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Company information/Composition of capital

Number for shares (Units)	Current quarter 6/30/2018
Paid-in capital	
Common shares	2,098,658,999
Preferred shares	-
Total	2,098,658,999
Treasury shares	
Common shares	1,574,808
Preferred shares	-
Total	1,574,808

Company information/Cash dividends

Event	Approval	Type	Date of payment	Type of share	Class of share	Amount per share - (Reais/share)
Board of Directors' Meeting	03/20/2018	Interest on capital	8/15/2018	Common		0.04460
Board of Directors' Meeting	6/26/2018	Interest on capital	8/15/2018	Common		0.03330

Individual financial statements/Balance sheet - Assets
R\$ (in thousands)

Code	Description	Current quarter 6/30/2018	Prior year 12/31/2017
1	Total assets	7,644,500	6,949,765
1.01	Current assets	1,318,257	1,369,011
1.01.01	Cash and cash equivalents	622,022	798,191
1.01.01.01	Cash and banks	12	12
1.01.01.02	Short-term investments	622,010	798,179
1.01.02	Short-term investments	540,015	429,717
1.01.06	Taxes recoverable	20,072	4,827
1.01.06.01	Current taxes recoverable	20,072	4,827
1.01.08	Other current assets	136,148	136,276
1.01.08.03	Others	136,148	136,276
1.01.08.03.01	Dividends	9,497	2,022
1.01.08.03.02	Interest on capital	126,651	134,254
1.02	Noncurrent assets	6,326,243	5,580,754
1.02.01	Long-term receivables	7,263	6,614
1.02.01.07	Deferred taxes	2,602	1,944
1.02.01.07.01	Deferred income tax and social contribution	2,602	1,944
1.02.01.09	Receivables from related parties	4	13
1.02.01.09.02	Receivables from subsidiaries	4	13
1.02.01.10	Other noncurrent assets	4,657	4,657
1.02.01.10.03	Judicial deposits	4,657	4,657
1.02.02	Investments	6,314,631	5,569,747
1.02.02.01	Equity interests	6,314,631	5,569,747
1.02.02.01.02	Interest in subsidiaries	6,314,631	5,569,747
1.02.03	Property, plant and equipment	4,349	4,393
1.02.03.01	Property, plant and equipment in operation	4,349	4,393

Individual financial statements/Balance sheet - Liabilities and equity
R\$ (in thousands)

Code	Description	Current quarter 6/30/2018	Prior year 12/31/2017
2	Total liabilities	7,644,500	6,949,765
2.01	Current liabilities	166,087	170,446
2.01.01	Social and labor obligations	7,497	8,048
2.01.01.01	Social obligations	7,497	8,048
2.01.03	Tax obligations	12,295	142
2.01.03.01	Federal tax obligations	12,295	142
2.01.03.01.01	Income tax and social contribution payable	25	48
2.01.03.01.02	Other tax obligations	12,270	94
2.01.05	Other obligations	146,295	162,256
2.01.05.02	Others	146,295	162,256
2.01.05.02.01	Dividends and interest on capital payable	144,819	160,729
2.01.05.02.04	Others	1,476	1,527
2.02	Noncurrent liabilities	4,730	4,730
2.02.04	Provisions	4,730	4,730
2.03	Equity	7,473,683	6,774,589
2.03.01	Paid-in capital	5,504,517	3,533,973
2.03.02	Capital reserves	(92,780)	(91,997)
2.03.02.04	Options granted	6,647	4,437
2.03.02.05	Treasury shares	(16,083)	(17,392)
2.03.02.07	Premium on capital transaction	(83,344)	(79,042)
2.03.03	Revaluation reserves	3,630	3,630
2.03.04	Earnings reserves	519,779	2,449,990
2.03.04.01	Legal reserve	-	218,528
2.03.04.02	Statutory reserve	346,991	2,099,007
2.03.04.08	Additional dividend proposed	172,788	132,455
2.03.05	Retained earnings/accumulated losses	291,602	-
2.03.06	Carrying value adjustments	396,677	406,240
2.03.06.01	Deemed cost	396,677	406,240
2.03.08	Other comprehensive income	850,258	472,753
2.03.08.01	Derivative financial instruments	(37,450)	(11,355)
2.03.08.02	Cumulative translation adjustments	887,708	484,108

Individual financial statements/Income statements
R\$ (in thousands)

Code	Description	Current quarter 4/1/2018 to 6/30/2018	YTD current year 01/01/2018 to 6/30/2018	Prior year 4/1/2017 to 6/30/2017	YTD prior year 01/01/2017 to 6/30/2017
3.04	Operating income/expenses	325,896	598,950	250,204	481,317
3.04.02	General and administrative expenses	(1,154)	(2,478)	(964)	(1,899)
3.04.02.01	Management fees	(645)	(1,251)	(583)	(1,139)
3.04.02.02	Other administrative expenses	(509)	(1,227)	(381)	(760)
3.04.05	Other operating expenses	(2,557)	(4,121)	(1,670)	(3,316)
3.04.06	Share of profit or loss of investees	329,607	605,549	252,838	486,532
3.05	Profit before finance income (costs) and taxes	325,896	598,950	250,204	481,317
3.06	Finance income (costs)	10,327	22,209	20,987	47,500
3.06.01	Finance income	10,404	22,371	21,047	47,632
3.06.02	Finance costs	(77)	(162)	(60)	(132)
3.07	Profit before taxes on income	336,223	621,159	271,191	528,817
3.08	Income tax and social contribution	382	450	975	1,052
3.08.01	Current	(89)	(208)	94	(120)
3.08.02	Deferred	471	658	881	1,172
3.09	Profit for the period from continuing operations	336,605	621,609	272,166	529,869
3.11	Profit/loss for the period	336,605	621,609	272,166	529,869
3.99	Earnings per share - (Reais / share)	-	-	-	-
3.99.01	Basic earnings per share	-	-	-	-
3.99.01.01	Common shares	0.16052	0.29641	0.12976	0.25263
3.99.02	Diluted earnings per share	-	-	-	-
3.99.02.01	Common shares	0.16041	0.29622	0.12972	0.25254

Individual financial statements/Statement of comprehensive income
R\$ (in thousands)

Code	Description	Current quarter 4/1/2018 to 6/30/2018	YTD current year 01/01/2018 to 6/30/2018	Prior year 4/1/2017 to 6/30/2017	YTD prior year 01/01/2017 to 6/30/2017
4.01	Profit for the period	336,605	621,609	272,166	529,869
4.02	Other comprehensive income	326,065	377,505	197,588	182,198
4.02.01	Cumulative translation adjustments	315,733	403,600	186,871	171,279
4.02.02	Hedge Accounting	10,332	(26,095)	10,717	10,919
4.03	Total comprehensive income for the period	662,670	999,114	469,754	712,067

Individual financial statements/Cash flow statement
R\$ (in thousands)

Code	Description	YTD current year 01/01/2018 to 6/30/2018	YTD prior year 01/01/2017 to 6/30/2017
6.01	Net cash from operating activities	11,970	83,437
6.01.01	Cash from operations	18,317	44,536
6.01.01.01	Profit before taxes	621,159	528,817
6.01.01.02	Depreciation and amortization	44	43
6.01.01.03	Share of profit or loss of investees	(605,549)	(486,532)
6.01.01.04	Stock option plan expenses	2,663	1,706
6.01.01.05	Provision for tax, civil and labor liabilities	-	502
6.01.02	Changes in assets and liabilities	(6,347)	38,901
6.01.02.01	(Increase)/decrease in trade receivables	(17,685)	(7,060)
6.01.02.02	Increase/(decrease) in trade payables	11,569	46,207
6.01.02.03	Income tax and social contribution paid	(231)	(212)
6.01.02.04	Employee profit sharing paid	-	(34)
6.02	Net cash from investing activities	100,441	221,641
6.02.01	Dividends and interest on capital received	210,739	293,623
6.02.03	Investments	-	(52,716)
6.02.04	Short-term investments held-to-maturity	(97,439)	-
6.02.06	Income from financial investments	(12,859)	(19,266)
6.03	Net cash from financing activities	(288,580)	(297,870)
6.03.01	Dividends and interest on capital paid	(289,889)	(290,479)
6.03.02	Treasury shares	1,309	(7,391)
6.05	Increase (decrease) in cash and cash equivalents	(176,169)	7,208
6.05.01	Cash and cash equivalents at the beginning of the period	798,191	748,385
6.05.02	Cash and cash equivalents at the end of the period	622,022	755,593

Individual financial statements /Statements of changes in equity - 01/01/2018 to 06/30/2018**R\$ (in thousands)**

Code	Description	Paid-in capital	Capital reserves, options granted and treasury shares	Earnings reserves	Retained earnings or accumulated losses	Other comprehensive income	Equity
5.01	Opening balances	3,533,973	(88,367)	2,317,535	132,455	878,993	6,774,589
5.03	Adjusted opening balances	3,533,973	(88,367)	2,317,535	132,455	878,993	6,774,589
5.04	Capital transactions with shareholders	1,970,544	(783)	(1,970,544)	(167,209)	-	(167,992)
5.04.01	Capital increases	1,970,544	-	(1,970,544)	-	-	-
5.04.03	Options granted recognized	-	2,210	-	(416)	-	1,794
5.04.05	Treasury shares sold	-	2,217	-	-	-	2,217
5.04.07	Interest on capital	-	-	-	(166,793)	-	(166,793)
5.04.09	Capital transactions	-	(5,210)	-	-	-	(5,210)
5.05	Total comprehensive income	-	-	-	631,172	367,942	999,114
5.05.01	Profit for the period	-	-	-	621,609	-	621,609
5.05.02	Other comprehensive income	-	-	-	9,563	367,942	377,505
5.05.02.04	Translation adjustments for the period	-	-	-	-	403,600	403,600
5.05.02.06	Hedge Accounting	-	-	-	-	(26,095)	(26,095)
5.05.02.07	Realization of deemed cost	-	-	-	9,563	(9,563)	-
5.06	Internal changes in equity	-	-	-	(132,028)	-	(132,028)
5.06.04	Payment of dividends	-	-	-	(132,455)	-	(132,455)
5.06.05	Prescribed dividends	-	-	-	427	-	427
5.07	Closing balances	5,504,517	(89,150)	346,991	464,390	1,246,935	7,473,683

Individual financial statements /Statements of changes in equity - 01/01/2017 to 06/30/2017**R\$ (in thousands)**

Code	Description	Paid-in capital	Capital reserves, options granted and treasury shares	Earnings reserves	Retained earnings or accumulated losses	Other comprehensive income	Equity
5.01	Opening balances	3,533,973	(64,462)	1,890,881	102,750	499,732	5,962,874
5.02	Adjustments from prior years	-	-	(145,620)	-	175,175	29,555
5.03	Adjusted opening balances	3,533,973	(64,462)	1,745,261	102,750	674,907	5,992,429
5.04	Capital transactions with shareholders	-	(7,611)	-	(203,120)	-	(210,731)
5.04.03	Options granted recognized	-	1,315	-	(90)	-	1,225
5.04.04	Treasury shares acquired	-	(8,676)	-	-	-	(8,676)
5.04.05	Treasury shares sold	-	1,735	-	-	-	1,735
5.04.07	Interest on capital	-	-	-	(203,030)	-	(203,030)
5.04.08	Capital transactions	-	(1,985)	-	-	-	(1,985)
5.05	Total comprehensive income	-	-	-	544,125	167,942	712,067
5.05.01	Profit for the period	-	-	-	529,869	-	529,869
5.05.02	Other comprehensive income	-	-	-	14,256	167,942	182,198
5.05.02.04	Translation adjustments for the period	-	-	-	-	171,279	171,279
5.05.02.06	Hedge Accounting	-	-	-	-	10,919	10,919
5.05.02.07	Realization of deemed cost	-	-	-	14,256	(14,256)	-
5.06	Internal changes in equity	-	-	-	(102,265)	-	(102,265)
5.06.04	Payment of dividends	-	-	-	(102,750)	-	(102,750)
5.06.05	Prescribed dividends	-	-	-	485	-	485
5.07	Closing balances	3,533,973	(72,073)	1,745,261	341,490	842,849	6,391,500

Individual financial statements/ Statements of value added
R\$ (in thousands)

Code	Description	YTD current year 01/01/2018 to 6/30/2018	YTD prior year 01/01/2017 to 6/30/2017
7.02	Inputs acquired from third parties	(3,031)	(2,397)
7.02.02	Materials, electric power, third-party services and others	(365)	(203)
7.02.03	Loss/recovery of assets	(2,666)	(2,194)
7.03	Gross value added	(3,031)	(2,397)
7.04	Retentions	(44)	(43)
7.04.01	Depreciation, amortization and depletion	(44)	(43)
7.05	Wealth created by the Company	(3,075)	(2,440)
7.06	Wealth received in transfer	627,920	534,164
7.06.01	Share of profit or loss of investees	605,549	486,532
7.06.02	Finance income	22,371	47,632
7.07	Wealth for distribution	624,845	531,724
7.08	Wealth distributed	624,845	531,724
7.08.01	Personnel	2,958	2,519
7.08.01.01	Salaries and wages	2,853	2,430
7.08.01.02	Benefits	52	34
7.08.01.03	Severance pay fund (FGTS)	53	55
7.08.02	Taxes, fees and contributions	118	(794)
7.08.02.01	Federal	118	(794)
7.08.03	Lenders and lessors	160	130
7.08.03.01	Interest	160	130
7.08.04	Lenders and lessors	621,609	529,869
7.08.04.01	Interest on capital	166,793	203,030
7.08.04.03	Retained earnings / Loss for the period	454,816	326,839

Consolidated financial statements Balance sheet - Assets
R\$ (in thousands)

Code	Description	Current quarter 6/30/2018	Prior year 12/31/2017
1	Total assets	15,532,163	14,039,650
1.01	Current assets	9,968,378	9,415,667
1.01.01	Cash and cash equivalents	2,703,771	3,162,685
1.01.01.01	Cash and banks	343,977	224,249
1.01.01.02	Short-term investments	2,359,794	2,938,436
1.01.02	Short-term investments	1,553,425	1,411,046
1.01.03	Trade receivables	2,589,700	2,242,613
1.01.03.01	Customers	2,589,700	2,242,613
1.01.04	Inventories	2,328,357	1,852,266
1.01.06	Taxes recoverable	442,556	419,845
1.01.06.01	Current taxes recoverable	442,556	419,845
1.01.08	Other current assets	350,569	327,212
1.01.08.03	Others	350,569	327,212
1.01.08.03.01	Derivative financial instruments	6,860	11,875
1.01.08.03.02	Others	343,709	315,337
1.02	Noncurrent assets	5,563,785	4,623,983
1.02.01	Long-term receivables	791,825	443,844
1.02.01.07	Deferred taxes	174,450	148,284
1.02.01.07.01	Deferred income tax and social contribution	174,450	148,284
1.02.01.10	Other noncurrent assets	617,375	295,560
1.02.01.10.03	Judicial deposits	54,746	50,815
1.02.01.10.04	Taxes recoverable	102,339	9,941
1.02.01.10.05	Derivative financial instruments	381,026	170,279
1.02.01.10.06	Others	79,264	64,525
1.02.02	Investments	17,013	268
1.02.02.01	Equity interests	17,013	268
1.02.02.01.04	Interest in joint ventures	17,013	268
1.02.03	Property, plant and equipment	3,406,149	3,160,111
1.02.03.01	Property, plant and equipment in operation	3,406,149	3,160,111
1.02.04	Intangible assets	1,348,798	1,019,760
1.02.04.01	Intangible assets	156,801	142,682
1.02.04.01.02	Others	156,801	142,682
1.02.04.02	Goodwill	1,191,997	877,078

Consolidated financial statements/Balance sheet - Liabilities and equity
R\$ (in thousands)

Code	Description	Current quarter 6/30/2018	Prior year 12/31/2017
2	Total liabilities	15,532,163	14,039,650
2.01	Current liabilities	4,953,204	4,326,788
2.01.01	Social and labor obligations	330,444	211,062
2.01.01.01	Social obligations	330,444	211,062
2.01.02	Trade payables	973,788	750,533
2.01.03	Tax obligations	141,475	102,944
2.01.03.01	Federal tax obligations	141,475	102,944
2.01.03.01.01	Income tax and social contribution payable	51,123	29,672
2.01.03.01.02	Others	90,352	73,272
2.01.04	Borrowings and financing	1,988,080	2,014,530
2.01.04.01	Borrowings and financing	1,988,080	2,014,530
2.01.04.01.01	In local currency	491,033	1,300,232
2.01.04.01.02	In foreign currency	1,497,047	714,298
2.01.05	Other obligations	1,519,417	1,247,719
2.01.05.02	Others	1,519,417	1,247,719
2.01.05.02.01	Dividends and interest on capital payable	144,820	160,892
2.01.05.02.04	Advances from customers	544,865	429,258
2.01.05.02.05	Profit sharing	107,363	138,788
2.01.05.02.06	Derivative financial instruments	32,693	12,845
2.01.05.02.07	Payables to foreign subsidiaries	221,348	180,119
2.01.05.02.08	Others	468,328	325,817
2.02	Noncurrent liabilities	2,965,058	2,815,892
2.02.01	Borrowings and financing	2,169,171	2,041,912
2.02.01.01	Borrowings and financing	2,169,171	2,041,912
2.02.01.01.01	In local currency	432,416	457,386
2.02.01.01.02	In foreign currency	1,736,755	1,584,526
2.02.02	Other obligations	156,633	150,390
2.02.02.02	Others	156,633	150,390
2.02.02.02.03	Tax obligations	4,286	2,530
2.02.02.02.04	Derivative financial instruments	9,014	40,795
2.02.02.02.05	Others	143,333	107,065
2.02.03	Deferred taxes	97,613	116,629
2.02.03.01	Deferred income tax and social contribution	97,613	116,629
2.02.04	Provisions	541,641	506,961
2.03	Consolidated equity	7,613,901	6,896,970
2.03.01	Paid-in capital	5,504,517	3,533,973
2.03.02	Capital reserves	(92,780)	(91,997)
2.03.02.04	Options granted	6,647	4,437
2.03.02.05	Treasury shares	(16,083)	(17,392)
2.03.02.07	Premium on capital transaction	(83,344)	(79,042)
2.03.03	Revaluation reserves	3,630	3,630
2.03.04	Earnings reserves	519,779	2,449,990
2.03.04.01	Legal reserve	-	218,528
2.03.04.02	Statutory reserve	346,991	2,099,007
2.03.04.08	Additional dividend proposed	172,788	132,455
2.03.05	Retained earnings/accumulated losses	291,602	-
2.03.06	Carrying value adjustments	396,677	406,240
2.03.06.01	Deemed cost	396,677	406,240
2.03.08	Other comprehensive income	850,258	472,753
2.03.08.01	Derivative financial instruments	(37,450)	(11,355)
2.03.08.02	Cumulative translation adjustments	887,708	484,108
2.03.09	Noncontrolling interests	140,218	122,381

Consolidated financial statements/Income statement**R\$ (in thousands)**

Code	Description	Current quarter 4/1/2018 to 6/30/2018	YTD current year 01/01/2018 to 6/30/2018	Prior year 4/1/2017 to 6/30/2017	YTD prior year 01/01/2017 to 6/30/2017
3.01	Revenue from sale of products and/or services	3,056,648	5,608,124	2,280,769	4,414,998
3.02	Cost of sales and services	(2,177,665)	(4,005,542)	(1,599,657)	(3,096,534)
3.03	Gross profit	878,983	1,602,582	681,112	1,318,464
3.04	Operating income/expenses	(490,273)	(907,574)	(380,894)	(756,238)
3.04.01	Selling expenses	(284,127)	(526,726)	(214,260)	(418,617)
3.04.02	General and administrative expenses	(145,026)	(274,476)	(121,671)	(235,702)
3.04.02.01	Management fees	(6,425)	(12,471)	(5,790)	(11,725)
3.04.02.02	Other administrative expenses	(138,601)	(262,005)	(115,881)	(223,977)
3.04.04	Other operating income	9,405	12,776	10,425	12,503
3.04.05	Other operating expenses	(70,525)	(119,441)	(55,388)	(114,422)
3.04.06	Share of profit or loss of investees	-	293	-	-
3.05	Profit before finance income (costs) and taxes	388,710	695,008	300,218	562,226
3.06	Finance income (costs)	(6,471)	21,464	9,945	37,954
3.06.01	Finance income	140,758	379,149	254,408	436,557
3.06.02	Finance costs	(147,229)	(357,685)	(244,463)	(398,603)
3.07	Profit before taxes on income	382,239	716,472	310,163	600,180
3.08	Income tax and social contribution	(43,199)	(89,288)	(35,057)	(68,532)
3.08.01	Current	(71,684)	(99,698)	(56,736)	(89,720)
3.08.02	Deferred	28,485	10,410	21,679	21,188
3.09	Profit for the period from continuing operations	339,040	627,184	275,106	531,648
3.11	Consolidated profit/loss for the period	339,040	627,184	275,106	531,648
3.11.01	Attributable to owners of the Company	336,605	621,609	272,166	529,869
3.11.02	Attributable to noncontrolling interests	2,435	5,575	2,940	1,779
3.99	Earnings per share - (Reais / share)	-	-	-	-
3.99.01	Basic earnings per share	-	-	-	-
3.99.01.01	Common shares	0.16052	0.29641	0.12976	0.25263
3.99.02	Diluted earnings per share	-	-	-	-
3.99.02.01	Common shares	0.16041	0.29622	0.12972	0.25254

Consolidated financial statements/Statement of comprehensive income
R\$ (in thousands)

Code	Description	Current quarter 4/1/2018 to 6/30/2018	YTD current year 01/01/2018 to 6/30/2018	Prior year 4/1/2017 to 6/30/2017	YTD prior year 01/01/2017 to 6/30/2017
4.01	Consolidated profit for the period	339,040	627,184	275,106	531,648
4.02	Other comprehensive income	328,341	386,860	206,586	190,098
4.02.01	Cumulative translation adjustments	318,009	412,955	195,869	179,179
4.02.02	Hedge Accounting	10,332	(26,095)	10,717	10,919
4.03	Consolidated comprehensive income for the period	667,381	1,014,044	481,692	721,746
4.03.01	Attributable to owners of the Company	636,485	999,114	469,754	712,067
4.03.02	Attributable to noncontrolling interests	30,896	14,930	11,938	9,679

Consolidated financial statements/Cash flow statement
R\$ (in thousands)

Code	Description	YTD current year 01/01/2018 to 6/30/2018	YTD prior year 01/01/2017 to 6/30/2017
6.01	Net cash from operating activities	643,477	623,244
6.01.01	Cash from operations	1,098,853	1,006,822
6.01.01.01	Profit before taxes	716,472	600,180
6.01.01.02	Depreciation, amortization and depletion	150,217	139,345
6.01.01.03	Employee profit sharing	95,805	88,276
6.01.01.04	Stock option plan expenses	2,801	1,706
6.01.01.05	Provision for credit risk	2,311	(2,446)
6.01.01.06	Provision for tax, civil and labor liabilities	34,680	53,727
6.01.01.07	Provision for inventory losses	17,882	9,603
6.01.01.08	Provision for product warranty	17,745	10,352
6.01.01.09	Loss on disposal of property, plant and equipment and intangible assets	6,932	3,837
6.01.01.10	Accrued interest on borrowings	54,301	102,242
6.01.01.11	Share of profit (loss) of subsidiaries	(293)	-
6.01.02	Changes in assets and liabilities	(455,376)	(383,578)
6.01.02.01	(Increase)/decrease in trade receivables	(220,803)	(3,428)
6.01.02.02	Increase/(decrease) in trade payables	266,335	(31,395)
6.01.02.03	(Increase)/decrease in inventories	(292,414)	(139,795)
6.01.02.04	Income tax and social contribution paid	(78,248)	(82,488)
6.01.02.05	Employee profit sharing paid	(130,246)	(126,472)
6.02	Net cash from investing activities	(407,588)	(183,830)
6.02.01	Property, plant and equipment	(139,397)	(114,077)
6.02.02	Intangible assets	(14,984)	(8,892)
6.02.03	Proceeds from the sale of property, plant and equipment and intangible assets	5,307	4,486
6.02.07	Acquisition of company - Business combination	(128,567)	(4,050)
6.02.08	Cash acquired in a business combination	12,432	-
6.02.09	Short-term investments held-to-maturity	(127,439)	-
6.02.10	Redemption of short-term investments	71,721	31,857
6.02.11	Income from financial investments	(86,661)	(93,154)
6.03	Net cash from financing activities	(724,173)	(208,599)
6.03.01	Proceeds from borrowings and financing	654,271	508,940
6.03.02	Repayment of borrowings and financing	(983,109)	(233,994)
6.03.03	Interest paid on borrowings and financing	(106,596)	(184,365)
6.03.04	Treasury shares	1,309	(7,391)
6.03.05	Dividends and interest on capital paid	(290,048)	(291,789)
6.04	Exchange rate changes on cash and cash equivalents	29,370	13,999
6.05	Increase (decrease) in cash and cash equivalents	(458,914)	244,814
6.05.01	Cash and cash equivalents at the beginning of the period	3,162,685	3,390,662
6.05.02	Cash and cash equivalents at the end of the period	2,703,771	3,635,476

Consolidated financial statements/Statements of changes in equity - 01/01/2018 to 06/30/2018**R\$ (in thousands)**

Code	Description	Paid-in capital	Capital reserves, options granted and treasury shares	Earnings reserves	Retained earnings or accumulated losses	Other comprehensive income	Equity	Noncontrolling interests	Consolidated equity
5.01	Opening balances	3,533,973	(88,367)	2,317,535	132,455	878,993	6,774,589	122,381	6,896,970
5.03	Adjusted opening balances	3,533,973	(88,367)	2,317,535	132,455	878,993	6,774,589	122,381	6,896,970
5.04	Capital transactions with shareholders	1,970,544	(783)	(1,970,544)	(167,209)	-	(167,992)	2,907	-165,085
5.04.01	Capital increases	1,970,544	-	(1,970,544)	-	-	-	-	-
5.04.03	Options granted recognized	-	2,210	-	(416)	-	1,794	-	1,794
5.04.05	Treasury shares sold	-	2,217	-	-	-	2,217	-	2,217
5.04.07	Interest on capital	-	-	-	(166,793)	-	(166,793)	-	-166,793
5.04.09	Capital transactions	-	(5,210)	-	-	-	(5,210)	2,907	-2,303
5.05	Total comprehensive income	-	-	-	631,172	367,942	999,114	14,930	1,014,044
5.05.01	Profit for the period	-	-	-	621,609	-	621,609	5,575	627,184
5.05.02	Other comprehensive income	-	-	-	9,563	367,942	377,505	9,355	386,860
5.05.02.04	Translation adjustments for the period	-	-	-	-	403,600	403,600	9,355	412,955
5.05.02.06	Hedge Accounting	-	-	-	-	(26,095)	(26,095)	-	-26,095
5.05.02.07	Realization of deemed cost	-	-	-	9,563	(9,563)	-	-	-
5.06	Internal changes in equity	-	-	-	(132,028)	-	(132,028)	-	-132,028
5.06.04	Payment of dividends	-	-	-	(132,455)	-	(132,455)	-	-132,455
5.06.05	Prescribed dividends	-	-	-	427	-	427	-	427
5.07	Closing balances	5,504,517	(89,150)	346,991	464,390	1,246,935	7,473,683	140,218	7,613,901

Consolidated financial statements/Statements of changes in equity - 01/01/2017 to 06/30/2017**R\$ (in thousands)**

Code	Description	Paid-in capital	Capital reserves, options granted and treasury shares	Earnings reserves	Retained earnings or accumulated losses	Other comprehensive income	Equity	Noncontrolling interests	Consolidated equity
5.01	Opening balances	3,533,973	(64,462)	1,890,881	102,750	499,732	5,962,874	107,958	6,070,832
5.02	Adjustments from prior years	-	-	(145,620)	-	175,175	29,555	-	29,555
5.03	Adjusted opening balances	3,533,973	(64,462)	1,745,261	102,750	674,907	5,992,429	107,958	6,100,387
5.04	Capital transactions with shareholders	-	(7,611)	-	(203,120)	-	(210,731)	(1,119)	(211,850)
5.04.03	Options granted recognized	-	1,315	-	(90)	-	1,225	-	1,225
5.04.04	Treasury shares acquired	-	(8,676)	-	-	-	(8,676)	-	(8,676)
5.04.05	Treasury shares sold	-	1,735	-	-	-	1,735	-	1,735
5.04.07	Interest on capital	-	-	-	(203,030)	-	(203,030)	-	(203,030)
5.04.08	Capital transactions	-	(1,985)	-	-	-	(1,985)	(1,119)	(3,104)
5.05	Total comprehensive income	-	-	-	544,125	167,942	712,067	9,679	721,746
5.05.01	Profit for the period	-	-	-	529,869	-	529,869	1,779	531,648
5.05.02	Other comprehensive income	-	-	-	14,256	167,942	182,198	7,900	190,098
5.05.02.04	Translation adjustments for the period	-	-	-	-	171,279	171,279	7,900	179,179
5.05.02.06	Hedge Accounting	-	-	-	-	10,919	10,919	-	10,919
5.05.02.07	Realization of deemed cost	-	-	-	14,256	(14,256)	-	-	-
5.06	Internal changes in equity	-	-	-	(102,265)	-	(102,265)	-	(102,265)
5.06.04	Payment of dividends	-	-	-	(102,750)	-	(102,750)	-	(102,750)
5.06.05	Prescribed dividends	-	-	-	485	-	485	-	485
5.07	Closing balances	3,533,973	(72,073)	1,745,261	341,490	842,849	6,391,500	116,518	6,508,018

Consolidated financial statements/Statements of value added
R\$ (in thousands)

Code	Description	YTD current year 01/01/2018 to 6/30/2018	YTD prior year 01/01/2017 to 6/30/2017
7.01	Revenues	6,274,880	4,981,206
7.01.01	Sales of goods, products and services	6,265,960	4,955,718
7.01.02	Other revenues	11,231	23,042
7.01.04	Allowance for / Reversal of allowance for doubtful debts	(2,311)	2,446
7.02	Inputs acquired from third parties	(3,525,248)	(2,666,923)
7.02.02	Materials, electric power, third-party services and others	(3,513,811)	(2,639,711)
7.02.03	Loss/recovery of assets	(11,437)	(27,212)
7.03	Gross value added	2,749,632	2,314,283
7.04	Retentions	(150,217)	(139,345)
7.04.01	Depreciation, amortization and depletion	(150,217)	(139,345)
7.05	Wealth created by the Company	2,599,415	2,174,938
7.06	Wealth received in transfer	379,442	436,557
7.06.01	Share of profit or loss of investees	293	-
7.06.02	Finance income	379,149	436,557
7.07	Wealth for distribution	2,978,857	2,611,495
7.08	Wealth distributed	2,978,857	2,611,495
7.08.01	Personnel	1,259,120	1,056,955
7.08.01.01	Salaries and wages	1,074,416	908,338
7.08.01.02	Benefits	138,582	105,923
7.08.01.03	Severance pay fund (FGTS)	46,122	42,694
7.08.02	Taxes, fees and contributions	712,881	607,781
7.08.02.01	Federal	644,290	555,432
7.08.02.02	State	60,827	45,160
7.08.02.03	Municipal	7,764	7,189
7.08.03	Lenders and lessors	379,672	415,111
7.08.03.01	Interest	355,605	394,382
7.08.03.02	Rentals	24,067	20,729
7.08.04	Lenders and lessors	627,184	531,648
7.08.04.01	Interest on capital	166,793	203,030
7.08.04.03	Retained earnings / Loss for the period	454,816	326,839
7.08.04.04	Noncontrolling interests	5,575	1,779

Comments on performance

REVENUE, EBITDA AND RETURN ON INVESTED CAPITAL GROWTH IN THE QUARTER

- **Net Operating Revenues** were **R\$ 3,056.6 million** in **2Q18**, 34.0% higher than 2Q17 and 19.8% higher than 1Q18. Adjusted for the effects of the consolidation of acquisitions of WEG Transformers USA (WTU) and TGM, net revenues would show a 26.2% increase vs. 2Q17 and 18.6% increase vs. 1Q18.
- **EBITDA** reached **R\$ 465.5 million**, 25.6% higher than 2Q17 and 22.6% higher than 1Q18, while **EBITDA margin** was **15.2%**, 1.0 p.p. lower than 2Q17 and 0.3 p.p. higher than 1Q18.
- **Return on Invested Capital** (ROIC) reached 16.8% in 2Q18, up 1.6 p.p. from 2Q17 and up 0.4 p.p. from 1Q18.

The second quarter of 2018 showed the highest level of net operating revenue in WEG's history. In Brazil, growth was boosted by the economic improvement and the greater participation of new businesses in revenue, such as solar power plants and the recent steam turbine business acquisition (TGM). In external markets, growth is still concentrated in short-cycle equipment sales, at the same time that we have found some opportunities in projects that require long-cycle equipment, mainly for the oil & gas and pulp & paper segments.

We have pointed out that although the new businesses are still in their early stages, they have attractive returns on invested capital, as can be seen from the continued expansion of ROIC in annual comparisons. The volatility of operating margins stemming from the expansion of new business (such as solar power) and acquisitions (such as transformers in the United States) are more than offset by efficient capital allocation and scale gains.

MAIN HIGHLIGHTS

Figures in R\$ thousands

	Q2 2018	Q1 2018	%	Q2 2017	%	o6M18	o6M17	%
Return on Invested Capital	16.8%	16.4%	0.4 pp	15.2%	1.6 pp	16.8%	15.2%	1.6 pp
Net Operating Revenue	3,056,648	2,551,476	19.8%	2,280,769	34.0%	5,608,124	4,414,998	27.0%
Domestic Market	1,318,922	1,128,571	16.9%	972,614	35.6%	2,447,493	1,963,524	24.6%
External Markets	1,737,726	1,422,905	22.1%	1,308,155	32.8%	3,160,631	2,451,474	28.9%
External Markets in US\$	483,604	438,538	10.3%	406,346	19.0%	922,142	770,123	19.7%
Net Income	336,605	285,004	18.1%	272,166	23.7%	621,609	529,869	17.3%
Net Margin	11.0%	11.2%		11.9%		11.1%	12.0%	
EBITDA	465,515	379,710	22.6%	370,576	25.6%	845,225	701,571	20.5%
EBITDA Margin	15.2%	14.9%		16.2%		15.1%	15.9%	
EPS (adjust for splits)	0.16052	0.13589	18.1%	0.12976	23.7%	0.29641	0.25263	17.3%

Net Operating Revenues

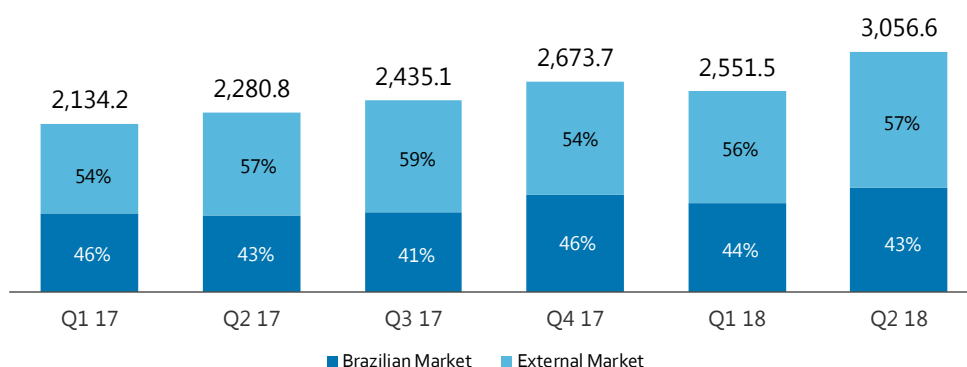
Net Operating Revenues (NOR) reached **R\$ 3,056.6 million** in 2Q18, up 34.0% year-over-year and up 19.8% quarter-over-quarter. If adjusted for the acquisition consolidation of WEG Transformers USA and TGM, revenues were up 26.2% over 2Q17 and up 18.6% in relation to 1Q18.

As has been the case for some quarters, Energy Generation, Transmission, and Distribution (GTD) led consolidated growth. In Brazil, GTD's expansion is due to the start of revenue recognition in more significant solar power projects and the recent acquisition of TGM, a steam turbine company. At the same time, the acquisition of the transformer operation in the US explains much of the growth in external markets. In Industrial Electro-Electronic Equipment, the global industrial investments growth combined with some commodities (oil and metals) prices recovery have contributed positively to the revenues growth, mainly in the external markets. In Motors for Domestic Use, there was a small retraction in revenue, reflecting the dynamics of consumption in Brazil and some specific impacts abroad. The Paint and Varnishes business area continued to benefit from the gradual recovery of Brazilian industry, its main consumer market.

In this quarter, revenue was positively impacted by average Brazilian Real/US dólar Exchange rate that went from R\$ 3.22 in 2Q17 to R\$ 3.59 in 2Q18, with a 11.6% depreciation of the Brazilian Real.

Comments on performance

Net Operating Revenues by Market



(Figures in R\$ Million)

The breakdown of Net Operating Revenue in 2Q18 by market was:

- Brazilian Market: R\$ 1,318.9 million, representing 43% of revenues, up 35.6% vs. 2Q17 and up 16.9% vs. 1Q18. Disregarding the effects of the TGM acquisition, revenues would be up 31.8% vs. 2Q17 and up 16.1% vs. 1Q18;
- External Market: R\$ 1,737.7 million, equivalent to 57% of revenues. We almost always set our sales prices in different markets in local currency amounts, according to local competitive conditions. In 2Q18 revenues in external markets were as follows:
 - Measured in Brazilian Reais: 32.8% above 2Q17 and 22.1% above 1Q18. Disregarding the effects of the WEG Transformers USA and TGM acquisitions, revenues would have been up by 22.1% vs. 2Q17 and up 20.7% vs. 1Q18.
 - Measured in the quarterly averaged US dollar: up 19.0% vs. 2Q17 and up 10.3% vs. 1Q18. Disregarding the effects of the WEG Transformers USA and TGM acquisitions, revenues would have been up 9.3% vs. 2Q17 and up 1.2% vs. 1Q18.
 - Measured in local currencies, weighted by the revenues in each Market and adjusted for the WEG Transformers USA and TGM acquisitions: a 20.1% increase vs. 2Q17.

Evolution of Net Revenue According to Geographic Market

Figures in R\$ thousands

	Q2 2018	Q1 2018	%	Q2 2017	%
Net Operating Revenues	3,056,648	2,551,476	19.8%	2,280,769	34.0%
- Brazilian Market	1,318,922	1,128,571	16.9%	972,614	35.6%
- External Markets	1,737,726	1,422,905	22.1%	1,308,155	32.8%
- External Markets in US\$	483,604	438,538	10.3%	406,346	19.0%

External Market – Distribution of Net Revenue According to Geographic Market

	Q2 2018	Q1 2018	%	Q2 2017	%
North America	42.5%	41.2%	1.3 pp	42.7%	-0.2 pp
South and Central America	12.7%	12.7%	0.0 pp	14.1%	-1.4 pp
Europe	26.0%	25.8%	0.2 pp	24.5%	1.5 pp
Africa	9.3%	8.8%	0.5 pp	8.5%	0.8 pp
Asia-Pacific	9.5%	11.5%	-2.0 pp	10.2%	-0.7 pp

Comments on performance

Business Area

Industrial Electro-Electronic Equipment – We continued to notice a recovery of global industrial investment, although it is focused on installed capacity maintenance. Brownfield and greenfield projects that already show recovery abroad have not been seen in Brazil yet.

In Brazil, we observed consistency in sales of short cycle products, especially low voltage electric motors and serial automation equipment, which presented a small increase in sales in the quarterly comparison. The demand in Brazil was pulverized among customers of all segments, especially the manufacturers of smaller machines (OEMs).

Additionally, in this quarter we also observed small growth in revenue from long cycle equipment, especially in automation panels, justified by a more consistent order intake verified in the last quarter of 2017. Important industries such as mining and pulp & paper gradually begin to increase their investments. It is worth noting that for electric motors this trend is not observed in Brazil yet.

Abroad, revenue growth was predominantly in short-cycle products, especially in regions such as Europe, Asia and Africa, which posted significant revenue growth in the period. Capacity expansion projects and new plant construction, which also demand long-cycle products, continue to have good growth prospects, mainly in industries related to oil & gas, infrastructure and pulp & paper production.

Energy Generation, Transmission, and Distribution (GTD) – The solar generation business was the highlight in the GTD area, gaining share in 2017 with important solar farm projects added to backlog. The revenue of these projects are recognized according to POC (Percentage of Completion) methodology and started to be recognized in 4Q17, but with a more significant contribution in the first half of 2018. It is worth mentioning that this is a still-maturing business, although it has an attractive return on invested capital, it has structurally lower operating margins.

The performance in GTD also had a relevant contribution of the wind generation business and its backlog, and execution of those projects should extend until the end of 2018. As well as solar generation projects, we use POC methodology to recognize revenues of these projects. Especially in this quarter, due to the physical evolution of some projects, we had a higher concentration of revenue which positively impacted the performance of GTD compared to 2Q17.

For other renewable sources, notably hydro and thermal, improvement in order intake continues. This trend is expected to continue in 2018, signaling stability for upcoming months. It's worth noting that starting in March 2018 we began consolidating TGM, the steam turbines manufacturing operation, which contributed to revenue growth in this quarter.

In Transmission and Distribution (T&D), the transmission lines auctions held in the last years had a positive impact on our medium and long-term backlog. However, these orders will have no impact on 2018 revenues, which will continue to mainly reflect the sale of transformers to distribution utilities, as well as transformers and substations for both the industrial market and for renewable energy projects.

In external markets, revenue growth is mainly due to the consolidation of the new US transformer company, WEG Transformers USA. This acquisition complements our production platform in North America and offers significant synergies. The combination of large-scale vertical operations and the flexibility of having production units in markets such as Mexico, Colombia, South Africa, India and, of course, Brazil, opens up numerous opportunities for expansion abroad.

Motors for domestic use – In the domestic market revenues are flat compared to 2Q17 and 1Q18. Because of its short-cycle product characteristics, the dynamics of this business area closely related to the economy performance, mainly consumption, which was significantly impacted in the quarter, mainly due to the truck drivers strike.

Outside Brazil, revenue declined, reflecting the accommodation of inventories in the world's major OEMs, mainly in the United States, a decrease in orders in the local market in China and weak performance of Argentina operation, which is suffering from the recent problems faced by the local economy.

Paints and Varnishes – Domestic market performance continues to reflect the industrial and consumer goods markets performances, which intensified during the recovery process in 2018. Reflecting the improvement in some segments, such as auto parts, agricultural implements and water utilities, as well as the normalization of preventive maintenance in important segments such as oil & gas, mining and shipping. The growth in revenues in the external markets reflects our search for new customers, mainly in Latin America, with products already consolidated in Brazil.

Comments on performance

Distribution of Net Revenue by Business Area

	Q2 2018	Q1 2018		Q2 2017	
Electro-electronic Industrial Equipments	54.5%	53.5%	1 pp	57.3%	-2.8 pp
Domestic Market	15.1%	17.4%	-2.3 pp	17.8%	-2.7 pp
External Market	39.4%	36.1%	3.3 pp	39.5%	-0.1 pp
Energy Generation , Transmission and Distribut	32.4%	31.5%	0.9 pp	25.3%	7.1 pp
Domestic Market	20.8%	18.3%	2.5 pp	15.8%	5 pp
External Market	11.6%	13.2%	-1.6 pp	9.5%	2.1 pp
Electric Motors for Domestic Use	8.8%	10.1%	-1.3 pp	12.5%	-3.7 pp
Domestic Market	3.7%	4.4%	-0.7 pp	5.1%	-1.4 pp
External Market	5.1%	5.7%	-0.6 pp	7.4%	-2.3 pp
Paints and Varnishes	3.8%	4.4%	-0.6 pp	4.6%	-0.8 pp
Domestic Market	3.3%	3.8%	-0.5 pp	3.9%	-0.6 pp
External Market	0.5%	0.6%	-0.1 pp	0.7%	-0.2 pp

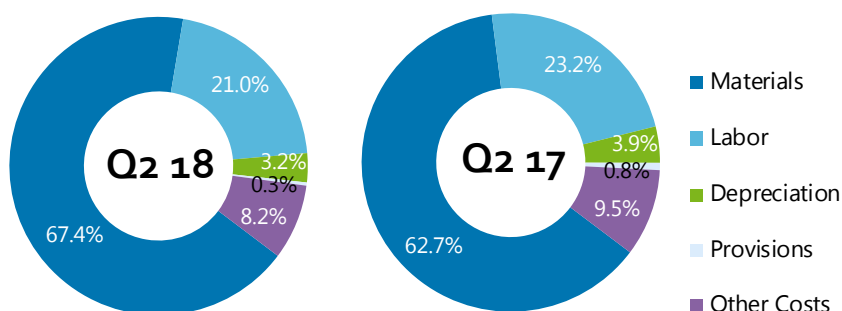
Cost of Goods Sold

The Cost of Goods Sold (COGS) totaled R\$ 2,177.7 million in 2Q18, up 36.1% vs. 2Q17 and up 19.1% vs. 1Q18. Gross margin was 28.8%, 1.1 p.p. lower vs. 2Q17, and 0.4 p.p. higher vs. 1Q18.

The increase in costs and the consequent reduction in gross margin compared to 2Q17 is mainly due to the consolidation of the acquisition of WEG Transformers USA. The changes in the process that we are implementing should bring positive results throughout the year. Also, there is the effect of increased sales of solar generation projects, in which operating margins are structurally lower.

In 2Q18, the average price of copper in the spot market on the London Metal Exchange (LME) decreased 1.1% vs. 1Q18 and increased 21.4% vs. 2Q17, while the average price of steel increased 4.0% vs. 1Q18 and 21.8% vs. 2Q17. Despite the significant price increases of the main inputs, the hedging mechanisms we use have mitigated short-term margin impacts.

COGS Composition



Sales, General, and Administrative Expenses

Consolidated sales, general, and administrative expenses (SG&A) totaled R\$ 429.2 million in 2Q18, an increase of 27.8% vs. 2Q17 and of 15.3% vs. 1Q18. It is worth noting that some of these costs are for operations abroad and are also impacted by the recent depreciation of the Brazilian Real. When analyzed in relation to net operating revenue, these expenses accounted for 14.0%, down 0.7 p.p. vs. 2Q17 and down 0.6 p.p. vs. 1Q18. Revenue growth, combined with disciplined expense control, has increased operational efficiency, lessening the impact of increased participation of new businesses in sales.

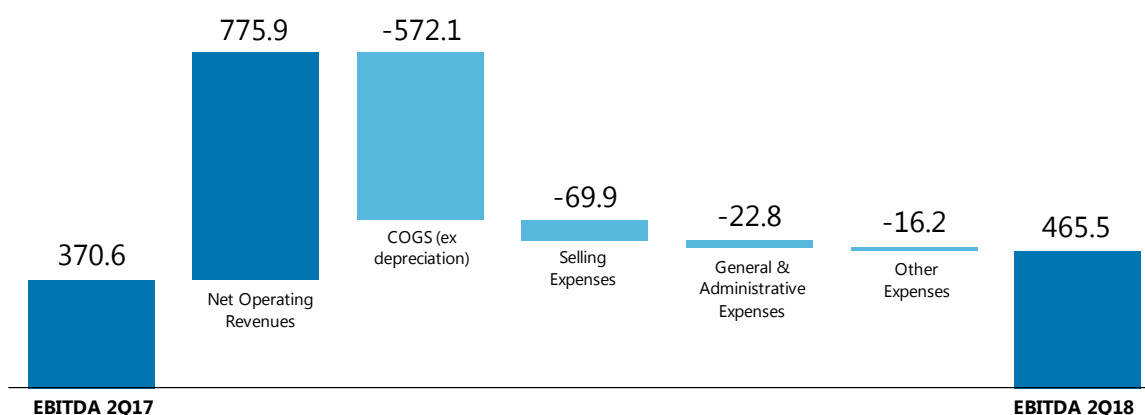
Comments on performance

EBITDA and EBITDA Margin

In 2Q18, EBITDA reached R\$ 465.5 million, up 25.6% vs. 2Q17 and 22.6% vs. 1Q18. EBITDA margin was 15.2%, 1.0 p.p. lower vs. 2Q17 and 0.3 p.p. higher vs. 1Q17. EBITDA margin performance was within expectations, with small gain compared to 1Q18 but below over 2Q17 due to the impacts of the acquisition of WEG Transformers USA and the rapid growth of new businesses, such as solar generation. The new businesses are still maturing and have structurally lower operating margins.

	Q2 2018	Q1 2018	%	Q2 2017	%
Net Operating Revenues	3,056.6	2,551.5	19.8%	2,280.8	34.0%
Net Income before Minorities	339.0	288.1	17.7%	275.1	23.2%
Net Margin	11.1%	11.3%		12.1%	
(+) Income taxes & Contributions	43.2	46.1	-6.3%	35.1	23.2%
(+/-) Financial income (expenses)	6.5	-27.9	n.a.	-9.9	n.a.
(+) Depreciation & Amortization	76.8	73.4	4.6%	70.4	9.2%
EBITDA	465.5	379.7	22.6%	370.6	25.6%
EBITDA Margin	15.2%	14.9%		16.2%	

Figures in R\$ Million



(Figures in R\$ Million)

Net Financial Results

The net financial result in 2Q18 was negative R\$ 6.5 million (vs. positive R\$ 9.9 million in 2Q17 and positive R\$ 27.9 million in 1Q18), the decrease in the quarterly comparison is mainly due to the lower interest rates received on our cash position.

Income Tax

The provision for Income Tax and Social Contribution on Net Profit in 2Q18 totaled R\$ 71.7 million (vs. R\$ 56.7 million and R\$ 28.0 million in 2Q17 and 1Q18, respectively). Additionally, we credited R\$ 28.5 million as Deferred Income Tax/Social Contribution in 2Q18 (vs. a credit of R\$ 21.7 million in 2Q17 and debit of R\$ 18.1 million in 1Q18).

Net Income

Net Income in 2Q18 was R\$ 336.6 million, an increase of 23.7% vs. 2Q17 and an increase of 18.1% vs. 1Q18. Net margin reached 11.0%, 0.9 p.p. lower than 2Q17 and 0.2 p.p. lower than 1Q18.

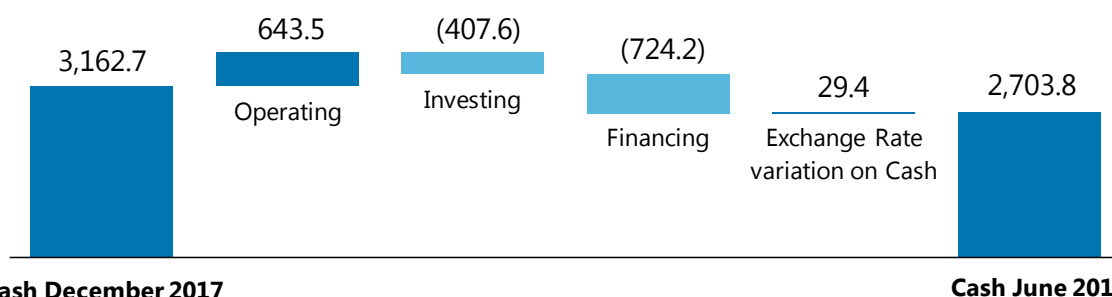
Cash Flow

Cash generation in operating activities in the first half was R\$ 643.5 million, an increase of 3.2% vs 1H17, as a result of better operating performance.

The level of investment in modernization and expansion of production capacity showed a small growth compared to 2017, in line with the approved capital budget at the beginning of the year. The most significant

Comments on performance

growth in the disbursement of investment activities, which totaled R\$ 407.6 million in the first half, is mainly due to the recent acquisition of TGM and the movement of long-term financial investments. In the financing activities, we raised R\$ 654.3 million and made amortizations of R\$ 983.1 million, resulting in net amortization of R\$ 328.8 million. Interest on loans consumed R\$ 106.6 million while payments to equity holders (dividends and interest on capital) totaled R\$ 290.0 million. The final result was consumption of R\$ 724.2 million in financing activities in the semester.



(Figures in R\$ Million)

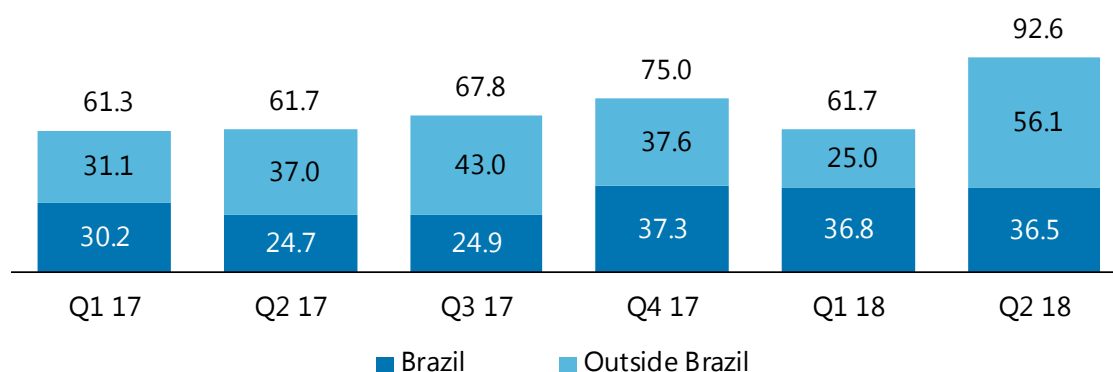
We point out that the chart above shows the cash and cash equivalents positions classified as current assets. Also, we have R\$ 1,941.3 million in financial investments with no immediate liquidity (R\$ 1,593.2 million in December 2017).

Return on Invested Capital

The Return on Invested Capital (ROIC) in 2Q18 (accumulated in the last 12 months) showed significant expansion of 1.6 p.p. over 2Q17, reaching 16.8%. Growth of Net Operating Profit After Taxes (NOPAT), due to revenue growth and expense control, more than offset the growth in capital employed, which expanded due to a greater need for working capital and investments in fixed and intangible assets over the last 12 months.

Investments

In the first half of 2018, we invested R\$ 154.4 million in modernization and expansion of production capacity, machinery and equipment, and software licenses, 47% of which are for production units in Brazil and 53% for industrial parks and other facilities abroad. Considering the consolidation of fixed assets related to TGM acquisition the total investment in the first half of 2018 was R\$ 239.4 million.



(Figures in R\$ Million)

Expenditures on research, development, and innovation activities totaled R\$156.1 million, representing 2.8% of net operating revenue in 1H18.

Comments on performance

Debt and Cash Position

As of June 30, 2018, cash, cash equivalents, and financial investments totaled R\$ 4,645.1 million and were invested in first-tier banks and denominated in Brazilian currency. Gross financial debt totaled R\$ 4,199.0 million, of which 48% was in short-term operations and 52% in long-term operations. Net cash totaled R\$ 446.1 million.

	June 2018		December 2017		June 2017	
Cash & Financial instruments	4,645,082		4,755,885		5,262,505	
- Current	4,264,056		4,585,606		5,075,260	
- Long Term	381,026		170,279		187,245	
Debt	4,198,958	100%	4,110,082	100%	4,725,915	100%
- Current	2,020,773	48%	2,027,375	49%	1,681,108	36%
- In Brazilian Reais	491,033		1,300,232		991,418	
- In other currencies	1,529,740		727,143		689,690	
- Long Term	2,178,185	52%	2,082,707	51%	3,044,807	64%
- In Brazilian Reais	432,416		457,386		1,580,767	
- In other currencies	1,745,769		1,625,321		1,464,040	
Net Cash (Debt)	446,124		645,803		536,590	

(Figures in R\$ thousands)

The characteristics of our indebtedness at the end of June were:

- The total duration of 22.4 months, with a duration of 37.5 months in the long term. In December 2017 these figures were 20.0 months and 32.3 months, respectively.
- The weighted average cost of debt denominated in Reais is approximately 7.1% pa (vs. 8.3% in December 2017). The post-fixed contracts are indexed mainly to the Brazilian long-term interest rate (TJLP).

Dividends and Interest on Stockholders' Equity

For the first half of 2018, the Board of Directors approved, ad referendum of a future Annual Shareholders Meeting, the following events regarding dividends:

- On March 20, as interest on stockholders' equity (JCP), to the gross amount of R\$ 84.6 million
- On June 26, as interest on stockholders' equity (JCP), to the gross amount of R\$ 82.2 million

In addition, on July 17, the Board of Directors approved intermediate dividends related to the net income for the first half of 2018, to the total amount of R\$ 172.8 million. The proceeds will be paid on August 15, 2018. Amounts declared as remuneration to shareholders in the first half represented 54.6% of net income for the period.

	1st Half 2018	1st Half 2017	%
Dividends	172.8	85.5	102.1%
Interest on Stockholders' Equity	166.8	203.0	-17.8%
Gross Total	339.6	288.5	17.7%
Net Earnings	621.6	529.9	17.3%
Total Dividends / Net Earnings	54.6%	54.5%	

Our practice is to declare interest on capital quarterly and dividends based on the profit obtained each half year, that is, six proceeds each year, paid semi-annually.

Comments on performance

Capital increase with shares

The Ordinary and Extraordinary Shareholders' Meeting, held on April 24, 2018, approved the Company's capital increase, in the amount of R\$ 1,970,543,940.00, increasing it from R\$ 3,533,972,568.00 to R\$ 5,504,516,508.00, 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 24, 2018 were benefited. The bonus shares were included in the shareholders' positions on April 27, 2018, and they were available on April 28, 2018. 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 15, 2018, at B3 S.A. – Brasil, Bolsa, Balcão. In this auction, were sold 3,030 ordinary shares, without par value. The values obtained with the sale of shares in the auction at the average price of R\$ 15.781188119 per share were paid to shareholders, on June 27, 2018.

WEG S.A.
NOTES TO THE INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2018
(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)



1 Information on the Company

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

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

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

2 Basis of preparation and significant accounting policies

The Company's interim financial information, included in the Quarterly Information Form – ITR for the quarter ended June 30, 2018 includes the individual and consolidated interim financial information prepared in accordance with CPC 21 – Interim Financial Reporting and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standard Board ("IASB") and presented consistently with the standards issued by the Brazilian Securities and Exchange Commission ("CVM") applicable to the preparation of Quarterly Information - ITR.

The interim financial information has been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, when required by the standard.

The Company's consolidated interim financial information for the period ended June 30, 2018 was authorized for issue at the executive board's meeting held on July 16, 2018.

The accounting policies, bases of consolidation and methods of calculation adopted in the preparation of the interim financial information, as well the key estimates and judgments used in applying the accounting policies are the same as those adopted in the preparation of the financial statements for the year ended December 31, 2017, including the adoption of the new accounting standards.

2.1 Restatement of accounting balances

Based on the international standard IAS 8/ technical pronouncement CPC 23 Accounting Policies, Change in Accounting Estimates and Error, the Financial Statements of prior periods are being restated, for comparison purposes.

The Company's Management identified, during the preparation of the Interim Financial Information for the period ended June 30, 2018, that the goodwill based on future profitability arising from acquisition of foreign operations was carried as assets denominated in the functional currency of the acquirer company in Brazil. However, both the international accounting practices and those adopted in Brazil determine these assets related to foreign operations to be carried in the functional currency of the acquiree.

Accordingly, the prior figures were adjusted and are being restated to reflect: (i) the accounting adjustments arising from exchange rate changes on the translation of the goodwill on foreign operations; and (ii) the accounting adjustments of prior periods related to the impairment of goodwill, as shown below:

WEG S.A.
NOTES TO THE INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2018
(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)



	PARENT			CONSOLIDATED		
	12/31/17	Accumulated adjustments	12/31/2017 adjusted	12/31/17	Accumulated adjustments	31/12/17 adjusted
ASSETS						
Current assets	1,369,011	-	1,369,011	9,415,667	-	9,415,667
Noncurrent assets	6,614	-	6,614	443,844	-	443,844
Investments	5,516,084	53,663	5,569,747	268	-	268
Property, plant and equipment	4,393	-	4,393	3,160,111	-	3,160,111
Intangible assets	-	-	-	966,097	53,663	1,019,760
TOTAL ASSETS	6,896,102	53,663	6,949,765	13,985,987	53,663	14,039,650
LIABILITIES						
Current liabilities	170,446	-	170,446	4,326,788	-	4,326,788
Noncurrent liabilities	4,730	-	4,730	2,815,892	-	2,815,892
Equity	6,720,926	53,663	6,774,589	6,843,307	53,663	6,896,970
Paid-in capital	3,533,973	-	3,533,973	3,533,973	-	3,533,973
Reserves	2,374,788	(145,620)	2,229,168	2,374,788	(145,620)	2,229,168
Carrying value adjustments	406,240	-	406,240	406,240	-	406,240
Other comprehensive income	273,470	199,283	472,753	273,470	199,283	472,753
Additional dividends proposed	132,455	-	132,455	132,455	-	132,455
Noncontrolling interests	-	-	-	122,381	-	122,381
TOTAL LIABILITIES	6,896,102	53,663	6,949,765	13,985,987	53,663	14,039,650

	PARENT			CONSOLIDATED		
	12/31/16	Adjustments	12/31/16 adjusted	12/31/16	Adjustments	12/31/16 adjusted
ASSETS						
Current assets	1,308,890	-	1,308,890	9,127,483	-	9,127,483
Noncurrent assets	5,173	-	5,173	397,383	-	397,383
Investments	4,870,452	29,555	4,900,007	223	-	223
Property, plant and equipment	4,479	-	4,479	3,032,716	-	3,032,716
Intangible assets	-	-	-	951,526	29,555	981,081
TOTAL ASSETS	6,188,994	29,555	6,218,549	13,509,331	29,555	13,538,886
LIABILITIES						
Current liabilities	221,379	-	221,379	3,278,855	-	3,278,855
Noncurrent liabilities	4,741	-	4,741	4,159,644	-	4,159,644
Equity	5,962,874	29,555	5,992,429	6,070,832	29,555	6,100,387
Paid-in capital	3,533,973	-	3,533,973	3,533,973	-	3,533,973
Reserves	1,826,419	(145,620)	1,680,799	1,826,419	(145,620)	1,680,799
Carrying value adjustments	442,032	-	442,032	442,032	-	442,032
Other comprehensive income	57,700	175,175	232,875	57,700	175,175	232,875
Additional dividends proposed	102,750	-	102,750	102,750	-	102,750
Noncontrolling interests	-	-	-	107,958	-	107,958
TOTAL LIABILITIES	6,188,994	29,555	6,218,549	13,509,331	29,555	13,538,886

Based on the analyses performed, Management estimates that the adjustments do not cause impact on profit or loss for the current reporting period or prior periods presented for comparison purposes.

To the issue of this interim financial information, however, the audit of the restated balances of 2017 and prior periods had not been completed.

WEG S.A.
NOTES TO THE INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2018
(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)



3 Accounting estimates

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

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

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

4 Cash and cash equivalents

	PARENT		CONSOLIDATED	
	06/30/18	12/31/17	06/30/18	12/31/17
a) Cash and banks	12	12	343,977	224,249
b) Short-term investments	622,010	798,179	2,359,794	2,938,436
In local currency:	622,010	798,179	2,277,051	2,847,251
Bank Certificate of Deposit (CDB) and Repurchase Agreements	622,010	798,179	2,277,051	2,847,251
In foreign currency:	-	-	82,743	91,185
Certificates of Deposit Abroad	-	-	72,244	83,075
Other foreign investments	-	-	10,499	8,110
TOTAL	622,022	798,191	2,703,771	3,162,685

Investments in Brazil:

Short-term investments in Brazil refer mainly to funds invested in private securities with first tier financial institutions and repurchase agreements.

These investments yield rates ranging from 97.5% to 102.8% of the Interbank Deposit Rate - CDI (99.0% to 102.8% of the CDI as at December 31, 2017).

5 Short-term investments

	PARENT		CONSOLIDATED	
	06/30/18	12/31/17	06/30/18	12/31/17
Bank Certificate of Deposit (CDB), Repurchase Agreements and Funds	540,015	429,717	1,553,425	1,411,046
TOTAL	540,015	429,717	1,553,425	1,411,046

Short-term investments yield fixed rates of 16.2% p.a. (16.2% to 16.4% p.a. as at December 31, 2017) and floating rates ranging from 101.5% to 102.8% of the CDI rate.

WEG S.A.
NOTES TO THE INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2018
(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)



6 Trade receivables

	CONSOLIDATED	
	06/30/18	12/31/17
a) Breakdown of balances:		
Domestic market	1,078,653	904,309
External market	1,557,330	1,382,276
SUBTOTAL	2,635,983	2,286,585
Allowance for doubtful debts	(46,283)	(43,972)
TOTAL	2,589,700	2,242,613
b) Losses on trade receivables in the period	5,320	14,686
c) Maturity of trade notes:		
Not past due	2,365,939	1,957,365
Past due:	270,044	329,220
Up to 30 days	133,599	196,401
From 31 to 90 days	62,431	65,017
From 91 to 180 days	29,674	27,498
Over 180 days	44,340	40,304
TOTAL	2,635,983	2,286,585

The movement in the allowance for doubtful debts is as follows:

Balance at 1/1/2017	(50,003)
Losses written off in the year	14,686
Recognition of provision in the year	(28,551)
Reversal of provision in the year	19,896
Balance at 12/31/2017	(43,972)
Losses written off in the period	5,320
Recognition of provision in the period	(18,792)
Reversal of provision in the period	11,161
Balance at 6/30/2018	(46,283)

7 Inventories

	CONSOLIDATED	
	06/30/18	12/31/17
Finished goods	382,399	341,328
Work in progress	386,070	233,397
Raw materials and others	359,028	293,146
Imports in transit	116,719	58,189
Provision for slow-moving inventory losses	(30,636)	(21,642)
Total inventories - domestic market	1,213,580	904,418
Finished goods	605,617	586,213
Work in progress	291,002	182,499
Raw materials and others	300,528	252,618
Provision for slow-moving inventory losses	(82,370)	(73,482)
Total inventories – external market	1,114,777	947,848
GRAND TOTAL	2,328,357	1,852,266

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

Balance at 1/1/2017	(80,257)
Recognition of provision in the year	(44,792)
Reversal of provision in the year	29,925
Balance at 12/31/2017	(95,124)
Recognition of provision in the period	(43,797)
Reversal of provision in the period	25,915
Balance at 6/30/2018	(113,006)

Inventories are insured and their coverage is determined considering the values and level of risk involved. The recognition and reversal of provision for slow-moving inventory losses are recorded in cost of sales.

WEG S.A.
NOTES TO THE INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2018
(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)



8 Taxes recoverable

	PARENT		CONSOLIDATED	
	06/30/18	12/31/17	06/30/18	12/31/17
IVA of foreign subsidiaries	-	-	123,558	118,025
ICMS (State VAT)	-	-	80,670	48,382
ICMS on purchases of property, plant and equipment	-	-	18,272	18,890
IPI (Federal VAT)	-	-	93,182	78,644
IRPJ (Corporate Income Tax) /CSLL (Social Contribution on Net Income)	20,072	4,827	112,509	77,471
PIS/COFINS (Taxes on Revenue)	-	-	91,411	72,793
REINTEGRA	-	-	21,003	11,907
Others	-	-	4,290	3,674
TOTAL	20,072	4,827	544,895	429,786
Current assets	20,072	4,827	442,556	419,845
Noncurrent assets	-	-	102,339	9,941

The credits will be realized by the Company and its subsidiaries during the normal process of tax calculation and there are also credits subject to refund and/or offsetting.

9 Related parties

The Company carried out trading transactions involving purchase and sale of goods and raw materials and contracting of services as well as financial transactions relating to loans and fundraising among Group companies, which are eliminated on consolidation, and Management compensation.

Amount of existing balances:

	PARENT		CONSOLIDATED	
	06/30/18	12/31/17	06/30/18	12/31/17
BALANCE SHEET ACCOUNTS				
Noncurrent assets				
Management of funds	4	13	-	-
WEG Equipamentos Elétricos S.A.	4	13	-	-
Current liabilities				
Contracts with Management	1,240	1,202	15,876	14,781
Profit sharing - Management	-	-	5,530	5,172
	1,240	1,202	10,346	9,609

PROFIT & LOSS ACCOUNTS

	PARENT		CONSOLIDATED	
	06/30/18	06/30/17	06/30/18	06/30/17
Management compensation:				
a) Fixed (fees)				
Board of Directors	1,251	1,139	12,471	11,725
Board of Executive Officers	599	535	1,198	1,069
	652	604	11,273	10,656
b) Variable (profit sharing)				
Board of Directors	1,212	1,122	10,091	9,473
Board of Executive Officers	586	531	1,172	1,061
	626	591	8,919	8,412

WEG S.A.
NOTES TO THE INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2018
(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

**Additional Information:****a) Trading transactions**

The purchase and sale of inputs and goods are conducted under conditions established between the parties;

b) Management of funds

The financial and trading transactions conducted among the Group companies are recorded and supported by the Group's policies. The credit/debit agreements entered into with Management are subject to interest of 95% of the CDI variation;

c) Sureties and guarantees

WEG SA has sureties and guarantees for foreign subsidiaries in the amount of US\$ 50.5 million (US\$ 43.2 million at December 31, 2017);

d) Management compensation

The members of the Board of Directors received compensation in the amount of R\$ 1,198 (R\$ 1,069 as at June 30, 2017) and the executive officers received R\$ 11,273 (R\$ 10,656 as at June 30, 2017) for their services, corresponding to a total amount of R\$ 12,471 (R\$ 11,725 as at June 30, 2017).

A share of 0% to 2.5% of the consolidated profit for the year is expected to be paid to Management as long as they achieve the minimum operating performance targets. The performance targets refer to the return on invested capital (weight of 75%) and growth of net operating revenue (weight of 25%). The corresponding provision in the amount of R\$ 10,091 (R\$ 9,473 as at June 30, 2017) is recognized in the statement of profit or loss, in the line item of other operating income (expenses). Management receives benefits that are usual for the function held.

10 Deferred taxes

The deferred tax assets and liabilities were determined in accordance with CVM Resolution 599/09, which approved Technical Pronouncement CPC 32 – Income Taxes.

a) Breakdown of amounts:

	PARENT		CONSOLIDATED	
	06/30/18	12/31/17	06/30/18	12/31/17
Income tax losses	234	374	107,027	95,696
Social contribution losses	164	151	17,438	16,205
Temporary differences:				
Provisions:				
Labor and civil contingencies	-	-	106,965	95,789
Taxes under litigation	1,608	1,608	41,350	40,721
Losses on trade receivables	-	-	10,748	9,978
Losses on slow-moving inventories	-	-	18,848	13,688
Indemnities on labor and contractual terminations	-	-	16,632	16,900
Freight and sales commissions	-	-	11,633	10,182
Third-party services	-	-	59,742	59,119
Employee profit sharing	-	-	33,177	40,829
Unrealized gains on derivatives	-	-	(18,199)	(25,808)
Derivatives - hedge accounting	-	-	19,292	5,849
Accelerated depreciation	-	-	(7,596)	(8,084)
Difference between tax and accounting goodwill of goodwill	-	-	(32,420)	(31,209)
Difference between tax and accounting depreciation (useful life)	(14)	(14)	(165,119)	(159,973)
Others	1,996	1,226	43,006	44,867
Deemed costs of property, plant and equipment	(1,386)	(1,401)	(185,687)	(193,094)
TOTAL	2,602	1,944	76,837	31,655
Noncurrent assets	2,602	1,944	174,450	148,284
Noncurrent liabilities	-	-	(97,613)	(116,629)

b) Estimated realization period

Management estimates that the deferred taxes arising from temporary differences will be realized in proportion to the materialization of the contingencies, losses and forecast obligations.

WEG S.A.
NOTES TO THE INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2018
(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)



In regard to deferred tax assets, recognized on income tax and social contribution losses, Management estimates that they will be realized within the next 5 years, taking into consideration the projection of future profits.

11 Investments

11.1 Investments in subsidiaries

	Country	Equity	Profit or loss for th period	Equity interest (%)				Share of profit (loss) of investees		Investment book value	
				06/30/18		12/31/17		06/30/18	06/30/17	06/30/18	12/31/17
				Direct	Indirect	Direct	Indirect				
WEG Equipamentos Elétricos S.A. (*)		5,458,440	643,101	100.00	-	100.00	-	567,017	421,642	5,458,440	4,729,980
RF Reflorestadora Ltda.		157,347	1,436	100.00	-	100.00	-	1,436	1,814	157,347	165,634
WEG Tintas Ltda.		13,890	520	99.91	0.09	99.91	0.09	520	15,889	13,877	18,806
WEG Amazônia S.A.		44,015	3,296	0.02	99.98	0.02	99.98	-	1	7	9
WEG Administradora de Bens Ltda.		12,963	4	99.31	0.69	99.31	0.69	4	3,379	12,873	16,842
WEG Logística Ltda.		152,501	7,561	-	100.00	-	100.00	-	-	-	-
WEG Linhares Equip. Elétricos S.A.		336,265	39,405	-	100.00	-	100.00	-	-	2	2
WEG Drives & Controls Aut. Ltda.		516,285	32,234	100.00	-	100.00	-	32,250	42,045	516,285	484,036
WEG Partner Aerogeradores S.A.		8	-	0.10	99.90	0.10	99.90	-	-	-	-
WEG-Cestari Redut. Motorredut. S.A.		37,697	1,173	-	50.00	-	50.00	-	-	-	-
Hidráulica Indl. - Ind. e Com. Ltda.		230,625	(9,125)	-	100.00	-	100.00	-	-	-	-
Agro Trafo Adm. de Bens S.A.		7,948	162	91.75	8.25	91.75	8.25	149	448	7,293	7,689
Paumar S/A Indústria e Comércio		359,122	6,144	38.87	61.13	38.87	61.13	2,388	-	138,449	136,992
WEG-Jelec Oil and Gas Sol. Aut. Ltda.		11	-	-	100.00	-	100.00	-	-	-	-
Transformadores do Nordeste Ltda.		17,247	1,051	0.01	99.99	0.01	99.99	-	-	-	-
TGM Ind. e Com. de Turbinas. e Trans. Ltda.		3,698	942	-	100.00	-	-	-	-	-	-
TGM Participações Ltda.		3,698	942	-	100.00	-	-	-	-	-	-
GJB-PAR Participações Ltda.		593	157	-	100.00	-	-	-	-	-	-
GT6 Holding Ltda.		593	157	-	100.00	-	-	-	-	-	-
MHM4 Holding Ltda.		593	157	-	100.00	-	-	-	-	-	-
WAMJ-PAR Participações Ltda.		593	157	-	100.00	-	-	-	-	-	-
JFB Holding Ltda.		593	157	-	100.00	-	-	-	-	-	-
NBM-PAR Participações Ltda.		593	157	-	100.00	-	-	-	-	-	-
Zest WEG Group Africa (PTY) Ltd.		218,775	7,398	-	100.00	-	100.00	-	-	-	-
Zest Energy (Pty) Ltd.		10,663	1,227	-	93.33	-	93.33	-	-	-	-
Zest WEG Manufacturing (Pty) Ltd.		(34,308)	(7,013)	-	100.00	-	100.00	-	-	-	-
Zest WEG Electric (Pty) Ltd.		98,333	13,399	-	74.80	-	74.80	-	-	-	-
ENI Electric/Instrumentations Eng. Cont.(Pty)		(9,101)	(5,348)	-	86.67	-	86.67	-	-	-	-
Zest WEG Group Namibia Ent. (Pty) Ltd.		2,104	485	-	100.00	-	100.00	-	-	-	-
Zest WEG Investment Company (Pty) Ltd.		97,343	10,470	-	64.70	-	64.70	-	-	-	-
WEG Germany GmbH		38,655	(157)	-	100.00	-	100.00	-	-	-	-
Watt Drive GmbH		5,077	131	-	100.00	-	100.00	-	-	-	-
Wurtembergische Elektromotoren GmbH		15,590	1,401	-	100.00	-	100.00	-	-	-	-
Antriebstechnik KATT Hessen GmbH		(3,066)	(974)	-	100.00	-	100.00	-	-	-	-
WEG Equipamientos Electricos S.A.		65,705	18,771	10.45	89.55	10.45	89.55	1,797	1,387	6,860	6,835
Pulverlux S.A.		6,579	1,011	-	100.00	-	100.00	-	-	-	-
WEG Australia Pty Ltd.		45,588	1,831	-	100.00	-	100.00	-	-	-	-
Watt Drive Antriebstechnik GmbH		59,632	6,526	-	100.00	-	100.00	-	-	-	-
WEG International Trade GmbH		333,421	268,188	-	100.00	-	100.00	-	-	-	-
WEG Holding GmbH		2,381,200	323,540	-	100.00	-	100.00	-	-	-	-
WEG Benelux S.A.		51,742	4,122	-	100.00	-	100.00	-	-	-	-
WEG Chile S.A.		39,931	(101)	8.00	92.00	8.00	92.00	(12)	(74)	3,195	2,919
WEG (Nantong) Electric Motor Co., Ltd.		211,143	5,307	-	100.00	-	100.00	-	-	-	-
Changzhou Sinya Electromotor Co., Ltd.		57,423	(12,664)	-	100.00	-	100.00	-	-	-	-
Changzhou Yatong Jiewei Elect., Ltd.		14,758	(6,045)	-	100.00	-	100.00	-	-	-	-
Wuxi Ecovi Technology Co., Ltd.		6,372	227	-	100.00	-	100.00	-	-	-	-
Jiangsu Shiya Elect. Technolog. Co.,Ltd.		10,572	(2,538)	-	100.00	-	100.00	-	-	-	-
The First Drive Technology Co., Ltd.		10,515	-	-	100.00	-	100.00	-	-	-	-
WEG (Jiangsu) Electric Equip. Co., Ltd.		193,682	10,077	-	100.00	-	100.00	-	-	-	-
WEG Singapore Pte. Ltd.		(406)	(745)	-	100.00	-	100.00	-	-	-	-
WEG Colombia S.A.S.		106,259	3,490	-	100.00	-	100.00	-	-	-	-
FTC Energy Group S.A.		5,681	521	-	100.00	-	100.00	-	-	-	-
WEG Transformadores Colombia S.A.S.		24,596	228	-	100.00	-	100.00	-	-	-	-
WEG Middle East Fze.		(12,208)	(85)	-	100.00	-	100.00	-	-	-	-
WEG Iberia Industrial S.L.		63,768	4,312	-	100.00	-	100.00	-	-	-	-
Autriul S.L.		(9,045)	1,075	-	51.00	-	51.00	-	-	-	-

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	Country	Equity	Profit or loss for the period	Equity interest (%)				Share of profit (loss) of investees		Investment book value	
				06/30/18		12/31/17		06/30/18	06/30/17	06/30/18	12/31/17
				Direct	Indirect	Direct	Indirect				
WEG Electric Corp.		584,895	14,021	-	100.00	-	100.00	-	-	-	-
Electric Machinery Company LLC		60,221	(4,569)	-	100.00	-	100.00	-	-	-	-
FTC Energy Group Inc.	United States	1,077	226	-	100.00	-	100.00	-	-	-	-
Bluffton Motor Works, LLC		305,866	2,248	-	100.00	-	100.00	-	-	-	-
WEG Transformers USA LLC		113,174	(13,135)	-	72.00	-	72.00	-	-	-	-
WEG Investment North America Inc		139,182	61	-	100.00	-	100.00	-	-	-	-
WEG France SAS	France	29,381	(2,163)	-	100.00	-	100.00	-	-	-	-
Zest WEG Group Ghana Ltd.		5,916	3,550	-	100.00	-	100.00	-	-	-	-
E & I Electrical Ghana Ltd.	Ghana	(1,603)	49	-	90.00	-	90.00	-	-	-	-
WEG Industries (India) Private Ltd.	India	221,623	7,956	-	100.00	-	100.00	-	-	-	-
WEG (UK) Ltd.	England	25,395	(1,895)	-	100.00	-	100.00	-	-	-	-
WEG Italia S.R.L.	Italy	33,414	771	-	100.00	-	100.00	-	-	-	-
WEG Electric Motors Japan Co. Ltd.	Japan	2,464	(463)	-	95.00	-	95.00	-	-	-	-
WEG South East Asia SDN BHD	Malaysia	15	(429)	-	100.00	-	100.00	-	-	-	-
WEG México S.A. de C.V.		237,609	(1,444)	-	100.00	-	100.00	-	-	1	1
WEG Transform. México S.A. de C.V.		70,043	1,636	-	72.00	-	72.00	-	-	-	-
Voltran S.A. de C.V.	Mexico	90,588	4,538	-	72.00	-	72.00	-	-	-	-
ENI Electrical Mozambique(Pty) Limited		13	1	-	66.67	-	66.67	-	-	-	-
Zest WEG Group Mozambique, Lda		(9,889)	(488)	-	100.00	-	100.00	-	-	-	-
WEG Peru S.A.	Peru	4,734	375	0.05	99.95	0.05	99.95	-	1	2	2
WEGEuro Ind. Eléctrica S.A.	Portugal	103,103	9,012	-	100.00	-	100.00	-	-	-	-
WEG Electric CIS	Russia	6,278	684	-	100.00	-	100.00	-	-	-	-
WEG Scandinavia AB	Sweden	11,281	3	-	100.00	-	100.00	-	-	-	-
ENI Electrical Tanzania (Pty) Limited	Tanzania	362	(72)	-	100.00	-	100.00	-	-	-	-
WEG Industrias Venezuela C.A.	Venezuela	(1)	(2,372)	-	100.00	-	100.00	-	-	-	-
E & I Zambia Ltd.	Zambia	(1,347)	(404)	-	50.00	-	50.00	-	-	-	-
TOTAL								605,549	486,532	6,314,631	5,569,747

(*) Share of profit (loss) of investees adjusted for unrealized profits on related-party transactions.

The Company's consolidated interim financial information includes the individual interim financial information of WEG S.A. and all its subsidiaries. The subsidiaries are fully consolidated from the date on which the control is obtained. The Company does not hold companies that are not part of the consolidated interim financial information.

11.2 Investment in associate

	Country	Equity	Profit (loss) for the period	Equity interest (%)			
				06/30/18		12/31/17	
				Direct	Indirect	Direct	Indirect
TGM Kanis Turbinen GmbH	Germany	38,857	683	-	42.86	-	-

11.3 Acquisition

TGM Group

In December 2016, the Company announced the signing of an agreement for the acquisition of control of TGM Indústria e Comércio de Turbinas e Transmissões Ltda., TGM Participações Ltda., GBJ-PAR Participações Ltda., GT6 Holding Ltda., MHM4 Holding Ltda, WAMJ-PAR Participações Ltda., JFB Holding Ltda. and NBM-PAR Participações Ltda. The companies started to be consolidated as of the materialization of the acquisition in March 2018. The goodwill in the amount of R\$ 218,232 was measured as being the excess of the consideration transferred over the net assets acquired.

12 Property, plant and equipment

	PARENT		CONSOLIDATED	
	06/30/18	12/31/17	06/30/18	12/31/17
Land	1,440	1,440	411,451	375,171
Constructions and facilities	5,639	5,639	1,432,164	1,349,041
Equipment	-	-	4,062,836	3,766,631
Furniture and fixtures	-	-	140,307	153,177
Hardware	-	-	126,020	126,391
Construction in progress	-	-	225,609	183,391
Reforestation	-	-	57,119	56,487
Others	-	-	160,563	134,369
Total property, plant and equipment	7,079	7,079	6,616,069	6,144,658

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Accumulated depreciation/depletion	Annual depreciation rate (%)	(2,730)	(2,686)	(3,209,920)	(2,984,547)
Constructions and facilities	02 to 03	(2,730)	(2,686)	(420,862)	(403,092)
Equipment	05 to 20	-	-	(2,543,077)	(2,302,220)
Furniture and fixtures	07 to 10	-	-	(95,844)	(109,606)
Hardware	20 to 50	-	-	(100,740)	(103,144)
Reforestation	-	-	-	(24,236)	(22,875)
Others	-	-	-	(25,161)	(43,610)
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET		4,349	4,393	3,406,149	3,160,111

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

Classification of the PP&E	12/31/17	Transfer between classes	Acquisitions	Write-offs	Depreciation and depletion	Effect of exchange rate changes	06/30/18
Land	375,171	(888)	23,593	(9)	-	13,584	411,451
Constructions and facilities	945,949	3,556	32,069	-	(18,408)	48,136	1,011,302
Equipment	1,464,411	26,012	80,119	(9,311)	(106,146)	64,674	1,519,759
Furniture and fixtures	43,571	13	3,466	(70)	(4,041)	1,524	44,463
Hardware	23,247	13	5,590	(97)	(4,614)	1,141	25,280
Construction in progress	183,391	(28,788)	45,943	-	-	25,063	225,609
Reforestation	33,612	-	633	-	(1,362)	-	32,883
Advances to suppliers	73,277	-	29,978	-	-	13,255	116,510
Others	17,482	82	2,989	(635)	(2,024)	998	18,892
TOTAL	3,160,111	-	224,380	(10,122)	(136,595)	168,375	3,406,149

b) Amount offered as guarantee – PP&E items were offered as guarantee of borrowings, financing, labor claims and tax lawsuits in the consolidated amount of R\$ 27,921 (R\$ 27,921 as at December 31, 2017).

13 Intangible assets - consolidated

	Amortization / No. of years	Cost	Accumulated amortization	06/30/18	12/31/17
Software license	5	150,627	(107,610)	43,017	33,600
Property right	50 – 99	73,194	(19,605)	53,589	47,845
Trademarks and patents	5	15,909	(10,111)	5,798	8,392
Others	5	252,423	(198,026)	54,397	52,845
Subtotal		492,153	(335,352)	156,801	142,682
Goodwill on acquisition of subsidiaries	-	1,213,350	(21,353)	1,191,997	877,078
TOTAL		1,705,503	(356,705)	1,348,798	1,019,760

a) Summary of the movement in intangible assets:

	12/31/17	Acquisitions	Write-offs	Amortization	Effect of exchange rate changes	06/30/18
Software license	33,600	13,831	(3)	(6,763)	2,352	43,017
Property right	47,845	-	-	(552)	6,296	53,589
Trademarks and patents	8,392	-	-	(1,371)	(1,223)	5,798
Others	52,845	1,153	(2,114)	(4,936)	7,449	54,397
Subtotal	142,682	14,984	(2,117)	(13,622)	14,874	156,801
Goodwill on acquisition of subsidiaries	877,078	218,232	-	-	96,687	1,191,997
TOTAL	1,019,760	233,216	(2,117)	(13,622)	111,561	1,348,798

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b) Breakdown of goodwill generated on acquisition of subsidiaries:

	06/30/18	12/31/17
Electric Machinery Company LLC	253,737	217,659
TGM Ind. e Com. de Turbinas e Transm. Ltda.	218,232	-
Bluffton Motor Works, LLC	157,294	135,015
Zest WEG Group Africa (PTY) Ltd.	85,563	81,851
Changzhou Sinya Electromotor Co., Ltd.	74,962	65,442
Trafo Equipamentos Elétricos S.A. (Merged)	62,827	62,827
WEG Transformadores Colombia S.A.S.	56,335	47,263
WEG-Cestari Redutores e Motorreductores S.A.	48,139	48,139
Stardur Tintas Especiais Ltda. (Merged)	43,402	43,402
Watt Drive Antriebstechnik GmbH	29,827	26,278
Changzhou Machine Master Co., Ltd. (Merged)	20,383	17,673
Others	141,296	131,529
TOTAL	1,191,997	877,078

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

	06/30/18	12/31/17
2018	16,806	26,832
2019	25,842	21,499
2020	18,075	16,073
2021	10,683	6,995
2022	7,602	4,255
From 2023 onwards	77,793	67,028
TOTAL	156,801	142,682

14 Trade payables

	CONSOLIDATED	
	06/30/18	12/31/17
Balance breakdown:		
Domestic market	385,580	253,834
External market	588,208	496,699
TOTAL	973,788	750,533

15 Borrowings and financing

Direct borrowings from BNDES are collateralized by the parent company WEG S.A. Direct borrowings from FINEP are collateralized by sureties and bank guarantees. FINAME transactions are collateralized by sureties and chattel mortgage.

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All covenants related to indicators of capitalization, current liquidity and net debt/Ebitda ratio included in the agreements with BNDES have been complied with.

Type	Annual charges at 6/30/2018	CONSOLIDATED	
		06/30/18	12/31/17
IN LOCAL CURRENCY			
CURRENT		491,033	1,300,232
In Reais, fixed rate			
Working capital	3.5% to 11.0% p.a.	450,874	522,766
Property, plant and equipment	2.5% to 8.7% p.a.	2,973	5,381
In Reais, floating rate			
Working capital	TJLP (+) 1.4% to 2.4% p.a.	32,110	756,545
Working capital	UFIR (+) 1.0% to 4.0% p.a.	1,435	12,829
Others			
Others	Sundry	3,641	2,711
NONCURRENT		432,416	457,386
In Reais, fixed rate			
Working capital	3.5% to 11.0% p.a.	210,986	234,321
Property, plant and equipment	2.5% to 8.7% p.a.	10,273	16,050
In Reais, floating rate			
Working capital	TJLP (+) 1.4% to 2.4% p.a.	202,976	201,576
Working capital	UFIR (+) 1.0% to 4.0% p.a.	2,088	2,146
Others			
Others	Sundry	6,093	3,293
IN FOREIGN CURRENCY			
CURRENT		1,497,047	714,298
In US Dollar			
Working capital (ACCs)	US\$ variation (+) 5.80% p.a.	2,339	-
Export prepayment (PPE)	US\$ variation (+) Libor (+) 1.0% to 1.5% p.a.	921,581	397,525
In US Dollar			
Working capital	Libor (+) 0.7% p.a.	196,924	168,506
In Euros			
Working capital	Euribor (+) 0.5% to 1.9% p.a.	221,238	7,516
In Mexican Pesos			
Working capital	TIIE (+) 1.1% to 1.5% p.a.	47,035	1,282
In Rand (South Africa)			
Working capital	8.8% to 10.3% p.a.	84,769	96,903
In Colombian Pesos			
Working capital	7.7% to 11.2% p.a.	15,551	40,112
Other currencies			
Working capital	Domestic market rates	7,610	2,454
NONCURRENT		1,736,755	1,584,526
In US Dollar			
Export prepayment (PPE)	US\$ variation (+) Libor (+) 1.0% to 1.5% p.a.	405,891	938,001
In US Dollar			
Working capital	Libor (+) 1.4% p.a.	968,286	336,524
In Euros			
Working capital	Euribor (+) 1.9% p.a.	35,257	33,893
In Mexican Pesos			
Working capital	TIIE (+) 1.1% to 1.5% p.a.	309,821	268,789
In Rand (South Africa)			
Working capital	8.8% to 9.3% p.a.	17,329	2,189
Other currencies			
Working capital	Domestic market rates	171	5,130
TOTAL BORROWINGS AND FINANCING		4,157,251	4,056,442
TOTAL CURRENT		1,988,080	2,014,530
TOTAL NONCURRENT		2,169,171	2,041,912

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Maturity of noncurrent borrowings and financing:

	06/30/18	12/31/17
2019	468,264	1,024,663
2020	256,866	215,274
2021	445,187	85,401
2022	611,595	377,108
2023	34,016	32,429
From 2024 onwards	353,243	307,037
TOTAL	2,169,171	2,041,912

16 Provision for contingencies

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

a) Balance of provision for contingencies:

	PARENT		CONSOLIDATED	
	06/30/18	12/31/17	06/30/18	12/31/17
(i) Tax:	4,730	4,730	197,664	195,494
- IRPJ and CSLL (a.1)	-	-	79,360	77,936
- INSS (a.2)	4,730	4,730	50,238	48,589
- PIS and COFINS (a.3)	-	-	57,405	58,608
- Others	-	-	10,661	10,361
(ii) Labor	-	-	261,385	234,261
(iii) Civil	-	-	78,828	74,081
(iv) Others	-	-	3,764	3,125
TOTAL	4,730	4,730	541,641	506,961

b) Statement of the movement for the year - consolidated:

	12/31/17	Additions	Interest	Write-offs	Reversals	06/30/18
a) Tax	195,494	4,621	1,188	-	(3,639)	197,664
b) Labor	234,261	27,460	6,905	(5,770)	(1,471)	261,385
c) Civil	74,081	9,435	1,106	(5,100)	(694)	78,828
d) Others	3,125	727	-	-	(88)	3,764
TOTAL	506,961	42,243	9,199	(10,870)	(5,892)	541,641

c) The provisions recognized refer mainly to:
(i) Tax contingencies

- (a.1) Refers to the proceeding regarding the difference of the IPC (Consumer Price Index) for January 1989 (“Plano Verão”) on the 16.24% inflation adjustment and the proceeding on the deduction from the calculation basis of 2011 RD&I Project expenditures (“Lei do Bem” – Innovation Tax Incentive Law).
- (a.2) Refers to contribution due to the Social Security. The litigation refers to social security charges levied on private pension plan, profit sharing, education allowance, among others.
- (a.3) Refers to non-approval by the Brazilian Federal Revenue Office of the request for offset of the credit balance of PIS and COFINS against federal tax debts.

(ii) Labor contingencies

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

(iii) Civil contingencies

Refer mainly to civil lawsuits, including pain and suffering, aesthetic damage, occupational diseases and indemnities arising from occupational accidents.

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**d) Escrow deposits:**

	PARENT		CONSOLIDATED	
	06/30/18	12/31/17	06/30/18	12/31/17
Tax	4,657	4,657	37,933	37,683
Labor and civil	-	-	13,436	9,812
Others	-	-	596	539
TOTAL RESTRICTED DEPOSITS	4,657	4,657	51,965	48,034
- Non-restricted escrow deposits	-	-	2,781	2,781
TOTAL ESCROW DEPOSITS	4,657	4,657	54,746	50,815

The escrow deposits not restricted to contingencies are awaiting court authorization for withdrawal.

e) Contingencies assessed as possible losses:

The Company and its subsidiaries are parties to other lawsuits for which the likelihood of loss is classified as "possible", and for which no provision for contingencies was recognized.

The estimated amounts of such litigation refer to tax lawsuits amounting to R\$ 128,735 (R\$ 119,878 as at December 31, 2017). The main lawsuits classified as "possible" loss are the following:

- Taxation on profits earned abroad in the total estimated amount of R\$ 42.0 million;
- Levy of social security contribution on dental care, education allowance, technical courses and salary allowance in the amount of R\$ 22.9 million;
- Levy of ICMS-ST on purchases of raw materials in the amount of R\$ 15.8 million;
- Non-approval of IPI credits in the amount of R\$10.6 million.

17 Private pension plan

The Company and its subsidiaries are sponsors of WEG Seguridade Social, which has as main purpose to supplement the retirement benefits offered by the official social security system.

The Plan, administered by WEG Seguridade Social, includes monthly income benefits (retirement), annual bonus, supplemental sickness benefit, supplemental disability retirement, supplemental pension, supplemental annual bonus and death benefit.

The number of participants is 19,442 (19,283 as at June 30, 2017). The Company and its subsidiaries made contributions in the amount of R\$ 16,810 (R\$ 15,580 as at June 30, 2017).

Based on actuarial calculations made by independent actuaries, aiming to define the net liability value between the defined benefit obligation and the fair value of plan assets in accordance with the procedures established by CVM Resolution 695/12 - CPC 33 (R1) Employee Benefits, the Company maintains a provision in the amount of R\$ 4,092 (R\$ 4,092 as at December 31, 2017).

18 Equity**a) Issued capital**

At the Annual General and Extraordinary Meeting (AGO-E) held on April 24, 2018, approval was given for the increase in the Company's capital from R\$ 3,533,973 to R\$ 5,504,517 (R\$ 3,533,973 as at December 31, 2017), represented by 2,098,658,999 registered book-entry common shares with no par value, all with voting rights, including the 1,574,808 shares held in treasury pursuant to item "c".

The capital increase was carried out through the capitalization of part of the Earnings Reserve/Earnings Retention for Investments in the amount of R\$ 1,970,544, attributing to the shareholders 3 new common shares for each 10 common shares as a bonus, and the issue of 484,305,923 new registered book-entry common shares with no par value, all with voting rights.

b) Shareholder compensation**b.1.) Interest on capital**

The Company declared in the first half of 2018, gross interest on capital of R\$ 166,794 (R\$ 141,755, net), corresponding to R\$ 0.07790 per share, less the withholding income tax, in accordance with the following approvals from the Board of Directors:

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I. On March 20, 2018, in the gross amount of R\$ 84,637 (R\$ 105,307 in March 2017), net of R\$ 71,942 (R\$ 89,511 in March 2017) corresponding to R\$ 0.04460 per share, already deducting the withholding income tax of 15% pursuant to § 2 of Article 9 of Law 9,249/95, except for corporate shareholders who are exempt from this tax.

II. On June 26, 2018, in the gross amount of R\$ 82,156 (R\$ 97,723 in June 2017), net of R\$ 69,833 (R\$ 83,064 in June 2017) corresponding to R\$ 0.03330 per share, already deducting the withholding income tax of 15% pursuant to § 2 of Article 9 of Law 9,249/95, except for corporate shareholders who are exempt from this tax.

Under Article 37 of the Company's Bylaws and Article 9 of Law 9949/95, interest on capital will be attributed to the mandatory dividends and will be paid as from August 15, 2018.

b.2.) Interim dividends

The Executive Board will submit to the approval of the Board of Directors the proposal for distribution of interim dividends related to the profit recognized in the first half of 2018, amounting to R\$ 172,788 (R\$ 0.08239 per share). The amount proposed is recorded in line item Proposed Dividends in Equity.

The total amount of net interim dividends and interest on capital to be paid amount to R\$ 314.6 million, equivalent to 50.60% of the profit for the period.

c) Treasury shares

Due to the capital increase with bonus of shares, the balance on April 24, 2018 of 1,236,924 treasury shares was increased to 1,608,001, with the increase of 371,077 new shares, at no cost.

The shares acquired by the Company are held in treasury to be used by the beneficiaries of the Company's Stock Option Plan and Long-Term Incentive Plan for subsequent cancelation or disposal.

The rights relating to 106,290 shares were exercised by the beneficiaries of the Company's Stock Option Plan in the first half of 2018. The Company holds in treasury 1,574,808 shares at the average cost of R\$ 10.21 per share in the total amount of R\$ 16,083 (R\$ 17,392 as at December 31, 2017).

19 Long-term incentive plan (LTIP)

The Extraordinary General Meeting (EGM) held on June 28, 2016 approved the share-based compensation plan called Long-term incentive plan (LTIP PLAN) for its Management and officers.

i) Plan

The Plan is managed by the Board of Directors and is aimed at granting shares issued by WEG S.A. (Company), classified as "WEGE3" on B3, to its management and officers in order to attract, motivate and retain them, as well as align their interests to those of the Company and its shareholders.

For the LIP Plan application in each year, and the consequent granting of shares, an essential condition (trigger) is that the Company has obtained, in the immediately preceding year, at least 10% of return on invested capital (ROIC).

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

The number of shares granted to the participants is included in clauses 7 and 8 of the LIP Plan, which establishes the criteria for the number of shares to be granted and the vesting period to be complied with.

The Plan may be discontinued, suspended or altered at any time, upon a proposal approved by the Company's Board of Directors.

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**ii) Program**

The Board of Directors may approve, annually, Long-Term Incentive Programs ("Programs") in which the participants, number of shares, value of share, and other rules specific to each Program will be defined.

Programs

The program participants are the statutory officers of the Company and of its subsidiaries based in Brazil, excluding the statutory officers of subsidiaries with third party participation.

The weighted average fair value was determined based on the Black-Scholes-Merton method:

The programs were updated on April 24, 2018, due to the bonus of 30% on the number of shares, including the new market values in the strike price and the increase in shares for the number of shares granted. This update does not represent an impact in the calculation performed at the beginning of the program.

Program	Shares Granted		Average calculation - Black-Scholes-Merton Method				
	Number	Share value (R\$)	Installment lifespan - in days	Expected volatility in share value (%)	Current share value at grant date (R\$)	Share value (R\$)	Expense to be recognized during the plan period (R\$ thousand)
2016	354,167	11.95	520 – 1,022	25.6	13.15	16.75	5,932
2017	297,062	19.25	525 – 1,025	29.0	18.01	24.18	7,184

The expenses are recognized over the vesting period established by the LIP (Long-Term Incentive Plan).

In the first half of 2018, expenses in the amount of R\$ 2,292 (R\$ 1,070 as at June 30, 2017) were recognized in line item Other income (expenses) in the statement of profit and loss against Capital reserve in Equity.

20 Stock option plan

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

The programs were updated on April 24, 2018, due to the bonus of 30% on the number of shares, increasing the number of shares granted. This update does not represent an impact in the calculation performed at the beginning of the program.

Summary of the movement of the plan's shares:

Program	12/31/17	Number of shares		06/30/18
		Share bonus	Exercised	
March/12	9,880	-	(9,880)	-
September/12	3,796	1,139	-	4,935
April/13	27,842	5,060	(18,636)	14,266
September/13	9,202	2,761	(4,956)	7,007
March/14	112,640	28,900	(26,325)	115,215
August/14	45,974	13,792	(330)	59,436
March/15	106,784	29,676	(12,244)	124,216
August/15	141,218	42,366	(1,911)	181,673
March/16	187,275	47,763	(32,008)	203,030
TOTAL	644,611	171,457	(106,290)	709,778

The expenses on stock options are recognized over the vesting period.

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In the first half of 2018, expenses in the amount of R\$ 371 (R\$ 636 as at June 30, 2017) were recognized in line item Other income (expenses) in the statement of profit and loss against Capital reserve in Equity.

The options exercised in the first half of 2018 amounted to R\$ 868 (R\$ 480 as at June 30, 2017), the amount of R\$ 452 (R\$ 390 as at June 30, 2017) was recognized in line item Capital reserve, in Equity, and the amount of R\$ 416 (R\$ 90 as at June 30, 2017) as a complement of the accrued amount recorded in retained earnings.

21 Net revenue

BREAKDOWN OF NET REVENUE	CONSOLIDATED	
	06/30/18	06/30/17
Gross revenue	6,368,247	5,061,512
Domestic market	3,044,469	2,453,697
External market	3,323,778	2,607,815
Deductions	(760,123)	(646,514)
Taxes	(657,836)	(540,720)
Returns and rebates	(102,287)	(105,794)
Net revenue	5,608,124	4,414,998
Domestic market	2,447,493	1,963,524
External market	3,160,631	2,451,474

22 Construction contracts

The revenues and costs from construction contracts are recognized according to the percentage of completion method, based on the costs incurred, considering the legal possibility of requiring the payment by the customer or delivery of the product to the customer (transfer of control).

	CONSOLIDATED	
	06/30/18	06/30/17
Gross operating revenues recognized	690,071	360,151
Costs incurred	(590,868)	(274,062)
	06/30/18	12/31/17
Advances received	1,879,018	1,478,138

23 Operating expenses by nature and function

EXPENSES BY NATURE	CONSOLIDATED	
	06/30/18	06/30/17
	(4,913,409)	(3,852,772)
Depreciation, amortization and depletion	(150,217)	(139,345)
Personnel expenses	(1,273,200)	(1,085,035)
Raw materials and consumables	(2,667,906)	(1,939,128)
Freight and insurance expenses	(142,051)	(113,328)
Other expenses	(680,035)	(575,936)
EXPENSE BY FUNCTION	(4,913,409)	(3,852,772)
Cost of sales and services	(4,005,542)	(3,096,534)
Selling expenses	(526,726)	(418,617)
General and administrative expenses	(262,005)	(223,977)
Management fees	(12,471)	(11,725)
Other operating income (expenses)	(106,665)	(101,919)

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24 Other operating income (expenses)

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

	CONSOLIDATED	
	06/30/18	06/30/17
OTHER OPERATING INCOME	12,776	12,503
Others	12,776	12,503
OTHER OPERATING EXPENSES	(119,441)	(114,422)
Profit sharing - employees	(84,549)	(79,829)
Profit sharing – foreign subsidiaries	(11,256)	(8,447)
Profit sharing - management	(10,091)	(9,473)
Others	(13,545)	(16,673)
TOTAL, NET	(106,665)	(101,919)

25 Finance income (costs), net

	PARENT		CONSOLIDATED	
	06/30/18	06/30/17	06/30/18	06/30/17
FINANCE INCOME	22,371	47,632	379,149	436,557
Income from short-term investments	37,151	64,709	178,106	274,640
Exchange rate changes	-	-	183,440	118,100
Exchange rate changes - Trade payables	-	-	27,880	29,085
Exchange rate changes - Trade receivables	-	-	99,973	42,162
Exchange rate changes - Borrowings	-	-	34,065	21,332
Exchange rate changes - Others	-	-	21,522	25,521
PIS/COFINS on interest on capital	(13,783)	(14,531)	(13,783)	(14,570)
PIS/COFINS on finance income	(1,757)	(3,027)	(10,225)	(14,062)
Derivatives	-	-	(12,174)	27,905
PROEX - Equaliz. Interest rate	-	-	10,657	6,134
Other income	760	481	43,128	38,410
FINANCE EXPENSES	(162)	(132)	(357,685)	(398,603)
Interest on borrowings and financing	-	-	(116,964)	(145,270)
Exchange rate changes	-	-	(171,150)	(160,627)
Exchange rate changes - Trade payables	-	-	(43,791)	(16,986)
Exchange rate changes - Trade receivables	-	-	(47,878)	(43,790)
Exchange rate changes - Borrowings	-	-	(60,010)	(65,083)
Exchange rate changes - Others	-	-	(19,471)	(34,768)
Derivatives	-	-	(42,651)	(58,214)
Other expenses	(162)	(132)	(26,920)	(34,492)
FINANCE INCOME (EXPENSES), NET	22,209	47,500	21,464	37,954

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26 Provision for income tax and social contribution

The Company and its subsidiaries in Brazil calculate income tax and social contribution based on taxable income, except for WEG Administradora de Bens Ltda, and Agro Trafo Miner., Agric., Pec. e Administradora de Bens S.A., which adopt the calculation based on the deemed income. The provision for income tax was recognized at a 15% rate, plus a 10% surtax, and the social contribution at a 9% rate. The taxes of foreign subsidiaries are recognized according to the legislation of each country.

Reconciliation of income tax and social contribution:	PARENT		CONSOLIDATED	
	06/30/18	06/30/17	06/30/18	06/30/17
Profit before taxes on income	621,159	528,817	716,472	600,180
Statutory rate	34%	34%	34%	34%
IRPJ and CSLL calculated at statutory rate	(211,194)	(179,798)	(243,600)	(204,061)
Adjustments for calculation of income tax and social contribution at effective rate:				
Income from investments in subsidiaries	205,887	165,421	(104)	1,704
Difference in rates on income abroad	-	-	80,560	40,726
Tax incentives	-	-	40,795	30,936
Reintegra (Special Regime for Refund of Taxes paid by Export Companies)	-	-	6,486	5,767
Interest on capital	6,049	15,618	56,710	69,030
Consolidation adjustment - Unrealized profit	-	-	(21,080)	(2,128)
Provision for income tax and social contribution (Lei do Bem - Innovation Tax Incentive Law)	-	-	(1,374)	(3,194)
Other adjustments	(292)	(189)	(7,681)	(7,312)
IRPJ and CSLL in the statement of profit and loss	450	1,052	(89,288)	(68,532)
Current tax	(208)	(120)	(99,698)	(89,720)
Deferred tax	658	1,172	10,410	21,188
Effective rate - %	-0.07%	-0.20%	12.46%	11.42%

27 Insurance coverage

The corporate Insurance and Risks department is responsible for managing WEG Group's insurance portfolio in Brazil and abroad, establishing risk policies for the Group in order to protect its assets. The Company and its subsidiaries have a Worldwide Insurance Program - WIP, in which the following world policies established stand out: Transport (Export, Import and Domestic), Civil Liability for Products, Civil Liability of Directors and Officers (D&O), Property/Operational Risks, Environment Pollution, Performance Bond and Engineering Risk (Construction, Installation, Assembly and Commissioning).

The insurance policies are taken only with first-tier multinational insurance companies that operate worldwide. Below we highlight the Indemnity Limits (LMI) of the policies comprising the WIP:

- - Operational risks (Equity): US\$ 36 million;
- - Loss of Profits: US\$ 11.7 million (for Paint companies and newly acquired companies for the first 12 months with an indemnity period of 6 months);
- - General Civil liability: US\$ 10 million;
- - Civil Liability for Products: US\$ 40 million;
- - Domestic Transport: R\$ 12 million per shipment/accumulation/trip and cabotage up to R\$ 40 million;
- - International Transport - Export and Import: US\$ 5 million per shipment/accumulation/trip;
- - Environmental Pollution: US\$ 20 million;
- - Performance Bond: As stipulated in the contract;
- - Engineering, Installation and Assembly Risk: R\$ 200 million in Brazil, US\$ 30 million in Latin America (except Cuba) and US\$ 5 million in the USA;
- - Civil Liability of Directors & Officers (D&O): US\$30 million.

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28 Financial instruments

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

	CARRYING AMOUNT		FAIR VALUE	
	06/30/18	12/31/17	06/30/18	12/31/17
Cash and cash equivalents	2,703,771	3,162,685	2,703,771	3,162,685
Cash and banks	343,977	224,249	343,977	224,249
Short-term investments:	2,359,794	2,938,436	2,359,794	2,938,436
- In local currency	2,277,051	2,847,251	2,277,051	2,847,251
- In foreign currency	82,743	91,185	82,743	91,185
Short-term investments	1,553,425	1,411,046	1,553,425	1,411,046
Derivatives	387,886	182,154	387,886	182,154
- <i>Non-Deliverable Forwards - NDF</i>	347	4,986	347	4,986
- <i>SWAP</i>	1,935	174,214	1,935	174,214
- <i>Hedge accounting</i>	385,604	2,954	385,604	2,954
Total - Assets	4,645,082	4,755,885	4,645,082	4,755,885
Borrowings and financing	4,157,251	4,056,442	4,157,251	4,056,442
- In local currency	923,449	1,757,618	923,449	1,757,618
- In foreign currency	3,233,802	2,298,824	3,233,802	2,298,824
Derivatives	41,707	53,640	41,707	53,640
- <i>Non-Deliverable Forwards - NDF</i>	32,693	7,774	32,693	7,774
- <i>SWAP</i>	9,014	40,795	9,014	40,795
- <i>Hedge accounting</i>	-	5,071	-	5,071
Total - Liabilities	4,198,958	4,110,082	4,198,958	4,110,082

28.1 Risk factors

The risk factors of the financial instruments are basically related to:

a) Credit risks

Arises from the possibility of the Company's subsidiaries not receiving amounts from sales or credits held with financial institutions generated by financial investments. To mitigate the risk of the sales transactions, the Company's subsidiaries adopt a policy of analyzing the financial position of their customers, establishing a credit limit and performing an ongoing monitoring of their debt balance. As regards the financial investments, the Company and its subsidiaries invest with institutions with low credit risk.

b) Foreign currency risks

The Company and its subsidiaries conduct import and export transactions in various currencies, they manage and monitor the exchange exposure seeking to balance their financial assets and liabilities within the limits established by Management.

The limit of exchange exposure sold (net) may be equivalent to up to two months of exports in foreign currencies as established by the Company's Board of Directors.

The Company and its subsidiaries conducted export transactions totaling US\$ 354.7 million (US\$ 328.2 million as at June 30, 2017), which represents a natural hedge for part of the indebtedness and other costs linked to other currencies, especially the US Dollar.

c) Debt charge risks

These risks arise from the possibility that the subsidiaries may incur losses due to fluctuations in interest rates or other debt indexes, which would increase the finance costs related to borrowings and financing raised in the market, or decrease the finance income related to short-term investments of subsidiaries. The Company and its subsidiaries perform an ongoing monitoring of the market interest rates aiming at assessing the need for hedging against the risk of volatility of these rates.

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28.2. Derivative financial instruments

The Company and its subsidiaries have the following derivative transactions:

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

- (i) US\$ 94.5 million, held by its subsidiary WEG Holding GmbH, with the purpose of hedging its intercompany financing transactions against the risks of fluctuations in exchange rates;
- (ii) US\$ 29.6 million, held by its subsidiary WEG Equipamentos Elétricos S.A., with the purpose of partially hedging its exports against the risks of fluctuations in exchange rates;
US\$ 4.1 million, held by its subsidiary Zest WEG Group Africa (PTY) Ltd, aiming at hedging its product imports against the risks of fluctuations in exchange rates;
- (iii) EUR 10.5 million, held by its subsidiary WEG Equipamentos Elétricos S.A., with the purpose of partially hedging its exports against the risks of fluctuations in exchange rates;
- (iv) EUR 6.6 million, held by its subsidiary WEG Colombia S.A.S., with the purpose of hedging its financing transactions against the risk of appreciation in the Euro rate.

b) Swap transactions, in the notional amount of:

- (i) EUR 10 million, held by its subsidiary Watt Drive Antriebstechnik GmbH, with the purpose of hedging its financing against the risks of fluctuation of the Euribor;
R\$ 80 million, held by its subsidiary WEG Equipamentos Elétricos S.A. with the purpose of hedging the investments against the risk of drop in interest rates.
- (ii)

The management of the Company and its subsidiaries maintain an ongoing monitoring of the derivative financial instruments contracted, through their internal controls.

The sensitivity analysis table (item 28.3) should be read jointly with the other financial assets and liabilities expressed in foreign currency as at June 30, 2018 since the estimated effects of the exchange rates on NDFs and SWAPs will be offset, if materialized, in whole or in part, against the devaluation of all assets and liabilities.

Management defined that, for the probable scenario (market value), the exchange rates used to mark to market the financial instruments, valid at June 30, 2018, should be considered. These rates represent the best estimate of the future behavior of their prices and represent the amount by which the positions could be settled on their maturity.

The Company and its subsidiaries made the recording based on their market price at June 30, 2018 at fair value and on the accrual basis. These transactions had a net negative impact of R\$ 54,825 (negative R\$ 30,309 as at June 30, 2017) which were recognized as finance income (cost). The Company and its subsidiaries have no margins given in guarantee for the derivative financial instruments outstanding at June 30, 2018.

c) Financial instruments designated for hedge accounting:

The Company made the formal designation of its transactions subject to hedge accounting for hedging instruments related to purchase of inputs and expenses denominated in foreign currency, documenting:

- Date of designation and identification of the hedging relationship;
- Description of the purpose of hedging and risk management strategy;
- Statement of compliance with respect to hedge and risk management;
- Description and identification of the derivative instrument and the hedged item;
- Description of the hedged risks and excluded risks;
- Description of the method to evaluate the hedge effectiveness;
- Frequency of prospective and retrospective effectiveness assessment;
- Description of the hedge accounting policy.

- (i) Non-Deliverable Forwards - NDF The Company and its subsidiaries have hedge accounting transactions in order to hedge imports of inputs against the risks of fluctuations in exchange rates, in the notional amount of US\$ 30.1 million and EUR 5.6 million as at June 30, 2018, held by its subsidiary WEG Equipamentos Elétricos S.A.

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(ii) SWAP The Company and its subsidiaries have hedge accounting transactions as at June 30, 2018, in order to hedge the financing of Export Prepayment (PPE) in the notional amount of US\$ 553.0 million, held by its subsidiary WEG Equipamentos Elétricos S.A.

The Company and its subsidiaries made the recording based on their fair value as at June 30, 2018 on the accrual basis. The accumulated value, net of taxes, recognized in equity is R\$ 37,450 negative (R\$ 11,355 negative at December 31, 2017).

28.3. Sensitivity analysis

The tables below present in reads the effects of "cash and expense" relating to the results of the financial instruments in each of the scenarios.

a) Financing:

Transaction	Risk	Currency	Notional value (in thousands)	Market value at 06/30/2018		Possible scenario 25%		Remote scenario 50%	
				Average price	In R\$ thousand	Average price	In R\$ thousand	Average price	In R\$ thousand
Financing	Increase in TJLP (*)	R\$	235,086	Rate 6.60% p.a.	(15,516)	Rate 8.25% p.a.	(19,395)	Rate 9.90% p.a.	(23,274)
	Increase in Dollar	US\$	40,000	3.8552	(64,816)	4.8190	(103,368)	5.7828	(141,920)
	TOTAL				(80,332)		(122,763)		(165,194)

(*) Sensitivity analysis of the variations in financing: The Company's risk in the event of increase in interest rate, considering static the position of financing based on TJLP at June 30, 2018.

b) Non-Deliverable Forwards - NDF transactions:

Transaction	Risk	Currency	Notional value (in thousands)	Market value at 06/30/2018		Possible scenario 25%		Remote scenario 50%	
				Average price	In R\$ thousand	Average price	In R\$ thousand	Average price	In R\$ thousand
	Increase in Dollar	US\$/R\$	29,600	3.9011	(13,565)	4.8763	(42,433)	5.8516	(71,301)
	Decrease in Dollar	US\$/ZAR	4,113	12.8862	271	9.6646	(3,455)	6.4431	(7,181)
	Decrease in Dollar	US\$/EUR	94,500	1.1741	(14,325)	0.8806	(115,716)	0.5870	(322,618)
	Decrease in Dollar	US\$/RMB	1,000	2.5388	(138)	1.9041	(215)	1.2694	(368)
	Decrease in interest	US\$/AUD	2,689	0.7500	(62)	0.5700	(1,384)	0.3800	(2,830)
	Total Dollar		131,902		(27,819)		(163,203)		(404,298)
	Increase in Euro	EUR/R\$	10,500	4.5634	(4,349)	5.7043	(16,328)	6.8451	(28,307)
	Decrease in Euro	EUR/COP	6,574	3,524.8642	48	2,643.6481	(7,490)	1,762.4321	(15,027)
	Total Euro		17,074		(4,301)		(23,818)		(43,334)
	Decrease in Pound	GBP/ZAR	100	18.3781	(24)	13.7835	(153)	9.1890	(282)
	Total Pound		100		(24)		(153)		(282)
	Decrease in Singapore Dollar	SGD/EUR	2,948	1.6146	(201)	1.2109	(2,519)	0.8073	(7,211)
	Total Singapore Dollar		2,948		(201)		(2,519)		(7,211)
	TOTAL				(32,345)		(189,693)		(455,125)

c) SWAP transactions:

Transaction	Risk	Currency	Notional value (in thousands)	Market value at 06/30/2018		Possible scenario 25%		Remote scenario 50%	
				Average price	In R\$ thousand	Average price	In R\$ thousand	Average price	In R\$ thousand
SWAP	Decrease in Euribor	EUR	10,000	Interest -0.02% p.a.	(9,014)	Interest -0.02% p.a.	(9,023)	Interest -0.03% p.a.	(9,033)
	Increase in CDI	R\$	80,000	Rate 6.70%	1,935	Rate 8.38%	1,488	Rate 10.05%	1,050
	TOTAL				(7,079)		(7,535)		(7,983)

d) Hedge accounting transactions:

Transaction	Risk	Currency	Notional value (in thousands)	Market value at 06/30/2018		Possible scenario 25%		Remote scenario 50%	
				Average price	In R\$ thousand	Average price	In R\$ thousand	Average price	In R\$ thousand
NDF	Decrease in Dollar	US\$/R\$	30,161	3.9177	3,693	2.9383	(25,848)	1.9589	(55,389)
	Decrease in Euro	EUR/R\$	5,640	4.7131	1,459	3.5348	(5,186)	2.3565	(11,831)
	TOTAL				5,152		(31,034)		(67,220)

WEG S.A.
NOTES TO THE INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2018
(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)



29 Government subsidies and grants

The Company and its subsidiaries obtained subsidies in the amount of R\$ 45,918 (R\$ 24,417 as at June 30, 2017) arising from tax incentives, recognized in profit or loss for the period:

	CONSOLIDATED	
	06/30/18	06/30/17
Total government subsidies and grants	45,918	24,417
a) WEG Linhares Equipamentos Elétricos S.A.	18,615	18,546
- ICMS (state VAT) incentive credit of 85.0%	13,547	14,342
- 75.0% reduction of IRPJ	4,896	4,092
- Reduction for Reinvestment of 30% of the IRPJ	160	100
- Municipal investment	12	12
b) WEG Drives & Controls – Automata Ltda.	18,701	-
- ICMS incentive credit	18,701	-
c) WEG Logística Ltda.	6,815	4,602
- ICMS incentive credit	6,815	4,602
d) WEG Amazônia S.A.	845	1,269
- ICMS (state VAT) incentive credit of 90.25%	247	191
- 75.0% reduction of IRPJ	598	1,078
e) WEG Equipamentos Elétricos S.A.	942	-
- Municipal investment	942	-

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

30 Segment information

	Brazil				Abroad		Eliminations and Adjustments		Consolidated	
	Industry		Energy		06/30/18	06/30/17	06/30/18	06/30/17	06/30/18	06/30/17
	06/30/18	06/30/17	06/30/18	06/30/17						
Revenue from sale of products and/or service	2,738,623	2,252,843	1,132,134	963,261	3,261,282	2,564,977	(1,523,915)	(1,366,083)	5,608,124	4,414,998
Profit (loss) before taxes on income	970,167	777,184	420,317	331,436	384,723	226,918	(1,058,735)	(735,358)	716,472	600,180
Depreciation / amortization / depletion	67,639	67,878	26,090	24,917	56,488	46,550	-	-	150,217	139,345
	06/30/18	12/31/17	06/30/18	12/31/17	06/30/18	12/31/17	06/30/18	12/31/17	06/30/18	12/31/17
Identifiable assets	3,627,349	3,098,156	1,744,420	1,517,913	6,336,543	4,923,974	(1,178,600)	(489,471)	10,529,712	9,050,572
Identifiable liabilities	988,685	773,478	1,021,377	600,952	1,652,583	1,487,813	(727,416)	(594,290)	2,935,229	2,267,953

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

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

Foreign: comprised of operations carried out by subsidiaries located in various countries.

The column of eliminations and adjustments includes the eliminations applicable to the Company in the context of the consolidated interim financial information.

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

The segment information is presented consistently with the reports used by management to assess the performance of each segment of the Company.

WEG S.A.
NOTES TO THE INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2018
(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)



31 Earnings per share

a) Basic

Basic earnings per share are calculated by dividing the profit for the year attributable to the holders of the Company's common shares by the weighted average number of common shares available during the year.

	<u>06/30/18</u>	<u>06/30/17</u>
Profit attributable to the Company's shareholders	621,609	529,869
Weighted average number of potential diluting common shares (adjusted with bonuses) held by shareholders (shares/thousand)	2,097,159	2,097,381
Basic earnings per share - R\$	<u>0.29641</u>	<u>0.25263</u>

b) Diluted

Diluted earnings per share are calculated by dividing the profit attributable to the holders of the Company's common shares by the weighted average number of common shares available during the year plus the weighted average number of common shares that would be issued upon the conversion of potential diluted common shares.

	<u>06/30/18</u>	<u>06/30/17</u>
Profit attributable to the Company's shareholders	621,609	529,869
Weighted average number of potential diluting common shares (adjusted with bonuses) held by shareholders (shares/thousand)	2,098,459	2,098,158
Diluted earnings per share - R\$	<u>0.29622</u>	<u>0.25254</u>

WEG S.A.
NOTES TO THE INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2018
(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

**Board of Directors**

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

Board of Executive Officers

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

Accountant

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

Supervisory Board**Sitting members**

Adelino Dias Pinho
Alidor Lueders
Vanderlei Dominguez da Rosa

Deputy members

José Luiz Ribeiro de Carvalho
Ilário Bruch
Paulo Roberto Franceschi

Qualified Report on Review of Quarterly Information

(Convenience Translation into English from the Original Previously Issued in Portuguese)

REPORT ON REVIEW OF QUARTERLY INFORMATION

To the Shareholders and Management of
WEG S.A.
Jaraguá do Sul - SC

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of WEG S.A. (the "Company"), identified as Parent and Consolidated, included in the Quarterly Information Form (ITR) for the quarter ended June 30, 2018, which comprises the balance sheet as at June 30, 2018, and the statements of profit and loss and of comprehensive income for the three and six-month periods then ended and of changes in equity and of cash flows for the six-month period then ended, including the explanatory notes.

The Company's Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with technical pronouncement CPC 21 (R1) and international standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB, as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and international standards on review of interim financial information (NBC TR 2410 and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

As described in note 2.1, the Company's Management identified, during the preparation of the interim financial information for the period ended June 30, 2018, that certain goodwill recognized as part of acquisition of foreign operations was originally measured in Brazilian reais, the Company's functional currency, instead of measured at the same functional currency of the foreign operations, as determined by international standard IAS 21/technical pronouncement CPC 02 (R2) - The Effects of Changes in Foreign Exchange Rates and Translation of Financial Statements. Accordingly, the Company's Management recognized retrospectively in the current period the required adjustments to measure the balance of goodwill in the functional currency of the respective foreign operations, thus restating the corresponding figures to reflect: (i) the accounting adjustments of prior periods arising from foreign exchange translation adjustments of goodwill from foreign operations; and (ii) the accounting adjustments of prior periods arising from the impairment of goodwill, as provided for in the international standard IAS 8/technical pronouncement CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors. As a result, as at June 30, 2018, the amounts of goodwill and equity are overstated by R\$111,159 thousand.

Since the cumulative effects of the adjustments to the goodwill described above, calculated from its inception and which involve Management's assumptions and judgments, mainly regarding the impairment tests, which should be prepared at least annually since its inception, were not audited nor revised by us, since we have been engaged beginning in the current year, and also were not audited by other independent auditors, we were not able to determine whether an adjustment to the individual and consolidated interim financial information related to the goodwill recognized by the Company was required.

Qualified conclusion on the interim financial information

Based on our review, except for the possible effects of the matter described in the “Basis for qualified conclusion” paragraph, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with technical pronouncement CPC 21 (R1) and international standard IAS 34, applicable to the preparation of Quarterly Information (ITR), and presented in accordance with the standards issued by the CVM.

Other matters

Statements of value added

We have also reviewed the individual and consolidated interim statements of value added (“DVA”) for the six-month period ended June 30, 2018, prepared under the responsibility of the Company’s Management, the presentation of which in the interim information is required by standards issued by CVM applicable to the preparation of Quarterly Information (ITR) and considered supplemental information by International Financial Reporting Standards - IFRS, issued by IASB, which does not require the presentation of a DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not consistently prepared, in all material respects, in relation to the individual and consolidated interim financial information taken as a whole.

Restatement of the corresponding figures of the current year and prior period

The Quarterly Information (ITR) mentioned in the first paragraph, originally prepared before the adjustments arising from the matters mentioned in note 2.1, includes the financial information corresponding to the statements of profit and loss and of comprehensive income for the three and six-month periods ended June 30, 2017, and the of changes in equity, of cash flows and of value added for the six-month period then ended, obtained from the Quarterly Information Form (ITR) for that quarter, and the balance sheet as at December 31, 2017, obtained from the financial statements for the year then ended, presented for comparison purposes. The review of the Quarterly Information (ITR) for the quarter ended June 30, 2017 and the audit of the financial statements for the year ended December 31, 2017 were conducted by other independent auditors, who issued an unqualified review report thereon and unqualified audit report thereon dated July 12, 2017 and February 2, 2018, respectively. As part of our review of the Quarterly Information (ITR) for the quarter ended June 30, 2018, the adjustments described in note 2.1 were not audited nor reviewed by us or other independent auditors.

The accompanying interim financial information has been translated into English for the convenience of readers outside Brazil.

Joinville, July 16, 2018

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Otávio Ramos Pereira
Engagement Partner

Opinions and Statements / Officers' Statement on the Quarterly Information

By this instrument, the Chief Executive Officer and the other Officers of WEG S.A., a publicly-held corporation headquartered at Avenida Prefeito Waldemar Grubba, 3300, registered with the CNPJ (Corporate Taxpayer Register) under No. 84.429.695/0001-11, for purposes of the provisions in item II of §1 of Article 29 of CVM Ruling No. 480, of December 7, 2009, state that they have reviewed and discussed and agree with the quarterly information of WEG S.A. and Consolidated as at June 30, 2018.

Jaraguá do Sul (SC), July 16, 2018

Harry Schmelzer Junior - Chief Executive Officer

André Luis Rodrigues - Chief Administrative and Financial Officer

Carlos Diether Prinz – Chief Transmission and Distribution Division Officer

Daniel Marteleto Godinho - Chief Corporate Strategies Officer

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Reinaldo Richter - Chief Paints Division Officer

Siegfried Kreutzfeld – Chief China Division Officer

Wandair José Garcia - Chief Information Technology Officer

Wilson José Watzko - Chief Controlling Officer

Opinions and Statements / Officers' Statement on the Independent Auditor's Report

By this instrument, the Chief Executive Officer and the other Officers of WEG S.A., a publicly-held corporation headquartered at Avenida Prefeito Waldemar Grubba, 3300, registered with the CNPJ (Corporate Taxpayer Register) under No. 84.429.695/0001-11, for purposes of the provisions in item II of §1 of Article 29 of CVM Ruling No. 480, of December 7, 2009, state that they have reviewed and discussed and agree with the opinions expressed in the independent auditor's report of Deloitte Touche Tohmatsu Auditores Independentes, dated July 16, 2018, in respect of the quarterly information of WEG S.A. and Consolidated as at June 30, 2018.

Jaraguá do Sul (SC), July 16, 2018

Harry Schmelzer Junior - Chief Executive Officer

André Luis Rodrigues - Chief Administrative and Financial Officer

Carlos Diether Prinz – Chief Transmission and Distribution Division Officer

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