WEG S.A.
Financial Statements

December 31, 2018 and 2017

Contents

WEG S.A.
MANAGEMENT REPORT
At December 31, 2018

We present to our shareholders the Consolidated Financial Statements of the WEG Group and WEG S.A. for the year ended December 31, 2018.

OUTLOOK

In accordance with International Monetary Fund projections, expectation for growth in global GDP for 2018 is 3.7%, slightly lower than the prior year when growth was 3.8%. Both developed and emerging economies posted expansion but growth of industrial production in various countries was revised over the year due to increased commercial tensions between the USA and China. The continuation of the growth scenario will depend on levels of inflation and interest in the main economies as well as factors that may improve global GDP projections, such as, a solution to the commercial disputes between the USA and China.
In Brazil, despite the fact that interest and inflation are at the lowest levels in recent years, given the political uncertainty such as the presidential elections and stoppages due to the truck drivers' strike that affected production and consumption, the expectation for growth in GDP is only 1.4% in 2018.

ECONOMIC AND FINANCIAL FACTORS

REVENUE

In 2018, Consolidated Net Operating Revenue (NOR) reached R$ 11,970 million, a growth of 25.7% year-on-year.
Domestic market: Net operating revenue in the domestic market reached R$5,082.6 million, growth of 20.9% year-on-year and representing 42.5% of total net operating revenue. If adjusted for the acquisition of TGM Indústria e Comercio de Turbinas e Transmissões Ltda. (TGM) growth in revenue would have been 18.1% in 2018. This growth can be explained mainly by the performance of the GTD area, which posted strong growth over the year mainly due to the greater share of revenue from solar generation projects. In the industrial area the normalization of investments in maintenance of existing production capacity has supported sales of short cycle goods, however projects to increase capacity or new investments were not consistently observed in Brazil.

External Market: The external market posted growth of net operating revenue of 29.5% reaching R$ 6,887.5 million, which corresponds to 57.5% of total net revenue. If measured in US Dollars there was growth of 13% year-on-year. That figure would be 8% if adjusted for the acquisitions made in the period. Growth in revenue from abroad is mainly due to the greater level of global industrial investment, the resumption of projects linked to commodities such as oil and gas, mining, pulp and paper as well as the devaluation of the Brazilian Real in relation to the main global currencies over 2018 that benefited our revenue in Reais.

We detail the following aspects in each of our business areas as follows:

a) Industrial electro electronic equipment In Brazil we observed consistent sales of short cycle products particularly low voltage motors and integrated automation equipment that posted growth over 2018. Demand stemmed from customers across all segments with emphasis on small scale machine (OEM) manufacturers. In foreign markets growth was also predominantly in short cycle products particularly in regions such as Europe, Asia and Africa Projects to increase capacity and construction of new plants that also require long cycle products continue to show perspectives for growth mainly in industries linked to oil and gas, pulp and paper, infrastructure and mining.

b) Energy generation, transmission and distribution (GTD) This is the business area that grew the most in 2018 not only in Brazil but also abroad. In the domestic market, expansion can be explained above all by the following factors: a) recognition of revenue in more significant solar generation projects; b) acquisition of TGM, a steam turbine company; and c) the gradual improvement in the revenue posted by WEG Transformadores. Abroad, recent acquisitions (WEG Transformers USA and TGM) account for the greater part of growth in revenue. In addition, our competitiveness, bolstered by productive verticalization, allow us to benefit from the best opportunities available in the market and continue with the expansion plan mainly from units in Mexico, the United States, Columbia, India and South Africa.

c) **Motors for domestic use.** This area posted a fall in consolidated revenue year-on-year, mainly due to the performance of the external market that presented a retraction of 11.8%. This reflected the stabilization of inventories of large global OEMs mainly in the United States. It was also due to a fall in incoming orders in the Chinese local market and weak performance of operations in Argentina which suffered, given the recent problems faced by the local economy. Alternatively, the domestic market posted growth of 2.1% aligned with the consumption dynamic observed in Brazil over 2018.

d) **Paints and varnishes** Growth in revenue in the domestic market is related to performance of industrial and consumer goods markets that indicated a gradual recovery over 2018. There were impacts from the improvement of some segments, such as car parts, highway and sanitation equipment as well as the normalization of preventive maintenance in important segments such as oil & gas, mining and shipping. Abroad, the fall in revenue mainly reflects the difficulties of the economic scenario in Argentina which is our main market for this type of business outside Brazil.

COST OF GOODS SOLD

The cost of goods sold showed an increase of 25.7% and reached R$ 8,500.8 million which represents a gross margin of 29.0% (29.0% in 2017). We saw greater pressure on material costs in 2018 influenced by the global increase in the prices of metallic commodities and the variation in the foreign exchange rate that negatively impacted on our cost structure in Brazil. Despite this pressure we were able to maintain a stable gross margin in relation to 2017 which was the result of cost reduction efforts as well as redesign of products and mainly of processes in the last few years. This has resulted in important gains in productivity.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Consolidated selling, general and administrative expenses totaled R$ 1,706 million an increase of 23.4% year-on-year, influenced mainly by foreign exchange fluctuation on expenses of operations abroad. When analyzed in terms of operating revenue the expenses show a slight reduction year-on-year reaching 14.3% (14.5% in 2017) the result of efforts to increase productivity implemented in recent years.

EBITDA

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) calculated in accordance with the methodology established in CVM Ruling No. 527/2012 reached R$ 1,824.1 million, a 24.4% increase on the prior year and EBITDA margin of 15.2% (15.4% in 2017).

(R$ million)

	2018	2017	Δ	2016	Δ
Net operating revenue	11,970.1	9,523.8	25.7%	9,367.0	27.8%
Profit before noncontrolling interests	1,344.1	1,140.9	17.8%	1,127.8	19.2%
(+) Income tax (IRPJ) and social contribution (CSLL)	153.4	99.5	54.2%	151.7	1.1%
(+/-) Finance income (costs)	9.5	-58.0	n.a.	-215.8	n.a.
(+) Depreciation/Amortization	317.0	283.9	11.7%	343.3	-7.6%
EBITDA	1,824.1	1,466.3	24.4%	1,406.9	29.6%
% of net operating revenue	15.2%	15.4%		15.0%	

FINANCIAL REVENUE AND EXPENSES

The net financial result was negative by R$ 9.5 million in 2018 (positive in R$ 58 million in 2017). This net result is derived from financial revenues of R$ 877.7 million in 2018 (R$ 851.9 million in 2017) and financial expenses of R$ 887.2 million in 2018 (R$ 793.8 million in 2017). The decrease in the financial result is mainly due to lower rates of interest observed over 2018 that directly impacted on the remuneration of floating rate financial investments in conjunction with the greater expenses from foreign exchange fluctuations relating to operations abroad.

NET INCOME

As a result of the aforementioned effects, Consolidated Net Income attributable to WEG S.A. shareholders reached R$ 1,338.3 million 17.2% over the figure of R$ 1,142.1 million obtained in 2017. Return on net equity was 19.9% in 2018 (19.2% in 2017) and net margin reached 11.2% (12.0% in 2017).

RETURN ON INVESTED CAPITAL

Return on Invested Capital (ROIC) in 2018 grew one percentage point in relation to 2017 reaching 17.6% The growth in Net Operating Profit After Tax (NOPAT) given the growth in revenue and control over expenses, more than offset the growth in invested capital, the expansion of which is explained by the greater need for working capital and for investments in property, plant and equipment as well as intangible assets undertaken over 2018.

DEBT AND CASH POSITION

The capability to identify and benefit from investment opportunities with attractive returns is one of the main characteristics of the WEG business model. This capability is gained through financial flexibility which allows us to benefit from investment opportunities when these present themselves and is evidenced by a solid capital structure and maintenance of preferential access to funds and competitive sources of financing with financial institutions both in Brazil and abroad.

At December 31, 2018 cash and cash equivalents and financial investments totaled R$ 4,483.4 million applied in top-tier banks, mostly in local currency while gross financial debt totaled R$ 3,792.3 million where 54% of which is short-term and 46% is long-term. At the end of 2018 the net cash position was R$ 691.1 million.

R$ (Thousand)

	December 2018		December 2017		December 2016	
CASH AND INVESTMENTS	**4,483,366**		**4,755,885**		**4,948,613**	
- Short Term	3,753,662		4,585,606		4,779,392	
Long Term	729,704		170,279		169,221	
FINANCING	**3,792,308**	**100%**	**4,110,082**	**100%**	**4,489,698**	**100%**
Short Term	2,061,163	54%	2,027,375	49%	1,028,952	23%
- In Reais	175,475		1,300,232		642,413	
- In other currencies	1,885,688		727,143		386,539	
Long Term	1,731,145	46%	2,082,707	51%	3,460,746	77%
- In Reais	315,291		457,386		1,925,350	
- In other currencies	1,415,854		1,625,321		1,535,396	
Net cash (debt)	**691,058**		**645,803**		**458,915**	

INVESTMENTS

The investment program in property, plant and equipment to expand and modernize production capacity was most significant in the production units abroad, mainly in Mexico where we are building the first WEG foundry outside Brazil.

Investments in expansion and modernization of production capacity totaled R$ 429.4 million in 2018 where 60% was earmarked for manufacturing parks and other subsidiaries abroad, while 40% was intended for assets in Brazil. Further to these organic investments the acquisition of TGM was concluded in 2018 which meant incorporation of R$ 198.9 million in assets.

The total value of the investment program in 2018 was above the amount originally budgeted, R$ 371.6 million, mainly because of the variation in the foreign exchange rate on investments abroad. It is important to stress our capability to adjust the pace of the performance of the investment program to effective market demand, we constantly seek to maximize the return on invested capital.

In research, development and innovation, we spent R$ 307.6 million in 2018 or approximately 2.6% of net operating revenue. The RD&I program is focused on the development of new products, the continual improvement of existing products, applied engineering and in the improvement of industrial processes, constantly striving to maintain our technological leadership position in the market.

DIVIDENDS

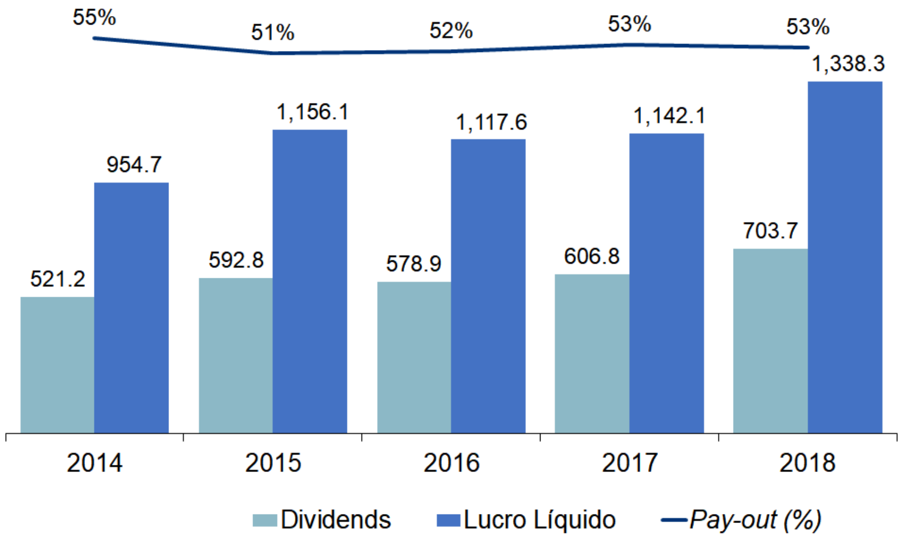
Management shall propose to the Annual General Meeting the allocation of R$ 703.7 million for the payment of dividends and interest on capital as remuneration to shareholders on profit for 2018 representing 52.6% of the profit for the year before statutory adjustments.

As from August 15, 2018, we made payment of proceeds relating to remuneration of shareholders that were declared over the first six-month period of the year (interim dividends) in a total of R$ 339.6 million. Payment of proceeds relating to the second six-month period (supplementary) of R$ 364.1 million shall take place as from March 13, 2019.

In accordance with our policy on the allocation of profit we report interest on capital on a quarterly basis and dividends based on profit obtained in each six-month period i.e. six proceeds payments per year which are paid on a biannual basis.

PROFIT, DIVIDENDS AND PAY-OUT

Amounts in R$ million:



CAPITAL MARKET

The Company has 2,098,658,999 common shares which are traded on B3 S.A. - Brasil, Bolsa, Balcão stock exchange under the ticker WEGE3 and closed the last trading session of December 2018 valued at R$ 17.54, a nominal fall of 5.4% over the year and 3.7% when considering dividends and interest on capital declared in the period.

	2018	2017*	Δ
Share Price (R$)	17.54	18.55	-5.4%
Traded financial volume (R$ thousand)	12,817,606	9,012,994	42.2%
Number of shares traded (thousand)	672,784	465,866	44.4%
Book value per share	3.68	3.20	15.0%
Market cap (R$ billion)	36.8	38.9	-5.4%

**Amounts adjusted by the bonus approved at the Ordinary/Extraordinary Shareholders meeting held on April 24, 2018.*

HIGHLIGHTS

ACQUISITION OF TGM AND APPROVAL FROM THE BRAZILIAN ANTITRUST AGENCY (CADE)

On December 15, 2016 we announced the acquisition of TGM Indústria e Comercio de Turbinas a Transmissões Ltda. (TGM), the Brazilian leader in the supply of equipment and solutions for electrical energy generator power transmission with focus on renewable energy in the thermoelectric and windfarm segments. TGM also supplies mechanical power transmission systems such as extractors, fans, grinders, water pumps, sugarcane flatteners, turbo compressors and turbo blowers.

On February 28, 2018, the General Superintendence for CADE unanimously approved the acquisition of control over TGM through entering into a Concentration of Control Agreement (ACC). Accordingly, we began to consolidate TGM´s figures into our balance sheet as from March 2018.

CAPTIAL INCREASE WITH STOCK BONUS

The Annual and Extraordinary General Meeting held on April 24, 2018, approved a Company 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 bonus of 30% of the shares (three new shares, of the same type, for each 10 shares held).
Shareholders registered in the Company's records on April 24, 2018 were the beneficiaries. The shares resulting from the bonus were merged into the shareholders' position on April 27, 2018 and became available on April 28, 2018.
After a period in which the shareholders could, if they so wished, transfer fractions of shares resulting from the bonus, those fractions were grouped in whole numbers and sold in an auction held on June 15, 2018, at B3 SA - Brasil, Bolsa, Balção. In that auction, 3,030 common book-entry no-par-value shares were sold. The amounts calculated from the sale of the shares in the auction, at an average price of R$ 15.781188119 per share, were made available to shareholders on June 27, 2018.

PERSPECTIVES

In 2019 we expect another year of growth, although projections indicate a reduction in the level of global growth, with global GDP projected to grow 3.5% according to the International Monetary Fund (IMF) against 3.7% growth expected for 2018. It is important to stress that the continuity of this expansion scenario will depend on the inflation and interest levels in the main economies, as well as an improvement in the business environment, mainly between the US and China. In Brazil, the outlook is positive, with the confidence in the new government to carry out the necessary reforms, as well as low interest rates and inflation, contributing to a gradual recovery in investments, growth in industrial production and, consequently, in our industrial businesses. In GTD, power transmission auctions conducted in recent years indicate good prospects for the transmission and distribution unit, but, on the other hand, the wind generation business shall slow down, reflecting lower order intake in recent years.
We will continue to expand our presence in new markets and expand the product line, both organically, investing in research, development and innovation, as well as acquisitions and strategic partnerships.
In 2019 our capital budget includes the following investments:

(R$ million)

Investments	**2019**
PP&E (plant expansion/ modernization)	515.5
Intangible assets (software)	15.0
Current (working capital)	70.9
Total investments	**601.4**

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

HUMAN RESOURCES

The Company closed 2018 with a total of 31,104 employees, an increase of 5.6% compared to the prior year. The distribution of employees by geographic region is as follows.

	2018	**2017**	**∆**
Total employees	31,104	29,448	5.6%
North America	3,962	3,614	9.6%
South America	22,102	20,717	6.7%
Europe	1,319	1,267	4.1%
Africa	669	685	-2.3%
Asia Pacific	3,052	3,165	-3.6%

AUDIT SERVICES

In accordance with CVM Ruling No. 381/03, we represent that the Company and its subsidiaries adopt a formal procedure to consult the independent auditors, Deloitte Touche Tohmatsu Auditores Independentes ("Deloitte"), in order to ensure that the provision of other services does not affect its independence and objectivity necessary for the performance of independent auditing services. Accordingly, Deloitte annually issues in its audit opinion a declaration of independence, pursuant to NBC TA 260 (R2) from the Federal Accounting Council (CFC), which states that, as provided by the rules of independence adopted by the Brazilian Securities and Exchange Commission (CVM), there is no relationship between Deloitte, its associates and affiliates and the Company that may affect its independence. This statement is submitted to WEG's Board of Directors. The policy of the Company and its subsidiaries in engaging independent auditors ensures that there is no conflict of interest, loss of independence or objectivity.

During 2018, we made payments to Deloitte for the financial statements audit service, specific management consulting services and services for the translation of the financial statements into the English language, as follows:

R$ thousand

	2018	
Audit of Financial Statements	1,918.1	80.9%
Management Consulting	452.8	19.1%
Grand Total	**2,370.9**	**100%**

ARBITRATION CHAMBER

The Company is bound to arbitration in the Market Arbitration Chamber, pursuant to the Arbitration Clause contained in its Bylaws.

Jaraguá do Sul (Santa Catarina State), February 2019.
THE MANAGEMENT.

WEG S.A.
BALANCE SHEET
As at December 31, 2018 and 2017
In thousands of Reais

	Notes	PARENT 12/31/18	PARENT 12/31/17 Restated	PARENT 01/01/17 Restated	CONSOLIDATED 12/31/18	CONSOLIDATED 12/31/17 Restated	CONSOLIDATED 01/01/17 Restated
Assets							
Current assets							
Cash and cash equivalents	4	200.693	798.191	748.385	2.205.700	3.162.685	3.390.662
Financial investments	5	978.627	429.717	395.822	1.324.188	1.411.046	1.373.287
Derivative financial instruments	28	-	-	-	223.774	11.875	15.443
Trade receivables	6	-	-	-	2.440.844	2.242.613	2.251.922
Inventories	7	-	-	-	2.458.410	1.852.266	1.575.055
Recoverable taxes	8	17.083	4.827	19.952	421.938	419.845	269.626
Dividends and interest on capital receivable		150.114	136.276	144.731	-	-	-
Other current assets		527	-	-	363.727	315.337	251.488
		1.347.044	**1.369.011**	**1.308.890**	**9.438.581**	**9.415.667**	**9.127.483**
Noncurrent assets							
Financial investments	5	-	-	-	562.782	-	-
Derivative financial investments	28	-	-	-	166.922	170.279	169.221
Judicial deposits	16.d	4.657	4.657	4.338	58.368	50.815	48.476
Due from related parties	9	15	13	24	-	-	-
Deferred taxes	10	3.322	1.944	811	142.669	148.284	130.291
Recoverable taxes	8	-	-	-	167.689	9.941	10.296
Other noncurrent assets		-	-	-	80.496	64.525	39.099
Investments	11	6.537.391	5.511.239	4.842.528	20.362	268	223
Property, plant and equipment	12	4.305	4.393	4.479	3.541.954	3.160.111	3.032.716
Intangible assets	13	-	-	-	1.220.027	961.252	923.602
		6.549.690	**5.522.246**	**4.852.180**	**5.961.269**	**4.565.475**	**4.353.924**
Total assets		**7.896.734**	**6.891.257**	**6.161.070**	**15.399.850**	**13.981.142**	**13.481.407**

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

WEG S.A.
BALANCE SHEET
As at December 31, 2018 and 2017
In thousands of Reais

	Notes	PARENT 12/31/18	PARENT 12/31/17 Restated	PARENT 01/01/17 Restated	CONSOLIDATED 12/31/18	CONSOLIDATED 12/31/17 Restated	CONSOLIDATED 01/01/17 Restated
Liabilities and Equity							
Current liabilities							
Trade payables	14	-	-	-	842.957	750.533	562.851
Borrowings and financing	15	-	-	-	2.049.093	2.014.530	991.433
Derivative financial instruments	28	-	-	-	12.070	12.845	37.519
Payroll and tax charges		10.069	8.142	29.490	303.561	284.334	295.364
Income and social contribution taxes		78	48	92	24.968	29.672	29.241
Dividens and interest on capital payable		165.016	160.729	191.022	165.441	160.892	191.365
Advances from customers		-	-	-	655.242	429.258	577.688
Profit sharing		-	-	-	167.941	138.788	124.764
Provision for product warranties		-	-	-	155.532	118.090	102.857
Accounts payable - subsidiaries abroad		-	-	-	270.901	180.119	182.426
Other current liabilities		2.567	1.527	775	386.298	207.727	183.347
		177.730	**170.446**	**221.379**	**5.034.004**	**4.326.788**	**3.278.855**
Noncurrent liabilities							
Borrowings and financing	15	-	-	-	1.723.021	2.041.912	3.408.892
Derivative financial instruments	28	-	-	-	8.124	40.795	51.854
Provisions for contingencies	16.a	4.730	4.730	4.741	547.637	506.961	434.402
Deferred taxes	10	-	-	-	86.537	116.629	159.203
Other noncurrent liabilities		-	-	-	147.270	109.595	105.293
		4.730	**4.730**	**4.741**	**2.512.589**	**2.815.892**	**4.159.644**
Total liabilities		**182.460**	**175.176**	**226.120**	**7.546.593**	**7.142.680**	**7.438.499**
Equity							
Owners of the Company							
Share capital	18.a	5.504.517	3.533.973	3.533.973	5.504.517	3.533.973	3.533.973
Capital reserves		(77.826)	(75.412)	(54.509)	(77.826)	(75.412)	(54.509)
Stock option plan		9.615	4.437	1.971	9.615	4.437	1.971
Treasury shares	18.d	(15.261)	(17.392)	(11.924)	(15.261)	(17.392)	(11.924)
Earnings reserve		959.255	2.269.436	1.697.162	959.255	2.269.436	1.697.162
Carrying value adjustments		380.781	406.240	442.032	380.781	406.240	442.032
Other comprehensive income		779.326	462.344	223.495	779.326	462.344	223.495
Additional dividends proposed		173.867	132.455	102.750	173.867	132.455	102.750
		7.714.274	**6.716.081**	**5.934.950**	**7.714.274**	**6.716.081**	**5.934.950**
Noncontrolling interests		**-**	**-**	**-**	**138.983**	**122.381**	**107.958**
Total equity		**7.714.274**	**6.716.081**	**5.934.950**	**7.853.257**	**6.838.462**	**6.042.908**
Total liabilities and equity		**7.896.734**	**6.891.257**	**6.161.070**	**15.399.850**	**13.981.142**	**13.481.407**

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

WEG S.A.
INCOME STATEMENT
Years ended December 31, 2018 and 2017
In thousands of Reais, unless otherwise stated

	Notes	PARENT 12/31/18	PARENT 12/31/17	CONSOLIDATED 12/31/18	CONSOLIDATED 12/31/17
Net revenue	21	**-**	**-**	**11.970.090**	**9.523.830**
Cost of goods sold and services rendered	23	-	-	(8.500.816)	(6.765.383)
Gross profit		**-**	**-**	**3.469.274**	**2.758.447**
Selling expenses	23	-	-	(1.139.413)	(894.353)
Administrative expenses	23	(2.606)	(1.534)	(541.257)	(465.050)
Management fees	9	(2.535)	(2.337)	(25.374)	(23.631)
Other operating expenses	24	(9.114)	(5.408)	(259.628)	(193.001)
Share of profit of investees	11	1.310.479	1.070.952	3.429	-
Profit before finance income (costs)		**1.296.224**	**1.061.673**	**1.507.031**	**1.182.412**
Finance income	25	41.431	79.982	877.674	851.852
Finance costs	25	(6)	(246)	(887.163)	(793.816)
Profit before taxes on income		**1.337.649**	**1.141.409**	**1.497.542**	**1.240.448**
Current taxes	26	(707)	(393)	(188.185)	(167.681)
Deferred taxes	26	1.377	1.133	34.791	68.175
Profit for the year		**1.338.319**	**1.142.149**	**1.344.148**	**1.140.942**
Attributable to:					
Owners of the Company	31			1.338.319	1.142.149
Noncontrolling interests				5.829	(1.207)
Earnings per share attributable to the owners of the Company	31				
Basic earnings per share (in R$)	31.a			0,63815	0,54454
Diluted earnings per share (in R$)	31.b			0,63776	0,54436

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

WEG S.A.
STATEMENT OF COMPREHENSIVE INCOME
Years ended December 31, 2018 and 2017
In thousands of Reais

	PARENT		CONSOLIDATED	
	12/31/18	**12/31/17**	**12/31/18**	**12/31/17**
Profit for the year	**1.338.319**	**1.142.149**	**1.344.148**	**1.140.942**
Amounts that may be subsequently reclassified to income statement				
Hedge accounting	(7.302)	15.593	(7.302)	15.593
Cumulative translation adjustments	324.284	223.256	326.967	236.768
Total comprehensive income attributable to:	**1.655.301**	**1.380.998**	**1.663.813**	**1.393.303**
Owners of the Company			1.655.301	1.380.998
Noncontrolling interests			8.512	12.305

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

WEG S.A.
STATEMENT OF CHANGES IN EQUITY
Years ended December 31, 2018 and 2017
In thousands of Reais

	Paid-in capital	Capital reserves		Stock option plan	Treasury shares	Earnings reserves		Carrying value adjustments	Additional dividends proposed	Retained earnings	Other comprehensive income		Equity		
		Goodwill reserve	Revaluation of subsidiaries ' assets			Legal reserve	Reserve for capital budget	Deemed cost			Translation adjustment	Hedge accounting	Owners of the Company	Noncontrolling interests	Total
At January 1, 2017	**3.533.973**	**(58.139)**	**3.630**	**1.971**	**(11.924)**	**161.420**	**1.729.461**	**442.032**	**102.750**	**-**	**84.648**	**(26.948)**	**5.962.874**	**107.958**	**6.070.832**
Adjustments from prior years	-	-	-	-	-	-	(193.719)	-	-	-	165.795	-	(27.924)	-	(27.924)
At January 1, 2017 - adjusted	**3.533.973**	**(58.139)**	**3.630**	**1.971**	**(11.924)**	**161.420**	**1.535.742**	**442.032**	**102.750**	**-**	**250.443**	**(26.948)**	**5.934.950**	**107.958**	**6.042.908**
Payment of dividends	-	-	-	-	-	-	-	-	(102.750)	-	-	-	(102.750)	-	(102.750)
Treasury shares sold	-	1.685	-	-	3.208	-	-	-	-	-	-	-	4.893	-	4.893
Treasury shares acquired	-	-	-	-	(8.676)	-	-	-	-	-	-	-	(8.676)	-	(8.676)
Pricing of stock options	-	-	-	2.466	-	-	-	-	-	(590)	-	-	1.876	-	1.876
Capital transactions	-	(22.588)	-	-	-	-	-	849	-	-	-	-	(21.739)	2.118	(19.621)
Reversal of prior year dividends	-	-	-	-	-	-	-	-	-	831	-	-	831	-	831
Carrying value adjustments:															
Realization of deemed cost, net of taxes	-	-	-	-	-	-	-	(36.641)	-	36.641	-	-	-	-	-
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	223.256	-	223.256	13.512	236.768
Hedge accounting - Cash flow , net of taxes	-	-	-	-	-	-	-	-	-	-	-	15.593	15.593	-	15.593
Profit for the year	-	-	-	-	-	-	-	-	-	1.142.149	-	-	1.142.149	(1.207)	1.140.942
Proposed allocations:															
Legal reserve (Note 18.c)	-	-	-	-	-	57.108	-	-	-	(57.108)	-	-	-	-	-
Dividends (Note 18.b)	-	-	-	-	-	-	-	-	132.455	(217.944)	-	-	(85.489)	-	(85.489)
Interest on capital (Note 18.b)	-	-	-	-	-	-	-	-	-	(388.813)	-	-	(388.813)	-	(388.813)
Reserve for capital budget	-	-	-	-	-	-	515.166	-	-	(515.166)	-	-	-	-	-
At December 31, 2017	**3.533.973**	**(79.042)**	**3.630**	**4.437**	**(17.392)**	**218.528**	**2.050.908**	**406.240**	**132.455**	**-**	**473.699**	**(11.355)**	**6.716.081**	**122.381**	**6.838.462**
Payment of dividends	-	-	-	-	-	-	-	-	(132.455)	-	-	-	(132.455)	-	(132.455)
Capital increase	1.970.544	-	-	-	-	(218.528)	(1.752.016)	-	-	-	-	-	-	-	-
Treasury shares sold	-	1.617	-	-	2.131	-	-	-	-	-	-	-	3.748	-	3.748
Pricing of stock options	-	-	-	5.178	-	-	-	-	-	(579)	-	-	4.599	-	4.599
Capital transactions	-	(4.031)	-	-	-	-	-	-	-	-	-	-	(4.031)	8.090	4.059
Reversal of prior year dividends	-	-	-	-	-	-	-	-	-	836	-	-	836	-	836
Carrying value adjustments:															
Deemed cost, net of taxes	-	-	-	-	-	-	-	2	-	-	-	-	2	-	2
Realization of deemed cost, net of taxes	-	-	-	-	-	-	-	(25.461)	-	25.461	-	-	-	-	-
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	324.284	-	324.284	2.683	326.967
Hedge accounting - Cash flow net of taxes	-	-	-	-	-	-	-	-	-	-	-	(7.302)	(7.302)	-	(7.302)
Profit for the year	-	-	-	-	-	-	-	-	-	1.338.319	-	-	1.338.319	5.829	1.344.148
Proposed allocations:															
Legal reserve (Note 18.c)	-	-	-	-	-	66.916	-	-	-	(66.916)	-	-	-	-	-
Dividends (Note 18.b)	-	-	-	-	-	-	-	-	173.867	(346.655)	-	-	(172.788)	-	(172.788)
Interest on capital (Note 18.b)	-	-	-	-	-	-	-	-	-	(357.019)	-	-	(357.019)	-	(357.019)
Reserve for capital budget	-	-	-	-	-	-	593.447	-	-	(593.447)	-	-	-	-	-
As at December 31, 2018	**5.504.517**	**(81.456)**	**3.630**	**9.615**	**(15.261)**	**66.916**	**892.339**	**380.781**	**173.867**	**-**	**797.983**	**(18.657)**	**7.714.274**	**138.983**	**7.853.257**

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

WEG S.A.

STATEMENT OF CASH FLOWS - INDIRECT METHOD

Years ended December 31, 2018 and 2017

In thousands of Reais

	PARENT		CONSOLIDATED	
	12/31/18	**12/31/17**	**12/31/18**	**12/31/17**
Operating activities				
Profit before taxes	1.337.649	1.141.409	1.497.542	1.240.448
Depreciation and amortization	88	87	317.023	283.875
Stock option plan expenses	5.930	3.464	6.067	3.464
Share of profit of investees	(1.310.479)	(1.070.952)	(3.429)	-
Provision for credit risk	-	-	6.824	(6.031)
Provision for tax, civil and labor liabilities	-	(11)	40.676	72.559
Provision for inventory losses	-	-	15.344	14.867
Provision for product warranty	-	-	37.441	15.233
Write-off of noncurrent assets	-	-	9.881	11.954
Accrued interest on borrowings and financing	-	-	84.537	199.767
Income from financial investments	(40.661)	(33.895)	(178.941)	(182.690)
Profit sharing - employees	-	-	225.299	193.361
	(7.473)	**40.102**	**2.058.264**	**1.846.807**
(Increase)/decrease in trade receivables	(16.925)	3.909	(188.969)	(104.890)
(Increase)/decrease in inventories	-	-	(441.614)	(172.271)
Increase/(decrease) in trade payables	2.383	(20.630)	264.025	(107.770)
Income tax and social contribution paid	(677)	(437)	(192.889)	(167.250)
Payment of profit sharing - employees	-	-	(199.162)	(187.180)
Net cash flow from operating activities	**(22.692)**	**22.944**	**1.299.655**	**1.107.446**
Investing activities				
Investments	6.172	(20.803)	-	-
Acquisition of property, plant and equipment	-	-	(403.543)	(254.955)
Acquisition of intangible assets	-	-	(25.860)	(10.822)
Acquisition of company - business combination (net of cash)	-	-	(118.257)	(94.674)
Financial investments	(578.374)	-	(1.572.280)	-
Redemption of financial investments	70.125	-	1.275.297	144.931
Proceeds from the sale of property, plant and equipment and int	-	-	11.353	15.454
Dividends and interest on capital received	529.288	601.478	-	-
Net cash flow from investing activities	**27.211**	**580.675**	**(833.290)**	**(200.066)**
Financing activities				
Proceeds from borrowings and financing	-	-	1.005.626	1.161.890
Repayment of borrowings and financing	-	-	(1.758.424)	(1.403.289)
Interest paid on borrowings and financing	-	-	(91.811)	(357.638)
Treasury shares	2.131	(5.468)	2.131	(5.468)
Dividends and interest on capital paid	(604.148)	(548.345)	(603.957)	(548.502)
Net cash flow from financing activities	**(602.017)**	**(553.813)**	**(1.446.435)**	**(1.153.007)**
Exchange rate changes on cash and cash equivalents	-	-	23.085	17.650
Increase/(decrease) in cash and cash equivalents	**(597.498)**	**49.806**	**(956.985)**	**(227.977)**
Cash and cash equivalents at January 1	798.191	748.385	3.162.685	3.390.662
Cash and cash equivalents at December 31	**200.693**	**798.191**	**2.205.700**	**3.162.685**

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

WEG S.A.
STATEMENT OF VALUE ADDED
Years ended December 31, 2018 and 2017
In thousands of Reais

	PARENT		CONSOLIDATED	
	12/31/18	**12/31/17**	**12/31/18**	**12/31/17**
Revenues	**-**	**-**	**13.415.555**	**10.723.565**
Sales of goods, products and services	-	-	13.386.915	10.659.081
Other revenues	-	-	35.464	58.453
Allowance for / Reversal of allowance for doubtful debts	-	-	(6.824)	6.031
Inputs purchased from third parties	**(6.984)**	**(3.886)**	**(7.607.673)**	**(5.947.041)**
Materials, electric power, third-party services and others	(1.050)	(449)	(7.565.662)	(5.904.864)
Others	(5.934)	(3.437)	(42.011)	(42.177)
Gross value added	**(6.984)**	**(3.886)**	**5.807.882**	**4.776.524**
Depreciation, amortization and depletion	(88)	(87)	(317.023)	(283.875)
Wealth created by the Company	**(7.072)**	**(3.973)**	**5.490.859**	**4.492.649**
Wealth received in transfer	**1.351.910**	**1.150.934**	**881.103**	**851.852**
Share of profit of investees	1.310.479	1.070.952	3.429	-
Finance income	41.431	79.982	877.674	851.852
Wealth for distribution	**1.344.838**	**1.146.961**	**6.371.962**	**5.344.501**
Wealth distributed	**1.344.838**	**1.146.961**	**6.371.962**	**5.344.501**
Personnel	**6.019**	**4.739**	**2.639.287**	**2.162.737**
Salaries and wages	5.743	4.571	2.268.488	1.865.541
Benefits	158	70	280.861	216.629
Severance pay fund (FGTS)	118	98	89.938	80.567
Taxes, fees and contributions	**498**	**(171)**	**1.454.946**	**1.209.491**
Federal	498	(171)	1.310.533	1.095.681
State	-	-	129.964	99.972
Municipal	-	-	14.449	13.838
Lenders and lessors	**2**	**244**	**933.581**	**831.331**
Interest	2	244	883.600	787.614
Rentals	-	-	49.981	43.717
Shareholders	**1.338.319**	**1.142.149**	**1.344.148**	**1.140.942**
Dividends	346.655	217.944	346.655	217.944
Interest on capital	357.019	388.813	357.019	388.813
Retained earnings	634.645	535.392	634.645	535.392
Retained earnings - noncontrolling interests	-	-	5.829	(1.207)

1 INFORMATION ABOUT THE COMPANY

WEG S.A. ("Company") is a publicly-held limited liability corporation headquartered at Avenida Prefeito Waldemar Grubba, 3300, in Jaraguá do Sul - State of Santa Catarina (SC), Brazil, holding company comprising the WEG Group ("Group"), whose main activity is the production and trade of capital goods such as electric motors, generators and transformers; gear units and geared motors; hydraulic and steam turbines; frequency converters; motor starters and maneuver devices; control and protection of electric circuits and industrial automation; power sockets and switches; electric traction solutions for heavy vehicles, utility vehicles and locomotives, and urban and sea transportation; solutions for the generation of renewable and distributed energy, exploring all opportunities in small hydro, thermal biomass, wind and solar energy powerplants; no-breaks and alternators for groups of generators; conventional and movable electric substations; industrial electro electronic equipment systems; industrial paint & varnish and paints for automotive repainting. The operations are performed through manufacturing facilities located in Brazil, Argentina, Colombia, Mexico, United Stated, 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 consolidated and company financial statements ("financial statements") have been prepared taking into consideration all the Company's significant information, which corresponds to that information used by the Management in its management, prepared in accordance with the International Financial Reporting Standards - "IFRS", which have been implemented in Brazil by the Committee for Accounting Pronouncements ("CPC"), approved by the Brazilian Securities and Exchange Commission ("CVM") and the Brazilian Federal Accounting Council ("CFC").

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

These consolidated and company financial statements were authorized for issue at the Executive Board's meeting held on February 19, 2019.

2.1 Basis of consolidation

The consolidated financial statements have been jointly prepared with the parent company's, using consistent accounting policies, and are comprised of the direct and indirect subsidiaries' financial statements.
All unrealized balances, revenues, expenses, gains and losses arising from intercompany transactions of the Group included in the consolidation are eliminated.
Changes in the corporate interest in a subsidiary that do not result in a loss of control are accounted for as transactions between shareholders in equity.
Profit and loss for the year and comprehensive income are attributable to the parent company's shareholders and noncontrolling interest of the consolidated companies. Losses are attributable to minority interest, even if they result in a negative balance.
The subsidiaries that comprise the consolidated financial statements are presented in Note 11.

2.2 Business Combinations

When the Company acquires a business, it assesses the assets and liabilities assumed aiming at classifying them and allocating them in accordance with the contractual terms, the economic circumstances, and the relevant conditions, in up to one year subsequent to the acquisition date.
The goodwill is initially measured as the excess of the consideration transferred in relation to net assets acquired (identified assets and assumed liabilities). If the consideration is less than the fair value of the net assets acquired, the difference is recognized as gain in the income statement.

Subsequent to the initial recognition, the goodwill is measure at cost, minus any accumulated losses of the recoverable value, which is tested on a yearly basis. For recoverable value testing purposes, the goodwill acquired in a business combination is, as from the date of acquisition, allocated to each one of the Company's cash generating units (CGUs) which are expected to benefit from the combination synergies, regardless of other acquiree's assets or liabilities being attributable to those units.
When the goodwill be part of a cash generating unit and a portion of this unit be disposed, the goodwill related to the portion disposed is included in the operation cost on the determination of gain or loss. The goodwill of this operation is determined based on the amounts proportionate to the portion disposed in relation to the cash generating unit.
Financial information of subsidiaries is recognized in the individual financial statements of the parent company using the equity method.

2.3 Foreign currency translation

a) Functional currency of the Group's companies

These consolidated financial statements are presented in Reais (R$), which is the Company’s and its located-in-Brazil subsidiaries' functional currency.
The functional currency of subsidiaries located abroad is determined based on the principal economic environment in which they operate, and translated into Real (R$) as of the reporting date.

b) Transactions and balances

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

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

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

2.4 Cash and cash equivalents

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

2.5 Financial investments

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

2.6 Trade receivables

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

2.7 Inventories

Inventories are assessed and are stated at the average production or acquisition cost, considering the present value, when applicable. The Company and its subsidiaries determine the cost of their inventories using the absorption method, based upon the weighted moving average.

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

2.8 Property, plant and equipment

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

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

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

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

2.9 Intangible assets

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

2.10 Research, development and innovation

Research, development and innovation expenditures incurred on opportunities for gaining scientific and technological know-how, process and products improvement.

2.11 Provision for contingencies

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

2.12 Provision for warranties

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

2.13 Profit sharing

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

2.14 Dividends and interest on capital

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

Dividends proposed for the Board of Directors remain recorded in equity in the caption Additional Dividends.

2.15 Private pension plan

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

2.16 Financial instruments

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

a) **Cash and cash equivalents:** Cash and cash equivalents are stated at market value, which is equivalent to their carrying value;
b) **Financial investments:** Fair value is reflected in the amounts recorded in the balance sheets. Financial investments are classified as securities held to maturity;
c) **Borrowings and financing:** The main purpose of this financial instrument is to generate funds to finance the Company's and its subsidiaries' expansion programs, and possibly cover the needs for its cash flow in the short term:
   - Borrowings and financing in local currency: are classified as financial liabilities not measured at fair value and are recorded at their corrected amounts, according to the contracted rates. The market values of these borrowings are equivalent to their carrying values, as they are financial instruments which have exclusive characteristics, resulting from specific financing sources.
   - Borrowings and financing in foreign currency: they are financially contracted to provide support to working capital of sales operations performed in Brazil, and of subsidiaries located abroad, and are corrected according to the rates contracted.
d) **Derivative financial instruments:**
   - Operations with Non Deliverable Forwards (NDF) and SWAPs - recognized at fair value in assets and/or liabilities in contra-entry to the financial profit or loss in the income statement.
   - Hedge accounting - it aims at hedging against variation risk arising from foreign exchange rates. These operations are recognized at fair value in assets and/or liabilities against the financial profit or loss in the income statement. The amount recorded in equity is immediately transferred to the statement of profit or loss when the transaction subject to hedge affects profit or loss.

2.17 Treasury shares

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

2.18 Share-based plan

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

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

2.19 Government subsidies and grants

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

2.20 Revenue from contract with customer

Revenue is recognized to the extent which the company transfers the control over goods and services to the customers, which generally occurs at the moment the customer receives the goods.
It is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and taxes or charges over sales.

2.21 Revenue from contract with customer - Construction contracts

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

2.22 Taxes

a) Current and deferred income and social contribution taxes

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

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

b) Other taxes

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

2.23 Segment information

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

2.24 Statement of value added

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

2.25 Hyperinflationary economy

Non-monetary items are adjusted for inflation from the acquisition or remeasurement date through the reporting dates, except for non-monetary items recognized at present value at the reporting dates, which are not adjusted for inflation. Deferred taxes are measured subsequent to the adjustment of non-monetary items, from the acquisition or remeasurement date through the opening balance dates, and subsequently adjusted through the reporting dates.
Monetary items are not adjusted, since these are already expressed in the current monetary unit at the end of the reporting periods.
Gains and losses on the net monetary position are recorded in profit or loss.

2.26 New standards effective beginning on January 1, 2018

New standards are effective for annual periods beginning on or after January 1, 2018 and were adopted by the Company:

a) CPC 47 (IFRS 15) Revenue from contracts with customers

The Company and its subsidiaries adopted the new pronouncement on January 1, 2018, and the adoption of this standard did not have significant impact on the Company's and its subsidiaries' equity.

b) CPC 48 (IFRS 9) Financial instruments

The Company and its subsidiaries adopted the new pronouncement and, considering their transactions on the adoption date, they did not identify relevant impact on the accounting of trade receivables, borrowings, investments in debt securities and investments in equity securities.

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

2.27 New standards effective beginning on January 1, 2019

New standards, amendments to standards, and interpretations are effective for annual periods beginning after January 1st, 2019. The Company and its subsidiaries did not adopt these changes in the preparation of these financial statements:

a) CPC 06 (R2) (IFRS 16) Leases

CPC 06 (R2) (IFRS 16) introduces a single model for the recording of leases for leaseholders to use in the balance sheet. The leaseholder recognizes a right-of-use asset which represents its right to use the leased asset and a lease liability which represents its obligation of performing the lease payments. Optional exemptions are available for short-term leases and low-value items. The lessor's accounting remains similar to the current standard, i.e. the leaseholders continue to classify leases as financial or operational ones.

It supersedes the existing lease standards, including CPC 06 (IAS 17) Leases and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) Supplementary Aspects of Leases.

The Company assessed the impacts of this new standard on its financial statements, and the impact on the balance sheet for the first-time adoption is approximately of R$ 106 million in assets, with a balancing item in current liabilities of R$ 31 million in non-current liabilities of R$ 75 million.

The Company will record on the balance sheet the impact on the adoption of the new standard on the date of first application, without the restatement of comparative figures.

Regarding leases previously classified as operating leases, the Company elected to recognize the right to use the asset at the amount equivalent to the lease liability on the date of first application.

There will not be a tax impact on the change of accounting for lease agreements, considering that the prevailing tax law provides for the deductibility for the calculation of IRPJ and CSLL and PIS and COFINS credits, based on the installments paid over the agreement term.

b) ICPC 22 (IFRIC 23) Uncertainty over Income Tax Treatments

This standard addresses the recognition of income taxes in cases where tax treatments involve an uncertainty which affects the application of IAS 12 (CPC 32 - Income Taxes) and it is not applied to taxes outside the scope of IAS 12 neither specifically includes the requirements retarding interest and fines associated to uncertain income tax treatments.

Uncertain income tax treatment is any accounting or tax procedure, adopted by the Company on the calculation of income taxes that, if challenged by the tax authority, may suffer from changes in value.

(Amounts in thousands of Reais, except otherwise stated)

In this case, the Company shall measure and record the current and deferred income tax and social contribution, which refers to the amount that may be challenged by the tax authority.

The Company considers that the application of this interpretation will have no impact in profit or loss.

2.28 Restatement of accounting balances

Based on the international standard IAS 8 (CPC 23 - Accounting Policies, Change in Accounting Estimates and Errors) the Financial Statements for the prior year 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.

Therefore, the corresponding figures of the prior year and periods, presented for comparison purposes, were adjusted and are being restated to reflect: (i) the accounting adjustments arising from foreign exchange differences on translation of goodwill of foreign operation; and (ii) the accounting adjustments of prior periods related to the impairment of goodwill, as shown below:

Balance sheet as at December 31, 2017

	PARENT			CONSOLIDATED		
	12/31/17	Cumulative adjustments	12/31/17 Restated	12/31/17	Cumulative adjustments	12/31/17 Restated
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	(4.845)	5.511.239	268	-	268
Property, plant and equipment	4.393	-	4.393	3.160.111	-	3.160.111
Intangible assets	-	-	-	966.097	(4.845)	961.252
TOTAL ASSETS	**6.896.102**	**(4.845)**	**6.891.257**	**13.985.987**	**(4.845)**	**13.981.142**
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**	**(4.845)**	**6.716.081**	**6.843.307**	**(4.845)**	**6.838.462**
Paid-in capital	3.533.973	-	3.533.973	3.533.973	-	3.533.973
Reserves	2.374.788	(193.719)	2.181.069	2.374.788	(193.719)	2.181.069
Carrying value adjustments	679.710	188.874	868.584	679.710	188.874	868.584
Additional dividends proposed	132.455	-	132.455	132.455	-	132.455
Noncontrolling interests	-	-	-	122.381	-	122.381
TOTAL LIABILITIES	**6.896.102**	**(4.845)**	**6.891.257**	**13.985.987**	**(4.845)**	**13.981.142**

(Amounts in thousands of Reais, except otherwise stated)

Statement of comprehensive income as at December 31, 2017:

	PARENT			CONSOLIDATED		
	12/31/17	Adjustments	12/31/17 Restated	12/31/17	Adjustments	12/31/17 Restated
Profit for the year	**1.142.149**	**-**	**1.142.149**	**1.140.942**	**-**	**1.140.942**
Amounts that may be subsequently reclassified to income statement						
Hedge accounting	15.593	-	15.593	15.593	-	15.593
Cumulative translation adjustments	200.177	23.079	223.256	213.689	23.079	236.768
Total comprehensive income attributable to:	**1.357.919**	**23.079**	**1.380.998**	**1.370.224**	**23.079**	**1.393.303**
Owners of the Company				1.357.919	23.079	1.380.998
Noncontrolling interests				12.305	-	12.305

Balance sheet as at January 1, 2017:

	PARENT			CONSOLIDATED		
	01/01/17	Adjustments	01/01/17 Restated	01/01/17	Adjustments	01/01/17 Restated
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	(27.924)	4.842.528	223	-	223
Property, plant and equipment	4.479	-	4.479	3.032.716	-	3.032.716
Intangible assets	-	-	-	951.526	(27.924)	923.602
TOTAL ASSETS	**6.188.994**	**(27.924)**	**6.161.070**	**13.509.331**	**(27.924)**	**13.481.407**
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**	**(27.924)**	**5.934.950**	**6.070.832**	**(27.924)**	**6.042.908**
Paid-in capital	3.533.973	-	3.533.973	3.533.973	-	3.533.973
Reserves	1.826.419	(193.719)	1.632.700	1.826.419	(193.719)	1.632.700
Carrying value adjustments	499.732	165.795	665.527	499.732	165.795	665.527
Additional dividends proposed	102.750	-	102.750	102.750	-	102.750
Noncontrolling interests	-	-	-	107.958	-	107.958
TOTAL LIABILITIES	**6.188.994**	**(27.924)**	**6.161.070**	**13.509.331**	**(27.924)**	**13.481.407**

Based on the analyses performed, Management concluded that the adjustments do not have impact on the statements of income, cash flows and value added for the current and prior years presented for comparison purposes.

3 ACCOUNTING ESTIMATES

The financial statements include 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 financial statements due to the inaccuracies inherent in the estimate process. These estimates are periodically reviewed.

(Amounts in thousands of Reais, except otherwise stated)

4 CASH AND CASH EQUIVALENTS

	PARENT		CONSOLIDATED	
	12/31/18	**12/31/17**	**12/31/18**	**12/31/17**
a)Cash and banks	**8**	**12**	**286,783**	**224,249**
b)Financial investments	**200,685**	**798,179**	**1,918,917**	**2,938,436**
In local currency:	**200,685**	**798,179**	**1,870,749**	**2,847,251**
Bank Certificate of Deposit (CDB) and Repurchase Operations	200,685	798,179	1,870,749	2,847,251
In foreign currency:	**-**	**-**	**48,168**	**91,185**
TOTAL	**200,693**	**798,191**	**2,205,700**	**3,162,685**

Investments in Brazil:
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 102.5% of the Interbank Deposit Rate - CDI (99.0% to 102.8% of the CDI as at December 31, 2017).

5 FINANCIAL INVESTMENTS

	PARENT		CONSOLIDATED	
	12/31/18	**12/31/17**	**12/31/18**	**12/31/17**
Bank Certificate of Deposit (CDB), Repurchase Agreements and Funds	978,627	429,717	1,886,970	1,411,046
TOTAL	**978,627**	**429,717**	**1,886,970**	**1,411,046**
Current assets	**978,627**	**429,717**	**1,324,188**	**1,411,046**
Floating rate	978,627	429,717	1,243,861	429,717
Fixed rate	-	-	80,327	981,329
Noncurrent assets	**-**	**-**	**562,782**	**-**
Floating rate	-	-	516,138	-
Fixed rate	-	-	46,644	-

Financial investments yield fixed rates of 15.4% to 16.2% p.a. (16.2% to 16.4% p.a. as at December 31, 2017) and floating rates ranging from 100.3% to 102,5% of the CDI rate.

(Amounts in thousands of Reais, except otherwise stated)

6 TRADE RECEIVABLES

	CONSOLIDATED	
	12/31/18	**12/31/17**
a)Breakdown of balances:		
Domestic market	1,017,925	904,309
External market	1,473,715	1,382,276
SUBTOTAL	**2,491,640**	**2,286,585**
Allowance for doubtful debts	(50,796)	(43,972)
TOTAL	**2,440,844**	**2,242,613**
b)Losses on trade receivables in the period	**8,639**	**14,686**
c) Maturity of trade notes:		
Not past due	2,129,256	1,957,365
Past due:	362,384	329,220
Up to 30 days	214,301	196,401
From 31 to 90 days	75,102	65,017
From 91 to 180 days	24,048	27,498
Over 180 days	48,933	40,304
TOTAL	**2,491,640**	**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 year	8,639
Recognition of provision in the year	(33,987)
Reversal of provision in the year	18,524
Balance at 12/31/18	**(50,796)**

7 INVENTORIES

	CONSOLIDATED	
	12/31/18	**12/31/17**
Finished goods	377,506	341,328
Work in progress	412,954	233,397
Raw materials and others	407,373	293,146
Imports in transit	74,543	58,189
Provision for slow-moving inventory losses	(33,262)	(21,642)
Total inventories - domestic market	**1,239,114**	**904,418**
Finished goods	744,153	586,213
Work in progress	246,507	182,499
Raw materials and others	305,842	252,618
Provision for slow-moving inventory losses	(77,206)	(73,482)
Total inventories – external market	**1,219,296**	**947,848**
GRAND TOTAL	**2,458,410**	**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 year	(70,734)
Reversal of provision in the year	55,390
Balance at 12/31/18	**(110,468)**

(Amounts in thousands of Reais, except otherwise stated)

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.

8 TAXES RECOVERABLE

	PARENT		CONSOLIDATED	
	12/31/18	12/31/17	12/31/18	12/31/17
IVA of foreign subsidiaries	-	-	122,338	118,025
ICMS (State VAT)	-	-	103,471	48,382
ICMS on purchases of property, plant and equipment	-	-	20,297	18,890
IPI (Federal VAT)	-	-	98,576	78,644
IRPJ (Corporate Income Tax) /CSLL (Social Contribution on Net Income)	17,083	4,827	153,436	77,471
PIS/COFINS (Taxes on Revenue)	-	-	54,868	72,793
REINTEGRA	-	-	30,488	11,907
Others	-	-	6,153	3,674
TOTAL	**17,083**	**4,827**	**589,627**	**429,786**
Current assets	17,083	4,827	421,938	419,845
Noncurrent assets	-	-	167,689	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	
	12/31/18	12/31/17	12/31/18	12/31/17
BALANCE SHEET ACCOUNTS				
Noncurrent assets	**15**	**13**	**-**	**-**
Management of funds				
WEG Equipamentos Elétricos S.A. (*)	15	13	-	-
Current liabilities	**1,455**	**1,202**	**20,449**	**14,781**
Contracts with Management	-	-	4,851	5,172
Profit sharing - Management	1,455	1,202	15,598	9,609

PROFIT & LOSS ACCOUNTS PARENT CONSOLIDATED	PARENT		CONSOLIDATED	
	12/31/18	12/31/17	12/31/18	12/31/17
Management compensation:				
a) Fixed (fees)	**2,535**	**2,337**	**25,374**	**23,631**
Board of Directors	1,214	1,115	2,428	2,230
Board of Executive Officers	1,321	1,222	22,946	21,401
b) Variable (profit sharing)	**2,526**	**1,970**	**24,680**	**15,916**
Board of Directors	1,214	937	2,428	1,874
Board of Executive Officers	1,312	1,033	22,252	14,042

(Amounts in thousands of Reais, except 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$ 50.3 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$ 2,428 (R$ 2,230 as at December 31, 2017) and the executive officers received R$ 22,946 (R$ 21,401 as at December 31, 2017) for their services, corresponding to a total amount of R$ 25,374 (R$ 23,631 as at December 31, 2017).
It is expected the participation 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%t) and growth of net operating revenue (weight of 25%). The corresponding provision is recognized in profit or loss for the year in the amount of R$ 24,680 (R$ 15,916 as at December 31, 2017), in line item other operating income (expenses). Directors receive benefits for the performance of their function.

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	
	12/31/18	**12/31/17**	**12/31/18**	**12/31/17**
Income tax losses	46	374	96,719	95,696
Social contribution losses	140	151	16,340	16,205
Temporary differences:				
Provisions:				
Labor and civil contingencies	-	-	107,217	95,789
Taxes under litigation	1,608	1,608	42,432	40,721
Losses on trade receivables	-	-	13,794	9,978
Losses on slow-moving inventories	-	-	16,358	13,688
Indemnities on labor and contractual terminations	-	-	18,024	16,900
Freight and sales commissions	-	-	13,571	10,182
Third-party services	-	-	62,036	59,119
Employee profit sharing	-	-	49,587	40,829
Unrealized gains on derivatives	-	-	(21,825)	(25,808)
Derivatives - hedge accounting	-	-	9,611	5,849
Accelerated depreciation	-	-	(7,306)	(8,084)
Difference between tax and accounting amortization of goodwill	-	-	(32,739)	(31,209)
Difference between tax and accounting depreciation (useful life)	(14)	(14)	(194,042)	(159,973)
Others	2,914	1,226	44,354	44,867
Deemed cost of property, plant and equipment	(1,372)	(1,401)	(177,999)	(193,094)
TOTAL	**3,322**	**1,944**	**56,132**	**31,655**
Noncurrent assets	3,322	1,944	142,669	148,284
Noncurrent liabilities	-	-	(86,537)	(116,629)

(Amounts in thousands of Reais, except otherwise stated)

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.
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

Company	Country	Equity	Profit (loss) for the year	Equity interest (%)				Share of profit (loss) of investees		Investment book value	
				12/31/18		12/31/17		12/31/18	12/31/17	12/31/18	12/31/17
				Direct	Indirect	Direct	Indirect				
WEG Equipamentos Elétricos S.A. (*)	Brazil	5,669,794	1,267,882	100.00	-	100.00	-	1,217,338	947,537	5,669,794	4,671,472
RF Reflorestadora Ltda.		155,762	1,963	100.00	-	100.00	-	1,969	7,615	155,762	165,634
WEG Tintas Ltda.		-	520	-	-	99.91	0.09	520	21,375	-	18,806
WEG Amazônia S.A.		47,714	8,603	0.02	99.98	0.02	99.98	1	2	8	9
WEG Administradora de Bens Ltda.		12,989	17	99.06	0.94	99.31	0.69	(1)	2,388	12,867	16,842
WEG Logística Ltda.		160,389	15,849	-	100.00	-	100.00	-	-	-	-
WEG Linhares Equips. Elétricos S.A.		376,713	90,974	-	100.00	-	100.00	1	-	2	2
WEG Drives & Controls Aut. Ltda.		545,540	81,488	100.00	-	100.00	-	81,504	84,966	545,540	484,036
WEG Partner Aerogeradores Ltda.		7	(1)	0.10	99.90	0.10	99.90	-	-	-	-
WEG-Cestari Redut. Motorredut. S.A.		38,241	2,717	-	50.00	-	50.00	-	-	-	-
Hidráulica Indl.- Ind. e Com. Ltda.		218,266	(21,484)	-	100.00	-	100.00	-	-	-	-
Agro Trafo Adm. de Bens Ltda.		1,200	185	91.75	8.25	91.75	8.25	170	1,250	1,101	7,689
Paumar S.A. Indústria e Comércio		362,891	12,227	38.87	61.13	38.87	61.13	4,755	3,239	141,056	136,992
WEG-Jelec Oil and Gas Sol. Aut. Ltda.		11	-	-	100.00	-	100.00	-	-	-	-
Transformadores do Nordeste Ltda.		17,785	2,083	0.01	99.99	0.01	99.99	-	-	-	-
TGM Ind. e Com. de Turbinas e Trans. Ltda.		85,861	10,865	0.01	99.99	-	-	-	-	-	-
Zest WEG Group Africa (Pty) Ltd.	South Africa	218,813	12,379	-	100.00	-	100.00	-	-	-	-
Zest Energy (Pty) Ltd.		9,852	1,649	-	100.00	-	93.33	-	-	-	-
Zest WEG Manufacturing (Pty) Ltd.		(38,907)	(12,396)	-	100.00	-	100.00	-	-	-	-
Zest WEG Electric (Pty) Ltd.		104,623	23,713	-	74.80	-	74.80	-	-	-	-
ENI Electric/Instrumentations Eng. Cont.(Pty)		(9,100)	(5,424)	-	86.67	-	86.67	-	-	-	-
Zest WEG Group Namibia Ent. (Pty) Ltd.		1,857	316	-	100.00	-	100.00	-	-	-	-
Zest WEG Investment Company (Pty) Ltd.		103,606	18,180	-	64.70	-	64.70	-	-	-	-
WEG Germany GmbH	Germany	42,810	4,502	-	100.00	-	100.00	-	-	-	-
Watt Drive GmbH		5,140	266	-	100.00	-	100.00	-	-	-	-
Wurttembergische Elektromotoren GmbH		16,245	2,274	-	100.00	-	100.00	-	-	-	-
Antriebstechnik KATT Hessen GmbH		2,218	464	-	100.00	-	100.00	-	-	-	-
WEG Equipamientos Electricos S.A.	Argentina	77,625	2,112	10.45	89.55	10.45	89.55	4,097	2,535	8,105	6,835
Pulverlux S.A.		8,558	(1,301)	-	100.00	-	100.00	-	-	-	-
WEG Australia Pty Ltd.	Australia	44,618	2,781	-	100.00	-	100.00	-	-	-	-
Watt Drive Antriebstechnik GmbH	Austria	65,488	13,362	-	100.00	-	100.00	-	-	-	-
WEG International Trade GmbH		664,143	602,344	-	100.00	-	100.00	-	-	-	-
WEG Holding GmbH		2,725,823	713,813	-	100.00	-	100.00	-	-	-	-
WEG Benelux S.A.	Belgium	55,686	8,873	-	100.00	-	100.00	-	-	-	-
WEG Chile S.A.	Chile	39,380	1,529	8.00	92.00	8.00	92.00	122	45	3,150	2,919
WEG (Nantong) Electric Motor Co., Ltd.	China	218,074	19,951	-	100.00	-	100.00	-	-	-	-
Changzhou Sinya Electromotor Co., Ltd.		45,196	(24,703)	-	100.00	-	100.00	-	-	-	-
Changzhou Yatong Jiewei Elect., Ltd.		14,830	(7,548)	-	100.00	-	100.00	-	-	-	-
Wuxi Ecovi Technology Co., Ltd.		6,315	383	-	100.00	-	100.00	-	-	-	-
Jiangsu Shiya Elect. Technolog. Co.,Ltd.		5,321	(7,479)	-	100.00	-	100.00	-	-	-	-
The First Drive Technology Co., Ltd.		10,169	(1)	-	100.00	-	100.00	-	-	-	-
WEG (Jiangsu) Electric Equip. Co., Ltd.		201,492	24,457	-	100.00	-	100.00	-	-	-	-
WEG Singapore Pte. Ltd.	Singapore	173	262	-	100.00	-	100.00	-	-	-	-
WEG Colombia S.A.S.	Colombia	109,669	17,580	-	100.00	-	100.00	-	-	-	-
FTC Energy Group S.A.		6,107	1,486	-	100.00	-	100.00	-	-	-	-
WEG Transformadores Colombia S.A.S.		22,957	1,123	-	100.00	-	100.00	-	-	-	-
WEG Middle East Fze.	Arab Emirates	(14,043)	(1,906)	-	100.00	-	100.00	-	-	-	-
WEG Iberia Industrial S.L.	Spain	65,415	7,168	-	100.00	-	100.00	-	-	-	-
Autrial S.L.		(9,662)	283	-	51.00	-	51.00	-	-	-	-

(Amounts in thousands of Reais, except otherwise stated)

Company	Country	Equity	Profit (loss) for the year	Equity interest (%)				Share of profit (loss) of investees		Investment book value	
				12/31/18		12/31/17		12/31/18	12/31/17	12/31/18	12/31/17
				Direct	Indirect	Direct	Indirect				
WEG Electric Corp.	United States	609,291	39,225	-	100.00	-	100.00	-	-	-	-
Electric Machinery Company LLC	United States	61,800	(3,600)	-	100.00	-	100.00	-	-	-	-
FTC Energy Group Inc.	United States	1,098	241	-	100.00	-	100.00	-	-	-	-
Bluffton Motor Works, LLC	United States	297,724	(7,574)	-	100.00	-	100.00	-	-	-	-
WEG Transformers USA LLC	United States	97,330	(29,753)	-	72.00	-	72.00	-	-	-	-
WEG Investment North America Inc	United States	148,368	8,346	-	100.00	-	100.00	-	-	-	-
WEG France SAS	France	32,899	1,812	-	100.00	-	100.00	-	-	-	-
Zest WEG Group Ghana Ltd.	Ghana	7,744	5,498	-	100.00	-	100.00	-	-	-	-
E & I Electrical Ghana Ltd.	Ghana	(1,645)	(18)	-	90.00	-	90.00	-	-	-	-
WEG Industries (India) Private Ltd.	India	195,087	(15,520)	-	100.00	-	100.00	-	-	-	-
WEG (UK) Ltd.	England	23,556	(3,088)	-	100.00	-	100.00	-	-	-	-
WEG Italia S.R.L.	Italy	34,199	1,994	-	100.00	-	100.00	-	-	-	-
WEG Electric Motors Japan Co. Ltd.	Japan	3,103	130	-	95.00	-	95.00	-	-	-	-
WEG South East Asia SDN BHD	Malaysia	(970)	(1,047)	-	100.00	-	100.00	-	-	-	-
WEG México S.A. de C.V.	Mexico	497,811	(12,970)	-	100.00	-	100.00	(1)	-	-	1
WEG Transform. México S.A. de C.V.	Mexico	72,562	3,429	-	72.00	-	72.00	-	-	-	-
Voltran S.A. de C.V.	Mexico	89,182	2,642	-	72.00	-	72.00	-	-	-	-
WEG Equipos Eléctricos S.A. de C.V.	Mexico	2,531	(2)	-	100.00	-	-	-	-	-	-
WEG Power Systems S.A. de C.V.	Mexico	28,344	(2)	-	72.00	-	-	-	-	-	-
ENI Electrical Mozambique(Pty) Limited	Mozambique	-	(12)	-	66.67	-	66.67	-	-	-	-
Zest WEG Group Mozambique, Lda	Mozambique	(77)	(550)	-	-	-	100.00	-	-	-	-
WEG Peru S.A.	Peru	11,935	7,486	0.05	99.95	0.05	99.95	4	-	6	2
WEGEuro Ind. Eléctrica S.A.	Portugal	106,523	13,984	-	100.00	-	100.00	-	-	-	-
WEG Electric CIS	Russia	9,175	4,324	-	100.00	-	100.00	-	-	-	-
WEG Scandinavia AB	Sweden	11,524	216	-	100.00	-	100.00	-	-	-	-
ENI Electrical Tanzania (Pty) Limited	Tanzania	160	(271)	-	100.00	-	100.00	-	-	-	-
WEG Industrias Venezuela C.A.	Venezuela	-	(10)	-	100.00	-	100.00	-	-	-	-
E & I Zambia Ltd.	Zambia	(2,127)	(1,493)	-	50.00	-	50.00	-	-	-	-
TOTAL								**1,310,479**	**1,070,952**	**6,537,391**	**5,511,239**

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

The Company's consolidated financial statements include the individual financial statements 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 financial statements.
Subsidiaries with negative equity are capitalized annually, in accordance with the legislation of each country.

11.2 Investment in associate

Company	Country	Equity	Profit (loss) for the year	Equity interest (%)				Share of profit (loss) of investees		Investment book value	
				12/31/18		12/31/17		12/31/18	12/31/17	12/31/18	12/31/17
				Direct	Indirect	Direct	Indirect				
TGM Kanis Turbinen GmbH	Germany	46,619	8,000	-	42.86	-	-	3,429	-	19,981	-

11.3 Acquisition

Acquisition TGM Group

In December 2016, the Company announced the signing of an agreement for the acquisition of control of TGM Indústria e Comercio 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. Goodwill in the amount of R$ 102,240 was measured as being the excess of the consideration transferred over the net assets acquired. The amount of R$ 146,062 initially recognized as goodwill was recorded in intangible assets and in property, plant and equipment due to its fair value. The Company has an outstanding installment payable amounting to R$ 121,405.

11.4 Corporate Acts 2018

(i) WEG Tintas Ltda.

In July 2018, WEG Tintas Ltda. was merged into WEG Equipamentos Elétricos S.A. through the contribution of its assets and liabilities. The purpose of this restructuring is to streamline administrative services, and reduce related administrative expenses.

(Amounts in thousands of Reais, except otherwise stated)

(ii) TGM Group

In August 2018, TGM Participações Ltda, GJB-PAR Participações Ltda. GT6 Holding Ltda., MFM4 Holding Ltda., WAMJ-PAR Participações Ltda., JFB Holding Ltda. and NBM-PAR Participações Ltda were merged into WEG Equipamentos Elétricos S.A through the contribution of their assets and liabilities., in order to reduce the corporate structure.

(iii) Zest Energy (Pty) Ltd.

In October 2018, the subsidiary Zest WEG Group Africa (Pty) Ltd. acquired 5 shares of Zest Energy (Pty) Ltd. From that date, the Company holds 100% of Zest Energy (Pty) Ltd.

(iv) Zest WEG Group Mozambique, Lda.

In October 2018, the company Zest WEG Group Mozambique, Lda. was discontinued and the company was dully dissolved.

(v) New companies in Mexico

In December 2018, the companies WEG Equipos Eléctricos S.A. de C.V. and WEG Power Systems S.A. de C.V. were created, both in Mexico. These incorporations are aimed at providing greater sustainability to the business and better administrative organization in Mexico operations.

12 PROPERTY, PLANT AND EQUIPMENT

		PARENT		CONSOLIDATED	
		12/31/18	12/31/17	12/31/18	12/31/17
Land		1,440	1,440	404,019	375,171
Constructions and facilities		5,639	5,639	1,469,714	1,349,041
Equipment		-	-	4,139,915	3,766,631
Furniture and fixtures		-	-	148,236	153,177
Hardware		-	-	127,383	126,391
Construction in progress		-	-	385,711	183,391
Reforestation		-	-	57,899	56,487
Others		-	-	113,962	134,369
Total property, plant and equipment		**7,079**	**7,079**	**6,846,839**	**6,144,658**
Accumulated depreciation/depletion	**Annual depreciation rate (%)**	**(2,774)**	**(2,686)**	**(3,304,885)**	**(2,984,547)**
Constructions and facilities	02 to 03	(2,774)	(2,686)	(444,132)	(403,092)
Equipment	05 to 20	-	-	(2,609,041)	(2,302,220)
Furniture and fixtures	07 to 10	-	-	(101,616)	(109,606)
Hardware	20 to 50	-	-	(100,026)	(103,144)
Reforestation	-	-	-	(25,745)	(22,875)
Others	-	-	-	(24,325)	(43,610)
TOTAL PROPERTY, PLANT AND EQUIPMENT		**4,305**	**4,393**	**3,541,954**	**3,160,111**

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

Class of share	12/31/17	Transfer between classes	Acquisitions	TGM's purchase price allocation	Write-offs	Depreciation and depletion	Effect of exchange rate	12/31/18
Land	375,171	(888)	4,339	10,156	(24)	-	15,265	404,019
Constructions and facilities	945,949	4,946	29,505	34,517	(273)	(38,797)	49,735	1,025,582
Equipment	1,464,411	43,467	173,404	34,745	(15,696)	(219,586)	50,129	1,530,874
Furniture and fixtures	43,571	817	9,637	-	(281)	(8,644)	1,520	46,620
Hardware	23,247	268	13,488	-	(645)	(9,953)	952	27,357
Construction in progress	183,391	(48,579)	234,310	-	-	-	16,589	385,711
Reforestation	33,612	-	1,413	-	-	(2,871)	-	32,154
Advances to suppliers	73,277	-	(19,237)	-	-	-	13,880	67,920
Others	17,482	(31)	9,475	-	(1,758)	(4,214)	763	21,717
TOTAL	**3,160,111**	**-**	**456,334**	**79,418**	**(18,677)**	**(284,065)**	**148,833**	**3,541,954**

(Amounts in thousands of Reais, except otherwise stated)

b) Construction in progress - the Company has investments in progress in property, plant and equipment items as at December 31, 2018 amounting to R$ 385,711 (R$ 183,391 as at December 31, 2017), and the most significant investments are in Mexico unit, which amount to R$ 303,232 (R$ 113,158 as at December 31, 2017).

c) **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$ 31,166 (R$ 27,921 as at December 31, 2017).

13 INTANGIBLE ASSETS - CONSOLIDATED

	Amortization / No. of years	Cost Accumulated	Amortization	12/31/18	12/31/17
Software license	5	161,384	(116,060)	45,324	33,600
Property right	50 – 99	83,504	(20,162)	63,342	47,845
Trademarks and patents	5	38,729	(11,666)	27,063	8,392
Others	5	296,231	(206,800)	89,431	52,845
Subtotal		**579,848**	**(354,688)**	**225,160**	**142,682**
Goodwill on acquisition of subsidiaries	-	1,016,220	(21,353)	994,867	818,570
TOTAL		**1,596,068**	**(376,041)**	**1,220,027**	**961,252**

a) Summary of the movement in intangible assets:

	12/31/17	Additions	TGM's purchase price allocation	Write-offs	Amortization	Effect of exchange rate	12/31/18
Software license	33,600	23,708	-	(210)	(15,213)	3,439	45,324
Property right	47,845	-	-	-	(1,108)	16,605	63,342
Trademarks and patents	8,392	-	20,256	-	(2,926)	1,341	27,063
Others	52,845	2,152	46,388	(2,347)	(13,711)	4,104	89,431
Subtotal	**142,682**	**25,860**	**66,644**	**(2,557)**	**(32,958)**	**25,489**	**225,160**
Goodwill on acquisition of subsidiaries	818,570	250,423	(146,062)	-	-	71,936	994,867
TOTAL	**961,252**	**276,283**	**(79,418)**	**(2,557)**	**(32,958)**	**97,425**	**1,220,027**

b) *Purchase Price Allocation* – PPA:

In December 2018, the goodwill allocation was performed based on the preliminary Purchase Price Allocation (PPA) report of company TGM Indústria e Comércio de Turbinas e Transmissões Ltda. As a result from this PPA, the amount of R$ 146,062 initially recognized as goodwill was recorded in intangible assets (R$ 66,644) and in property, plant and equipment (R$ 79,418) due to its fair value.

c) Breakdown of goodwill generated on acquisition of subsidiaries:

	12/31/18	12/31/17
Electric Machinery Company LLC	189,680	161,934
TGM Ind. e Com. De Turbinas e Transm. Ltda.	102,240	-
Bluffton Motor Works, LLC	158,069	135,015
Zest WEG Group Africa (Pty) Ltd.	81,368	81,096
Changzhou Sinya Electromotor Co., Ltd.	73,158	66,032
Trafo Equipamentos Elétricos S.A. (Merged)	62,827	62,827
WEG Transformadores Colombia S.A.S.	50,787	47,263
WEG-Cestari Redutores e Motorredutores S.A.	48,139	48,139
Stardur Tintas Especiais Ltda. (Merged)	43,402	43,402
Watt Drive Antriebstechnik GmbH	30,130	26,942
Changzhou Machine Master Co., Ltd. (Merged)	17,001	15,345
Others	138,066	130,575
TOTAL	**994,867**	**818,570**

(Amounts in thousands of Reais, except otherwise stated)

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

	12/31/18
2019	34,503
2020	20,378
2021	13,585
2022	9,995
2023	48,168
From 2024 onwards	98,531
TOTAL	**225,160**

d) Impairment testing:

In 2018, the Company performed impairment tests of assets. The tests are annually performed, being anticipated if events or circumstances indicate the reason for that.

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

- **Valuation period:** the evaluation of the cash-generating unit (CGU) is carried out for a period of 10 years due to the maturity of the acquisitions and strategic planning, and from then on, it is considered the perpetuity of the operation. For property, plant and equipment items and intangible assets, except for goodwill, the evaluation period is 5 years plus the residual value of the asset.

- Growth rate: the growth rate of revenues, costs and expenses were projected considering budged for the first year, and from the second year the budget plus the forecast of GDP and inflation specific to each market.

- Discount rate: the discount rate used, based on the WACC (Weighted Average Cost of Capital) of each country, of the average of companies in the same industry, being in the Americas a variation of 6.75% to 35.12%, Europe from 3.14% to 5.70%, Australasia from 8.52% and Africa from 12.71%.

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

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

The impairment tests of assets in the Company and its subsidiaries did not result in the need to recognize loss in the year ended December 31, 2018.

14 TRADE PAYABLES

	CONSOLIDATED	
	12/31/18	**12/31/17**
Balance breakdown:		
Domestic market	325,527	253,834
External market	517,430	496,699
TOTAL	**842,957**	**750,533**

15 BORROWINGS AND FINANCING

Direct borrowings from BNDES are guaranteed by the parent company WEG S.A.'s sureties. Direct borrowings from FINEP are guaranteed by sureties or bank guarantees. FINAME transactions are collateralized by sureties and chattel mortgage.
Covenant clauses, which are exclusive to BNDES agreements, related to ratios of capitalization, current liquidity and net debt to EBITDA, are being complied with.

(Amounts in thousands of Reais, except otherwise stated)

Type	Annual charges at 12/31/18	CONSOLIDATED 12/31/18	12/31/17
IN LOCAL CURRENCY			
CURRENT		**175,475**	**1,300,232**
In Reais, fixed rate			
Working capital	3.5% to 11.0% p.a.	121,819	522,766
Property, plant and equipment	2.5% to 8.7% p.a.	2,674	5,381
In Reais, floating rate			
Working capital	TJLP (+) 1.4% to 2.4% p.a.	47,543	756,545
Working capital	UFIR (+) 1.0% to 4.0% p.a.	431	12,829
Others			
Others	Sundry	3,008	2,711
NONCURRENT		**315,291**	**457,386**
In Reais, fixed rate			
Working capital	3.5% to 11.0% p.a.	126,021	234,321
Property, plant and equipment	2.5% to 8.7% p.a.	8,947	16,050
In Reais, floating rate			
Working capital	TJLP (+) 1.4% to 2.4% p.a.	173,567	201,576
Working capital	UFIR (+) 1.0% to 4.0% p.a.	1,888	2,146
Others			
Others	Sundry	4,868	3,293
IN FOREIGN CURRENCY			
CURRENT		**1,873,618**	**714,298**
In US Dollar			
Export prepayment (PPE)	US$ variation (+) Libor (+) 1.0% to 1.5% p.a.	1,368,342	397,525
In US Dollar			
Working capital	Libor (+) 0.7% to 1.4% p.a.	240,369	168,506
In Euros			
Working capital	Euribor (+) 0.5% to 1.9% p.a.	74,169	7,516
In Mexican Pesos			
Working capital	TIIE (+) 1.1% to 1.5% p.a.	68,368	1,282
In Rand (South Africa)			
Working capital	8.8% to 10.0% p.a.	94,007	96,903
In Colombian Pesos			
Working capital	7.7% to 11.2% p.a.	1,344	40,112
Other currencies			
Working capital	Domestic market rates	27,019	2,454
NONCURRENT		**1,407,730**	**1,584,526**
In US Dollar			
Export prepayment (PPE)	US$ variation (+) Libor (+) 1.0% to 1.5% p.a.	91,519	938,001
In US Dollar			
Working capital	Libor (+) 1.4% p.a.	973,434	336,524
In Euros			
Working capital	Euribor (+) 1.9% p.a.	37,571	33,893
In Mexican Pesos			
Working capital	TIIE (+) 1.1% to 1.5% p.a.	302,086	268,789
In Rand (South Africa)			
Working capital	8.8% to 9.3% p.a.	2,415	2,189
Other currencies			
Working capital	Domestic market rates	705	5,130
TOTAL BORROWINGS AND FINANCING		**3,772,114**	**4,056,442**
TOTAL CURRENT		2,049,093	2,014,530
TOTAL NONCURRENT		1,723,021	2,041,912

(Amounts in thousands of Reais, except otherwise stated)

Maturity of noncurrent borrowings and financing:

	12/31/18	12/31/17
2019	-	1,024,663
2020	236,591	215,274
2021	416,441	85,401
2022	694,057	377,108
2023	28,764	32,429
From 2024 onwards	347,168	307,037
TOTAL	**1,723,021**	**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	
		12/31/18	12/31/17	12/31/18	12/31/17
(i) Tax:		**4,730**	**4,730**	**203,493**	**195,494**
- IRPJ and CSLL	(a.1)	-	-	80,889	77,936
- INSS	(a.2)	4,730	4,730	52,146	48,589
- PIS and COFINS	(a.3)	-	-	60,113	58,608
- Others		-	-	10,345	10,361
(ii) Labor		**-**	**-**	**260,689**	**234,261**
(iii) Civil		**-**	**-**	**81,081**	**74,081**
(iv) Others		**-**	**-**	**2,374**	**3,125**
TOTAL		**4,730**	**4,730**	**547,637**	**506,961**

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

	12/31/17	Additions	Interest	Write-offs	Reversals	12/31/18
a) Tax	195,494	9,358	3,025	(673)	(3,711)	203,493
b) Labor	234,261	49,704	8,784	(10,356)	(21,704)	260,689
c) Civil	74,081	16,957	2,531	(11,288)	(1,200)	81,081
d) Others	3,125	777	-	(1,307)	(221)	2,374
TOTAL	**506,961**	**76,796**	**14,340**	**(23,624)**	**(26,836)**	**547,637**

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.

(Amounts in thousands of Reais, except otherwise stated)

d) Escrow deposits:

	PARENT		CONSOLIDATED	
	12/31/18	12/31/17	12/31/18	12/31/17
Tax	4,657	4,657	37,844	37,683
Labor and civil	-	-	16,398	9,812
Others	-	-	1,221	539
TOTAL RESTRICTED DEPOSITS	**4,657**	**4,657**	**55,463**	**48,034**
- Non-restricted escrow deposits	-	-	2,905	2,781
TOTAL ESCROW DEPOSITS	**4,657**	**4,657**	**58,368**	**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.
As at December 31, 2018, the estimated amount of these lawsuits amounted to R$ 165,275 (R$ 119,878 as at December 31, 2017).

(i) Tax
As at December 31, 2018, the contingencies classified with a possible likelihood of loss amounted to R$ 142,553 (R$ 112,180 as at December 31, 2017). The main lawsuits are as follows:

- Taxation on profits earned abroad in the total estimated amount of R$ 43.2 million;
- Levy of ICMS-ST on purchases of raw materials in the amount of R$ 25.3 million;
- Levy of social security contribution on dental care, education allowance, technical courses and salary allowance in the amount of R$ 23.4 million;
- Non-approval of IPI credits in the amount of R$ 14.2 million.

(ii) Civil
As at December 31, 2018, the contingencies classified with a possible likelihood of loss amounted to R$ 22,722 (R$ 7,698 as at December 31, 2017).

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 19,547 (19,276 as at December 31, 2017). The Company and its subsidiaries made contributions in the amount of R$ 32,241 (R$ 29,654 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 1,494,283 shares held in treasury pursuant to item "d".

The capital increase was carried out through the capitalization of part of the 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) Dividends and interest on capital
The Bylaws establish the allocation of at least 25% of the adjusted profit, and Management proposed the following:

(Amounts in thousands of Reais, except otherwise stated)

	12/31/18	12/31/17
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS.	**1,338,319**	**1,142,149**
(-) Legal reserve	(66,916)	(57,108)
(-) Reversal/(Recognition) of provision for stock option plan	(579)	(590)
(+) Reversal of dividends from prior years	836	831
(+) Realization of revaluation reserve (1989) and deemed cost (2010)	25,461	36,641
CALCULATION BASIS FOR DIVIDENDS	**1,297,121**	**1,121,923**
Dividends for the 1st. semester = R$ 0.08239/share (R$ 0.05300/share in 2017)	172,788	85,489
Interest on capital for the 1st semester R$ 0.07793/share (R$ 0.10700/share in 2017), IRRF R$ 25,019 (R$ 30,455 in 2017)	166,794	203,030
Dividends for the 2nd semester = R$ 0.08291/share (R$ 0.08212/share in 2017)	173,867	132,455
Interest on capital for the 2nd semester R$ 0.07710/share (R$ 0.09790/share in 2017), IRRF R$ 28,534 (R$ 27,867 in 2017)	190,225	185,783
Total dividends and interest on capital	**703,674**	**606,757**

Under Article 37 of the Company's Bylaws and Article 9 of Law 9949/95 interest on capital will be charged from mandatory dividends and will be paid as from March 13, 2019.

c) Recording of profit reserves:

- **Statutory reserve** - it was recorded in the amount of R$ 66,916 (R$ 57,108 as at December 31, 2017) equivalent to 5% of the profit for the year, in compliance with the 20% limit of capital;
- **Reserve for capital budget** - it corresponds to the amount remaining from the profit for the year R$ 567,729, plus the balance of retained earnings of R$ 25,718 (deriving from the realization of the deemed cost (2010), reversal of exercised shares of the provision for stock options and reversal of prior year dividends) aimed at the reserve for capital budget for the 2019 investment plan.

d) 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.

Until December 31, 2018, the beneficiaries of the Company's Stock Option Plan had exercised 186,815 shares. The Company holds in treasury 1,494,283 shares at the average cost of R$ 10.21 per share, in the total amount of R$ 15,261 (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.

(Amounts in thousands of Reais, except otherwise stated)

(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 officers of the Company and of its subsidiaries based in Brazil, excluding the 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	7,183

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

In 2018, expenses in the amount of R$ 5,324 (R$ 2,337 in 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:

Number of shares

Program	12/31/17	Share bonus	Exercised	12/31/18
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	(28,241)	113,299
August/14	45,974	13,792	(31,168)	28,598
March/15	106,784	29,676	(21,354)	115,106
August/15	141,218	42,366	(33,687)	149,897
March/16	187,275	47,763	(33,958)	201,080
TOTAL	**644,611**	**171,457**	**(186,815)**	**629,253**

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

In 2018, expenses in the amount of R$ 606 (R$ 1,127 in 2017) were recognized in line item Other income (expenses) in the statement of profit and loss against Capital reserve in Equity.

(Amounts in thousands of Reais, except otherwise stated)

The options exercised in 2018 amounted to R$ 1,331 (R$ 1,588 in 2017). The amount of R$ 752 (R$ 998 in 2017) was recognized in line item capital reserve, in equity, and the amount of R$ 579 (R$ 590 in 2017) related to the complement of the accrued amount was recorded in the retained earnings account.

21 NET REVENUE

	CONSOLIDATED	
BREAKDOWN OF NET REVENUE	**12/31/18**	**12/31/17**
Gross revenue	**13,645,976**	**10,854,789**
Domestic market	6,367,822	5,231,447
External market	7,278,154	5,623,342
Deductions	**(1,675,886)**	**(1,330,959)**
Taxes	(1,416,825)	(1,135,251)
Returns and rebates	(259,061)	(195,708)
Net revenue	**11,970,090**	**9,523,830**
Domestic market	5,082,638	4,203,680
External market	6,887,452	5,320,150

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	
	12/31/18	**12/31/17**
Gross operating revenues recognized	1,419,671	821,013
Costs incurred	(1,184,249)	(730,743)
	12/31/18	**12/31/17**
Advances received	2,057,718	1,478,138

23 OPERATING EXPENSES BY NATURE AND FUNCTION

	CONSOLIDATED	
	12/31/18	**12/31/17**
EXPENSES BY NATURE	**(10,466,488)**	**(8,341,418)**
Depreciation, amortization and depletion	(317,023)	(283,875)
Personnel expenses	(2,622,333)	(2,218,279)
Raw materials and consumables	(5,680,419)	(4,371,131)
Freight and insurance expenses	(315,969)	(252,095)
Other expenses	(1,530,744)	(1,216,038)
EXPENSE BY FUNCTION	**(10,466,488)**	**(8,341,418)**
Cost of sales and services	(8,500,816)	(6,765,383)
Selling expenses	(1,139,413)	(894,353)
General and administrative expenses	(541,257)	(465,050)
Management fees	(25,374)	(23,631)
Other operating income (expenses)	(259,628)	(193,001)

(Amounts in thousands of Reais, except otherwise stated)

24 OTHER OPERATING INCOME (EXPENSES)

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

	CONSOLIDATED	
	12/31/18	12/31/17
OTHER OPERATING INCOME	**22,656**	**23,205**
Others	22,656	23,205
OTHER OPERATING EXPENSES	**(282,284)**	**(216,206)**
Profit sharing - employees	(195,249)	(171,335)
Profit sharing – foreign subsidiaries	(30,050)	(22,026)
Profit sharing - management	(24,680)	(15,916)
Others	(32,305)	(6,929)
TOTAL, NET	**(259,628)**	**(193,001)**

25 FINANCE INCOME (COSTS), NET

	PARENT		CONSOLIDATED	
	12/31/18	12/31/17	12/31/18	12/31/17
FINANCE INCOME	**41,431**	**79,982**	**877,674**	**851,852**
Income from financial investments	**73,584**	**113,492**	**350,414**	**494,153**
Exchange rate changes	**-**	**-**	**467,046**	**276,649**
Exchange rate changes - Trade payables	-	-	61,007	52,634
Exchange rate changes - Trade receivables	-	-	187,296	78,495
Exchange rate changes - Borrowings	-	-	174,097	78,353
Exchange rate changes - Others	-	-	44,646	67,167
PIS/COFINS on interest on capital	**(30,114)**	**(29,141)**	**(30,114)**	**(29,180)**
PIS/COFINS on finance income	**(3,480)**	**(5,317)**	**(19,388)**	**(25,954)**
Derivatives	**-**	**-**	**30,367**	**34,480**
PROEX - Equaliz. Interest rate	**-**	**-**	**17,096**	**10,228**
Other income	**1,441**	**948**	**62,253**	**91,476**
FINANCE COSTS	**(6)**	**(246)**	**(887,163)**	**(793,816)**
Interest on borrowings and financing Exchange rate changes	**-**	**-**	**(230,173)**	**(287,347)**
Exchange rate changes	**-**	**-**	**(515,858)**	**(322,384)**
Exchange rate changes - Trade payables	-	-	(83,429)	(34,406)
Exchange rate changes - Trade receivables	-	-	(138,585)	(79,854)
Exchange rate changes - Borrowings	-	-	(230,316)	(121,732)
Exchange rate changes - Others	-	-	(63,528)	(86,392)
Derivatives	**-**	**-**	**(73,453)**	**(100,267)**
Other expenses	**(6)**	**(246)**	**(67,679)**	**(83,818)**
FINANCE INCOME (COSTS), NET	**41,425**	**79,736**	**(9,489)**	**58,036**

(Amounts in thousands of Reais, except otherwise stated)

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 Ltda., 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**
	12/31/18	**12/31/17**	**12/31/18**	**12/31/17**
Profit before taxes on income	1,337,649	1,141,409	1,497,542	1,240,448
Statutory rate	**34%**	**34%**	**34%**	**34%**
IRPJ and CSLL calculated at statutory rate	(454,801)	(388,079)	(509,164)	(421,752)
Adjustments for calculation of income tax and social contribution at effective rate:				
Income from investments in subsidiaries	445,563	364,124	4,733	(4,754)
Difference in rates on income abroad	-	-	174,281	105,367
Tax incentives	-	-	89,903	81,900
REINTEGRA	-	-	10,306	12,364
Interest on capital	10,698	25,082	121,556	132,264
Consolidation adjustment - Unrealized profit	-	-	(17,771)	(2,316)
Provision for income tax and social contribution (Lei do Bem - Innovation Tax Incentive Law)	-	-	(2,748)	(6,596)
Other adjustments	(790)	(387)	(24,490)	4,017
IRPJ and CSLL in the income statement	**670**	**740**	**(153,394)**	**(99,506)**
Current tax	(707)	(393)	(188,185)	(167,681)
Deferred tax	1,377	1,133	34,791	68,175
Effective rate - %	**-0.05%**	**-0.06%**	**10.24%**	**8.02%**

27 INSURANCE COVERAGE

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:

Insurance policy	**Maximum Insured Amount (MIA)**	**Maturity**
Operational risks (Equity)	US$ 36 million	3/31/2019
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)	3/31/2019
General Civil liability	US$ 10 million	9/12/2020
Civil Liability for Products	US$ 40 million	9/12/2020
Domestic Transport	R$ 15 million per shipment/accumulation/trip	11/1/2019
International Transport - Export/Import	US$ 5 million per shipment/accumulation/trip	11/1/2019
Environmental Pollution	US$ 20 million	9/12/2020
Contractual Performance Bond	As stipulated in the contract	As per the agreement / delivery
Engineering, Installation and Assembly Risk	According to the value at risk of the contracts, limited to R$ 200 million in Brazil, US$ 30 million in Latin America (except Cuba) and US$ 5 million in the USA;	As per the construction schedule / supply
Civil Liability of Directors & Officers (D&O)	US$ 30 million	3/12/2020

(Amounts in thousands of Reais, except otherwise stated)

28 FINANCIAL INSTRUMENTS

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

	CARRYING AMOUNT		FAIR VALUE	
	12/31/18	12/31/17	12/31/18	12/31/17
Cash and cash equivalents	**2,205,700**	**3,162,685**	**2,205,700**	**3,162,685**
Cash and banks	**286,783**	**224,249**	**286,783**	**224,249**
Financial investments:	**1,918,917**	**2,938,436**	**1,918,917**	**2,938,436**
- In local currency	1,870,749	2,847,251	1,870,749	2,847,251
- In foreign currency	48,168	91,185	48,168	91,185
Financial investments	**1,886,970**	**1,411,046**	**1,886,970**	**1,411,046**
Derivatives	**390,696**	**182,154**	**390,696**	**182,154**
- Non- Deliverable Forwards - NDF	9,192	4,986	9,192	4,986
- SWAP	-	174,214	-	174,214
- *Hedge Accounting*	381,504	2,954	381,504	2,954
Total - Assets	**4,483,366**	**4,755,885**	**4,483,366**	**4,755,885**
Borrowings and financing	**3,772,114**	**4,056,442**	**3,772,114**	**4,056,442**
- In local currency	490,766	1,757,618	490,766	1,757,618
- In foreign currency	3,281,348	2,298,824	3,281,348	2,298,824
Derivatives	**20,194**	**53,640**	**20,194**	**53,640**
- Non- Deliverable Forwards - NDF	9,201	7,774	9,201	7,774
- SWAP	8,124	40,795	8,124	40,795
- *Hedge Accounting*	2,869	5,071	2,869	5,071
Total - Liabilities	**3,792,308**	**4,110,082**	**3,792,308**	**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.

As at December 31, 2018, the Company and its subsidiaries made exports in the amount of US$ 681.5 million (US$ 651.4 million as at December 31, 2017), representing a natural hedge for part of the indebtedness and other costs associated to other currencies, mainly 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 financial 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.

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$ 104.5 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$ 47.0 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;

(iii) US$ 5.5 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;

(iv) EUR 32.0 million, held by subsidiary WEG Equipamentos Elétricos S.A., with the purpose of hedging its exports against the risks of fluctuations in exchange rates;

(v) EUR 8.3 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 subsidiary Watt Drive Antriebstechnik GmbH, with the purpose of protecting its financing from the Euribor fluctuation risks.

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 December 31, 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 December 31, 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 December 31, 2018 at fair value and on the accrual basis. These transactions had a net negative impact of R$ 43,086 (negative R$ 65,787 as at December 31, 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 December 31, 2018.

c) Derivative 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$ 23.4 million and EUR 4.3 million as at December 31, 2018, held by its subsidiary WEG Equipamentos Elétricos S.A.

(ii) SWAP: The Company and its subsidiaries have hedge accounting transactions as at December 31, 2018, in order to hedge the financing of Export Prepayment (PPE) in the notional amount of US$ 623.3 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 December 31, 2018 on the accrual basis. The accumulated value, net of taxes, recognized in equity is R$ 18,657 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 12/31/18		Possible scenario 25%		Remote scenario 50%	
				Average price	In R$ thousands	Average price	In R$ thousand	Average price	In R$ thousand
Financing	Increase in TJLP (*)	R$	221,110	Rate 6.98% p.a.	(15,433)	Rate 8.73% p.a.	(19,303)	Rate 10.47% p.a.	(23,150)
	TOTAL				**(15,433)**				

(*) 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 December 31, 2018.

b) Non- Deliverable Forwards - NDF transactions:

Transaction	Risk	Currency	Notional value (in thousands)	Market value at 12/31/18		Possible scenario 25%		Remote scenario 50%	
				Average price	In R$ thousands	Average price	In R$ thousands	Average price	In R$ thousands
Non-Deliverable Forwards - NDF	Increase in Dollar	US$/R$	47,000	3.9165	(1,295)	4.8956	(47,314)	5.8747	(93,333)
	Decrease in Dollar	US$/ZAR	5,483	13.6004	(90)	10.2003	(5,121)	6.8002	(10,153)
	Decrease in Dollar	US$/EUR	104,500	1.1495	(4,811)	0.8621	(121,619)	0.5748	(356,453)
	Total Dollar		**156,983**		**(6,196)**				
	Increase in Euro	EUR/ZAR	105	15.8602	15	11.8952	(128)	7.9301	(240)
	Increase in Euro	EUR/R$	32,000	4.5196	4,058	5.6496	(32,099)	6.7795	(68,256)
	Decrease in Euro	EUR/COP	8,336	3,801.6570	2,005	2,851.2427	(7,423)	1,900.8285	(16,852)
	Decrease in Euro	EUR/COP	550	3,725.8583	181	2,794.3937	(429)	1,862.9292	(1,039)
	Decrease in Euro	EUR/COP	1,570	3,831.0500	380	2,873.2900	(1,409)	1,915.5200	(3,199)
	Total Euro		**42,561**		**6,639**				
	Increase in Australian Dollar	AUD/ZAR	58	0.0957	(2)	0.1197	(31)	0.1436	(53)
	Total Australian Dollar		**58**		**(2)**				
	Decrease in Singapore Dollar	SGD/EUR	2,948	1.5658	(450)	1.1744	(2,825)	0.7829	(7,687)
	Total Singapore Dollar		**2,948**		**(450)**				
	TOTAL				**(9)**				

c) SWAP transactions:

Transaction	Risk	Currency	Notional value (in thousands)	Market value at 12/31/18		Possible scenario 25%		Remote scenario 50%	
				Average price	In R$ thousands	Average price	In R$ thousands	Average price	In R$ thousands
SWAP	Decrease in Euribor	EUR	10,000	Interest -0.17% p.a.	(8,124)	Interest -0.21% p.a.	(8,197)	Interest -0.25% p.a.	(8,270)
	TOTAL				**(8,124)**				

d) Hedge accounting transactions:

Transaction	Risk	Currency	Notional value (in thousands)	Market value at 12/31/18		Possible scenario 25%		Remote scenario 50%	
				Average price	In R$ thousands	Average price	In R$ thousands	Average price	In R$ thousands
NDF	Decrease in Dollar	US$/R$	23,404	3.8929	1,632	2.9197	(21,145)	1.9465	(43,922)
	Decrease in Euro	EUR/R$	4,267	4.5858	(347)	3.4394	(5,239)	2.2929	(10,132)
	TOTAL				1,285				

29 GOVERNMENT SUBSIDIES AND GRANTS

The Company and its subsidiaries obtained subsidies in the amount of R$ 99,821 (R$ 75,681 as at December 31, 2017) arising from tax incentives, recognized in profit or loss for the period:

	CONSOLIDATED	
	12/31/18	12/31/17
Total government subsidies and grants	**99,821**	**75,681**
a) WEG Linhares Equipamentos Elétricos S.A.	**43,958**	**43,447**
- ICMS (state VAT) incentive credit of 85.0%	31,936	30,716
- 75.0% reduction of IRPJ	11,327	12,006
- Reduction for Reinvestment of 30% of the IRPJ	670	700
- Municipal investment	25	25
b) WEG Drives & Controls – Automata Ltda.	**38,628**	**16,981**
- ICMS incentive credit	38,628	16,981
c) WEG Logística Ltda.	**14,204**	**10,360**
- ICMS incentive credit	14,204	10,360
d) WEG Amazônia S.A.	**2,089**	**2,983**
- ICMS (state VAT) incentive credit of 90.25%	331	402
- 75.0% reduction of IRPJ	1,758	2,581
e) WEG Equipamentos Elétricos S.A.	**942**	**1,910**
- Municipal investment	942	905
- ICMS incentive credit	-	1,005

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							
	12/31/18	12/31/17	12/31/18	12/31/17	12/31/18	12/31/17	12/31/18	12/31/17	12/31/18	12/31/17
Revenue from sale of products and/or service	5,670,185	4,677,288	2,346,565	2,034,590	7,130,925	5,566,322	(3,177,585)	(2,754,370)	11,970,090	9,523,830
Profit (loss) before taxes on income	2,012,507	1,648,245	854,716	724,502	842,612	469,699	(2,212,293)	(1,601,998)	1,497,542	1,240,448
Depreciation / amortization / depletion	136,725	135,157	58,267	50,292	122,030	98,426	-	-	317,022	283,875
	12/31/18	12/31/17	12/31/18	12/31/17	12/31/18	12/31/17	12/31/18	12/31/17	12/31/18	12/31/17
Identifiable assets	3,518,281	3,098,156	1,785,329	1,517,913	6,367,858	4,923,974	(976,382)	(489,471)	10,695,086	9,050,572
Identifiable liabilities	970,906	773,478	953,258	600,952	1,495,515	1,487,813	(465,010)	(594,290)	2,954,669	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.

(Amounts in thousands of Reais, except otherwise stated)

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 Financial Statements.
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.

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.

	12/31/18	**12/31/17**
Profit attributable to the Company's shareholders	1,338,319	1,142,149
Weighted average number of potential diluting common shares (adjusted with bonus) held by shareholders (shares/thousand)	2,097,199	2,097,447
Basic earnings per share - R$	0.63815	0.54454

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.

	12/31/18	**12/31/17**
Profit attributable to the Company's shareholders	1,338,319	1,142,149
Weighted average number of potential diluting common shares (adjusted with bonus) held by shareholders (shares/thousand)	2,098,459	2,098,158
Diluted earnings per share - R$	0.63776	0.54436

32 ARGENTINEAN HYPERINFLATION

In accordance with IAS 29 (CPC 42 - Financial Reporting in Hyperinflationary Economies) together with the data from the National Institute of Statistics and Census of Argentina (INDEC) published in July 2018, regarding Argentina’s cumulative inflation for the las three years, the Company started to consider Argentina as a hyperinflacionary economy, and consequently adopted IAs 29 in its financial statements.

The non-monetary items, as well as the profit or loss for the year were adjusted by the change in the inflation index from the initial recognition date to the reporting date, so the subsidiary’s balance sheet is recorded at present value.

The translation of balances of subsidiaries with hyperinflationary economy to the reporting currency was performed using the exchange rate prevailing at the end of the month for balance sheet and income statement items.

The impacts of inflation adjustment through December 31, 2017 were recorded in the subsidiaries’ equity and the adjustment for the year was recorded directly in the income statement in a specific account. Due to the aforementioned effects, as at December 31, 2018, the subsidiaries in Argentina recorded in their property, plant and equipment balances the amount of R$ 15,647 and in their equity the amount of R$ 40,263, net of tax effects, and in their income statements the amount of R$ 24,616 (expense) net of deferred tax.

33 EVENTS AFTER THE REPORTING PERIOD

33.1 Business acquisition of Energy Storage through Batteries from Northern Power Systems (NPS)
On February 13, 2019, the Company disclosed the acquisition of the Energy Storage System ("ESS") business of Northern Power Systems ("NPS"), a company that designs, develops and manufactures energy storage systems in Barre, Vermont, USA.

Under the agreement, WEG will become the sole owner of NPS's energy storage assets, including the portfolio of ESS patents, know-how and related materials, including all drawings, projects, specifications and software used in the design and maintenance of battery energy storage systems.

33.2 Acquisition of Geremia Redutores Ltda.
On February 14, 2019, the subsidiary WEG-Cestari Redutores e Motorredutores S.A. has signed an agreement for the acquisition of the entire capital stock of Geremia Redutores, a Brazilian manufacturer of gearboxes, geared motors, speed and flexible couplings and gearboxes components, located in Bento Gonçalves, Rio Grande do Sul. The transaction is subject to the approval of CADE (Administrative Council for Economic Defense).

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 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 Kreutzfeld – 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	**Deputy members**
Alidor Lueders – Chairman	Ilário Bruch
Adelino Dias Pinho	José Luiz Ribeiro de Carvalho
Vanderlei Dominguez da Rosa	Paulo Roberto Franceschi

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the individual and consolidated financial statements of WEG S.A. ("the Company"), respectively referred to as Parent and Consolidated, which comprise the balance sheet as at December 31, 2018 the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of the WEG S.A. as at December 31, 2018 and of its individual and consolidated financial performance and its cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

Key Audit Matters

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

Business Combinations

Why this is a key audit matter	How the matter was addressed in our audit
As described in note 11.3 to the financial statements, in March 2018, the Company completed the acquisition of control over company TGM Indústria e Comércio de Turbinas e Transmissões Ltda. (“TGM”). When acquiring a business, the Company should measure the fair value of assets acquired and liabilities assumed, as well as the fair value of the consideration transferred. The Company should also measure and recognize separately the goodwill based on future profitability. This subject was considered a key matter in our audit, because: (i) the amounts involved in the acquisition of TGM were material for the audit; (ii) the fair value measurement of assets, liabilities and goodwill involves the application of methodologies and significant valuation assumptions that are complex and require a high degree of judgment from Management and its experts, such as discount and growth rates; (iii) changes in the assumptions adopted could have significant impacts in the consolidated financial statements and in the amount of investment recorded under the equity method of accounting in the parent company’s financial statements; and (iv) there was a strong involvement with the Company’s Management in the assessment of this matter.	Our audit procedures included, but were not limited to: (i) assessment of the design and implementation of internal control activities related to the business combination; (ii) the assessment of agreements that document the business combination and the analysis of support documentation for the transaction and (iii) involvement of our corporate finance experts to evaluate the key assumptions and methodologies used by the Company in the measurement and the appropriate recognition of the fair value of assets acquired and liabilities assumed ant the goodwill based on future profitability. As disclosed by the Company, as at December 31, 2018, the purchase price allocation of TGM is preliminary and refers to Management’s best estimate. The final allocation shall be completed in the first quarter of 2019, as the approvals from the Company’s governance bodies are complete. Our audit procedures described and the audit evidences obtained that support our tests revealed the existence of an immaterial adjustment of allocation between the goodwill, the assets acquired and liabilities assumed, which was not recorded by Management and will be reflected in the Company’s financial statements upon the completion of the purchase price allocation. We considered the preliminary recognition TGM’s business combination acceptable in the context of the individual and consolidated financial statements for the year ended December 31, 2018. We also assessed the appropriateness of the disclosures about business combinations, which are presented in notes 2.2 and 11.3 to the financial statements.

Goodwill on acquisition of control

Why this is a key audit matter	How the matter was addressed in our audit
As described in note 13 to the financial statements, the Company has goodwill balances generated in the acquisition of control over investees in Brazil and abroad, whose amounts may present realization risks and, consequently, impairment losses. These assets should be tested annually or whenever there are indications of impairment. The assessment and consequent requirement, or not, for the recognition of a provision for impairment are supported by estimated future discounted cash flows projections, which take into consideration the local and global economic scenarios and the business plans and budget prepared by the Company and approved by the appropriate governance levels. Moreover, a significant portion of the goodwill arises from acquisitions of foreign subsidiaries by a Company's subsidiary located in Brazil. Such goodwill, therefore, should be carried in the functional currency of the country of the acquisition's origin and subject to the exchange differences effects. These subjects were considered a key matters in our audit, because: (i) the amounts of goodwill recorded are considered material for the audit; (ii) the determination of future cash flows discounted to present value and the definition of discount rates and growth in sales assumptions for the projection period and in perpetuity involves uncertainties and a high degree of Management judgment; (iii) according to note 2.28 to the financial statements, in the second quarter of 2018, the Company identified that the goodwill arising from acquisitions of foreign subsidiaries were being treated as assets in the functional currency of the acquirer company in Brazil and not the functional currency of the acquiree's country of origin. Accordingly, the comparative figures from the prior year, presented for comparison purposes, were adjusted and restated to reflect the exchange differences and translation adjustments and impairment on the goodwill; and (iv) there was significant involvement with the Company's Management in the assessment of this matter.	Our audit procedures included, but were not limited to: (i) the assessment of the design and implementation of key internal controls determined by Management regarding the impairment test of goodwill; (ii) the analyses of the Company's business plans by cash-generating unit; (iii) the involvement of our corporate finance experts in the assessment and the challenge of key assumptions, such as the growth in sales and discount rates, as well as the methodologies used by Management; (iv) the recalculation of the translation into real (R$) of the goodwill arising from acquisitions abroad; and (v) the additional review of working papers of previous auditors due to the restatement of comparative figures. Our tests on the translation of goodwill arising abroad revealed a deficiency in internal controls, which was remediated, and adjustments that were recorded by Management in the financial statements, whose impact in prior years was a reason for restatement, as per note 2.28 to the financial statements. Accordingly, with changed the extent of our substantive audit procedures to obtain sufficient and appropriate audit evidence regarding the recognition of these transactions and the impact of the effects identified. Based on our audit procedures described and the audit evidences obtained that support our tests, we consider that the impairment test of goodwill prepared by the Company, as well as the translation of goodwill arising from investments abroad, are acceptable in the context of the individual and consolidated financial statements for the year ended December 31, 2018. We also assessed the appropriateness of the disclosures made by the Company about accounting policies, goodwill balances and restatement of comparative figures, which are presented, respectively, in notes 2.9, 13 and 2.28 to the financial statements.

Other Matters

Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2018, prepared under the responsibility of the Company's management, and presented herein as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we assessed whether those statements are reconciled with the financial statements and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement 09 (CPC 09) - Statement of Value Added issued by the Committee for Accounting Pronouncements (CPC). In our opinion, the statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement, and are consistent with the overall individual and consolidated financial statements.

Audit of comparative figures

The amounts corresponding to the year ended December 31, 2017, presented for comparison purposes, hereby restated due to the matters described in note 2.28 to the financial statements, were audited by another independent auditor, who issued an unqualified audit opinion thereon, dated February 19, 2019, including a paragraph of other matters related to the restatement of financial statements.

Other Information Accompanying the Individual and Consolidated Financial Statements and the Auditors' Report

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

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

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

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

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

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and subsidiaries or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Joinville, February 19, 2019

DELOITTE TOUCHE TOHMATSU	Otavio Ramos Pereira
Auditores Independentes	Engagement Partner
	CRC/SC 057770/O-2

WEG S.A.
FINANCIAL STATEMENTS
SUPERVISORY BOARD'S STATEMENT

The Supervisory Board of WEG S.A., in the performance of its legal duties, having examined the Management Report, the Financial Statements for the year ended 12/31/2018, and the proposals of the Board of Directors for: (a) the allocation of profit; and (b) the capital investment/ budget plan, and based on the examinations made and considering the explanations provided by the Company's Management, the Independent Auditor´s representatives and also based on the unqualified report issued by Deloitte Touche Tohmatsu Auditores on the Financial Statements, dated February 19, 2019, is of the opinion that these documents may be examined and voted on at the Annual General Meeting.

Jaraguá do Sul (Santa Catarina State), February 19, 2019.

ALIDOR LUEDERS **ADELINO DIAS PINHO** **VANDERLEI DOMINGUEZ DA ROSA**

BOARD OF DIRECTORS’ STATEMENT

By this instrument, the Chief Executive Officer and the other Executive Officers of WEG S.A., a publicly-held company, headquartered at Avenida Prefeito Waldemar Grubba, No. 3,300, enrolled with the National Register of Legal Entities (CNPJ) under No. 84.429.695/0001-11, for the purpose established in items V and VI of paragraph 1 of article 25 of CVM Ruling No. 480 dated December 7, 2009, state that:

(i) We have reviewed, discussed and agreed with the opinions expressed in the report of Deloitte Touche Tohmatsu Auditores Independentes, dated February 19, 2019, regarding the individual and consolidated financial statements of WEG S.A. for the year ended December 31, 2018; and

(ii) We have reviewed, discussed and agreed with the individual and consolidated financial statements for WEG S.A. for the year ended December 31, 2018.

Jaraguá do Sul (Santa Catarina State), February 19, 2019.

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