



# INTEGRATED ANNUAL **REPORT** 2014





# ÍNDICE

**03**

Message from  
the President

**05**

About the Report

**08**

A WEG

17 ■ Products and countries  
where it operates

19 ■ Ethics and Integrity

24 ■ Letters and Principles

**29**

Employees

29 ■ Health and Safety

36 ■ Training and education

44 ■ Benefits offered

**54**

Corporate Governance

**58**

Suppliers

**63**

Government and Society

**69**

Environment

70 ■ Energy

74 ■ Atmospheric Emissions

76 ■ Water

80 ■ Solid Waste

82 ■ Environmental Investment

**85**

Social Responsibility

**103**

Economic Performance

# MESSAGE FROM THE PRESIDENT

“We are confident in the continuation of the gradual recovery of world economic growth.”

In 2014 we did find opportunities, both in Brazil and abroad, which allowed us to maintain good performance and offset the very challenging scenario and the economic environment marked by the slowdown in industrial production, lower investment and low economic growth.

Our Net Income from Operation reached R\$ 7,840.8 million, an increase of 14.8% over the previous year. Growth was driven mainly by areas of GTD and motors for home use, at rates well above the consolidated growth.

In 2014, in addition to continuing the execution of our strategic plan, announcing major acquisitions in Brazil and abroad, we also started a new cycle of investments in fixed assets for expansion and modernization of production capacity with new production units of electric motors in Mexico and China that will receive investments over the next five years.

Our continuing effort to technological development has enabled us to join the list of the thousand companies that invest in RD&I in the world, according to Strategy& consulting.

In terms of sustainability, we were selected as a component of the Dow Jones Sustainability Indices (DJSI) and once again selected to join the Corporate Sustainability Index (ISE) of BM&FBOVESPA.

In the field of social responsibility, we continue contributing to the development of the communities in which we maintain our operations with health, education, culture, sports and leisure projects.

We are confident in the continuation of the gradual recovery of world economic growth. We hope to continue performing the actions provided for in WEG strategic planning, expanding our presence in new markets and widening the product line, both organically, by investing in research, development and innovation, and with acquisitions and strategic partnerships.

We thank all WEG employees, customers, suppliers and shareholders for their trust and support to the Company as well as the effort to build an even better and more competitive company.

Thank you all and have a good reading!

Harry Schmelzer Jr.  
CEO





# ABOUT THE REPORT

Annually, WEG publishes its Sustainability Report, which aims to bring to its stakeholders and all interested parties information about its performance, practices and environmental, social and economic management. This is one way to be accountable to stakeholders, strengthening its commitment to the future.

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

The report covers information for the year 2014 and is published on the company website.

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



Contact for  
questions on this report:  
**[sustentabilidade@weg.net](mailto:sustentabilidade@weg.net)**

In order to prepare this Report, we followed the guidelines of the Global Reporting Initiative (GRI) in its G4 version, on the “Essential” option.

# MATERIALITY

Considering the most representative aspects in the context of sustainability of WEG aligned to the content of GRI G4, a survey was conducted that generated 18 aspects that formed the content for the development of materiality. Of the 18 aspects, the consulted people listed the 10 with more relevant and thus classifying them by order.

## CONSULTATION PROCESS

### WEG

WEG held its internal definition of the material aspects through its Sustainability Group, a multidisciplinary group involving eight members from different areas and administrative levels related to sustainability. Later, the definition of aspects and relevance of these was assessed by the board. Thus, the most important topics were defined at WEG vision.

### Stakeholders

WEG consulted six stakeholder groups:

- Employees
- Community
- Customers
- Trade associations
- Suppliers
- Investors

The definition of the stakeholder groups took into account an internal study that identified the groups which WEG impacts the most or by which it is most impacted.

The process was carried out by means of an online survey (employees, customers, trade associations, suppliers and investors), participation in meetings (employees) and the event Sustainable Growth (community), promoted by WEG.

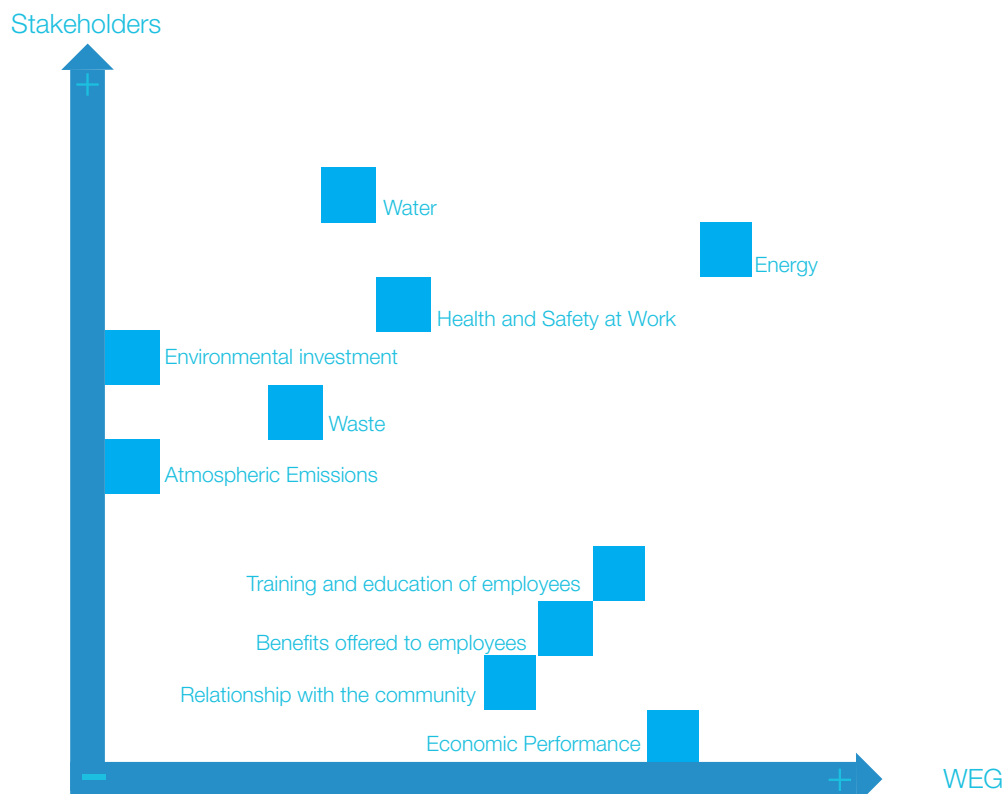


## MATERIAL ASPECTS

Considering the whole consultation process (internal and external), following the guidelines of GRI-G4, the process generated the following materials:

ASPECTS MATERIALS	ISSUES LISTED BY:	
	Stakeholders	WEG
Energy	✓	✓
Water	✓	✓
Health and Safety at Work	✓	✓
Training and education of employees	✓	✓
Economic performance		✓
Benefits offered to employees	✓	✓
Waste	✓	✓
Relationship with the community	✓	✓
Environmental investment	✓	
Atmospheric Emissions	✓	

## MATRIX



# WEG



## A TRANSFORMING STORY

From the culture of working people of strong roots - that was how the DNA of WEG emerged. Werner Ricardo Voigt, Eggon João da Silva and Geraldo Werninghaus had little in common, but the dreams and the entrepreneurial spirit of the electrician, the administrator and the mechanic were more than enough to unite the three paths and build a great success story.

With just over 20,000 inhabitants, it was in the small town of Jaraguá do Sul/ SC in 1961, that Eletromotores Jaragua was founded, whose trade name took the initials of the three founders: WEG. Already in its first years of operation WEG showed signs of success; the similarities between the partners, whether they were cultural, of character or principles, they represented fundamental role in shaping the WEG culture and would become a solid and successful model of corporate governance.

The growth would come rapidly. With the development of partnerships and new products, soon WEG became the benchmark in electric motors and began to expand over the years their product line, providing equipment for automation of industrial processes, generation and distribution of energy and paints.

Today the “small” Jaraguá do Sul houses the largest industrial park in the world of electric motors and WEG is a world reference by providing complete solutions for various industry segments. With factories, branches and technical service located around the world, WEG is present in one way or another in people’s everyday life by taking their environmental responsibility and investing continuously in technology to develop more efficient and sustainable electrical solutions.



# PRODUCTS



Despite the fluctuations of the world market in 2014, WEG Group remained acting strongly in providing commercial and industrial electric motors, automation and control and protection systems, power generation and paints. The acquisition of new brands and joint ventures signed during the year expanded the portfolio of products and services and made the deal even more robust and comprehensive.

## Highlights in Sustainability in the Business Units

Next we can see the highlights in sustainability in the five WEG business units, demonstrating the contribution that each has been carrying out, stimulating and strengthening the use of renewable energy sources, energy efficiency practices and high-tech alignment with sustainable concepts.



## Energy Efficiency (Motor Unit)

Since the launch of the High Performance motor lines in 2000, WEG has been working for their products to be more efficient and contribute effectively to its customer's energy savings.

The reduction of power consumption by more efficient use provides to the industry more competitiveness and productivity besides greater availability of energy and reduction of environmental impacts. In 2014, with attention focused on water scarcity in some regions of the country and the consequent lack of energy, energy efficiency-related projects gained prominence within WEG.

[www.eficienciaenergeticaweg.net](http://www.eficienciaenergeticaweg.net)



It was this way that the company has positioned itself in the campaign throughout the year, which included, in addition to advertisements in various media, creating a portal dedicated exclusively to the dissemination of projects to reduce energy consumption and of the Replacement Plan Program, in which the used motor of any brand is part of the payment of a new high performance WEG motor. Thus the company encourages the replacement of old, damaged or low performance motors with new high-efficiency products.

The replacement of old motors with new ones with high efficiency technology reduces electricity losses. Despite that this is a simple action, it is important that the company has a policy of continually assessing the old motors especially when there is a need for maintenance.

Make rational and efficient use of electricity is imperative and a major challenge of the moment for the competitiveness and productivity in a globalized economy.

## The Brazilian industrial sector

consumes about **40% of electricity in the country**, and 2/3 of this energy are used in **motor systems**.

## WEG Payback Application

WEG offers to the market the application "WEG Payback", a quick and practical tool that facilitates the daily life of WEG customers.

Within seconds, the application simulates the savings in kW/h and R\$ when replacing an old or low-performance motor for one of the more efficient WEG lines, the W22 Premium or W22 Super Premium.

The application assists in return of investment estimation when using the high-performance motors, with the possibility of combining them with frequency inverters.

Furthermore, it is possible to measure the amount of CO<sub>2</sub> that stops being emitted into the environment.



### Available for iOS and Android.

To download the app, simply access Apple Store (<https://goo.gl/3McNEF>) or Google Play (<https://goo.gl/gIQcPT>) with your phone or tablet and type Payback WEG.



## Solar Power Generation (Automation Unit)

Combined with the principles of sustainability, WEG has been working the development of solutions for the generation of solar energy since 2012. With a research center dedicated to study technologies for solar energy, the company has developed a proprietary technology of solar inverters, having a team of 10 researchers in the field. In addition, we started working worked in research and development partnerships with engineers specialized in solar energy at universities such as São Paulo (USP), Federal de Santa Catarina (UFSC) and Estadual Paulista (UNESP), on the campus of Ilha Solteira/SP.

The scope of WEG in solar energy projects has been the implantation of complete turn-key solar power plants, involving supply of all equipment, such as: electrical rooms, inverters, switchboards, transformers and monitoring system), system engineering, installation and commissioning of the plant.

The sun is an inexhaustible source of energy, and Brazil has a huge potential to be taken advantage. Therefore, WEG uses its experience and technology in power conversion to offer a complete solution in Solar Energy for different types of residential, commercial and industrial customers, in addition to projects exclusively focused on the production of renewable energy through solar plants.



Solar power plant Noronha I, handed over in July/2014 - has installed capacity of 400 kWp (kilowatt peak) resulting in estimated generation of 600 MWh / year, about 4% of the island's consumption.

In addition to providing all electrical equipment, WEG is responsible for monitoring and maintenance of the unit for one year.



*Harry Schmelzer Jr. (second from right), President of WEG, Luiz Antônio Ciarlini de Souza (third from right), President of Celpe,, Solange Ribeiro, President of the Neoenergia Group and local authorities participated in the inauguration of the Noronha I plant.*

## Wind Power (Energy Unit)

Acting in the manufacture of wind turbines since 2010, when the company began to actively participate in the sector, as had been providing generators for wind turbines in Brazil since the 90s, WEG is already a leading provider of transmission solutions and internal substations to wind farms.

Our wind turbines are of 2.1 MW and rotor blades of 110 meters in diameter, installed on towers up to 120 meters high, ideal for the winds of South America.

The first supply using new technology was delivered to the Wind Power Generator Bons Ventos da Serra I S.A. in Wind Park Ibiapina / EC, where 11 wind turbines with total capacity of 23,1MW were installed in 2014.

Wind power has established an intensive and competitive local industry, and WEG integrates this group having capacity to provide the components for power generation units through the winds by offering proven technology. Able to provide solutions for both current demands and for those that are emerging in a rapidly developing market.



## Excellence in transformers (Transmission and Distribution Unit)

Attesting to the commitment to the conscious use of energy, WEG is one of the first manufacturers to receive the energy conservation and energy efficiency certification for distribution transformers, granted by the Brazilian Labeling Program (PBE).

Coordinated by Inmetro, the program provides information on the performance of products, taking into account attributes such as energy efficiency, economy to consumers, industry development and protection of environment.

The contents of the labels help identifying different advantages of the products, such as the most economical, the ones with lower environmental impact, the quietest, and so on.

In the specific case of labeling programs focused on energy efficiency rating, its importance is linked to the Brazilian energy saving goals.

All of WEG distribution line transformers have this certification.





## Coating Technology Contributes to Sustainable Works (Coating Unit)

The products of the WEG coating unit are developed by combining high technology to sustainable concepts. Also, they aim to provide gains in productivity, reduced cost/time in painting processes and energy saving.

### Examples of the high-tech alignment to sustainable concepts:

- Water-based products, which reduce the emission of volatile organic compounds (VOC) in the Environment;
- Low setting temperature powder paints that reduce energy consumption and increase the speed of processes;
- Insulation varnishes and impregnation resins which protect while helping to reduce loss of energy in motors and transformers;
- Development of products free of heavy metals and TGIC-free formulations (triglycidylisocyanurate), reducing the environmental impact and worker health;
- Water Soluble Paints: They have very low environmental impact, coatings that are free or have low concentrations of solvents.



### Certifications

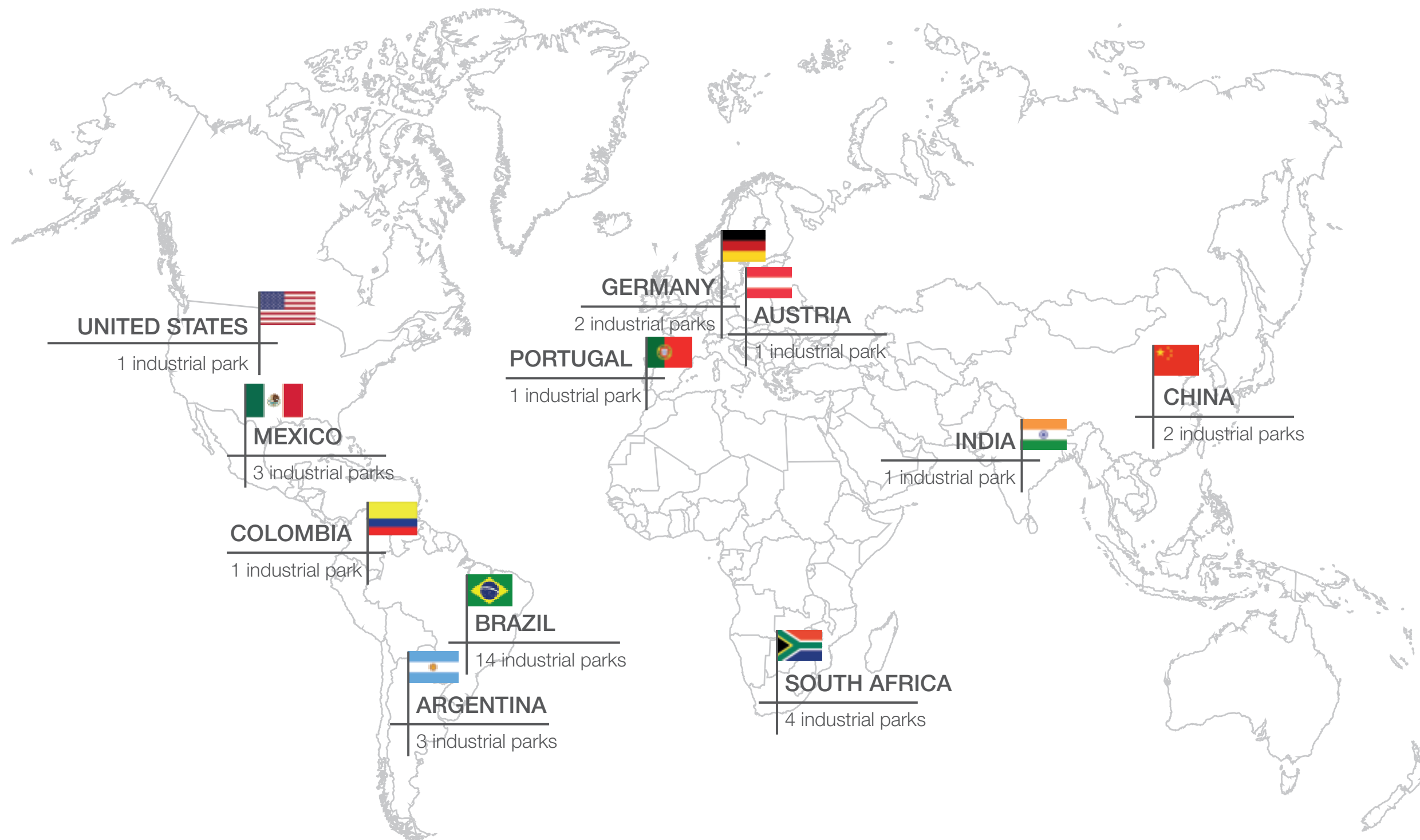
Seeking to combine high-tech products with environmental awareness, WEG sought the improvement in its product line and developed a new paint finish, which due to its low level of Volatile Organic Compounds (VOC), meets the criteria set by the standard Green Seal Standard GC-03 Green Seal Inc., an organization that creates standards for environmentally friendly products.

These criteria allow the ink line WEGTHANE HSA 561 fits in the category of metal structures protective paints of LEED certification (Leadership in Energy and Environmental Design), which guides and attests to the commitment of a building with the principles of sustainability to the construction - before, during and after their works.

Issued in more than 130 countries around the world, the seal is considered today the leading certification for sustainable construction of projects in Brazil, where it is officially represented by the GBC-Brazil - Council for Sustainable Construction in Brazil.



# WEG WORLDWIDE



Offices in  
29 countries

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

+ Distributors in  
90 countries

## 33 INDUSTRIAL PARKS DISTRIBUTED IN 11 COUNTRIES OF 4 CONTINENTS

## COVERED MARKETS

Region	2014	2013	2012
North America	38%	34%	34%
South and Central America	15%	17%	16%
Europe	25%	26%	24%
Africa	12%	13%	15%
Asia and Oceania	10%	10%	11%

In % of the Foreign Market Revenue

# ETHICS AND INTEGRITY



## ▪ MISSION

Continuous and sustainable growth while maintaining simplicity.

## ▪ VISION

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

## ▪ VALUES

### **Human Company**

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

### **Team Work**

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

### **Efficiency**

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

### **Flexibility**

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

### **Innovation**

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

### **Leadership**

Be benchmark for the relationship with customers.



## POLICIES

### Quality

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

### Environment

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

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

### Energy Efficiency

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



## Health and Safety

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

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

## Social Responsibility

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

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

WEG values diversity  
and provides conditions  
TO THE DEVELOPMENT  
OF EMPLOYEES

# CODE OF ETHICS

Taking into account that the sustainability of WEG's growth depends fundamentally on an ethically correct conduct in the relationship between stakeholders, the Code of Ethics is part of the transparent management of WEG. The document presents to all of its employees and managers the expected conduct in their activities. In addition, WEG encourages the application of the guidelines of the Code of Ethics to its stakeholders, which are: related companies, suppliers, contractors, sales representatives/distributors, dealers and technical assistant's customers, investors, community and government.

— ETHICS —  
*I practice*  
 at WEG  
 and in my life

Recently the Code of Ethics was reassessed and updated. And in 2014 its 2nd edition was released, which included the following improvements:

- Inclusion of new topics (corruption and environment)
- Global application with versions in Portuguese, English, Spanish and Mandarin
- Improvement in the denouncement management system



## The 2nd edition includes the following topics:

- |   |  |
|---|--|
| ■ Compliance with Laws and Regulations  | ■ Shareholders and Stock Market, Finances and Accounting |
| ■ Information                           | ■ Public Authorities                                     |
| ■ Property                              | ■ Trade Associations                                     |
| ■ Employees and Work Environment        | ■ Communication  |
| ■ Suppliers and Independent Contractors | ■ Corruption   |
| ■ Customers                             | ■ Environment  |
| ■ Community                             |  |
| ■ Competitors                           |  |

The new edition of the Code of Ethics was delivered to all employees and managers and presented by individual items, including communication channels and the denouncement management process. After this presentation, each employee and manager read and signed a term of commitment, stating their receipt and compliance with the Code of Ethics. In case of new employees, they go through the same procedure when hired.

The coordination of the 2nd edition was held by the Code of Ethics Management Commission, which is composed of managers from different areas of the company, among them: HR, Quality and Environment, Legal, Investor Relations, Procurement, Sales/Marketing, Security and Audit. The committee defined it by a process of cross-discussion, involving various levels of the company until the final approval by the senior management and Board of Directors.

## DENOUNCEMENT MANAGEMENT SYSTEM

For the denouncements about its violation, the Code of Ethics has different communication channels, applied globally, which are:

- Website
- E-Mail
- Telephone
- Letter
- Communication to immediate supervisor (facilitator, manager or director)

The provided information will be kept confidential, except for situations in which WEG has the legal obligation to report to government agencies and audits.

Cases that are not included in the document are discussed by the Code of Ethics Management Commission together with the direction of Human Resources, which is responsible for this management tool.

### Code of Ethics Management Commission assignments:

- Interpret the Code of Ethics in cases of questions to harmonize the understanding and avoid ambiguities in its application;  
Periodically analyze and review, when necessary, the Code of Ethics in the light of the application and ethical progress in the social field and in the company;
- Monitor the alignment of the application of the group's units;
- Check and report to the direction about the application of the code in the company
- Decide on the necessary resources to apply the code.

If you are interested in knowing our Code of Ethics, please visit: <http://goo.gl/PNUrPt>

# LETTERS AND PRINCIPLES



## GLOBAL COMPACT

Global Compact is a voluntary initiative developed by former UN secretary general, Kofi Annan. It aims to mobilize the international business community to adopt in its business practices fundamental and internationally accepted values in the areas of human rights, labor relations, environment and anti-corruption. The pact seeks to provide guidelines for promoting sustainable growth and citizenship. These core values are reflected through 10 principles, which are:





## HUMAN RIGHTS



**1.** The companies should support and respect the protection of internationally recognized human rights; and



**2.** Make sure that they do not take part in the violation of such rights.

## WORK



**3.** The company should uphold the freedom of association and the effective recognition of the collective bargaining;



**4.** The elimination of all forms of forced or compulsory labor;



**5.** The effective abolition of child labor; and



**6.** Eliminate discrimination on the job.

## ENVIRONMENT



**7.** The companies should support a preventive approach to the environmental challenges;



**8.** Develop initiatives to promote environmental responsibility;



**9.** Encourage the development and diffusion of environmentally friendly technologies

## ANTI-CORRUPTION



**10.** Businesses should work against corruption in all of its forms, including extortion and bribery

WEG has become a signatory of the Global Compact in 2014

The initiative is aligned with the principles and values of the company. It also has the participation of the United Nations agencies, companies, unions, non-governmental organizations and other partners necessary to build a more inclusive and equitable global market.

Next, the table of maintenance of the 10 principles demonstrating WEG practices and processes that include each principle.

PRINCIPLES	MAINTENANCE OF THE PRINCIPLES
<b>HUMAN RIGHTS</b>	
1. The companies should support and respect the protection of internationally recognized human rights; and	<ul style="list-style-type: none"> <li>■ Compliance with labor laws</li> <li>■ It addresses the issue in its Code of Ethics</li> <li>■ It addresses this issue in its Policies of: Health and Safety and Social Responsibility</li> </ul>
2. Make sure it does not take part in violations of these rights.	<ul style="list-style-type: none"> <li>■ Compliance with labor laws</li> <li>■ It has a denouncement management system of the Code of Ethics</li> </ul>
3. The company should uphold the freedom of association and the effective recognition of the right to collective bargaining;	<ul style="list-style-type: none"> <li>■ In Brazil, 100% of employees are covered by collective bargaining rules.</li> </ul>
4. The elimination of all forms of forced or compulsory labor;	<ul style="list-style-type: none"> <li>■ It addresses this issue in its Code of Ethics and has a denouncement management system of the code.</li> <li>■ It evaluates its suppliers considering social criteria.</li> <li>■ It addresses the issue in its Social Responsibility Policy</li> </ul>
5. The effective abolition of child labor; and	<ul style="list-style-type: none"> <li>■ It addresses this issue in its Code of Ethics and has a denouncement management system of the code.</li> <li>■ It evaluates its suppliers considering social criteria.</li> <li>■ It has young apprentices training program (Centroweg).</li> <li>■ It addresses the issue in its Social Responsibility Policy.</li> <li>■ It carries out social investment in communities that care for children and young people.</li> </ul>
6. Eliminate discrimination on the job.	<ul style="list-style-type: none"> <li>■ It addresses this issue in its Code of Ethics and has a denouncement management system of the code.</li> <li>■ It addresses the issue in its Social Responsibility Policy.</li> <li>■ It adopts remuneration policies and education programs that are independent of gender or race;</li> <li>■ It has assessment of health and safety to adapt the workplace to women and employees with special needs</li> </ul>
7. The companies should support a preventive approach to environmental challenges;	<ul style="list-style-type: none"> <li>■ It addresses the issue in its Code of Ethics;</li> <li>■ The environmental policy mentions the preventive measures directly.</li> <li>■ It invests in environmental prevention and management.</li> <li>■ It develops products with higher energy efficiency required by the law and works to develop renewable energy such as wind, solar and biomass power.</li> </ul>
8. Undertake initiatives to promote environmental responsibility; and	<ul style="list-style-type: none"> <li>■ It addresses the issue in its Code of Ethics;</li> <li>■ The environmental policy.</li> <li>■ It develops internal training related to environmental management and energy efficiency (raising awareness).</li> <li>■ Communication: It disseminates information on the subject in the internal newsletter</li> </ul>
9. Encourage the development and diffusion of environmentally friendly technologies.	<ul style="list-style-type: none"> <li>■ It develops Exchange Plan (Program in which WEG grants discounts in the purchase of a new motor, with higher efficiency than required by law, in exchange for an old motor, damaged or with low efficiency levels.)</li> <li>■ WEG owns a Research &amp; Innovation area.</li> <li>■ It develops products with higher energy efficiency than required by the law and works to develop renewable energy such as wind, solar and biomass power.</li> </ul>
10. The companies should work against corruption in all of its forms, including extortion and bribery.	<ul style="list-style-type: none"> <li>■ It addresses this issue in its Code of Ethics and has a denouncement management system of the code.</li> </ul>

Learn more about the Global Compact through the website: [www.unglobalcompact.org](http://www.unglobalcompact.org)

## PROCEL

In line with its business strategy to provide products with high levels of energy efficiency, WEG joined the Procel Seal for its line of three-phase induction electric motors with high efficiency in 1997. The Seal was developed and is given by the National Program for Energy Conservation (Procel) coordinated by the Ministry of Mines and Energy of the Brazilian government, with its Executive Bureau maintained by Eletrobrás.

The seal was created to guide the consumer at the moment of purchase, indicating the products with 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 preservation of the environment.



The adherence of the companies to this seal is voluntary and contributes to the reduction in customers' energy consumption.

## Coatings Care

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

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



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

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

In Brazil, the Coatings Care program was implemented in 2004 by the Brazilian Association of Paint Manufacturers (Abrafati), which is responsible for national coordination. WEG is a signatory of the program since 2007.



## Brazilian Labeling Program (PBE)



Coordinated by Inmetro, the Brazilian Labeling Program (PBE) provides information on the performance of products. Attributes such as energy efficiency and other criteria that can influence consumer choice are considered. In general terms, EBS comprises three benefits which are:

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

More efficient products bring greater protection for the environment and at the same time savings for the consumer. The contents of the labels help identifying different advantages of the products, such as the most economic, the ones with lower environmental impact, the quietest, and so on.

Consumers generally have no specialized knowledge about the products they buy, and they often find it difficult to identify such aspects. The identification becomes an important tool to help them see such differences.

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

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

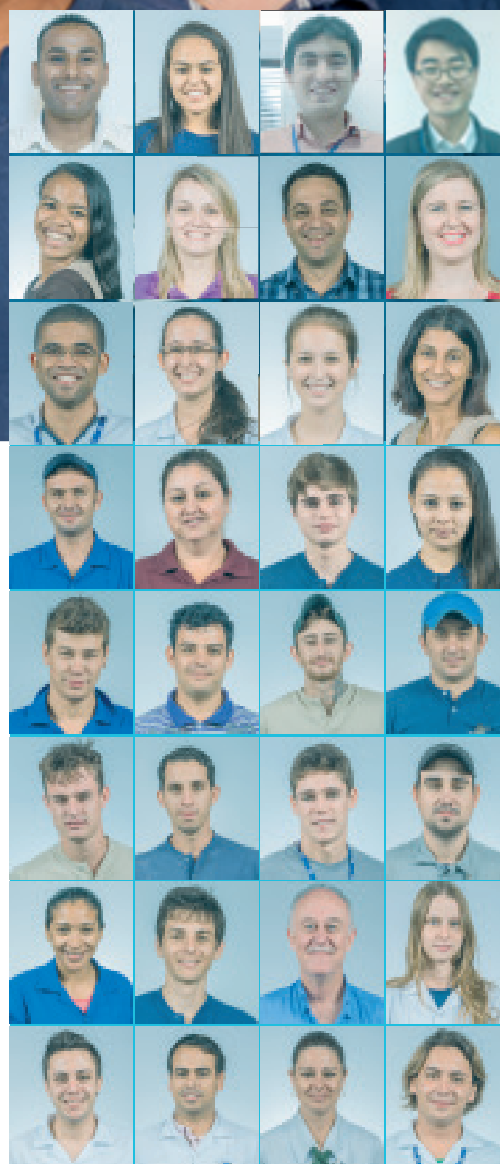


# EMPLOYEES



## ORGANIZATIONAL HEALTH AND SAFETY

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





## Safety and Ergonomics Committee

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

### WEG Safety and Ergonomics Program – PWE

It is an ergonomics and safety program oriented to the industrial areas, which encourages the employees' participation in the solution of improvements in the jobs. It aims to eliminate possible situations of ergonomic risk and accidents in the workplace. It is intended to promote improvements related to safety and comfort between the employees and their environment / job.

Qualification and training of groups of facilitators who analyze work situations potentially causing accidents and ergonomic problems, suggesting and implementing improvements. Each production department has a Safety and Ergonomics Group of Facilitators - GFSE, which is formed by a coordinator (department manager) and persons designated by this engineer (technical department employees, the production area and heads).

**There are currently 31 groups participating in this program.**

It includes units of Jaraguá do Sul/ SC, Guaramirim/ SC, Itajaí/SC and Linhares/ES. As from 2015 it will be implemented in the WTD unit in Blumenau/ SC. Each group has an average of 15 employees.



## Labor gymnastics

Labor Gymnastics seeks to improve the life quality, encourage physical activity and integration of employees. It also aims at the prevention of stress and occupational diseases. The program covers all units of the WEG Group in Brazil.

## Internal Commission of Accident Prevention

In accordance with requirements of the Regulatory Standard of the Ministry of Labor and Employment (NR-5), the Internal Commission of Accident Prevention acts in the development of improvements against irregularities identified in the monthly inspection. It also promotes the Internal Week of Occupational Accident Prevention, together with the Specialized Service in Occupational Safety and Medicine. The scope covered by these teams is 100% of the employees of the units in Brazil.

## Prevention, Safety and Health

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



## Emergency Teams - Brigade

Emergency teams are composed of volunteer employees, trained and qualified to act in events such as fire, serious accidents, chemical spills, floods and other situations. The teams consist of nine to eleven members, acting in Brazil units.

## WEG Hearing Conservation Program - PWCA

Standardizing measures to promote, maintain and prevent the hearing health of employees exposed to “occupational noise risk” is the objective of WEG Hearing Conservation Program. The program is based on education, assessment of areas of risk, engineering/administrative measures, individual protection and audiometric monitoring. In order to implement the program, an action level is established starting from 80 dB (A).

Among the actions are: individual orientation on use of hearing protection, extra occupational exposures, periodic audiometric testing, in addition to lectures on hearing health, cleaning and correct use of hearing protection. The lectures are held annually in locations where the program is being reestablished.



## Highlights in 2014

Implementation in Brazil of Five Security Principles, which are the guidelines to be understood and practiced by all WEG employees. They have been designed based on the query and statement of managers about what are the basic safety rules at work that we should follow, as values in the company.

## Safety Principles



1. Provide and maintain a safe work environment

2. Be able to do the activity safely .

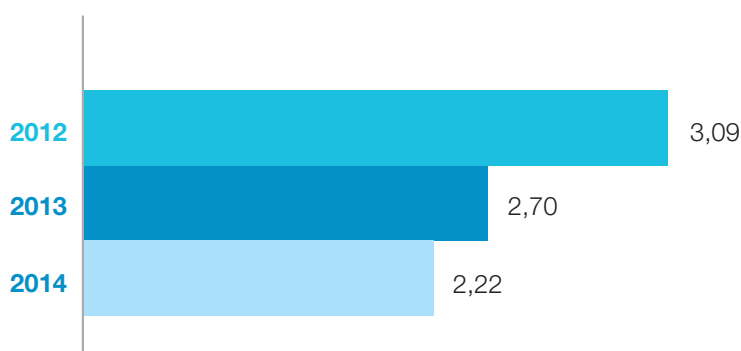
3. Comply with safety procedures described in standards or company documents

4. Be proactive when noticing risks

5. Inform, guide and act when verifying risky conditions or procedures at the workplace

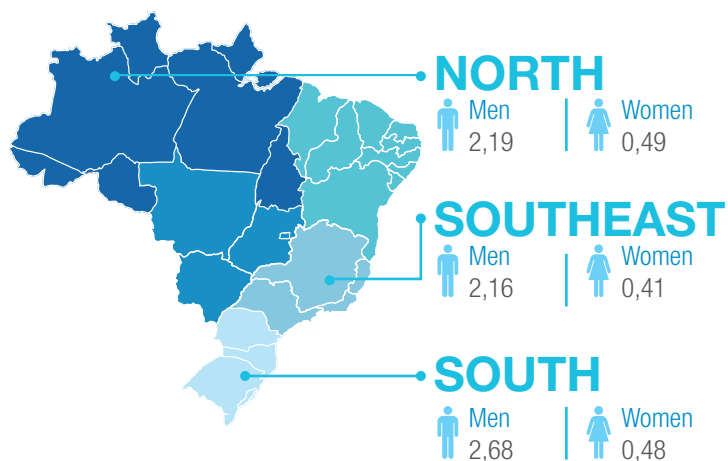
### Injury rate

(Number of accident victims every 200,000 hours worked)





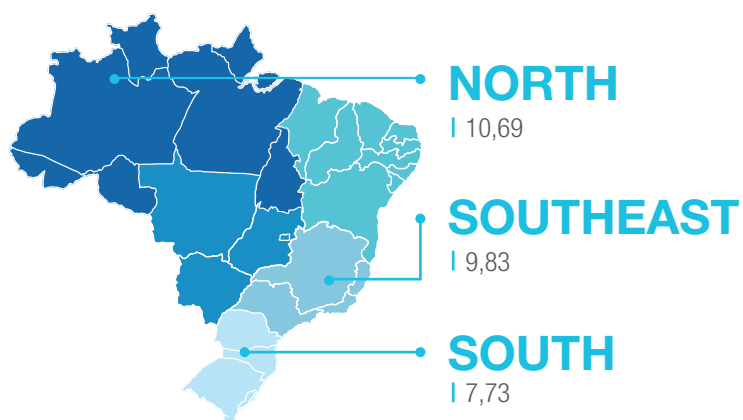
By region and gender (Brazil):

**Total working days lost**

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



By region and gender (Brazil):

**Total absenteeism\***

(Amount of absenteeism every 200 thousand hours of work.)

**Total deaths**

| 2012: 0  
| 2013: 1  
| 2014: 0

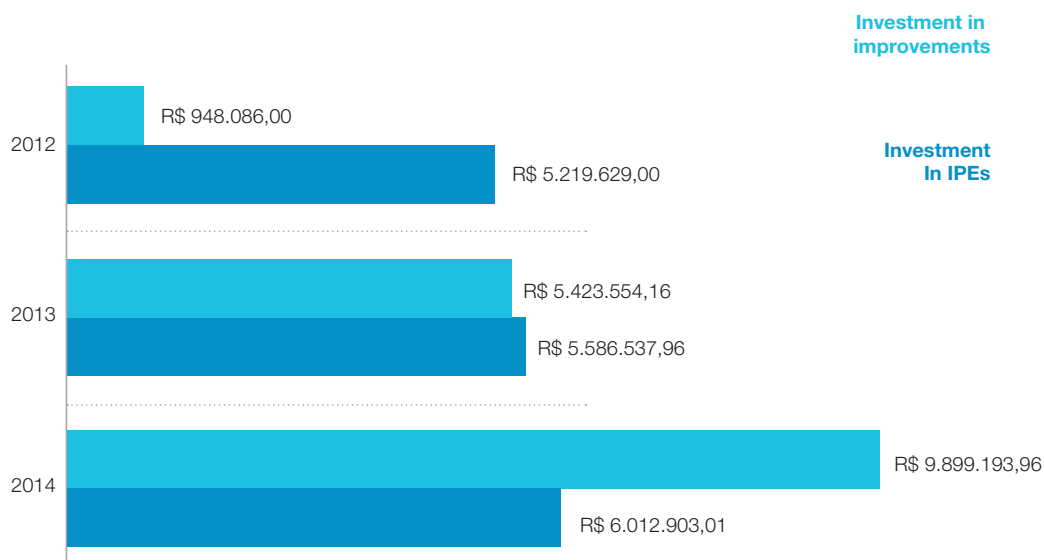
\* When an employee is absent from work due to any impairment, not only resulting from injury or illness related to work.

## Investments in Safety

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

Investments in safety in 2014:

- Investments in ergonomics: R\$ 31,676,981.30 (403 actions held)
- Investment in improvements in machinery and equipment: R\$ 9,899,193.96
- Investment in PPEs: R\$ 6,012,903.01
- Qualification and training: 64,386 hours, involving 18,321 employees



## TRAINING AND EDUCATION OF EMPLOYEES

Believing that education is the basis for personal and professional development, WEG offers programs that involve various age groups. From young apprentices to retired employees, all are met in a structure that offers free internal courses.

This practice has established a learning culture that extends to all areas and that allows employees to take advantage of opportunities. The education also extends to the community, offering opportunities to start a career as a young apprentice, as a trainee or through QPAP (Production Apprentice Professional Training) program.

### CENTROWEG



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

- Machining and Electromechanical Assembly of machines (duration of one year);
- Chemistry; Electronics; Electrotechnics; Mechanical Maintenance and Tooling (duration of two years).



The CENTROWEG has 20 laboratories for practical activities and six classrooms arranged in an area of 2,550 m<sup>2</sup> and 14 professionals.

More than 3,100 young people have studied at the CENTROWEG and about 140 professionals graduate every year. They are hired as apprentices and at the end of the course everyone has a job opportunity in the manufacturing units.

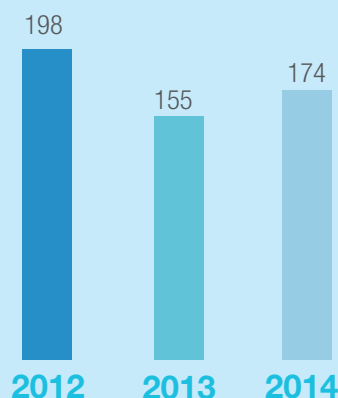
Qualified teams use the best equipment, create solutions for the daily problems, adapt processes and products, develop and implement innovations. That is essential for the good performance and professional development, as well as to contribute to meeting the expectations of continuous and sustainable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



**OVER  
3.100**  
YOUNG PEOPLE  
have already  
studied at  
CENTROWEG

## INTERNSHIP PROGRAM

The Internship Program aims to provide the opportunity to complementary education to students, under Law 11.788 of 09.25.2008. It enables the application of the knowledge acquired in the educational institution by means of practical work really useful for the company.



## Professional Qualification of Production Operator

The program offers technical professional development opportunities to employees from the production areas. This increases the technical knowledge level for those working in activities that directly affect the quality of products, contributing to quality and productivity improvements. Classes are structured in theoretical and practical activities, 78% theoretical activity comprising exercises and 22% laboratory practice.

## Professional Qualification of Production Apprentices

The program offers the community the opportunity for technical professional development as apprentices, according to the current Brazilian law. Eight courses of 400 hours each are offered. The program enables trainees recruited from the community, to act in the areas of production, increasing the expertise level in the implementation of activities. This directly affects the quality of products and contributes to quality and productivity improvements. The program is structured with 60% of theory (divided into 25% of theoretical concepts and 35% of exercises) and 40% of lab practice. In 2014, 82 apprentices graduated.

**82**  
APPRENTICES  
GRADUATED  
IN 2014



## School Support

Scholarships offered by WEG to employees approved according to the Policy, so that they can qualify in technical courses, college, post-graduation and languages.

Below, a record of the number of students benefited per course/year.

SCHOLARSHIP HOLDERS BY COURSE				
YEAR	TECHNICAL	HIGHER	LANGUAGES	POST-GRADUATION
2012	26	179	336	56
2013	51	138	304	105
2014	35	133	342	160

## External Courses

Technical and behavioral courses conducted with participants from different places and businesses. They are usually held outside WEG's premises and with an external instructor or institution.

## External in-company courses

Technical and behavioral courses conducted only with participants from WEG. They are usually held outside WEG's premises and with an external instructor or institution.

### History of the external course:

Year	Number of participants
2012	280
2013	424
2014	298

## Internal Courses

Attended and distance-learning technical and behavioral courses. They consist of courses conducted only with WEG participants and instructors, usually at the company's premises.

Year	Number of participants Attendance courses	Number of participants Distance courses
2012	12.447	2.863
2013	12.048	3.721
2014	13.496	4.118

## 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 duties, the QPET enables the increase of technical knowledge facing the reality of work.

It equalizes the information about rotating electrical machines and transformers, creating an advantage in service to internal and external customers. It also provides qualification for career growth of the students.



**BRAZIL**  
46 STUDENTS  
graduated and  
102 studying



**MEXICO**  
15 STUDENTS  
graduated and  
15 studying



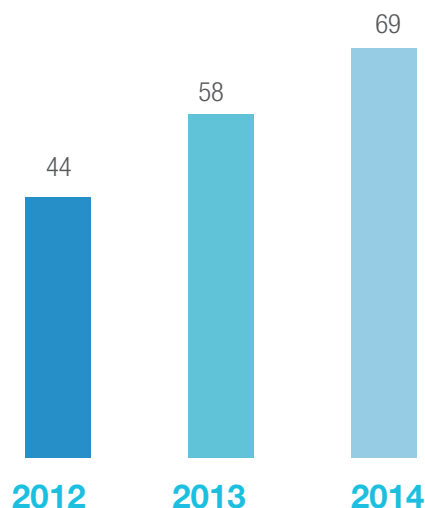
**CHINA**  
29 STUDYING

## Leadership Training

The Leadership Training Program was created in 1979 in order to prepare managers for the challenges ahead. Every year, the modules are updated according to the demands of the company and adapted according to the reality of each unit. Currently the program in Brazil happens in Jaraguá do Sul/SC and has 38 modules, totaling 226 hours of course.

The program provides participants with self-improvement, development and improvement of administrative and behavioral qualities or skills. It aims to improve the performance of their duties in the position of section leader, with effectiveness and safety.

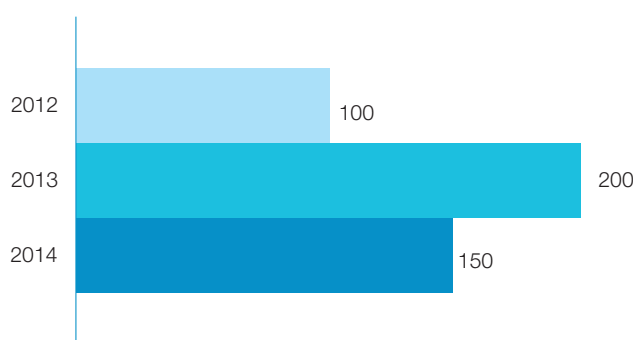
**Trained Managers**



## Leadership Practices

Recycling program aimed at people management where all managers and leaders participate after two years of completion of the Leadership Training. The goal is to emphasize the importance of the supervisor to have appropriate behaviors in their management. Communication skills, delegation, feedback and interpersonal skills will drive growth for their own development and their staff. At the end of the program, each leader can read on the current scenario of his behavior and his team, thinking of how his position directly influences the performance and results that his group has.

**Number of participants**





## In-company post-graduation

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

By December 2014 fourteen specialization courses, three master's degree in technical areas and four specializations in Business Management were carried out involving approximately 580 employees. Courses are conducted through agreements with educational institutions considered references in the area – UFSC – Universidade Federal de Santa Catarina, FURB – Universidade Regional de Blumenau, SOCIESC – Sociedade Educacional de Santa Catarina, UTFPR – Universidade Tecnológica Federal do PR, PUC-PR – Pontifícia Universidade Católica, ESAG – Escola Superior de Administração e Gerência and FGV-SP – Fundação Getúlio Vargas.

## Management Development

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

## Potential Evaluation

It is the identification of potentials considering administrative, interpersonal and intra-personal characteristics. The evaluation aims to encourage the training and development, and to assist the company in making strategic decisions in promotions or transfers to senior levels, Y career, management and direction.

POTENTIAL EVALUATION	
Year	Number of participants
2012	157
2013	155
2014	126

## Performance and Competencies Evaluation

It is aimed at all employees of the company. They are evaluated once a year by their immediate supervisor.

## 10 FACTORS ARE EVALUATED:

- communication;
- knowledge;
- creativity and innovation;
- focus on the customer;
- initiative;
- negotiation;
- productivity;
- quality;
- interpersonal relationship;
- responsibility.

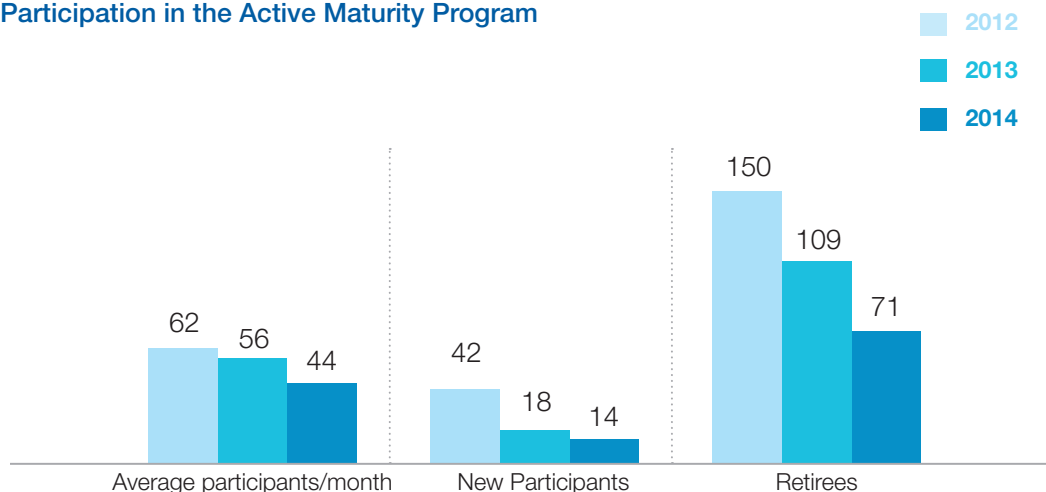
## Assessment of Managerial Competencies

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

## Active Maturity Program

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

### Participation in the Active Maturity Program



## Highlights in 2014

### Professional Qualification for Engineers and Technologists:

- Groups starting in China and in Mexico
- Training of a group in Mexico

### Training of Leaders:

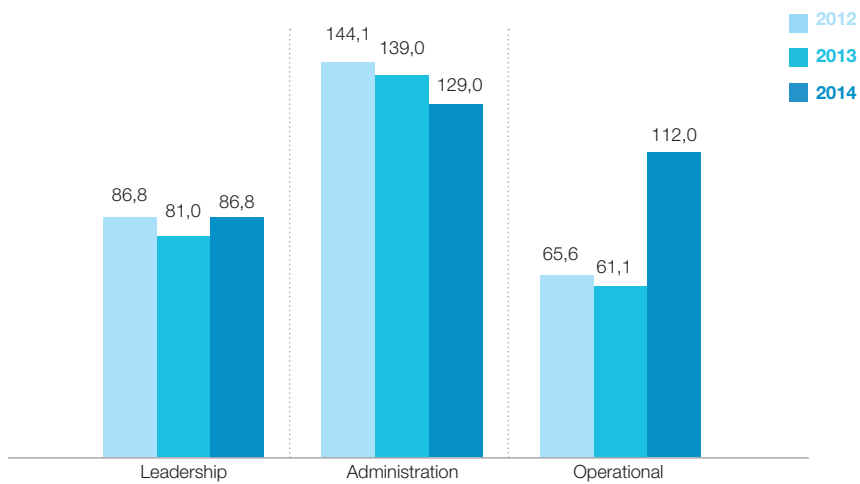
- Group starting in India
- Start and training a group in Mexico



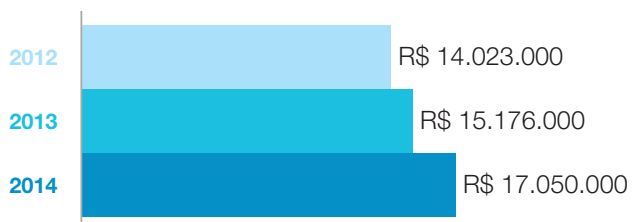
## Average of training hours per employee



## Average hours of training per functional category



## Investment in training





“

If there is a lack of machines, you can buy them; if there is no money, you can borrow some; but people you can neither buy nor borrow, and motivated people are the basis of success”.

**Eggon João da Silva**

## BENEFITS OFFERED TO EMPLOYEES

The statement of Eggon João da Silva, one of the founders of WEG, sums up the philosophy that today is part of the company's daily routine. The success of any business depends on the quality of life of people who are dedicated to it.

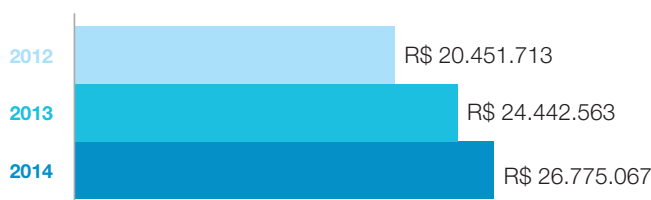


WEG offers a package of benefits to its employees. Know what they are and the history of the investment made:

## Health Care

The company contributes with a percentage of the values for the employees and their dependents.

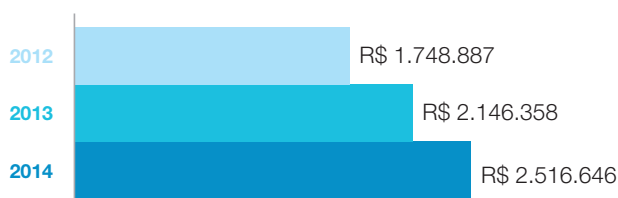
### Investment:



## Dental Care

Provided for employees and dependents. The monthly fee is free of charge.

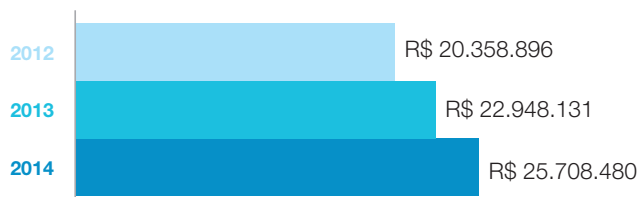
### Investment:



## Pension Plan

The company has a pension plan, structured in the Variable Contribution mode. The liability of the Plan is fully covered by reserves. They are supported by the assets of the plan, according to the Actuarial Statement issued on 12/31/2011 by the independent actuary responsible for the Plan. The contributions of the sponsors are defined in the costing plan and represent 2.98% of the total payroll. The participants contribute with a percentage freely chosen on the base salary, observing the minimum of 1%. Currently the Plan has 99% or participation, and 93% of the participants are contributors.

### Investment:

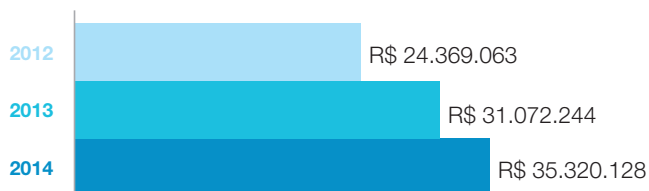




## Meals

They are provided to the employee in the cafeteria, one meal a day, in the break between working hours. The food provided is balanced and healthy by adopting strict practices of food safety. The employee contributes with 20% of the value and the remaining 80% are subsidized by WEG.

### Investment:

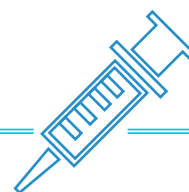
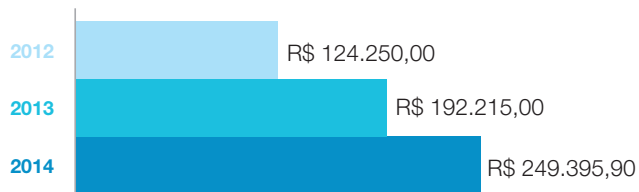


Scope: Brazil

## Influenza Vaccination Program

Once a year the flu vaccine is provided free of charge. To prevent and immunize employees against the flu and its possible consequences, the program covers all units in Brazil, including subsidiaries. WEG pays the full value of vaccines.

### Investment:



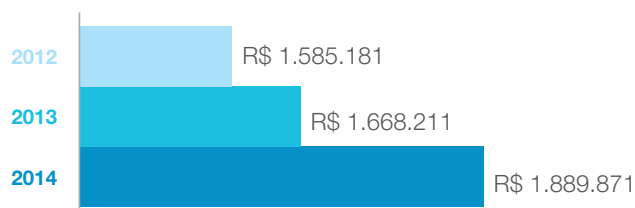
AT WEG

**THE VACCINE  
AGAINST THE FLU  
IS FREE**

## Life Insurance

WEG pays 100% of the Life Insurance for its employees. It also has additional plans of life insurance which are optional. In Additional Plan 1 is also offered: funding by WEG of 60.87% and 39.13% by the employee. In Additional Plan 2, WEG pays 53.85% and the employee pays 46.15%.

### Investment:



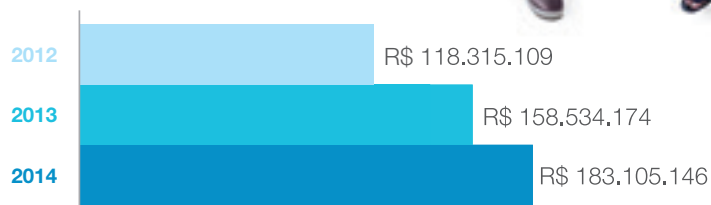
## Profit Sharing

Up to 12.5% of net income for the WEG Group (Consolidated Balance Sheet) is distributed. This happens if the profit amounting to 10% of the existing equity in 31/12 of the previous year is reached. It is offered to the employees of units in Brazil.

The distribution is done following criteria for the reaching of goals of the WEG Group, business units, departments and performance assessment of the employee.

DISTRIBUTION OF UP TO  
**12,5%**  
OF THE NET PROFIT

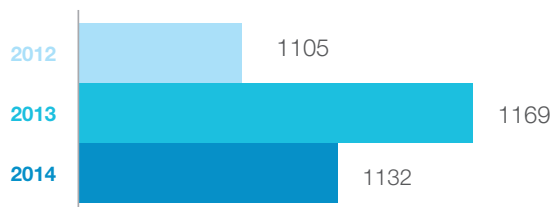
### Distribution



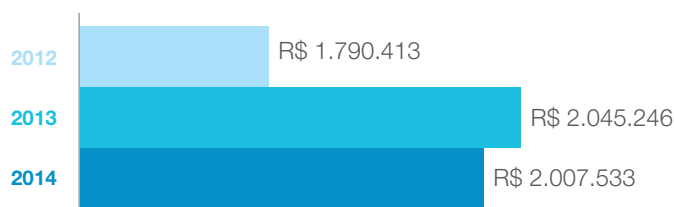
## Child Education Program

For the tranquility of employees in caring for their children, WEG has an agreement with the municipal and private kindergartens of Jaraguá do Sul/SC and municipal ones of Schroeder/SC. Although there is no legal provision, the company offers the benefit also for men. The benefit provides care for children of employees age up to five (Jaraguá do Sul/SC agreement) and three (Schroeder/SC agreement) during the period of work.

**Number of children assisted:**



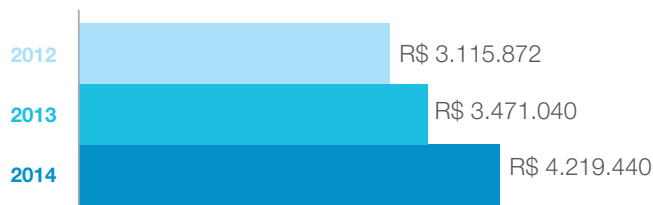
**Investment:**



## Christmas Gifts

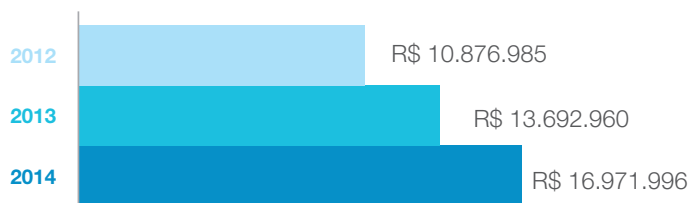
It is offered to the employees that worked at least one day along the year. In 2014 four options of Christmas Gifts were available.

**Investment:**



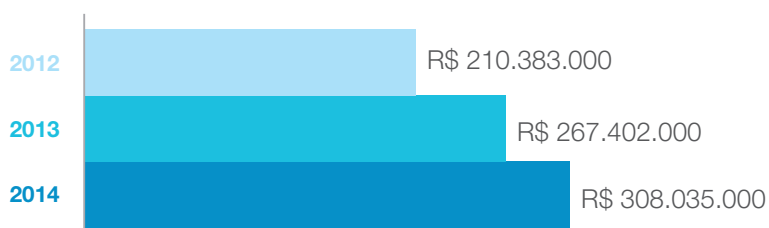
## Other Benefits

Offered to the employees of Brazil units, benefits such as bus tickets, uniforms, labor gymnastics and recreational association.



## Total Investments Made By WEG

### Investment:



Health promotion and best practice for the well-being and quality of life of employees are offered through various programs, including:

## Health Campaigns

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

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

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

## Occupational Health:

It seeks to prevent, assess and monitor the health of employees. The main activities are routine medical examinations, and examinations for hiring, transfer, promotion and dismissal. In 2014, 51,817 occupational consultations and 20,975 occupational nursing procedures were performed in the polyclinics of WEG units in Brazil.



## Health Service

These are medical care procedures for employees with different health problems. The process begins with the sorting of the problems conducted by nurses, and it goes up to the consultation with physicians and requests of tests and/or referral to specialists. In 2014, 29,672 occupational consultations and 168,558 occupational nursing procedures in the first-aid rooms of WEG units in Brazil were performed.

### Living Well Program

It is the program dedicated to the quality of life through nutritional care of employees. It is to prevent, delay, treat or alleviate chronic diseases (diabetes, hypertension and obesity) and provide nutritional care during pregnancy.

The program includes the units of Jaraguá do Sul/SC and Guaramirim/SC. It is focused as a measure of treatment for employees with diagnosis of diabetes, hypertension and

obesity with nutritional behavior with personalized menus, monitoring of laboratory tests and weight control.

Among the actions: activities at the exits of the cafeterias and online courses of healthy eating and diabetes.

### 2014

#### Monthly Nutritional

**Care:** 85 pressure

#### Participation online course:

64 employees

#### Activities carried out in the cafeterias/2014:

- Fight against high blood
- Food Week with the theme: Safe and Healthy Food

## Psychosocial Care

The program aims to serve employees who seek support to face emotional, health and social difficulties, that impact directly on the work. It covers actions of reception, guidance, psychological and social interventions and, where necessary, the developer's submission to the public service network and/or community resources.

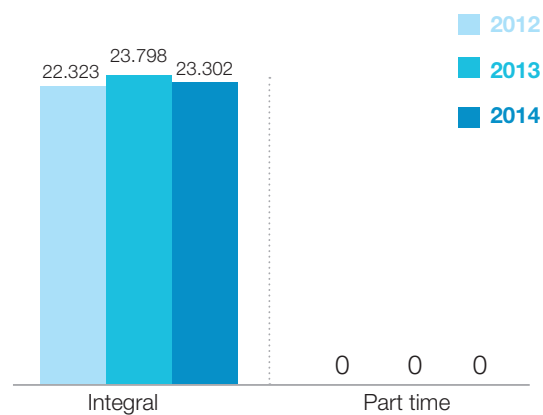
In 2014, 3,515 consultations were carried out including 1,612 employees. Demands met: family problems, psychopathology, addiction, people away from their jobs, smoking, relationship problems with managers and co-workers.

# EMPLOYEE DATA

## Total of Employees

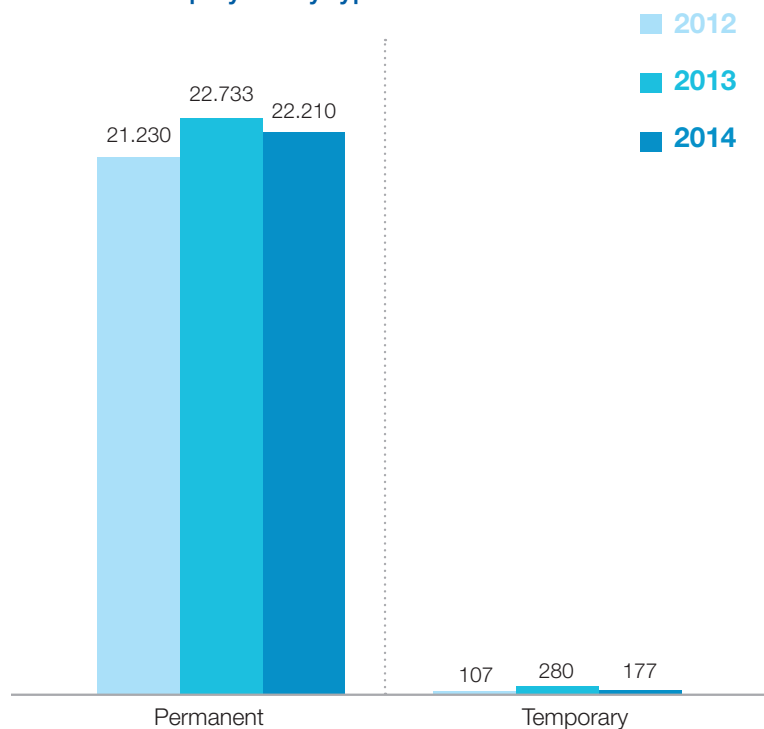


## Total number of employees per shift\*



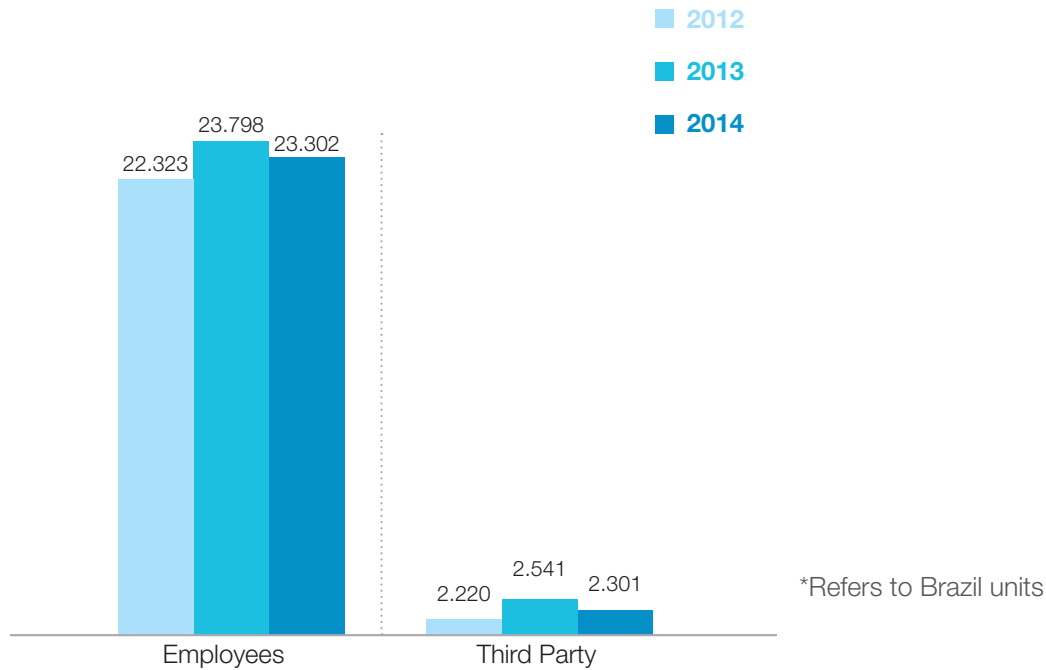
\*Refers to Brazil units

## Total number of employees by type of contract\*

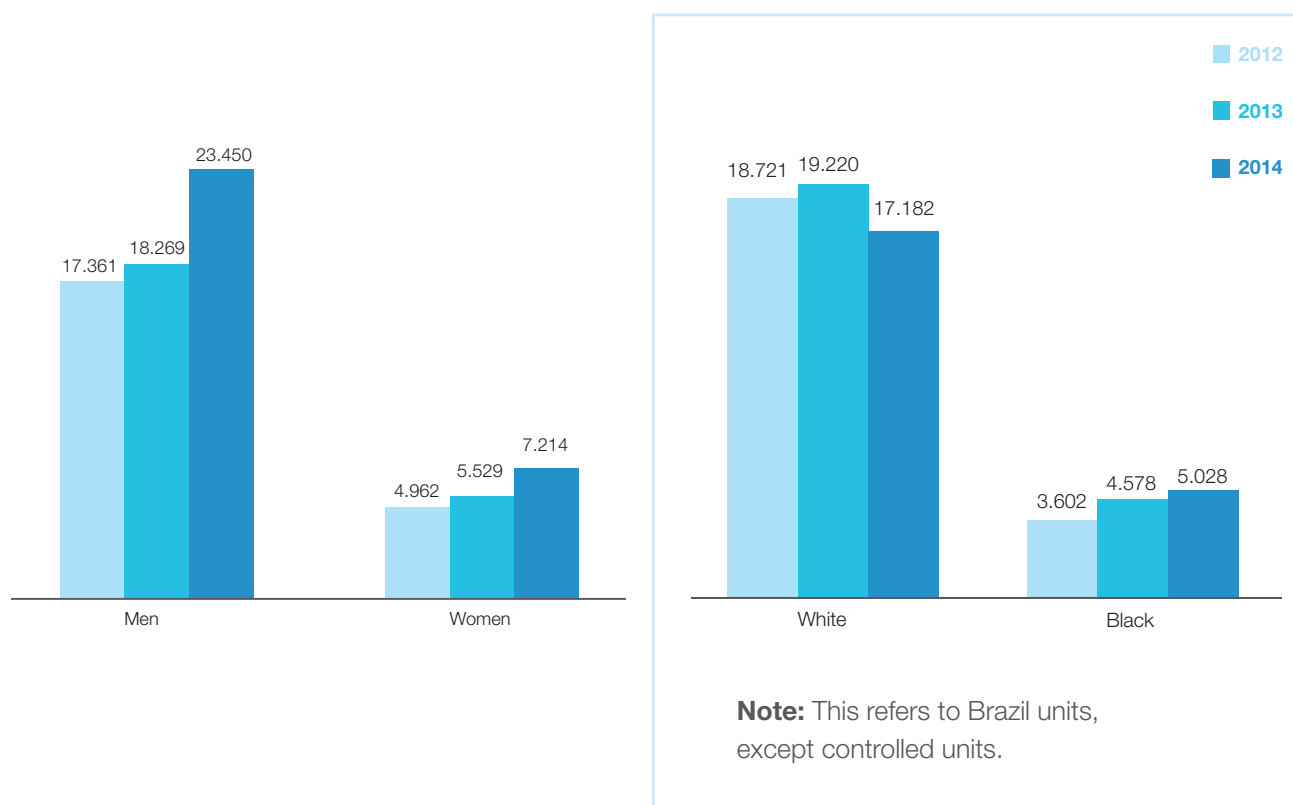


\*Refers to Brazil units except for associates

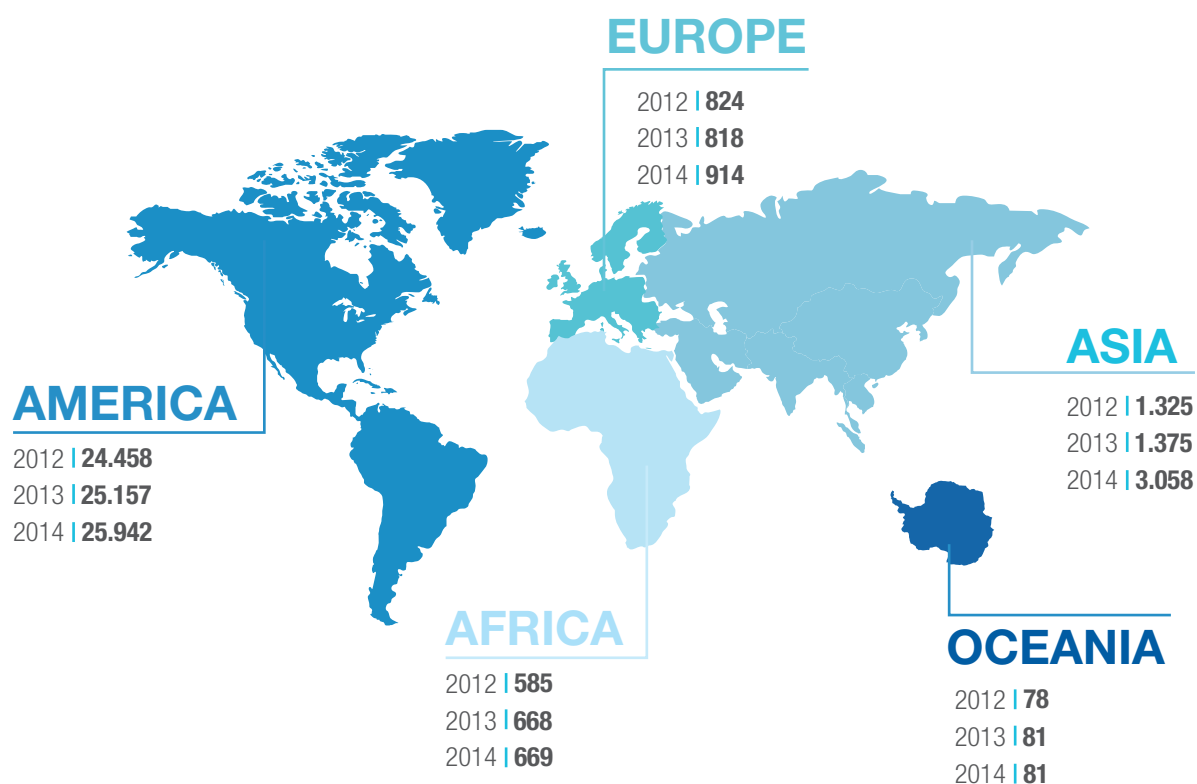
## Total number of employees by type of job\*



## DIVERSITY



## Total number of employees per Continent



CONTINENT	COUNTRIES	TOTAL OF EMPLOYEES - 2014		
		Men	Women	Total
AMERICA	Brazil	17.731	5.571	23.302
	Argentina	335	74	409
	Mexico	1.345	259	1.604
	USA	416	107	523
	Other countries	89	15	104
EUROPE	Germany	162	47	209
	Portugal	239	63	302
	Other countries	317	86	403
ASIA	China	1.723	818	2.541
	India	467	5	472
	Other countries	29	16	45
AFRICA	South Africa	538	131	669
OCEANIA	Australia	59	22	81
Total of Employees WEG Group		23.450	7.214	30.664

# CORPORATE GOVERNANCE



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

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

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

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



### Board of Directors - Composition as of December 31 2014

**Décio da Silva** - President

**Nildemar Secches** - Vice-President (Independent)

**Martin Werninghaus** - Member

**Miriam Voigt Schwartz** - Member

**Dan Ioschpe** - Member (Independent)

**Douglas Conrado Stange** - Member (Independent)

**Wilson Pinto Ferreira Junior** - Member (Independent)



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

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

Individually, the candidates are expected to have:

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

The board member 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. Understand that his/her duties and responsibilities are comprehensive and not restricted to the meetings of the Board

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

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

#### Executive Board – Composition as of December 31, 2014

**Harry Schmelzer Jr.** - Chief Executive Officer

**Sérgio Luiz Silva Schwartz** - Vice-President and Investor Relations Officer

**Antonio Cesar da Silva** - Director

**Carlos Diether Prinz** - Director

**Hilton José da Veiga Faria** - Director

**Luis Gustavo Lopes Iensen** - Director

**Reinaldo Richter** - Director

**Siegfried Kreutzfeld** - Director

**Sinésio Tenfen** - Director

**Umberto Gobbato** - Director

**Wandair José Garcia** - Director

**Wilson José Watzko** - Director



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

#### Audit Committee – Composition on December 31, 2014:

**Alidor Lueders** - Effective Member

**Gilberto Lourenço da Aparecida** - Effective Member

**Vanderlei Dominguez da Rosa** - Effective Member

**Ilário Bruch** - Effective Member

**Marcelo Adolfo Moser** - Effective Member

**Paulo Roberto Franceschi** - Effective Member

## 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. Such way of remuneration promotes consistent and transparent sharing of results. It aligns the interests of the company, of directors and shareholders, according to the best management practices and corporate governance.

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

The management of Corporate Risk System has the fundamental contribution of the organization of participatory management structure. It establishes committees and multidisciplinary committees to analyze, define, approve and implement changes in their business processes. Risk management is responsibility of such committees and commissions and is periodically submitted to the referendum of the Senior Management.

# SUPPLIERS



WEG sees its suppliers and service providers as business partners in the pursuit of sustainable development by treating them equally, free of undue favoritism and respecting the principles of free competition.

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

- Quality assurance of the products;
- The compliance with the RoHS Directive, which prohibits or restricts the use of certain chemical substances present in raw materials and components, and electrical equipment used in manufacturing processes and electronics;

- Compliance with the standards established by the environmental legislation;
- The commitment to not use child labor, forced or compulsory labor in its production chain;
- Compliance with labor and tax obligations in accordance with the laws in force;
- Commitment to developing internal policies to promote diversity and fight discriminatory practices. Always in compliance with international labor standards and conventions;
- The commitment to extend the aforementioned requirements to its main business partners, encouraging the alignment of such 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 that everyone part of the supply chain is aligned with the sustainable development of their business and the society in which they operate.

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

- **Valuation of the Local Supplier**
- **Development of Suppliers**
- **WEG Assured Quality Program (certification):**
- **Technological exchange**
- **Product development** (development of materials and components together with suppliers for future application in WEG products).
- **Development, selection and evaluation of suppliers based on sustainability criteria**
- **Periodic audits**
- **Communication** (In this system, suppliers can check the programming of components and deliver the materials directly to the central stockroom of the company)
- **Relationship with service providers** (training and awareness of safety and environmental issues in order to ensure that they perform their activities safely within the current regulations).

## KNOW THE WEG SUPPLIER CHAIN BY BUSINESS UNIT

### MOTOR UNIT

WEG Motors acquires components and raw material from suppliers from different regions of Brazil and abroad. In 2014, the unit made business transactions with 5,487 suppliers, of which, 95.5% of purchases in Brazil. Of these, 84% are registered in the states of Santa Catarina, Amazonas, Espírito Santo and São Paulo. The main groups of suppliers are in the segments: steel plate, steel bar, copper rods, bearing, aluminum ingot, plastic molded parts, machining, welding, stamping, insulating materials, electrical conductor, fasteners and brakes.

WEG always encourages its business units to buy from regional suppliers in order to strengthen the local economy and create opportunities.





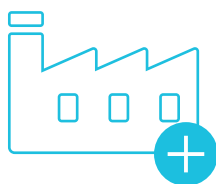
## MAIN CHANGES IN THE PERIOD OF THE REPORT

In 2014, with increased production volume, the manufacture of some lines of appliance motors were transferred to WEG Linhares. Some suppliers were invited to settle in the region and others are being developed locally. During 2014 WEG Motors acquired the following companies abroad:

- Antriebstechnik KATT Hessen GmbH (“KATT”), electric motor manufacturer based in Homberg/Germany;

- Changzhou Sinya Electromotor Co. Ltd (“SINYA Group”), Chinese manufacturer of electric motors for washing machines and dryers and other appliances of the “white line” located in Changzhou/China;

- Changzhou Machine Master Co. Ltd. (“CMM Group”) that produces mechanical transmissions and components for the “white line” solutions sold by the SINYA Group. Its factory is also located in Changzhou/China.



In addition to acquisitions, WEG announced in 2013, US\$ 345 million investment over the next five years for expansion of electric motors production capacity in Mexico and China.

## ENERGY UNIT

WEG Energy conducted business transactions with more than 2,300 suppliers in 2014. Approximately 95% of them are from Brazil, and of these 98% are located in the South and Southeast of the country. About 10% are hiring services such as machining and treatment/surface coating.

In 2014 the purchase of imported components was expanded, mainly forged shafts from China and Italy, diodes from India and terminal boards from China.

Suppliers are distinguished for providing various materials, among which: Metal sheets, Steel Bars, Copper Rods and Rings, Insulating Materials, Machined, Cast or Forged Metal Parts, among others.



## MAIN CHANGES IN THE PERIOD OF THE REPORT

In 2014 the production and marketing of wind turbines started. The current structure, both manufacturing and the supply chain, has been adapted for use without burdening major investments or approval of new suppliers.

The few new suppliers are directly linked to the original design of the NPS wind generator, which requires keeping the same manufacturer to ensure the level of quality of the final product.

## AUTOMATION UNIT

WEG kept commercial relations with about 1,200 suppliers. 67.44% of the purchases concentrated in suppliers from the domestic market and 32.55% from the foreign market.

It is important to point out the large volume of purchases of electronic components, semiconductors and printed circuit boards (modules IGBTs, CI), sinks, fans, link inductors, toroidal.

### MAIN CHANGES IN THE PERIOD OF THE REPORT

In July WEG supplied equipment for the operation of the 1st Solar Plant in Fernando de Noronha. In addition to providing all electrical equipment, WEG is responsible for monitoring and maintenance of the unit for one year.

In October 2014, the Company announced the acquisition of FTC Energy Group ("FTC"), a company engaged in the manufacture and assembly of electrical panels for process automation based in Bogota, Colombia.

In November 2014, WEG announced the creation of joint ventures with Jelec Inc. ("Jelec"), a US company based in Houston, Texas. Jelec is a company specialized in engineering and integration of automation systems with extensive experience in drilling applications in the oil and gas market.



## TRANSMISSION AND DISTRIBUTION UNIT

In general, WEG Transmission and Distribution only buys more technologically complex production materials from foreign suppliers. For other items, which usually require intensive labor, the volume of purchases is highly concentrated on local market suppliers.

During 2014, trade relations took place with about 1,660 suppliers, of which 96% located in Brazil. From these, 93.7% were in Santa Catarina, São Paulo, Rio Grande do Sul and Paraná. Suppliers are distinguished for providing different materials, among which: Metal Coils or Sheet, Mineral Insulating Oil, Tap Switches for Transformers, Paper Fiber or Polymeric Insulation Materials, Bushings with Porcelain Bodies, Machined, Cast or Forged Metal Parts, among others.



### MAIN CHANGES IN THE PERIOD OF THE REPORT

The company acquired Efacec Energy, in Jaboatão dos Guararapes, Pernambuco, at the end of the second semester. The trend, however, is that current suppliers go through an evaluation process and be inherited from the current structure.

## COATING UNIT

During 2014, WEG Coatings kept relations with 1,480 suppliers. Of these, 71% of direct productive materials used by WEG are imported. Of these, 44% originate from Asia, 37% from the Americas, 15% from the European continent and 4% from Africa. Of the 29% of direct productive materials purchased in local stock, much of it coming from the Brazilian north-central region.

Suppliers are distinguished for providing various materials, among which: Pigments, Solvents, Additives, Mineral Fillers, Catalysts, Hardeners, Monomers and Reagents, Resins, Mineral and Vegetable Oils, among others.

### MAIN CHANGES IN THE PERIOD OF THE REPORT

In 2014 WEG Coatings incorporated its rules and procedures in Paumar Coatings, company acquired in 2012 which works with the automotive line. Paumar owns ISO TS 16.949 certification, and has several special features, such as the requirement of ISO 9001 suppliers of raw materials for the automotive line. This unit works only with local purchasing, and some raw materials imported by unit Guaramirim/SC are transferred to Maua/SP. Most suppliers, manufacturers and distributors already supply other units of WEG Coatings.



# GOVERNMENT AND SOCIETY

Committed to the development of the region in which it operates through the generation of jobs and social responsibility projects, WEG maintains strong involvement with Class Associations and Government. This social responsibility is expressed in the mission of the Department of Institutional Relations of Commerce, which is part of the corporate structure of the WEG Group:

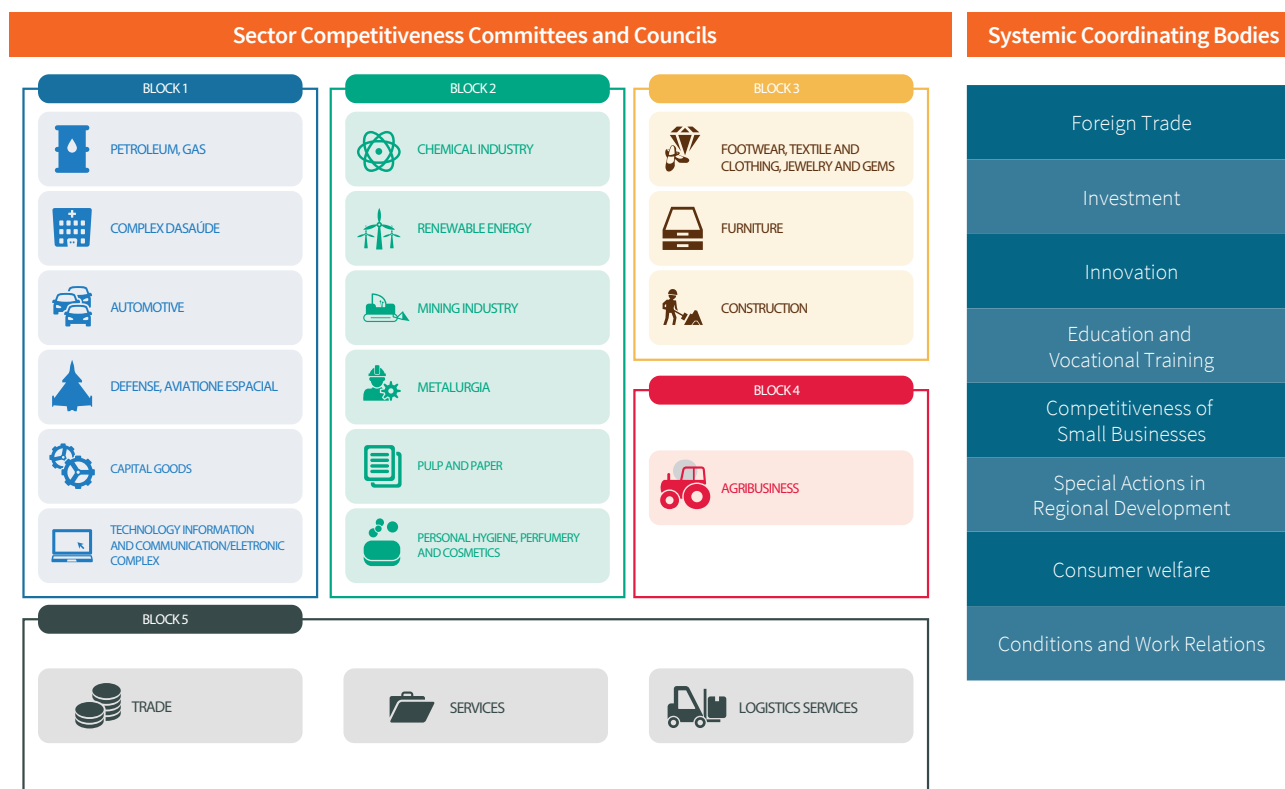
“ Through Institutional Relations, to contribute to the promotion of a favorable environment for business, competitiveness and sustainable development of machinery, equipment and electronics in Brazil ”

## Representation of WEG 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, the most important action is in the Brasil Maior Plan. Released for the quadrennium 2011 - 2014 as an industrial policy plan to prevent the harmful effects of the 2008 crisis and to promote the growth of Brazilian industry. WEG participates through the following Sectorial Competitiveness Councils:

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



Source: Executive balance sheet of Brasil Maior Plan 2011 – 2014, page 57.

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

- 1)** Systemic measures of the Brasil Maior Plan Implemented or under Implementation.  
Objective: Identify measures that can benefit Brazilian industry, as well as know the measures being used.
- 2)** Proposals for rearticulating the National Supply Chain;  
Objective: Contribute to the national industrial policy through complementary proposals and improvement proposals.



## Representative on the National Council of Industrial Development

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

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



## Representation in Trade Associations

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

#### The associations that stand out are:

**ABIMAQ** – Brazilian Association of Machinery and Equipment Industry;  
**ABINEE** – Brazilian Association of the Electronics Industry;  
**ABDIB** – Brazilian Association of Infrastructure and Heavy Industry;  
**AEB** – Brazilian Association of Foreign Trade;  
**FIESP** – São Paulo State Industry Federation;  
**FIESC** – Santa Catarina State Industry Federation;  
**CNI** – National Industry Council;  
**ABNT** – Brazilian Association of Technical Standards;  
**ABENAV** – Brazilian Association of Companies of the Marine and Offshore Sector;  
**ABEEOICA** – Brazilian Wind Energy Association;  
**ABSOIAR** – Brazilian Photovoltaic Solar Energy Association;  
**ABRAFATI** – Brazilian Association of Paint Manufacturers;  
**INMETRO** – National Metrology, Quality and Technology Institute;  
**ABESCO** – Brazilian Association of Companies of Energy Conservation Service;  
**COGEN** – Energy Cogeneration Industry Association;  
**ABVE** – Brazilian Association of Electric Vehicles;  
**ANPEI** – National R&D Association of the Innovative Companies.

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

- Increased systemic and business competitiveness;
- Increased productive investment, technological effort and innovation of domestic enterprises;
- Financing of production and marketing;
- Expansion of the market: promotion of business in domestic and international markets;
- Productive and technological consolidation of value chains with expansion of the national added value;
- Foreign Trade (commercial defense and export finance/competitiveness);
- Defense of Brazilian industry and market;
- Sustainable development and environmental preservation;
- Energy efficiency and Energy management;
- Restoration of competitive equality of the domestic manufacturing industry;
- Building proposals to consider the addition of industrial products and services with high technological value, with actions to modernize and increase the service sector's competitiveness and contribute to increased industrial density in the country;
- Increased interaction between industry and academic entities seeking greater development in Research, Development and Innovation actions;
- Development of partnerships between various links of the chain (manufacturers of machinery/equipment, electric, electronics, components, etc.) to undertake industrial policy actions together.

**Together with Class Entities, the following measures are being developed or have been accomplished:**

- Labor cost reduction by reducing payroll expenses, which consists of the exchange of the company social security contribution of 20% on the payroll by the charging of 1% or 2% on the gross revenue of the company;
- Agreement of Commerce Facilitation, which is a commercial agreement signed in the last ministry meeting of WTO, and which aims at implementing measures to reduce customs red tape costs;
- Discussions/studies to improve Rules for Accreditation at Finame, seeking the creation of Progressive Nationalization Plans, similar to the established for the wind and solar segments;
- Search for incentives to development of the renewable energy chain (wind, solar, biomass), such as implementation of tender bids by generation source and local content in the public notice of tender bids, dissemination of the generation of distributed energy, investments in cogeneration;
- Monitoring, by means of meetings, of the opportunities for the capital goods and electronics sectors due to the development of industries and projects in the scope of the BRICS;
- Energy efficiency: specific actions for the equipment applied in the industrial area to comply with the energy efficiency legislation, contributing to mitigate the energy/water crisis.

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

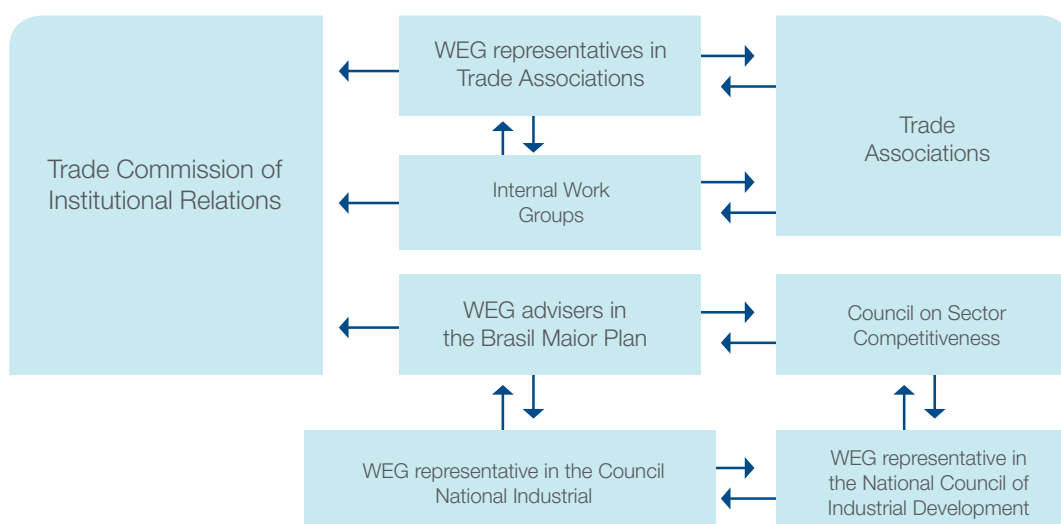
- Development of topics related to commerce and formulation of Public Policies to support the domestic industry activity and business segments in which WEG operates, especially rail vehicles, oil & gas, and marine.
- Equality of tax conditions of Brazilian suppliers compared with foreign suppliers.
- Reduction 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.
- Free trade agreements: Necessity of Brazil to integrate new international goods and value chains, by means of commercial agreements.

### Commission of trade institutional relations

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

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

### Diagram of WEG institutional representation



# ENVIRONMENT



The interest of society and of much of the labor market in environmental responsibility and corporate performance in Environment is increasing. A constant concern, since this performance is directed linked to the life quality of this and future generations.

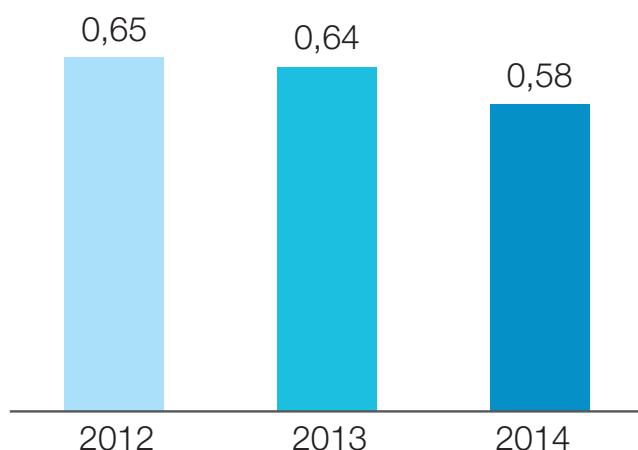
Environmental issues are embedded in the DNA of the company and are part of its business strategies and commitments. The company promotes the conservation of the places where it operates, because it believes that only the companies that internalize that responsibility will be able to develop in a sustainable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



## ENERGY

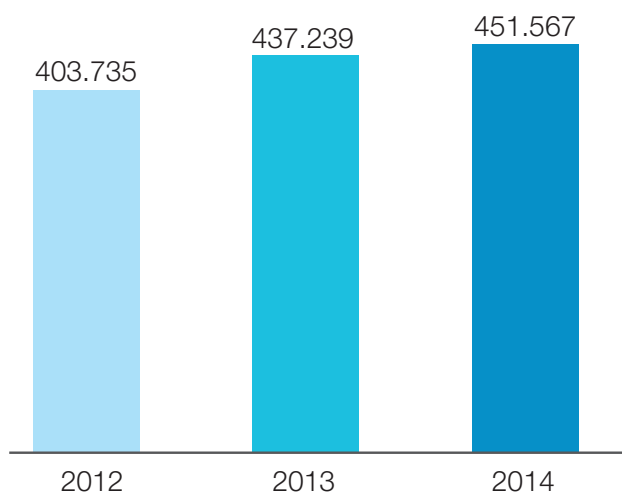
In 2014 the consumption of electricity per net operating revenue was 10% below the index presented in 2013. This information shows that the program and the energy efficiency actions of WEG that has been applied in recent years are generating positive results, as shown in the graph below of the WEG group performance.

**Electricity consumption / ROL - WEG Group (Plants (MWh/ROL (million))**



The absolute electricity consumption increased 3% compared to the previous year; this impact occurs as a result of acquisitions of new plants and increase in production.

**Electricity consumption - WEG Group (Plants) (MWh)**



## Energy Efficiency Program

In 2011 WEG certified one of its factories on ISO 50001 (Energy Management System) and in 2014 this unit was recertified for three more years. The ISO 50001 standard specifies requirements for establishing, implementing, maintaining and improving an energy management system, which aims to optimize and reduce energy costs, greenhouse gas emissions and other impacts.

Still in 2014, according to the requirements of ISO 50001, WEG expanded the Energy Efficiency Program to the manufacturing plants of WEG Motors, in Jaraguá do Sul/SC and Guaramirim/SC.



The implemented program focus on reducing electric energy and fuel consumption. For that purpose:

- The equipment with significant energy consumption were mapped;
- Training of employees was held;
- Opportunities for improvement were identified and consumption reduction goals were established, aiming the improvement of the energy performance.

As a result of the energy efficiency program, over 70 improvement jobs were implemented regarding process optimization, illumination and ventilation, and 5,895 hours of training were carried out, aiming at promoting the employees' awareness of the rational use of the energy.

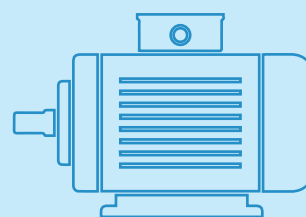
**Among the improvement actions implemented we highlight:**

## Monitoring

- Installation of 23 meters of compressed air flow, integrated online monitoring system to monitor the leakage index by factory and manage real consumer demand.
- Installation of natural gas consumption meters in the factories of WEG Motors, in order to monitor individual consumption of each factory.

## Equipment and Improved Process

- Adoption of procedures of use of the lighting system and installation of motion sensors and LED lamps in recreational areas, corridors and stairs;
- Installation of timers, sensors and light signals in equipment for process control;
- Establishment of working procedures to improve energy use.



SUBSTITUTION OF  
**380 STANDARD**  
MOTORS FOR HIGH  
EFFICIENCY MOTORS

## Modernization of Industrial Systems

Modernization solutions for industrial systems were implemented, which consist of a combination of WEG high efficiency motors with speed control by frequency inverters also manufactured by WEG, greatly enhancing the energy saving as the motor delivers only the required power, with no waste.

**Therefore, the following solutions were employed:**

- Automation of the bag filters with flow control based on the needs of the process. Thus, the operations in the process are recognized and the flow rate required by the system is automatically regulated. In 2014 this solution was applied to two filters.

- Implementation of speed control in the hydraulic circuit of aluminum injection molding machines, adapting to the needs of the injection cycles. Recirculation of hydraulic oil, which caused increase in temperature and reduction in the useful life, was eliminated. In 2014 this solution was applied to an aluminum injection molding machine.
- Automation of the cooling towers with speed control of fans and pumps. The flow rate of the pumps is automatically adjusted according to the points of consumption, as well as the air flow in ventilation. In this system two devices are improved: pumps and fans having a gain in both devices. There is also the indirect gain reduction of water consumption, since there is unnecessary evaporation, as well as lower consumption of chemicals for water treatment. In 2014 this solution was applied to three cooling towers.
- Implementation of the speed control in centrifugal pumps of cooling centers. The flow rate of the pumps is automatically adjusted according to the points of consumption. In 2014 this solution was applied to four cooling towers.

## Projection for 2015

All production units in Brazil should have electricity reduction targets.



## ATMOSPHERIC EMISSIONS

Emissions of greenhouse gases are directly linked to the consumption of energy and the use of fuels. Since 2010, WEG has performed the inventory of greenhouse gas emissions gathering information for managing their emissions and developing strategies with respect to climate change.

Currently, the inventory of greenhouse gas (GHG) covers the Scopes 1, 2 e 3.

**Scope 1:** Includes emissions from fuel consumption.

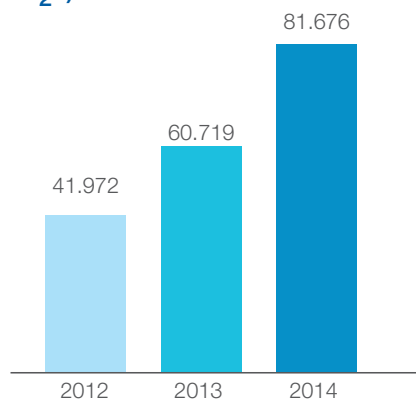
**Scope 2:** It is related to electricity consumption.

**Scope 3:** It is associated with emissions from the company's activity, but from sources that do not belong or are not controlled by the company; for example, emissions from the business trips and effluent treatment.

The emissions performance is public, and reported to the Corporate Sustainability Index (ISE), Dow Jones Sustainability Indices (DJSI), CDP Investor Program and Supply Chain and Exame Sustainability Guide.

Since electricity represents about 80% of the energy consumption of WEG, and it is responsible for approximately 60% of emissions of greenhouse gases, it was considered more relevant the reporting of greenhouse gas emissions Scope 2 according to the chart below:



**Scope 2 (tCO<sub>2</sub>e)**

Despite the reduction of 10% in electricity consumption by net operating revenues (NOR) in 2014 in relation to 2013, emissions of greenhouse gases of scope 2 increased by 35% in comparison to 2013.

**This growth is due to the following factors:**

- Increased production, evidenced by the growth of sales at WEG of 14.8% over the year 2013;
- Acquisition of new production units;
- Increase in equivalent CO<sub>2</sub> emission factor for electricity generation in the National Interconnected System of Brazil of 29%, due to increased use of thermoelectric energy generation.

WEG has been intensively investing in Research and Development, in search of the most advanced technologies to offer energy efficient solutions with payback in short-term, clean energy generation, with strong performance in projects of:

- Solar Power
- Wind Power
- Biomass
- Hydroelectric plants



# WATER

## Resource Management

The management of the WEG water resources is executed based on the Environmental Policy and on the corporate guidelines defined and approved by the company's General Direction. Based on the guidelines, each unit is responsible for setting environmental goals, as well as for implementing projects that enable the achievement of the goals.

## Position

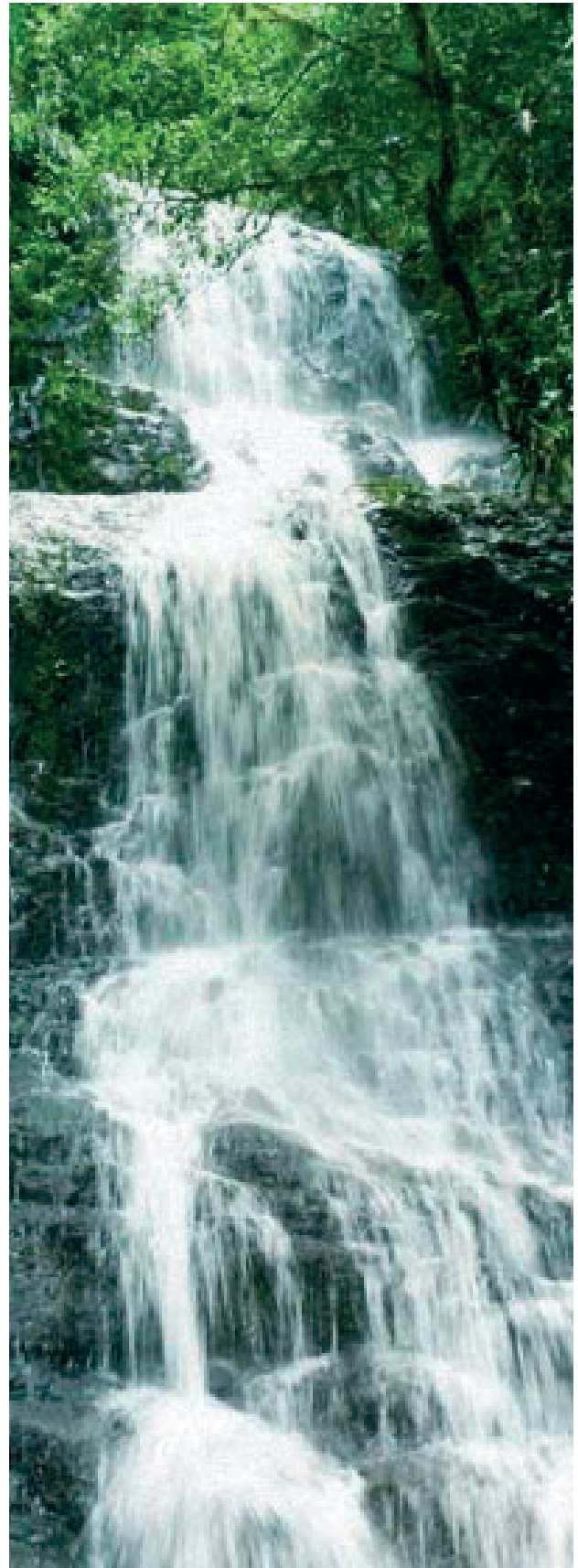
The position of WEG regarding water, specifically in the conservation of water resources, is not only to comply with the legislation, but also to act beyond the legal requirements, aiming to act proactively in the conservation of water resources.

### Examples:

- Implementation of wastewater treatment plants to enable reuse, either in the process that generated the wastewater or other process.
- Water quality monitoring carried out in water bodies, which aims to assess whether the company's processes impact the environment or not. Monitoring is carried out before and after the physical limits of the company, in the rivers that are close to the companies and which do not receive large volume of wastewater from other companies.

## Information Management

Water consumption data are obtained mostly by means of direct measurements and are responsibility of each unit. Later these data are forwarded to the corporate area, where they are first critically analyzed for the presence of points that are nonstandard and that are not justifiable and subsequently consolidated. This procedure allows the information to be more accurate, reflecting the company's current situation more precisely.



## Water Collection

The industrial plants of WEG Brazil have different sources of water collection, and each operates according to its reality; it is not mandatory to use all sources. Among these we can mention:

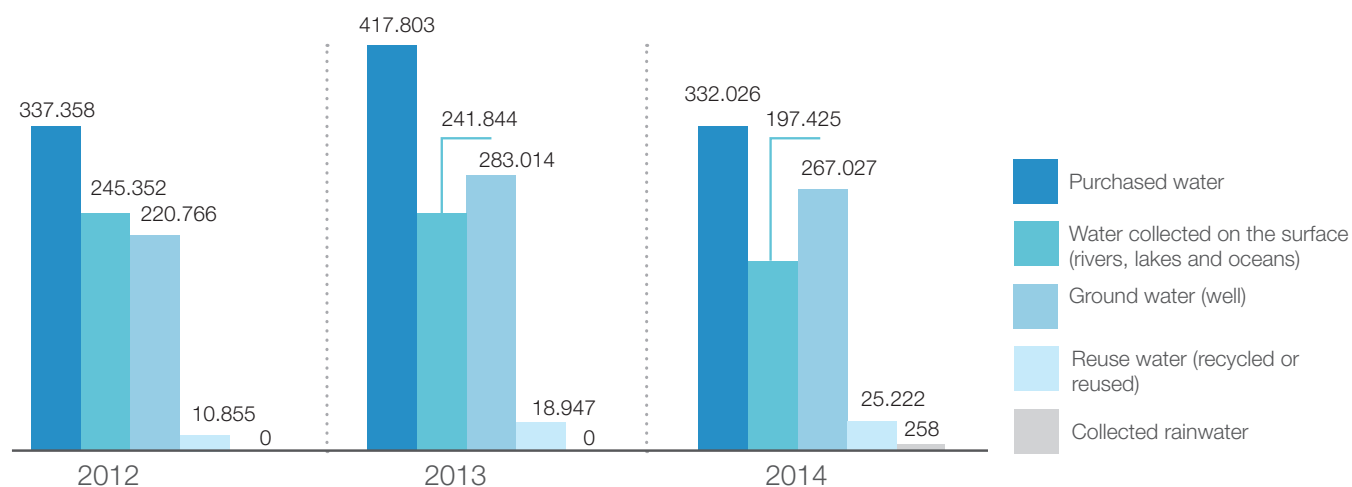
- Public Utility Company - for drinking and industrial use;
- Surface Water - for industrial use;
- Ground water - for drinking and industrial use;
- Reuse water - Toilets, urinals, industrial processes and fertigation;
- Rainwater - industrial use.

### Collection of water by Source

According to the figure below, the water consumption of the units WEG Brazil went from 961,608.8 m<sup>3</sup> to 822,158 m<sup>3</sup>, which represents a decrease of 14.5%. It can also be shown that the external collection sources, Purchased, Underground and Surface decreased compared to the previous year. This reduction in consumption is a result of the work implemented during 2014.

REDUCTION OF  
**14,5%**  
CONSUMPTION  
water in the  
WEG units

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

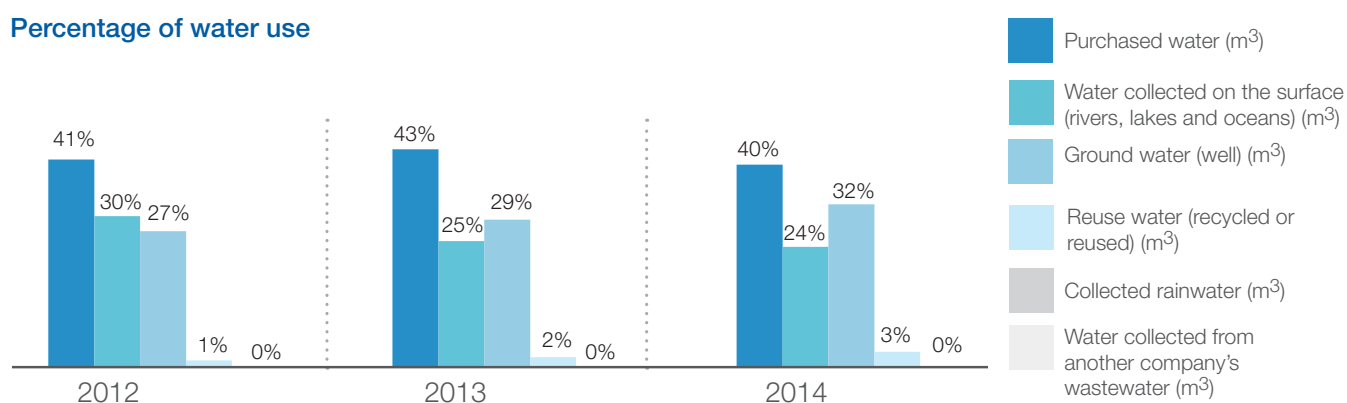


The chart above shows that the reuse of the water volume went from 18,947 m<sup>3</sup> in 2013 to 25,422 m<sup>3</sup> in 2014, representing an increase of 34%. It also shows that the process of collection and use of rainwater started in 2014. The volume collected in 2014 was 258 m<sup>3</sup>.

## Percentage of Water collection by source

On the chart below you can see that in 2014 the largest water consumption was related to water purchased from the utility company (40%). Subsequently we have groundwater (32%), followed by water taken from a surface source (24%). It may also be noted that the reuse of water increased its share of 2% to 3% and that the rain water used does not correspond to 1% yet.

Percentage of water use



The volume of reused or recycled water consumed by WEG in 2014 would be enough to keep the water consumption of 88 families of four for a year.

## Planned Projects for 2014

The table below presents the main projects carried out in 2014 to reduce water consumption in units of the WEG Group in Brazil.

Projects planned for 2014	Status
Installation of a new water treatment station for Jaraguá do Sul/SC that enables the reuse of effluents.	<b>Concluded.</b> Implemented station and reuse system under test.
Study for installation of a station for various effluents for Jaraguá do Sul/SC with reuse system.	The project showed no feasibility.
Study for implementation of a wastewater treatment plant in Linhares/ES that enables reuse in cooling towers.	The project showed no feasibility.

## Achieved projects in 2014

Projects executed in 2014	Results
Detection and repair of leaks in the distribution network of one of the Industrial Parks.	Reduction of almost 50% of the utility water consumption in this park.
Replacement of old pipes of water supply which had leakage problems.	Concluded.
<p>Reduction of water consumption in Cooling Towers</p> <p>In 2014, a study to evaluate the reduction of water consumption in cooling towers was completed. The study was conducted in three steps:</p> <p><b>1st Step</b> – Measurement of two cooling towers water consumption;</p> <p><b>2nd Step</b> – Installation of WEG solution for reducing energy consumption (frequency inverters and high-efficiency motors);</p> <p><b>3rd Step</b> – Monitoring of water consumption after the installation of WEG solution.</p>	<p>After evaluation of the data obtained in two years of monitoring, it was shown that the average reduction in water consumption of the towers was 21.7%.</p>

## Projections for 2015

- In 2014 investment for expansion of the wastewater treatment system was approved for the unity of Linhares/ES. The new system will be capable of producing 70,000 liters of recycled water per day more than the current system. The treatment station capacity will grow from 80 m<sup>3</sup>/day to 150 m<sup>3</sup>/day, which represents a monthly increase in total capacity of 2,100 m<sup>3</sup>.

The system was first installed at the end of 2014 and the forecast for completion is March 2015.

- Implementation of improvements in the wastewater treatment plant of the Metal Work Department so that the reuse of the treated effluent can be performed.

- Study to evaluate new leak detection technology for water distribution network.

- All production units in Brazil must have water reduction targets.





## SOLID WASTE

Waste has long been considered by society as a synonym left-overs, debris or obsolete materials. However, within the concepts of sustainability, we should see waste as a key part of the production cycle, encompassing the economic (capital return by recycling), environmental (environmental destination with less impact) and social (chain of jobs generated by the process the disposal of waste) areas.

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

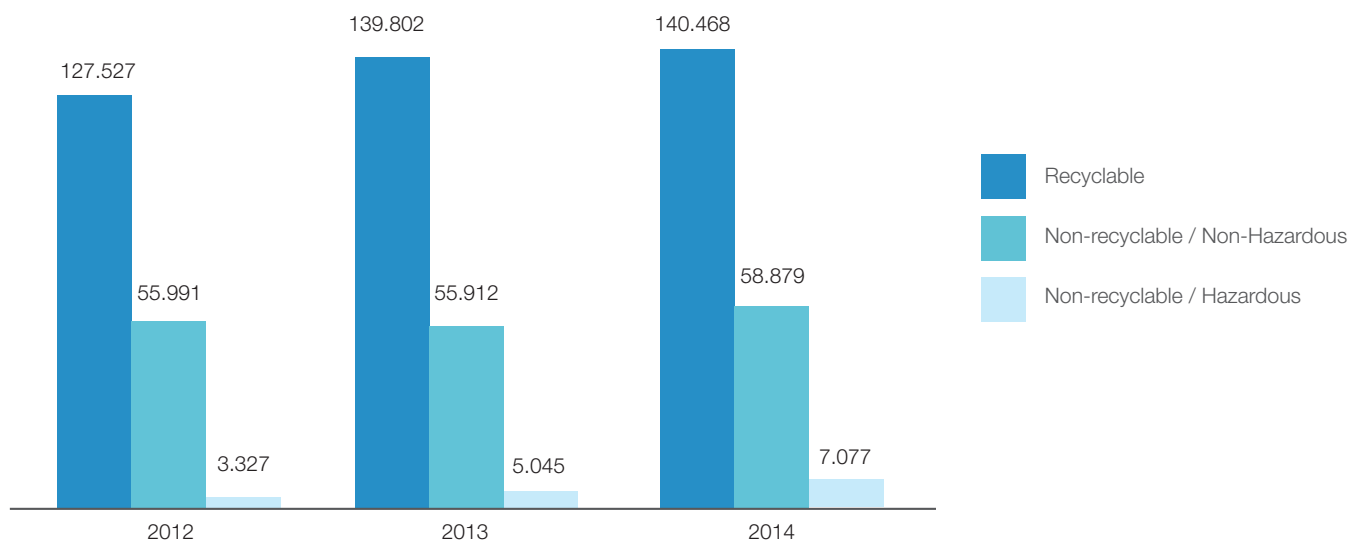
Thus, in 2014 several actions were taken in order to reduce the generation of waste.

- Implementation of drying process of organic waste, thereby reducing the amount of water sent to landfills;
- Expansion of the waste decentralization project.

WEG along its history has always managed the generation of waste responsibly, understanding that the decrease in generation means increased industrial efficiency, process improvement and improvement of the environment for the whole society.

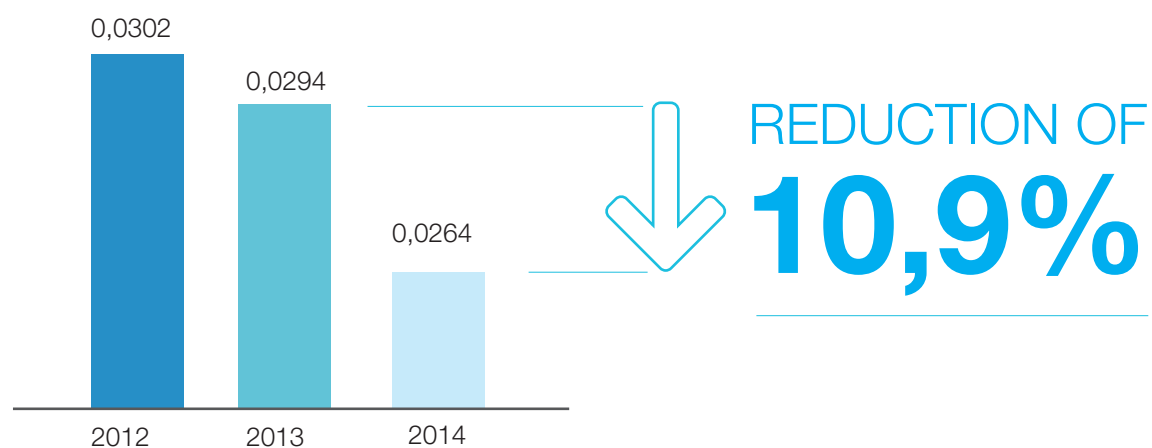
We can establish that 96.3% of the waste generated in 2014 has no danger hazardous character (Considered Class 1 for destination).

#### Solid Waste Production by Type (Quantity (t))



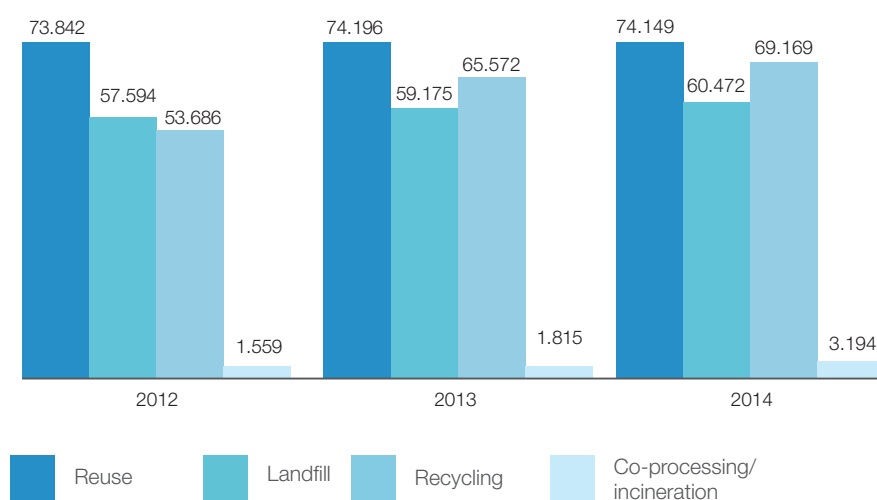
Although the numbers present an elevation from 2013 to 2014 of the total gross amount of waste generation, if we evaluate the waste indicator generated by ROL (Net Operating Income), there is a reduction of 10.9%, as we can see in the next chart:

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



We find that 35.8% of this waste is reused internally, 33.3% is sent to recycling companies, while 29.5% is sent to industrial landfills, and 1.54% for co-processing or other destinations, as shown in the graph below:

#### Solid Waste Disposal Type (Quantity (t))



REDUCTION OF  
**35,8%**  
OF THE WASTE  
generated is  
reused internally



The quantity of waste recovered/recycled by WEG annually is the equivalent to the total generation of waste (recyclable and non-recyclable) of a city with a population of approximately **385 thousand inhabitants**.

## Projections for 2015

All production units in Brazil must have waste reduction targets.

## ENVIRONMENTAL INVESTMENT

Environmental investments/expenditures made by WEG in its units in Brazil in 2014 are presented in the following table:

### ENVIRONMENTAL INVESTMENT/EXPENDITURE - 2014

Investments/expenses	Amount	%
Environmental Control <sup>1</sup>	R\$ 4.034.000	36
Equipment <sup>2</sup>	R\$ 4.525.000	41
Managements <sup>3</sup>	R\$ 2.563.000	23
<b>Total</b>	<b>R\$ 11.122.000</b>	<b>100</b>

#### Notes:

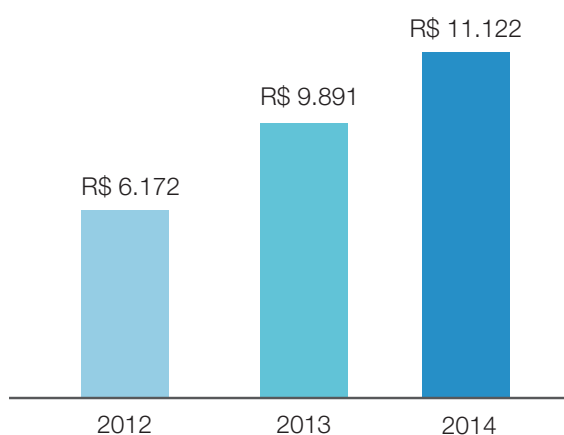
1) Related to treatment and disposal of residues, treatment of atmospheric and liquid emissions, acquisition of environmental control equipment, environmental liability insurance and depreciation of devices and expenses with materials and maintenance, besides their operation;

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

3) Related to the remuneration of training personnel who act in environmental management, research and development, certification of environmental management systems and cleaner production.

The chart below shows that investments/expenditures in environmental control in 2014 grew approximately 12% compared to 2013. This performance was due to increased activity and the acquisition of new environmental control equipment, due to the implementation/expansion of manufacturing processes and the replacement of obsolete equipment.

#### Investments/expenses with environmental protection



INCREASE OF  
**12%**

in investments / expenditures  
in environmental control

## OTHER ENVIRONMENTAL INFORMATION

### Biodiversity

#### Áreas:

REFORESTATION	6.026,09 ha
NATURAL FORESTS	2.810,78 ha
LEGAL RESERVE	2.445,54 ha*
PERMANENT PRESERVATION AREAS - APPS	818,43 ha**

\* Forestry Legal Reserve Area not considered under "Natural Forests" Item

\*\* Permanent Preservation Areas not considered in "Natural Forests" Item



### Conformity

ISO 14001 provides guidelines for environmental management. The certified units are:

#### ISO 14001:2004

- WEG Equipamentos Elétricos S.A.
- WEG Drives & Controls - Automação Ltda.
- WEG Linhares Equipamentos Elétricos S.A.
- WEG Tintas Ltda.
- WEG Industries (INDIA) Private Limited.

ISO 50001 certification provides guidelines for environmental management. The certified unit is:

#### ISO 50001:2004

- WEG Equipamentos Elétricos S.A. - Motores.



# SOCIAL RESPONSIBILITY



The community in which the company operates provides the infrastructure, employees and partners, which are essential for the feasibility and success of the business. Realizing the importance of community, WEG seeks to plan social investments taking into account the cities where our industrial operations are located.

Currently, the scope of social programs occurs in Brazil, with more emphasis in the micro region of Jaraguá do Sul/SC, where the headquarters of WEG is located, and where most employees live.

To promote local development, we seek to establish partnerships with the entities of the third sector and the municipal sector to meet the needs coming from the community, not imposing our desire without having a common agreement.

In 2014 we acted in 15 cities in Brazil, as follows: Jaraguá do Sul/SC, Guaramirim/SC, Blumenau/SC, Itajaí/SC, Corupá/SC, Joaçaba/SC, Araquari/SC, Schroeder/SC, Massaranduba/SC, Piçarras/SC, Linhares/ES, Gravataí/RS, São Bernardo do Campo/SP, Manaus/AM and Curitiba/PR.

**The guidelines set by the company are simple and with a broad actuation focus:**

- Projects originated in cities where WEG has manufacturing operation.
- Projects that are expressive for the community and bring social improvement.
- Projects having no dependence on WEG resources above 60%.
- Partnerships with nonprofit entity.
- They should be focused on social actions related to health, education and culture.

## SOME OF THE SUPPORTED PROJECTS:

### CULTURE

#### Santa Catarina Music Festival



Brazil's largest school festival and one of the largest and most important in Latin America aims at the musical education in a non-competitive environment. It provides the talented young people from Brazil and abroad with the opportunity to interact with teachers, guest artists and internationally renowned masters. The festival brings together teachers dedicated in their careers and Artistic Works dedicated 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 population in general that attends the shows at no charge.

**Proponent:** Instituto Femusc  
**Target:** Community in general  
**Number of Beneficiaries:** 800 students and teachers  
**City:** Jaragua do Sul/SC  
**Amount:** R\$ 600,000.00  
**Investment:** Rouanet Law

# 800

STUDENTS AND  
teachers were benefited

#### Stage of Life

Theater is used to make interventions to prevent the use and abuse of psychoactive substances by students at risk from the public education system of Blumenau. The project aims to contribute to keeping the student at school, improve their family relationships, avoid engaging in misconduct and promote drug prevention factors.

**Proponent:** Cruz Azul  
**Target:** Adolescents  
**Number of Beneficiaries:** 120  
**City:** Blumenau/SC  
**Amount:** R\$ 50,000.00  
**Investment:** FIA

## Acquisition of Musical Instruments - Carlos Gomes Theater

Acquire and revitalize musical instruments to meet the growing demand for music school students of the Carlos Gomes Theater. The project serves about 800 students in various centers of classical music and popular music education. Eight free performances are carried out in the community, with an estimated audience of 3,200 people.

**Proponent:** Sociedade Dramático Musical Carlos Gomes (Dramatic Musical Society)

**Target:** community in general

**Number of Beneficiaries:** 800

**City:** Blumenau/SC

**Amount:** R\$ 100,000.00

**Investment:** Rouanet Law

## SCAR Camerata

Forming a string orchestra with 40 children, adolescents and young people with little or no knowledge of music and contact with cultural institutions in order to contribute to the promotion of qualitative changes in their daily lives.

**Proponent:** Association of parents, friends and musicians of the string orchestra

**Target:** Adolescents

**Number of Beneficiaries:** 40

**City:** Jaraguá do Sul/SC

**Amount:** R\$ 123,000.00

**Investment:** Lei Rouanet

## Ways of Music

The aim of this project is to perform nine concerts of the Philharmonic Orchestra SCAR Jaraguá do Sul, five in the city of Jaraguá do Sul/SC, one in Blumenau/SC, one in Joinville/SC, one in Itajaí/SC and one in Florianópolis/SC. It is also intended to perform four shows with quintets in the Vale do Itapocu/SC region. The project has various groups of the orchestra: symphonic group, classical group, chamber ensemble (quintets) and special guests. All these events are free.

**Proponent:** Philharmonic Orchestra of SCAR Target: Community in general

**Number of Beneficiaries:** 80 students and teachers

**City:** Jaraguá do Sul, Blumenau, Joinville, Itajaí, Florianópolis/SC

**Amount:** R\$ 178,000.00.

**Investment:** Rouanet Law





## WEG Science and Technology Museum

WEG Museum was opened in 2003 in order to preserve the history of WEG, the culture of Jaraguá do Sul/SC and be an education pole focused on science and technology. Since its opening, it has hosted 120,000 visitors from all over the world, and it even became a reference in cultural events in the region. The building is located on Getúlio Vargas Avenue (downtown), site of the first factory of the company, founded in 1961.

In September 2014, after a year with the doors closed for renewing its physical and exhibit space, it reopened showing the scientific and technological development behind the design and manufacture of WEG main products. In addition to the basic physics concepts, essential for the understanding of electricity and magnetism, visitors can learn and know how some products work and their actual application in the daily life of cities, homes and industries, besides WEG's history of over 50 years.



Since its opening,

IT HAS HOSTED 120 THOUSAND VISITORS FROM  
**ALL OVER THE WORLD**

**Proponent:** ARWEG

**Target:** Community in general

**Number of Beneficiaries:** 4,320

**City:** Jaraguá do Sul/SC

**Amount:** R\$ 621,000.00

**Investment:** Rouanet Law



## Art Towards Generations

Hiring teachers to teach art workshops at the Music specialty (singing and instruments), Dance and Performing Arts, and registration of students. Adaptation of spaces to the development of cultural workshops and presentation of works resulting from them. Purchasing of musical instruments, didactic material, hygiene and cleaning materials. Acquisition of costumes, scenery and uniforms.

**Proponent:** Sociedade de Cultura Artística Joaçaba, Herval D'Oeste

**Target:** Community in general

**Number of Beneficiaries:** 750

**City:** Joaçaba/SC

**Amount:** R\$ 60,000.00

**Investment:** Rouanet Law

## Inside Dance

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

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

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

**Proponent:** Lisa Jaworski Produções Ltda.

**Target:** Children and Adolescents

**Number of Beneficiaries:** 150

**City:** Jaraguá do Sul and micro-region/SC

**Amount:** R\$ 200,000.00

**Investment:** Rouanet Law





## EDUCATION

### Educational Program for Resistance to Drugs and Violence (Proerd) - Military Police of the Santa Catarina State

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

**Proponent:** Military Police

**Target:** Children Number of Beneficiaries: 4.000

**City:** Jaraguá do Sul/SC and micro-region

**Amount:** R\$ 11,000.00

**Investment:** Own resources

### Junior Achievement Program

Program aimed at children and adolescents from public schools and encouraging volunteerism. There are four pillars that support this action: the entity of Junior Achievement, offering pedagogical support, WEG in financial maintenance and incentive to volunteer, school providing opportunities to apply, and volunteers with their talent.

Volunteers go to the classroom, where, through lectures, explain the concept of corporate entrepreneurship. The program courses are also applied to "Let's Talk about Ethics", "Attitudes for the Planet" and "Benefits of Staying in School".



**Proponent:** Junior Achievement

**Target:** Children and Adolescents

**Number of Beneficiaries:** 531

**City:** Jaraguá do Sul/SC

**Amount:** R\$ 14,400.00

**Investment:** Own resources

### The Fishing Project

The Pescar (Fishing) project began in 1976, completing 39 years in 2015. It provides vocational training and citizenship for young people, and thus it creates access to the labor market. The course is offered by a team of 18 volunteers from WEG. The workload is divided into "Personal Development", "Citizenship" and "Professional Qualification". The initiative serves young people between 17 and 18 who are studying or have completed high school.

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

**Proponent:** Fundação Pescar

**Target:** Adolescents

**Number of Beneficiaries:** 15

**City:** Gravataí/RS

**Amount:** R\$ 186,101.00

**Investment:** Own resources

## Development of Assemblers

The project will serve 15 children in situation of social vulnerability. It develops knowledge related to the assembly process of electric motors, ethics, citizenship and labor market. At the end of the course, students are integrated into the workforce of the WEG company.

**Proponent:** Fundação Criança

**Target:** community in general

**Number of Beneficiaries:** 15

**City:** São Bernardo do Campo/SP

**Amount:** R\$ 100,000.00

**Investment:** FIA

## Hugging with Art

Through volunteering, the Friends of Autistic Association (Ama) manufactures handmade cards from recycled material. These cards are marketed to companies and individuals.

WEG buys the cards and gives them to employees on birthday and wedding. This attitude, along with other companies in the region, helps the organization's sustainability.

**Proponent:** AMA – Associação Amigos do Autista

**Target:** Children and Adolescents

**Number of Beneficiaries:** 25

**City:** Jaraguá do Sul/SC

**Amount:** R\$ 48,372.00

**Investment:** Own resources

## Expanding Diversity

**The project objectives are:**

- Promote a space of fitting in for childhood and adolescence, valuing the young protagonist, citizenship and critical attitudes towards everyday situations;
- Provide spaces and times that promote school success, with actions different from those offered at school;
- Foster the development of children and adolescents using the digital inclusion.

**Proponent:** ONG São Roque

**Target:** Children and adolescents

**Number of Beneficiaries:** 108 City: Blumenau/SC

**Amount:** R\$ 20,000.00

**Investment:** FIA

## Santa Catarina Mathematics Fair

The 30th Santa Catarina Mathematics Fair took place from 22 to 24 October and drew students and teachers from 52 cities in Santa Catarina. There were 173 works, showing the importance of mathematics in everyday life of people. Over 800 people were involved in this event.

**Proponent:** City Department of Education of Jaraguá do Sul/SC

**Target:** Children and adolescents

**Number of Beneficiaries:** 800

**City:** Jaraguá do Sul/SC

**Amount:** R\$ 14,770.00

**Investment:** Own resources

## SPORTS



### “A BOLA DA VEZ”

Project supported by WEG by means of the Sports Law since 2002, first with its own resources. In 2010 it began to be supported by the Incentive Law. It aims to offer suitable conditions for educational sport practice using basketball as facilitator, encouraging sport practice and developing social values. A Bola da Vez project has the school as a partner, interacting as an educational tool. It occurs after/before school.

**Proponent:** Associação Jaraguense de Basquete – AJAB

**Target:** Children and Adolescents

**Number of Beneficiaries:** 1.300

**City:** Jaraguá do Sul/SC

**Amount:** R\$ 38,000.00

**Investment:** Law of Sport

## On the Way of 2016

On the Way of 2016 is developed by the Athletics Community Association. Project of high-performance athletics to contribute to the development of this sport through the integration of young people and adults from Itajaí/SC.

**Proponent:** Athletics Community Association

**Target:** Children and adolescents

**Number of Beneficiaries:** 120

**City:** Itajaí/SC

**Amount:** R\$ 106,500.00

**Investment:** Sports Law

## Good at Ball, Good at School

It attends 200 children and adolescents age between 8 and 14 years through sports activities of recreation and leisure in volleyball, developed in places called Sports Initiation and Citizenship Centers.

**Proponent:** Associação Joaçabense de Voleibol

**Target:** Children and Adolescents

**Number of Beneficiaries:** 200

**City:** Joaçaba/SC

**Amount:** R\$ 64,033.00

**Investment:** Sports Law

## Handball for Youngsters: the Future of Brazil

It enables and develops Handball in 10 school units in the city of Itajaí before/after school for children and adolescents age 9 to 16.

10 groups of 20 students are formed, with attendance twice a week in the morning and afternoon.

**Proponent:** Associação Desportiva Itajaíense

**Target:** Children and adolescentes

**Number Of Beneficiaries:** 200

**City:** Itajaí/SC

**Amount:** R\$ 31,106.00

**Investment:** Law of Sport





# HEALTH



## Qualification of Mental Health Professionals in the State of Espírito Santo

The project contributes to training professionals in the specialized service network in mental health that take care of disabled people in the state of ES. The project will serve 800 caregivers, community health workers, nursing technicians, CAPS teams (Psychosocial Care Center), social workers, managers and their health departments. Project that will also benefit the professionals in Linhares/ES.

**Proponent:** CVDVIDA – Experience Center Despertar para Vida

**Target:** Mental Health Professionals

**Number of Beneficiaries:** 800

**City:** Vitória and Linhares/ES

**Amount:** R\$ 205,000.00

**Investment:** PRONAS



## Oncology Patient Assistance - Santo Antônio Hospital

Expand and qualify surgical care of cancer patients of the Santo Antônio Hospital in Blumenau/SC. That will require:

- Purchase the Surgical Center equipment.
- Installation of equipment and training of technical staff.
- Increase the number of surgical procedures and diagnoses for cancer patients.
- Reduce the time between the diagnosis of cancer patients and surgical treatment.
- Contribute to the city network by performing surgical procedures in case of excessive demand.

**Proponent:** Hospital Foundation of Blumenau– Santo Antônio Hospital

**Target:** community in general

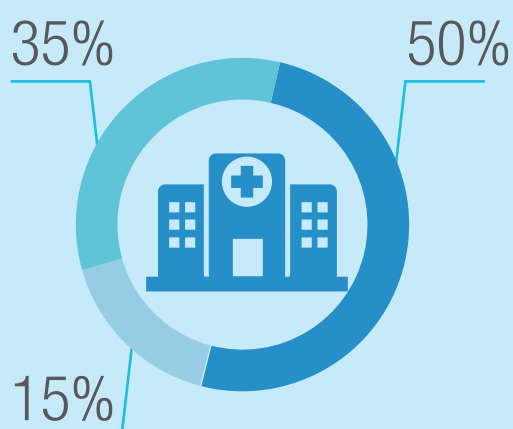
**Number of Beneficiaries:** 760

**City:** Blumenau/SC

**Amount:** R\$ 205,000.00

**Investment:** PRONON

### Transfers to Hospitals



	Maternity Hospital São José (JS) - R\$ 700,000.00
	Jaraguá Hospital (JS) - R\$ 500,000.00
	Santo Antonio Hospital (Blumenau) - R\$ 205,000.00

**TOTAL:** R\$ 1.405.000,00

## CITIZENSHIP

### Day for the Elderly Center

The service is intended to promote independence, social inclusion and improving the quality of life of the assisted elderly.

The facilities available in this project offer: confidentiality, comfort and accessibility to users; reception; bathrooms with showers for men and women; cafeteria; kitchen; food pantry; stock of materials to maintain the services/physical basis; laundry room; room for reference and coordination team; room for individual/family care; room for group care; indoors and outdoors leisure and physical activity; space for socio-educational activities; relaxation room and individual resting rooms.

**Proponent:** Blumenau City Government

**Target:** Elderly

**Number of Beneficiaries:** 250

**City:** Blumenau/SC

**Amount:** R\$ 250,000.00

**Investment:** Fundo do Idoso

## HIGHLIGHTS IN 2014

### WEG Science and Technology Museum

The Museum case won the 4th Naval Award for Quality and Sustainability;

**Category:** Large Company;

**Modality:** Path to Innovation and Development for Sustainability.

The modality corresponds to programs, projects or activities such as opportunity for innovation or development initiatives, with the objective of engagement between stakeholders.





## Voluntary commitments - Adherence to Global Compact

WEG became a signatory to the Global Compact, an initiative that has the aim of encourage the international business community to adopt in its business practices fundamental and internationally accepted values in the areas of human rights, labor relations, the environment and fight against corruption. See more details about this initiative and the participation of WEG in the chapter "Letters and Principles" of this report.

## International Health Campaigns

**Pink October:** An awareness campaign that aims to alert women and society about the importance of prevention. The campaign takes place more strongly in October and is symbolized by the pink lace.

**Blue November:** An awareness campaign carried out by various entities in November oriented to the society and men about the importance of prevention and early diagnosis of prostate cancer and other male diseases.



## Sustainable Growth Event

In Jaraguá do Sul/SC, WEG headquarters, we annually hold the Sustainable Growth event, a meeting with the community, gathering the entities of the city and the whole micro-region. The theme is always chosen based on the needs presented by means of assessment in the previous meeting.

In 2014, the event theme was based on the identified fragility regarding the adoption of normative manuals. WEG has a tool called “WEGnology - Knowledge management” and it was realized that this tool was aligned with the need presented by the entities. Thus, the theme worked was: “Knowledge Management” Process, which addressed the following topics:

- 1)** The importance of standardization and procedures in the organization; (basic concepts: what the process is, defining roles and responsibilities, information flow, process indicators and process improvement).
- 2)** How to manage and implement procedures on a daily basis; (process improvement x updating procedures; training in the workplace);
- 3)** Creating procedures - Step by Step (document types, process tree/list, document structure, and document templates).

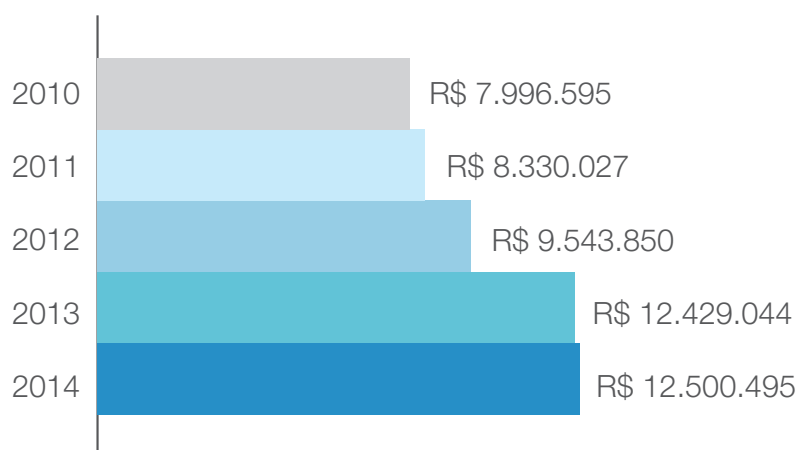
The satisfaction survey of the meeting reveals that 79% did very pleased with the meeting and 21% were satisfied; there were no dissatisfied participants.



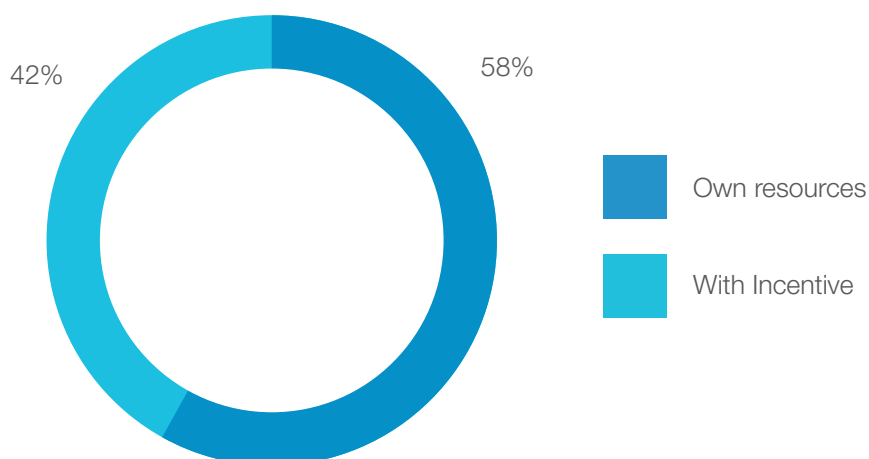
## WEG SOCIAL INVESTMENT HISTORY

In 2014, the allocation of resources to the community increased 0.5% compared to 2013. For 2015 we are planning activities that can develop social activities mainly in the city of Linhares / ES, where the company is expanding its operations and consequently its social impact.

### WEG SOCIAL INVESTMENT HISTORY

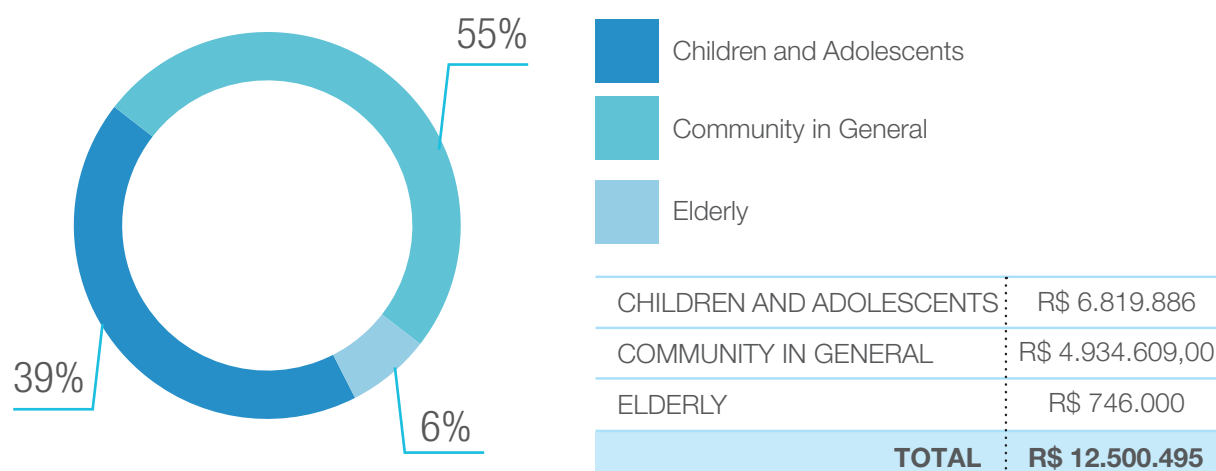


### Source of funds

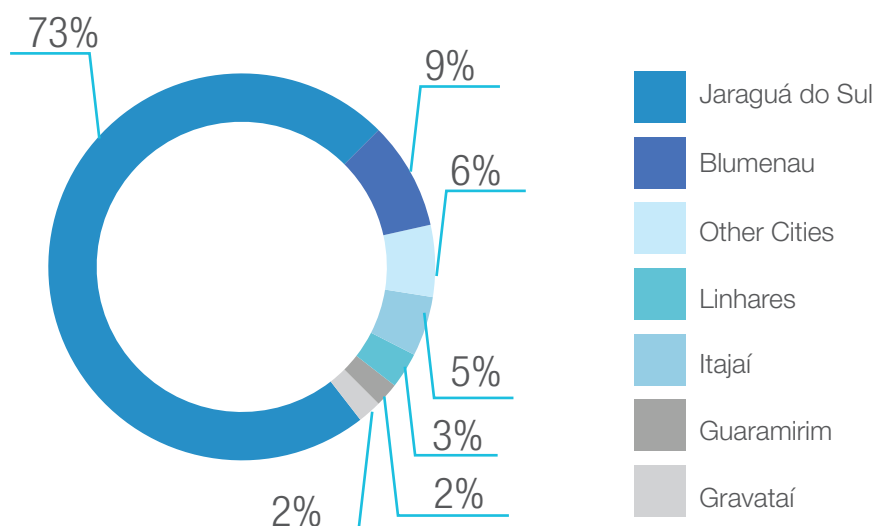




## Application of Resources by Public

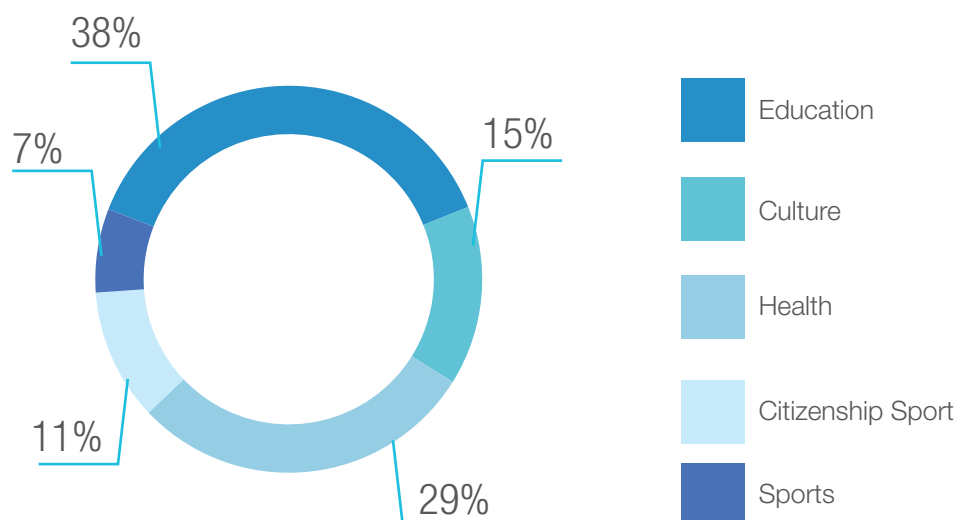


## Transfers by City



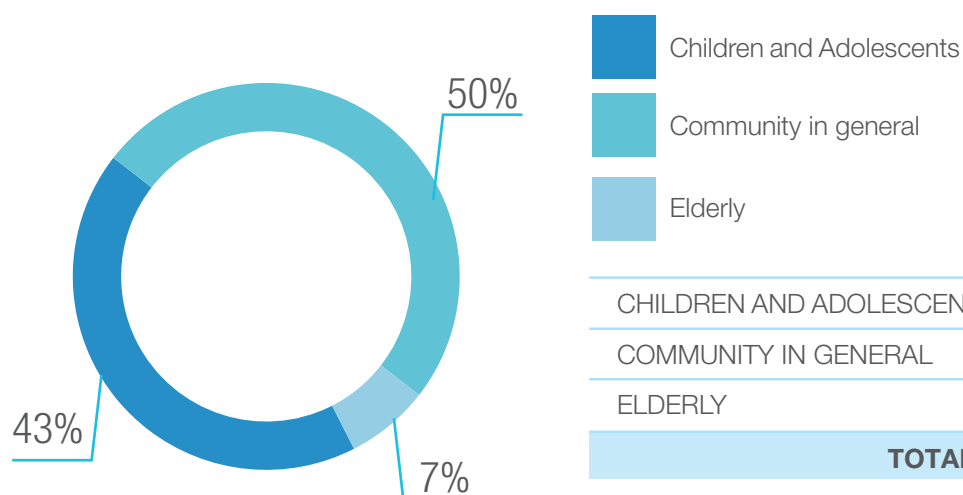
JARAGUÁ DO SUL	R\$ 9.185.677	73,48%
BLUMENAU	R\$ 1.130.700	9,05%
OUTRAS CIDADES	R\$ 771.938	6,18%
ITAJAÍ	R\$ 610.606	4,88%
LINHARES	R\$ 335.000	2,68%
GUARAMIRIM	R\$ 279.473	2,24%
GRAVATAÍ	R\$ 187.101	1,50%
<b>TOTAL</b>	<b>R\$ 12.500.495</b>	<b>100,00%</b>

## Application of Resources by Area



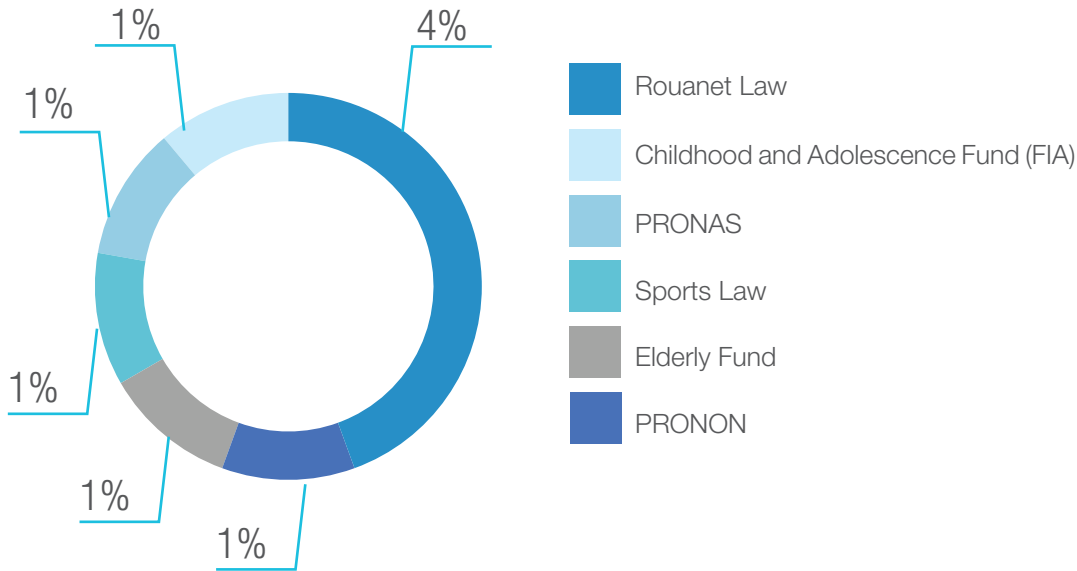
EDUCATION	R\$ 4.751.247
CULTURE	R\$ 1.932.000
HEALTH	R\$ 3.559.496
CITIZENSHIP	R\$ 1.411.113
SPORTS	R\$ 846.639
<b>TOTAL</b>	<b>R\$ 12.500.495</b>

## Projects by Public



CHILDREN AND ADOLESCENTS	37
COMMUNITY IN GENERAL	32
ELDERLY	5
<b>TOTAL</b>	<b>74</b>

# Incentive Laws





# ECONOMIC **PERFORMANCE** 2014

December 31<sup>st</sup> 2014





# SCENARIO

We present our shareholders with the Consolidated Financial Statements of WEG Group and WEG S.A. for the year ended December 31, 2014.

In 2014, the global economic activity continued to recover move slowly, and an uneven performance was reported in the major economies. In developed economies, the USA continued to show robust growth and employment recovery rates, making us believe that monetary incentives should begin to decline from now on. In Europe, the solvency of some of the peripheral countries remains uncertain, while the dynamic pace of larger economies such as Germany and France slowed down. The largest emerging economies maintained their efforts to make macroeconomic adjustments without drastically reducing growth rates, with mixed results. In China, this process caused a 7.4% growth in GDP, a figure which although high was one of the smallest expansions in recent years.

- The projections of the International Monetary Fund disclosed in World Economic Outlook 2014 show a 3.3% increase in the world's output in 2014, the same rate reported in 2013, with growth in developed economies raising from 1.3% to 1.8% and lower contribution from emerging economies, which should expand by 4.4% on average in 2014, less than in 2013, when the growth rate reached 4.7%.

- In Brazil, the year was marked by the World Cup and the presidential election. The increase in gross domestic product must have been close to zero, in line with the series of modest results. Industrial production, measured by the IBGE (Brazilian Institute for Geography and Statistics), did not respond to incentives and should end 2014 with a drop of around 3%. The decrease in the production of capital goods should be even more intense, close to 10%, although this number is influenced by the poor performance of a particular segment, the production of heavy vehicles.

- The Brazilian Association of Electrical and Electronics Industry (ABINEE) estimates that in 2014 the nominal sales of Brazilian electronics industry will grow 2% over the previous year. The most comparable sectors with WEG business which have the best estimated performances are industrial automation (+ 10%) and industrial equipment (+ 9%). For ABINEE, the generation, transmission and distribution (GTD) equipment industry should report a 5% decrease in nominal sales.



# ECONOMIC AND FINANCIAL ASPECTS

## OPERATING REVENUE

The consolidated **Net Operation Revenue (NOR)** reached R\$7,840.8 million in 2014, up 14.8% over the previous year. Disregarding the NOR on acquisitions made in the year, adjusted growth was 12.6%. All business areas showed positive performances during the year. The highlights were the performances of the **GTD and Motors for domestic use**, with rates above the consolidated growth rate. The segment of **industrial electroelectronic equipment** – grew more slowly, but still above the double digits. Only the segment of **Paints and varnishes** reported a one-digit growth rate.

The company highlights the following in each of these areas:

**a) Industrial electro-electronic equipment.** The industrial electronic equipment segment reported an 11.4% increase in net operating revenue compared with 2013, with better performance in foreign markets than in Brazil. In Brazil, performance was affected by the low level of investments, the result of years of consecutive poor performance of industrial production. This situation was noticeable both for serial industrial products and for engineered products. Even the adoption of tax incentives, greater availability of credit and currency depreciation during the year were not enough to make Brazilian industry more dynamic. Thus, Brazilian industry has only invested to maintain the installed capacity, with investments in expansion concentrated in a few specific segments. In foreign markets, we were able to use our competitive advantages more aggressively and resume growth after a year, 2013, in which we consolidated positions. We started the construction of new units for the production of electric motors in Mexico and China, further expanding our production platform outside Brazil. The acquisitions made in Germany, WEG Balingen and KATT bring important expertise and are part of our strategy of building an increasingly stronger industrial equipment brand. WEG global brand, already consolidated for electrical machines supplied to leading manufacturers of world capital goods, allows us to increase the scope of our portfolio of goods and services and to provide increasingly integrated systems.

**b) Energy generation, transmission and distribution (GTD).** The generation, transmission and distribution segment reported growth of 24.0% in net operating revenue compared with 2013. In the transmission and distribution equipment segment (T&D) demand remained favorable, although prices recovered at an even slower pace in key markets worldwide, reflecting an ability to balance production and demand still evolving. The power generation equipment industry began to see the concrete results of improved market conditions in Brazil. In mid-2013, the generation of small hydroelectric plants (PCH) started to become more feasible and competitive in energy auctions. In addition, we began to earn our first revenues from sales of wind generation equipment. The outlook for this area remains positive, both for the delivery of the current order portfolio and for new business in small hydroelectric plants, wind and solar sources of energy, in which WEG already has a nationwide solution for the integration of generation systems that became part of the official energy auctions in 2014.

**c) Motors for domestic use.** The segment of engines for domestic use repeated in 2014 the good increase of 22.8% in net operating revenue in 2013. This growth, however, was mainly due to the consolidation of revenues from the acquisition Sinya / CMM in China, and more modest growth was reported in the Brazilian market. This business area clearly has seasonal revenues and the surge in air conditioner sales during the abnormally hot summer of 2014 allowed a good performance in the first quarter. However, the change in the consumption pattern caused by the World Cup and the continued reduction in consumer credit eventually reduced the rate of growth throughout the year. With the acquisition of Sinya / CMM Group WEG took an important step, internationalizing this business area, which until then had had a regional focus. We currently have a full portfolio of products that can globally meet the demand of our clients, from large-volume and very competitive products for emerging markets to technologically sophisticated products demanded in developed countries.

**d) Paints and varnishes.** The paints and varnishes segment suffered from the poor performance of Brazilian industry, which is its most important market. In such scenario, the 3.2% growth in net operating revenue was only satisfactory. The strategy of diversifying and leveraging cross sales to customers already conquered in other areas, however, remains valid for market expansion.

## Domestic Market

Net operating revenue from the domestic market was R\$3,876.8 million, up 13.0% when compared with the previous year, accounting for 49% of total net operating revenues. Once again, we achieved a performance that can be considered good in a domestic scenario of low growth, decrease in industrial production and lower investment that characterized the Brazilian economy in 2014, mainly because this is exclusively organic growth. We achieved growth in all business areas, especially in the segment of Generation, Transmission and Distribution Equipment, in which the gradual improvement in conditions for investment in new capacity became evident throughout the year.

## External Market

In the external market net operating revenue increased by 16.7% over the previous year, reaching R\$3,964.0 million, accounting for 51% of total net operating revenue. This growth was a result of both of the continued initiatives taken to expand markets and product lines, which could be deployed more aggressively in 2014, and of the merger and integration of business and manufacturing operations of the various transactions announced over the last two years. If adjusted for these transactions, the growth in external markets would be 11.4%. Net operating revenue from exports expressed in average US dollars grew by 7.3% and reached US\$1,684.9 million in 2014. With the exception of the paints business area, all other areas showed double-digit growth in external markets, especially in the segment of motors for domestic use, which started to consolidate the operations acquired in China in early 2014.

## Cost of Goods Sold

Cost of Goods Sold (COGS) reached R\$5,356.3 million, accounting for 68.3% of net operating revenue (67.2% in 2013), generating a gross margin of 31.7% (32.8% in 2013). The 1.1% reduction in gross margin was primarily due to unfavorable conditions in the domestic market, including (i) difficulty in realigning sales prices at the speed necessary to reflect the higher costs of currency devaluation; (ii) fluctuations in demand throughout the year, with a sharp slowdown in the second quarter in anticipation of Brazil's hosting the World Cup, and later replacement; and (iii) the mix of products with lower added value.

Our effort to increase operational competitiveness is permanent, including the strategic commitment to research, development and innovation, seeking continuous improvements in production processes and quickly launching products that stand out in the market for their performance and cost. The technological innovation effort, combined with the expansion in the global sourcing of raw materials and inputs and the constant renewal and optimization of production capacity, partially minimized the negative effects of cost increases.

## Selling, General and Administrative Expenses

The consolidated Selling, General and Administrative expenses totaled R\$1,206.6 million, or 15.4% of net operating revenue (R\$ 1,045.2 million, or 15.3% of net operating revenue in 2013), with a growth rate very close to the growth in net operating revenue.

## EBITDA

The EBITDA (earnings before interest, taxes, depreciation and amortization), calculated according to the methodology established by CVM Instruction 527/2012, reached R\$1,344.8 million, a 9% increase over the previous year. The EBITDA margin reached 17.2%, 0.9% below that observed in the previous year.

## Finance Income and Expenses

Net finance income reached R\$133.6 million (R\$73.1 million in 2013), with R\$785.5 million of Finance Income (R\$600.0 million in 2013) and finance expenses of R\$651.9 million (R\$526.9 million in 2013). The growth in net finance income reflects a combination of better remuneration, liquidity resources and attractive costs obtained from lines of finance, proving the good credit rating of WEG.

## Net Income

As a result of the effects mentioned previously, the consolidated net income attributable to WEG S.A.'s shareholders reached R\$954.7 million, an increase of 13.2% over the R\$843.5 million of 2013. The return on equity was 20.9% in 2014 (20.8% in 2013) and net margin reached 12.2% (12.4% in 2013).

## CAPITALIZATION

Among the main features of our business model and the main reasons for our long-term success is the ability to identify and seize investment opportunities with attractive returns after adjusting for risk. This capability is given by financial flexibility, which is shown by the solid capital structure and the preferential access to resources and competitive funding sources. These sources include both private financial institutions and public agencies such as BNDES and the Funds for Studies and Projects (FINEP).

In 2014, our access to sources of funding allowed us to maintain funding with suitable terms and attractive interest rates. Given that an important portion of our business transactions was conducted in other currencies, we can access lines of finance denominated in foreign currencies without significantly increasing our exposure to exchange rate variations. As of 31 December 2014 cash and cash equivalents totaled R\$4,194.2 million, invested in first-tier banks and mostly in local currency, while gross financial debt totaled R\$4,092.2 million, of which 36% in short-term transactions and 64% in long-term transactions, resulting in a net cash of R\$102.1 million.

Figures in R\$ Thousand

	DECEMBER 2014		DECEMBER 2013		DECEMBER 2012	
<b>CASH &amp; FINANCIAL INSTRUMENTS</b>	<b>4.194.224</b>		<b>3.376.029</b>		<b>2.565.532</b>	
- Current	4.193.177		3.373.799		2.563.500	
- Long Term	1.047		2.230		2.032	
<b>DEBT</b>	<b>4.092.150</b>	<b>100%</b>	<b>3.209.004</b>	<b>100%</b>	<b>2.689.840</b>	<b>100%</b>
- Current	1.466.752	36%	912.796	28%	1.645.772	61%
- In Brazilian Reais	779.146		462.336		1.067.683	
- In other currencies	687.606		450.460		578.089	
- Long Term	2.625.398	64%	2.296.208	72%	1.044.068	39%
- In Brazilian Reais	1.701.408		2.048.766		824.910	
- In other currencies	923.990		247.442		219.158	
<b>Net Cash (Debt)</b>	<b>102.074</b>		<b>167.025</b>		<b>(124.308)</b>	

## INVESTMENTS

In 2014, the Company began a new cycle of investments in fixed assets for expanding and modernizing its production capacity, with new production units of electric motors in Mexico and China that will receive investments of US\$ 345 million over 5 years. This year investments totaled R\$424.8 million, with 67% allocated to industrial complexes and other facilities in Brazil and 33% to production units and other subsidiaries abroad. In addition, WEG incorporated R\$ 61.2 million in fixed assets resulting from the acquisitions made during the year: WEG

Balingen (Germany) and Sinya Group / CMM (China).

However, the implementation of our investment program is flexible because increases are designed in a modular way, responding to demand and optimizing the use of production capacity to maximize the return on invested capital. Therefore, we postponed some disbursements originally scheduled for 2014, which will be made over the coming months.

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

The investments in research, development and innovation (RD&I) totaled R\$224.0 million in 2014, accounting for 2.9% of net operating revenue.

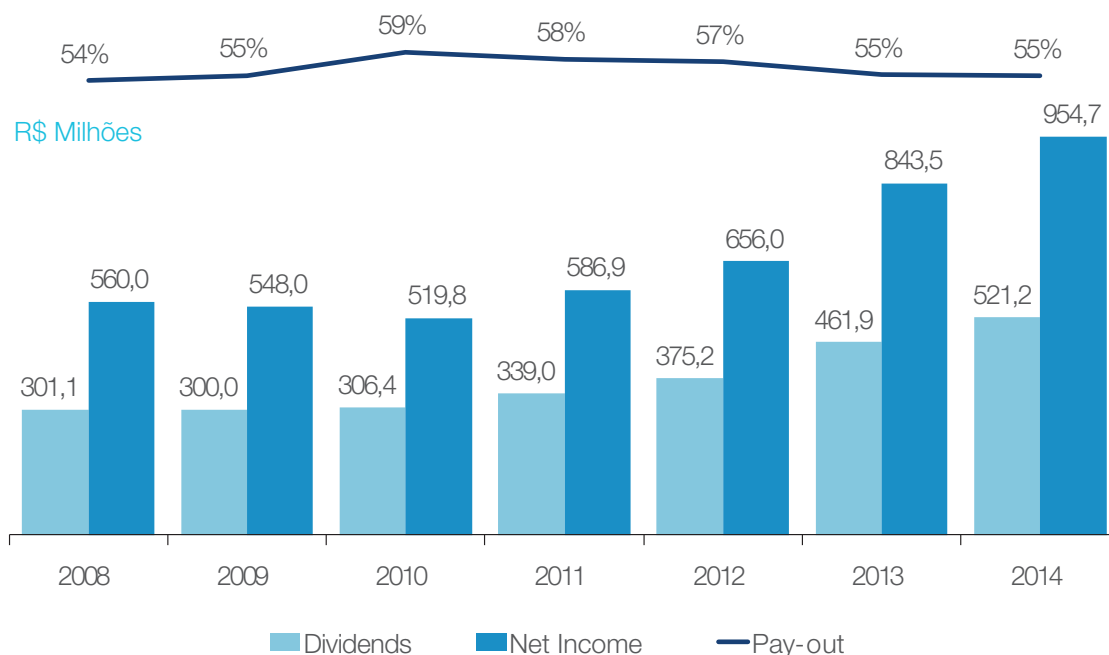
The continuous effort of technological development, another important pillar of WEG's business model, is one of the main reasons for our competitiveness and long-term success. In 2014, the Company was recognized as one of the 1,000 companies that invest most in RD&I in the world, according to Strategy & Consulting. However, regardless of the size of the investment, this effort seeks efficiency, with the development and rapid introduction of new products in the market, the continuous improvement of products already available, the engineering of applying and adapting of products and systems, and the improvement in industrial processes.

## DIVIDENDS

Management will propose to shareholders gathered for the Annual General Meeting the payment of dividends and interest on capital totaling R\$ 521.2 million for the results reported in 2014. Such amount accounts for 54.6% of profit before adjustments established by the Company's bylaws.

On August 13, 2014 the Company started to pay the remuneration to shareholders which was established during the first half of the year (interim dividends), totaling R\$234.1 million. The payment of (supplementary) dividends of R\$ 287.1 million for the second half is to take place starting March 11, 2015.

### Net income, dividends and pay-out (%) – (R\$ million)





## Capital Increase With Shares

The Extraordinary Shareholders' Meeting, held on April 23, 2014, approved the Company's capital increase, in the amount of R\$ 815,532,131.00, increasing it from R\$ 2,718,440,437.00 to R\$ 3,533,972,568.00, with a 30% stock bonus (three new ordinary shares for each 10 ordinary shares held).

The shareholders registered in the Company's book on April 23, 2014 were benefited. The bonus shares were included in the shareholders' positions on April 28, 2014, and they were available on April 29, 2014. After a period in which shareholders could, if they wished to, transfer fractions of shares resulting from the stock bonus, these fractions were grouped and sold at auction on June 13, 2014, at BM&FBOVESPA. In this auction, were sold 1.458 ordinary shares, without par value. The values obtained with the sale of shares in the auction (R\$ 28.391083676 per share) were paid to shareholders, pro rata to the fractions held by them before the auction, on June 26, 2014.

## HIGHLIGHTS

### Württembergische Elektromotoren Gmbh Acquisition (WEG Balingen)

On February 18, WEG S.A. announced that has agreed to acquire the electric motors and gearbox manufacturer Württembergische Elektromotoren GmbH ("Württembergische"), a family owned business founded in 1939, and with manufacturing plants located in Balingen, south central Germany, 75 km from Stuttgart, one of the most industrialized regions of the country. The company offers of gearboxes, three phase, single-phase and direct current electric motors up to 1,000 watts and fractional servomotors.

The manufacturing plant occupies 5,000 square meters area, employing around 80 people. Net revenues in 2013 were of approximately € 7 million.

## Acquisition Of “SINYA” And “CMM” Groups In China

On March 25, WEG S.A. announced an agreement to acquire the Chinese manufacturer of electric motors for washers and dryers Changzhou Sinya Electromotor Co. Ltd (“SINYA Group”) and the component manufacturer Changzhou Machine Master Co. Ltd. (“CMM Group”).

SINYA Group manufactures electric motor for washers, dryers and other white goods appliances, developing advanced technology products for major manufacturers worldwide. SINYA Group was founded in July 2005 and the main manufacturing plant is located in Changzhou, Jiangsu province, occupying 28,550 square meters area. A new manufacturing plant,

with around 68,760 square meters, is under construction. The Group still includes “Wuxi Ecovi”, an appliance products and solutions development and engineering company. SINYA Group’s revenues in 2012 were of approximately USD 88 million.

CMM Group manufactures transmissions and mechanical components for “white line” solutions marketed by SINYA Group. CMM Group was founded in July 2005 and the manufacturing plant is located in Changzhou, with approximately 12,000 square meters area. CMM Group’s revenues in 2012 were of approximately USD 17 million, being SINYA Group one of its main customers.

## Efacec Energy Service Acquisition

On September 09, WEG S.A. announced the acquisition of Efacec Energy Service Ltda. (“Efacec Service”), a company that provides maintenance services for power transformers, electric motors, generators, circuit breakers and field engineering services in various energy industrial segments.

Efacec Service has over 20 years of experience in providing services in transformers and mid-sized rotating machines, occupying an area of 6,500

square meters in Jaboatão dos Guararapes, Pernambuco, in the metropolitan region of Recife. With 100 employees, the company predominantly operates in the Brazilian Northeast. In 2013, Efacec Service net revenues reached approximately R\$ 16 million.

On December 31, 2014, the Company was awaiting for the approval of the acquisition from Brazilian antitrust authorities.

## FTC Energy Group Acquisition In Colombia

On October 20, WEG S.A. announced the acquisition of FTC Energy Group ("FTC"), a Bogotá, Colombia, based company that manufactures and assembles electrical panels for process automation.

FTC was founded in 1984 and has reached a prominent position in the Colombian oil and gas equipment market, with extensive experience in special panels and electrical rooms. In 2013, FTC reached approximately US\$ 10 million in net revenues.

The transaction is subject to approval from anti-trust authorities and other technical and commercial terms.



## Joint Ventures In Oil And Gas Market

On November 3, 2014, we announced joint ventures with Jelec Inc. ("Jelec"), a North-American company with head office in Houston, Texas, specialized in engineering and integration of automation systems with large experience in drilling applications for the oil and gas industry.

The joint ventures will allow the supply of integrated automation engineering packages and associated electrical products, meeting the demand of the upstream oil and natural gas sector in Brazil and worldwide.,

## Katt Hessen Acquisition In Germany

On December 01, WEG S.A. announced the acquisition of Antriebstechnik KATT Hessen GmbH ("KATT"), an electric motors manufacturer with headquarters in Homberg, Germany. KATT originated in 2002, from the merger of KATT Motoren, founded in 1924, and its AKS development affiliate. Over the years, KATT has accumulated large experience in manufacture high-speed motors and a strong technological development expertise. The company has two manufacturing units, in Homberg and Dresden, employing around 190 people. Net revenues in 2013 were of approximately € 14.4 million.



The approval of German authorities was obtained in January 2015.

## WEG Shares Compose Sustainability Index

On September 11, WEG S.A. has been selected as component of the Dow Jones Sustainability Indices (DJSI). WEGE3 shares were included, from September 22, 2014 onwards, in the Dow Jones Sustainability Emerging Markets Index (DJSI-EM) portfolio.

DJSI, developed by Dow Jones and the RobecoSAM Group, was the first global index to assess corporate sustainability considering the economic, environmental and social development aspects. In 2014, DJSI considered a universe of 3,395 companies worldwide, including the 800 largest companies in Emerging Markets, among which 86 components with more sustainable practices were selected.

On November 26, WEG S.A. was once again selected to the Corporate Sustainability Index portfolio (ISE) of BM&FBOVESPA. The new ISE's portfolio, will be valid from January 5, 2015 to January 2, 2016. Company is the sole representative of Machinery and Equipment segment.

The inclusion of WEGE3's shares in ISE, which has been occurring consistently for some years, shows the Company's commitment with corporate governance good practices, social responsibility and sustainable development. WEG once again authorized disclosure of its answers to the selection questionnaire.

## Outlook

For 2015, the Company expects the gradual recovery of economic growth worldwide, as has been happening in recent years. This gradual recovery allows the Company to continue performing the actions established in our strategic planning, expanding its presence in new markets and expanding its product line, both organically by investing in research, development and innovation, and by making acquisitions and strategic partnerships. These actions have allowed WEG's business to maintain continuous and sustainable growth rates.

In Brazil, the prospects are that macroeconomic adjustment measures, although they may cause further reduction in economic activity in the short term, create the conditions for the resumption of more robust economic growth with low inflation and recovery of the industry competitiveness.

The Company hopes that even with these adjustments, the investments in generation, transmission and distribution, fundamental to ensure Brazil's economic activity, are not reduced. Similarly, WEG has products and solutions for increasing energy efficiency, reducing costs and conserving energy, major concerns in the current scenario. These will be the main business opportunities for WEG in the Brazilian market throughout the year.

In external markets, the Company should continue taking advantage of the growth in some mature economies and expand its presence around the world. WEG has important competitive advantages, high-quality products and services and technological innovation, and provides customized solutions. These advantages will continue to allow us to grow strongly.

In 2015, the Company's capital budget provides for the following investments:

(R\$ million)

<b>Investments</b>	<b>2015</b>
Property, plant and equipment (plant expansion/modernization)	477,6
Intangible (software)	12,5
Working capital	60,5
<b>Total Investments</b>	<b>550,6</b>

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

## Audit Services

In accordance with CVM (Brazilian Securities and Exchange Commission) Instruction 381/03, the Company and its subsidiaries have a formal procedure to consult the independent auditors, KPMG Auditores Independentes ("KPMG"), to ensure that the performance of other services will not affect the independence and objectivity required to perform independent audit services. Accordingly, KPMG annually issues a declaration of independence, in accordance with NBC TA 260 of the Federal Association of Accountants, in which the independent auditors state that, as established by the independence rules adopted by the CVM, there is no relationship between KPMG, its associates and affiliates and the Company that may affect independence. This statement is submitted to the Board of Directors of WEG. The policy followed by the Company and its subsidiaries for the engagement of independent auditors ensures that there is no conflict of interest, loss of independence or objectivity.

During the year 2014, the KPMG provided in addition to the audit of the financial statements, specific services consisting of administrative consulting services and translation of financial statements into English, as follows:

(R\$ thousand)

	<b>2014</b>	
Audit of financial statements	1.035,5	84,7%
Legal advisory	186,6	15,3%
<b>Total general</b>	<b>1.222,1</b>	<b>100,0%</b>

## Arbitration Chamber

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

Jaraguá do Sul (SC), February 6, 2015.



**WEG S.A.****Balance sheet**

At December 31, 2014 and 2013

In thousands of reais

	Notas	COMPANY		CONSOLIDATED	
		31/12/14	31/12/13	31/12/14	31/12/13
<b>Assets</b>					
<b>Currents assets</b>					
Cash and cash equivalents	4	886.700	870.906	3.328.015	3.373.799
Short-term investments	5	57.699	-	865.162	-
Clients	6	-	-	1.867.864	1.658.806
Inventories	7	-	-	1.704.919	1.445.927
Taxes recoverable	8	8.948	10.573	159.446	166.384
Dividends and interest on equity receivable		70.577	62.324	-	-
Other current assets		-	-	172.781	206.871
		<b>1.023.924</b>	<b>943.803</b>	<b>8.098.187</b>	<b>6.851.787</b>
<b>Noncurrent assets</b>					
Short term investment	5	-	-	1.047	2.230
Judicial deposits	15.d	3.430	1.328	44.394	35.260
Recoverable to related parties	9	-	1.193	-	-
Deferred taxes	10	557	2.977	55.864	60.376
Taxes recoverable	8	-	-	19.221	16.793
Other noncurrent assets		-	-	6.144	9.207
Investments	11	4.147.413	3.714.150	8.224	7.264
Property, plant and equipment	12	4.713	4.830	2.877.942	2.614.556
Intangible assets	13	-	-	671.607	543.820
		<b>4.156.113</b>	<b>3.724.478</b>	<b>3.684.443</b>	<b>3.289.506</b>
<b>Total assets</b>		<b>5.180.037</b>	<b>4.668.281</b>	<b>11.782.630</b>	<b>10.141.293</b>

See the accompanying notes to the financial statements.

## WEG S.A.

### BALANCE SHEET

At December 31, 2014 and 2013  
In thousands of reais

		COMPANY		CONSOLIDATED	
	Notes	31/12/14	31/12/13	31/12/14	31/12/13
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade accounts payable		-	-	445.577	420.250
Loans and financing	14	-	-	1.466.752	912.796
Labor and social charges and federal tax obligation		13.331	11.459	237.003	208.538
Income and social contribution taxes payable		95	16	84.714	83.771
Dividends and interest on equity capital payable		104.174	87.305	111.707	87.723
Advance from clients		-	-	590.815	459.130
Profit sharing		-	-	111.173	98.005
Other current liabilities		1.193	1.207	333.074	307.835
		<b>118.793</b>	<b>99.987</b>	<b>3.380.815</b>	<b>2.578.048</b>
<b>Noncurrent liabilities</b>					
Loans and financing	14	-	-	2.625.398	2.296.208
Tax obligations		-	-	9.011	30.199
Payables to related parties	9	873	-	-	-
Provisions for contingencies	15	3.986	10.522	258.849	235.334
Deferred taxes	10	-	-	282.989	294.405
Other noncurrent liabilities		-	-	86.305	64.832
		<b>4.859</b>	<b>10.522</b>	<b>3.262.552</b>	<b>2.920.978</b>
<b>Total liabilities</b>		<b>123.652</b>	<b>110.509</b>	<b>6.643.367</b>	<b>5.499.026</b>
<b>Equity</b>					
Company's shareholders					
Paid-in capital	17.a	3.533.973	2.718.440	3.533.973	2.718.440
Capital reserves		(57.298)	55.337	(57.298)	(55.337)
Options granted	18	1.817	1.325	1.817	1.325
Treasury stock	17.d	(8.418)	9.522	(8.418)	(9.522)
Retained earnings/accumulated losses		678.665	1.015.425	678.665	1.015.425
Equity valuation adjustments		740.152	724.267	740.152	724.267
Additional proposed dividends		167.494	163.174	167.494	163.174
		5.056.385	4.557.772	5.056.385	4.557.772
<b>Non-controlling shareholders</b>		<b>-</b>	<b>-</b>	<b>82.878</b>	<b>84.495</b>
<b>Total equity</b>		<b>5.056.385</b>	<b>4.557.772</b>	<b>5.139.263</b>	<b>4.642.267</b>
<b>Total liabilities and equity</b>		<b>5.180.037</b>	<b>4.668.281</b>	<b>11.782.630</b>	<b>10.141.293</b>

See the accompanying notes to the financial statements

**WEG S.A.****INCOME STATEMENT**

Years ended December 31, 2014 and 2013

In thousands of reais, except when indicated otherwise

	Notes	COMPANY		CONSOLIDATED	
		31/12/14	31/12/13	31/12/14	31/12/13
<b>Net revenue</b>	19	-	-	7.840.757	6.828.896
Cost of goods and services sold	21	-	-	(5.356.260)	(4.592.130)
<b>Gross profit</b>		-	-	2.484.497	2.236.766
Selling and distribution expenses	21	-	-	(820.471)	(716.358)
Administrative	21	(1.317)	(1.179)	(365.964)	(310.853)
Management fees	9	(1.915)	(1.916)	(20.148)	(18.010)
Other operation expenses	22	3.892	(10.612)	(183.562)	(179.792)
Equity pickup	11	876.188	798.281	-	-
<b>Income before financial results</b>		<b>876.848</b>	<b>784.574</b>	<b>1.094.352</b>	<b>1.011.753</b>
Financial income	23	81.543	56.731	785.503	599.974
Financial expenses	23	(134)	(264)	(651.926)	(526.848)
<b>Income before taxes</b>		<b>958.257</b>	<b>841.041</b>	<b>1.227.929</b>	<b>1.084.879</b>
Current taxes	24	(1.111)	(675)	(271.583)	(274.859)
Deferred taxes	24	(2.420)	3.101	5.970	35.284
<b>Net income for the year</b>		<b>954.726</b>	<b>843.467</b>	<b>962.316</b>	<b>845.304</b>
Atributable to:					
Company shareholders				954.726	843.467
Non-controlling shareholders				7.590	1.837
Earnings basic per share (in R\$)				1,1836	1,0458
Earnings diluted per share (in R\$)				1,1827	1,0453

See the accompanying notes to the financial statements

**WEG S.A.****STATEMENTS OF COMPREHENSIVE INCOME**

Years ended December 31, 2014 and 2013

In thousands of reais

	COMPANY		CONSOLIDATED	
	31/12/14	31/12/13	31/12/14	31/12/13
<b>Net income for the year</b>	<b>954.726</b>	<b>843.467</b>	<b>962.316</b>	<b>845.304</b>
Accumulated translation adjustment (*)	60.636	83.760	60.348	83.520
<b>Total comprehensive income attributable to:</b>	<b>1.015.362</b>	<b>927.227</b>	<b>1.022.664</b>	<b>928.824</b>
Company shareholders			1.015.362	927.227
Non-controlling shareholders			7.302	1.597

(\*) The item in the comprehensive income's not taxable.

See the accompanying notes to the financial statements.

**WEG S.A.**  
**STATEMENTS OF CHANGES IN EQUITY**

Years ended December 31, 2014 and 2013  
 In thousands of reais

	Capital	Capital reserve		Stock option plan	Treasury stock	Income reserve		Equity valuation adjustment		Proposed additional dividends	Retained earnings	Equity		
		Goodwill reserve	Revaluation of assets of subsidiaries			Legal reserve	Capital budget reserve	Translation adjustment	Deemed cost			Company's shareholders	Noncontrolling shareholders	Total
<b>At January 1, 2013</b>	<b>2.718.440</b>	<b>(54.077)</b>	<b>3.784</b>	<b>758</b>	<b>(10.055)</b>	<b>32.799</b>	<b>537.245</b>	<b>47.006</b>	<b>656.646</b>	<b>127.803</b>	<b>-</b>	<b>4.060.349</b>	<b>91.277</b>	<b>4.151.626</b>
Dividends paid	-	-	-	-	-	-	-	-	-	(127.803)	-	(127.803)	-	(127.803)
Treasury stock	-	205	-	-	533	-	-	-	-	-	-	738	-	738
Capital transactions	-	(5.177)	-	-	-	-	-	-	-	-	-	(5.177)	(7.019)	(12.196)
Pricing of options granted (Note 18)	-	-	-	567	-	-	-	-	-	-	65	632	-	632
Realization of revaluation reserves	-	-	(72)	-	-	-	-	-	-	-	72	-	-	-
Reversal of dividends of previous years	-	-	-	-	-	-	-	-	-	-	521	521	-	521
Equity valuation adjustment														
Accumulated translation adjustments:	-	-	-	-	-	-	-	83.760	-	-	-	83.760	(240)	83.520
Realization of deemed cost net of taxes	-	-	-	-	-	-	-	-	(63.145)	-	63.145	-	-	-
Net income for the year	-	-	-	-	-	-	-	-	-	-	843.467	843.467	1.837	845.304
Proposed allocations:														
Legal reserve (Note 17.c)	-	-	-	-	-	42.173	-	-	-	-	(42.173)	-	-	-
Dividends (Note 17.b)	-	-	-	-	-	-	-	-	-	163.174	(277.952)	(114.778)	(544)	(115.322)
Interest on equity (Note 17.b)	-	-	-	-	-	-	-	-	-	-	(183.937)	(183.937)	(816)	(184.753)
Capital budget reserve	-	-	-	-	-	-	403.208	-	-	-	(403.208)	-	-	-
<b>At december 31, 2013</b>	<b>2.718.440</b>	<b>(59.049)</b>	<b>3.712</b>	<b>1.325</b>	<b>(9.522)</b>	<b>74.972</b>	<b>940.453</b>	<b>130.766</b>	<b>593.501</b>	<b>163.174</b>	<b>-</b>	<b>4.557.772</b>	<b>84.495</b>	<b>4.642.267</b>
Dividends paid	-	-	-	-	-	-	-	-	-	(163.174)	-	(163.174)	-	(163.174)
Treasury stock	-	792	-	-	1.104	-	-	-	-	-	-	1.896	-	1.896
Pricing of options granted (Note 18)	-	-	-	492	-	-	-	-	-	-	(206)	286	-	286
Capital transactions	-	(2.699)	-	-	-	-	-	-	-	-	-	(2.699)	(6.708)	(9.407)
Realization of revaluation reserves	-	-	(53)	-	-	-	-	-	-	-	53	-	-	-
Reversal of dividends of previous years	-	-	-	-	-	-	-	-	-	-	608	608	-	608
Capital increase	815.533	-	-	-	-	(74.972)	(740.560)	-	-	-	-	-	-	-
Equity valuation adjustment:														
Accumulated translation adjustments	-	-	-	-	-	-	-	60.636	-	-	-	60.636	(288)	60.348
Realization of deemed cost net of taxes	-	-	-	-	-	-	-	-	(44.751)	-	44.751	-	-	-
Net income for the year	-	-	-	-	-	-	-	-	-	-	954.726	954.726	7.590	962.316
Proposed allocations:														
Legal reserve (Note 17.c)	-	-	-	-	-	47.736	-	-	-	-	(47.736)	-	-	-
Dividends (Note 17.b)	-	-	-	-	-	-	-	-	-	167.494	(292.829)	(125.335)	(1.495)	(126.830)
Interest on equity (Note 17.b)	-	-	-	-	-	-	-	-	-	-	(228.331)	(228.331)	(716)	(229.047)
Capital budget reserve	-	-	-	-	-	-	431.036	-	-	-	(431.036)	-	-	-
<b>At december 31, 2014</b>	<b>3.533.973</b>	<b>(60.956)</b>	<b>3.658</b>	<b>1.817</b>	<b>(8.418)</b>	<b>47.736</b>	<b>630.929</b>	<b>191.402</b>	<b>548.750</b>	<b>167.494</b>	<b>-</b>	<b>5.056.385</b>	<b>82.878</b>	<b>5.139.263</b>

See the accompanying notes to the financial statements.



**WEG S.A.****STATEMENTS OF CASH FLOW – INDIRECT METHOD**

Years ended December 31, 2014 and 2013

In thousands of reais

	COMPANY		CONSOLIDATED	
	31/12/14	31/12/13	31/12/14	31/12/13
<b>Operating activities</b>				
Income before taxes	958.257	841.041	1.227.929	1.084.879
Depreciation and amortization	117	117	250.477	218.279
Stock option plan expenses	919	567	919	567
Equity pickup	(876.188)	(798.281)	-	-
Provision for risk credits	-	-	11.723	9.783
Provision for tax, civil and labor liabilities	-	-	23.515	28.721
Provision for inventories losses	-	-	5.537	6.394
Provision for product warranty	-	-	23.577	11.486
Write off for noncurrent assets	-	-	2.541	15.052
Provision for interest on loan and financing	-	-	146.296	138.564
Employees profit sharing	-	-	168.138	142.872
	<b>83.105</b>	<b>43.444</b>	<b>1.860.652</b>	<b>1.656.597</b>
Decrease (Increase) in accounts receivable	(9.353)	(13.097)	(199.394)	(299.506)
Decrease (Increase) in inventories	-	-	(237.825)	(146.049)
Increase (decrease) in accounts payable	(5.628)	6.655	156.085	187.409
Increase (decrease) in other accounts payable	1.765	1.906	13.392	25.920
Income and social contribution taxes paid	(1.032)	(745)	(290.872)	(280.483)
Payment of employees' profit sharing	-	-	(154.518)	(116.454)
<b>Net cash flow from operating activities</b>	<b>68.857</b>	<b>38.163</b>	<b>1.147.520</b>	<b>1.027.434</b>
<b>Investing activities</b>				
Goodwill in capital transactions	-	-	(2.699)	(5.177)
Property, plant and equipment	-	-	(427.652)	(258.699)
Intangible assets	-	-	(40.943)	(21.943)
Acquisition of subsidiary	-	-	(136.523)	-
Cash acquired of subsidiary	-	-	14.922	-
Acquisition of noncontrolling	-	-	(5.947)	(6.260)
Financial investments	(57.699)	261.244	(863.979)	261.046
Disposal property, plant and equipment	-	-	12.355	2.030
Dividends/interest on equity	469.092	400.281	-	-
Accumulated currency translation adjustments	-	-	60.636	83.761
<b>Net cash flow (applied in) from investing activities</b>	<b>411.393</b>	<b>661.525</b>	<b>(1.389.830)</b>	<b>54.758</b>
<b>Financing activities</b>				
Loans and financing obtained	-	-	1.517.761	1.890.267
Payment of loans and financing	-	-	(677.016)	(1.353.734)
Interest paid on loan and financing	-	-	(185.807)	(155.933)
Treasury stock	1.104	738	1.104	738
Dividends/interest on equity paid	(465.560)	(390.734)	(459.516)	(391.987)
<b>Net cash flow applied in (from) financing activities</b>	<b>(464.456)</b>	<b>(389.996)</b>	<b>196.526</b>	<b>(10.649)</b>
Increase (decrease) net cash and cash equivalent	<b>15.794</b>	<b>309.692</b>	<b>(45.784)</b>	<b>1.071.543</b>
Cash and equivalents at January 1	870.906	561.214	3.373.799	2.302.256
<b>Cash and cash equivalents at December 31</b>	<b>886.700</b>	<b>870.906</b>	<b>3.328.015</b>	<b>3.373.799</b>

See the accompanying notes to the financial statements.

**WEG S.A.****STATEMENT OF VALUE ADDED**

Years ended December 31, 2014 and 2013

In thousands of reais

	COMPANY		CONSOLIDATED	
	31/12/14	31/12/13	31/12/14	31/12/13
<b>Revenues</b>	-	-	9.007.703	7.920.152
Sale of goods, products and services	-	-	9.016.759	7.922.884
Other revenues	-	-	5.399	7.349
Provision for losses on trade receivables	-	-	(14.455)	(10.081)
<b>Inputs acquired from third parties</b>	5.266	(8.975)	(4.934.805)	(4.292.444)
Material, energy, third party services and other	(392)	(278)	(4.928.949)	(4.263.837)
Others	5.658	(8.697)	(5.856)	(28.607)
<b>Gross value added</b>	<b>5.266</b>	<b>(8.975)</b>	<b>4.072.898</b>	<b>3.627.708</b>
Depreciation, amortization and depletion	(117)	(117)	(250.477)	(218.279)
<b>Net value added generated by the entity</b>	<b>5.149</b>	<b>(9.092)</b>	<b>3.822.421</b>	<b>3.409.429</b>
<b>Value added received in transfers</b>	<b>957.731</b>	<b>854.713</b>	<b>785.503</b>	<b>599.974</b>
Equity pickup	876.188	798.281	-	-
Financial income	81.543	56.432	785.503	599.974
<b>Total value added to be distributed</b>	<b>962.880</b>	<b>845.621</b>	<b>4.607.924</b>	<b>4.009.403</b>
<b>Distribution of value added</b>	<b>962.880</b>	<b>845.621</b>	<b>4.607.924</b>	<b>4.009.403</b>
Personel	4.026	4.041	1.743.761	1.456.866
Direct remuneration	3.878	3.882	1.504.548	1.249.742
Benefits	71	87	166.736	141.500
F.G.T.S.	77	72	72.477	65.624
<b>Taxes, charges and contributions</b>	<b>4.004</b>	<b>(1.777)</b>	<b>1.213.743</b>	<b>1.148.954</b>
Federal	4.004	(1.777)	1.097.306	1.034.349
State	-	-	106.178	106.907
Municipal	-	-	10.259	7.698
<b>Remuneration of third party capital</b>	<b>124</b>	<b>(110)</b>	<b>688.104</b>	<b>558.279</b>
Interest	124	(110)	649.430	524.536
Rents	-	-	38.674	33.743
<b>Remuneration of own capital</b>	<b>954.726</b>	<b>843.467</b>	<b>962.316</b>	<b>845.304</b>
Dividends	292.829	277.952	292.829	277.952
Interest on equity	228.331	183.937	228.331	183.937
Retained profit for the year	433.566	381.578	433.566	381.578
Retained profit for the year – non controlling	-	-	7.590	1.837

The Statement of Value added is not part of the consolidated IFRS financial statements.

See the accompanying notes to the financial statements

# WEG S.A.

## NOTES TO FINANCIAL STATEMENTS

At December 31, 2014

(In thousands of reais, except when indicated otherwise).

### 1 - Company information

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

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

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

### 2 - Basis of preparation and significant accounting policies

#### 2.1 Statement of compliance (regarding the IFRS and CPC standards)

In relation to the consolidated and individual financial statements, both were made considering all the relevant information of the Company and its subsidiaries.

#### a) Consolidated financial statements

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

**b) Individual financial statements (Company)**

The individual financial statements were prepared in accordance with the accounting practices adopted in Brazil issued by the Brazilian FASB (CPC) and are published jointly with the consolidated financial statements.

Authorization to complete the preparation of these financial statements individual and consolidated was granted at the executive board meeting on February 6, 2015.

**2.2 Consolidation basis**

Em relação às demonstrações financeiras consolidadas e individuais, ambas foram elaboradas considerando todas as informações relevantes da Companhia e suas controladas.

**a) Demonstrações financeiras consolidadas**

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

Are eliminated all balances, revenues, expenses, gains and unrealized losses, arising from transactions between Group companies included in the consolidation.

A change in interest equity on a subsidiary that does not result in loss of control is accounted for a transaction between shareholders under equity. The profit and loss for the year and comprehensive income are attributed to the company's shareholders and the non-controlling shareholders of consolidated companies. Losses are attributed to noncontrolling interest, even if these result in negative balance.

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

**2.3 Business combination**

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

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

After initial recognition, goodwill is measured at cost, net of any accumulated impairment losses. For impairment test purposes, goodwill acquired in a business combination is, as from acquisition date, allocated to each Company's cash generating unit, which are expected to benefit from such combination synergy, regardless of other assets or liabilities of the acquired company being attributed to these units.

When goodwill is part of a cash generating unit and a portion thereof is disposed of, goodwill related to the portion sold is to be included in the cost of operations upon computing gains or losses from disposal. Goodwill of this transaction is computed based on amounts proportional to the portion sold in relation to the cash generation unit.

In the individual financial statements of the parent company financial information of subsidiaries are recognized under the equity accounting method.

## 2.4 Foreign currency translation

### a) Functional currency of companies of the Group

Consolidated financial statements are presented in reais (R\$), which is the functional currency of the Company and its subsidiaries located in Brazil.

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

### b) Transactions and balances

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

### c) Translation of balances of the Group's company overseas

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

## 2.5 Cash and cash equivalents

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

## 2.6 Short-term investments

Are investments classified as held to maturity, which are recorded at cost values plus income earned up to the date of the balance sheet, according to the rates agreed with financial institutions and do not exceed the market value and achievement.

## 2.7 Customers

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

## 2.8 Inventories

Inventories are evaluated and stated at average acquisition or production cost, considering the present value, when applicable. The Company and its subsidiaries inventory costing is carried out by means of absorption, by using the weighted moving average.

Provisions for (i) realization; (ii) slow-moving; and (iii) obsolete inventories are recognized in accordance with Company policy. Imports in transit are stated at accumulated cost of each import.

## 2.9 Property, plant and equipment

The fixed assets are stated at cost of acquisition and / or construction, less depreciation, except for land, which is not depreciated.

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

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

The accounting values of fixed assets are reviewed at each balance date to determine if there is indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

## 2.10 Intangible assets

These are assessed at acquisition cost, deducted of amortization. Intangible assets with finite useful lives are amortized based on the estimated period for the generation of future economic benefits. Goodwill based on estimated future profitability, has no defined useful lives, was amortized up to December 31, 2008. As of 2009, goodwill is subject to impairment test annually or whenever there are indications of loss of economic value.



### 2.11 Research, development and innovation

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

### 2.12 Provision for contingencies

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

### 2.13 Provision for warranty

The provision for warranties is recognized when the goods or services to which they relate are sold on the basis of historical data and warranty periods.

### 2.14 Profit sharing

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

### 2.15 Dividends and interest on equity

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

Dividends proposed to the Board of Directors remain recorded in equity under the heading of additional dividends.

### 2.16 Adjustment to present value

The assets and liabilities when relevant, were adjusted to present value based on market discount rate (CDI -Interbank Deposit Certificate). The measurement of the present value adjustment was performed on an exponential basis pro rata basis, from the origin of each transaction.

### 2.17 Benefit plan

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

historical event data , death, disability and disease , occurring in prior periods for calculation of corresponding costs.

## 2.18 Financial instruments

The main financial instruments of the Company and its subsidiaries include:

**a) Cash and cash equivalents:** Presented at market value, equivalent to its book value;

**b) Short-term investments:** The market value is reflected in the amounts recorded in the balance sheets. Short-term investments are classified as intended for trading.

**c) Loans and financing:** The main purpose of this financial instrument is to generate resources to finance the Company and its subsidiaries expansion programs and supply cash flows' needs in a short term:

- Financings and loans in local currency – are classified as financial liabilities non-measured at fair value and accounted for at their restated amounts pursuant to the fees agreed upon. Market values of said loans are equivalent to their book value, for being financial instruments with particular characteristics from specific financing sources.

- Financings and loans in foreign currency – are loans contracted to support working capital of commercial operations in Brazil and in subsidiaries abroad and are restated pursuant to fees agreed upon.

- Swap and NDF Operations – “Non Deliverable Forwards”: Classified as derivative financial instruments, registered based on their market price.

## 2.19 Treasury stock

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

## 2.20 Stock option plan

The company grants stock options to the Company's executive officers, which only exercise after vesting period. The options are measured at fair value based on the granting date by using the Black-Scholes-Merton pricing model and are recognized as expenses under the other results accounts in the income statement for the year matched against capital reserve in Equity to the extent that the deadlines for the exercise of call option periods are realized.

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

### 2.21 Government grants and assistance

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

### 2.22 Revenue recognition

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

### 2.23 Constructions contracts

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

### 2.24 Taxes

#### a) Income and social contribution taxes - current and deferred

Income and social contribution taxes of the Company and subsidiaries in Brazil are calculated at 25% and 9% rates, respectively, and consider the offsetting of tax loss and negative basis limited to 30% of taxable income, except for subsidiaries established abroad, which comply with tax rates valid in the respective country. Deferred tax is recognized in respect of temporary differences between the book values of assets and liabilities for financial statement purposes and the corresponding amounts used for taxation purposes.

#### b) Other taxes

Revenues, expenses and assets are recognized net of sales taxes, except taxes on purchases of goods or services are not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or item expense, as appropriate.

### 2.25 Segment information

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

## 2.26 Statement of value added

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

## 2.27 New pronouncements that are not yet in force

The Management has been following the pronouncements that: (i) were issued, however shall be effective only as from January 1, 2015; and (ii) are under consideration by regulatory agencies and are public knowledge, and concluded that none of these pronouncements should cause significant impacts on the Company's financial statements.

# 3 - Accounting estimates

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

- a)** credit risk analysis for the determination of the allowance for doubtful accounts;
- b)** review of the economic useful life of fixed assets and their recovery in operations;
- c)** fair value measurement of financial instruments;
- d)** commitments with employees' benefit plans;
- e)** transactions with stock option plan;
- f)** deferred income tax, and
- g)** Provisions for contingencies

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

## 4 - Cash and cash equivalents

	COMPANY		CONSOLIDATED	
	31 /12 /14	31 /12 /13	31 /12 /14	31/12/13
<b>a) Cash and banks</b>	<b>24</b>	<b>28</b>	<b>302.346</b>	<b>248.149</b>
<b>b) Short-term investments</b>	<b>886.676</b>	<b>870.878</b>	<b>3.025.669</b>	<b>3.125.650</b>
In local currency	886.676	870.878	2.916.630	3.027.945
Bank Deposit Certificate (CDB), Repurchase operations and Investment funds	886.676	870.878	2.916.630	3.027.945
<b>In foreign currency</b>	<b>-</b>	<b>-</b>	<b>65.299</b>	<b>96.036</b>
Certificates of Deposits Abroad, Repurchase operations	-	-	23.512	67.997
Other balances held abroad	-	-	41.787	28.039
<b>SWAP</b>	<b>-</b>	<b>-</b>	<b>42.590</b>	<b>553</b>
<b>NDF - "Non Deliverable Forwards"</b>	<b>-</b>	<b>-</b>	<b>1.150</b>	<b>1.116</b>
<b>TOTAL</b>	<b>886.700</b>	<b>870.906</b>	<b>3.328.015</b>	<b>3.373.799</b>

### Investments in Brazil:

Are remunerated at the rates of 100% to 105.3% of the CDI (100% and 103.5% of CDI at December 31, 2013).

### Investments abroad:

	Interest Rate	Original currency value	CONSOLIDATED	
			31 /12 /14	31/12/13
In Euros	0,005 % a 0,08 % a.a	1.659	5.410	25.002
In US Dollars	0,20 % a 0,25 % a.a.	6.809	18.102	42.995
In others currency	1,6% a 20,65 % a.a.	Sundry	41.787	28.039
<b>TOTAL</b>			<b>65.299</b>	<b>96.036</b>

## 5 - Short-term Investments

	COMPANY		CONSOLIDATED	
	31 /12 /14	31/12/13	31 /12 /14	31/12/13
Certificate of deposit and repurchase operations	57.699	-	865.162	-
Others	-	-	1.047	2.230
<b>TOTAL</b>	<b>57.699</b>	<b>-</b>	<b>866.209</b>	<b>2.230</b>
Short-Term	57.699	-	865.162	-
Long-Term	-	-	1.047	2.230

The Company and its subsidiaries have investments in the amount of R\$ 865,162 which are interest at rates from 100% to 105.3% of CDI

## 6 - Trade accounts receivable

	CONSOLIDATED	
	31/12/14	31/12/13
<b>a) Breakdown of balances</b>		
Domestic Market	986.990	833.903
External Market	921.931	856.826
<b>SUBTOTAL</b>	<b>1.908.921</b>	<b>1.690.729</b>
Present value adjustment	(1.361)	(3.950)
Allowance for losses on trade receivables	(39.696)	(27.973)
<b>TOTAL</b>	<b>1.867.864</b>	<b>1.658.806</b>
<b>b) Losses on trade accounts receivable for the period</b>	<b>5.020</b>	<b>2.345</b>
<b>c) Maturity of trade notes</b>		
Not yet due	1.652.153	1.470.047
Due: Up to 30 days	111.114	104.446
Over 30 days	145.654	116.236
<b>TOTAL</b>	<b>1.908.921</b>	<b>1.690.729</b>

A movimentação da provisão com perdas de créditos de clientes está demonstrada a seguir:

<b>Balance at 01/01/2013</b>	<b>(18.190)</b>
Losses written-off	2.345
Setting up of provisions	(14.068)
Reversal of provisions	1.940
<b>Balance at 12/31/2013</b>	<b>(27.973)</b>
Losses written-off	5.020
Setting up of provisions	(16.743)
<b>Balance at 12/31/2014</b>	<b>(39.696)</b>

## 7- Inventories

	CONSOLIDATED	
	31/12/14	31/12/13
Finished products	319.997	271.911
Products in process	314.885	260.049
Raw materials and others	300.553	248.487
Imports in transit	43.777	63.501
Provision for slow moving	(10.882)	(11.012)
<b>Total inventories - domestic market</b>	<b>968.330</b>	<b>832.936</b>
Finished products	492.000	427.344
Products in process	123.208	93.497
Raw materials and others	149.443	114.545
Provision for slow moving	(28.062)	(22.395)
<b>Total inventories - external market</b>	<b>736.589</b>	<b>612.991</b>
<b>OVERALL TOTAL</b>	<b>1.704.919</b>	<b>1.445.927</b>

The changes of provision for slow moving is as follows:

<b>Balance at 01/01/2013</b>	<b>(27.013)</b>
Inventories write-off	6.915
Setting up of provisions	(13.309)
<b>Balance at 12/31/2013</b>	<b>(33.407)</b>
Reversal write-off	1.377
Setting up of provisions	(6.914)
<b>Balance at 12/31/2014</b>	<b>(38.944)</b>

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



## 8 - Taxes recoverable

	COMPANY		CONSOLIDATED	
	31/12/14	31/12/13	31/12/14	31/12/13
State VAT (ICMS) on capital expenditures	-	-	29.827	25.989
Value Added Tax (IVA) from foreign subsidiaries	-	-	65.209	67.222
PIS/COFINS on capital expenditures	-	-	2.647	2.585
ICMS	-	-	20.446	22.991
IPI	-	-	16.619	13.368
IRPJ/CSLL recoverable	8.948	10.573	15.918	21.552
PIS/COFINS	-	-	11.248	7.335
Reintegra	-	-	13.441	17.882
Other	-	-	3.312	4.253
<b>TOTAL</b>	<b>8.948</b>	<b>10.573</b>	<b>178.667</b>	<b>183.177</b>
Short-term	8.948	10.573	159.446	166.384
Long-term	-	-	19.221	16.793

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

## 9 - Related parties

Business transactions of purchase and sale of products, raw materials and contracting of services as well as financial transactions of loans, raising of funds among Group companies and Management fees are as follows:

### AMOUNT OF OUTSTANDING BALANCES

	COMPANY		CONSOLIDATED	
	31/12/14	31/12/13	31/12/14	31/12/13
<b>BALANCE SHEET</b>				
<b>Noncurrent assets</b>	-	1.193	-	-
Management of financial resources WEG Equipamentos Elétricos S.A.	-	1.193	-	-
<b>Current liabilities</b>	-	-	3.075	2.206
Agreements with directos/officers	-	-	3.075	2.206
<b>Noncurrent liabilities</b>	873	-	-	-
Management of financial resources WEG Equipamentos Elétricos S.A.	873	-	-	-

### INCOME STATEMENT

	COMPANY		CONSOLIDATED	
	31/12/14	31/12/13	31/12/14	31/12/13
<b>Management compensation:</b>				
<b>a) Fixed (fees)</b>	<b>1.915</b>	<b>1.916</b>	<b>20.148</b>	<b>18.010</b>
Board of Directors	955	1.017	1.909	2.033
Executive Board	960	899	18.239	15.977
<b>b) Variable (profit sharing )</b>	<b>1.765</b>	<b>1.916</b>	<b>14.967</b>	<b>15.662</b>
Board of Directors	880	1.017	1.760	1.888
Executive Board	885	899	13.207	13.774

## ADDITIONAL INFORMATION:

### a) Business transactions

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

### b) Management of financial resources

The financial and commercial operations between Group companies are recorded, in compliance with the requirements of the Group's bylaws; The credit/debit contracts entered into with managements are recorded subject to interest between 95% and 100% of the CDI variation;

### c) Services provision and other covenants

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

### d) Securities and guarantees

WEG SA has sureties and guarantees to subsidiaries abroad, in the amount of US\$ 190,5 million (US\$ 196,9 million at December 31, 2013);

### e) Management compensation

Board of Directors members were paid the amount of R\$ 1,909 (R\$ 2,033 at December 31, 2013) and the executive officers were paid the amount of R\$ 18,239 (R\$ 15,977 at December 31, 2013), for their services, aggregating the total of R\$ 20,148 (R\$ 18,010 at December 31, 2013). It is expected the participation of 0% to 2.5% of net income to be paid to management as long as the result of activity on capital invested. The provision is recognized in P&L for the period, in the amount of R\$ 14,967 (R\$ 15,662 at December 31, 2013), under other operating expenses. Board members and officers receive additional corporate benefits, as follows: Health and dental insurance, life insurance, supplementary pension benefits, among others.

## 10 - Deferred taxes

Credits and deferred tax liabilities for income tax and social contribution was calculated according to the standards.

### a) Breakdown:

	COMPANY		CONSOLIDATED	
	31/12/14	31/12/13	31/12/14	31/12/13
Income tax losses	-	267	31.775	35.917
CSLL tax losses	58	172	8.361	7.947
Temporary differences:				
Provision for contingencies	-	-	47.024	40.206
Taxes questioned in court	1.355	3.576	26.350	27.038
Losses on trade receivables	-	-	5.210	5.275
Losses on low movement inventories	-	-	8.471	9.887
Labor severance pay and for contract termination	-	-	16.165	12.656
Freight and sales commissions	-	-	10.191	8.858
Services from third	-	-	46.420	22.915
Employee profit sharing	-	-	8.303	10.759
Others	704	561	7.935	15.005
Provision for contingencies	(52)	(52)	(169.806)	(133.428)
Accelerated depreciation incentive - Law n° 11.196/05	-	-	(6.387)	(5.522)
Deemed cost of PP&E	(1.508)	(1.547)	(267.137)	(291.542)
<b>TOTAL</b>	<b>557</b>	<b>2.977</b>	<b>(227.125)</b>	<b>(234.029)</b>
<b>Noncurrent assets</b>	<b>557</b>	<b>2.977</b>	<b>55.864</b>	<b>60.376</b>
<b>Noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>(282.989)</b>	<b>(294.405)</b>

### b) Estimated realization term

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

In relation to deferred tax credits calculated on income and social contribution tax losses, management estimates that they will be realized within the next 5 years, with a view to projecting future profits. The estimated realization of tax losses is founded based on the projection of the discounted cash flow, calculated periodically with premises in accordance with the prospects of each business.



# 11 - Investments

## 11.1 Investments in subsidiaries

	Country	Adjusted Shareholders' equity	P&L	Investment in Capital (%)				Equity		Book Value	
				31/12/14		31/12/13		31/12/14	31/12/13	31/12/14	31/12/13
				Direct	Indirect	Direct	Indirect				
WEG Equipamentos Elétricos S.A. (*)	Brazil	3.502.936	797.136	100,00	-	100,00	-	791.750	695.213	3.502.936	3.122.002
RF Reflorestadora Ltda.		169.296	4.215	100,00	-	100,00	-	4.215	6.051	169.296	167.488
WEG Tintas Ltda.		114.547	23.336	99,91	0,09	99,91	0,09	23.314	22.289	114.441	98.702
WEG Amazônia S.A.		43.723	5.692	0,02	99,98	0,02	99,98	1	-	7	6
WEG Administradora de Bens Ltda.		24.833	2.149	4,41	95,59	5,00	95,00	49	645	1.095	1.656
WEG Logística Ltda.		98.341	14.511	-	100,00	-	100,00	-	-	-	-
WEG Linhares Equip. Elétricos S.A.		173.630	43.158	-	100,00	0,01	99,99	-	-	1	1
WEG Drives & Controls Aut. Ltda.		380.357	71.859	89,20	10,80	99,99	0,01	54.544	68.951	339.277	305.583
WEG Partner Aerogeradores S.A.		9	-	-	99,90	-	99,90	-	-	-	-
WEG -Cestari Redut. Motorredut. S.A.		39.249	3.291	-	50,00	-	50,00	-	-	-	-
WEG Automação Critical Power Ltda.		38.714	2.548	0,03	99,97	0,05	99,95	1	1	11	20
Hidráulica Indl. S.A. Ind. e Com.		46.572	2.421	-	62,32	-	62,32	-	-	-	-
Agro Trafo Adm. de Bens S.A.		7.137	140	91,75	8,25	91,75	8,25	128	1.967	6.548	6.420
Injetel Ind. Com. Comp. Plásticos Ltda.		4.290	261	-	100,00	-	100,00	-	-	-	-
Ind. de Tintas e Vernizes Paumar S.A.		104.068	(2.461)	-	100,00	0,01	99,99	-	-	-	-
WEG -Jelec Oil and Gas Sol. Aut. Ltda.		11	1	-	100,00	-	100,00	-	-	-	-
Zest Electric Motors (Pty) Ltd.	South Africa	183.624	23.420	-	100,00	-	96,62	-	-	-	-
Zest Energy (Pty) Ltd.		3.968	4.691	-	76,09	-	70,00	-	-	-	-
Shaw Controls (Pty) Ltd.		3.202	(2.602)	-	100,00	-	89,47	-	-	-	-
WEG Transf. África (Pty) Ltd.		6.280	1.811	-	100,00	-	100,00	-	-	-	-
Electric/Instrumentations Eng. Cont.(Pty)		19.474	(3.541)	-	86,67	-	86,67	-	-	-	-
WEG (Germany ) GmbH	Germany	46.337	(4.909)	-	100,00	-	100,00	-	-	-	-
Watt Drive GmbH		4.497	473	-	100,00	-	100,00	-	-	-	-
Wurttembergische Elektromotoren GmbH		6.418	(504)	-	100,00	-	-	-	-	-	-
WEG Equipamientos Electricos S.A.	Argentina	76.981	25.807	10,44	89,55	10,44	89,55	2.697	1.995	8.207	5.970
Pulverlux S.A.		1.944	1.002	-	100,00	-	100,00	-	-	-	-
EPRIIS Argentina S.R.L.	Australia	64	(7)	-	100,00	-	100,00	-	-	-	-
WEG Austrália Pty Ltd.		19.492	(10.104)	-	100,00	-	100,00	-	-	-	-
Watt Drive Antriebstechnik GmbH	Áustria	3.771	(5.327)	-	100,00	-	100,00	-	-	-	-
WEG International Trad e GmbH		161	-	-	100,00	-	100,00	-	-	-	-
WEG Holding GmbH	Belgium	1.068.600	97.882	-	100,00	-	100,00	-	-	-	-
WEG Benelux S.A.		40.098	2.005	-	100,00	0,01	99,99	-	-	-	-
WEG Chile S.A.	Chile	29.369	2.869	8,00	92,00	8,00	92,00	207	555	2.350	2.156
WEG ( Nantong ) Electric Motor Co., Ltd.	China	109.944	20.163	-	100,00	-	100,00	-	-	-	-
Changzhou Machine Master Co., Ltd.		17.875	195	-	100,00	-	-	-	-	-	-
Changzhou Master Machinery Co., Ltd.		(648)	(137)	-	100,00	-	-	-	-	-	-
Changzhou Sinya Electromotor Co., Ltd.		12.315	5.346	-	100,00	-	-	-	-	-	-
Changzhou Yatong Jiewei Elect., Ltd.		36.976	145	-	100,00	-	-	-	-	-	-
Wuxi Ecovi Technology Co., Ltd.		(4.075)	(349)	-	100,00	-	-	-	-	-	-
Jiangsu Shiya Elect. Technology Co., Ltd.		11.241	(295)	-	100,00	-	-	-	-	-	-
The First Drive Technology Co., Ltd.		10.734	-	-	100,00	-	-	-	-	-	-
WEG (Jiangsu) Electric Equip. Co., Ltd.		65.373	(283)	-	100,00	-	-	-	-	-	-
Watt Euro-Drive Pte. Ltd.	Singapore	18.456	2.117	-	100,00	-	100,00	-	-	-	-
WEG Singapore Pte. Ltd.		2.765	560	-	100,00	-	100,00	-	-	-	-
WEG Colômbia Ltda.	Colômbia	11.942	146	1,00	99,00	1,00	99,00	-	6	120	131
WEG Middle East Fze.	Arab Emirates	(4.251)	(901)	-	100,00	-	100,00	-	-	-	-
WEG Ibérica Industrial S.L.	Spain	52.806	596	-	100,00	-	100,00	-	-	-	-
WEG Electric Corporation	USA	184.556	19.744	-	100,00	0,79	99,21	(1.230)	176	-	1.116
Electric Machinery Company Inc.		30.66	(286)	-	100,00	-	100,00	-	-	-	-
WEG Service Co.		7.038	4.745	-	100,00	-	100,00	-	-	-	-
WEG France SAS	France	13.978	571	-	100,00	-	100,00	-	-	-	-
Zest Electric Ghana Ltd.	Ghana	(1.391)	(816)	-	100,00	-	100,00	-	-	-	-
E & I Electrical Ghana Ltd.		(55)	(403)	-	90,00	-	90,00	-	-	-	-
WEG Industries India Private Ltd.	India	129.975	1.009	-	100,00	-	99,99	-	-	-	-
WEG Electric (Índia) Private Ltd.		1.418	702	5,00	95,00	5,00	95,00	35	(3)	71	32
WEG Electric Motors (UK) Ltd.	England	16.380	735	-	100,00	-	100,00	-	-	-	-
WEG Itália S.R.L.	Italy	13.215	386	0,07	99,93	0,07	99,93	-	1	9	9
WEG Electric Motors Japan Co. Ltd.	Japan	1.901	526	-	100,00	-	100,00	-	-	-	-
Watt Euro-Drive SDN BHD	Malaysia	3.521	131	-	100,00	-	100,00	-	-	-	-
WEG México S.A. de C.V.	Mexico	158.620	22.853	-	100,00	0,01	99,99	-	-	1	1
WEG Transform. México S.A. de C.V.		44.849	2.469	-	60,00	-	60,00	-	-	-	-
Voltran S.A. de C.V.		60.395	10.016	-	60,00	-	60,00	-	-	-	-
ENI Elétrical Moçambique (Pty) Limited	Mozambique	(8)	(2)	-	66,67	-	-	-	-	-	-
WEG Peru S.A.	Peru	845	(800)	0,05	99,95	0,05	99,95	(1)	1	-	1
WEG Euro Ind. Eléctrica S.A.	Portugal	52.991	9.066	5,74	94,26	5,74	94,26	478	433	3.043	2.856
WEG Electric CIS	Rússia	4.381	1.434	-	100,00	-	100,00	-	-	-	-
WEG Scandinavia AB	Suécia	4.054	(809)	-	100,00	-	100,00	-	-	-	-
ENI Elétrical Tanzania (Pty) Limited	Tanzânia	545	415	-	100,00	-	-	-	-	-	-
WEG Indústrias Venezuela C.A.	Venezuela	8.424	(5.405)	-	99,99	-	99,99	-	-	-	-
E & I Zambia Ltd.	Zambia	266	(542)	-	50,00	-	50,00	-	-	-	-
TOTAL								876.188	798.281	4.147.413	3.714.150

(\*) Equity pickup adjusted by unearned income

## 11.2 Acquisitions 2014

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

In January 2014, the subsidiary WEG Equipamentos Elétricos S.A., acquired 3.38% of Zest Electric Motors (Pty) Ltd. The goodwill, in the amount of R\$ 2,699, was initially measured as transferred payment exceeding amount in relation to acquired net assets and recognized in equity as capital transaction.

### (ii) Württembergische Elektromotoren GmbH

In February 2014, the subsidiary WEG Equipamentos Elétricos S.A., acquired the company Württembergische Elektromotoren GmbH, manufacturer of electric motors and gearmotors in Germany. The goodwill, in the amount of R\$6,265, was initially measured as transferred payment exceeding amount in relation to acquired net assets.

### (iii) Changzhou Sinya Electromotor Co., Ltd. - Grupo SINYA

In June 2014, after approval from Chinese regulators, the subsidiary WEG Equipamentos Elétricos S.A., acquired the company Changzhou Sinya Electricmotor Co., Ltd., a manufacturer of electric motors for washing machines and clothes dryers in China. The goodwill in the amount of R \$ 60,211, was initially measured as the excess of the consideration transferred over the net assets acquired..

### (iv) Changzhou Master Machinery Co., Ltd. e Changzhou Machine Master Co., Ltd.

In June 2014, after approval from Chinese regulators, the subsidiary WEG Equipamentos Elétricos S.A., acquired the companies Changzhou Master Machinery Co., Ltd and Changzhou Machine Master Co., Ltd., manufacturers of components in China. The goodwill in the amount of R \$ 43,763, was initially measured as the excess of the consideration transferred compared to the net assets acquired.

### (v) Efacec Energy Service Ltda.

In September 2014, the Company announced the signing of an agreement for the acquisition of Efacec Energy Service Ltda., company engaged in the maintenance of power transformers, motors, generators, circuit breakers and field engineering services to various industrial segments energy. The acquisition does not include the financial statements of December 31, 2014. The Company is awaiting approval from Brazilian protection to competition authorities.

### (vi) FTC Energy Group.

In October 2014, the Company announced the signing of an agreement for the acquisition of FTC Energy Group, a company engaged in the manufacture and assembly of electrical panels for process automation in Colombia. The acquisition does not include the financial statements of December 31, 2014. The Company is awaiting the approval of the competition protection authorities and other technical and commercial terms.

### (vii) Jelec Inc. (Joint Ventures)

In November 2014, the Company announced the signing of joint ventures have been established under the Jelec Inc. ("Jelec"), a company specialized in engineering and integration of automation systems in the United States. The joint venture does not integrate the Financial Statements of December 31, 2014.

### (viii) Antriebstechnik KATT Hessen GmbH

In December 2014, the Company announced the signing of an agreement for the acquisition of Antriebstechnik KATT Hessen GmbH, a company engaged in the manufacture of electric motors in Germany. The acquisition does not include the financial statements of December 31, 2014. The Company is awaiting the approval of the German authorities.

## 12 - Property, plant and equipment

The Company and its subsidiaries capitalized in 2014, the cost of borrowing in the amount of R\$ 188 (R\$ 592 at December 31, 2013) regarding ongoing constructions. The costs are capitalized until the moment of transfer of construction in progress to property, plant and equipment in use.

		COMPANY		CONSOLIDATED	
		31/12/14	31/12/13	31/12/14	31/12/13
Land		1.440	1.440	378.747	337.735
Construction and facilities		5.639	5.639	944.907	878.537
Equipment		-	-	3.150.970	2.831.826
Furniture and fixtures		-	-	103.459	95.235
Hardware		-	-	89.903	84.030
Construction in progress		-	-	116.886	84.418
Reforestation		-	-	53.051	51.571
Other		-	-	104.205	39.246
<b>Total PPE</b>		<b>7.079</b>	<b>7.079</b>	<b>4.942.128</b>	<b>4.402.598</b>
<b>Accumulated deprec./depletion</b>	<b>Annual depreciation rate (%)</b>	<b>(2.366)</b>	<b>(2.249)</b>	<b>(2.064.186)</b>	<b>(1.788.042)</b>
Construction and facilities	02 a 03	(2.366)	(2.249)	(249.834)	(217.469)
Equipment	05 a 20	-	-	(1.664.119)	(1.434.703)
Furniture and fixtures	07 a 10	-	-	(54.869)	(49.010)
Hardware	20 a 50	-	-	(62.829)	(58.802)
Reforestation	-	-	-	(14.076)	(11.033)
Other	-	-	-	(18.459)	(17.025)
<b>TOTAL NET PPE</b>		<b>4.713</b>	<b>4.830</b>	<b>2.877.942</b>	<b>2.614.556</b>

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

PP&E Classification	31/12/13	Transfer between classes	Acquis.	Write-offs	Deprec. and depletion	Exchange effect	31/12/14
Land	337.735	9.819	28.796	(1.030)	-	3.427	378.747
Construction and facilities	661.068	33.676	15.729	(924)	(23.456)	8.980	695.073
Equipment	1.397.123	27.771	245.611	(7.011)	(192.321)	15.678	1.486.851
Furniture and fixtures	46.225	354	8.420	(261)	(6.448)	300	48.590
Hardware	25.228	30	10.618	(156)	(9.189)	543	27.074
Construction in progress	84.418	(72.481)	108.442	(4.602)	-	1.109	116.886
Reforestation	40.538	-	1.480	-	(3.043)	-	38.975
Other	22.221	831	66.911	(912)	(4.256)	951	85.746
<b>TOTAL</b>	<b>2.614.556</b>	<b>-</b>	<b>486.007</b>	<b>(14.896)</b>	<b>(238.713)</b>	<b>30.988</b>	<b>2.877.942</b>

**b) Amounts offered in guarantee** - PP&E items were provided as collateral for loans, financing, labor claims and tax suits in the amount of R\$ 23,118 (R\$ 23,118 at December 31, 2013).



## 13 - Intangible assets – consolidated

	Amortization/Years	Cost	Accumulated Amortization	31/12/14	31/12/13
Software license	5	90.209	(63.866)	26.343	23.733
Right of use of property	50 – 99	56.638	(17.248)	39.390	7.840
Other	5	185.818	(170.234)	15.584	9.199
<b>Subtotal</b>		<b>332.665</b>	<b>(251.348)</b>	<b>81.317</b>	<b>40.772</b>
Goodwill - Acquisition of subsidiaries	-	611.643	(21.353)	590.290	503.048
<b>TOTAL</b>		<b>944.308</b>	<b>(272.701)</b>	<b>671.607</b>	<b>543.820</b>

### a) Summary of changes in intangible assets:

	31/12/13	Additions	Amortization	Exchange effect	31/12/14
Software license	23.733	10.671	(6.734)	(1.327)	26.343
Right of use of property	7.840	27.718	(332)	4.164	39.390
Other	9.199	9.115	(4.698)	1.968	15.584
<b>Subtotal</b>	<b>40.772</b>	<b>47.504</b>	<b>(11.764)</b>	<b>4.805</b>	<b>81.317</b>
Goodwill - Acquisition of subsidiaries	503.048	88.205	-	(963)	590.290
<b>TOTAL</b>	<b>543.820</b>	<b>135.709</b>	<b>(11.764)</b>	<b>3.842</b>	<b>671.607</b>

### b) Schedule of amortization of intangible assets (except goodwill):

	31/12/14	31/12/13
2014	-	9.232
2015	11.348	7.098
2016	10.644	6.148
2017	8.903	4.265
2018	7.515	7.566
After 2019	42.907	6.463
<b>TOTAL</b>	<b>81.317</b>	<b>40.772</b>

## 14 - Loans and financing

Direct loans from BNDES and FINEP are guaranteed by the parent company, WEG S.A. Finance operations are guaranteed by collateral signature and statutory lien. All covenant clauses related to indicators of capitalization, current liquidity and the relation between net debt/Ebitda, included in the BNDES, are being met.

Type	Annual charges	CONSOLIDATED	
		31/12/14	31/12/13
<b>IN BRAZIL</b>			
<b>SHORT TERM</b>		<b>1.090.901</b>	<b>533.972</b>
<b>In Real, pre fixed rate</b>			
Working capital	3,5% a 8,0% a.a.	364.190	151.534
Property, plant and equipment	2,5% a 8,7% a.a.	21.054	6.667
<b>In Real, pré fixed rate</b>			
Working capital	TJLP (+) 1,4% a 3,0% a.a.	375.135	284.099
Working capital	UFIR (+) 1,0% a 4,0% a.a.	15.281	18.124
<b>In US Dollars</b>			
Working capital (ACCS)	US\$ dollar (+) 0.9% to 1,0% p.a.	266.032	-
Working capital	US\$ dollar (+) 1.4% p.a.	3.045	23.082
Working capital	US\$ dollar (+) Libor (+) 3.3% p.a.	-	7.401
Prepayment of Export	US\$ dollar (+) Libor (+) 1.1% p.a.	38.419	33.519
Non Deliverable Forwards (NDF)	Exchange rate variation	-	6.867
<b>Others</b>			
SWAP		4.259	1.936
Outras	Sundry	3.486	743
<b>LONG TERM</b>		<b>2.376.690</b>	<b>2.187.968</b>
<b>In Real, pre fixed rate</b>			
Working capital	3,5% a 8,0% a.a.	1.552.001	1.580.130
Property, plant and equipment	2,5% a 8,7% a.a.	19.391	16.921
<b>In Real, pre fixed rate</b>			
Working capital	TJLP (+) 1,4% a 3,0% a.a.	89.983	409.477
Working capital	UFIR (+) 1,0% a 4,0% a.a.	33.612	36.178
<b>In US Dollars</b>			
Working capital	US\$ dollar (+) 1.4% p.a.	-	37.149
Working capital	US\$ dollar (+) Libor (+) 3.3% p.a.	-	35.139
Prepayment of Export	US\$ dollar (+) Libor (+) 1.5% p.a.	675.281	66.914
<b>Others</b>			
Other	Sundry	6.422	6.060
<b>IN ABROAD</b>			
<b>SHORT TERM</b>		<b>375.851</b>	<b>378.824</b>
<b>Em In USA Dollar</b>			
Working capital	Libor (+) 0,4% a 3,3% a.a.	116.264	122.693
<b>In Euros</b>			
Working capital	Euribor (+) 0,8% a 2,0% a.a.	10.603	156.691
<b>In Pesos (Mexico)</b>			
Working capital	3,5% a.a.	74.262	36.548
<b>In Renminbi (China)</b>			
Working capital	5,2% a 6,9% a.a.	137.387	1.311
Other Currency			
Working capital	Interest of local market	37.335	61.581
<b>LONG TERM</b>		<b>248.708</b>	<b>108.240</b>
<b>Em Dólares EUA</b>			
Working capital	Libor (+) 0,8% a 1,5% a.a.	81.597	91.369
<b>In Euro</b>			
Working capital	Euribor (+) 1,3% a.a.	157.155	11.853
<b>Other currency</b>			
Working capital	Interest of local market	9.956	5.018
<b>TOTAL SHORT TERM</b>		<b>1.466.752</b>	<b>912.796</b>
<b>TOTAL LONG TERM</b>		<b>2.625.398</b>	<b>2.296.208</b>

Vencimento dos financiamentos e empréstimos de longo prazo:

	31/12/14	31/12/13
2015	-	745.968
2016	1.213.429	1.305.799
2017	647.792	67.502
2018	214.807	127.064
2019	519.357	29.989
After 2020	30.013	19.886
<b>TOTAL</b>	<b>2.625.398</b>	<b>2.296.208</b>

## 15 - Provision for contingencies

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

### a) Balance of provision for contingencies

		COMPANY		CONSOLIDATED	
		31/12/14	31/12/13	31/12/14	31/12/13
<b>(i) Tax:</b>		<b>3.986</b>	<b>10.522</b>	<b>90.767</b>	<b>93.248</b>
- IRPJ e CSLL	(a.1)	-	-	15.310	16.096
- INSS	(a.2)	3.510	3.046	38.703	39.926
- PIS e COFINS	(a.3)	-	-	26.297	19.444
- IRRF	(a.4)	476	7.476	476	7.811
- Other		-	-	9.981	9.971
<b>(ii) Labor</b>		<b>-</b>	<b>-</b>	<b>91.781</b>	<b>79.189</b>
<b>(iii) Civil</b>		<b>-</b>	<b>-</b>	<b>73.747</b>	<b>60.161</b>
<b>(iv) Other</b>		<b>-</b>	<b>-</b>	<b>2.554</b>	<b>2.736</b>
<b>TOTAL</b>		<b>3.986</b>	<b>10.522</b>	<b>258.849</b>	<b>235.334</b>

### b) Changes in the provision for contingencies for the period - consolidated

	31/12/13	Additions	Interest	Write-offs	Reversals	31/12/14
a) Tax	93.248	14.490	3.462	(6.103)	(14.330)	90.767
b) Labor	79.189	12.628	10.374	(4.371)	(6.039)	91.781
c) Civil	60.161	18.333	2.676	(5.495)	(1.928)	73.747
d) Other	2.736	1.430	-	(188)	(1.424)	2.554
<b>TOTAL</b>	<b>235.334</b>	<b>46.881</b>	<b>16.512</b>	<b>(16.157)</b>	<b>(23.721)</b>	<b>258.849</b>

**c) The provisions recorded basically refer to:**

**(i) Tax contingencies**

(a.1) The Company and its subsidiaries maintains a provision of 16.24% for the proceeding referring to IPC difference (51.82%) of January 1989 “Plano Verão” (Summer Plan). The decision is favorable to the limit of the index of 35.58%.

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

(a.3) Refers to non-ratification by the IRS of Brazil's request for compensation of PIS and COFINS credit balance with federal tax debts.

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

**(ii) Labor contingencies**

The Company and its subsidiaries are defendants in labor claims primarily involving health and risk exposure, among others. Was provisioned the amount of R\$ 91,781 (R\$ 79,189 at December 31, 2013).

**(iii) Civil contingencies**

These correspond primarily to civil lawsuits, including personal injury, aesthetic damage, occupational diseases and indemnities arising out of occupational accidents. Was provisioned the amount of R\$ 73,747 (R\$ 60,161 at December 31, 2013).

**d) Restricted judicial deposits**

	COMPANY		CONSOLIDATED	
	31/12/14	31/12/13	31/12/14	31/12/13
Tax	3.430	1.328	27.656	23.363
Labor and civil	-	-	12.234	7.683
Other	-	-	889	1.412
<b>TOTAL RESTRICTED JUDICIAL DEPOSITS</b>	<b>3.430</b>	<b>1.328</b>	<b>40.779</b>	<b>32.458</b>
- Non-restricted judicial deposits	-	-	3.615	2.802
<b>TOTAL JUDICIAL DEPOSITS</b>	<b>3.430</b>	<b>1.328</b>	<b>44.394</b>	<b>35.260</b>

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

**e) Contingencies classified as possible losses**

The Company and its subsidiaries are parties to other suits, the likelihood of loss of which are rated as “possible”, for which no provision for contingencies was recognized. The estimated amount of such litigation relates to the tax proceedings totaling R\$ 66,326 (R\$ 85,142 at December 31, 2013). The processes with to possible are: - taxation on profits computed abroad in the total estimated amount of R\$ 45 million. - non-approval of IPI credits amounting to R\$ 10.6 million.

## 16 - Benefit plan

The Company and its subsidiaries are sponsors of WEG Social Security - Pension Plan, which seeks to supplement the retirement benefits offered by the official social security system. The Plan managed by WEG Seguridade Social includes monthly income benefits, supplementation of sick-leave, supplementation of retirement due to disability, pension due to death, lump sum benefit (due to death), proportional deferred benefit and self-funding.

The number of participants is 21,867 participants (22,240 at December 31, 2013). The Company and its subsidiaries made contributions in the amount of R\$ 25,708 (R\$ 22,498 at December 31, 2013). Based on actuarial calculations carried out by independent actuarial, as per the procedures established by CVM Resolution No. 695/12 – technical pronouncement CPC 33 (R1), actuarial liabilities were identified in the amount of R\$ 4,092 (R\$ 5,000 at December 31, 2013).

## 17 - Equity

### a) Capital

In 23 April 2014 was approved the increase of the Company's capital of R\$ 2,718,440 to R\$ 3,533,973, by incorporating part of the balance of the Profit Reserve / Retained Earnings for investments of R\$ 815,533, attributed to shareholders as a bonus 3 (three) new shares for every 10 (ten) common shares, with the consequent issuance of 186,271,509 new registered common shares without par value, all of which with voting rights, from 620,905,029 to 807,176,538 common shares, including 544,200 treasury shares pursuant to item "c".

### b) Shareholder compensation - Interest on equity capital

The bylaws provide the distribution of at least 25% of adjusted net income, and the Administration proposes the following:

	31/12/14	31/12/13
<b>LUCRO LÍQUIDO DO EXERCÍCIO ATRIBUÍVEL AOS ACIONISTAS DA COMPANHIA</b>	<b>954.726</b>	<b>843.467</b>
(-) Reserva Legal	(47.736)	(42.173)
(+) Realização da Reserva de Reavaliação (1989) e do custo atribuído (2010)	44.804	63.217
<b>BASE DE CÁLCULO DOS DIVIDENDOS</b>	<b>951.794</b>	<b>864.511</b>
Dividendos do 1º semestre R\$ 0,155/ação (R\$ 0,185/ação em 2013)	125.335	114.778
Juros s/ Capital Próprio do 1º semestre R\$ 0,131/ação (R\$ 0,115/ação em 2013), IRRF R\$ 16.314 (R\$ 12.591 em 2013)	108.760	83.938
Dividendos do 2º semestre R\$ 0,208/ação (R\$ 0,263/ação em 2013)	167.494	163.174
Juros s/ Capital Próprio do 2º semestre R\$ 0,126/ação (R\$ 0,137/ação em 2013), IRRF R\$ 17.936 (R\$ 15.000 em 2013)	119.571	99.999
<b>Total dividendos/juros s/ capital próprio do exercício</b>	<b>521.160</b>	<b>461.889</b>

The Interest on Own Capital, pursuant to Article 37 of the Bylaws and Article 9 of Law No. 9,949/95, will be imputed to mandatory dividends, paid from March 11, 2015.

**c) Transfer to reserves of profits:**

- **Legal reserve** - recognized in the amount of R\$ 47,736 (R\$ 42,173 at December 31, 2013) equivalent to 5% of net income obeying the limit of 20% of the capital;

- **Capital budget reserve** - represents the remaining net income R\$ 385,830, plus the retained earnings balance of R\$ 45,206 (arising from the realization of revaluation reserve (1989), the completion of the cost (2010), reversal of provision of the option shares exercised and reversal of previous dividends) exercises intended to reserve to the capital budget for 2015 to the investment plan.

**d) Treasury stock**

The Company, based on the Board of Directors' minutes of April 26, 2011 and with the purpose of supporting its Stock Option Plan, was authorized to acquire up to 500,000 Company's common shares. 500,000 common shares were acquired, in the amount of R\$10,055 at average cost of R\$ 20.11/share.

As a result of the capital increase with bonus shares, the balance on April 23, 2014 of 448,532 treasury shares rose to 583,091, an increase of 134,559 new shares at no cost.

The acquired shares will be held in treasury for use in connection with exercise of options to purchase shares by the beneficiaries of the Plan of Stock Options of the Company or subsequently canceled or sold.

Were exercised by the beneficiaries of the stock option plan of Company the amount of 90,359 shares. The Company maintains 544,200 treasury shares in average cost of R\$ 15.47, in the total amount of R\$ 8,418.

## 18 - Stock option plan

**(i) Plan description**

The Plan is managed by the Board of Directors, seeking to grant Stock Option Plans for WEG S.A.'s (Company) shares to its statutory officers or of its subsidiaries with head offices in Brazil, so as to attract, motivate and retain them, as well as aligning their interests to that of the Company and its shareholders. Each option grants its bearer with the right to acquire 1 (one) common Company-issued share (BM&FBOVESPA: "WEGE3"), strictly according to the terms and conditions established in the Plan ("Option"). Share purchase options to be granted are limited to 2% (two percent) of the total Company's capital. The participant must maintain the invested shares blocked during the retention period, according to the minimum levels determined by the Plan. The Plan may be extinguished, suspended or altered at any moment, through a proposal approved by the Company's Board of Directors.



**(ii) Programs**

The Board of Directors may approve, each semester, a Share Purchase Option Program (“Program”), which will define the participants, number of Options, exercise price, Option distribution, term and other rules specific to each Program. In order to participate in each Program, the participant must invest an amount of the variable compensation in each period in Company’s shares.

The Programs of Stock Options have been updated on the date of April 24, 2014, down from 30% bonus on the number of shares voted at an exercise price the new market value and the increase of shares to the number of shares . The update has no impact on the calculation made at the beginning of the program.

Program	Number of Options Rights	In reais (R\$)				Amount appropriate (thousand R\$)
		Strike Price	Price corrected by IPCA	Option price	Option Difference	
April /11	118.372	16,16	18,72	25,35	6,63	785
September/11	46.662	13,42	15,73	20,80	5,07	236
March/12	97.760	14,75	17,33	22,60	5,27	515
September/12	51.770	13,46	15,82	21,02	5,20	276
Abril/13	107.344	18,79	22,20	28,65	6,45	692
September/13	54.431	19,20	22,79	31,16	8,37	455
March/14	110.520	20,95	25,08	34,60	9,52	1.053
August/14	45.580	26,23	31,49	39,54	8,05	367
<b>Total</b>	<b>632.439</b>					<b>4.379</b>

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

Program	Exercise price Of option (R\$)	Lifespan of the option – in days	Current price for corresponding share (R\$)	Expected volatility In share price (%)	Interest free of risk for the lifespan of the option (%)
Abril/11	16,16	755 – 1.260	17,00	26,33	12,79 – 12,83
Setembro/11	13,42	756 – 1.259	13,89	29,88	10,90 – 11,22
Março/12	14,75	755 – 1.257	15,23	29,85	9,76 – 10,33
Setembro/12	13,46	753 – 1.257	15,46	24,50	8,32 – 8,78
Abril/13	18,79	760 – 1.260	19,78	28,53	8,67 – 9,24
Setembro/13	19,20	756 – 1.258	21,35	28,25	11,29 – 11,81
Março/14	20,95	753 – 1.257	24,31	20,51	12,28 – 12,58
Agosto/14	26,23	754 – 1.257	26,90	20,04	11,26 – 11,28

Summary of the movement of shares plan:

Program	31/12/13	Bonus Share	Granted	Expired	Number of shares	
					Exercised	31/12/14
April/11	69.440	16.756	-	-	(28.186)	58.010
September/11	28.358	8.506	-	-	(9.173)	27.691
March/12	75.200	19.139	-	-	(19.285)	75.054
September/12	39.824	11.946	-	-	(7.230)	44.540
April/13	82.574	24.770	-	-	-	107.344
September/13	41.870	12.561	-	-	-	54.431
March/14	-	25.504	85.016	-	-	110.520
August/14	-	-	45.580	-	-	45.580
<b>TOTAL</b>	<b>337.266</b>	<b>119.182</b>	<b>130.596</b>	<b>-</b>	<b>(63.874)</b>	<b>523.170</b>

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

In 2014, was recorded R\$ 919 (R\$ 771 in 2013) as other results in the income statements for the year against capital reserve in Equity.

The options exercised and cancelled during 2014 were held under capital reserves in equity in the amount of R\$ 427 (R\$ 204 in 2013) and R\$ 633 (R\$ 139 in 2013) for the options held and R\$ 206 (R\$ 65 in 2013) complement of accrued amount recorded in retained earnings.

The accumulated equity totals R\$ 1,817 in December 31, 2014 (R\$ 1,325 at December 31, 2013).

## 19 - Net revenue

BREAKDOWN OF NET REVENUE	CONSOLIDATED	
	31/12/14	31/12/13
<b>Gross revenue</b>	<b>9.235.147</b>	<b>8.146.901</b>
Domestic market	5.074.329	4.525.025
External market	4.160.818	3.621.876
<b>Deductions</b>	<b>(1.394.390)</b>	<b>(1.318.005)</b>
Taxes	(1.176.002)	(1.093.988)
Returns and Rebates	(218.388)	(224.017)
<b>Net revenue</b>	<b>7.840.757</b>	<b>6.828.896</b>
Domestic market	3.876.757	3.432.040
External market	3.964.000	3.396.856

## 20 - Construction contracts

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

	<b>CONSOLIDATED</b>	
	<b>31/12/14</b>	<b>31/12/13</b>
Gross operational revenue recognized	332.579	121.147
Incurred costs	(236.800)	(104.034)
	<b>31/12/14</b>	<b>31/12/13</b>
Received prepayments	167.628	38.393

## 21 - Operating expenses by nature and function

	<b>CONSOLIDATED</b>	
	<b>31/12/14</b>	<b>31/12/13</b>
<b>EXPENSE BY NATURE</b>	<b>(6.746.405)</b>	<b>(5.817.143)</b>
Depreciation, amortization and depletion	(250.477)	(218.279)
Personnel expenses	(1.709.134)	(1.481.450)
Raw materials and use and consumption materials	(3.502.602)	(2.961.985)
Freight and insurance costs	(266.172)	(214.182)
Other expenses	(1.018.020)	(941.247)
<b>EXPENSE BY FUNCTION</b>	<b>(6.746.405)</b>	<b>(5.817.143)</b>
Cost of products and services sold	(5.356.260)	(4.592.130)
Selling expenses	(820.471)	(716.358)
General and administrative expenses	(365.964)	(310.853)
Management fees	(20.148)	(18.010)
Other operating expenses	(183.562)	(179.792)

## 22 - Other operating revenue/expenses

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

	<b>CONSOLIDATED</b>	
	<b>31/12/14</b>	<b>31/12/13</b>
<b>OTHER OPERATING REVENUE</b>	<b>15.902</b>	<b>16.431</b>
- Other	15.902	16.431
<b>OTHER OPERATING EXPENSES</b>	<b>(199.464)</b>	<b>(196.223)</b>
- Profit sharing - Employees	(147.169)	(132.084)
- Profit sharing - foreign subsidiaries	(20.970)	(10.788)
- Profit sharing - executive board	(14.967)	(15.662)
- Constitution/Reversal of provision for tax proceedings	8.841	3.795
- Tax debits of REFIS IV	(5.214)	(14.240)
- Tax incentives of Rouanet Law	(5.807)	(4.959)
- Other	(14.178)	(22.285)
<b>TOTAL NET</b>	<b>(183.562)</b>	<b>(179.792)</b>

## 23 - Financial income (expenses), net

	COMPANY		CONSOLIDATED	
	31/12/14	31/12/13	31/12/14	31/12/13
<b>FINANCIAL INCOME</b>	<b>81.543</b>	<b>56.731</b>	<b>785.503</b>	<b>599.974</b>
Short-term investment yield	95.568	68.462	313.850	219.206
Exchange variation	-	-	308.883	278.441
Exchange variation - Trade accounts payable	-	-	103.431	107.373
Exchange variation - Clients	-	-	79.743	87.553
Exchange variation - Loans	-	-	49.959	34.338
Exchange variation - Others	-	-	75.750	49.177
Present value adjustment - customers	-	-	68.826	44.952
Pis/Cofins on interest on equity	(14.393)	(12.450)	(14.512)	(12.450)
Derivatives	-	-	41.500	(4.090)
PROEX - Equaliz. Interest rate	-	-	20.652	29.187
Other income	368	719	46.304	44.728
<b>FINANCIAL EXPENSES</b>	<b>(134)</b>	<b>(264)</b>	<b>(651.926)</b>	<b>(526.848)</b>
Interest on loans and financing	-	-	(185.807)	(155.933)
Exchange variation	-	-	(374.760)	(290.642)
Exchange variation - Trade accounts payable	-	-	(124.138)	(122.818)
Exchange variation - Clients	-	-	(53.514)	(52.656)
Exchange variation - Loans	-	-	(137.420)	(57.956)
Exchange variation - Others	-	-	(59.688)	(57.212)
Present value adjustment - suppliers	-	-	(21.921)	(12.355)
Derivatives	-	-	(10.849)	(5.438)
Other expenses	(134)	(264)	(58.589)	(62.480)
<b>NET FINANCIAL INCOME</b>	<b>81.409</b>	<b>56.467</b>	<b>133.577</b>	<b>73.126</b>

## 24 - Provision for income and social contribution taxes

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

### Reconciliation of income and social contribution taxes

	COMPANY		CONSOLIDATED	
	31/12/14	31/12/13	31/12/14	31/12/13
Income before taxes on profit	958.257	841.041	1.227.929	1.084.879
<b>Statutory rate</b>	<b>34%</b>	<b>34%</b>	<b>34%</b>	<b>34%</b>
IRPJ and CSLL calculated at the statutory rate	(325.807)	(285.954)	(417.496)	(368.859)
<b>Adjustment to determine effective income and social contribution taxes:</b>				
Result from investments in subsidiaries	297.904	271.416	382	(4.108)
Rate difference on foreign results	-	-	(11.038)	2.135
Tax incentives	-	-	78.781	59.428
Interest on equity	24.727	16.775	77.876	62.816
Other adjustments	(355)	189	5.882	9.013
<b>IRPJ and CSLL as per the income statement</b>	<b>(3.531)</b>	<b>2.426</b>	<b>(265.613)</b>	<b>(239.575)</b>
Current tax	(1.111)	(675)	(271.583)	(274.859)
Deferred tax	(2.420)	3.101	5.970	35.284
<b>Effective rate - %</b>	<b>0,37%</b>	<b>-0,29%</b>	<b>21,63%</b>	<b>22,08%</b>

## 25 - Insurance coverage

The corporate unit in Brazil is responsible for the management of the insurance portfolio of the WEG Group in Brazil and abroad, establishing risk policies for the Group in order to protect its assets. Risk analysis assumptions adopted, given their nature, are not included in the audit scope and, as a result, were not audited by our independent auditors. The Company implemented the Worldwide Insurance Program - WIP, through which the local insurance policies will be replaced by worldwide policies, such as: transport risk (Export, Import and Domestic), Civil Product Liability, Civil Management's Liability (D&O), Surety Insurance, General Civil Liability, Properties and Environment Pollution, Contractual Insurance and Risk Engineering Installation and Assembly.

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

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

- Operating Risks (Equity): R\$36 million;
- Loss of profits: US\$13 million (for the paint and vanishes companies);
- Civil liability US\$25 million;
- Civil liability products: US\$ 50 million;
- Transport: US\$ 5million per shipment (Import and Export);
- Environmental pollution: US\$25 million;
- Contractual Insurance: as stipulated in the contract;
- Risk Engineering Installation and Assembly: R\$ 100 million Brazil, R\$ 40 million Latin America (except Cuba) and USD 5 million United States.
- Managers civil responsibility (D&O): US\$ 30 milion.

## 26 - Financial instruments

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

	BOOK VALUE		MARKET VALUE	
	31 /12 /14	31/12/13	31 /12 /14	31/12/13
<b>Cash and cash equivalents</b>	<b>3.328.015</b>	<b>3.373.799</b>	<b>3.328.015</b>	<b>3.373.799</b>
<b>Cash and banks</b>	<b>302.346</b>	<b>248.149</b>	<b>302.346</b>	<b>248.149</b>
<b>Short-term investments:</b>	<b>3.025.669</b>	<b>3.125.650</b>	<b>3.025.669</b>	<b>3.125.650</b>
- Local currency	2.916.630	3.027.945	2.916.630	3.027.945
- Foreign currency	65.299	96.036	65.299	96.036
- SWAP	42.590	553	42.590	553
- Non Deliverable Forwards - NDF	1.150	1.116	1.150	1.116
<b>Short-term investments</b>	<b>866.209</b>	<b>2.230</b>	<b>866.209</b>	<b>2.230</b>
<b>Total assets</b>	<b>4.194.224</b>	<b>3.376.029</b>	<b>4.194.224</b>	<b>3.376.029</b>
<b>Loans and financing</b>	<b>4.092.150</b>	<b>3.209.004</b>	<b>4.092.150</b>	<b>3.209.004</b>
- Local currency	2.470.647	2.509.933	2.470.647	2.509.933
- Foreign currency	1.606.895	682.902	1.606.895	682.902
- Non Deliverable Forwards - NDF	-	6.867	-	6.867
- SWAP	14.608	9.302	14.608	9.302
<b>Total liabilities</b>	<b>4.092.150</b>	<b>3.209.004</b>	<b>4.092.150</b>	<b>3.209.004</b>

The risk factors of financial instruments are relate to:

## (i) Financial risks

### Foreign currency risk

The Company and its subsidiaries has import and export operations in various currencies, it manages and monitors its exposure to foreign currency, seeking to balance its financial assets and liabilities within the limits established by Management. The financial exposure limit (balance sheet) is equivalent to 2 months of revenue in foreign currency as defined by the Company's Board of Directors. The Company and its subsidiaries had export operations totaling US\$ 919.0 million (US\$ 899.8 million in 2013), which acts as a natural hedge for indebtedness and other costs pegged to other currencies, especially US Dollars.

### Risks related to debt charges

These risks arise from the possibility that the subsidiaries may suffer losses due to fluctuations in interest rates or other debt indexes, which increase financial expenses related to loans and financings obtained in the market, or decrease financial revenues relative to financial investments from subsidiaries. The Company and its subsidiaries continuously monitors the interest rates in the market so as to evaluate the need, if any, of protection against the risk of volatility of said rates.

### Derivative financial instruments

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

#### a) a) NDF derivative financial instruments

- **Non Deliverable Forwards** with notional amount of:

(i) US\$ 0.8 million, held by subsidiary WEG Austália Pty Ltd., seeking to protect exports from the fluctuation risks of the exchange rates;

(ii) US\$ 10.9 million, held by subsidiary Zest Electric Motors (Pty) Ltd., to protect the imports from the fluctuation risks of the exchange rates;

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

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

(ii) US\$ 17.1 million held by subsidiary WEG Equipamentos Elétricos S.A., to protect against Libor increase risks;

(iii) R\$ 200 million, held by the subsidiary WEG Equipamentos Elétricos S.A., SWAP from fixed to floating interest rate, to hedge against decrease risk in interest rate.

(iv) US\$ 300 million, held by the subsidiary WEG Equipamentos Elétricos S.A., SWAP with the purpose of protecting operations against the risks of financing high dollar.



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

The sensitivity analysis statement chart must be read jointly with the other financial assets and liabilities expressed in foreign currency as at December 31, 2014, as the estimated impact of the foreign currency rate over the NDFs and on SWAPs presented below will be offset, if effective, entire or partially, with loss of value of assets and liabilities.

Management has determined that, for the probable scenario (market value) should be considered the exchange rates used to-market of financial instruments, valid on 31 December 2014. These rates represent the best estimate of the future behavior of prices and these represent the amount by which the positions could be settled at maturity.

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

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

Risk	Notional value (thousands)	Currency	Market value at 12/31/14		Possible scenario 25%		Remote scenario 50%	
			Average price	R\$ thousand	Average price	R\$ thousand	Average price	R\$ thousand
USD Increase	800	US\$/AUD	0,9537	239	1,1921	(177)	1,4306	(818)
USD Decrease	10.853	US\$/ZAR	11,3958	915	8,5469	(6.364)	5,6979	(13.643)
<b>Total of Dolar</b>	<b>11.653</b>			<b>1.154</b>		<b>(6.541)</b>		<b>(14.461)</b>
Decrease of euro	13	EUR/ZAR	14,1388	(4)	10,6041	(14)	7,0694	(24)
<b>Total of euro</b>	<b>13</b>			<b>(4)</b>		<b>(14)</b>		<b>(24)</b>
<b>TOTAL</b>				<b>1.150</b>		<b>(6.555)</b>		<b>(14.485)</b>

**b) SWAP Operations:**

Risk	Notional value (thousands)	Market value at 12/31/14		Possible scenario 25%		Remote scenario 50%	
		Average price	R\$ thousand	Average price	R\$ thousand	Average price	R\$ thousand
Euribor decrease	EUR 10,0	Juros 0,46% a.a.	(10.348)	Juros 0,35% a.a.	(10.648)	Juros 0,23% a.a.	(10.948)
Libor decrease	US\$ 17,1	Juros 0,66% a.a.	(237)	Juros 0,50% a.a.	(281)	Juros 0,33% a.a.	(326)
CDI increase	R\$ 200,0	Juros 12,82% a.a.	(1.788)	Juros 16,01% a.a.	(6.299)	Juros 19,22% a.a.	(9.909)
USD Decrease	US\$ 300,0	2,6562	40.355	1,9922	(152.013)	1,3281	(315.867)
<b>TOTAL</b>			<b>27.982</b>		<b>(169.241)</b>		<b>(337.050)</b>

The Company and its subsidiaries made the accounting based on their market price at December 31, 2014 at fair value and the accrual basis. These operations had net positive impact in 2014 of R\$ 30,651 (R \$9,528 negative in 2013) which were recognized in net income. The Company and its subsidiaries have no margin guarantees for derivative financial instruments outstanding at December 31, 2014.

## (ii) Operational risks

### Credit risk

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

## 27 - Subsidies and assistance government

The Company and its subsidiaries obtained subventions in the amount of R\$ 44,580 (R\$ 34,733 at December 31, 2013) from tax incentives, recognized in income during the year:

	CONSOLIDATED	
	31/12/14	31/12/13
<b>TOTAL GOVERNMENT GRANTS AND ASSISTANCE</b>	<b>44.580</b>	<b>34.733</b>
<b>a) WEG Amazônia S.A.</b>	<b>1.252</b>	<b>460</b>
- ICMS incentive credit of 90.25%	305	281
- Corporate Income Tax (IRPJ) 75% reduction	947	179
<b>b) WEG Linhares Equipamentos Elétricos S.A.</b>	<b>29.680</b>	<b>20.696</b>
- ICMS incentive credit of 85.00%	26.840	18.784
- Corporate Income Tax (IRPJ) 75% reduction	2.256	1.887
- Reduction Reinvestment 30% of income tax	559	-
- Municipal investment	25	25
<b>c) WEG Equipamentos Elétricos S.A.</b>	<b>-</b>	<b>171</b>
- Municipal Investment	-	171
<b>d) WEG Logística Ltda.</b>	<b>13.648</b>	<b>13.406</b>
- ICMS incentive credit of 75.00%	13.648	13.406

There are no contingencies linked to these grants, and all the conditions for obtaining government grants have been met.

## 28 - Information by segment

	Brazil				Foreign		Eliminations and adjustments		Consolidated	
	Indústria		Energia							
	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13
Revenue from sale of products / services	4.647.205	4.283.237	1.810.298	1.455.914	3.730.564	3.147.370	(2.347.310)	(2.057.625)	7.840.757	6.828.896
Earnings before income taxes	1.501.958	1.429.174	609.697	459.803	196.414	207.865	(1.080.140)	(1.011.963)	1.227.929	1.084.879
Depreciation / Amortization / Depletion	149.705	135.331	45.175	40.846	55.597	42.102	-	-	250.477	218.279
	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13
Identifiable assets	3.125.990	3.101.374	1.509.993	1.297.686	2.663.313	2.282.020	180.628	(18.715)	7.479.924	6.662.365
Identifiable liabilities	782.492	780.033	599.922	471.689	823.931	781.749	(308.673)	(360.911)	1.897.672	1.672.560

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

**Energy:** electricity generators for thermal and hydraulic power plants (biomass), hydraulic turbines (PCHs), transformers, substations, control panels and system integration services.

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

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

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

## 29 - Earnings per share

### a) Basic

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

	31/12/14	31/12/13
Profit attributed to Company shareholders	954.726	843.467
Weighted average number of outstanding common shares (shares /thousand)	806.597	806.548
Basic earnings per share - R\$	1,1836	1,0458

**b) Diluted**

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

	31/12/14	31/12/13
Profit attributed to Company shareholders	954.726	843.467
Weighted average of potentially diluted common shares held by shareholders (shares/thousand)	807.223	806.945
Basic and diluted earnings per share - R\$	1,1827	1,0453

## 30 - Statement of comprehensive income

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

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

## 31 - Subsequent events

In January 2015 the German authorities approved the purchase of the company Antriebstechnik KATT Hessen GmbH, a company engaged in the manufacture of electric motors.

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements, Individual and Consolidated, of Weg S.A. ("Company") identified as Company and Consolidated, respectively, that comprise the balance sheet on December 31, 2014 and the related statements of income, comprehensive income changes in shareholders' equity and statements cash flows for the year then ended, as well as the summary of the main accounting practices and other note financial statement.

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

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

### **Auditor's responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion on the individual financial statements**

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of WEG S.A. at December 31, 2014, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

**Opinion on the consolidated financial statements**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of WEG S.A. at December 31, 2014, and its consolidated financial performance and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

## Other matters

**Statements of value added**

We have also examined the individual and consolidated statement of value added, referring to the year ended December 31, 2014, prepared under the responsibility of the Company's Management, whose presentation is required for Brazilian corporate law for listed companies, and as supplementary information under IFRS that does not require disclosure. These statements were submitted to the same audit procedures described above and, in our opinion, they are fairly presented in all material respects in relation to the financial statements taken as whole.

Joinville, February 6, 2015

KPMG Auditores Independentes  
CRC SC-000071/F-8

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



**WEG S.A.**  
**FINANCIAL STATEMENTS**  
**REPORT OF SUPERVISORY BOARD**

The Supervisory Board of WEG S.A., performing its legal function, has examined the Management Report, Financial Statements as at 31.12.2014, and the proposals of the Management for allocation of Net Income, based on the tests and clarifications offered by the Management, by the representatives of the Independent Auditors, and also based on the report of KPMG – Auditores Independentes. on the non-qualified Financial Statements dated 06.02.2015. opines that these documents are conditions being examined and voted at the Annual General Meeting.

Jaraguá do Sul (SC), February 6, 2015.

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

## STATEMENT

Through this instrument, the CEO and other Officers of WEG S.A., a publicly owned company, with head office at Avenida Prefeito Waldemar Grubba, 3300, registered under CNPJ (Brazilian IRS Registry of Legal Entities) No. 84429695/0001-11, for the purposes described in items V and VI of Article 25 of CVM instruction 480, of December 7, 2009, hereby state that:

(i) reviewed, discussed and agreed with the opinions expressed in the report of KPMG, dated February 6, 2015, regarding the financial statements of WEG SA and consolidated for the year ended December 31, 2014, and

(ii) reviewed, discussed and agreed with the financial statements of the WEG SA and consolidated for the year ended December 31, 2014.

Jaraguá do Sul (SC), February 6, 2015.

Harry Schmelzer Junior - CEO  
Sérgio Luiz Silva Schwartz - Vice-CEO and IRO  
Antônio Cesar da Silva - Marketing Officer  
Carlos Diether Prinz - Diretor - Transmission and Distribution Officer  
Hilton Jose da Veiga Faria - Human Resources Officer  
Luis Gustavo Lopes Iensen - International Department Officer  
Reinaldo Richter – Director – Paint Officer  
Siegfried Kreutzfeld - Diretor - Motors Officer  
Sinésio Tenfen - Diretor – Energy Officer  
Umberto Gobbato - Automation Officer  
Wandair José Garcia – Information Technology Officer  
Wilson José Watzko - Controllershship Officer

## ACKNOWLEDGEMENTS IN SUSTAINABILITY

In 2014 WEG received important market recognition for its performance in sustainability, demonstrating the Company's commitment to good corporate governance, social responsibility and sustainable development.

Selected as a component of the Dow Jones Sustainability Indices (DJSI) in the portfolio of the Dow Jones Sustainability Emerging Markets Index (DJSI-EM). The DJSI, developed by Dow Jones and the RobecoSAM Group, was the first global index to rate the business sustainability, taking into account economic, environmental and social development aspects. In 2014, the DJSI assessed a universe of 3,395 companies around the world, including the 800 largest companies in the so-called Emerging Markets, selecting 86 organizations with more sustainable practices.



Selected for the third consecutive year to join the Corporate Sustainability Index (ISE) of the BM&FBOVESPA. The new ISE portfolio is valid from 5 January 2015 to 2 January 2016. The company is the sole representative of the Machinery and Equipment segment in the index.



The Exame Sustainability Guide highlights the companies that are reference in sustainability in their respective sectors. WEG was one of the selected companies in the Capital Goods sector. Adding up all sectors in 2014, 228 companies participated in the selection process.



# GRI INDEX

DESCRIPTION	PAGE
<b>STRATEGY AND ANALYSIS</b>	
G4-1: Message from the president	3
<b>ORGANIZATIONAL PROFILE</b>	
G4-3: Name of the Organization	8
G4-4: Main brands, products	9
G4-5: Location of the headquarters	Av Prefeito Waldemar Grubba, 3.300 – 89256-900 – Jaraguá do Sul – SC - Brasil
G4-6: Number of countries where it operates and which	17
G4-7: Nature and legal form of organization	8
G4-8: Markets served	18
G4-9: Size of the organization (No. of employees, sales, etc.)	51
G4-10: Total number of employees: contract type, gender, region, etc.	51
G4-11: Report the percentage of total employees covered by collective bargaining agreements.	In Brazil, 100% of employees are covered by collective bargaining rules
G4-12: Describes the organization's supply chain	58
G4-13: Main changes in the period of the report	60
G4-14: Explanation of how the organization applies the precaution	57
G4-15: Letters, principles or other initiatives the organization underwrites or endorses	24
G4-16: Participation in national/international defense associations and/or bodies	63
<b>IDENTIFIED MATERIAL ASPECTS AND LIMITS</b>	
G4-17: Entities included in the consolidated financial statements or equivalent organizational documents	104
G4-18: Process for defining content	5
G4-19: List all material aspects identified in the report content definition process	7
G4-20: For each material aspect, report the Aspect of the Limit inside the organization	7
G4-21: For each material aspect, report the Aspect of the Limit outside the organization	7
G4-22: Consequences of reformulations of information provided in earlier reports	5
G4-23: Significant changes in the scope, limit or measurement	5
<b>ENGAGEMENT OF STAKEHOLDERS</b>	
G4-24: Present a list of stakeholder groups engaged by the organization	6
G4-25: Base to identify and select stakeholders with whom to engage	6
G4-26: Approaches for the engagement of the stakeholders	6
G4-27: Main subjects and concerns raised by the engagement of stakeholders	7

# ÍNDICE REMISSIVO GRI

REPORT PROFILE	
G4-28: Period of the report	5
G4-29: Date of the last published report	In 2014, with the publication of "Integrated Annual Report 2013"
G4-30: Report publishing cycle	5
G4-31: Contact for questions regarding the report	5
G4-32: Report the 'in accordance' chosen by the organization	5
G4-33: Current practice and policy regarding the search of external verification for the report	The environmental information has not undergone external verification, and only the financial and economic information was audited
GOVERNANCE	
G4-34: Report the organization's governance structure, including committees of the highest governance body. Identify any committees responsible for advising the board in making decisions that have economic, environmental and social impacts	54
ETHICS AND INTEGRITY	
G4-56: Describe the values, principles, standards and rules of organizational behavior, such as conduct and ethics codes.	19
SPECIFIC INDICATORS (MATERIAL)	PÁGINA
G4-EN5: Energy intensity (reduced by ROL, efficiency)	70
G4-EN8: Total water removal by source	77
G4-LA6: Rates of injury, occupational diseases, lost days, absenteeism and number of work-related fatalities, broken down by region and gender	33
G4-LA9: Average number of training hours per employee year, broken down by gender and job category	43
G4-EC1: Direct economic value generated and distributed	121
G4-EC3: Coverage of obligations of the organization's benefit pension plan	44
G4-EN23: Total residue weight by type and disposal method	81
G4-EC7: Development and impact of infrastructure investments and services offered	85
G4-EN31: Total investments and spending on environmental protection, broken down by type	83
G4-EN16: Indirect emissions of greenhouse gases (GHG) from the acquisition of energy (Scope 2)	75



## Staff

General Coordination  
Harry Schmelzer Jr.  
**CEO**

Analysis of the information  
**Information Disclosure Committee**

Content and Publishing Coordination  
**Department of Continuous Improvement and Environment**

Coordination of publishing and graphic production  
**Corporate Marketing Section**

Direction of Art and Graphic Design  
**Compreendo Comunicação**

Pictures  
**WEG Group files**

Thanks  
**To all who participated in the preparation of this Report.**

