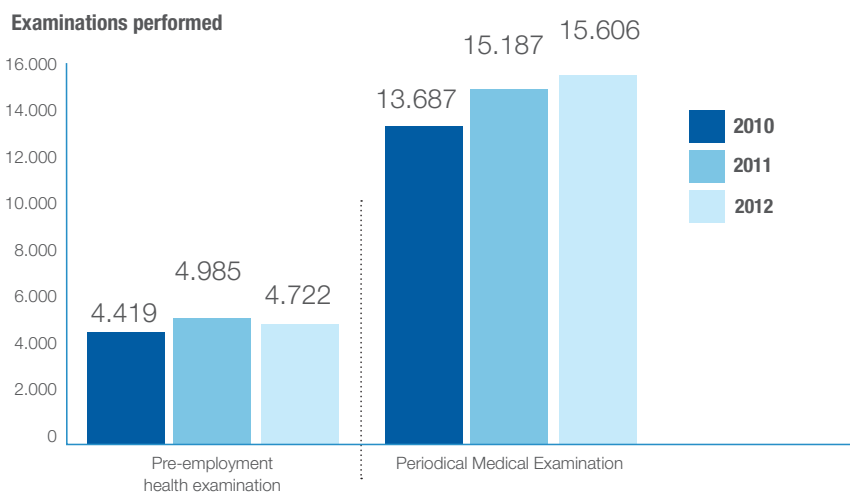
Standardizing measures to promote, maintain and prevent the hearing health of employees exposed to “occupational noise risk” is the objective of WEG Hearing Conservation Program, based on education, assessment of areas of risk, engineering/administrative measures, individual protection and audiometric 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 and lectures on hearing health, cleaning and correct use of hearing protection held annually in locations where the program is being reestablished.

- WEG Ergonomics Program

In 2012, rates of absenteeism due to ergonomic reasons were reduced by 27.06% compared to the previous year. The result is directly linked to the performance of WEG SAFETY AND ERGONOMICS PROGRAM, which trains and qualifies employees to conceive new processes, work stations, machinery, equipment and devices according to safety and ergonomics criteria. Furthermore, it is proposed to identify and correct safety and ergonomics issues in the workplace. The program encompasses units in Jaraguá do Sul (SC), Guaramirim (SC), Itajaí (SC) and Linhares (ES).

- Medical Care

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



- **Occupational health:** Evaluation at hiring, dismissal, transfer and promotion, evaluation of work stations, performing 53,352 occupational consultations and 25,021 occupational nursing procedures in the first-aid rooms of WEG units in Brazil in 2012.

- **Clinical medicine:** these are consultations of the employees with different health problems/disorders. The process begins with the sorting conducted by nurses up to the consultation with physicians and request of tests and/or referral to specialists. In 2012 there were 31,173 consultations with physicians and 133,841 procedures in the first-aid rooms at the WEG units in Brazil.

- 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 units of Jaraguá do Sul and Guaramirim. The average number of employees that the multi-professional cares for is 83 per month.

Among the actions are lectures focused on life quality, based on prevention and dissemination of information and knowledge. In 2012, seven lectures were held, involving 1,379 employees. The topics covered were:

- Nutrition and Intestinal Health: Constipation
- Systemic Hypertension: How am I beating?
- Body Weight- Right Measure
- Health and Life Quality: Stress Control
- Healthy Eating
- Eating Healthy

- Canteens

The canteens provide healthy and balanced food to WEG employees, adopting strict food safety practices. The employee pays up to 20% of the meals, and the company pays the rest. The program covers the manufacturing plants in Brazil. In 2012, a new canteen was inaugurated in Jaraguá do Sul/SC.

- Program of visits

Families of employees are invited to get to know WEG and the employees' workplace. The visit takes place outside the employee's working hours, so that he can participate in the visit. The visit can be scheduled with the supervisor. The program covers the manufacturing plants in Brazil.

- Group of Support to Smokers

The employees who some and want to quit also find help and support in the company. In 2012, the 51 employees participated in the GROUP OF SUPPORT TO SMOKERS. Of those, 49% (25) quit smoking. The program provides treatment to groups working with specific orientation and practices that help overcome the addiction, based on direction from the Ministry of Health and National Cancer Institute.

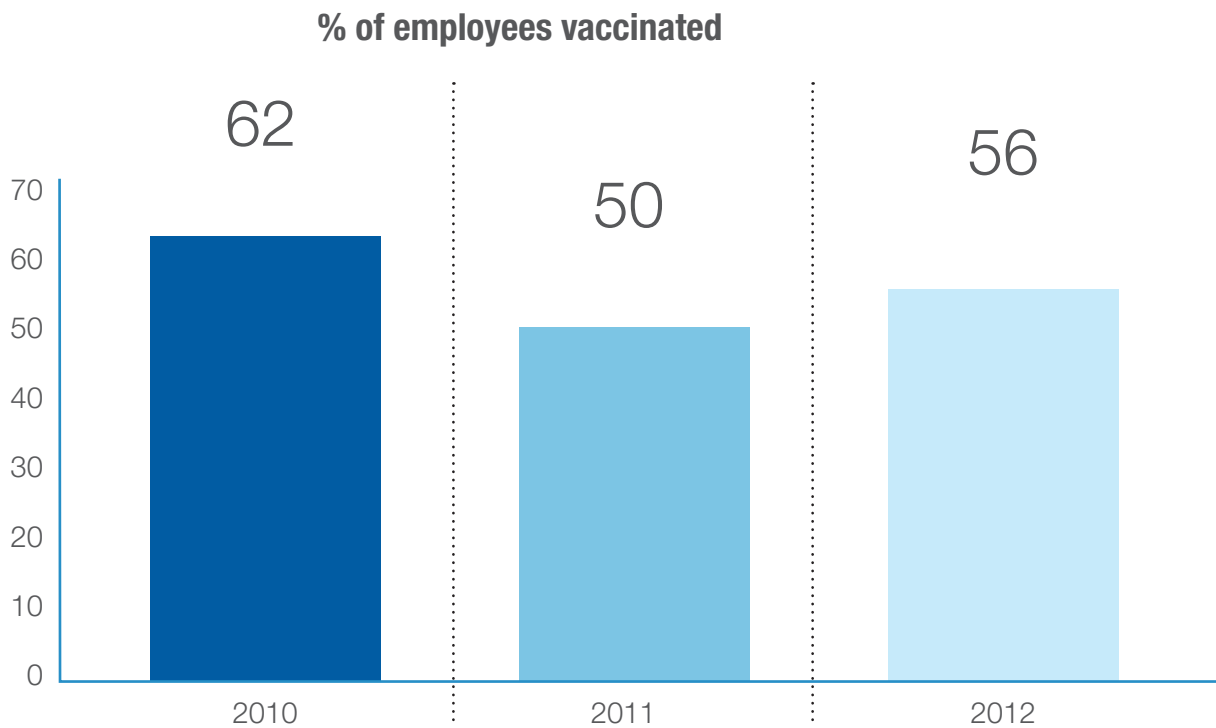
- Psychological and social support

In 2012, 5,187 psychological and social consultations were provided to 2,168 employees. This kind of support occurs through individual consultation, home visits, group work and referral to support of the government and the community. The professionals work in the treatment of psychological diseases and disorders, assisting in the change of behaviors that affect the well-being of the employees.

- Influenza vaccination program

Once a year the flu vaccine is available for free. To prevent and immunize employees against the flu and its possible consequences, the program covers all units in Brazil, including Associates.

In recent years the participation was of:



- Sick Leave Program

The program is dedicated to tracking and monitoring employees away from work for a period exceeding 15 days. In 2012, the professional team of physicians, nurses, psychologists and social workers attended 601 pre-existing cases and 166 new cases. Implemented in Jaraguá do Sul and Guaramirim, the program extends to other units through the support of the team.

- Health Campaigns

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

- Campaign to fight cancer
- STD / AIDS Campaign
- Campaigns against smoking

In addition, the company has formal agreements with local trade unions to ensure the health and safety of employees, encompassing Internal Commission of Accident Prevention - Use of PPE - Notice of Occupational Accident - Hygienic Needs - First-aid Room Duty - Medical and Dental Statement - Medical Examinations - Occupational Health Statement - Pharmacy - Accident Prevention Measures.

- 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) are some of the actions. Below is the list of investments in safety made in 2012:

- Investment in PPEs: R\$ 5,219,629.00
- Investment in improvements in machinery and equipment (NR-12): R\$ 948,086.00

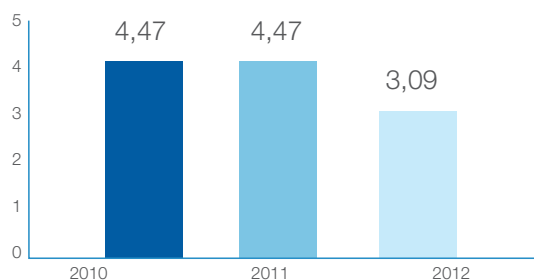
Highlights in 2012

- Implementation of new process to serve the employees, prioritizing emergency care;
- Implementation of the indicators of medical care and occupational health in Itajaí, Blumenau, Guaramirim, Linhares, Manaus, São Bernardo do Campo and Gravataí, aiming at monitoring health processes in the units for the development of improvement actions.
- Implementation of more than one health plan and improvements in the existing plan for the employees of units in Jaraguá do Sul, Guaramirim and Blumenau;
- 1.546 consultations at WEG Health Action in Itajaí unit, promoting for employees and dependents activities such as blood pressure checking, glucose and cholesterol tests and health directions.

Perspectives 2013

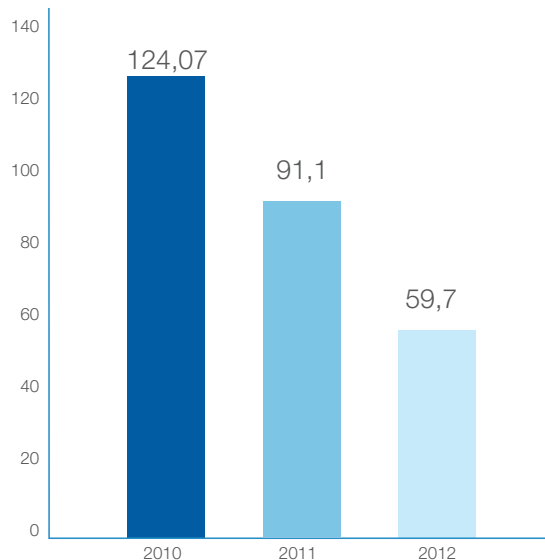
- Restructure the layout of first-aid rooms in WEG Jaraguá do Sul and new buildings in Blumenau and Guaramirim units. The intention is to provide good working conditions, maximum risk reduction a more pleasant environment to employees.

Injury rate



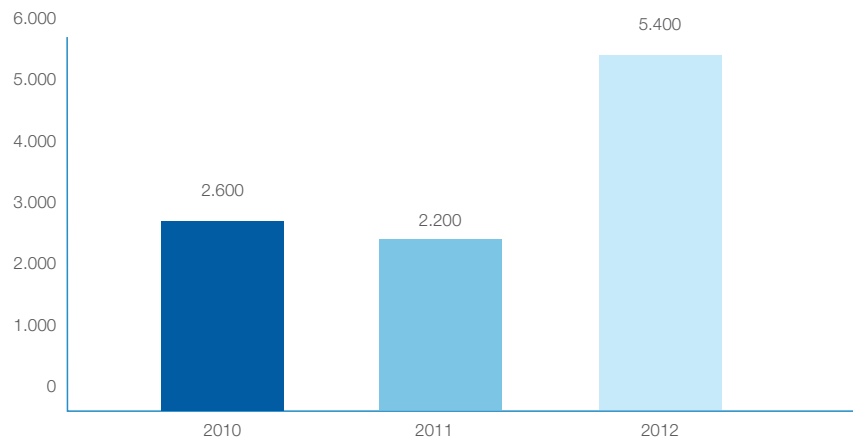
Note: Number of people involved in accidents every two hundred thousand hours worked

Total number of working days employees missed



Note: Number of days employees missed due to accidents with sick leaves every two hundred thousand hours



**Total number of
absenteeism**

Note 1: Amount of absenteeism every two hundred thousand hours worked

Note 2: 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

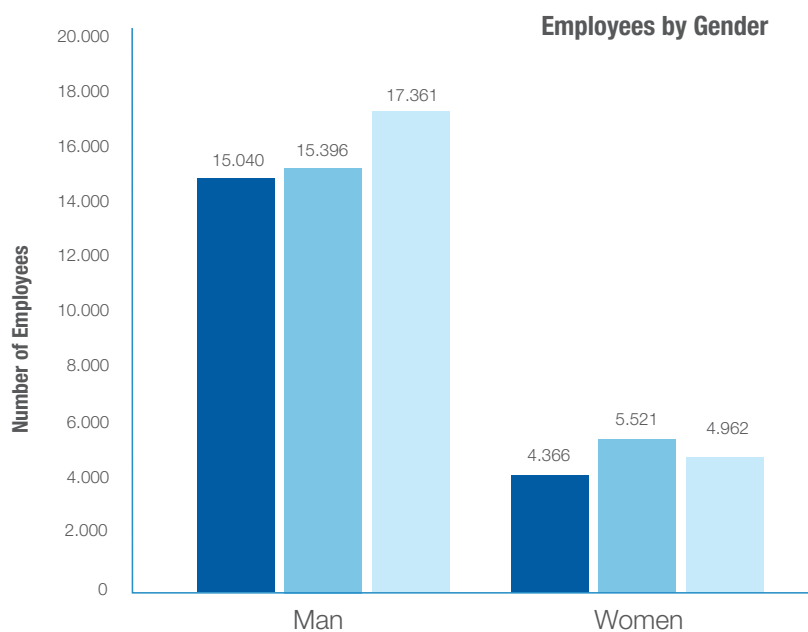
There were no deaths due to occupational accidents in the years 2010, 2011 and 2012



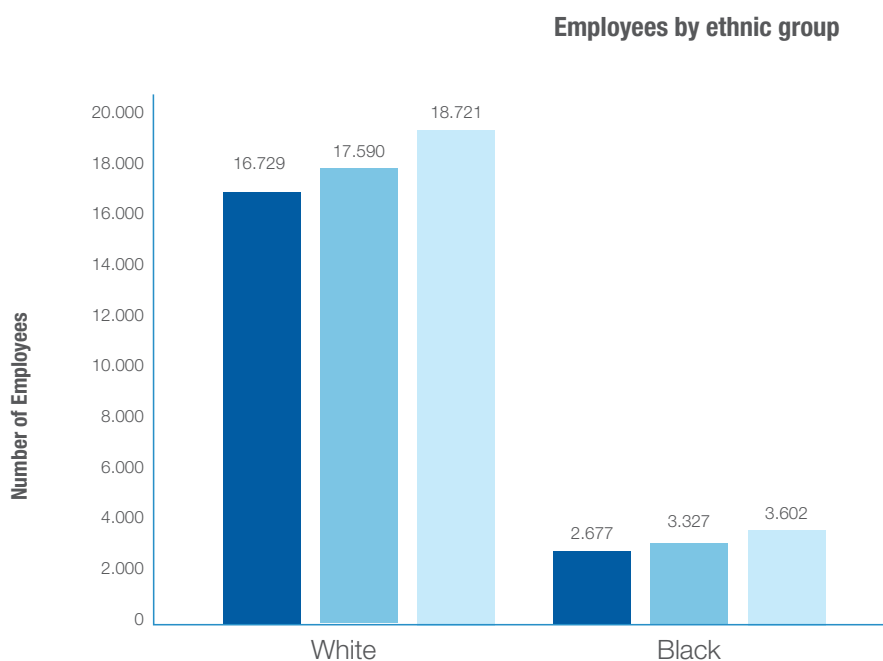
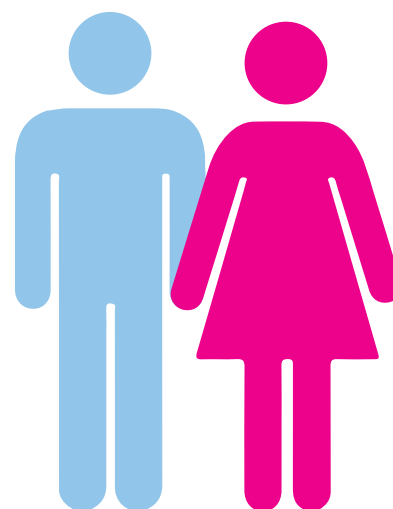


Diversity

Valuing diversity is part of WEG policy. The company believes in the power of diversity and seeks to build an environment of respect among people. Among the actions as this regard is the assessment of health and safety in the adaptation of the work stations for women due to the growth of the workforce and immigration to northern Santa Catarina, where the headquarters of the company is located.



* Refers to units in Brazil



* Refers to units in Brazil



Diversity

Another action to value diversity is the Inclusion of Disabled People Program. The action takes place not only by hiring people, but also by integrating them into the workplace, contributing to stimulate their potential.

Since 2005, the program has carried out a number of activities to promote inclusion such as: hiring process, adaptations in physical space and in the workplace for accessibility, hiring of a Sign Language interpreter, monitoring of employees with disabilities, advice to managers, employees awareness and qualification of community members.



The program is being implemented in Jaraguá do Sul and Guaramirim units. In other units, the professional team provides support for the local implementation of the directives to include professionals with disabilities.



Suppliers

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

We consider our suppliers and service providers as business partners in the search of sustainable development, and we treat them equally, without undue favoritism and respecting the principles of free competition.

Sustainable development is expressed in the relationship with suppliers and contractors and in the formal agreement established in the 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;
- Not use child labor, forced or compulsory labor in its supply 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;
- Commitment to extend the above requirements to its key business partners, encouraging the alignment with these policies;
- Commitment to develop local and/or regional suppliers and contract small and/or medium-sized suppliers in its supply chain.

This formal commitment ensures the practice in which everyone that is part of the supply chain are aligned with the sustainable development of their business and the society in which these companies 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 founding, WEG has sought to be self-sufficient in its processes and manufacturing of inputs used in its products. This was a feature 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 in its essence: producing laminations for stators and rotors, cast, machined, injected, 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 would be “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 in 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 trading conditions, lead time and compliance with quality requirements of the end customer;
- Incentive to entrepreneurship for the creation and development of new businesses

Currently, the percentage of purchase from local suppliers in the business units in Brazil is 25.7% in the average.

The graph below shows the evolution of this percentage in recent years:
% Local Suppliers

% Local Suppliers

2010 21,8%

2011 21,9

2012 25,7%

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

Among these materials are:

- Steel plates;
- Steel bars;
- Copper rods;
- Aluminum rods;
- Pure aluminum and alloys ingots;
- Bearings, among others.

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 the same commercial conditions for these suppliers when negotiating with companies that supply both.

3- WEG Quality Assurance 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 to suppliers who maintain the Performance Index within the required standards. For products supplied with Assured Quality, receiving inspection is not necessary.

This program aims at:

- Developing reliable suppliers to ensure a standard of uniform quality;
- 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 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 Assured Quality WEG as a Marketing Tool.



4- Technological exchange: Following the commitment to partnership, WEG is always open for suppliers to provide new technologies related to components and processes, to evaluate the technical and economic feasibility of implementing them.

5- Product development: Aligned with its commitment to partnership, the company develops materials and components together with suppliers for future application in WEG products.

6- Development, selection and evaluation 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 evaluation of suppliers.



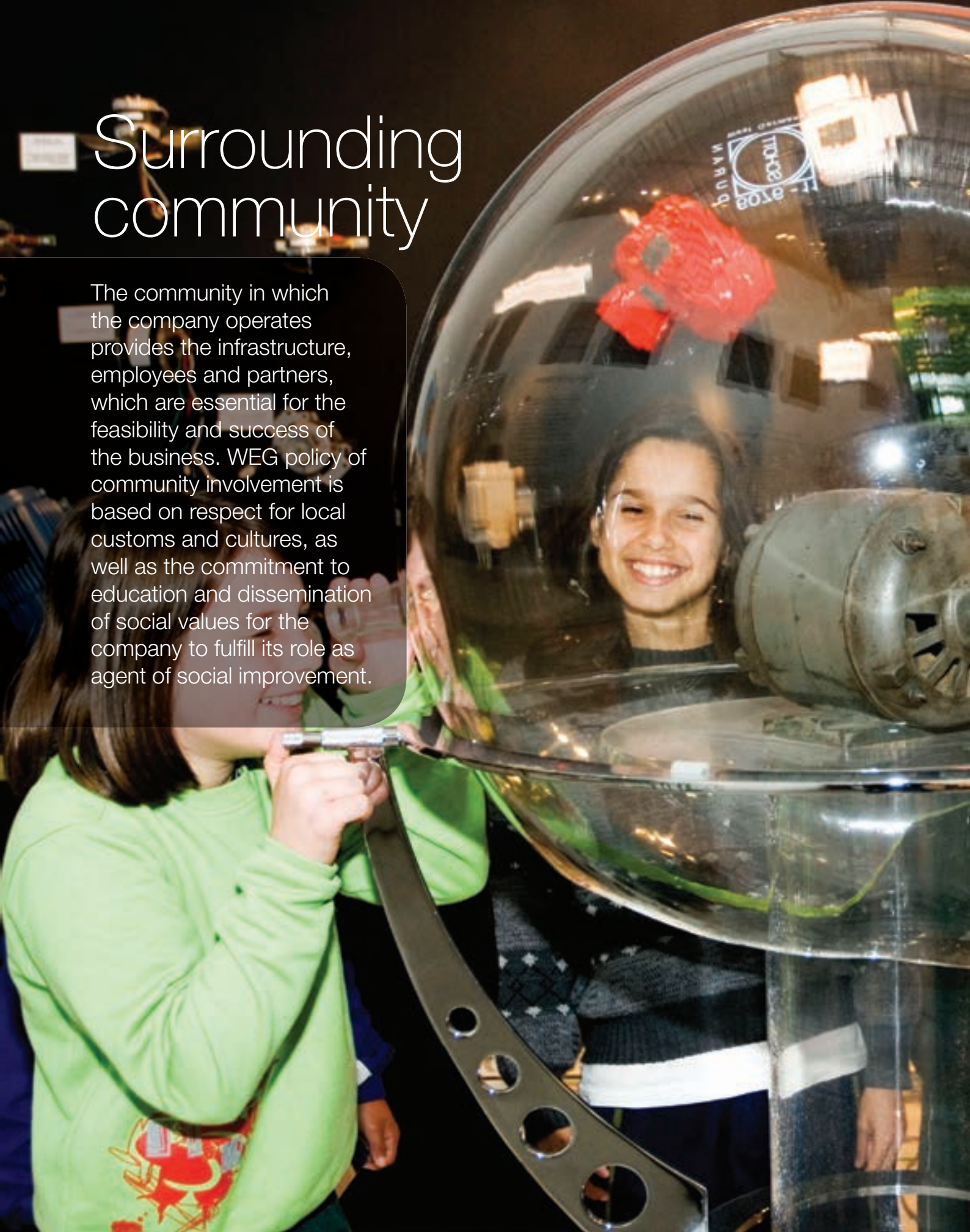
7- Periodic audits: Aim at assessing periodically whether the quality system of the suppliers is evolving according to the needs of WEG, whether suppliers are complying with the specifications established in quality plans, and whether they are respecting the supply agreements.

8- Communication: The WEG Online System is already implemented in regional suppliers of 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, there Milk Run is also used, where components are delivered directly to the assembly lines. With other suppliers of business units in Brazil and abroad, communication is carried out via email or phone.

9- Relationships with contractors: Before starting their activities for business units in Brazil, 100% of the contractors go through a period of integration, in which WEG policies and general information of the company are presented, besides conducting training and awareness on safety and environmental aspects in order to ensure that they perform their activities in a 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 evaluation of contractors, as well as assessment of existing agreements and management indicators of the services provided.

Surrounding community

The community in which the company operates provides the infrastructure, employees 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. The scope of action of WEG social investments is the locations of Brazil units and, considering the impact on the region of Jaraguá do Sul / SC (the company headquarters), cities around are also assisted.

Since 2005, the community has a specific reference 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, Environmental Management are the areas of the company which are part the group.

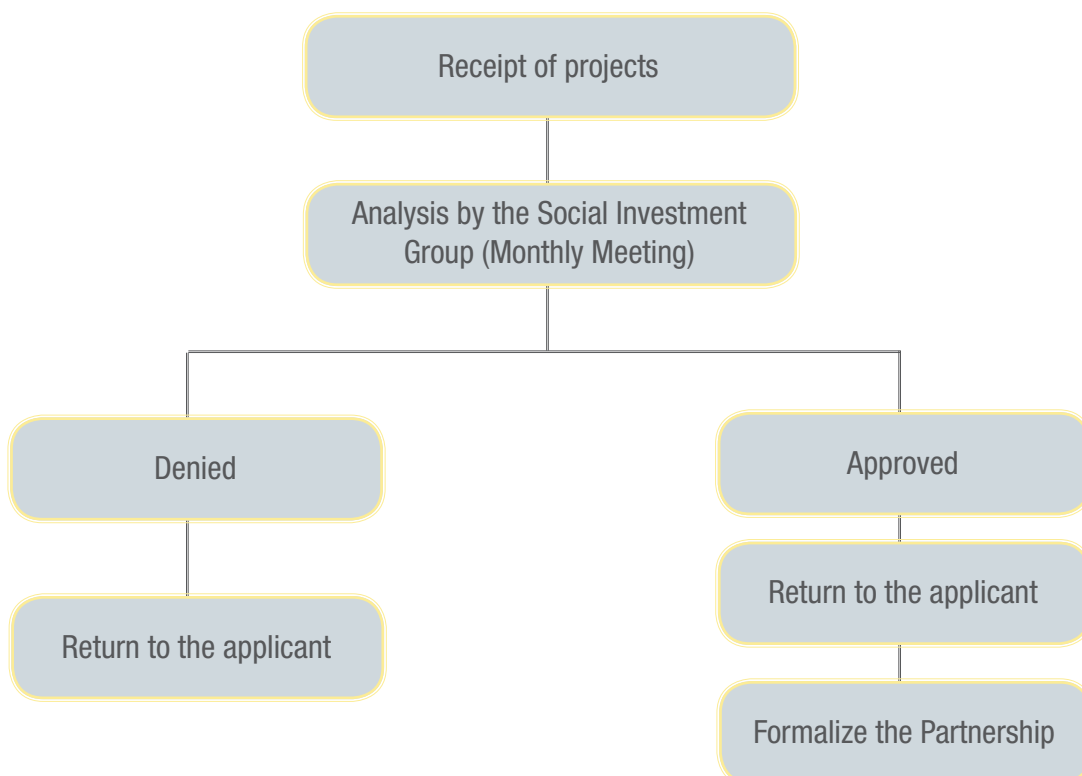
The professionalization of the project evaluation resulted in a process which responds all requests informing the evaluation result, besides having propitiated an even closer relationship with the community.

What guides the decisions of the Group are the directives for donations and sponsorship.

The social investment sponsors projects in education, culture, citizenship, sports and health areas. The company's main focus is social projects related to children and adolescents.



Flow of project evaluation



HIGHLIGHTS IN 2012

- Realization of the 3rd Meeting of Sustainable Growth - Community, which gathered representatives of the projects sponsored by WEG to discuss best practices in management and fundraising. Subjects also on the agenda: volunteering and the importance of indicators for project management. The meeting had the participation of 51 organizations: 96% deemed the content useful and 84% said the meeting met the expectations.
- Beginning of the volunteering partnership with the Junior Achievement organization, serving two schools in Jaraguá do Sul / SC and involving 23 volunteers that taught the course content to students of junior high and high school.
- Beginning of financial resource transfers to the Fund for the Elderly through Federal Law No. 12.213/2010. The objective is to value the elderly by transferring resources to cities where the company has a manufacturing plant. Among the evaluated cities, Jaraguá do Sul / SC and Araquari / SC had the process structured and received funds.
- Winning of the ABRH Human Being Award, in the Social Projects category, thanks to the projects supported at APAE Jaraguá do Sul - Grupo de Convivência Conviver.

56

supported projects with
total investment of

R\$ 9.544 mil



16 projects through the
ROUANET LAW

R\$ 2.394 mil

4 projects through the
SPORT LAW

R\$ 530 mil

16 cities assisted
by resources
through the Fund
for Children and
Adolescents

R\$ 593 mil

18 Projects with
OWN
RESOURCES

R\$ 5.884 mil

2 cities assisted
by resources
to the ELDERLY
FUND

R\$ 143 mil

Projects maintained by WEG:

Community Action

Since 1986, WEG has contributed to the building of citizenship, providing opportunities for information, guidance and free services in health, education, safety, culture and recreation. The Community Action involved 328 internal volunteers and 54 external partner organizations with 485 volunteers in 2012.

Investment with
Own Resources:
R\$ 110.716,62

31.119 services.
City: Jaraguá do Sul/SC

WEG Museum

Founded in 2003, the museum was created to show the history of WEG, the culture of Jaraguá do Sul and the wonders of science and technology, all brought together in a space of emotion, reflection and citizenship.

The museum was created mainly thinking of children's education. It is a museum of strong educational, interactive nature, designed so that each piece of information results in on more question, in a succession of questions and answers that transforms us, contributing to turn us into better professionals and citizens. It is a place often used by teachers mainly of History, Geography, Mathematics and Physics.

Investment with
Own Resources:
R\$ 440.000,00

Beneficiaries: 6.381
visitors
City: Jaraguá do Sul/SC



CentroWEG

Created in 1968, only 7 years after the founding of the company, it is one of the pillars of WEG culture. It provides ongoing training and adequate professional qualification to people from age 16 to 18. The courses are two years long and qualify professionals for WEG and other companies in the region in the areas of mechanics, electronics, electricity, mechatronics, chemistry and electrotechnics. Young people are recruited in Jaraguá do Sul and surroundings, undergo a selection process and the approved ones are hired by the company, receiving benefits and financial aid. 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 for the Training Center are planned, hiring after the course is virtually 100% of the selected students. The CTW maintains a partnership with SENAI allowing the project to comply with the apprentice Law.



Investment with
Own Resources:
R\$ 4.126.553,00

Beneficiaries: 250 students.
City: Jaraguá do Sul/SC

Grupo de Convivência Conviver APAE

Socialization of students and income generation are goals of this project performed in APAEs of Jaraguá do Sul and Guaramirim / SC, where WEG services are sent to be performed within the institutions.

YEAR	NUMBER OF PRODUCED	AMOUNT PAID FOR THE WORK
2012	1º Quarter - 25.000	R\$ 1.150,00
	2º Quarter - 25.000	R\$ 1.150,00
	3º Quarter - 33.334	R\$ 1.534,00
	4º Quarter - 28.334	R\$ 1.390,00
TOTAL	111.668	R\$ 5.224,00

In 2012 this project received the ABRH Human Being Award in the category Social Projects.

Note

Pieces of clothing made by APAE and purchased by WEG

In this project there is no investment but an exchange of opportunities.

Beneficiaries: 39 APAE students.

City: Jaraguá do Sul/SC

PROERD – (Educational Program for Resistance to Drugs and Violence)

The PROERD, following the model of the D. A. R. E. (Drug Abuse Resistance Education), was developed in Brazil with the primary objective to act in the prevention of drug use by children and adolescents. WEG has been a partner of this program in Jaraguá do Sul / SC and region since 1999.

Developed by a group of psychologists, psychiatrists, police officers and educators, at its implementation, the program was successful in all U.S. states, and later, in more than 40 countries. In Brazil, the D. A. R. E. arrived in 1992 through the Military Police of Rio de Janeiro and in 1993 was named 'Proerd' in Portuguese by the Military Police Department of São Paulo. For the project in Jaraguá do Sul WEG donates caps that are used as a uniform.



Investment with Own Resources:

R\$ 9.050,00

Beneficiaries: 3.300 children.
City: Jaraguá do Sul/SC and region

Rescue of History

With this initiative, the company opens its doors to the community, providing opportunities for knowledge and interaction with the WEG Group. Since 2001, groups of elderly people visit WEG Museum and then take a tour of the company, visiting some plants. The project was restructured in 2011.

Investment with
Own Resources:
R\$ 3.500,00

Beneficiaries: 893 elderly.
City: Jaraguá do Sul/SC
and region



Embracing with Art

Sometimes behind a simple gesture, a valuable aid is hidden. WEG buys cards made from recycled paper by volunteers of the Association of Friends of Autistic, giving the entity the ability of self-management and also valuing WEG employees in Brazil on holidays.



Investment with
Own Resources:
R\$ 37.316,35

Beneficiaries: 25 autistic students.
City: Jaraguá do Sul/SC

Fishing Project

Thanks to the Fishing Project, WEG creates opportunities for young people aged between 17 and 18 who have completed or are completing high school and whose families have per capita income below half the minimum wage.

The Foundation has 41 different courses, which enable the company to combine the training performed, the socioeconomic reality and market needs of their region. The courses include the areas of Industry, Personal Image, Tourism and Hospitality, Information Technology, Management, Commerce, Communication and Civil Construction.

After a period of 8-11 months of professional training and graduation from Pescar Unit, youngsters are referred to the job market. Besides training, another purpose of the project is to encourage individual responsibility in young people, reinforcing their citizenship.

WEG Unit in Gravataí/RS has had a partnership with the Fishing Project Foundation since 1998, with more than 200 young people graduated in 2012. Classes are conducted by 18 internal volunteers (company employees) and two external volunteers in a laboratory set up especially for the program. At the end of each course 60% of graduates are employed by WEG on the average. The others are placed on the market in Gravataí.



Investment with
Own Resources:
R\$ 67.574,00

Beneficiaries:
15 autistic students.
City: Gravataí/RS



Bola da Vez – AJAB (Sports)

Sports can be an excellent socio-educational means for the integral building of the citizen. “A Bola da Vez” Project was developed by the Basketball Association of Jaraguá do Sul (AJAB) in 2002 and since then, WEG has been a partner with its own resources. The goal is to provide conditions of socialization and increase the cultural universe of the individual, developing creativity and skills that will be required in daily life. In 2012 the project was approved again through the Sports Incentive Law.



Investment through the
Sports Incentive Law:
R\$ 143.000,00

Beneficiaries: 900 children and adolescents
City: Jaraguá do Sul/SC

Music for All

The project was developed in Jaraguá do Sul at the Cultural Artistic 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 the social inclusion project and providing the opportunity of access to 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
the Rouanet Law:

R\$ 218.288,67

Beneficiaries: 250 students and 21 teachers directly, and about 3,500 people including relatives and community indirectly (public presentations). City: Jaraguá do Sul/SC



FEMUSC – Music Festival of Santa Catarina

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 selects not only the most acclaimed teachers, but especially those noted for humanitarian dedication and relevant services to educational and cultural causes in emerging countries such as 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 general population that attend the shows in an open and free way.

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



Beneficiaries:
50,000 people
(spectators) of
the Community
directly
participating in
over 200
musical
performances.



800 benefited
musicians
through the
workshops
of musical
instruments
and orchestras.

Among them, **500** 500 instrument students,
100 children in FEMUSCKINHO (for children),
60 young people in FEMUSC Jovem,
80 professional musicians.
City: Jaraguá do Sul/SC

Philharmonic Orchestra of Jaraguá do Sul

WEG's Support to the project - developed in Jaraguá do Sul / SC extending to all the state - aims at encouraging the professional development of artists from Santa Catarina in the art of classical music, the propagation of orchestral work, cultural exchange and democratization of access to classical music through presentations to the community in general.



Beneficiaries: 70 people directly besides the audience attending the presentations. The average attendance per show is 1,000 spectators.
City: Jaraguá do Sul/SC

Investment
in 2012
through the
Rouanet Law:

R\$ 270.000,00

Music in Museums

The project represents a company's effort to promote classical music and also to bring the audience closer to the museums. Through the Chamber Group, it helps spread the musical culture and popularize music concerts in museums of Jaraguá do Sul, São Bento do Sul and Blumenau. All presentations are free.

Investment through
the Rouanet Law:

R\$ 25.000,00



Beneficiaries in 2012: 5 musicians directly and 870 people who attended the presentations.
City: Jaraguá do Sul, São Bento do Sul and Blumenau

Inside Dance

The Inside Dance aims at training approximately 150 children and adolescents, continuing the project begun in 2009 with an educational character. Dance has 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, comprehensive process that promotes learning dance developing the sensitivity of children and youngsters. Students take Urban Dance, Classical Ballet, Contemporary Dance, Dance History, Body Percussion and Introduction to Music classes and also participate in seminars, lectures and performances.



Investment through the
Rouanet Law:
R\$ 50.000,00

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



Investment through the
Rouanet Law:

R\$ 80.000,00

Beneficiaries: 15, 000 people,
especially children and adolescents.
City: Blumenau/SC

FENATIB – National Children's Theater Festival in 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.

Support to Hospitals

The support to the maintenance of hospitals in Brazil has always been a landmark in WEG policy of community involvement. This relationship has always been present with hospitals in the cities where the company has manufacturing plants, especially in Jaraguá do Sul/SC.

In 2012, R\$ 620,000.00 were donated to the Hospital and Maternity Jaraguá, contributing to the purchase of equipment and construction of the Center of Cardiology. Over R\$ 180,000.00 were allocated to the Hospital and Maternity São José, also in Jaraguá do Sul, helping in the purchase of equipment. As a support for the purchase of equipment R \$ 29,300.00 were also donated to the Padre Mathias Hospital Maria Stein located in Guaramirim / SC.



Investment with
Own Resources:

R\$ 829.300,00

Beneficiaries: Community
in general
City: Jaraguá do Sul,
Guaramirim and region

Educational Video Library

In 2012, the company supported the Child Foundation of São Bernardo do Campo / SP in the “Socio-educational Video Library” project, aimed at adolescents in situation conflicting with the law. The initiative aims at using the video library as didactic-pedagogical strategy to expand the multicultural horizon of young people, enabling the development of citizenship.

Investment through the
Fund for Children and
Adolescents:
R\$ 48.750,00

Beneficiaries: 180 Adolescents
and Young People
City: São Bernardo do Campo/SP



Snack Bar School

Snack Bar School is one more project of the Child Foundation of São Bernardo do Campo-SP that, thanks to the support of WEG, contributes to social and productive inclusion of adolescents and young people in situations of vulnerability. The project aims at inserting young people aged 16-21 in the job market, providing theoretical and practical training in the areas of personal development, production, selling and distribution of food, through the course of Snack Bar clerk.

Investment through the
Fund for Children and
Adolescents:
R\$ 31.000,00

Beneficiaries: 48 Young People
City: São Bernardo do Campo/SP



Skateboard Workshop

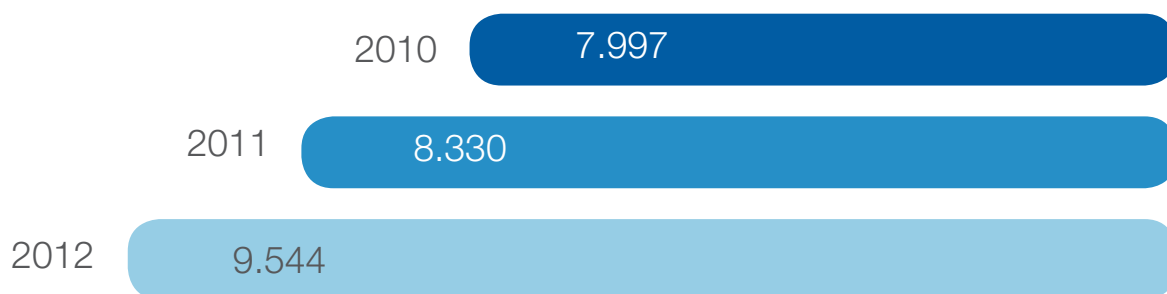
Very popular among young people, the practice of skateboarding, by means of its attractive force and psychomotor complexity, helps develop physical, social, intellectual and emotional aspects within principles of encouragement to family and community bonds. With this objective, the project "Skateboard Workshop" was born, involving 160 children and young people from Schroeder/SC.

Thanks to the support of WEG, it was possible to offer educational and sports workshops for children and adolescents of the city, working on issues related to community, socialization, responsibility and ethics, and discussing relationships, emotional bonds and other topics related to family.

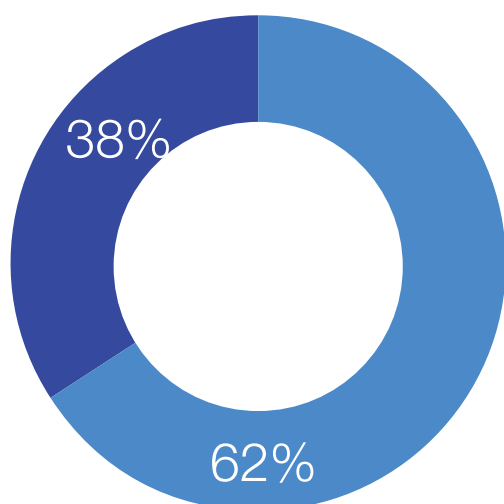
Beneficiaries: 160 children
City: Schroeder/SC

Investment through the
Fund for Children and
Adolescents:
R\$ 30.600,00

History of WEG Social investment (thousand R\$)

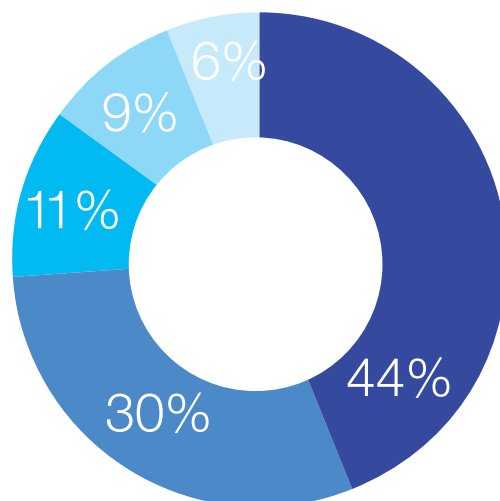


Source of funds (R\$)



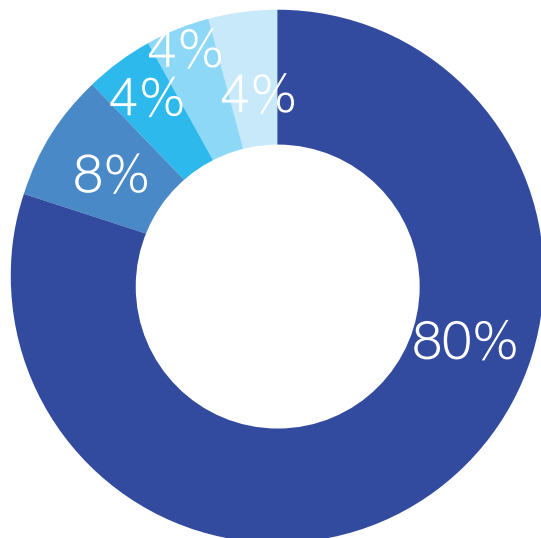
- Without incentive
- With incentive

General application of resources - (per area)



- Education
- Culture
- Citizenship
- Health
- Sports and Environment

Investment per City



- Jaraguá do Sul
- Others (cities received 1%)
- Guaramirim
- Itajaí
- Blumenau

Government and society

ORDEM E PROGRESSO

Committed to the development of the region in which it operates through employment generation and social responsibility projects, WEG maintains strong involvement with Trade Associations and Government. This social responsibility is expressed in the mission of the Department of Institutional Relations of Commerce, which is part of the corporate structure of the WEG Group: “Help improve public policies which promote a favorable business environment, competitiveness and sustainable development of machinery, equipment and electronics industry in Brazil”.

Board Member in the Brasil Maior Plan (Industrial Policy)

WEG contributes with suggestions for the implementation of public policies by means of the participation in meetings and events related to the Brazilian government and its authorities. With the Federal Government, its most important role is in the following Sector Competitiveness Councils, linked to the Brasil Maior Plan:

- Capital Goods;
- Oil, Gas and Marine;
- Information Technology and Communication / Electrical and Electronic Complex;
- Renewable Energy (Biodiesel, Bioethanol, Solar Energy and Wind Power);
 - Thematic Subgroup for Wind Energy;
 - Thematic Subgroup for Bioethanol;
 - Thematic Subgroup for Solar Energy;
 - Thematic Subgroup for Biodiesel;

We advocate, along with the Trade Associations, measures of industrial policy focused on:

- ✓ Increase in systemic competitiveness and business;
- ✓ Increase in productive investment, technological effort and innovation of national companies;
- ✓ Financing of production and marketing;
- ✓ Expansion of the Market: promotion of business in national and international markets;
- ✓ Productive and technological densification of value chains, expanding the national added value;
- ✓ Incentive to investment and innovation;
- ✓ Foreign Trade (commercial defense and funding / export competitiveness);
- ✓ Defense of Brazilian industry and market;
- ✓ Sustainable development and conservation of the environment;
- ✓ Energy efficiency and energy management;
- ✓ Equal treatment in face of the entry of imported products in the country.
- ✓ Restoration of competitive equality to the national manufacturing industry.

We keep constantly updating the following internal document which monitors the Brasil Maior Plan, divided into two parts:

- 1) Measures of the Brasil Maior Plan implanted or under implantation, as drafted by the Government.
- 2) Operating Measures of Industrial Policy (complementary to the measures of Brasil Maior Plan), drafted by us.

The document received contributions from Abimaq (Brazilian Association of Machinery Manufacturers) and from departments of WEG Business Units and Corporation and serves as a directive and understanding of the positioning of WEG in each of the themes. It also guides the actions of WEG representatives in the Sector Councils of Competitiveness of Brasil Maior Plan.

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 CNDI must define the general strategic guidelines and subsidize the activities of the management system of the industrial policy.



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 Electrical and Electronic Industry;

AEB – Brazilian Foreign Trade Association;

SIMEFRE – Interstate Trade Union of the Railroad and Road Equipment and Materials Industry;

FIESC – Federation of Industries of the State of Santa Catarina;

CNI – National Industry Council;

ABNT – Brazilian Association of Technical Standards;

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:

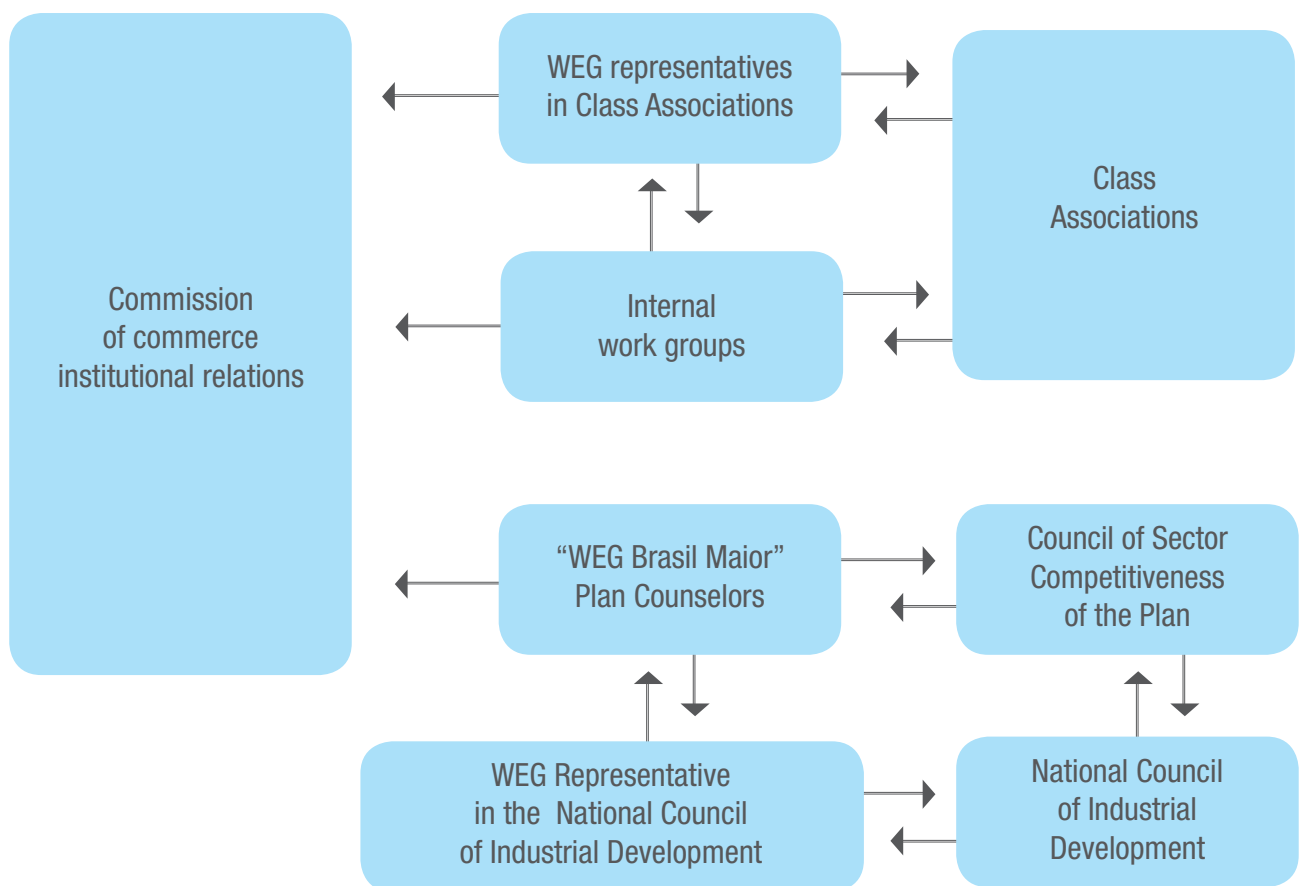
- Development of topics related to commerce and formulation of Public Policies to support the domestic industry activity and business segments in which WEG operates.
- Equality of tax conditions of Brazilian suppliers compared with foreign suppliers.
- Relaxation and exemption of the taxes on raw materials 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, etc..
- 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.

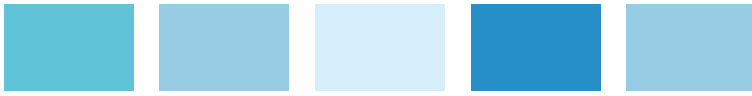
Commission of trade institutional relations

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:

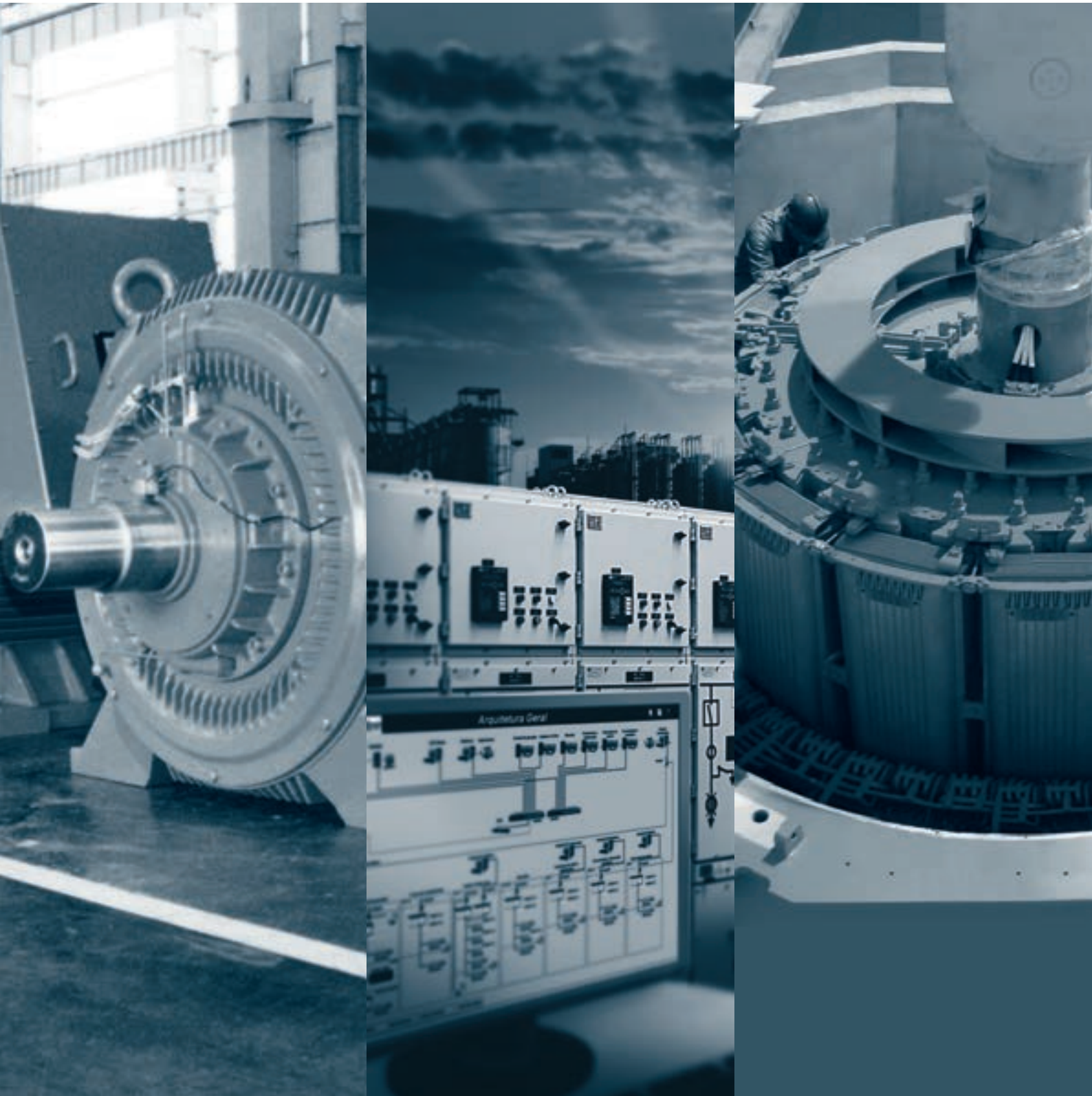
- Complementary Measures of the Brasil Maior Plan;
- Performance of WEG Representatives in Trade Associations;
- Company Position regarding International Trade Agreements, Special Tax Regimes, Trade Defense Projects, among others.

Diagram of WEG institutional representation





Economic Performance



Message from the President



HARRY SCHMELZER JUNIOR
President

Dear Shareholders,

The performance achieved by WEG in 2012 is a reason for celebration. Even in a difficult economic environment, with low growth rates in Brazil and in developed countries, we achieved a growth of 19% of the Consolidated Net Income. Abroad, we expanded our presence and our product line, which allowed an increase of 38%.

In 2012, we were able to continue the implementation of the WEG Strategic Plan 2020, integrating the operations of the acquisitions, like Electric Machinery, manufacturer of turbo-generators and other high-voltage electrical machines based in the U.S. Also, the integration of the operations of the Austrian Watt Drive and WEG-Cestari, where we consolidated our presence in the power transmission business. This year, we also announced the acquisitions of Stardur and Paumar, which joined the coating business, besides Injetel, which complemented our product line on the building automation market. The Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) totaled R\$ 1,053.5 million, an increase of 19%, with the margin of 17.1%. During the year, investments were made in fixed assets of US\$ 238.4 million.

The technological upgrading of our product portfolio is one of the key factors for maintaining competitiveness on our markets. We invested approximately US\$ 145 million in research, development and innovation in 2012. One result of this focus on innovation was the FINEP Innovation Award 2012 won by WEG.

We also obtained advances in the area of Social Responsibility. In 2012, we allocated approximately US\$ 12.6 million in investments in specific actions in the areas of citizenship, culture, sports and environment, with US\$ 2.9 million through incentive laws, US\$ 3.6 million of own resources and, additionally, approximately R\$ 6.2 million in environmental investments in the various manufacturing plants.

Important recognition of the evolution of our practices was the inclusion of the WEGE3 shares in the Corporate Sustainability Index (ISE) of BM&FBovespa. WEG is the only member of the ISE in the capital goods segment.

We also highlight the inclusion of WEG, in November 2012, in the MSCI Global Standard Indexes, which we believe is a result of the actions that we have deployed to increase the liquidity of the WEGE3 share.

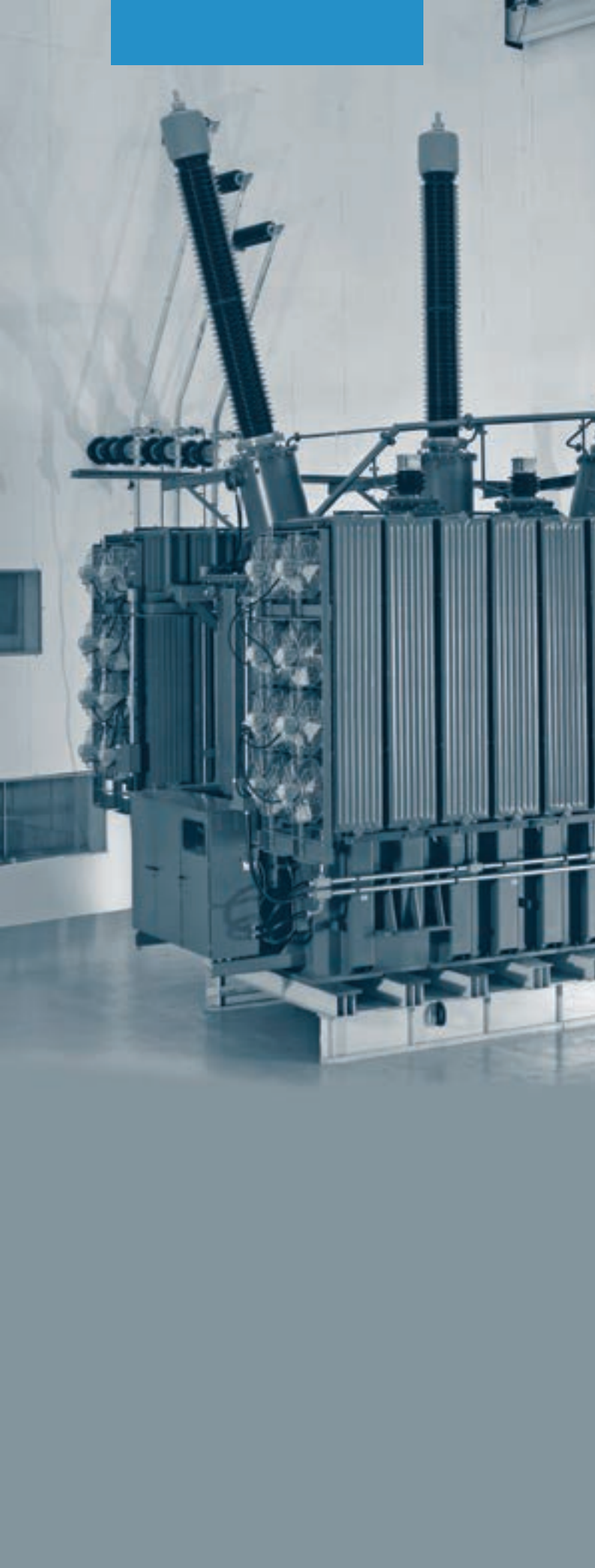
Finally, we must acknowledge and thank the effort and dedication of our 27,280 employees in Brazil and abroad who were fundamental for WEG to achieve good performance in 2012.

In 2013 we must still find a very challenging environment, with gradual improvement in the global economic conditions in a very competitive environment. Important measures that were announced by the Brazilian government in 2012, as well as a real interest rate at historically low levels combined with a more favorable exchange rate, may contribute to increase the competitiveness of the Brazilian industry and thus release the investment in the production capacity.

WEG will continue searching for continuous and sustainable growth focused on the execution of the WEG Plan 2020. With the support we have received from our employees, customers, suppliers, shareholders and the community in general, we are sure that our chances of success are greater.

Thank you all for the confidence,

HARRY SCHMELZER JR.
President



CONJUNCTURE

In 2012, the recovery of the global economic activity continued at a slow pace. The presidential election and tax issues in the U.S. increased the uncertainty of the markets in the middle of the year; while in China the exchange of leadership was a process without visible external impact and seemingly calmer. Together with the continuity of the sovereign debt crisis of the countries of the European periphery, these were the main events causing volatility in financial markets and affecting economic performance. Emerging markets, even with the economic slowdown in China, continued to grow faster than developed economies. In this context, we observed:

- The growth of world output, according to estimates from the World Economic Outlook of the International Monetary Fund, shall be 3.3% in 2012, with emerging economies expanding 5.3% on the average, compared to only 1.2% of more advanced economies. It is important to note that the estimated rate of expansion in 2012 is lower than that observed in 2011, showing that the adjustment of mature economies impacts the global economic dynamism. Another important point is that interest rates have remained at historically low levels globally, showing that the countries are committed to the monetary incentives;

- In Brazil, the growth of gross national product is expected to be around 1% over the previous year, a performance below expectations. Brazilian industrial production decreased by 2.7% in 2012, according to IBGE. The production of capital goods, with a decline of 11.8% compared to the previous year, was the category with the worst performance;

- Preliminary data from the Brazilian Association of Electrical and Electronics Industry (ABINEE) indicate that the Brazilian electronics sector must grow 5% growth in sales in 2012 compared to the previous year. In areas related to capital assets, closer to WEG business, such as industrial automation and industrial equipment, the growth rates were 8% and 3% respectively. Only the area of GTD showed better performance, with estimated growth of 18%. These growth rates reflect the performance of both the Brazilian market and exports of the sector.

We emphasize that throughout the year the government implemented, in the scope of the Brasil Maior Program, various tax relief measures, in addition to structured policies of credit incentives for investment by BNDES. Moreover, the exchange rate reached new level, more favorable to local production. This set of measures demonstrates concern about the recovery of the competitiveness of the Brazilian manufacturing sector and encourages us with the expectation that the remaining structural bottlenecks for the expansion of this competitiveness will be tackled.

ECONOMIC AND FINANCIAL ASPECTS

Income from Operation

In 2012 the Net Income from Operation reached R\$ 6,173.9 million, an increase of 19% over the previous year. This income growth can be observed in all areas of business. The areas of Industrial electrical electronic equipment, Coatings & varnishes and GTD maintained the high rates of growth already observed in the previous year, while the area of motors for domestic use showed modest growth.

We highlight the following in each of these areas:

Industrial electrical electronic equipment

17% increase in income compared to 2011, mainly due to the good performance on foreign markets, where we observe the expansion of income in 26.5%. Our growth strategy abroad has two main branches. The first is geographic expansion by leveraging our extensive expertise in electrical machines and our relationship with the world's leading manufacturers of capital goods to conquer new positions. Moreover, on markets where we already have a strong commercial background in electrical products, primarily with industrial electric motors, we have tried to introduce new products and services to increase our portfolio. In Brazil, even though the performance of industrial production and investment in expanding production capacity have been weak, we can find growth opportunities. We focus our operation on segments that have their own dynamism, expanding our product portfolio and leveraging our verticalized production capacity and engineering to offer customized and integrated solutions.

Energy generation, transmission and distribution (GTD) equipment

22% growth in Net Income from Operation compared to 2011. Our focus on equipment for power generation (G) is on sources of renewable and distributed energy, such as small hydro plants (SHP), the thermal energy from biomass, and more recently, wind and solar sources. The wind power has shown strong growth in Brazil, while the thermal and biomass power plants showed more modest growth rates, although consistent. In the business of transmission and distribution (T&D), we continue to observe conditions of demand expansion, but depressed prices, which has hindered a better performance. This price situation is global and is a result of the imbalance between production capacity and demand in both emerging and developed economies.

Motors for domestic use

Income growth of 2.2% over 2011. This indicates that the growth in demand for white goods was attended by imported products or national production with little local content and government incentives to increase consumption, like temporary tax cuts, had no effect on the entire production chain.

Coatings and Varnishes

Area with the highest relative growth rate: 31% over the previous year. Our strategy in coatings and varnishes is to leverage relationships with the customer that we have achieved in other areas of business, conducting cross-sales and maximizing the return of our sales effort. In 2012, we made investments and transactions to expand into new markets and new products.

Domestic Market

In the domestic market, Net Income from Operation reached R \$ 3,016.7 million, an increase of 4% over the previous year, representing 49% of our total Net Income from Operation. Despite the particularly unfavorable conditions for the Brazilian industry, which saw industrial production in general and of capital goods in particular fall throughout the year, we managed, thanks to our production flexibility and business agility, to find and exploit opportunities in some economic sectors with their own dynamism. Our strategy to expand our portfolio of products and services, providing increasingly complete and integrated industrial solutions, allows us to continue leading the Brazilian market in many of our business areas.

Foreign Market

Net Income from Operation on the external market grew 38% over the previous year and reached R\$ 3,157.2 million, representing 51% of total Net Income from Operation. Converted to average U.S. dollars, Net Income from Operation on the external market reached US\$ 1,609.7 million, with a growth of 18% over 2011.

As we had already seen in 2011, this good performance in foreign markets was a result of both the expansion of our operations in our traditional markets and expansion into new markets and business. Growth of 38% of the foreign market, 31% are due to organic growth of operations, and 7% result from the acquisition and integration of business and manufacturing operations of the various acquisitions made as of 2011.

Cost of Sales

Cost of Sales totaled R\$ 4,293.0 million, representing 69.5% of Net Income from Operation (70% in 2011), generating a gross margin of 30.5%, with little improvement over the previous year.

Despite the stability of margins, we continue to observe challenging conditions for maintaining the competitiveness of industrial operations in Brazil. We have global sourcing programs of raw materials and inputs and continuous improvement to optimize capacity and increase industrial efficiency. New industrial units of electric motors in Linhares, Espírito Santo, and high-voltage electrical machines in Hosur, India, had low initial contribution to the dilution of fixed costs during the production ramp-up process. However, we are confident that these units will show, with the gradual occupation of their production capacity, increasing results, since they were designed within the most advanced industry standards.

We also highlight the 14.3% average devaluation of the Brazilian currency and the tax cuts implemented by the Brazilian government, which contributed to the competitiveness of our products. These measures, together with the conditions for long-term credit offered by agents such as the BNDES provided greater resilience to industry and dampened the negative impact of global macroeconomic conditions on the sector.

Sales, General and Administrative Expenses

The consolidated Sales, General and Administrative Expenses totaled R\$ 927.2 million, representing 15% of Net Income from Operation (R\$ 768.4 million or 14.8% Net Income from Operation in 2011). Compared to the previous year, operating expenses increased 20.7% in absolute terms, with a small relative growth of 0.2%. In spite of the action on the administrative expenses, seeking greater operational efficiency, the strong growth on the foreign market determined higher expansion of sales expenses.

EBITDA

As a result of the effects described above, EBITDA reached R\$ 1,053.5 million (calculated according to the methodology defined by CVM in Official Letter No. 01/07), with an increase of 19% over the result obtained in 2011. The EBITDA margin was 17.1% – 0.1% above the EBITDA margin of the previous year. We emphasize that this was the first year the EBITDA surpassed R\$ 1 billion.

The EBITDA calculated using the new methodology determined by CVM in Instruction No. 527/2012 would have reached R\$ 1,016.7 million, with a margin of 16.5%. Compared to 2011, the absolute growth would have been 19.5% and the expansion of EBITDA margin would have been 0.1%.

Financial Income and Expenses

The net income was R\$ 55.7 million positive (R\$ 103.0 million in 2011), with financial income of R\$ 460.4 million (R\$ 499.6 million in 2011) and financial expenses of R\$ 404.7 million (R\$ 396.6 million in 2011). The reduction in net income over the previous year was a result of both the reduction in real interest rates that occurred in Brazil and the effect of exchange devaluation on the debt in foreign currencies.

Net Profit

As a result of the aforementioned effects, the Consolidated Net Profit attributable to shareholders of WEG SA totaled R\$ 656.0 million, with an increase of 11.8% over the R\$ 586.9 million of 2011. Return on equity was 17.3% in 2012 (17% in 2011) and net margin reached 10.6% (11.3% in 2011).

CAPITALIZATION

Maintaining our financial flexibility is important in our strategy to take investment opportunities with attractive returns and without excessive increases in exposure to risks. Thus, our capital structure is sound and preserves our access to resources and sources of liquidity. In addition, we maintain a close relationship with agents such as the BNDES and the International Finance Corporation (IFC), an important source of capital for long-term investments, and FINEP, which has been great supporter of our investments in research and development in technological innovation.

In 2012, we observed a decrease in both our cash position and total loans, maintaining the end net debt close to a balanced position. The new level of real interest rates in Brazil decreases the attractiveness of high cash positions. The cash resources are invested in first class banks and mostly in national currency.

On December 31, 2012, cash availability and investments totaled R\$ 2,565.5 million. The gross financial debt totaled R \$ 2,689.8 million, being 61% in short-term operations and 39% in long-term operations. At the end of 2012 WEG had a net debt of R\$ 124.3 million.

	DECEMBER 2012	DECEMBER 2011
CASH AND INVESTMENTS	2.565.532	3.212.250
Short term	2.563.500	2.931.615
Long term	2.032	280.635
BORROWINGS	2.689.840	3.457.728
Short term	1.645.772	1.701.435
In Reais	1.067.683	585.687
In other currencies	578.089	1.115.748
Long Term	1.044.068	1.756.293
In Reais	824.910	1.560.712
In other currencies	219.158	195.581
Net Cash (debt)	(124.308)	(245.478)

INVESTMENTS

In 2012, **investments in fixed assets** for expansion and modernization of production capacity totaled R \$ 238.4 million, with 90% allocated to manufacturing plants and other facilities in Brazil and the 10% to the production units and other subsidiaries abroad. Additionally, R\$ 27 million were included in fixed assets resulting from the consolidation of the acquisitions of Stardur, Paumar and Injetel and of WEG Cestari along 2012.

The disbursements on capacity expansion during 2012 were lower than originally planned because our investment program is managed to optimize the employment of capacity and maximizing return on invested capital. Thus, the relatively lower performance in the domestic market and optimization efforts to meet demand on the external market determined a slower speed of implementation of the investment program.

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

Important technological changes continue to affect our markets and products. Thus, we maintain a consistent program of research, development and technological innovation, one of the main drivers of our future growth, as outlined in the strategic planning WEG 2020. These efforts include the development of new products, continuous improvement of products already available, the application engineering and adaptation of products and systems, and improvement of our manufacturing processes.

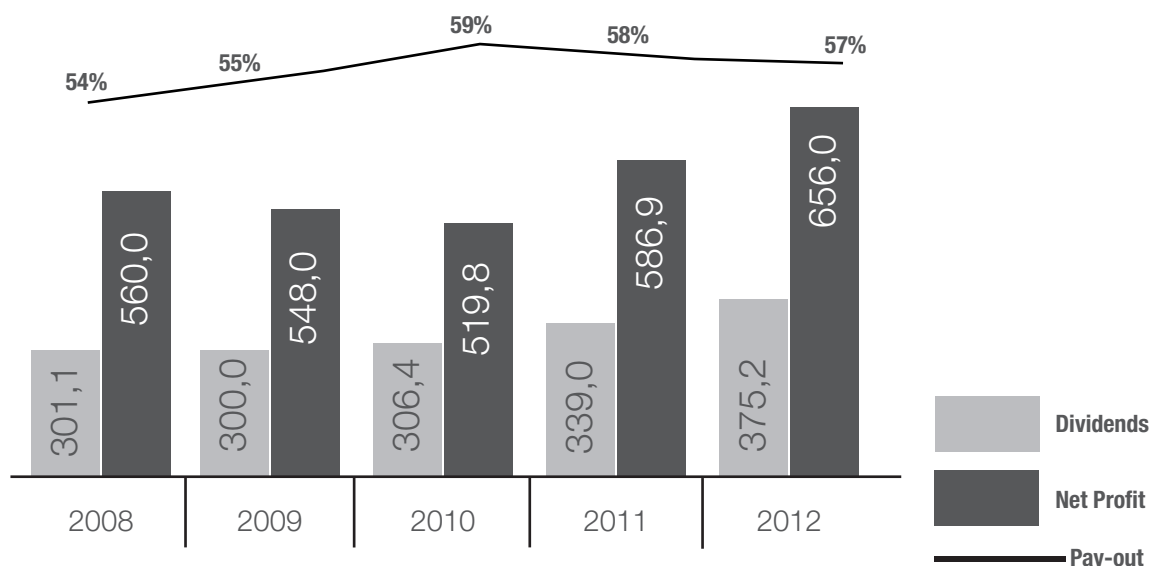
In 2012 these investments totaled R\$ 148.3 million, representing 2.4% of the Net Income from Operation.

DIVIDENDS

The Administration will propose to the Annual General Meeting the allocation, as remuneration to shareholders on the results of 2012, the amount of R\$ 375.2 million for the payment of dividends and interest on equity, which corresponds to R\$ 0.60482353 per share before any deductions of income tax. This amount represents 57% of Net Profit before statutory adjustments.

As of August 15, 2012, we paid interim dividends to shareholders that were declared along the first half of 2012 (interim dividends), totaling R\$ 156.9 million. The payment of dividends for the second half of 2012 (supplementary dividends), totaling R\$ 218.3 million, should occur as of March 13, 2013.

Net Profit, Dividends and Pay-out (%)



HIGHLIGHTS

Acquisition of Stardur

On June 19, we announced the acquisition of Stardur Tintas Especiais Ltda., a company specialized in manufacturing and selling coatings and that operates in the high and low solids coatings, engineered plastics, water soluble products, coil coating and automotive refinishing, complementing the portfolio of products of WEG Coatings. With 250 employees and an area of approximately 10,000 m² in Indaiatuba (SP), Stardur obtained net income of R\$ 78 million in 2011.

On October 16, 2012, the unit was hit by a fire. The accident caused no casualties, only material damage, for which WEG had insurance coverage. The production in the unit was transferred to units in Guaramirim (SC) and Mauá (SP).

Acquisition of Paumar

On December 03, we announced the acquisition of the industry Tintas e Vernizes Paumar S.A. ("Paumar"), a company specialized in manufacturing and selling coatings, varnishes, enamels and lacquers.

Paumar was founded in 1964 and currently has 67 employees, with a built-up area of approximately 5.800m² on a piece of land of 37.500m² in Mauá (SP). In 2011, it obtained income of approximately R\$ 21 million.

The acquisition of Paumar focused mainly on maintaining the production capacity, affected by the fire in October 2012 at Stardur.

Acquisition of Injetel

On October 31, we announced the acquisition of Injetel Indústria e Comércio de Componentes Plásticos Ltda. ("Injetel"), a company specialized in manufacturing and selling switches, sockets and plugs for commercial and residential applications.

Injetel was founded in 1991 and currently has 50 employees, occupying an area of approximately 2,000 m² in Curitiba (PR). In 2011, it obtained income of approximately R\$ 7 million.

Inclusion in the Corporate Sustainability Index (ISE)

On November 29, 2012, BM & FBOVESPA announced that WEG was selected for the ISE BM & FBOVESPA portfolio, in effect from January 7, 2013 to January 3, 2014. The company is the only member from the capital goods, machinery and equipment sector and electronic equipment industry. WEG is also one of 14 companies that authorized the disclosure of the responses of the selection questionnaire.

The portfolio comprises 51 new shares of 37 companies. They represent 16 sectors and total R \$ 1.07 trillion in market value, equivalent to 44.81% of the total value of companies with shares traded at the BM & FBOVESPA on November 26, 2012.

HIGHLIGHTS

Inclusion in the MSCI Global

On November 14, 2012, the company MSCI Inc., owner of the stock index group MSCI, announced the inclusion, as of November 30, 2012, of the common shares issued by WEG traded at the BM & FBOVESPA with the code WEGE3 in the MSCI Global Standard Indexes.

The indexes calculated by the MSCI are used as performance reference for investors totaling more than US\$ 7 trillion worldwide. The inclusion of the WEG shares in the MSCI indexes is the result of the gradual increase in the liquidity of these shares. At the same time, it is expected that the inclusion may increase the interest of foreign institutional investors in WEGE3 shares and in WEGZY receipt traded at the OTC market in the U.S.

FINEP Award 2012

On December 19, 2012, in a ceremony with the presence of President Dilma Rousseff, the process of WEG innovation management received the FINEP Innovation Award 2012, in the “Large Company” category.

The award is organized by the Study and Project Funding Agency (FINEP), linked to the Ministry of Science, Technology and Innovation (MCTI). It was created to acknowledge and disseminate innovative efforts made by Brazilian companies, scientific and technological institutions, and inventors, developed in Brazil and already in application in the country or abroad.



PERSPECTIVES

The perspectives for 2013 are the continuation of the major trends observed in recent years, with gradual recovery in the world economic growth. We believe that, as we have observed from 2010, these conditions will allow us to continue implementing the actions set out in our WEG Strategic Plan 2020 and to maintain the growth of our activities. The entry in new markets and the expansion of the product line through acquisitions and strategic partnerships will continue to be explored.

In Brazil, perspectives indicate that growth will resume in the industrial segment. The measures of payroll relief and tax simplification, incentives to credit for investment from BNDES and the new exchange rate level, which improves the competitiveness of domestic industry, should result in gradual improvement in the industry performance.

Additionally, we must continue to observe investments in infrastructure of the Program for Accelerated Growth, in concessions for roads, ports and airports, and in the preparation to host the World Cup 2014 and the Olympic Games in 2016 in Rio de Janeiro. We also expect greater attention to investments in generation, transmission and distribution of energy, ensuring the conditions for continued economic growth.

Abroad, we will continue to seek opportunities to expand, present even in the so-called mature economies with less favorable macroeconomic environment. Our proximity to customers, the broad portfolio of technologically advanced products and our ability to supply customized solutions will continue giving us advantages in the global market. This flexibility and agility on the market have always been the trademark of our performance.

IN 2013 OUR CAPITAL BUDGET PROVIDES FOR THE FOLLOWING INVESTMENTS:

INVESTMENTS	(R\$ millions)
Fixed Assets (factory expansion / modernization)	265,3
Intangible assets (software)	3,9
Current (working capital)	87,4
TOTAL OF INVESTMENTS	356,6

These investments will be supported by the use of the Reserve for Capital Budget and resources to be collected from financial institutions in Brazil and abroad.

AUDIT SERVICES

In accordance with CVM Instruction No. 381/03, we inform that the Company and its Associates adopt as formal procedure to consult the independent auditors Ernst & Young Chaplet Independent Auditors ("E & YT") so as to ensure that the rendering of other services will not affect the independence and objectivity required to perform the independent audit services. Accordingly, the E&YT issues an annual declaration of independence, in accordance with ISA 260 of the Federal Accounting Council, in which they declare that, as required by the independence rules adopted by the Brazilian Securities Commission, there is no relationship between the E & YT, its affiliates and associates and the Company that may affect their independence. This statement is submitted to the Board of Directors of WEG. The policy of the Company and its associates for the hiring of independent auditors ensures that there is no conflict of interests, loss of independence or objectivity.

During 2012, the E & YT provided, in addition to the audit of the financial statements, punctual services of management consulting and translation of financial statements into English, as follows.

	2012	%
BRAZIL	1.054.010	100
Audit of the Financial Statements	889.399	84
Other services:	164.611	16
Legal consulting in Brazil	75.000	7
Financial and tax consulting abroad	89.611	9

ARBITRATION CHAMBER

The Company is subject to the arbitration of the Market Arbitration Chamber, as per the Arbitration Clause established in its bylaws.

Jaraguá do Sul (SC), February 2013.
THE ADMINISTRATION

WEG S.A.

BALANCE SHEET

On December 31, 2012 and 2011 in thousands of reais.

		PARENT COMPANY		CONSOLIDATED	
	Notes	31/12/12	31/12/11	31/12/12	31/12/11
Current Assets					
Current Assets					
Cash and cash equivalents	4	561.214	520.939	2.302.256	2.931.615
Investments	5	261.244	-	261.244	-
Trade receivables	6	-	-	1.472.839	1.307.692
Inventories	7	-	-	1.306.273	1.362.314
Recoverable taxes	8	6.107	3.782	183.627	156.076
Dividends and interest on equity receivable		60.832	59.724	-	-
Other current assets		-	-	183.778	109.364
		889.397	584.445	5.710.017	5.867.061
Non-Current Assets					
Investments	5	-	239.860	2.032	280.635
Judicial deposits	15	864	541	27.844	24.038
Related parties	9	-	79	-	-
Deferred taxes	10	-	712	36.891	111.488
Recoverable taxes	8	-	-	16.032	12.902
Other non-current assets		-	-	6.034	3.406
Investments	11	3.259.097	2.978.752	7.622	349
Fixed assets	12	4.947	11.956	2.537.094	2.445.760
Intangible assets	13	10	10	529.984	360.222
		3.264.918	3.231.910	3.163.533	3.238.800
Total assets		4.154.315	3.816.355	8.873.550	9.105.861

The accompanying notes are an integral part of the financial statements

WEG S.A.

BALANCE SHEET

On December 31, 2012 and 2011 in thousands of reais.

		PARENT COMPANY		CONSOLIDATED	
	Notes	31/12/12	31/12/11	31/12/12	31/12/11
Liabilities					
Current liabilities					
Trade Payables		-	-	331.037	298.195
Borrowings	14	-	-	1.645.772	1.701.435
Social and tax obligations		9.716	5.765	222.559	205.725
Income tax and social contribution		86	36	72.927	44.185
Dividends and interest on equity payable		79.070	2.182	79.381	2.804
Advances from trade receivables		-	-	358.124	285.843
Profit sharing		-	-	33.559	26.314
Other current liabilities		1.200	770	269.465	188.459
		90.072	8.753	3.012.824	2.752.960
Non-current liabilities					
Borrowings	14	-	-	1.044.068	1.756.293
Tax obligations		-	-	47.328	58.326
Related parties	9	296	1.837	-	-
Contingency provisions	15	3.475	1.889	206.613	145.616
Deferred taxes	10	123	3.764	320.503	421.918
Other non-current liabilities		-	-	90.588	64.159
		3.894	7.490	1.709.100	2.446.312
Total Liabilities		93.966	16.243	4.721.924	5.199.272
Net equity					
Shareholders of the company					
Capital stock	17.a	2.718.440	2.265.367	2.718.440	2.265.367
Capital reserves		(50.293)	3.834	(50.293)	3.834
Shares held in treasury	17.d	(10.055)	(10.055)	(10.055)	(10.055)
Retained earnings		570.044	694.062	570.044	694.062
Stock option plan	18	758	239	758	239
Equity evaluation adjustment		703.652	672.951	703.652	672.951
Proposed additional dividends		127.803	173.714	127.803	173.714
		4.060.349	3.800.112	4.060.349	3.800.112
Non-controlling shareholders					
		-	-	91.277	106.477
Total net equity		4.060.349	3.800.112	4.151.626	3.906.589
Total liabilities and net equity		4.154.315	3.816.355	8.873.550	9.105.861

The accompanying notes are an integral part of the financial statements

WEG S.A.

INCOME STATEMENT

Financial years ended on December 31, 2012 and 2011

In thousands of Reais, except when otherwise indicated.

	Notes	PARENT COMPANY		CONSOLIDATED	
		31/12/12	31/12/11	31/12/12	31/12/11
Product sales		-	-	5.972.118	5.049.430
Service sales		-	-	242.414	192.300
Present value adjustment		-	-	(40.654)	(52.321)
Net income	19	-	-	6.173.878	5.189.409
Cost of sales		-	-	(4.293.022)	(3.633.358)
Gross income		-	-	1.880.856	1.556.051
Sales and distribution expenses		-	-	(619.980)	(508.904)
Administrative expenses		(2.140)	(1.339)	(288.409)	(242.495)
Management fees	9	(2.011)	(1.701)	(18.793)	(16.988)
Other operating income	21	(3.130)	(1.302)	(145.263)	(124.539)
Equity accounting	11	607.970	522.197	-	-
Profit before income		600.689	517.855	808.411	663.125
Financial income	22	54.975	70.562	460.420	499.570
Financial expenses	22	(180)	(161)	-404.729	-396.569
Profit before taxes		655.484	588.256	864.102	766.126
Current taxes	23	(367)	(1.485)	(228.859)	(182.956)
Deferred taxes	23	862	165	29.621	23.851
Net profit of the period		655.979	586.936	664.864	607.021
Attributable to:					
Shareholders of the company				655.979	586.936
Non-controlling shareholders				8.885	20.085
Earnings per share attributable to shareholders of the company - basic and diluted (in R\$)				1,06	0,95

The accompanying notes are an integral part of the financial statements

WEG S.A.

STATEMENT OF COMPREHENSIVE INCOME

Financial years ended on December 31, 2012 and 2011

In thousands of reais.

	PARENT COMPANY		CONSOLIDATED	
	31/12/12	31/12/11	31/12/12	31/12/11
Net profit of the period	655.979	586.936	664.864	607.021
Accumulated adjustments of currency conversion (*)	78.521	34.378	83.513	34.366
Total comprehensive income attributable to:	734.500	621.314	748.377	641.387
Shareholders of the company			734.500	621.314
Non-controlling shareholders			13.877	20.073

(*) The item in the statement of comprehensive income is not taxable.

The accompanying notes are an integral part of the financial statements



STATEMENT OF NET EQUITY CHANGES

Financial years ended on December 31, 2012 and 2011 in thousands of reais.

	Social Capital	Capital Reserve		Capital Reserve	Shares Held in Treasury	Profit Reserve		Asset Evaluation Adjustment		Additional Dividends Proposed Dividends Assets	Retained Earnings Asset	Net Equity		Total
		Goodwill Reserve	Reevaluation of Assets of Associates			Legal Reserve	Reserve for Capital Budget	Adjustment of Conversion	Deemed Cost			Company shareholders	Non-controlling shareholders	
On January 1, 2011	1.812.294	44.931	3.884	-	-	53.409	746.059	(65.893)	758.715	101.208	-	3.454.607	89.229	3.543.836
Payment of dividends	-	-	-	-	-	-	-	-	-	(101.208)	-	(101.208)	-	(101.208)
Capital increase	453.073	(44.931)	-	-	-	(53.409)	(354.733)	-	-	-	-	-	-	-
Capital transactions	-	-	-	-	-	-	-	-	-	-	-	-	(1.759)	(1.759)
Acquisition of shares in treasury (Note 17.d)	-	-	-	-	(10.055)	-	-	-	-	-	-	(10.055)	-	(10.055)
Pricing of stock option (Note 18)	-	-	-	239	-	-	-	-	-	-	-	239	-	239
Realization of reevaluation reserve	-	-	(50)	-	-	-	-	-	-	-	50	-	-	-
Reversal of dividends previous years	-	-	-	-	-	-	-	-	-	-	532	532	-	532
Equity evaluation adjustment: Accumulated adjustments of conversion	-	-	-	-	-	-	-	34.378	-	-	-	34.378	(12)	34.366
Realization of deemed cost net of taxes	-	-	-	-	-	-	-	-	(54.249)	-	54.249	-	67	67
Profit of the period	-	-	-	-	-	-	-	-	-	-	586.936	586.936	20.085	607.021
Proposed allocations:														
Legal reserve (Note 17.c)	-	-	-	-	-	29.347	-	-	-	-	(29.347)	-	-	-
Dividends (Note 17.b)	-	-	-	-	-	-	-	-	-	86.857	(147.036)	(60.179)	(1.133)	(61.312)
Interest on equity (Note 17.b)	-	-	-	-	-	-	-	-	-	86.857	(191.995)	(105.138)	-	(105.138)
Reserve for capital budget	-	-	-	-	-	-	273.389	-	-	-	(273.389)	-	-	-
On December 31, 2011	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
Payment of dividends	-	-	-	-	-	-	-	-	-	(173.714)	-	(173.714)	-	(173.714)
Capital increase	453.073	-	-	-	-	(29.347)	(423.726)	-	-	-	-	-	-	-
Capital transactions	-	(54.077)	-	-	-	-	-	-	-	-	-	(54.077)	(26.353)	(80.430)
Pricing of stock option (Note 18)	-	-	-	519	-	-	-	-	-	-	-	519	-	519
Realization of reevaluation reserve	-	-	(50)	-	-	-	-	-	-	-	50	-	-	-
Reversal of dividends previous years	-	-	-	-	-	-	-	-	-	-	442	442	-	442
Equity evaluation adjustment: Accumulated adjustments of conversion	-	-	-	-	-	-	-	78.521	-	-	-	78.521	4.992	83.513
Realization of deemed cost net of taxes	-	-	-	-	-	-	-	-	(47.820)	-	47.820	-	-	-
Profit of the period	-	-	-	-	-	-	-	-	-	-	655.979	655.979	8.885	664.864
Proposed allocations:														
Legal reserve (Note 17.c)	-	-	-	-	-	32.799	-	-	-	-	(32.799)	-	-	-
Dividends (Note 17.b)	-	-	-	-	-	-	-	-	-	127.803	(189.844)	(62.041)	(1.940)	(63.981)
Interest on equity (Note 17.b)	-	-	-	-	-	-	-	-	-	-	(185.392)	(185.392)	(784)	(186.176)
Reserve for capital budget	-	-	-	-	-	-	296.256	-	-	-	(296.256)	-	-	-
On December 31, 2012	2.718.440	(54.077)	3.784	758	(10.055)	32.799	537.245	47.006	656.646	127.803	-	4.060.349	91.277	4.151.626

WEG S.A.

STATEMENT OF CASH FLOWS - INDIRECT METHOD

Financial years ended on December 31, 2012 and 2011.

	PARENT COMPANY		CONSOLIDATED	
	31/12/12	31/12/11	31/12/12	31/12/11
Operational activities				
Profit before taxes	655.484	588.256	864.102	766.126
Depreciation and amortization	250	276	208.337	188.030
expenses on stock option plan	519	239	519	239
Equity accounting	(607.970)	(522.197)	-	-
Profit share - employees	-	-	108.466	93.354
Increase/reduction in accounts receivable	(9.101)	(6.532)	(324.344)	(343.874)
Increase/reduction in accounts payable	2.732	(6.071)	187.545	130.982
Increase/reduction in inventories	-	-	92.326	(273.341)
Other changes in assets and liabilities	1.686	977	66.701	34.293
Paid income tax and social contribution	(316)	(1.449)	(210.296)	(174.304)
Profit share paid - employees	-	-	(99.790)	(88.369)
Fluxo de caixa líquido originado de atividades operacionais	43.284	53.499	893.566	333.136
Net cash flow from operational activities				
Investments	-	(1.304)	(7.220)	-
Investments	-	-	(54.077)	-
Goodwill on capital transaction	-	-	(237.882)	(189.065)
Acquisition of fixed assets	-	-	(17.939)	2.426
Acquisition of intangible assets	-	-	(183.156)	(234.902)
Acquisition of associate	(21.384)	(239.860)	17.359	(280.635)
Investment	-	-	22.827	21.000
Income from sale of fixed assets	335.240	327.073	-	-
Receipt of dividends/interest on equity	-	-	78.521	34.378
Net cash used in Investments	313.856	85.909	(381.567)	(646.798)
Borrowings				
New borrowings obtained	-	-	982.720	2.284.737
Payment of borrowings	-	-	(1.578.739)	(1.127.569)
Interest paid on borrowings	-	-	(174.827)	(155.246)
Acquisition of participation from non-controlling shareholders	-	-	(52.090)	-
Shares held in treasury	(316.865)	(298.358)	(318.422)	(10.055)
Net cash flow used in Borrowings	(316.865)	(308.413)	(1.141.358)	692.281
Cash and cash equivalents on January 1	520.939	689.944	2.931.615	2.552.996
Cash and cash equivalents on December 31	561.214	520.939	2.302.256	2.931.615

The accompanying notes are an integral part of the financial statements

WEG S.A.

STATEMENT OF ADDED VALUE

Financial years ended on December 31, 2012 and 2011

In thousands of reais.

	PARENT COMPANY		CONSOLIDATED	
	31/12/12	31/12/11	31/12/12	31/12/11
Income	-	-	7.091.928	6.005.251
Sales of goods, products and services	-	-	7.074.406	6.006.960
Other income	-	-	23.939	718
Provision for losses on customers credit - rev./ (const.)	-	-	(6.417)	(2.427)
Inputs acquired from third parties	(2.542)	(703)	(3.979.234)	(3.382.369)
Cost of goods and services, energy, contractors and others	(994)	(378)	(3.928.347)	(3.376.707)
Others	(1.548)	(325)	(50.887)	(5.662)
Gross added value	(2.542)	(703)	3.112.694	2.622.882
Depreciation, amortization and exhaustion	(250)	(276)	(208.337)	(188.030)
Net added value generated by the company	(2.792)	(979)	2.904.357	2.434.852
Added value received in transfers	662.946	592.760	460.420	499.570
Equity in earnings of subsidiaries and associate companies.	607.971 54.975	522.197 70.563	- 460.420	- 499.570
Total added value to distribute	660.154	591.781	3.364.777	2.934.422
Distribution of value added	660.154	591.781	3.364.777	2.934.422
Staff	3.880	2.886	1.277.996	1.051.038
Direct remuneration	3.769	2.793	1.097.014	896.973
Benefits	55	46	123.360	105.138
F.G.T.S.	56	47	57.622	48.927
Taxes and contributions	188	1.926	991.837	842.670
Federal	187	1.926	885.100	749.346
State	-	-	97.746	87.351
Municipal	1	-	8.991	5.973
Remuneration of third party capital	107	33	430.080	433.693
Interest	107	33	402.520	414.051
Rents	-	-	27.560	19.642
Remuneration on equity	655.979	586.936	664.864	607.021
Dividends	189.844	147.036	189.844	147.036
Interest on equity	185.392	191.995	185.392	191.995
Retained earnings / loss of the period	280.743	247.905	280.743	247.905
Retained earnings / loss of the period - non-controlling shareholders	-	-	8.885	20.085

The statement of added value is not part of the consolidated financial statements in IFRS.

The accompanying notes are an integral part of the financial statements.

WEG S.A.

Explanatory notes to the financial statements

On December 31, 2012

In thousands of Reais, except when otherwise indicated.

1. Information on the Company

WEG S.A. (the “Company”) is a Brazilian corporation headquartered at Avenida Prefeito Waldemar Grubba, No. 3,300, in Jaraguá do Sul - Santa Catarina, Brazil, holding company part of the WEG Group (“Group”) which is principally engaged in the production and sales of capital goods, such as electric motors, generators and transformers; gearboxes, frequency inverters, motor starters and switching devices, control and protection of electrical circuits and industrial automation, electric drive solutions for urban and marine transportation; solutions for generation of renewable and distributed energy, exploiting all opportunities in small hydro plants, biomass, wind and solar plants, UPSs and alternators for generator sets, electrical substations, industrial electrical and electronic systems, and industrial coatings and varnishes. Operations are conducted through manufacturing plants located in Brazil, Argentina, Mexico, USA, Portugal, Austria, South Africa, India and China.

The company has its shares traded at the BM & FBOVESPA under the code “WEGE3”, the company has been listed since June 2007 in corporate governance category called Novo Mercado (New Market).

The company owns American Depositary Receipts “ADRs” – Level I that are traded in the OTC market in the United States under the symbol WEGZY.

2. Accounting policies

The preparation of financial statements requires the use of certain accounting estimates, supported by assessments and judgment of the Administration; the most important ones are disclosed in note 3.

The authorization to complete the preparation of these financial statements occurred at the Board meeting held on February 08, 2013.

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

a) individual financial statements (parent company)

The financial statements were prepared in accordance with the accounting practices adopted in Brazil issued by the Accounting Pronouncements Committee (CPC) and are published in conjunction with the consolidated financial statements. The accounting practices adopted in Brazil applicable to the individual financial statements differ from the IFRS (applicable to the separate financial statements) only in relation to the evaluation of the investments by the equity method in associates, while according to the IFRS it would be by the cost or fair value.

b) consolidated financial statements

The consolidated financial statements were prepared in accordance with the accounting practices adopted in Brazil, which include the rules of the Brazilian Securities Commission (CVM) and the pronouncements of the Accounting Pronouncements Committee (CPC), which are in accordance with international accounting standards issued by the International Accounting Standards Board (IASB).

2.1.Consolidation basis

They are drawn in the same period of disclosure of the parent company, using consistent accounting policies, and are composed of the financial statements of the associates mentioned in Note 11.

All balances, income, expenses, gains and losses not realized, resulting from transactions between the companies of the Group included in the consolidation are eliminated.

A change in participation in an associate that does not result in loss of control is booked as a transaction between shareholders in the net equity.

The result of the period and the comprehensive result are attributed to the shareholders of the parent company and to the participation of non-controlling shareholders of the consolidated companies. Losses are attributed to the participation of non-controlling shareholders, even if they results in a negative balance.

2.2.Business combinations

When acquiring a business, the Company assesses the financial assets and liabilities in order to classify and allocate them according to the contractual terms, economic circumstances and pertinent conditions, within one year after the date of acquisition. If the business combination is performed in stages, the fair value on the date of acquisition of stock previously held in the capital of the acquired company is reevaluated at fair value on the date of the acquisition, and the impacts are recognized in the income statement.

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

After initial recognition, goodwill is measured at the cost deducted of any accumulated losses from the recoverable value. For the purpose of testing the recoverable value, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash generating units of the Company, which are expected to benefit from the synergies of the combination, regardless other assets or liabilities of the acquired company to be assigned to those units.

When goodwill is part of a cash-generating unit and a part of that unit is divested, the goodwill associated with the divested part is included in the cost of the operation when determining the gain or loss. The goodwill of this operation is determined based on the proportional value of the divested part in relation to the cash-generating unit.

2.3.Conversion of foreign currency

a) Functional currency of companies of the group

The consolidated financial statements are presented in Brazilian Reais (R\$), which is the functional currency of the parent company and its associates located in Brazil.

The functional currency of foreign associates is determined on the basis of the primary economic environment in which they operate, and when the currency is different from the functional currency of the financial statements, they are converted into the Real (R \$) on the date the financial statements.

b) Transactions and balances

Transactions in foreign currencies are recorded at the exchange rate of the functional currency on the transaction date. Monetary assets and liabilities assigned in foreign currencies are converted at the exchange rate of the functional currency on the date of the financial statements. All differences are entered in the income statement. Non-monetary items measured based on historical cost in foreign currency are converted using the exchange rates prevailing on the dates of the initial transactions. Non-monetary items measured at fair value in foreign currency are converted using the exchange rates prevailing on the date when the fair value was determined.

c) conversion of balance sheets of the companies of the group

Assets and liabilities of foreign associates are converted into Reais at the exchange rate on the date of the financial statements, and the corresponding income statements are converted by the average monthly exchange rate. Exchange differences arising from such conversion are recognized separately in the net equity. At the sale of a foreign associate, the accumulated deferred amount recognized in the net equity relating to that foreign associate is recognized in the income statement.

2.4.Cash and cash equivalents

They include checking account balances and short-term investments with immediate liquidity which are entered at cost value plus income earned to the date of the closing of the balance sheet, according to the rates agreed with the financial institutions, and they do not exceed their market or realizable value (Note 4).

2.5.Investments

They are investments classified as held to maturity and are entered at cost value plus income plus income earned to the date of the closing of the balance sheet, according to the rates agreed with the financial institutions, and they do not exceed their market or realizable value. They are not considered as cash equivalents for not having immediate liquidity (Note 5).

2.6.Trade receivables

They correspond to the receivables for the sale of goods or services in the normal course of business, entered at present and realizable values. The provision for losses on customer credits is calculated based on the analysis of credit risk, which considers the percentage of overdue bills, market liquidity and credit level, and it is sufficient to cover losses on receivables (Note 6).

2.7.Inventories

Inventories are evaluated and are entered at average cost of acquisition or production considering the present value, when applicable. The Company defrays its inventory by absorption, using the weighted moving average.

Provisions of inventory for: (i) realization, (ii) low turnover, and (iii) obsolete inventories are established when deemed necessary by the Administration. Imports in progress are entered at the accumulated cost of each import (Note 7).

2.8.Related parties

The purchases and sales of services, inputs and products are done under terms and conditions similar to transactions with unrelated third parties (Note 9).

2.9. Investment properties

Investment properties are entered at cost of acquisition and / or construction, deducted of the respective accumulated depreciation, except for land, which is not subject to depreciation.

The write-off occurs when these properties are sold or ceases to be used permanently. The difference between the net amount obtained from the sale and book value of the asset is recognized in the income statement in the period of the write-off. Transfers are made from this account only when there is a change in its use (Note 11).

2.10. Fixed asset

Fixed assets are evaluated at cost of acquisition and/or construction, added of capitalized interest during the construction period, when applicable. Fixed assets are entered net of respective depreciations, except for land which is not subject to depreciation. It is Included costs incurred on loans during the period of construction, expansion and modernization of industrial units.

expenses for maintenance and repairs that do not significantly increase the useful life of the assets are accounted as expenses when incurred. Gains and losses on divestitures are determined by comparing the sale proceeds to the accounting residual value, and they are recognized in the income statement. Depreciation is calculated linearly and takes into consideration the useful life of the assets, which is reviewed periodically in order to adjust the depreciation rates (Note 12).

2.11. Intangible assets

They are evaluated at the acquisition cost, deducted of the amortization and any provision for adjusting them to their probable realization value, when necessary. Intangible assets with finite useful life are amortized taking into account the estimated period of generation of future economical benefits. The goodwill for expected future profitability, without a defined useful life, was amortized until December 31, 2008, and it is subject to impairment testing annually or whenever evidence indicates loss of economical value (Note 13).

2.12. Evaluation at recoverable value of assets

The fixed and intangible assets, including goodwill for expected future profitability and, where applicable, other non-current assets, are evaluated annually at recoverable value through the future cash flows. It is assumed sales growth rates at the conservative level of 90% of the budget, margins equivalent to those obtained in the previous year and discount rates that represent the expected returns, which reflect the market assessment regarding risks of each cash generating unit. On December 31, 2012, the reduction on these assets was not calculated.

2.13. Contingency provision

Provisions are recognized when the Company and its associates have the present obligation as a result of past events, and it is probable that an outflow of resources be required to settle the obligation and the amount can be reliably estimated. Provisions are reviewed periodically according to their nature and based on the opinion of the attorneys of the Company (Note 15).

2.14. Dividends and interest on equity

Dividends and interest on equity attributed to dividends are recognized as a liability based on the minimum dividends set by the company's bylaws. Any amount above the minimum required is only recognized as a liability when approved by the shareholders at the General Meeting or the Board of Directors (Note 17).

2.15. Present value adjustment

The assets and liabilities arising from short-term operations, when relevant, were adjusted at present value based on discount rates that reflect the best market assessments. The discount rate used is the ICD (Interbank Certificate of Deposit). The measurement of the present value adjustment was performed on an exponential pro rata die basis, from the origin of each transaction.

2.16. Pension plan

The Company sponsors a pension plan of the defined benefit type, which provides benefits to risks, including disability, sickness support, pension and compensation after death. The cost of the plan is established using the projected unit credit method. Actuarial liabilities with the plan are provisioned for based on actuarial calculations, prepared annually by independent actuaries in accordance with the projected unit credit method, net of the assets that guarantee the plan, and the corresponding costs are calculated and recognized during the working period of the employees. Actuarial assumptions – such as mortality table, biological and economic hypotheses, historical data on expenses incurred and contributions of employees – are used (Note 16).

2.17. Financial instruments

The Company's financial instruments include:

a) Cash and cash equivalents: They are presented at their market value, which is equivalent to their book value (Note 4);

b) Investments: The market value is reflected on the amounts recorded in the balance sheets. Investments are classified as intended for trading (Note 5);

c) Trade payables: They are recognized at their realization value by using the effective interest rate method and are classified as loans and receivables (Note 6);

d) Trade payables: They are recognized by their amortized cost by using the effective interest rate method and are classified as liabilities;

e) Borrowings: The main purpose of this financial instrument is to generate funds to finance expansion programs of the Company and occasionally meet the its cash flows needs in the short term (Note 14):

- **Borrowings in national currency** - they are classified as financial liabilities not measured at fair value and are entered at their values updated according to hired rates. The market values of these loans are equivalent to their book values, because they are financial instruments with unique features derived from specific funding sources.

- **Borrowings in foreign currency** - they are loans hired to support the working capital of the business operations in Brazil and in foreign associates and are updated according to the hired rates.

- **Non Deliverable Forwards Operations - NDF and SWAP:** Classified as derivative financial instruments, recorded based on the market price.

2.18. Shares held in treasury

They are recognized at cost and deducted from the net equity. No gain or loss is recognized in the income statement at the purchase, sale, issue or cancellation of the equity instruments of the Company. Any difference between the book value and the consideration is recognized in other capital reserves.

2.19. Stock option plan

The Company approves the options to purchase shares for its directors appointed pursuant to the bylaws or of its associates in Brazil, who will only exercise this option after a specific grace period. The options are measured at fair value based on the date of approval using the Black-Scholes-Merton pricing model, and they are recognized as expenses in the item “other income” in the income statement of the period in compensation of capital reserve in the Net Equity as the terms of the periods of exercise of the options are realized (Note 17). Changes to the calculation and subsequent reversals of acquisition are made only when there is: (i) reduction in the purchase price of the approved options, (ii) reduction in the number of options expected to vest.

2.20. Government grants and subsidies

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be met. When the benefit relates to an expense item, it is recognized as income along the benefit period, in a systematic way in relation to costs the benefit aims at compensating. When the benefit relates to an asset, it is recognized as deferred income and entered in the income in equal amounts along the expected useful life of the corresponding asset. When the Company receives non-monetary benefits, the asset and the benefit are recorded at rated value and are reflected on the income statement along the expected useful life of the asset in equal annual installments (Note 26).

2.21. Income recognition

The income is recognized to the extent that it is probable that economic benefits will flow to the Company. It is measured at fair value of the consideration received, excluding discounts, rebates and sales taxes or charges.

The income from sale of goods is recognized in the result when all risks and benefits inherent in the product are transferred to the buyer. The income from services is recognized in the result after its realization.

2.22. Taxes

a) Income tax and social contribution - current and deferred

Except for the associates located abroad, where it is observed tax rates valid for each of the countries where these associates are located, income tax and social contribution of the Company and its associates in Brazil are calculated at tax rates of 25% and 9% respectively.

b) Other taxes

Income, expenses and assets are recognized net of sales taxes, except: (i) when the sales tax incurred on the purchase of goods or services is not recoverable from the tax authorities, situation in which the sales tax is recognized as part of cost of acquisition of the asset or item of expense, as applicable, (ii) when the receivable and payable amounts are presented together with the amount of sales taxes, and (iii) the net amount of sales tax, recoverable or payable, is included as part of receivable or payable amounts in the balance sheet.

2.23. Earnings per share - basic and diluted

Basic earnings per share are calculated by dividing the earnings attributable to shareholders of the company by the weighted average number of common shares issued during the fiscal period. The diluted profit per share is calculated by adjusting the weighted average number of common outstanding shares assuming all potentially common shares that would cause dilution (Note 28).

2.24. Information by segment

The Administration determined the operating and geographical segments of the Company based on the reports used internally for strategic decision making in business. The Company's management is structured and systematized with information of operations considering the industry, energy, foreign and consolidated segments (Note 27).

2.25. New pronouncements that are not effective yet

The Board of Directors has been monitoring the pronouncements that: (i) have been issued, but shall be effective only from January 1, 2013, and (ii) are under study by regulatory agencies and are public known, and concluded that none of these pronouncements will have significant impacts on the financial statements of the Company.

3. Estimates and assumptions

The financial statements include the use of estimates that took into account the experiences of past and current events, assumptions relating to future events, and other objective and subjective factors. Significant items subject to such estimates and assumptions are:

- a) credit risk analysis to determine the provision for doubtful credits;
- b) review of the useful life of fixed assets and their recovery in the operations;
- c) measurement of fair value of financial instruments;
- d) commitments with employee benefit plan;
- e) transactions with stock option plan;
- f) active deferred income tax on fiscal losses and negative basis of social contribution;
- and
- g) analysis of other risks to determine other provisions, including for contingencies arising from administrative and judicial proceedings and other assets and liabilities on the date of the financial statements.

The settlement of transactions involving these estimates may result in amounts different from those entered in the financial statements due to uncertainties inherent in the estimation process. These estimates and assumptions are reviewed periodically.



4. Cash and cash equivalents

	PARENT COMPANY		CONSOLIDATED	
	31/12/12	31/12/11	31/12/12	31/12/11
a) Cash and banks	28	28	211.295	59.512
b) Investments	561.186	520.911	2.090.961	2.872.103
In local currency:	561.186	520.911	1.932.330	2.832.901
Certificate of Bank Deposit (CBD) and Investment Funds	561.186	520.911	1.932.330	2.832.901
In foreign currency:	-	-	149.656	37.502
Certificates of deposits abroad	-	-	128.596	25.041
Other cash balances held abroad	-	-	21.060	12.461
SWAP	-	-	8.956	-
NDF – Non Deliverable Forwards	-	-	19	1.700
Total	561.214	520.939	2.302.256	2.931.615

Investments in Brazil

They are remunerated at rates of 98% to 107% of ICD - Interbank Certificate of Deposit (100% to 106% of ICD on December 31, 2011).

Investments Abroad:

Certificates of deposits issued by financial institutions abroad are remunerated:

- In Euros with interest of 0.25% to 2.4% a year on the principal amount of EUR 33,972, whose balance is R\$ 91,635 (R\$ 7,430 on December 31, 2011);
- In Dollars with interest of 0.02% to 1.5% a year on the principal amount of US\$ 18,060, whose balance is R\$ 36,961 (R\$ 17,611 on December 31, 2011);
- In source currency with interest of 2.0% to 7.0% a year, whose balance is R\$ 21,060 (R\$ 12,461 on December 31, 2011).

5. Investments

	PARENT COMPANY		CONSOLIDATED	
	31/12/12	31/12/11	31/12/12	31/12/11
Financial Bills	261.244	239.860	261.244	239.860
Certificate of Bank Deposit (CBD)	-	-	-	40.775
Others	-	-	2.032	-
Total	261.244	239.860	263.276	280.635
Short term	261.244	-	261.244	-
Long term	-	239.860	2.032	280.635

The Company has investments in Financial Bills to the amount of R \$ 261,244 which bear interest rates of 105% to 107% of ICD - Interbank Certificate of Deposit (100% to 106% of ICD on December 31, 2011). These applications are not considered as cash and cash equivalents due to a lack of immediate liquidity.

6. Customers

	CONSOLIDATED	
	31/12/12	31/12/11
a) Balance breakdown:		
Domestic Market	753.737	673.032
External Market	738.189	650.876
SUBTOTAL	1.491.926	1.323.908
Present value adjustment	(897)	(3.070)
Provision for customer credit losses	(18.190)	(13.146)
Total	1.472.839	1.307.692
b) Actual customer credit losses during the period	3.010	144
c) Trade bill maturity:		
Due	1.266.632	1.191.813
Overdue: Within 30 days	97.068	68.854
Above 30 days	128.226	63.241
Total	1.491.926	1.323.908

The transaction of the provision for customer credit losses are shown below:

Balance on 01/01/2011	(13.314)
Written off losses	144
Constitution of provision	(4.244)
Constitution of Provision	4.268
Balance on 31/12/2011	(13.146)
Written off losses	3.010
Constitution of provision	(8.810)
Constitution of Provision	756
Balance on 31/12/2012	(18.190)

7. Inventories

	CONSOLIDATED	
	31/12/12	31/12/11
Finished goods	229.276	262.408
Goods in manufacture process	222.197	262.454
Raw materials and others	229.249	225.658
Imports in progress	51.167	51.611
Provision for obsolescence	(9.780)	(9.741)
Total inventories in the domestic market	722.109	792.390
Finished goods	408.681	384.601
Goods in manufacture process	72.734	82.453
Raw materials and others	119.982	119.184
Provision for obsolescence	(17.233)	(16.314)
Total inventories in external market	584.164	569.924
Total geral	1.306.273	1.362.314

The transaction of provision for obsolescence is shown below:

Balance on 01/01/2011	(19.977)
Written-off inventories	22.148
Constitution of provision	(28.226)
Balance on 31/12/2011	(26.055)
Written off inventories	9.067
Constitution of provision	(10.025)
Balance on 31/12/2012	(27.013)

Inventories are insured and coverage is determined based on the amount and degree of risk involved. The cost of sales includes the values of R\$ 9,067 (R\$ 22,148 on December 31, 2011) relating to inventories written off to the amount of R\$ 10,025 (R\$ 28,226 on December 31, 2011), remaining the provision for loss with inventories.

8.Recoverable taxes

	PARENT COMPANY		CONSOLIDATED	
	31/12/12	31/12/11	31/12/12	31/12/11
ICMS on purchases of fixed assets	-	-	23.462	22.759
IVA of foreign associates	-	-	69.400	51.462
PIS/COFINS on purchases of fixed assets	-	-	3.696	10.122
ICMS	-	-	24.554	20.700
IPI	-	-	12.643	14.237
IRPJ/CSLL to compensate	6.107	3.782	16.050	11.778
PIS/COFINS	-	-	33.416	30.255
Others	-	-	16.438	7.665
Total	6.107	3.782	199.659	168.978
Short term	6.107	3.782	183.627	156.076
Long term	-	-	16.032	12.902

Credits will be realized by the Company and its associates, through the normal process of calculating taxes, and there are also credits eligible for restitution and / or compensation.

9.Related parties

The financial statements include the financial statements of the Company and its associates presented in note 11. Business transactions of purchase and sale of products, raw materials and hiring of services, as well as financial transactions of loans, collection of funds among companies of the group and remuneration of Directors, were carried out as follows.

Amount of current balances:

	PARENT COMPANY		CONSOLIDATED	
	31/12/12	31/12/11	31/12/12	31/12/11
ASSET ACCOUNTS				
Non-Current Assets	-	79	-	-
Management of financial resources				
WEG Tintas Ltda.	-	79	-	-
Current liabilities	-	-	2.092	1.566
Agreements with administrators	-	-	2.092	1.566
Non-Current Assets	296	1.837	-	-
Management of financial resources				
WEG Weg Equipamentos Elétricos S.A.	296	1.699	-	-
RF Reflorestadora Ltda.	-	138	-	-

	PARENT COMPANY		CONSOLIDATED	
	31/12/12	31/12/11	31/12/12	31/12/11
Profit Accounts				
Remuneration of the administration:				
a) Fixed (fees)	2.011	1.701	18.793	16.988
Board of Directors	1.342	1.124	1.825	1.588
Direction	669	577	16.968	15.400
b) Variable (profit sharing)	1.582	979	9.849	6.129
Board of Directors	1.058	647	1.439	906
Direction	524	332	8.410	5.223
			-	-

Additional information:

a) Business operations

The transactions of purchase and sale of inputs and products are made under the same conditions as those used with unrelated parties, prevailing cash sales;

b) Management of financial resources

Financial and commercial transactions between the companies of the Group are entered in bookkeeping account, according to the requirements of the Group convention, without remuneration. Credit/debit contracts made with Administrators are recorded in bookkeeping account and remunerated between 95% and 100% of ICD - Interbank Certificate of Deposit variation;

c) Provision of services and other covenants

WEG Equipamentos Elétricos S.A. signed a "Guarantees and Other Covenants" agreement with Hidráulica Industrial S.A. Ind. e Com. (HISA), so that WEG act as guarantor in credit operations and in the issuance of guarantees to customers (Performance Bond, bond, etc..);

d) Guarantees and sureties

WEG S.A. granted sureties and guarantees to foreign associates to the amount of US\$ 237.9 million (US\$ 207.5 million on December 31, 2011);

e) Remuneration of the Administration

The members of the Board of Directors were remunerated to the amount of R\$ 1,825 (R\$ 1,588 on December 31, 2011) and the Direction to the amount of R\$ 16,968 (R\$ 15,400 on December 31, 2011) for their services, corresponding to the total amount of R\$ 18,793 (R\$ 16,988 on December 31, 2011). Provided that the result of the activity on the invested capital is at least 10%, a participation from 0% to 2.5% of the net profits is determined to be distributed to the Administrators.

The provision is recognized in the earnings of the period to the amount of R\$ 9,849 (R\$ 6,129 on December 31, 2011), under the item "other operating expenses". The Board Members and Directors receive additional corporate benefits such as: medical and dental care, life insurance, supplemental social security benefits, among others.

10. Deferred taxes

Deferred tax credits and liabilities of income tax and social contribution were calculated according to the rules in force in each country.

a) Value breakdown

	PARENT COMPANY		CONSOLIDATED	
	31/12/12	31/12/11	31/12/12	31/12/11
IRPJ losses	-	-	21.393	11.773
Negative calculation basis of CSLL	21	-	3.277	1.252
Temporary differences:				
Provision for contingencies	-	-	32.302	28.346
Taxes under litigation	879	565	24.383	9.686
Losses with trade receivables credits	-	-	2.694	3.234
Losses with inventories without turnover	-	-	5.244	5.628
Indemnities with labor and contract terminations	-	-	13.316	10.772
Freight and sales commissions	-	-	7.936	4.819
Accounts payable (electric power, technical assistance and others)	-	-	15.241	12.610
Profit Sharing	-	-	11.254	7.173
Adjustment of the transition tax regime	(51)	(40)	(97.766)	(64.815)
Incentivized accelerated depreciation by Law No. 11.196/05	614	147	768	6.620
Other additions and exclusions	(1.586)	(3.724)	(319.295)	(344.605)
Deemed cost of fixed assets				
Total	(123)	(3.052)	(283.612)	(310.430)
Non-Current Assets	-	712	36.891	111.488
Non-Current Liabilities	(123)	(3.764)	(320.503)	(421.918)

b) Estimated period for realization

The Administration expects that the deferred taxes arising from temporary differences to be realized in the proportion of the realization of the projected contingencies, losses and obligations.

Regarding the deferred tax credits, established on tax losses and negative basis of social contribution, the Administration estimates they shall be realized in the next 5 years.

11. Investments

11.1. Investments in associates

	P.L. Adjusted	Net Profit of the Period	Participation in Capital Stock (%)				Equity		Asset Value of the Investment	
			31/12/12		31/12/11		31/12/12	31/12/11	31/12/12	31/12/11
			Direct	Indirect	Direct	Indirect				
WEG Equipamentos Elétricos S.A.	2.667.895	574.529	100,00	-	100,00	-	533.587 (*)	487.376	2.667.895	2.666.862
RF Reflorestadora S.A.	-	-	-	-	-	-	-	11.618	-	-
RF Reflorestadora Ltda.	237.332	10.012	100,00	-	100,00	-	10.012	2.437	237.332	232.948
WEG Tintas Ltda.	82.917	23.449	99,91	0,09	99,91	0,09	23.427	18.433	82.840	65.550
WEG Amazônia S.A.	37.415	(3.252)	0,02	99,98	0,02	99,98	(1)	1	6	7
WEG Administradora de Bens Ltda.	24.720	368	5,09	94,91	-	100,00	(3.450)	-	1.238	-
WEG Logística Ltda.	4.767	4.623	-	100,00	-	100,00	-	-	-	-
WEG Linhares Equipos Elétricos S.A.	98.118	8.610	-	99,99	-	99,99	-	-	1	-
WEG Drives & Controls Automação Ltda.	254.217	41.336	99,99	0,01	99,00	1,00	41.344	1.077	254.217	831
WEG Partner Aero geradores S.A.	10	-	-	99,90	-	99,90	-	-	-	-
WEG-Cestari Redut. Motorredut. S.A.	36.090	1.664	-	50,01	-	-	-	-	-	-
WEG Automação Critical Power Ltda. **	17.572	(754)	0,05	99,95	0,12	99,88	1	(2)	9	8
Hidráulica Indl.S.A. Ind. e Com.	52.789	514	-	61,92	-	61,92	-	-	-	-
Agro Trafo Administradora de Bens S.A.	4.853	727	91,75	8,25	91,75	8,25	667	(238)	4.453	3.786
Sensores Eletrônicos Instrutech Ltda.	2.555	934	0,05	99,95	0,01	99,99	1	-	2	-
Logotech Sensores Eletrônicos Ltda.	-	112	-	-	0,10	99,90	-	-	-	-
Injetel Ind. Com. Comp. Plásticos Ltda.	814	222	-	100,00	-	-	-	-	-	-
Ind. de Tintas e Vernizes Paumar S.A.	66.950	5.539	-	100,00	-	-	-	-	-	-
WEG Equipamentos Electricos S.A.	54.268	13.938	10,44	89,55	10,44	89,55	1.425	967	5.666	4.478
WEG Chile S.A.	24.118	3.562	8,00	92,00	8,00	92,00	288	263	1.929	1.669
WEG Colômbia Ltda.	12.027	1.592	1,00	99,00	1,00	99,00	16	12	120	86
WEG Electric Corp.	102.585	14.728	0,79	99,91	0,79	99,21	121	51	808	625
WEG Service CO.	(128)	569	-	100,00	-	100,00	-	-	-	-
WEG Overseas S.A.	9	(11)	100,00	-	100,00	-	(11)	(43)	9	20
WEG México S.A. de C.V.	104.336	12.609	-	99,99	-	99,99	-	-	1	1
WEG Transformadores México S.A. de C.V.	35.144	1.165	-	60,00	-	60,00	-	-	-	-
Voltran S.A. de C.V.	46.490	3.189	-	60,00	-	60,00	-	-	-	-
WEG Indústrias Venezuela C.A.	5.928	1.967	-	99,99	-	99,99	-	-	-	-
Zest Electric Motors (Pty) Ltd.	157.064	41.694	-	92,57	-	50,68	-	-	-	-
WEG Nantong CO Ltd.	54.797	4.376	-	100,00	-	100,00	-	-	-	-
WEG Middle East Fze.	(1.647)	(886)	-	100,00	-	100,00	-	-	-	-
WEG Industries (India) Private Ltd.	107.617	(8.018)	-	99,99	-	99,99	-	-	-	-
WEG Electric (India) Private Limited	677	272	4,99	94,99	4,99	94,99	13	(1)	34	20
WEG Electric Motors Japan CO. Ltd.	1.351	588	-	100,00	-	100,00	-	-	-	-
WEG Singapore Pte. Ltd.	3.701	3.284	-	100,00	-	100,00	-	-	-	-
WEG Germany GmbH.	40.226	501	-	100,00	-	100,00	-	-	-	-
WEG Benelux S.A.	29.076	3.342	-	99,99	-	99,99	-	-	-	-
WEG Iberia S.L.	725.889	97.295	-	100,00	-	100,00	-	-	-	-
WEG France S.A.S	3.105	(521)	-	100,00	-	100,00	-	-	-	-
WEG Electric Motors (UK) Ltd.	12.116	2.870	-	100,00	-	100,00	-	-	-	-
WEG Italy S.R.L.	9.562	1.741	0,07	99,93	0,07	99,93	1	-	7	5
WEG Euro Ind. Electrica S.A.	44.038	9.447	5,74	94,26	5,74	94,26	529	246	2.529	1.856
WEG Electric CIS	4.796	3.284	-	100,00	-	100,00	-	-	-	-
WEG Scandinavia AB.	1.368	(1.091)	-	100,00	-	100,00	-	-	-	-
WEG Australia Pty Ltd.	30.525	4.882	-	100,00	-	100,00	-	-	-	-
WEG Peru S.A.	908	282	0,05	99,95	0,05	99,95	-	-	1	-
Pulverlux S.A.	778	(57)	-	100,00	-	100,00	-	-	-	-
EPRIS Argentina S.R.L.	161	56	-	100,00	-	100,00	-	-	-	-
Electric Machinery Holding Company	61.867	1.990	-	100,00	-	100,00	-	-	-	-
Watt Drive Antriebstechnik GmbH	8.147	(281)	-	100,00	-	100,00	-	-	-	-
Total							607.970	522.197	3.259.097	2.978.752

(*) Equivalence adjusted by unrealized profits.

(**) Change of company name Equisul Indústria e Comércio Ltda.

11.2. Acquisitions

Aiming at offering an increasingly wider portfolio of products and solutions, with gains in flexibility to serve customers and increase the growth potential of the Company, the following acquisitions were made:

(i) Zest Electric Motors (Pty) Ltd.

In January 2012, the associate acquired 41.89% of participation in Zest Electric Motors (Pty) Ltd. The goodwill, to the amount of R\$ 54,077, was initially measured as the excess of the consideration transferred in relation to the net assets acquired and recognized in the net equity as capital transaction. The consideration transferred was performed using available cash and cash equivalents to the amount of R\$ 106,167.

(ii) WEG-Cestari Redutores e Motorreductores S.A.

In January 2012, the associate WEG Equipamentos Elétricos S.A. acquired 50.0% +01 share of participation in WEG-Cestari Redutores e Motorreductores S.A. The goodwill, to the amount of R \$ 66,706, was initially measured as the excess of the consideration transferred in relation to the net assets acquired. The consideration transferred is being performed using available cash and cash equivalents to the amount of R \$ 84,613.

The financial statements of this associate were consolidated as of January 1, 2012.

(iii) Stardur Tintas Especiais Ltda.

In June 2012, the associate WEG Equipamentos Elétricos SA, acquired 100% of stake in Stardur Tintas Especiais Ltda. The goodwill, to the amount of R\$ 48,020, was initially measured as the excess of the consideration transferred in relation to the net assets acquired. The consideration transferred is being performed using available cash and cash equivalents to the amount of R\$ 85,000.

The financial statements of this associate were consolidated as of July 1, 2012.

(iv) Injetel Ind. Com. Comp. Plásticos Ltda.

In October 2012, the associate WEG Drives and Controls Automação Ltda. acquired 100% of stake in Injetel Ind. Com. Comp. Plásticos Ltda. The goodwill, to the amount of R\$ 3,552, was initially measured as the excess of the consideration transferred in relation to the net assets acquired. The consideration transferred is being performed using available cash and cash equivalents to the amount of R\$ 4,233.

The financial statements of this associate were consolidated as of November 1, 2012.

(v) Ind. de Tintas e Vernizes Paumar S.A.

In November 2012, the associate WEG Equipamentos Elétricos S.A., acquired 100% of stake in Ind. de Tintas e Vernizes Paumar S.A. The goodwill, to the amount of R\$ 32,724, was initially measured as the excess of the consideration transferred in relation to the net assets acquired. The consideration transferred is being performed using available cash and cash equivalents to the amount of R\$ 15,000. The financial statements of this associate were consolidated as of November 1, 2012.

11.3. Restructuring

(i) Capital reduction - WEG Iberia S.L.

In December 2012, the associate WEG Iberia S.L. performed capital reduction to the amount of EUR 42.4 million on behalf of its parent WEG Equipamentos Elétricos S.A. with 50.68% of stake it held in the associate Zest Electric Motors (Pty) Ltd. The transaction produced no effect on the consolidated financial statements.

(ii) Incorporation - Stardur Tintas Especiais Ltda.

In December 2012, WEG Equipamentos Elétricos S.A. performed a capital increase in the company Tintas e Vernizes Paumar S.A. ("Paumar") with investment it held in Stardur Tintas Especiais Ltda. ("Stardur"), subsequently incorporating Stardur to Paumar. That was deemed the best alternative to mitigate the effects of the stoppage in production of Stardur due to the fire experienced on October 16, 2012, considering:

- it avoided and/or minimized the loss of the market;
- it was impossible to rebuild the industrial site;
- the technical and operational feasibility of Paumar to produce and sell the full line of products that were manufactured by Stardur;
- the reduction of operating and administrative costs generated by the incorporation of Stardur to Paumar;
- the complementation of its product line.

11.4. Other investments

They refer to other investments entered at acquisition cost to the amount of R\$ 402 (R\$ 349 on December 31, 2011), and the transfer of R\$ 7,220 of a property to investment property.

12.Fixed Assets

The Company capitalized the borrowing costs to the amount of R\$ 1,306 (R\$ 1,221 on December 31, 2011) related to construction in progress. The costs are capitalized until the moment of the transfer of the ongoing constructions to fixed assets in operation.

		PARENT COMPANY		CONSOLIDATED	
		31/12/12	31/12/11	31/12/12	31/12/11
Land, buildings and facilities		7.079	15.973	1.141.222	1.073.721
Equipment		-	-	2.652.581	2.455.418
Furniture and sundry		-	-	82.998	76.988
Hardware		-	-	83.145	70.884
Construction in progress		-	-	76.079	70.434
Reforestation		-	-	50.005	48.676
Others		-	-	41.221	39.476
Subtotal		7.079	15.973	4.127.251	3.835.597
Depreciation/exhaustion accumulated	Taxa de deprec. anual (%)				
Buildings and facilities	02 a 03	(2.132)	(4.017)	(191.688)	(169.563)
Equipment	05 a 20	-	-	(1.271.564)	(1.102.709)
Furniture and sundry	07 a 10	-	-	(41.592)	(39.907)
Hardware	20 a 50	-	-	(60.502)	(55.352)
Reforestation	-	-	-	(8.464)	(7.325)
Others	-	-	-	(16.347)	(14.981)
Total		4.947	11.956	2.537.094	2.445.760

a) Summary of transaction of the fixed assets:

Class of property, plant and investment	31/12/11	Transferência entre Classes	Aquisições	Baixas	Deprec. e Exaustão	Efeito do Câmbio	31/12/12
Land, buildings and facilities	904.158	29.863	26.729	(9.994)	(21.649)	20.427	949.534
Equipment	1.352.709	25.428	145.179	(10.203)	(153.859)	21.763	1.381.017
Furniture and sundry	37.081	-	8.878	(474)	(4.883)	803	41.405
Hardware	15.532	(704)	14.690	(128)	(7.392)	645	22.643
Construction in progress	70.434	(56.711)	59.852	(100)	-	2.604	76.079
Reforestation	41.351	-	1.328	-	(1.139)	-	41.540
Others	24.495	(3.496)	8.700	(1.928)	(4.183)	1.288	24.876
Total	2.445.760	(5.620)	265.356	(22.827)	(193.105)	47.530	2.537.094

b) **Guarantees offered** - fixed assets were offered in guarantee of loans, financing operations and labor and tax lawsuits to the consolidated amount of R \$ 15,790 (R \$ 14,333 on December 31, 2011 were offered).

13. Intangible assets - consolidated

	Amortization / No. of Years	Cost	Accumulated Amortization	31/12/12	31/12/11
Information Technology Project	5	79.441	(79.441)	-	8.329
Software license	5	68.256	(50.885)	17.371	10.959
Others	5	40.849	(27.005)	13.844	9.393
Subtotal		188.546	(157.331)	31.215	28.681
Goodwill acquisition of associates	-	520.156	(21.387)	498.769	331.541
Total		708.702	(178.718)	529.984	360.222

a) Summary of changes in intangible assets:

	31/12/11	Transfer of Fixed Assets	Additions	Amortization	Effect of Exchange Rate	31/12/12
Information Technology Project	8.329	-	-	(8.329)	-	-
Software license	10.959	120	11.069	(5.050)	273	17.371
Others	9.393	5.500	1.175	(1.853)	(371)	13.844
Subtotal	28.681	5.620	12.244	(15.232)	(98)	31.215
Goodwill acquisition of associates	331.541	-	157.727	-	9.501	498.769
TOTAL	360.222	5.620	169.971	(15.232)	9.403	529.984

b) Schedule of amortization of intangible assets (excluding goodwill):

	31/12/12	31/12/11
2012	-	14.166
2013	7.461	4.654
2014	6.789	3.369
2015	4.584	1.396
2016	3.917	975
2017 em diante	8.464	4.121
Total	31.215	28.681

c) Goodwill in the acquisition of associates is not amortized. Thus, the corresponding deferred income tax was recognized by the Company (Note 9).

14. Borrowings

The funds raised in foreign currency cover Advances of Exchange Contracts, Export Prepayment, BNDES FINEM in currency basket and in U.S. dollars and the IFC in dollar (+) Libor.

Loans taken by foreign associates, for working capital, are in dollars and/or in the currencies of each country, to the amount of R\$ 490.7 million in the short term (R\$ 497.1 million on December 31, 2011), and R\$ 40.8 million in the long term (R\$ 23.5 million on December 31, 2011), equivalent to US\$ 260.1 million (US\$ 277.8 million on December 31, 2011).

Direct transactions contracted with BNDES are secured by guarantees of the parent company WEG S.A. Finame operations are secured by sureties and collateral.

All covenants clauses related to indicators of capitalization, liquidity and net debt/Ebitda ratio, included in contracts with BNDES and IFC are being met.

		CONSOLIDATED	
Modality IN BRAZIL	Annual charges	31/12/12	31/12/11
SHORT-TERM		1.155.042	1.204.287
Working capital (Advances of Exchange Contracts)	Interest 2.6% to 3.0% per year (+) exchange variation	37.406	596.087
Working capital	TJLP (+) 1.4% to 3.0% per year	490.076	247.694
Working capital	Interest 4.9% to 9.0% per year	545.257	330.505
Working capital	US\$ (+) 1.4% to 1.8% per year	20.166	15.868
Working capital	US\$ (+) Libor (+) 3.3% per year	6.876	6.335
Working capital	UFIR (+) 1.0% to 4.0% per year	23.074	1.126
Export Prepayment	Exchange Variation	14.558	-
Non Deliverable Forwards (NDF)	Exchange Variation	7.901	310
Fixed Assets	TJLP (+) 1.0% to 5.0% per year	6.244	5.939
SWAP	-	254	-
Others	Others	3.230	423
LONG TERM		1.003.260	1.732.781
Working capital	TJLP (+) 1.4% to 2.0% per year	391.430	812.841
Fixed Assets	UFIR (+) 1.0% to 4.0% per year	44.427	55.016
Working capital	Interest 4.0% to 9.0% per year	373.596	678.941
Fixed Assets	TJLP (+) 1.0% to 5.0% per year	8.866	13.914
Working capital	US\$ (+) 1.4% to 1.8% per year	52.423	56.241
Working capital	US\$ (+) Libor (+) 3.3% per year	37.464	40.642
Export Prepayment	Exchange Variation	88.137	75.004
SWAP	-	326	-
Others	Others	6.591	182
ABROAD			
SHORT TERM		40.808	23.512
Working capital	Libor + 2.4% per year	15.943	-
Working capital	Interest 1.5% to 15.0% per year	13.471	2.222
Working capital	Euribor + 1.0% per year	3.307	-
Working capital	90% of PBOC (4.5% to 5.0%) per year	-	11.900
Working capital	JIBAR (+) 3.0% to 3.5% per year	-	9.390
Non Deliverable Forwards (NDF)	-	8.087	-
LONG TERM		40.808	23.512
Working capital	Libor + 2.4% per year	15.943	-
Working capital	Interest 1.5% to 15.0% per year	13.471	2.222
Working capital	Euribor + 1.0% per year	3.307	-
Working capital	90% of PBOC (4.5% to 5.0%) per year	-	11.900
Working capital	JIBAR (+) 3.0% to 3.5% per year	-	9.390
SWAP	-	8.087	-
Total Short term		1.645.772	1.701.435
Total de Long term		1.044.068	1.756.293

MATURITY OF THE LONG TERM BORROWINGS:

	31/12/12	31/12/11
2013	-	1.142.720
2014	405.730	348.885
2015	386.643	133.482
2016	144.776	70.520
2017	59.253	31.090
2018	47.666	29.596
Total	1.044.068	1.756.293

15.Provisions for contingencies

The Company and its associates are involved in administrative and judicial claims of labor, civil and tax nature arising from the normal activities of its business. The respective provisions were made for cases in which a loss was assessed as “probable” based on the estimated value at risk determined by the Company’s legal advisors. The Administration of the Company deems the provisions for contingencies sufficient to cover possible losses in the ongoing lawsuits.

a) Balance of contingency provision

		PARENT COMPANY		CONSOLIDATED	
		31/12/12	31/12/11	31/12/12	31/12/11
(i) Tax:		2.586	1.660	89.122	39.644
- IRPJ and CSLL	(a.1)	-	-	14.668	12.883
- INSS	(a.2)	2.586	1.660	36.977	23.843
- Presumed credit of the IPI	(a.3)	-	-	24.700	-
- Others		-	-	12.777	2.918
(ii) Labor		-	-	46.118	38.834
(iii) Civil		-	-	68.980	63.456
(iv) Others		889	229	2.393	3.682
Total		3.475	1.889	206.613	145.616
(v) Restricted judicial deposits		864	541	25.133	21.300
- Tax		864	541	19.670	17.223
- Others		-	-	5.463	4.077

b) Statement of transaction in the period - consolidated

	31/12/11	Adições	Juros	Baixas	Reversões	31/12/12
a)Tax	39.644	49.478	-	-	-	89.122
b)Labor	38.834	9.550	1.553	(856)	(2.963)	46.118
c)Civil	63.456	25.649	695	(10.345)	(10.475)	68.980
d)Others	3.682	1.260	-	-	(2.549)	2.393
Total	145.616	85.937	2.248	(11.201)	(15.987)	206.613

c) The provisions established refer mainly to:

(i) Tax contingencies

(a.1) The Company maintains a provision of the lawsuit regarding the difference of the IPC (51.82%) of January 1989 – Plano Verão (Government's Summer Plan). The ruling is favorable up to the index limit of 35.58%.

(a.2) It refers to the Contributions owed to the Social Security. The legal discussions refer to social security charges levied on private pension, profit sharing, education payroll tax and others.

(a.3) It refers to the judicial discussion aiming at ensuring the right to IPI credits (resulting from the acquisition of raw materials, intermediate products and packaging exempted, with zero rate or not taxable) compensated with debts of IRPJ, CSLL, PIS, COFINS, IPI of the associate Ind. de Tintas e Vernizes Paumar S.A.

(ii) Labor contingencies

The Company and its associates are involved in labor claims primarily regarding discussions about health and safety hazard, among others. The amount of R\$ 46,118 was provisioned (R\$ 38,834 on December 31, 2011).

(iii) Civil contingencies

They correspond mainly to civil lawsuits, including moral and aesthetic damage, occupational diseases and compensation arising from work accidents. The amount of R\$ 68,980 was provisioned (R\$ 63,456 on December 31, 2011).

(iv) Restricted judicial deposits

	CONTROLADORA		CONSOLIDADO	
	31/12/12	31/12/11	31/12/12	31/12/11
IRPJ/CSLL on plano verão (government's summer plan)	-	-	13.195	13.195
Others	864	541	11.938	8.105
Total restricted deposits	864	541	25.133	21.300
- Non-restricted judicial deposits	-	-	2.711	2.738
Total Judicial Deposits	864	541	27.844	24.038

Judicial deposits not linked to contingencies are awaiting court assessment permit.

d) Possible Contingencies

The Company and its associates are involved in other legal discussions, whose probabilities of loss are classified as "possible", and for which no provisions for contingencies were established.

The estimated values of these discussions refer to tax claims to the amount of R\$ 143,997 (R\$ 82,115 on December 31, 2011). The suits that were considered relevant and have legal opinion are processes involving:

- tax on deemed income to the amount of approximately US\$ 68.0 million.
- taxation on profits earned from abroad are estimated at US\$ 35.0 million.
- taxation on the Law of Information Technology products to the amount of R\$ 36.0 million.

16. Pension plan

The Company and its associates sponsor WEG Social Security - Pension Plan, which has as main objective to complement the retirement benefits provided by the official social security system. The Plan, administered by WEG Seguridade Social, includes the benefits of monthly income, complement of disability compensation, complement of disability retirement, disability compensation, pension payment due to death, death compensation, deferred proportional benefit and "self-sponsorship". The number of participants is 20,431 (19,926 on December 31, 2011). The Company and its associates made contributions totaling R \$ 20,359 (R\$ 17,612 on December 31, 2011). Based on actuarial calculations by independent actuaries in accordance with the procedures established by CVM Resolution 371/2000, net actuarial liability was determined to the amount of R\$ 5,000.

17. Net equity

a) Capital stock

The Company's capital stock consists of 620,405,029 book entry nominative common shares, without face value, all with voting rights, excluding the 500,000 shares held in treasury as per item "d".

In the AGO/E of April 24, 2012, the increase in Company's capital stock from R \$ 2,265,367 to R \$ 2,718,440 was approved, without changing the number of shares, using of the following reserves:

- Legal Reserve	R\$ 29.347
- Reserve for Capital Budget	R\$ 423.726
	<hr/>
	R\$ 453.073

b) Dividends and interest on equity

The Bylaws provide for the distribution of at least 25% of adjusted Net Income, and the Company proposes the following:

	31/12 /12	31/12 /11
NET INCOME OF THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	655.979	586.936
- (-) Legal Reserve	(32.799)	(29.347)
- (+) Realization of Reevaluation Reserve (1989) and of the deemed cost (2010)	47.870	54.299
BASIS OF CALCULATION OF DIVIDENDS	671.050	611.888
- Dividends for the 1st half R\$ 0.100/ share (R\$ 0.097/ share in 2011)		
- Interest on equity for the 1st half R\$ 0,130/share	62.041	60.179
(R\$ 0.123/share in 2011), IRRF R\$ 14,233 (R\$ 13,472 in 2011)	94.886	89.811
- Dividends for the 2nd half R\$ 0.206/ share (R\$ 0.140/share in 2011)		
- Interest on equity for the 1st half R\$ 0,130/share	127.803	86.857
(R\$ 0.123/share in 2011), IRRF R\$ 14,233 (R\$ 13,472 in 2011)	90.506	102.184
Total of dividends/interest on equity of the period	375.236	339.031



c) Constitution of reserves

- **Legal reserve** - established to the amount of R \$ 32,799 (R \$ 29,347 at December 31, 2011) equivalent to 5% of the net income observing the limit of 20% of the capital stock;

- **Retained earnings** - represent the remaining amount of the net income of the period R\$ 254,123 plus the balance of accumulated earnings R\$ 48,312 (arising from the realization of reevaluation reserve (1989), the realization of the deemed cost (2010) and reversal of dividends of previous periods), which are reserved for capital budget for the investment plan of 2013.

d) Shares held in treasury

The Company, pursuant to the minutes of the Board of Directors dated April 26 of 2011 and aiming at supporting its Stock Option Plan, was authorized to acquire up to 500,000 common shares issued by the Company. 500,000 common shares were acquired to the amount of R\$ 10,055 at an average cost of R\$ 20.11 per share. The acquired shares are held in treasury to be used when beneficiaries of the stock option plan exercise their option or subsequent cancellation or divestment.



18. Plan options to purchase shares

(i) The Plan

The Plan, managed by the Board of Directors, aims at granting options to purchase shares of WEG S.A. ("Company") to the executive officers of the Company or its associates located in Brazil, so as to attract them, motivate them and retain them, as well as aligning their interests with the interests of the Company and its shareholders. Each option gives the holder the right to acquire one (1) common share issued by the Company (BM&FBOVESPA: WEGE3), strictly under the terms and conditions set forth in the Plan ("Option"). The options to purchase shares to be approved are limited to a maximum of 2.0% (two percent) of the total shares representing the Company's capital stock. The participant must keep the shares invested blocked for negotiations for the retention period, at the minimum levels as defined by the Plan. The Plan may be terminated, suspended or amended at any time, upon proposal approved by the Board of Directors.

(ii) The Programs

The Board of Directors may approve, semiannually, the Stock Option Programs ("Programs"), in which participants, the number of options, the purchase price, the distribution of the options, the effective date and the other rules specific to each program will be set. In order to participate in the Program, the participants will have to invest in shares of the Company an amount of their variable remuneration of the period.

Program	Number of Shares			Vesting Period	Number of Legal Options	In Reais (R\$)				Amounts to appropriate (R\$ thousand)
	Approved	Acquired	De Legal			Purchase Price	IPCA Corrected Price	Option Pricing	Option Difference	
April/11	274.678	46.653	91.056	1º	30.352	21,01	23,16	30,60	7,43	226
				2º	30.352	21,01	24,32	32,98	8,66	263
				3º	30.352	21,01	25,54	35,29	9,76	296
Subtotal					91.056					785
September/11	274.678	18.072	35.894	1º	11.965	17,45	19,39	25,08	5,70	68
				2º	11.965	17,45	20,43	27,05	6,62	79
				3º	11.964	17,45	21,54	29,00	7,46	89
Subtotal					35.894					236
March/12	535.000	41.000	75.200	1º	25.067	19,17	21,34	27,22	5,89	148
				2º	25.067	19,17	22,51	29,40	6,89	173
				3º	25.066	19,17	23,75	31,51	7,76	194
Subtotal					75.200					515
September/12	110.000	21.162	40.824	1º	13.608	17,50	19,48	25,51	6,02	82
				2º	13.608	17,50	20,56	27,33	6,78	92
				3º	13.608	17,50	21,69	29,16	7,47	102
Subtotal					40.824					276
Total					242.974					1.812

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

Program	April/11			September/11			March/12			September/12		
Vesting Period	1º	2º	3º	1º	2º	3º	1º	2º	3º	1º	2º	3º
Factors:												
Purchase price of the option (R\$)	21,01	21,01	21,01	17,45	17,45	17,45	19,17	19,17	19,17	17,50	17,50	17,50
Duration of the option - In days	755	1.008	1.260	756	1.008	1.259	755	1.008	1.257	753	1.006	1.257
Current price of corresponding share (R\$)	22,10	22,10	22,10	18,06	18,06	18,06	19,80	19,80	19,80	20,10	20,10	20,10
Expected volatility in the share price (%)	26,33	26,33	26,33	29,88	29,88	29,88	29,85	29,85	29,85	24,50	24,50	24,50
Free interest rate at risk for the duration of the option (%)	12,79	12,81	12,83	10,90	11,05	11,22	9,76	10,12	10,33	8,32	8,57	8,78

The expense with stock options is accounted for over the vesting period. In 2012, the amount of R\$ 519 (R\$ 239 on December 31, 2011) was entered in the item “other income” in the income statement of the period to compensate capital reserve in the net equity. The accumulated amount entered in net equity is R\$ 758 (R\$ 239 on December 31, 2011).

19.Net income

Breakdown of the net income

	CONSOLIDATED	
	31/12/12	31/12/11
Gross income	7.240.816	6.130.291
Domestic market	3.945.096	3.766.447
External market	3.295.720	2.363.844
Deductions	(1.066.938)	(940.882)
Taxes	(900.528)	(817.551)
Returns/Rebates	(166.410)	(123.331)
Net Revenue	6.173.878	5.189.409

20.Operating expenses by nature

The Company opted to present the consolidated income statement by function. As required by IFRS, the detailing of the consolidated income statement by nature is presented below:

	CONSOLIDATED	
	31/12/12	31/12/11
NATURE OF EXPENSE	(5.365.467)	(4.526.284)
Depreciation and amortization	(208.337)	(188.030)
Labor expenses	(1.352.979)	(1.132.117)
Raw materials and consumables	(2.797.680)	(2.392.200)
Freight expenses and insurances	(181.766)	(124.399)
Other expenses	(824.705)	(689.538)
FUNCTION OF THE EXPENSE	(5.365.467)	(4.526.284)
Cost of goods and services sold	(4.293.022)	(3.633.358)
Sales expenses	(619.980)	(508.904)
General and administrative expenses	(288.409)	(242.495)
Management fees	(18.793)	(16.988)
Other operational expenses	(145.263)	(124.539)

21. Other operational income/ expenses

The entered values refer to profit sharing, reversal (provision) of taxes and other lawsuits, as shown below:

	CONSOLIDATED	
	31/12/12	31/12/11
OTHER OPERATIONAL INCOME	18.593	17.072
- Others	18.593	17.072
OTHER OPERATIONAL EXPENSES	(163.856)	(141.611)
- Profit share - employees	(99.608)	(87.629)
- Profit share - associates abroad	(8.858)	(5.725)
- Profit share of Administrators	(9.849)	(6.129)
- Provision/Reversal of tax lawsuits	(12.201)	(196)
- Tax incentives Rouanet Law	(3.629)	(2.194)
- Others	(29.711)	(39.738)
Total net	(145.263)	(124.539)

22. Net financial income

	PARENT COMPANY		CONSOLIDADO	
	31/12/12	31/12/11	31/12/12	31/12/11
FINANCIAL INCOME	54.975	70.562	460.420	499.570
Income from investments	67.088	81.958	222.910	313.069
Exchange Variation	-	-	156.712	123.346
Present value adjustment - trade receivables	-	-	42.824	48.251
PIS/COFINS in interest on equity	(12.552)	(11.739)	(12.552)	(11.739)
Other income	439	343	50.526	26.643
FINANCIAL EXPENSES	(180)	(161)	(404.729)	(396.569)
Interest on borrowings	-	-	(174.827)	(155.246)
Exchange Variation	-	-	(191.919)	(177.636)
Present value adjustment – trade payables	-	-	(13.389)	(17.756)
Other expenses	(180)	(161)	(24.594)	(45.931)
Net financial result	54.795	70.401	55.691	103.001

23.Provision for Income tax and social contribution

The Company and its associates in Brazil calculate the income tax and social contribution based on actual income, except for WEG Asset Management Ltda., Instrutech Ltda., and Agro Trafo Asset Management S.A., which calculate based on the presumed profit. The provision for income tax was established at a rate of 15% plus an additional of 10%, and social contribution at the rate of 9%. The taxes of the companies abroad are established according to the laws of each country.

Reconciliation of income tax and social contribution:

	PARENT COMPANY		CONSOLIDATED	
	31/12 /12	31/12 /11	31/12 /12	31/12/11
Earnings before taxes on earnings	655.484	588.256	864.102	766.126
Nominal rate	34%	34%	34%	34%
IRPJ and CSLL calculated at nominal rate	(222.865)	(200.007)	(293.795)	(260.483)
Adjustments for calculation of the effective income tax and social contribution:	207.889	177.547	(2.414)	22
Income from investments in associates	-	-	(2.114)	(6.368)
Difference of rates on earnings abroad	-	-	40.750	33.481
Tax incentives	16.898	22.128	63.300	65.288
Interest on equity	(1.427)	(988)	(4.965)	8.955
Other adjustments				
IRPJ and CSLL on income	495	(1.320)	(199.238)	(159.105)
Current tax	(367)	(1.485)	(228.859)	(182.956)
Deferred tax	862	165	29.621	23.851
Alíquota Efetiva - %	-0,08%	0,22%	23,06%	20,77%

24.Insurance coverage

The corporate unit in Brazil is responsible for managing the Group's insurance portfolio in Brazil and abroad, and it continuously establishes, in conjunction with the executive directions, risk policies for the Group in order to protect its assets. The assumptions of risk analysis adopted, due to their nature, are not part of the scope of the audit and thus were not audited by the independent auditors.

The Company has Worldwide Insurance Program (WIP), and the implanted worldwide policies are worth of mention, such as: transportation risk (Export, Import and Domestic), Product Liability, Directors and Officers Liability, Guarantee Insurance, General Liability, Property and Environmental Pollution.

The insurance policies are issued only in major multinational insurance companies which can serve the WEG Group in the countries where it holds operations. The financial structure and sustainability of these insurance companies are continuously monitored by the corporate unit of Brazil.

Below we highlight some policies and their capitals:

- Operational Risks (Asset): US\$ 60 million;
- Loss of Profits: US\$ 62 million;
- Civil Liability: US\$ 25 million;
- Product Liability: US\$ 100 million;
- Transportation: US\$ 4 million per shipment (Export and Import) and US\$ 6 million (Domestic);
- Environmental pollution: US\$ 25.0 million;

25. Financial instruments

The Company and its associates assessed their financial instruments, including derivatives, entered in the financial statements on December 31, 2012, presenting the following book and market values:

	BOOK VALUE		MARKET VALUE	
	31/12/12	31/12/11	31/12/12	31/12/11
Cash and cash equivalents:				
Cash and banks	211.295	59.512	211.295	59.512
Financial investments:				
- In local currency	1.932.330	2.832.901	1.932.330	2.832.901
- In foreign currency	149.656	37.502	149.656	37.502
- SWAP	8.956	-	8.956	-
- Non Deliverable Forwards - NDF	19	1.700	19	1.700
Financial investments	263.276	280.635	263.276	280.635
Trade receivables	1.472.839	1.307.692	1.472.839	1.307.692
Trade payables	331.037	298.195	331.037	298.195
Borrowings:				
- In local currency	1.892.593	2.145.977	1.892.593	2.145.977
- In foreign currency	780.181	1.311.441	780.181	1.311.441
- Non Deliverable Forwards - NDF	8.399	310	8.399	310
- SWAP	8.667	-	8.667	-

The risk factors of financial instruments are primarily related to:

(i) Financial risks

Foreign currency risks

The Company exports and imports in various currencies and manages and monitors the exchange exposure, trying to balance its financial assets and liabilities within the limits established by the Administration.

The limit of sold currency exposure (net) can be up to the equivalent of three months of exports in foreign currencies as defined by the Board of Directors.

The Company made exports totaling US\$ 905.5 million (US\$ 851.6 million at December 31, 2011), representing natural hedge for Indebtedness and other costs linked to other currencies, mainly in U.S. dollars.

Risks of debt charges

These risks come from the possibility of associates incurring in losses due to fluctuations in interest rates or other debt rates, which may increase the financial expenses related to borrowings obtained on the market or may reduce the financial income related to investments of the associates. The Company continuously monitors the interest rates of the market in order to assess the potential need of protection against the risk of interest rate volatility.

Derivative financial instruments

The Company has the following derivative financial instruments:

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

- (i) US\$ 66,6 million (US\$ 10,0 million on December 31, 2011) held by its associate WEG Equipamentos Elétricos S.A. in order to protect exports against the risk of fluctuations in exchange rates;
- (ii) EUR 42.3 million held by its associate WEG Equipamentos Elétricos S.A. in order to protect exports against the risk of fluctuations in exchange rates;
- (iii) US\$ 13.7 million (US\$ 14.4 million on December 31, 2011) held by its foreign associate Zest Electric Motors (Pty) Ltd. in order to protect their product import operations from the risks of fluctuation in exchange rates.

b) "SWAP" Operations, in the notional amount of:

- (i) EUR 10.0 million held by its associate Watt Drive Antriebstechnik GmbH in order to protect their loans from the risks of fluctuations in Euribor;
- (ii) US\$ 30.0 million held by its associate WEG Equipamentos Elétricos S.A. in order to protect against the risk of increase in the Libor rate;
- (iii) R \$ 200.0 million held by its associate WEG Equipamentos Elétricos S.A., SWAP of interest rate from post-fixed to pre-fixed rate, in order to protect against the risk of a drop in the interest rate.

The Administration of the Company and its associates permanently monitor the derivative financial instruments hired by means of their internal controls.

The table "statement of sensitivity analysis" must be read in conjunction with the other financial assets and liabilities expressed in foreign currency existing on December 31, 2012, because the effect of the estimated impacts of the exchange rates on the NDFs and on the Swaps below will be compensated, if effected, in whole or in part, with devaluations on all assets and liabilities.

The Board of Directors defined that, for the likely scenario (market value), it must be taken into account the exchange rates used for the marking to market of financial instruments, valid on December 31, 2012. These rates represent the best estimate of the future behavior of prices and represent the amount by which the positions could be liquidated at maturity.

Unrealized gains and losses on derivative transactions are recorded (if loss) under the item "borrowing" or (if gain) in "investments" and the compensation in the income in item "income (expense) from exchange variation."

The table below shows the “cash and expense” of the income of the financial instruments in each of the scenarios in Brazilian Reais.

a) Non Deliverable Forwards Operations - NDF:

Risk	Compensation	National Value (in millions)	Quotation	Market Value on 31/12/12		Probable Scenario 25%		Remote Scenario 50%	
				Average Quotation	In R\$ thousand	Average Quotation	In R\$ thousand	Average Quotation	In R\$ thousand
appreciation of the dollar	Banco Bradesco S.A.	USD 8,0	US\$/R\$	2,0604	(791)	2,5731	(4.912)	3,0878	(9.033)
	Bank of America	USD 13,5	US\$/R\$	2,0713	(952)	2,5863	(7.943)	3,1036	(14.934)
	Banco do Brasil S.A.	USD 18,8	US\$/R\$	2,0699	(882)	2,5859	(10.6110)	3,1030	(20.339)
	JP Morgan	USD 2,5	US\$/R\$	2,0853	45	2,6013	(1.259)	3,1215	(2.562)
	Banco Safra	USD 2,5	US\$/R\$	2,1066	116	2,6356	(1.201)	3,1627	(2.517)
	Citibank	USD 1,5	US\$/R\$	2,0537	(77)	2,5671	(847)	3,0805	(1.617)
	Banco Santander S.A.	USD 19,8	US\$/R\$	2,0717	(1.021)	2,5917	(11.246)	3,1100	(21.531)
	Total in USD	USD 66,6			(3.562)		(38.049)		(72.533)
appreciation of the EUR	Banco Bradesco S.A.	EUR 5,5	EUR/R\$	2,7375	(637)	3,4192	(4.401)	4,1030	(8.165)
	Deutsche	EUR 2,0	EUR/R\$	2,7923	(190)	3,4903	(1.586)	4,1884	(2.982)
	Banco Santander S.A.	EUR 10,8	EUR/R\$	2,7417	(850)	3,4392	(8.218)	4,1270	(15.586)
	Banco Itaú S.A.	EUR 6,5	EUR/R\$	2,7741	(861)	3,4676	(5.369)	4,1611	(9.877)
	Bank of America	EUR 7,5	EUR/R\$	2,8117	(1.092)	3,5139	(6.365)	4,2167	(11.637)
	Standard Chartered	EUR 0,5	EUR/R\$	2,8551	34	3,5689	(323)	4,2827	(680)
	Banco do Brasil S.A.	EUR 9,5	EUR/R\$	2,7342	(742)	3,4140	(7.236)	4,0969	(13.730)
	Total in EUR	EUR 42,3			(4.338)		(33.498)		(62.657)
Devaluation of dollar	First National Bank	USD 10,4	US\$/ZAR	8,4840	(499)	6,3630		4,2420	(11.143)
	First National Bank	USD 3,3	US\$/ZAR	8,4840	19	6,3630		4,2420	(3.502)
	Total in USD	USD 13,7			(480)		(7.576)		(14.645)
	Total				(8.380)		(79.123)		(149.835)

b) "SWAP" Operations

Risk	Counterparty	National Value (in millions)	Market Value on 31/12/12		Probable Scenario 25%		Remote Scenario 50%	
			Quotation	Em R\$ Mil	Average Quotation	In R\$ thousand	Average Quotation	In R\$ thousand
Devaluation of Euribor	Bank Austria	EUR 10,0	Juros 1,51% a.a.	(8.087)	Juros 1,13% a.a.	(9.122)	Juros 0,76% a.a.	(10.158)
Queda da Libor	Citibank	R\$ 15,0	Juros 0,65% a.a.	(380)	Juros 0,49% a.a.	(477)	Juros 0,33% a.a.	(573)
Queda da Libor	Citibank	R\$ 15,0	Juros 0,70% a.a.	(200)	Juros 0,52% a.a.	(320)	Juros 0,35% a.a.	(441)
Appreciation of IDC	Safra	R\$ 70,0	Juros 8,02% a.a.	3.414	Juros 10,02% a.a.	(92)	Juros 12,03% a.a.	(3.376)
Appreciation of IDC	Santander	R\$ 50,0	Juros 7,97% a.a.	2.782	Juros 9,96% a.a.	378	Juros 11,95% a.a.	(1.879)
Appreciation of IDC	Santander	R\$ 80,0	Juros 8,00% a.a.	2.760	Juros 10,00% a.a.	(1.476)	Juros 12,00% a.a.	(5.463)
Total SWAP Interest				289		(11.109)		(21.890)
Total				289		(11.109)		(21.890)

We have performed the accounting based on its market price on December 31, 2012 by the accrual basis. These operations had net negative impact, on December 31, 2012, of R\$ 6,977 (R\$ 3,899 positive in December 31, 2011) which was recognized as financial expense. The Company has no margins pledged for derivative financial instruments outstanding on December 31, 2012.

(i) Operational risks

Credit risk - arises from the possibility of associates not receiving amounts resulting from sales operations or from withholding of credits of investments at financial institutions. In order to mitigate the risk arising from sales transactions, the associates analyze the equity and financial situation of their customers, establish a credit limit and permanently monitor their outstanding balance. With respect to financial investments, the Company and its associates invest in institutions with low credit risk.

26. Grants and government assistance

The Company obtained a grants to the amount of R\$ 19,858 (R\$ 2,877 in 2011) due to tax incentives, recognized in the income of the period:

	31/12/12	31/12/11
a) WEG Amazônia S.A.	91	1.213
- ICMS stimulus credit of 90.25%	91	955
- 75% reduction of IRPJ	-	258
b) WEG Linhares Equipamentos Elétricos S.A.	8.361	1.664
- ICMS stimulus credit of 85.00%	8.337	1.664
- Municipal investment	24	-
c) WEG Equipamentos Elétricos S.A.	165	-
- Municipal investment	165	-
d) WEG Logística Ltda.	11.241	-
- ICMS stimulus credit of 75.00%	11.241	-

All the conditions for obtaining government grants were fulfilled.

27.Information by segment

	Brazil				Exterior		Elimination and Adjustments		CONSOLIDATED	
	Industry		Energy							
	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
- Revenue from Sale of Goods and/or Services	3.628.243	3.131.392	1.414.518	1.320.846	2.873.460	1.990.544	(1.742.343)	(1.253.373)	6.173.878	5.189.409
- Income before Taxes on Profit	1.059.513	817.283	398.621	234.465	166.420	86.220	(760.452)	(371.842)	864.102	766.126
- Depreciation / Amortization / Exhaustion	127.787	120.073	41.224	41.370	39.326	26.587	—	—	208.337	188.030
Identifiable assets	3.318.386	2.734.721	1.370.784	1.264.986	1.938.375	1.645.050	(391.884)	(221.968)	6.235.661	5.422.789
Identifiable liabilities	758.499	558.117	394.642	373.178	601.25	433.886	(328.808)	(193.975)	1.425.587	1.171.206

Industry: single and three-phase, low and medium voltage motors, drives & controls, industrial automation equipment and services, coatings and varnishes.

Energy: electric generators for hydraulic and thermal plants (biomass), hydraulic turbines (SHPs), transformers, substations, control panels and systems integration services.

Abroad: it consists of the operations carried out through associates located in different countries.

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

28. Earnings per share

a) Basic

The basic earnings per share is calculated by dividing the net profit of the period, attributable to the holders of common shares of the parent company, by the weighted average number of common shares outstanding during the period.

	31/12 /12	31/12 /11
Earnings attributable to the Shareholders of the Company	655.979	586.936
Weighted average number of common shares held by shareholders (shares/thousand)	620.405	620.405
Basic and diluted earnings per share – R\$	1,0573	0,9461

b) Diluted

Net earnings per share are calculated by dividing the net profit, attributable to the holders of common shares of the parent company, by the weighted average number of common shares outstanding during the period plus the weighted average number of common shares that would be issued at the conversion of all potential common shares diluted into common shares.

	31/12 /12	31/12 /11
Earnings attributable to the Shareholders of the Company	655.979	586.936
Weighted average number of potential dilutive ordinary shares held by the shareholders (shares/thousand)	620.648	620.536
Basic and diluted earnings per share – R\$	1,0569	0,9459

The amount of 242,974 shares (130,900 shares on December 31, 2011), which refer to the stock option plan, were considered potential dilutive shares.

29. Comprehensive income statement

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

The presentation of the comprehensive income statement is required by CPC 26 - Presentation of Accounting Statements - and includes other comprehensive income that corresponds to items of income and expense which are not recognized in the income statement as required or permitted by the pronouncements, interpretations and directions issued by the CPC.

BOARD OF DIRECTORS

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

DIRECTION

Harry Schmelzer Junior - Diretor Presidente Executivo
Sérgio Luiz Silva Schwartz - Diretor Vice-Presidente
Laurence Beltrão Gomes - Diretor de Finanças e de Relações com Investidores
Antônio Cesar da Silva - Diretor de Marketing
Carlos Diether Prinz - Diretor - Transmissão e Distribuição
Hilton Jose da Veiga Faria - Diretor de Recursos Humanos
Luis Gustavo Lopes Iensen - Diretor da Área Internacional
Siegfried Kreutzfeld - Diretor - Motores
Sinésio Tenfen - Diretor - Energia
Umberto Gobbato - Diretor – Automação
Wandair José Garcia – Diretor de Tecnologia da Informação
Wilson José Watzko – Diretor de Controladoria

ACCOUNTANT

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

AUDIT COMMITTEE

EFFECTIVE MEMBERS

Alidor Lueders
Eduardo Grande Bittencourt
Hayton Jurema da Rocha

ALTERNATE MEMBERS

Ilário Bruch
Eduardo da Gama Godoy
Marcelo Adolfo Moser

REPORT OF INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS

TO THE SHAREHOLDERS, BOARD MEMBER AND MANAGERS OF WEG S.A. JARAGUÁ DO SUL, SC

We audited the individual and consolidated financial statements of WEG S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet on December 31, 2012 and the respective statements of income, comprehensive income, net equity changes and cash flows for the period ended on that date, as well as the summary of the main accounting practices and other explanatory notes.

ADMINISTRATION'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's administration is responsible for the preparation and proper presentation of these financial statements in accordance with the accounting practices adopted in Brazil and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB and in accordance with the accounting practices adopted in Brazil, as well as for the internal control it deemed necessary to enable the preparation of the financial statements free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit conducted in accordance with the Brazilian and International Audit Standards. Such standards require that the auditors comply with ethical requirements and that the audit be planned and performed so as to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit involves performing procedures selected so as to obtain evidence regarding the values and information presented in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement on the financial statements, whether due to fraud or error. In this risk assessment, the auditor considers the internal controls relevant to the preparation and fair presentation of the financial statements of the Company in order to plan the proper audit procedures for the circumstances, but not for the purpose of expressing an opinion about the effectiveness of the internal controls of the Company. An audit also includes evaluating the appropriateness of the accounting practices used and the reasonableness of the accounting estimates made by the administration, as well as evaluating the presentation of the financial statements considered as a whole. We believe that the audit evidence obtained is sufficient and appropriate to substantiate our opinion.

OPINION ON THE INDIVIDUAL FINANCIAL STATEMENTS

In our opinion, the individual financial statements aforementioned present properly, in all relevant aspects, the financial position of WEG S.A. on December 31, 2012, the performance of its operations and its cash flows for the period ended on that date, in accordance with the accounting practices adopted in Brazil.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the aforementioned consolidated financial statements present properly, in all relevant aspects, the consolidated the equity and financial position of WEG S.A. on December 31, 2012, the consolidated results of its operations and its cash flows for the period then ended, in accordance with International financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB and the accounting practices adopted in Brazil.

EMPHASIS

As described in explanatory note 2, the individual financial statements were prepared in accordance with the accounting practices adopted in Brazil. In the case of WEG S.A., these practices differ from the IFRS, applicable to the separate financial statements, only for the evaluation of investments in associates, affiliates and joint subsidiaries by the equity method, whereas for the purpose of IFRS it would be cost or fair value.

OTHER SUBJECTS

STATEMENTS OF ADDED VALUE

EWe have also audited the individual and consolidated statements of added value for the period ended on December 31, 2012, prepared under the responsibility of the Company's administration. This statement must be presented as per the Brazilian corporate law, and it is considered supplementary information by the IFRS, which does not require its presentation. They are subject to the same audit procedures described above and, in our opinion, are fairly stated in all relevant respects in relation to the financial statements considered as a whole.

Blumenau (SC), February 8, 2013.

Ernst & Young Terco
Auditores Independentes S.S.
CRC-2-SP 015.199/O-6 F- SC
Marcos Antonio Quintanilha

Accountant CRC-1-SP 132.776/O – 3 -T – SC

WEG S.A. - FINANCIAL STATEMENTS

AUDIT COMMITTEE REPORT

The Audit Committee of WEG S.A., in the exercise of its legal duties, after examining the Administration's Report, the Financial Statements for the Period ended on 12/31/2012, and the proposals of the Administration bodies for the allocation of Net Income, based on the tests performed and considering the explanations provided by Administration of the Company, by the representatives of the Independent Auditors, and also based on the report without qualification of Ernst & Young TERCO - SS Independent Auditors on the Financial Statements of 02/08/2013, deems such documents to be suitable to be examined and voted by Annual General Meeting.

JJaraquá do Sul (SC), February 26, 2013.

ALIDOR LUEDERS

EDUARDO GRANDE BITTENCOURT

HAYTON JUREMA DA ROCHA

STATEMENT

Hereby, the President and other Directors of WEG SA, a publicly-held company, with headquarters at Avenida Mayor Waldemar Grubba, No. 3300, Tax ID No. 84.429.695/0001-11, for the purposes of the provisions of sections V and VI of article 25 of the CVM Instruction 480, of December 7, 2009, state that:

- (i) reviewed, discussed and agreed with the opinions expressed in the report of Ernst & Young Terco Auditores Independentes S.S. of February 8, 2013, regarding the financial statements of WEG S.A. and Consolidated, referring to the fiscal period ended on December 31, 2012; and
- (ii) reviewed, discussed and agreed with the financial statements of WEG S.A. Consolidated referring to the fiscal period ended on December 31, 2012.

Jaraquá do Sul (SC), February 8, 2013.

Harry Schmelzer Junior - President

Sérgio Luiz Silva Schwartz - Vice President

Laurence Beltrão Gomes - Director of Finance and Investor Relations

Antônio Cesar da Silva - Director of Marketing

Carlos Diether Prinz - Director - Transmission and Distribution

Hilton Jose da Veiga Faria - Director of Human Resources

Luis Gustavo Lopes Iensen - Director of the International Area

Siegfried Kreutzfeld - Director - Motors

Sinésio Tenfen - Director - Energy

Umberto Gobbato - Director - Automation

Wandair José Garcia - Director of IT

Wilson José Watzko - Director of Controller

SOCIAL BALANCE OF 2012 and 2011 - CONSOLIDATED BRAZIL

1 - Calculation Basis

	2012	2011
1.1 - Gross Operational Revenue	7.240.816	6.130.291
1.2 - Net Operational Revenue	6.173.878	5.189.409
1.3 - Profit Before Taxes	864.102	766.126
1.4 - Payroll w/ Charges	1.226.914	1.032.238

2 - Labor indicators

	2012	% sobre Folha	% sobre Lucro Antes Impostos	2011	% sobre Folha	% sobre Lucro Antes Impostos
2.1 - Meals	24.369	1,99	2,82	22.503	2,18	2,94
2.2 - Compulsory Social Charges	367.958	29,99	42,59	360.926	34,97	47,11
2.3 - Profit Sharing	118.315	9,64	13,69	99.483	9,63	12,98
2.4 - Private Pension	20.359	1,66	2,36	17.612	1,70	2,30
2.5 - Medical and Dental Care	22.325	1,82	2,58	17.934	1,74	2,34
2.6 - Education	7.647	0,62	0,88	7.286	0,71	0,95
2.7 - Other Benefits	14.253	1,16	1,65	12.459	1,21	1,63

Total	575.226	46,88	66,57	538.203	52,14	70,25
--------------	----------------	--------------	--------------	----------------	--------------	--------------

3 - Social indicators

	2012	% sobre Folha	% sobre Lucro Antes Impostos	2011	% sobre Folha	% sobre Lucro Antes Impostos
3.1 - Taxes	675.163	55,03	78,13	588.504	57,02	76,82
3.2 - Contributions to Society	6.486	0,53	0,75	7.425	0,72	0,97
3.2.1 - Education and Culture	2.103	0,17	0,24	2.300	0,22	0,30
3.2.2 - Sport and Leisure	529	0,05	0,06	598	0,06	0,08
3.2.3 - Social Assistance and Philanthropic Institutions	3.854	0,31	0,46	4.527	0,44	0,59

Total	681.649	55,56	78,89	595.929	57,74	77,79
--------------	----------------	--------------	--------------	----------------	--------------	--------------

4 - Environmental Indicators

	2012	% sobre Folha	% sobre Lucro Antes Impostos	2011	% sobre Folha	% sobre Lucro Antes Impostos
Environmental Investments	6.172	0,50	0,71	4.706	0,46	0,62
Regarding the establishing of "annual goals" to minimize waste, consumption in general in production/operation and increase efficiency in the use of natural resources, the company:	() não possui metas () cumpre de 51 a 75% () cumpre de 0 a 50% (X) cumpre de 76 a 100%			() não possui metas () cumpre de 51 a 75% () cumpre de 0 a 50% (X) cumpre de 76 a 100%		

5 - Indicators of workforce

	2012	2011
5.1 - Number of employees at the end of the period	22.323	20.914
5.2 - Number of employees hired in the period	5.740	5.320
5.3 - No dismissals in the period	4.331	3.809
5.4 - Number of women at end of the period	4.962	5.521
5.5 - % of management positions held by women	5	5
5.6 - Number of outsourced workers	2.220	1.284
5.7 - Number of interns	38	27
5.8 - Number of employees over 45 years old	1.840	2.012
5.9 - No. of black people working for the company	3.602	3.327
5.10 - % of management positions held by black people	10	10

6 - Relevant information regarding exercise of business citizenship

	2012	2011
Número total de acidentes de trabalho	762	1.005
Os projetos sociais e ambientais desenvolvidos pela empresa foram definidos por:	() direção () direção e gerências (X) todos(as) empregados(as)	() direção () direção e gerências (X) todos(as) empregados(as)
Os padrões de segurança e salubridade no ambiente de trabalho foram definidos por:	() direção () direção e gerências (X) todos(as) + Cipa	() direção () direção e gerências (X) todos(as) + Cipa
Quanto à liberdade sindical, ao direito de negociação coletiva e à representação interna dos(as) trabalhadores(as), a empresa:	() não se envolve (X) segue as normas da OIT () incentiva e segue a OIT	() não se envolve (X) segue as normas da OIT () incentiva e segue a OIT
A previdência privada contempla:	() direção () direção e gerências (X) todos(as) empregados(as)	() direção () direção e gerências (X) todos(as) empregados(as)
A participação dos lucros ou resultados contempla:	() direção () direção e gerências (X) todos(as) empregados(as)	() direção () direção e gerências (X) todos(as) empregados(as)
Na seleção dos fornecedores, os mesmos padrões éticos e de responsabilidade social e ambiental adotados pela empresa:	() não são considerados () são sugeridos (X) são exigidos	() não são considerados () são sugeridos (X) são exigidos
Quanto à participação de empregados(as) em programas de trabalho voluntário, a empresa:	() não se envolve () apóia (X) organiza e incentiva	() não se envolve () apóia (X) organiza e incentiva
Valor adicionado total a distribuir:	Em 2012: R\$ 3.364.777	Em 2011: R\$ 2.934.422
Distribuição do valor adicionado:	38% colaboradores(as) 20% acionistas	36% colaboradores(as) 20% acionistas
	29% governo 13% terceiros	29% governo 15% terceiros

GRI Index

INDICATOR	DESCRIPTION	PAGE
	Strategy and Analysis	
1.1	Message from the President	3
1.2	Main impacts, risks and opportunities	5/112
	Organizational profile	
2.1	Company name	172
2.2	Main brands, products and/or services	20
2.3	Operational structure	13
2.4	Location of headquarters	172
2.5	Countries in which it operates	9
2.6	Type and legal nature	8
2.7	Markets served	24
2.8	Size of the Organization	8/110
2.9	Main changes during the reporting period	118
2.10	Awards received	25
	Parameter for the report	
3.1	Period covered by the report	4
3.2	Date of previous report	4
3.3	Cycle of report issuance	4
3.4	Contact details in case of questions	172
3.5	Process for defining report content	4
3.6	limit of the report	4
3.7	Limitations regarding the scope or limit of the report	4
3.8	Joint ventures, subsidiaries, leased facilities, outsourced operations, and other organizations.	12
3.9	Techniques of data measurement and the bases of calculation	27
3.10	Consequences of restatements of information provided in previous reports	There were no restatements of information
3.11	Significant changes in the scope, limit or measurement methods	There was no significant change
3.12	Table identifying the location of information in the report	168
3.13	Policy and current practice regarding seeking external verification for the report	No external verification was performed
	Governance, commitment and engagement	
4.1	Structure of Governance	14
4.2	Indication if the President of the highest governance body is also a director	17
4.3	Number of independent or non-executive members of the highest governance body	15

INDICATOR	DESCRIPTION	PAGE
4.4	Mechanisms for shareholders and employees to provide recommendations or directions to the highest governance body	26; 53; 172
4.5	Link between compensation for members of the highest governance body and the organization's performance (including social and environmental performance)	18
4.6	Processes in effect in the highest governance body to ensure the prevention of conflicts of interest	33
4.7	Process for determining the qualifications of the members of the highest governance body to define the organization's strategy on issues related to financial, environmental and social issues	16
4.8	Statements of mission or values, codes of conduct and principles	28
4.9	Procedures of the highest governance body for overseeing the identification and management of economic, social and environmental performance	16
4.10	Self-assessment of performance of the highest governance body	16
	Commitments to external initiatives	
4.11	Explanation of how the organization applies the precaution principle	18
4.12	Letters, principles and other initiatives that the organization underwrites or endorses	34
4.13	Memberships in associations and / or national / international defense organizations	105
	Engagement with stakeholders	
4.14	List of stakeholder groups engaged by the organization	52
4.15	Basis for identification and selection of stakeholders with whom to engage	52
4.16	Approaches to stakeholder engagement	52
4.17	Key topics and concerns that were raised through stakeholder engagement	52

Environmental Performance Indicators

INDICATOR	DESCRIPTION	PAGE
EC1	Direct economic value generated and distributed	128
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	5/112
EC3	Coverage of the obligations of the pension plan with defined benefit the organization offers	66
EC4	Significant financial assistance received from government	116
EC6	Policies, practices and proportion of expenses of local suppliers	86
EC7	Procedures for local hiring and proportion of senior managers recruited from the local community	65
EC8	Development and impact of investments in infrastructure and services provided mainly for public benefit	91

ENVIRONMENTAL PERFORMANCE INDICATORS

INDICATOR	DESCRIPTION	PAGE
EN3	Direct energy consumption broken down by primary energy source	37
EN5	Energy saved due to conservation and efficiency improvements	38
EN6	Initiatives to provide products and services with low power consumption	5
EN8	Total water collected by source	41
EN16	Total direct and indirect emissions of greenhouse gas, by weight	47
EN18	Initiatives to reduce emissions of greenhouse gases and reductions achieved	47
EN20	COx NOx and other significant air emissions by type and weight	47
EN21	Total water disposal by quality and destination	43
EN22	Total weight of residues by type and disposal method	49
EN23	Total number and volume of significant spills	45
EN24	Weight of transported, imported, exported, or treated residues considered hazardous under the Basel Agreement	50
EN30	Total expenses and investments in environmental protection	51

SOCIAL INDICATORS RELATED TO LABOR PRACTICES AND DECENT WORK

INDICATOR	DESCRIPTION	PAGE
LA1	Total number of workers by type of job, employment contract and region	62
LA3	Benefits offered to full-time employees	66
LA6	Percentage of total workforce represented in formal committees for occupational safety and health	77
LA7	Rates of injury, occupational diseases, days missed, absenteeism and work-related deaths	81
LA8	Education, training, counseling, prevention and risk-control programs in progress to assist workforce members, their families or community members regarding serious diseases	79
LA9	Topics relating to health and safety covered in formal agreements with trade unions	80
LA10	Average hours of training per year for employees by employee category	73
LA11	Programs for skill management and lifelong learning that support the continued employability of employees and management of end of career	71
LA12	Percentage of employees receiving regular analysis on performance and career development	73

INDICATORS RELATED TO HUMAN RIGHTS

INDICATOR	DESCRIPTION	PAGE
HR3	Total training hours for employees on policies and procedures concerning aspects of human rights relevant to the operations, including the percentage of employees who received the training	69
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights relevant to the operations	69

SOCIAL INDICATORS RELATED TO SOCIETY

INDICATOR	DESCRIPTION	PAGE
SO5	Positions regarding public policies and participation in the elaboration of public policies and lobbies	105
SO7	Total number of legal actions for unfair competition, anti-trust and monopoly practices and their results	There were no lawsuits for unfair competition, anti-trust and monopoly in the period

SOCIAL INDICATORS RELATED TO PRODUCT LIABILITY

INDICADOR	DESCRIÇÃO	PÁGINA
PR5	Total number of workers by type of job, employment contract and region	56
PR7	Benefits offered to full-time employees	59
PR8	Substantiated complaints regarding privacy violation and losses of customer data	59

Take part in the next Report

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



WEG S.A.

Av Prefeito Waldemar Grubba, 3.300 – 89256-900 – Jaraguá do Sul – SC – Phone # 55 47 3276-4000

Fax (47) 3276-4010 – www.weg.net





Staff

General coordination

President

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.

