WEG S.A.

Financial statements

December 31, 2017 and 2016

Contents

WEG S.A.
MANAGEMENT REPORT
As of December 31, 2017

We present to our shareholders the Consolidated Financial Statements of the WEG Group and WEG S.A. for the fiscal year ended December 31, 2017.

OUTLOOK

In 2017, the growth of world economic activity was driven mainly by the performance of India and China. In mature economies, however, we also observed historically high levels of industrial activity with low inflation, generating expectations of gradual withdrawal of stimulus and interest increase. In Brazil, economic performance showed slow and gradual expansion, with the improvement of the business environment, increased business confidence and recovery in industrial production throughout the year.

- According to the projections of the International Monetary Fund, the world GDP growth forecast for 2017 is 3.6%, the highest level in recent years. The projection for 2018 is growth of 3.7%. Both the advanced and the emerging economies have shown growth, with the expansion of industrial production in several countries, the resumption of investments and the improvement of the business environment. The continuity of this expansion scenario will depend on commodity prices, the level of inflation of the main economies and the evolution of interest, mainly in the United States.

- In Brazil, economic performance presented a slight recovery with the improvement of macroeconomic conditions, reflecting the fall in inflation and interest rates, as well as a gradual expansion in industrial activity, contributing to an estimated GDP growth of around 1% after two years of strong retraction.

ECONOMIC AND FINANCIAL ASPECTS

REVENUE

In 2017, Consolidated Net Operating Revenue (NOR) reached R$ 9,523.8 million, an increase of 1.7% compared to 2016. This growth could have been higher, were it not negatively influenced by the still weak economic activity in Brazil, mainly on the businesses that demand high investments and that directly affect the area of GTD (Generation, Transmission and Distribution). In addition, we had an impact on the appreciation of the currency on revenues from our activities abroad, due to the 8.5% devaluation of the average dollar of 2017 compared to 2016, reducing consolidated revenue measured in Reais. We highlight the following aspects in each of these business areas:

a) **Industrial electro electronic equipment.** This was the business area with the best performance, presenting a 7.1% growth in net operating revenue compared to 2016. In Brazil, growth was concentrated in short-cycle products, with normalization of maintenance investments in industry, for market share of automation products and expansion of sales to machine manufacturers (OEMs). Long-cycle products were below expectations and the recovery for this product line will depend on the resumption of investments in increasing production capacity in the industry.

   In foreign markets growth was also concentrated in short cycle products, mainly low voltage electric motors, but capacity building projects and new plant construction, which also demand long cycle products, begin to appear moderately, mainly in the related industries consumption or infrastructure.

b) **Energy generation, transmission and distribution (GTD).** The 5.1% decrease in net operating revenue compared to 2016 is a result of the fall in economic activity in the last two years in Brazil and the resulting surplus of electricity in the market. Hydraulic and thermal generation projects were below historical levels, while wind power projects showed small growth compared to 2016. In addition, we started to recognize important revenues in the solar generation business in the last quarter of the year. Abroad we continue to seek opportunities in other markets. Our competitiveness, supported by the productive verticalization, allows us to take advantage of the best opportunities available in the market and to continue with the expansion plan mainly from the units of Mexico, the United States, Colombia and South Africa.

c) **Motors for domestic use.** We observed a 2.7% decrease in consolidated revenue in relation to the previous year. In the domestic market there was a gradual resumption of consumption, with growth of 1.8% in sales, driven by a combination of low inflation, lower interest rates and increased consumer confidence. Added to the macro factors, the release of inactive FGTS accounts also contributed to the increase in the disposable income of Brazilian families. In the foreign market we presented revenue growth in dollars, but the appreciation of the currency impaired our performance in Reais, resulting in a 5.9% drop in revenue. The work done in recent years has positioned us as one of the main suppliers of manufacturers of consumer goods worldwide.

d) **Paints and varnishes.** This business area decreased by 2.3% in relation to the previous year. The performance of the domestic market reflected the poor performance of industrial activity and consumption, with a small improvement observed during the year, focused on some specific segments, such as agricultural implements and road implements, as well as the return of preventive maintenance in important segments such as oil and gas, mining and shipping. The foreign market reflects our search for new customers in Latin America, with products already consolidated in Brazil.

DOMESTIC MARKET

Net operating revenues in the domestic market reached R$ 4,203.7 million, an increase of 5.0% over the previous year and representing 44% of total net operating revenue. The performance reflects the observed economic conditions of slow recovery of industrial activity. As of the second half of the year, we observed a marked improvement with the increase of consumption, normalization of maintenance investments in the industry and better order intake for long cycle projects, mainly in GTD.

EXTERNAL MARKET

In the external market, there was a decrease of 0.8% in net operating revenue, reaching R$ 5,320.2 million, corresponding to 56% of total net revenue. If measured in US dollars, there was growth of 8.0% over the previous year and 5.0% if adjusted for the acquisitions made in the period. Growth in the industrial electronics business pulled by short-cycle products partially offset the decline observed in the GTD business due to the slow recovery of capacity expansion investments, mainly in the oil and gas and mining business.

COST OF GOODS SOLD

The Cost of Goods Sold (COGS) increased by 0.5% and reached R$ 6,765.4 million, which represent a gross margin of 29.0% (28.1% in 2016). The 0.5% growth in costs was lower than the revenue growth, justifying the 0.9% increase in gross margin, as a result of efforts to reduce costs and adjust capacity, as well as the redesign of products and mainly processes, which provided important gains in productivity.

GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

Consolidated Sales, General and Administrative Expenses totaled R$ 1,383.0 million, a decrease of 0.5% compared to 2016, and these expenses represented 14.5% of net operating revenue (14.8% in 2016). It is possible to see the results of productivity-enhancing efforts.

EBITDA

EBITDA (earnings before interest, taxes, depreciation and amortization), calculated in accordance with the methodology established by CVM Instruction 527/2012, reached R$ 1,466.3 million, growth of 4.2% over the previous year and margin EBITDA 15.4% (15.0% in 2016).

FINANCIAL REVENUE AND EXPENSES

The net financial result was positive in R$ 58.0 million in 2017 (R$ 215.8 million in 2016). This net result is derived from Financial Revenues of R$ 851.8 million in 2017 (R$ 816.1 million in 2016), and Financial Expenses of R$ 793.8 million in 2017 (R$ 600.2 million in 2016). The decrease in the financial result is mainly due to the lower interest rates recorded during 2017, which directly impacted the remuneration of post-fixed financial investments in conjunction with higher exchange variation expenses of operations abroad.

NET INCOME

As a result of the aforementioned effects, the Consolidated Net Income attributable to the shareholders of WEG SA reached R$ 1,142.1 million, 2.2% above the R$ 1,117.6 million obtained in 2016. The return on shareholders' equity was 19.2% in 2017 (18.5% in 2016) and net margin reached 12.0% (11.9% in 2016).

DEBT AND CASH POSITION

The ability to identify and capitalize on investment opportunities with attractive returns is one of the key features of WEG's business model. This capacity is given by the financial flexibility, which allows us to take advantage of investment opportunities when they arise and which is evidenced by the solid capital structure and by the maintenance of preferential access to resources and sources of competitive financing, with financial institutions in Brazil and abroad.

At December 31, 2017, cash and cash equivalents and financial investments totaled R$ 4,755.9 million, applied to first-tier banks and mainly to domestic currency, while gross financial debt totaled R$ 4,110.1 million, of which 49% short-term and 51% in long-term operations. At the end of 2017, the net cash position was R$ 645.8 million.

(R$ Mil)

	December 2017		December 2016		December 2015	
Cash & Financial instruments	**4,755,885**		**4,948,613**		**4,813,700**	
- Current	4,585,606		4,779,392		4,442,278	
- Long Term	170,279		169,221		371,422	
Debt	4,110,082	**100%**	4,489,698	**100%**	5,170,654	**100%**
- Current	2,027,375	49%	1,028,952	23%	1,286,071	25%
- In Brazilian Reais	1,300,232		642,413		638,990	
- In other currencies	727,143		386,539		647,081	
- Long Term	2,082,707	51%	3,460,746	77%	3,884,583	75%
- In Brazilian Reais	457,386		1,925,350		1,751,352	
- In other currencies	1,625,321		1,535,396		2,133,231	
Net Cash (Debt)	**645,803**		**458,915**		**(356,954)**	

INVESTMENTS

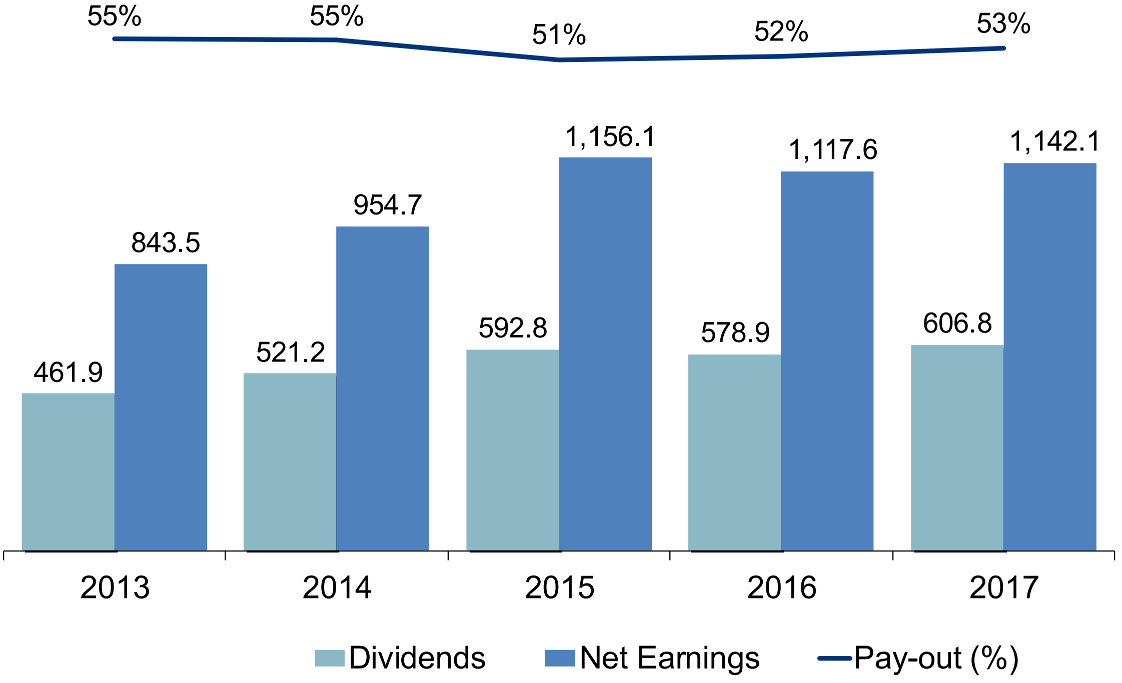
The fixed assets investment program for expansion and modernization of production capacity has focused on the two new electric motor producing units in Mexico and China. In both cases we closed the first phase of the investments and we are seeing the gradual growth of production, in line with the growth of our commercial presence. Investments in expansion and modernization of production capacity totaled R$ 265.8 million in 2017, 56% of which are destined to industrial parks and other subsidiaries abroad and 44% to assets in Brazil. In addition to these organic investments, the acquisition of CG Power USA in 2017 meant the incorporation of R$ 74.0 million in fixed assets. The total value of the investment program in 2017 was below the originally budgeted amount of R$ 347 million. It is important to highlight our ability to adjust the speed of execution of the investment program to the effective demand of the market, always seeking to maximize return on invested capital. In research, development and innovation (RD&I) we spend R$ 259.3 million in 2017, or approximately 2.7% of net operating revenue. The RD&I program focuses on the development of new products, the continuous improvement of products already available, application engineering and the improvement of industrial processes, always seeking to maintain our position of technological leadership in the market.

DIVIDENDS

Management will propose to the Annual Shareholders 'Meeting the allocation of R$ 606.8 million for payment of dividends and interest on shareholders' equity, as compensation to shareholders for the year 2017, representing 53.1% of net income before statutory adjustments. As of August 16, 2017, we paid the dividends payable to shareholders that were declared during the first half of the year (interim dividends), totaling R$ 288.5 million. The payment of the dividends for the second semester (complementary), of R$ 318.3 million, will occur from March 14, 2018.

In accordance with our income allocation policy, we declare interest on capital quarterly and dividends based on the profit obtained each semester, that is, six proceeds each year, which are paid semiannually.

NET PROFIT, DIVIDENDS AND *PAY-OUT* (%)



WEGE3 SHARE PERFORMANCE

The Company has 1,614,353,076 common shares, the shares are traded on B3 under the code "WEGE3" and closed the last trading session of December 2017 quoted at R$ 24.11, with a nominal high of 55.5% in the year and of 58.5% considering the dividends and interest on capital declared in the period.

	2017	2016	∆%
Share Price (R$)	24.11	15.50	55.5%
Financial volume traded (R$ thousand)	9,012,994	8,379,888	7.6%
Number of shares traded (thousand)	465,867	555,186	-16.1%
Book value per share (VPA)	4.17	3.70	12.7%
Market value (R $ billion)	38.9	25.0	55.5%

HIGHLIGHTS

ACQUISITION OF CG POWER USA INC., USA

In June 21, we announced the acquisition of CG Power USA Inc., a company specializing in the manufacture, assembly, supervision and commissioning services of Distribution and Power Transformers up to 60 MVA - 161 kV. It has three units occupying a constructed area of 26,300 square meters and has 452 employees. In fiscal year 2016/17, the Company's net revenue was US$ 128 million.

PROSPECTS

By 2018 we expect another year of economic growth, projected world GDP growth is 3.7%, in line with the growth shown in 2017 of 3.6%. The continuity of this expansion scenario will depend on commodity prices, the level of inflation of the main economies and the evolution of interest, mainly in the United States. In Brazil, conditions are more favorable, with lower interest rates and inflation within the government's target, as well as greater corporate confidence that should contribute to increased investments. Thus, 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 2018, our capital budget includes the following investments:

(R$ million)

Investments	**2018**
Property, Plant & Equipment (PP&E) (plant expansion/modernization)	357.5
Intangible Assets (software)	14.1
Current (working capital)	162.2
Total Investments	**533.8**

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

HUMAN RESOUCES

The Company ended the year with 29,448 employees, a increase of 0.9% compared with the prior year. The distribution of employees by geographic region is shown below.

	2017	2016	∆%
Total employees	29,448	29,194	0.9%
North America	3,614	3,041	18.8%
South America	20,717	20,988	-1.3%
Europe	1,267	1,232	2.8%
Africa	685	644	6.4%
Australasia	3,165	3,289	-3.8%

AUDIT SERVICES

In accordance with the CVM Instruction 381/03, we inform that the Company and its subsidiaries adopt the formal procedure of consulting auditors, KPMG Auditores Independentes (“KPMG”), in the sense of obtaining assurance that the use of other services may not affect the independence and objectivity of the latter, which are required for the performance of independent audit services. In this sense, KPMG issues on a yearly basis an independence statement, under the Federal Accounting Council (CFC) Brazilian Accounting Standard (NBC) TA 260 (R2), in which they declare that, as established by the independence rules adopted by the Brazilian Securities and Exchange Commission (CVM), there is no relationship between KPMG, its associated companies and affiliates and the Company that may affect independence. This statement is submitted to WEG's Board of Directors. The policy of the Company and its subsidiaries for engaging independent auditors' services assures that there is no conflict of interests, loss of independence or objectivity.

During the course of the year 2017, KPMG provided, in addition to the audit service of the financial statements, occasional administrative consultancy services and services regarding the translation of the financial statements into the English language, as follows:

(R$ thousand)

	2017	
Audit of financial statements	1,507.0	90.9%
Administrative Consultancy	150.4	9.1%
Grand Total	**1,657.4**	**100.0%**

ARBITRATION CHAMBER

The Company is subject to arbitration in the Court of Arbitration of the Market, pursuant to an arbitration clause contained in its bylaws.

Jaraguá do Sul (State of Santa Catarina - SC), February 2018.
THE MANAGEMENT.

WEG S.A.
BALANCE SHEET
As of December 31, 2017 and 2016
In thousand of Reais

	Notes	PARENT COMPANY 12/31/17	PARENT COMPANY 12/31/16	CONSOLIDATED 12/31/17	CONSOLIDATED 21/31/16
Assets					
Current assets					
Cash and cash equivalents	4	798,191	748,385	3,162,685	3,390,662
Financial investments	5	429,717	395,822	1,411,046	1,373,287
Derivative financial instruments	28	-	-	11,875	15,443
Trade receivables	6	-	-	2,242,613	2,251,922
Inventories	7	-	-	1,852,266	1,575,055
Recoverable taxes	8	4,827	19,952	419,845	269,626
Dividends and interest on own capital receivable		136,276	144,731	-	-
Other current assets		-	-	315,337	251,488
		1,369,011	**1,308,890**	**9,415,667**	**9,127,483**
Noncurrent assets					
Derivate financial instruments	28	-	-	170,279	169,221
Court deposits	16.d	4,657	4,338	50,815	48,476
Related parties	9	13	24	-	-
Deferred taxes	10	1,944	811	148,284	130,291
Recoverable taxes	8	-	-	9,941	10,296
Other noncurrent assets		-	-	64,525	39,099
Investments	11	5,516,084	4,870,452	268	223
Property, plant & equipment	12	4,393	4,479	3,160,111	3,032,716
Intangible assets	13	-	-	966,097	951,526
		5,527,091	**4,880,104**	**4,570,320**	**4,381,848**
Total assets		**6,896,102**	**6,188,994**	**13,985,987**	**13,509,331**

WEG S.A.
BALANCE SHEET
As of December 31, 2017 and 2016
In thousands of Reais

	Notes	PARENT COMPANY 12/31/17	PARENT COMPANY 12/31/16	CONSOLIDATED 12/31/17	CONSOLIDATED 12/31/16
Liabilities					
Current liabilities					
Trade payables	14	-	-	750,533	562,851
Loans and financing	15	-	-	2,014,530	991,433
Derivative financial instruments	28	-	-	12,845	37,519
Payroll and tax charges		8,142	29,490	284,334	295,364
Income and social contribution taxes		48	92	29,672	29,241
Dividens and interest on own capital payable		160,729	191,022	160,892	191,365
Advances from clients		-	-	429,258	577,688
Profit sharing		-	-	138,788	124,764
Accounts payable - subsidiaries abroad		-	-	180,119	182,426
Other current liabilities		1,527	775	325,817	286,204
		170,446	**221,379**	**4,326,788**	**3,278,855**
Noncurrent liabilities					
Loans and financing	15	-	-	2,041,912	3,408,892
Derivative financial instruments	28	-	-	40,795	51,854
Obrigações tributárias		-	-	2,530	911
Provisions for contingencies	16.a	4,730	4,741	506,961	434,402
Deferred taxes	10	-	-	116,629	159,203
Other noncurrent liabilities		-	-	107,065	104,382
		4,730	**4,741**	**2,815,892**	**4,159,644**
Total liabilities		**175,176**	**226,120**	**7,142,680**	**7,438,499**
Equity					
Company'shareholders					
Share capital	18.a	3,533,973	3,533,973	3,533,973	3,533,973
Capital reserves		(75,412)	(54,509)	(75,412)	(54,509)
Stock all option plan		4,437	1,971	4,437	1,971
Treasury shares	18.d	(17,392)	(11,924)	(17,392)	(11,924)
Profit reserves		2,463,155	1,890,881	2,463,155	1,890,881
Equity valuation adjustments		406,240	442,032	406,240	442,032
Other comprehensive income		273,470	57,700	273,470	57,700
Additional dividends proposed		132,455	102,750	132,455	102,750
		6,720,926	**5,962,874**	**6,720,926**	**5,962,874**
Noncontrolling interest		**-**	**-**	**122,381**	**107,958**
Total equity		**6,720,926**	**5,962,874**	**6,843,307**	**6,070,832**
Total liabilities and equity		**6,896,102**	**6,188,994**	**13,985,987**	**13,509,331**
Total equity		**13,617,028**	**12,151,868**	**20,829,294**	**19,580,163**

The notes are an integral part of these financial statements.

WEG S.A.
INCOME STATEMENT
Years ended December 31, 2017 and 2016
In thousands of Reais, unless otherwise stated

	Notes	PARENT COMPANY 31/12/17	PARENT COMPANY 31/12/16	CONSOLIDATED 31/12/17	CONSOLIDATED 31/12/16
Net Revenue	21	**-**	**-**	**9,523,830**	**9,367,008**
Cost of goods sold and services rendered	23	-	-	(6,765,383)	(6,731,229)
Gross profit		**-**	**-**	**2,758,447**	**2,635,779**
Selling expenses	23	-	-	(894,353)	(924,999)
Administrative expenses	23	(1,534)	(1,533)	(465,050)	(442,783)
Management fees	9	(2,337)	(2,219)	(23,631)	(22,600)
Other operating expenses	24	(5,408)	(2,401)	(193,001)	(181,723)
Share of profit of equity-accounted investe	11	1,070,952	1,016,056	-	-
Income before finance income		**1,061,673**	**1,009,903**	**1,182,412**	**1,063,674**
Finance income	25	79,982	108,889	851,852	816,087
Finance taxes	25	(246)	(243)	(793,816)	(600,247)
Income befote taxes		**1,141,409**	**1,118,549**	**1,240,448**	**1,279,514**
Current taxes	26	(393)	(954)	(167,681)	(245,415)
Deferred taxes	26	1,133	29	68,175	93,733
Net income for the year		**1,142,149**	**1,117,624**	**1,140,942**	**1,127,832**
Attributable to:					
The Company's shareholders	31			1,142,149	1,117,624
Noncontrolling interest				(1,207)	10,208
Eamings per share attributable to the Company's shareholders					
Basic earnings per share (in R$)	31.a			0.70789	0.69278
Diluted earnings per share (in R$)	31.b			0.70767	0.69238

The notes are an integral part of these financial statements.

WEG S.A.
STATEMENT OF COMPREHENSIVE INCOME
Years ended December 31, 2017 and 2016
In thousands of Reais

		PARENT COMPANY		CONSOLIDATED	
	Notes	**12/31/17**	**12/31/16**	**12/31/17**	**12/31/16**
Net income for the year		**1.142.149**	**1.117.624**	**1.140.942**	**1.127.832**
Amounts that may be subsequently reclassified to income statement					
Hedge accounting	31	15.593	(32.722)	15.593	(32.722)
Accumulated currency translation adjustments	31	200.177	(551.940)	213.690	(573.143)
Total comprehensive income attributable to:		**1.357.919**	**532.962**	**1.370.225**	**521.967**
The Company's shareholders				1.357.919	532.962
Noncontrolling interest				12.306	(10.995)

The notes are an integral part of these financial statements.

WEG S.A.
STATEMENT OF CHANGES IN EQUITY
Year ended December 31, 2017 and 2016
In thousand of Reais

	Share Capital	Capital Reserve		Stock Call Option Plan	Treasury shares	Profit reserve		Equity valuation adjustment	Additional Dividends Proposed	Accumulated results	Other comprehensive income		Equity		
		Goodwill reserve	Revaluation of the Subsidiaries' Assets			Statutory reserve	Reserve for Capital Budget	Deemed cost			Translation adjustment	Hedge Accounting	Company's shareholders	Noncontrolling interest	Total
At January 1, 2016	**3,533,973**	**(59,518)**	**3,630**	**2,474**	**(17,069)**	**105,539**	**1,194,329**	**493,106**	**130,554**	**-**	**636,588**	**5,774**	**6,029,380**	**126,680**	**6,156,060**
Payment of dividends	-	-	-	-	-	-	-	-	(130,554)	-	-	-	(130,554)	-	(130,554)
Treasury shares sold	-	1,385	-	-	5,145	-	-	-	-	-	-	-	6,530	-	6,530
Pricing of stock option (Note 20)	-	-	-	(503)	-	-	-	-	-	442	-	-	(61)	-	(61)
Capital transactions	-	(6)	-	-	-	-	-	-	-	-	-	-	(6)	(4,911)	(4,917)
Reversal of prior year dividends	-	-	-	-	-	-	-	-	-	766	-	-	766	-	766
Equity valuation adjustment:															
Realization of deemed cost, net of taxes	-	-	-	-	-	-	-	(51,074)	-	51,074	-	-	-	-	-
Accumulated translation adjustment	-	-	-	-	-	-	-	-	-	-	(551,940)	-	(551,940)	(21,203)	(573,143)
Hedge Accounting - Cash flow, net of taxes	-	-	-	-	-	-	-	-	-	-	-	(32,722)	(32,722)	-	(32,722)
Net income for the year	-	-	-	-	-	-	-	-	-	1,117,624	-	-	1,117,624	10,208	1,127,832
Proposed allocations:															
Statutory reserve (Note 18.c)	-	-	-	-	-	55,881	-	-	-	(55,881)	-	-	-	-	-
Dividends (Note 18.b)	-	-	-	-	-	-	-	-	102,750	(161,315)	-	-	(58,565)	(2,276)	(60,841)
Interest on own capital (Note 18.b)	-	-	-	-	-	-	-	-	-	(417,578)	-	-	(417,578)	(540)	(418,118)
			-												
Reserve for capital budget	-	-	-	-	-	-	535,132	-	-	(535,132)	-	-	-	-	-
At December 31, 2016	**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**
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 option (Note 20)	-	-	-	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
Equity valuation adjustment:															
Realization of deemed cost, net of taxes	-	-	-	-	-	-	-	(36,641)	-	36,641	-	-	-	-	-
Accumulated translation adjustments	-	-	-	-	-	-	-	-	-	-	200,177	-	200,177	13,512	213,689
Hedge Accounting - Cash flow, net of taxes	-	-	-	-	-	-	-	-	-	-	-	15,593	15,593	-	15,593
Net income for the year	-	-	-	-	-	-	-	-	-	1,142,149	-	-	1,142,149	(1,207)	1,140,942
Proposed allocations:															
Statutory reserve (Note 17.c)	-	-	-	-	-	57,108	-	-	-	(57,108)	-	-	-	-	-
Dividends (Note 17.b)	-	-	-	-	-	-	-	-	132,455	(217,944)	-	-	(85,489)	-	(85,489)
Interest on own capital (Note 17.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**	**2,244,627**	**406,240**	**132,455**	**-**	**284,825**	**(11,355)**	**6,720,926**	**122,381**	**6,843,307**

The notes are an integral part of these financial statements.

WEG S.A.
STATEMENT OF CASH FLOWS - INDIRECT METHOD
Years ended December 31, 2017 and 2016
In thousands of Reais

	PARENT COMPANY		CONSOLIDATED	
	12/31/17	**12/31/16**	**12/31/17**	**12/31/16**
Operating activities				
Income before taxes	1,141,409	1,118,549	1,240,448	1,279,514
Depreciation and amortization	87	117	283,875	343,257
Expenses on stock call option plan	3,464	1,469	3,464	1,469
Equity pickup	(1,070,952)	(1,016,056)	-	-
Allowance for doubtful accounts	-	-	(6,031)	(5,896)
Provision for tax, civil and labor liabilities	(11)	221	72,559	94,434
Provision for losses in inventories	-	-	14,867	(7,571)
Provision for goods warranty	-	-	15,233	21,011
Write-off of noncurrent assets	-	-	11,954	3,962
Interest provided for regarding loans and financing	-	-	199,767	191,238
Profit sharing - employees	-	-	193,361	168,060
	73,997	**104,300**	**2,029,497**	**2,089,478**
(Increase)/decrease in accounts receivable	3,909	(12,261)	(104,890)	89,449
(Increase)/decrease in inventories	-	-	(172,271)	276,537
Increase/(decrease) in accounts payable	(20,630)	7,401	(107,770)	109,674
Income and social contribution taxes paid	(437)	(1,006)	(167,250)	(244,334)
Payment of profit sharing - employees	-	-	(187,180)	(189,892)
Net cash flow from operating activities	**56,839**	**98,434**	**1,290,136**	**2,130,912**
Investment activities				
Investments	(20,803)	(56,605)	-	-
Acquisition of property, plant & equipment	-	-	(254,955)	(325,504)
Acquisition of intangible	-	-	(10,822)	(37,121)
Acquisition of company - business combination	-	-	(95,828)	(292,301)
Cash acquired from company - business combination	-	-	1,154	4,014
Financial investment held to maturity	-	(353,039)	-	(923,039)
Redemption of financial investments	-	-	144,931	881,948
Income of financial investments	(33,895)	(42,783)	(182,690)	(174,338)
Receipt from the sale of fixed asset	-	-	11,694	13,611
Receipt from the sale of intangible	-	-	3,760	-
Receipt from dividends/interest on own capital	601,478	585,418	-	-
Net cash flow used in investment activities	**546,780**	**132,991**	**(382,756)**	**(852,730)**
Financing activities				
Loans and financing obtained	-	-	1,161,890	1,142,860
Payment of loans and financing	-	-	(1,403,289)	(1,279,654)
Interest paid on loans and financing	-	-	(357,638)	(405,540)
Treasury shares	(5,468)	5,145	(5,468)	5,145
Payment of dividends/interest on own capital	(548,345)	(511,542)	(548,502)	(526,730)
Net cash flow used in financing activities	**(553,813)**	**(506,397)**	**(1,153,007)**	**(1,063,919)**
Exchange variation on cash and cash equivalents	-	-	17,650	(100,716)
Net increase (decrease) in cash and cash equivalents	**49,806**	**(274,972)**	**(227,977)**	**113,547**

The notes are an integral part of these financial statements.

WEG S.A.
STATEMENT OF VALUE ADDED
Years ended December 31, 2017 and 2016
In thousand of reais

	PARENT COMPANY		CONSOLIDATED	
	12/31/17	12/31/16	12/31/17	12/31/16
Revenues	**-**	**-**	**10.723.565**	**10.526.086**
Sale of goods, products and services	-	-	10.659.081	10.507.774
Other revenues	-	-	58.453	12.416
Loss/provision of accounts receivable	-	-	6.031	5.896
Inputs purchased from third-parties	**(3.886)**	**(2.167)**	**(5.947.041)**	**(5.914.233)**
Cost of materials, electricity, third party services and others	(449)	(450)	(5.904.864)	(5.892.018)
Others	(3.437)	(1.717)	(42.177)	(22.215)
Gross value added	**(3.886)**	**(2.167)**	**4.776.524**	**4.611.853**
Depreciation, amortization and depletion	(87)	(116)	(283.875)	(343.257)
Net value added generated by the entity	**(3.973)**	**(2.283)**	**4.492.649**	**4.268.596**
Value added received in transfers	**1.150.934**	**1.124.944**	**851.852**	**816.087**
Equity pickup	1.070.952	1.016.056	-	-
Financial income	79.982	108.888	851.852	816.087
Total value added to be distributed	**1.146.961**	**1.122.661**	**5.344.501**	**5.084.683**
Distribution of value added	**1.146.961**	**1.122.661**	**5.344.501**	**5.084.683**
Personel	**4.739**	**3.317**	**2.162.737**	**2.051.066**
Direct remuneration	4.571	3.159	1.865.541	1.769.084
Benefits	70	67	216.629	205.859
F.G.T.S.	98	91	80.567	76.123
Taxes, charges and contributions	**(171)**	**1.509**	**1.209.491**	**1.261.944**
Federal	(171)	1.509	1.095.681	1.156.060
State	-	-	99.972	91.852
Municipal	-	-	13.838	14.032
Remuneration of third party capital	**244**	**211**	**831.331**	**643.841**
Interest	244	211	787.614	597.008
Rents	-	-	43.717	46.833
Remuneration of own capital	**1.142.149**	**1.117.624**	**1.140.942**	**1.127.832**
Dividends	217.944	161.315	217.944	161.315
Interest on equity	388.813	417.578	388.813	417.578
Retained profit	535.392	538.731	535.392	538.731
Retained profit - non controlling	-	-	(1.207)	10.208

The notes are an integral part of these financial statements.

1 Information on 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; frequency converters; motor starters and maneuver devices; control and protection of electric circuits and industrial automation; electric traction solutions for 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; electric substations; industrial electro electronic equipment systems; and industrial paint & varnish. 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 the code “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 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 and adjusted, except for the assessment at fair values of certain financial instruments, when required by the standard.

These consolidated and company financial statements were authorized for issue at the Executive Board's meeting held on February 2, 2018.

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 period 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, which considers the percentage of trade notes overdue, 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 improvement, and on meeting requirements of customized product projects, which are recognized as profit or loss as incurred.

2.11 Provisions 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 shareholders' equity

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) **Loans 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:

- Loans 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 loans are equivalent to their carrying values, as they are financial instruments which have exclusive characteristics, resulting from specific financing sources.
- Loans 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 offices, 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 Subsidies and Government grants

Government subsidies are recognized when there is reasonable assurance that they will be received and that the corresponding conditions associated with the subsidy have been met. When the benefit refers to an expense item, it 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 recognition

Revenue is recognized to the extent that it is probable that economic rewards will be generated in favor of the Company and its subsidiaries. It is measured at the fair value of the consideration received, excluding discounts, rebates and taxes or charges over sales.
Revenue from the sale of goods is recognized in profit or loss when all risks and rewards inherent in the product are transferred to the buyer. Service revenue is recognized in profit or loss as a result of its realization.

2.21 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 Information by segment

Management determines the Company's and its subsidiaries' operating and geographic segments base on reports issued internally as business management and strategic 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 and its subsidiaries prepare the Statements of Value Added (DVAs), as required by the Brazilian legislation, as a part of its Company financial statements and supplementary information to the consolidated financial statements.

2.25 New procedures which are not yet in effect

New standards, amendments to standards, and interpretations are effective for annual periods beginning after January 1st, 2018. The Company and its subsidiaries did not adopt these changes in the preparation of these financial statements:

a) **CPC 47 / IFRS 15**

The CPC 47 / IFRS 15 – Revenue from contracts with clients introduces a comprehensive framework to determine whether and when revenue is recognized, and how revenue is measured. CPC 47 / IFRS 15 supersedes the current standards for recognizing revenues, including CPC 30 (IAS 18) Revenues, CPC 17 (IAS 11) Construction Contracts and CPC 30 Interpretation (IFRIC 13) Customer Loyalty Programs.

The Company and its subsidiaries are required to adopt CPC 47 / IFRS 15 - Revenue from contracts as of January 1st, 2018. Based on the evaluations carried out up to the date of these financial statements, the adoption of the standard should not have a material impact on the equity of the Company and its subsidiaries on January 1st, 2018.

The Company plans to adopt CPC 47 using the cumulative effect method, with initial application of the standard on the initial date, ie, January 1st, 2018. As a result, the Company and its subsidiaries will not apply the requirements of CPC 47 to the comparative period introduced.

b) CPC 48 / IFRS 9

CPC 48 / IFRS 9 Financial Instruments establishes requirements to recognize and measure financial assets, financial liabilities and certain contracts to buy or sell non-financial items. This standard supersedes the CPC 38 Financial Instruments: Recognition and Measurement.

(i) Classification – Financial Assets

CPC 48 / IFRS 9 contains three main classification categories for financial assets: Measured at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss.

The Company considers that the new classification requirements will not have a relevant impact on the accounting of accounts receivable, loans, investments in debt securities and investments in equity securities.

(ii) Reduction in recoverable value (I*mpairment*) – Financial Assets and e Contractual Assets

CPC 48 / IFRS 9 replaces the "incurred losses" model of CPC 38 with a prospective "expected credit loss" model. This will require a relevant judgment on how changes in economic factors affect expected credit losses.

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 will not have a relevant impact on the equity of the Company and its subsidiaries on January 1st, 2018.

(iii) Classification – Financial Liabilities

IAS 39 establishes that all changes in the fair value of the liabilities are recognized in profit or loss, whereas, in accordance with CPC 48 / IFRS 9, these fair value changes are recognized as follows:

- The value of the change in fair value that is attributable to changes in the credit risk of the financial liability is presented in Other Comprehensive Income;

- The remaining amount of the fair value variation is presented in the statement of income.

The Company considers that will not have a relevant impact on the classification of financial liabilities on January 1st, 2018.

(Amounts in thousands of Reais, except otherwise stated)

(iv) Hedge accounting

In the initial application of CPC 48 / IFRS 9, Management may choose as the accounting policy to continue applying the hedge accounting requirements of CPC 38 instead of the new requirements of CPC 48 / IFRS 9. The Company chose to use the exemption provided for in CPC 48 / IFRS 9 and maintain the hedge accounting policy and requirements set forth in CPC 38.

c) IFRS 16

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.

IFRS 16 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.

This standard is effective for annual periods beginning on or after January 1st, 2019.

3 Accounting estimates

The financial statements include the use of estimates that took into consideration the Management's assessments and judgments, past and current event experiences, assumptions related to future events and other objective and subjective factors. The significant items subject to those estimates are:
a) credit risk analysis for the determination of the allowance for doubtful accounts;
b) review of the economic useful life of fixed assets and their recovery in operations;
c) impairment test of intangible assets;
d) fair value measurement of financial instruments;
e) commitments to employee benefit plan;
f) transactions with share-based plan;
g) deferred income and social contribution taxes; and
h) provisions for contingencies.

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

4 Cash and cash equivalents

	PARENT COMPANY		CONSOLIDATED	
	12/31/17	12/31/16	12/31/17	12/31/16
a) Cash and banks	**12**	**18**	**224,249**	**223,267**
b) Interest-earning bank deposits	**798,179**	**748,367**	**2,938,436**	**3,167,395**
In local currency:	**798,179**	**748,367**	**2,847,251**	**3,091,597**
Bank Deposit Certificate(CDB) and Repurchase Operations Compromised	798,179	748,367	2,847,251	3,091,597
In foreign currency:	**-**	**-**	**91,185**	**75,798**
Certificates of Deposits Abroad	-	-	83,075	61,204
Other investments abroad	-	-	8,110	14,594
TOTAL	**798,191**	**748,385**	**3,162,685**	**3,390,662**

Investments in Brazil:
Are remunerated at rates ranging between 99.0% and 102.8% of CDI (100% to 105.0% of CDI as of December 31, 2016).

Investments abroad:

	Interest rate	Amounts in the original currency	CONSOLIDATED	
			12/31/17	12/31/16
In US Dollars	0.10% to 2.00% p.a.	12,045	39,878	29,450

(Amounts in thousands of Reais, except otherwise stated)

In Indian Rupies	5.35% to 6.60% p.a.	676,000	35,027	20,651
In Argentine Pesos	26.98% p.a.	30,517	5,332	8,046
In Mexican Pesos	6.36% p.a.	16,920	2,838	3,057
In other currencies	0.05% a 7.32% p.a.	Sundry	8,110	14,594
TOTAL			**91,185**	**75,798**

5 Financial investments

	PARENT COMPANY		CONSOLIDATED	
	12/31/17	12/31/16	12/31/17	12/31/16
Bank Deposit Certificate (CDB) and Repurchase Operations Compromised and funds	429,717	395,822	1,411,046	1,373,287
TOTAL	**429,717**	**395,822**	**1,411,046**	**1,373,287**

Financial investments are remunerated at rates ranging between 16.2% and 16.4% p.a. (14.8% to 16.4%p.a. as of December 31, 2016).

6 Trade receivables

	CONSOLIDATED	
	12/31/17	12/31/16
a) Breakdown of balances:		
Domestic market	904,309	1,177,642
External markets	1,382,276	1,124,283
SUBTOTAL	**2,286,585**	**2,301,925**
Allowance for doubtful accounts	(43,972)	(50,003)
TOTAL	**2,242,613**	**2,251,922**
b) Effective losses on loans from clients for the year	**14,686**	**13,333**
c) Maturity of trade notes:		
Due	1,957,365	2,023,087
Overdue:	329,220	278,838
Up to 30 days	196,401	113,225
From 31 to 90 days	65,017	62,460
From 91 to 180 days	27,498	31,205
Over 180 days	40,304	71,948
TOTAL	**2,286,585**	**2,301,925**

The movement of the allowance for doubtful accounts is shown as follows:

Balance at 01/01/2016	**(55,899)**
Losses written off for the year	13,333
Recording of provision for the year	(20,206)
Reversal of provision for the year	12,769
Balance at 12/31/2016	**(50,003)**
Losses written off for the year	14,686
Recording of provision for the year	(28,551)
Reversal of provision for the year	19,896
Balance at 12/31/2017	**(43,972)**

7 Inventories

	CONSOLIDATED	
	12/31/17	12/31/16
Finished goods	341,328	268,469
Work in progress	233,397	222,270
Raw materials and other	293,146	275,085
Imports in progress	58,189	35,533
Provision for slow-moving inventory losses	(21,642)	(13,991)
Total inventories - domestic market	**904,418**	**787,366**
Finished goods	586,213	504,031

(Amounts in thousands of Reais, except otherwise stated)

Work in progress	182,499	149,657
Raw materials and other	252,618	200,267
Provision for slow-moving inventory losses	(73,482)	(66,266)
Total inventories - external markets	**947,848**	**787,689**
GRAND TOTAL	**1,852,266**	**1,575,055**

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

Balance at 01/01/2016	**(87,828)**
Recording of provision for the year	(13,541)
Reversal of provision for the year	21,112
Balance at of 12/31/2016	**(80,257)**
Recording of provision for the year	(44,792)
Reversal of provision for the year	29,925
Balance at 12/31/2017	**(95,124)**

Inventories are insured and their coverage is determined considering the values and level of risk involved. The recording and reversal of provisions for slow-moving inventory losses are recorded in the costs of goods sold.

8 Taxes recoverable

	PARENT COMPANY		CONSOLIDATED	
	12/31/17	**12/31/16**	**12/31/17**	**12/31/16**
State VAT (ICMS) on acquisitions of fixed asset	-	-	18,890	21,256
IVA from foreign subsidiaries	-	-	118,025	80,785
ICMS (State VAT)	-	-	48,382	22,083
IPI (Federal VAT)	-	-	78,644	23,112
IRPJ/CSLL recoverable	4,827	19,952	77,471	87,184
PIS/COFINS	-	-	72,793	38,099
REINTEGRA	-	-	11,907	1,770
Other	-	-	3,674	5,633
TOTAL	**4,827**	**19,952**	**429,786**	**279,922**
Current assets	4,827	19,952	419,845	269,626
Non-current assets	-	-	9,941	10,296

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

9 Related parties

The Company performed business transactions of purchase and sale of products, raw materials and contracting of services as well as financial transactions of loans, raising of funds among Group companies, which are eliminated in the consolidation, and Management fees.

Amount of existing balances:

	PARENT COMPANY		CONSOLIDATED	
	12/31/17	**12/31/16**	**12/31/17**	**12/31/16**
EQUITY ACCOUNTS				
Non-current assets	**13**	**24**	**-**	**-**
Management of financial resources				
WEG Equipamentos Elétricos S.A.	13	24	-	-
Current liabilities	**1,202**	**427**	**14,781**	**7,703**
Contracts with Management	-	-	5,172	5,076
Profit sharing of the Management	1,202	427	9,609	2,627

INCOME STATEMENT ACCOUNTS	PARENT COMPANY		CONSOLIDATED	
	12/31/17	**12/31/16**	**12/31/17**	**12/31/16**
Management compensation:				
a) Fixed (fees)	**2,337**	**2,219**	**23,631**	**22,600**
Board of Directors	1,115	1,060	2,230	2,120
Executive Board	1,222	1,159	21,401	20,480

(Amounts in thousands of Reais, except otherwise stated)

b) Variable (profit sharing)	**1,970**	**685**	**15,916**	**3,862**
Board of Directors	937	321	1,874	642
Executive Board	1,033	364	14,042	3,220

Supplementary Information:

a) Business transactions
The purchase and sale transactions regarding inputs and goods are performed under the same conditions performed with unrelated third parties;

b) Management of financial resources
The financial and commercial operations performed between the Group companies are recorded and supported by the Group's convention. The credit/debit contracts executed with the Management are remunerated by interest between 95% and 100% of the CDI variation;

c) Sureties and guarantees
WEG SA has sureties and guarantees to subsidiaries abroad, in the amount of US$ 43.2 million (US$ 70.8 million at December 31, 2016);

d) Rent Revenue
WEG Equipamentos Elétricos S.A. has lease contracts for machines and equipment with WEG Linhares Equipamentos Elétricos S.A. (lessee), and in 2017 the amount paid was R$ 10,711 (R$ 10,711 as of December 31, 2016), and a property lease contract with WEG Drives & Controls - Automação Ltda (lessee), and in 2017 the amount paid was R$ 873 (R$ 676 as of December 31, 2016).

e) Management's compensation
The Board of Directors members were paid the amount of R$ 2,230 (R$ 2,120 as of December 31, 2016) and the executive board was paid the amount of R$ 21,401 (R$ 20,480 as of December 31, 2016), for their services, aggregating the total of R$ 23,631 (R$ 22,600 as of December 31, 2016).
It is expected the participation of 0% to 2.5% of consolidated profit to be paid to management provided the minimum operating performance goals are met. The performance goals refer to Return on Invested Capital (75% weight), net revenue growth (25% weight). The corresponding provision in the amount of R$ 15,916 (R$ 3,862 as of December 31, 2016) was recorded for the period under the caption other operating results. Management receives common benefits to the exercise of the function.

10 Deferred taxes

Income and social contribution deferred tax credits and debts were determined in accordance with the CVM Resolution 599/09 that approved the technical pronouncement CPC 32 - Taxes on income.

a) Breakdown of amounts:

	PARENT COMPANY		CONSOLIDATED	
	12/31/17	**12/31/16**	**12/31/17**	**12/31/16**
Corporate income tax (IRPJ) losses	374	-	95,696	74,181
Negative basis of CSLL calculation	151	-	16,205	12,018
Temporary differences:				
Provisions:				
Labor and civil contingencies	-	-	95,789	75,848
Taxes questioned in court	1,608	1,612	40,721	37,184
Losses on trade receivables	-	-	9,978	8,169
Losses on slow-moving inventories	-	-	13,688	11,840
Indemnities on labor rights and contractual	-	-	16,900	18,293
Freight and sales commissions	-	-	10,182	8,328
Third-party services	-	-	59,119	60,166
Employee profit sharing	-	-	40,829	37,961
Unrealized gains from derivatives	-	-	(25,808)	(30,168)
Derivatives held for *hedge accounting*	-	-	5,849	13,882
Acceleration depreciation incentive	-	-	(8,084)	(7,450)
Amortization difference between tax goodwill and accounting goodwill	-	-	(31,209)	(29,054)
Amortization difference between tax goodwill and accounting goodwill (useful life)	(14)	(15)	(159,973)	(149,343)
Other	1,226	654	44,867	41,139

(Amounts in thousands of Reais, except otherwise stated)

PP&E deemed costs	(1,401)	(1,440)	(193,094)	(211,906)
TOTAL	**1,944**	**811**	**31,655**	**(28,912)**
Non-current assets	1,944	811	148,284	130,291
Non-current liabilities	-	-	(116,629)	(159,203)

b) Estimated realization term

Management considers that the deferred assets resulting from temporary differences will be realized in proportion to the realization of contingencies, losses and forecast obligations.

In relation to deferred tax credits calculated on income and social contribution tax losses and negative basis of social contribution, management estimates that they will be realized within the next 5 years, taking into consideration the projection of future profits.

11 Investments

11.1 Investments in subsidiaries

	Country	Shareholder's Equity	Year Profit	Investment in the Capital (%)				Share of profit of equity-accounted investees		Investment book value	
				12/31/17		31/12/16		12/31/17	12/31/16	12/31/17	12/31/16
				Direct	Indirect	Direct	Indirect				
WEG Equipamentos Elétricos S.A. (*)		4,675,366	950,942	100.00	-	100.00	-	947,537	900,971	4,675,366	4,082,588
RF Reflorestadora Ltda.		165,634	7,610	100.00	-	100.00	-	7,615	2,317	165,634	161,877
WEG Tintas Ltda.		18,824	21,394	-	-	99.91	0.09	21,375	36,413	18,806	148,261
WEG Amazônia S.A.		60,718	14,209	0.02	99.98	0.02	99.98	2	1	9	8
WEG Administradora de Bens Ltda.		16,959	4,623	99.31	0.69	79.97	20.03	2,388	5,785	16,842	52,520
WEG Logística Ltda.		145,540	16,042	-	100.00	-	100.00	-	-	-	-
WEG Linhares Equips. Elétricos S.A.		346,842	95,080	-	100.00	-	100.00	-	-	2	1
WEG Drives & Controls Aut. Ltda.	Brazil	484,036	88,313	100.00	-	89.20	10.80	84,966	68,442	484,036	407,436
WEG Partner Aerogeradores S.A.		8	(1)	0.10	99.90	0.10	99.90	-	-	-	-
WEG-Cestari Redut. Motorredut. S.A.		36,611	899	-	50.00	-	50.00	-	-	-	-
Hidráulica Indl.- Ind. e Com. Ltda.		39,750	(31,175)	-	100.00	-	62.39	-	-	-	-
Agro Trafo Adm. de Bens S.A.		8,586	1,362	91.75	8.25	91.75	8.25	1,250	(585)	7,689	7,323
Paumar S/A Indústria e Comércio		354,882	9,075	38.87	61.13	-	100.00	3,239	-	137,943	-
WEG-Jelec Oil and Gas Sol. Aut. Ltda.		11	-	-	100.00	-	100.00	-	-	-	-
Transformadores do Nordeste Ltda.		16,197	(965)	0.01	99.99	0.01	99.99	-	-	-	-
Zest WEG Group Africa (PTY) Ltd.		198,549	(29,830)	-	100.00	-	100.00	-	-	-	-
Zest Energy (Pty) Ltd.		8,837	32	-	93.33	-	76.09	-	-	-	-
Zest WEG Manufacturing (Pty) Ltd.		(25,327)	(20,126)	-	100.00	-	100.00	-	-	-	-
Zest WEG Electric (Pty) Ltd.		80,676	18,098	-	74.80	-	74.90	-	-	-	-
ENI Electric/Instrumentations Eng. Cont.(Pty)	South Africal	(3,075)	(1,254)	-	86.67	-	86.67	-	-	-	-
Zest WEG Group Namibia Ent. (Pty) Ltd.		1,544	133	-	100.00	-	100.00	-	-	-	-
Zest WEG Investment Company (Pty) Ltd.		79,656	569	-	64.70	-	-	-	-	-	-
WEG Germany GmbH		34,135	(3,507)	-	100.00	-	100.00	-	-	-	-
Watt Drive GmbH		4,338	(52)	-	100.00	-	100.00	-	-	-	-
Wurttembergische Elektromotoren GmbH	Germany	12,336	420	-	100.00	-	100.00	-	-	-	-
Antriebstechnik KATT Hessen GmbH		235	(3,527)	-	100.00	-	100.00	-	-	-	-
WEG Equipamientos Electricos S.A.	Argentina	65,171	20,768	10.45	89.55	10.45	89.55	2,535	2,679	6,835	7,843
Pulverlux S.A.		7,570	1,982	-	100.00	-	100.00	-	-	-	-
WEG Australia Pty Ltd.	Australia	17,683	(1,000)	-	100.00	-	100.00	-	-	-	-
Watt Drive Antriebstechnik GmbH		42,045	1,773	-	100.00	-	100.00	-	-	-	-
WEG International Trade GmbH	Áustria	456,810	389,603	-	100.00	-	100.00	-	-	-	-
WEG Holding GmbH		2,243,119	448,535	-	100.00	-	100.00	-	-	-	-
WEG Benelux S.A.	Belgium	45,270	5,325	-	100.00	-	100.00	-	-	-	-
WEG Chile S.A.	Chile	36,514	576	8.00	92.00	8.00	92.00	45	(360)	2,919	2,592
WEG (Nantong) Electric Motor Co., Ltd.		179,431	7,303	-	100.00	-	100.00	-	-	-	-
Changzhou Sinya Electromotor Co., Ltd.		61,640	(12,760)	-	100.00	-	100.00	-	-	-	-
Changzhou Yatong Jiewei Elect., Ltd.		18,834	(13,349)	-	100.00	-	100.00	-	-	-	-
Wuxi Ecovi Technology Co., Ltd.	China	7,619	1,934	-	100.00	-	100.00	-	-	-	-
Jiangsu Shiya Elect. Technolog. Co.,Ltd.		11,275	(1,429)	-	100.00	-	100.00	-	-	-	-
The First Drive Technology Co., Ltd.		14,000	(1)	-	100.00	-	100.00	-	-	-	-
WEG (Jiangsu) Electric Equip. Co., Ltd.		158,588	7,235	-	100.00	-	100.00	-	-	-	-
WEG Singapore Pte. Ltd.	Singapure	24	(3,357)	-	100.00	-	100.00	-	-	-	-
WEG Colombia S.A.S.		85,891	3,662	-	100.00	-	100.00	-	-	-	-
FTC Energy Group S.A.	Colombia	4,322	(308)	-	100.00	-	51.00	-	-	-	-
WEG Transformadores Colombia S.A.S.		20,421	1,790	-	100.00	-	100.00	-	-	-	-
WEG Middle East Fze.	Arab Emirates	(10,183)	(2,951)	-	100.00	-	100.00	-	-	-	-
WEG Iberia Industrial S.L.	Spain	59,469	3,172	-	100.00	-	100.00	-	-	-	-
Autrial S.L.		(8,991)	(2,790)	-	51.00	-	51.00	-	-	-	-
WEG Electric Corp.		493,218	27,867	-	100.00	-	100.00	-	-	-	-

(Amounts in thousands of Reais, except otherwise stated)

Electric Machinery Company LLC	United States	55,643	27,529	-	100.00	-	100.00	-	-	-	-
FTC Energy Group Inc.		710	398	-	100.00	-	51.00	-	-	-	-
Bluffton Motor Works, LLC		265,689	2,977	-	100.00	-	100.00	-	-	-	-
WEG Transformers USA LLC		109,091	(13,032)	-	72.00	-	-	-	-	-	-
WEG Investment North America Inc		119,410	(1,111)	-	100.00	-	-	-	-	-	-
WEG France SAS	France	29,033	2,116	-	100.00	-	100.00	-	-	-	-
Zest Electric Ghana Ltd.	Ghana	1,903	2,300	-	100.00	-	100.00	-	-	-	-
E & I Electrical Ghana Ltd.		(1,493)	(909)	-	90.00	-	90.00	-	-	-	-
WEG Industries (India) Private Ltd.	India	195,845	12,520	-	100.00	-	100.00	-	-	-	-
WEG Electric (India) Private Ltd.		-	-	-	-	-	100.00	-	(8)	-	-
WEG (UK) Ltd.	England	8,827	(9,040)	-	100.00	-	100.00	-	-	-	-
WEG Italia S.R.L.	Italy	28,832	1,864	-	100.00	-	100.00	-	-	-	-
WEG Electric Motors Japan Co. Ltd.	Japan	2,525	278	-	95.00	-	95.00	-	-	-	-
WEG South East Asia SDN BHD	Malaysia	400	(772)	-	100.00	-	100.00	-	-	-	-
WEG México S.A. de C.V.	Mexico	205,345	3,632	-	100.00	-	100.00	-	-	1	1
WEG Transform. México S.A. de C.V.		58,999	2,969	-	72.00	-	60.00	-	-	-	-
Voltran S.A. de C.V.		73,206	(32)	-	72.00	-	60.00	-	-	-	-
ENI Electrical Mozambique(Pty) Limited	Mozambique	11	(1)	-	66.67	-	66.67	-	-	-	-
Zest WEG Group Mozambique, Lda		(10,189)	(10,042)	-	100.00	-	-	-	-	-	-
WEG Peru S.A.	Peru	3,575	111	0.05	99.95	0.05	99.95	-	1	2	2
WEGEuro Ind. Eléctrica S.A.	Portugal	90,725	8,503	-	100.00	-	100.00	-	400	-	-
WEG Electric CIS	Russia	8,906	3,533	-	100.00	-	100.00	-	-	-	-
WEG Scandinavia AB	Switzerland	10,548	(2,400)	-	100.00	-	100.00	-	-	-	-
ENI Electrical Tanzania (Pty) Limited	Tanzania	384	(11)	-	100.00	-	100.00	-	-	-	-
WEG Industrias Venezuela C.A.	Venezuela	(58)	(45,554)	-	100.00	-	100.00	-	-	-	-
E & I Zambia Ltd.	Zambia	(770)	(472)	-	50.00	-	50.00	-	-	-	-
TOTAL								**1,070,952**	**1,016,056**	**5,516,084**	**4,870,452**

(*) Equity pickup adjusted by unearned income between related parties.

The Consolidated Financial Statements of the Company include the Company financial statements of WEG S.A. an all of its subsidiaries. The subsidiaries are fully consolidated as from the date on which the control is obtained. The Company does not hold companies which are not part of the Consolidated Financial Statements.

11.2 Acquisition in 2016 – Does not integrate the Financial Statements of December 31, 2017
TGM Indústria e Comércio de Turbinas e Transmissões Ltda.
On December 15, 2016, the Company announced the execution of an agreement for the acquisition of the share control of TGM Indústria e Comercio de Turbinas e Transmissões Ltda. (TGM"), company which manufactures turbines and energy transmission equipment. The acquisition is not part of the financial statements as of December 31, 2017 due to the awaited approval by the Administrative Council for Economic Defense (CADE).

11.3 Acquisitions in 2017
(i) FTC Energy Group S.A.
In March 2017, the subsidiary WEG Colômbia S.A.S. acquired the remaining 49% participation of FTC Energy Group S.A.. The goodwill of R$ 1,997 was measured as being the exceeding of the counterpart transferred in relation to the net assets acquired, and recognized in the equity as a Capital Transaction.

(ii) CG Power USA Inc.
In June 2017, the subsidiary WEG Electric Corp. announced the signature of the purchase agreement of the company CG Power USA Inc., a manufacturer of transformers in the United States. The goodwill of R$ 23,343 was initially measured as being exceeding amount in the compensation transferred in relation to the net assets acquired. The Company was consolidated from the effective date of the purchase, which occurred in August 2017.

(iii) WEG Transformadores México S.A. de C.V. e Voltran S.A. de C.V.
In October 2017, the subsidiary WEG Investment North America Inc. acquired a 12% participation in WEG Transformadores México S.A. de C.V. and a 12% participation in Voltran S.A. de C.V. The goodwill, in the amount of R$ 16,762, was initially measured as being exceeding amount in the compensation transferred in relation to the net assets acquired. , and recognized in the equity as a Capital Transaction.

(iv) Hidráulica Industrial – Indústria e Comércio Ltda.
In November 2017, the subsidiary WEG Equipamentos Elétricos S.A. acquired 10.39% remaining participation in Hidráulica Industrial - Indústria e Comércio Ltda. The goodwill, in the amount of R$ 3,644, was initially measured as being exceeding amount in the compensation transferred in relation to the net assets acquired, and recognized in the equity as a Capital Transaction.

11.4 Societary events in 2017
(i) Zest WEG Investment Company (Pty) Ltd.
In August 2017, the company Zest WEG Investment Company (Pty) Ltd. was set up in South Africa. The company Zest WEG Group Africa (PTY) Ltd. controls 64.7% of the shares. The objective of this restructuration is to adjust the

(Amounts in thousands of Reais, except otherwise stated)

supply criteria for the companies with headquarter in the country, according to the South African government's regulation.

(ii) WEG Investment North America Inc.
In August 2017, the company WEG Investment North America Inc. was set up in the United States. The company WEG Electric Corp. controls 100% of the shares through the integralization of 98.9% of the investment from WEG Transformer's USA LLC. (CG Power USA Inc.).

(iii) Electric Machinery Holding Company
In August 2017, the subsidiary WEG Equipamentos Elétricos S.A. performed the merger of the investment in Electric Machinery Holding Company, with the objective of reducing the societary structure.

(iv) Paumar S/A Indústria e Comércio
In September 2017 there was a parcial split related to the fabrication of paints, vernishes, lacquers, among others of WEG Tintas Ltda. and, as a result, the incorporation of the splitted part in Paumar S/A Indústria e Comércio. The objective of this restructuration is to better the management of the industrialization and commercialization processes, as well as to concentrate the activities related to paint and vernishes products and services in one company.

(v) Changzhou Machine Master Co., Ltd. e Changzhou Master Machinery Co., Ltd.
In October 2017, was a merger of the companies Changzhou Machine Master Co., Ltd. e Changzhou Master Machinery Co., Ltd. through the incorporation of its assets and liabilities by WEG Equipamentos Elétricos S.A. in Changzhou Sinya Electromotor Co., Ltd.. The objective of this restructuring is the simplification and synergy of technical and administrative services, as well as the reduction of operating costs and administrative expenses.

12 Property, plant and equipment

		PARENT COMPANY		CONSOLIDATED	
		12/31/17	12/31/16	12/31/17	12/31/16
Land		1,440	1,440	375,171	367,566
Constructions and Facilities		5,639	5,639	1,349,041	1,184,070
Equipment		-	-	3,766,631	3,574,527
Furniture and fixtures		-	-	153,177	121,552
Hardware		-	-	126,391	103,962
Construction in progress		-	-	183,391	137,860
Reforestation		-	-	56,487	55,050
Other		-	-	134,369	125,418
Total property, plant and equipment		**7,079**	**7,079**	**6.144.658**	**5,670,005**
Accumulated depreciation/depletion	**Annual depreciation rate (%)**	**(2,686)**	**(2,600)**	**(2,984,547)**	**(2,637,289)**
Constructions and facilities	02 to 03	(2,686)	(2,600)	(403,092)	(313,935)
Equipment	05 to 20	-	-	(2,302,220)	(2,125,086)
Furniture and fixtures	07 to 10	-	-	(109,606)	(75,093)
Hardware	20 to 50	-	-	(103,144)	(81,214)
Reforestation	-	-	-	(22,875)	(19,457)
Other	-	-	-	(43,610)	(22,504)
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET		**4,393**	**4,479**	**3,160,111**	**3,032,716**

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

PP&E Classification	12/31/16	Transfer between classes	Acquisitions	Write-offs	Depreciation and depletion	Foreign Exchange effect	12/31/17
Land	367,566	54	4.230	(1,815)	-	5,136	375,171
Constructions and facilities	870,135	41,202	45,441	(982)	(32,722)	22,875	945,949
Equipment	1,449,441	53,065	150,986	(18,907)	(199,598)	29,424	1,464,411
Furniture and fixtures	46,459	2,748	4,441	(699)	(10,582)	1,204	43,571
Hardware	22,748	55	8,493	(213)	(8,425)	589	23,247
Construction in progress	137,860	(88,272)	128,181	-	-	5,622	183,391
Reforestation	35,593	-	1,437	-	(3,418)	-	33,612
Advances to suppliers	87,376	(383)	(19,916)	-	-	6,200	73,277
Other	15,538	149	5,662	(1,032)	(3,724)	889	17,482
TOTAL	**3,032,716**	**8,618**	**328,955**	**(23,648)**	**(258,469)**	**71,939**	**3,160,111**

b) Amounts offered in guarantee

PP&E items were provided as guarantee for loans, financing, labor claims and tax suits in the consolidated amount of R$27,921 (R$25,940 as of December 31, 2016).

(Amounts in thousands of Reais, except otherwise stated)

c) **PP&E useful life review** - The company reviewed the useful life of Brazil's companies PP&Es, considering its use conditions, conservation status and maintenance and operation conditions, in accordance with current rules.

The review was adopted from January 2017 onwards and resulted in an useful life increase of PP&E. The effect of this review decreased the depreciation expenses in 2017 in the approximate amount of R$ 60 millions.

The useful life review doesn't impact tax depreciation due to being in accordance with the rates established by tax law.

13 Intangible Assets - consolidated

	Amortization / No. of years	Cost	Accumulated amortization	12/31/17	12/31/16
Software license	5	127,438	(93,838)	33,600	37,821
Right to use property	50 – 99	66,898	(19,053)	47,845	47,582
Trademarks and patents	5	17,133	(8,741)	8,392	23,557
Other	5	245,934	(193,089)	52,845	52,240
Subtotal		**457,403**	**(314,721)**	**142,682**	**161,200**
Goodwill - Acquisition of subsidiaries	-	844,768	(21,353)	823,415	790,326
TOTAL		**1,302,171**	**(336,074)**	**966,097**	**951,526**

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

	12/31/16	Additions	Write-offs	Transfer	Amortization	Foreign Exchange effect	12/31/17
Software license	37,821	7,509	(6)	245	(12,415)	446	33,600
Right to use property	47,582	917	(3,754)	-	(649)	3,749	47,845
Trademarks and patents	23,557	4.947	-	(19,772)	-	(340)	8,392
Other	52,240	2,654	-	9,597	(12,342)	696	52,845
Subtotal	**161,200**	**16,027**	**(3,760)**	**(9,930)**	**(25,406)**	**4,551**	**142,682**
Goodwill - Acquisition of subsidiaries	790,326	23,343	-	1,312	-	8,434	823,415
TOTAL	**951,526**	**39,370**	**(3,760)**	**(8,618)**	**(25,406)**	**12,985**	**966,097**

b) Breakdown of the goodwill balance generated in the acquisition of subsidiaries:

	12/31/17	12/31/16
Electric Machinery Company LLC	159,732	159,732
Bluffton Motor Works, LLC	135,015	133,067
Zest WEG Group Africa (PTY) Ltd.	71,992	71,992
Trafo Equipamentos Elétricos S.A. (Incorporada)	62,827	62,827
WEG-Cestari Redutores e Motorredutores S.A.	48,139	48,139
WEG Transformadores Colombia S.A.S.	47,263	46,491
Changzhou Sinya Electromotor Co., Ltd.	46,107	46,107
Stardur Tintas Especiais Ltda. (Incorporada)	43,402	43,402
Watt Drive Antriebstechnik GmbH	42,985	42,985
Changzhou Machine Master Co., Ltd. (Incorporada)	29,393	29,393
Others	136,560	106,191
TOTAL	**823,415**	**790,326**

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

	12/31/17	12/31/16
2017	-	41,509
2018	26,832	23,496
2019	21,499	17,855
2020	16,073	11,429
2021	6,995	5,511
From 2022 onwards	71,283	61,400
TOTAL	**142,682**	**161,200**

(Amounts in thousands of Reais, except otherwise stated)

d) Impairment testing:

In 2017, the Company performed Impairment tests of goodwill in the amount of R$ 823,415. The tests are annualy 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.

- **Growth rate:** the growth rate of revenues, costs and expenses were projected considering 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 8.4% to 24.3%, Europe from 6.5% to 7.3%, Australasia from 13.8% and Africa from 17.1%.

- **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 goodwill balances in the Company and its subsidiaries did not result in the need to recognize loss in the year ended December 31, 2017.

14 Suppliers

	CONSOLIDADO	
	12/31/17	**12/31/16**
Balance composition:		
Domestic Market	253,834	240,115
External Market	496,699	322,736
TOTAL	**750,533**	**562,851**

15 Loans and financing

Direct loans from BNDES and FINEP are guaranteed by the parent company WEG S.A.'s sureties. FINAME operations are guaranteed by sureties and fiduciary alienation.
All *covenant* clauses related to indicators of capitalization, current liquidity and the relation between net debt/Ebitda included in the contracts entered into with BNDES are being met.

		CONSOLIDADO	
Type	**Annual charges in 12/31/17**	**12/31/17**	**12/31/16**
IN LOCAL CURRENCY			
CURRENCY		**1,300,232**	**642,413**
In Reais, prefixed rate			
Working capital	3.5% to 11.0% p.a.	522,766	576,770
Property, plant and equipment	2.5% to 8.7% p.a.	5,381	6,686
In Reais, floating rate			
Working capital	TJLP (+) 1.4% to 2.5% p.a.	756,545	44,863
Working capital	UFIR (+) 1.0% to 4.0% p.a.	12,829	11,084
Other			
Other	Sundry	2,711	3,010
NON-CURRENT		**457,386**	**1,887,571**
In Reais, prefixed rate			
Working capital	3.5% to 11.0% p.a.	234,321	1,053,765
Property, plant and equipment	2.5% to 8.7% p.a.	16,050	16,405

(Amounts in thousands of Reais, except otherwise stated)

In Reais, floating rate			
Working capital	TJLP (+) 1.4% to 2.5% p.a.	201,576	798,017
Working capital	UFIR (+) 1.0% to 4.0% p.a.	2,146	13,671
Other			
Other	Sundry	3,293	5,713
IN FOREIGN CURRENCY			
CURRENT		**714,298**	**349,020**
In US Dollar			
Prepayment of Export (PPE)	US$ Variation (+) Libor (+) 1.0% to 1.5% p.a.	397,525	127,276
In US Dollar EUA			
Working Capital	Libor (+) 0.7% a 1.5% p.a.	168,506	68,349
In Euros			
Working Capital	Euribor (+) 1.9% p.a.	7,516	2,831
In Mexican Pesos			
Working Capital	TIIE (+) 1.1% a 1.5% p.a.	1,282	82,797
In Rand (South Africa)			
Working Capital	8.8% to 10.3% p.a.	96,903	29,028
In Colombian Pesos			
Working Capital	7.7% to 11.2% p.a.	40,112	5,186
Other currencies			
Working Capital	Local market rates	2,454	33,553
NON-CURRENT		**1,584,526**	**1,521,321**
In Dollar EUA			
Prepayment of Export (PPE)	US$ Variation (+) Libor (+) 1.0% to 1.5% p.a.	938,001	1,311,003
In Dollares EUA			
Working Capital	Libor (+) 1.4% to 1.5% p.a.	336,524	2,296
In Euros			
Working Capital	Euribor (+) 1.9% p.a.	33,893	34,525
In Mexican Pesos			
Working Capital	TIIE (+) 1.1% to 1.5% p.a.	268,789	119,351
In Rand (South Africa)			
Working Capital	8.8% to 9.3% p.a.	2,189	53,852
Other currencies			
Working Capital	Local market rates	5,130	294
TOTAL Loans and financing		**4,056,442**	**4,400,325**
TOTAL CURRENT		2,014,530	991,433
TOTAL NON-CURRENT		2,041,912	3,408,892

Maturity of long-term loans and financing:

	12/31/17	**12/31/16**
2018	-	2,023,801
2019	1,024,663	990,660
2020	215,274	182,528
2021	85,401	51,875
2022	377,108	4,634
From 2023 onwards	339,466	155,394
TOTAL	**2,041,912**	**3,408,892**

16 Provisions for contingencies

The Company and its subsidiaries are parties to administrative and judicial proceedings of labor, civil and tax nature arising from the normal activities of their businesses. The 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 counselors. The Company's Management estimates that the provision for contingencies recorded is sufficient to cover any possible losses arising from the proceedings in progress.

a) Balance of provisions for contingencies:

		PARENT COMPANY		CONSOLIDATED	
		12/31/17	**12/31/16**	**12/31/17**	**12/31/16**
(i) Tax:		**4,730**	**4,741**	**195,494**	**177,617**
- IRPJ e CSLL	(a.1)	-	-	77,936	71,293
- INSS	(a.2)	4,730	4,265	48,589	61,311
- PIS e COFINS	(a.3)	-	-	58,608	35,660

(Amounts in thousands of Reais, except otherwise stated)

- IRRF	-	476	-	476
- Others	-	-	10,361	8,877
(ii) Labor	**-**	**-**	**234,261**	**181,610**
(iii) Civil	**-**	**-**	**74,081**	**71,789**
(iv) Others	**-**	**-**	**3,125**	**3,386**
TOTAL	**4,730**	**4,741**	**506,961**	**434,402**

b) Changes in the provisions for contingencies for the period - consolidated:

	12/31/16	Additions	Interest	Write-offs	Reversals	12/31/17
a) Tax	177,617	29,792	13,234	-	(25,149)	195,494
b) Labor	181,610	52,841	9,735	(7,833)	(2,092)	234,261
c) Civil	71,789	15,378	2,043	(13,045)	(2,084)	74,081
d) Other	3,386	1,754	-	-	(2,015)	3,125
TOTAL	**434,402**	**99,765**	**25,012**	**(20,878)**	**(31,340)**	**506,961**

c) The provisions recorded mainly refer to:

(i) Tax contingencies

(a.1) This refers to the proceeding regarding the Consumer Price Index (IPC) difference for January 1989 (Plano Verão) on the 16.24% monetary correction, and the proceeding regarding the calculation basis of expenditures on RD&I projects ("Lei do Bem" - Innovation Tax Incentive Law).

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

(a.3) Refers to non-homologation by the Brazilian Federal Revenue Office (RFB) about the request for offsetting the credit balance of PIS and COFINS with federal tax debts.

(ii) Labor contingencies

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

(iii) Civil contingencies

These correspond primarily to civil lawsuits, including personal injury, aesthetic damage, occupational diseases and indemnities arising out of occupational accidents.

d) Court deposits:

	PARENT COMPANY		CONSOLIDATED	
	12/31/17	**12/31/16**	**12/31/17**	**12/31/16**
Tax	4,657	4,338	37,683	35,281
Labor and civil	-	-	9,812	10,209
Other	-	-	539	440
TOTAL RESTRICTED JUDICIAL DEPOSITS	**4,657**	**4,338**	**48,034**	**45,930**
- Non-restricted judicial deposits	-	-	2,781	2,546
TOTAL JUDICIAL DEPOSITS	**4,657**	**4,338**	**50,815**	**48,476**

The non-restricted judicial deposits related to contingencies are waiting authorization for withdrawal from court.

e) Contingencies assessed as possible losses:

The Company and its subsidiaries are parties to other suits, whose chances of loss are assessed as "possible", for which no provision for contingencies was recorded.

The estimated amount of such litigation relates to the tax proceedings totalizes R$ 119,878 (R$ 97,187 as of December 31, 2016). The the main proceedings assessed as "possible" loss are the following:

- Taxation on profits earned abroad in the total estimated amount of R$ 41.2 million;
- Non-homologation of IPI credits in the amount of R$10.6 million;
- Incidence of ICMS-ST on purchase transactions of raw materials amounting to R$ 15.8 million;
- Incidence of social security contribution about dentral care, education allowance, technical courses and education salary in the amount of R$ 22.9 million.

17 Private pension plan

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

(Amounts in thousands of Reais, except otherwise stated)

The Plan managed by WEG Seguridade Social includes monthly income benefits (retirement), annual bonus, supplemental sickness benefits, supplemental disability retirement, pension due to death, supplementation of the annual bonus and death benefit.
The number of participants is 19,276 (19,335 as of December 31, 2016). The Company and its subsidiaries made contributions in the amount of R$ 29,654 (R$ 27,188 as of December 31, 2016).
Based on actuarial calculations carried out by independent actuaries, aiming to define the taxable net value between the defined benefit obligation and the fair value of plan assets in accordance with the procedures established by the CVM Resolution 695/12 - technical pronouncement CPC 33 (R1) Employee Benefits, the Company maintains a provision recorded in the amount of R$ 4,092 (R$ 4,092 as of December 31, 2016).

18 Shareholders' equity

a) Share capital

The Company's capital is R$ 3,533,973 (R$ 3,533,973 as of December 31, 2016) composed of 1,614,353,076 registered book-entry ordinary shares with no par value, all with voting rights, including 1,310,021 treasury shares pursuant to item "d".

b) Dividends and interest on shareholders' equity

The Bylaws establish the allocation of at least 25% of the adjusted profit, and Management proposed the following:

	12/31/17	12/31/16
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS.	**1,142,149**	**1,117,624**
(-) Statutory reserve	(57,108)	(55,881)
(-) Reversal/(Supplement) of provision for stock option plan	(590)	442
(+) Reversal of prior year dividends	831	766
(+) Realization of revaluation reserve (1989) and deemed cost (2010)	36,641	51,074
CALCULATION BASIS FOR DIVIDENDS	**1,121,923**	**1,114,025**
Dividends for the 1st. semester = R$ 0.05300/share (R$ 0.03630/share in 2016)	85,489	58,565
Interest on shareholders' equity for the 1st. semester R$ 0.10700/share (R$ 0.10369/share in 2016), IRRF R$ 30,455 (R$ 29,521 in 2016)	203,030	196,808
Dividends for the 2nd. semester = R$ 0.08212/share (R$ 0.06369/share in 2016)	132,455	102,750
Interest on shareholders' equity for the 2nd. semester = R$ 0.09790/share (R$ 0.11632/share in 2016), IRRF R$ 27,867 (R$ 33,115 in 2016)	185,783	220,770
Total dividends and interest on shareholders' equity	**606,757**	**578,893**

Under Article 37 of the Company's Bylaws and Article 9 of Law 9949/95 interest on shareholders' equity will be charged from mandatory dividends and will be paid as from March 14, 2018.

c) Recording of profit reserves:

- **Statutory reserve** - it was recorded in the amount of R$ 57,108 (R$ 55,881 as of December 31, 2016) 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$ 478,284, plus the balance of retained earnings of R$ 36,882 (deriving from the realization of the deemed cost (2010), reversal of exercized shares of the provision for stock options and reversal of prior year dividends) aimed at the reserve for capital budget for the 2018 investment plan.

d) Treasury shares

In February 21, 2017, the Board of Directors approved the acquisition of 500,000 shares at the average cost of R$ 17.35 per share.

The shares acquired by the Company are held in treasury to be used by the beneficiaries of the Share Purchase Option Plan and the Long Term Incentive Plan of the Company or subsequent disposal or cancellation.

The amount of 241,650 shares were exercised by the beneficiaries of the Share Purchase Option Plan until December 31, 2017. The Company holds in treasury 1,310,021 shares at the average cost of R$ 13.28 per share in the total amount of R$ 17,392 (R$ 11,924 as of December 31, 2016).

19 Long-term Incentive Plan (LTIP)

The EGM held on June 28, 2016 approved the establishment of a share-based remuneration plan called Long-term incentive plan (LTIP PLAN) in favor of its Management and managers.

i) Plan

(Amounts in thousands of Reais, except otherwise stated)

The Plan is managed by the Board of Directors, seeking to grant WEG S.A.'s (Company), named "WEGE3" by B3, shares to its statutory officers so as to attract, motivate and retain them, as well as align their interests to those of the Company and its shareholders.

For the LIP Plan to be applied each year, and the following granting of the shares, it is a minimum condition (trigger) that the Company has obtained, in the prior fiscal year, at least 10% of return on invested capital (ROIC).

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

The availability of shares granted to the participants is registered on clauses 7 and 8 of the LIP Plan, which establishes the criteria for the amount of shares to be granted and the grace period to be complied with.

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

ii) Program
The Board of Directors may approve, each year, Long-Term Incentive Programs ("Programs"), which will define the participants, number of Options, value of shares, term and other rules specific to each Program.

2016 Program
The 2016 program participants are the company's statutory directors and its subsidiaries with head offices in Brazil, excluding the statutory directors of subsidiaries with third party participation.
The weighted average fair value was determined based on the *Black-Scholes-Merton* method:

Program	Granted Shares		Average Fair Value - Black-Scholes-Merton Method				
	Quantity	Share value (R$)	Installment lifespan - in days	Expected volatility in share value (%)	Current share value at grant date (R$)	Share value (R$)	Expense value to be appropriated during the plan (R$ thousand)
2016	280,408	15.54	520 - 1,022	25.6	17.10	21.78	6,107

The expenses recognition is made throughout the grace period of the installments established by the LIP (Long-Term Incentive Plan).

In 2017, was recorded expenses in the amount of R$ 2,337 in account of other income in the financial statements for the year in counterpart to the capital reserve in Equity.

2017 Program
The Company's Board of Directors approved the 2017 Program with identical conditions to the 2016 Program.

20 Stock call option plan

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

Summary of the plan's shares movement:

			Number of shares
Program	**12/31/2016**	**Exercised**	**12/31/2017**
April/11	9,188	(9,188)	-
September/11	5,340	(5,340)	-
March/12	14,040	(4,160)	9,880
September/12	23,824	(20,028)	3,796
April/13	81,921	(54,079)	27,842
September /13	39,596	(30,394)	9,202
March/14	155,874	(43,234)	112,640
August/14	61,828	(15,854)	45,974
March/15	119,020	(12,236)	106,784
August /15	181,055	(39,837)	141,218

(Amounts in thousands of Reais, except otherwise stated)

March /16	194,575	(7,300)	187,275
TOTAL	**886,261**	**(241,650)**	**644,611**

The recognition of expenses on stock options is carried out throughout the period of acquisition of the right *"vesting period"*.

In 2017, expenses in the amount of R$ 1,127 (R$ 1,469 in 2016) were registered in the account Other Results in the Income Statement in counterpart to Capital Reserve in Equity.

The options exercised in 2017 were recorded in the amount of R$ 1,588 (R$ 1,530 in 2016) being recorded in Equity, in the account Capital Reserves, the amount of R$ 998 (R$ 1,972 in 2016), and the amount of R$ 590 (R$ 442 as reversal of the amount provisioned in 2016) as a complement to the amount provisioned registered in the accumulated profits account.

21 Net revenue

	CONSOLIDATED	
BREAKDOWN OF NET REVENUE	**12/31/17**	**12/31/16**
Gross revenue	**10,854,789**	**10,943,203**
Domestic market	5,231,447	5,316,659
External markets	5,623,342	5,626,544
Deductions	**(1,330,959)**	**(1,576,195)**
Taxes	(1,135,251)	(1,140,764)
Returns and rebates	(195,708)	(435,431)
Net revenue	**9,523,830**	**9,367,008**
Domestic market	4,203,680	4,002,279
External markets	5,320,150	5,364,729

22 Construction Contracts

The revenues and costs of construction contracts are recognized in accordance with the execution of each project by the method of incurred costs percentage, considering the legal possibility of demanding payment by the customer or delivery of the product to the client (transfer of control).

	CONSOLIDATED	
	12/31/17	**12/31/16**
Recognized operational revenue	821,013	804,033
Incurred costs	(730,743)	(654,950)
	12/31/17	**12/31/16**
Advances received	1,478,138	846,037

23 Operating expenses by nature and function

	CONSOLIDATED	
	12/31/17	**12/31/16**
EXPENSES BY NATURE	**(8,341,418)**	**(8,303,334)**
Depreciation, amortization and depletion	(283,875)	(343,257)
Personnel expenses	(2,218,279)	(2,148,008)
Raw materials, materials for use, and consumables	(4,371,131)	(4,362,612)
Freight expenses and insurance	(252,095)	(234,006)
Other expenses	(1,216,038)	(1,215,451)
EXPENSE BY FUNCTION	**(8,341,418)**	**(8,303,334)**
Cost of goods sold and services rendered	(6,765,383)	(6,731,229)
Selling expenses	(894,353)	(924,999)
General and administrative expenses	(465,050)	(442,783)
Management fees	(23,631)	(22,600)
Other operating income (expenses)	(193,001)	(181,723)

24 Other operating income (expenses)

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

(Amounts in thousands of Reais, except otherwise stated)

	CONSOLIDATED	
	12/31/17	12/31/16
OTHER OPERATING INCOME	**23,205**	**15,526**
Other	23,205	15,526
OTHER OPERATING EXPENSES	**(216,206)**	**(197,249)**
Employee profit sharing	(171,335)	(143,320)
Profit sharing - subsidiaries abroad	(22,026)	(24,740)
Management profit sharing	(15,916)	(3,862)
Tax incentives of the Rouanet Law	(1,677)	(2,368)
Other	(5,252)	(22,959)
TOTAL NET	**(193,001)**	**(181,723)**

25 Net financial expenses

	12/31/17	12/31/16	12/31/17	12/31/16
FINANCIAL INCOME	**79,982**	**108,889**	**851,852**	**816,087**
Financial investment income	**113,492**	**144,327**	**494,153**	**556,401**
Exchange variation	**-**	**-**	**276,649**	**342,811**
Exchange variation - Trade payables	-	-	52,634	85,743
Exchange variation - Trade receivables	-	-	78,495	96,216
Exchange variation - Loans	-	-	78,353	126,269
Exchange variation – Other	-	-	67,167	34,583
Discounted present value of trade receivables	**-**	**-**	**-**	**51,080**
PIS/COFINS levied on interest on shareholders' equity	**(29,141)**	**(29,344)**	**(29,180)**	**(29,500)**
PIS/COFINS levied on finance income	**(5,317)**	**(6,741)**	**(25,954)**	**(27,364)**
Derivative financial instruments	**-**	**-**	**34,480**	**(153,639)**
PROEX - Equaliz. Interest rate	**-**	**-**	**10,228**	**16,823**
Other revenues	**948**	**647**	**91,476**	**59,475**
FINANCIAL EXPENSES	**(246)**	**(243)**	**(793,816)**	**(600,247)**
Interest applicable to Loans and financing	**-**	**-**	**(287.347)**	**(267,651)**
Exchange variation	**-**	**-**	**(322.384)**	**(83,156)**
Exchange variation - Trade payables	-	-	(34.406)	(43,016)
Exchange variation - Trade receivables	-	-	(79.854)	(164,597)
Exchange variation - Loans	-	-	(121.732)	175,377
Exchange variation - Other	-	-	(86.392)	(50,920)
Discounted present value of trade payables	**-**	**-**	**-**	**(29,418)**
Derivative financial instruments	**-**	**-**	**(100.267)**	**(165,416)**
Other expenses	**(246)**	**(243)**	**(83.818)**	**(54,606)**
NET FINANCIAL RESULT	**79,736**	**108,646**	**58,036**	**215,840**

26 Provision for income and social contribution taxes

The parent company and subsidiaries in Brazil determine income and social contribution taxes according to taxable income, except for WEG Administradora de Bens Ltda, and Agro Trafo Miner., Agric., Pec. e Administradora de Bens S.A., which adopt the determination using the presumed income. The provision for income tax was recorded at a 15% rate, plus of additional of 10% and social contribution at a 9% rate. The taxes abroad are recorded according to the legislation of each country.

Reconciliation of income and social contribution taxes:	**PARENT COMPANY**		**CONSOLIDATED**	
	12/31/17	**12/31/16**	**12/31/17**	**12/31/16**
Profit before taxes on income	1,141,409	1,118,549	1,240,448	1,279,514
Statutory nominal rate	**34%**	**34%**	**34%**	**34%**
IRPJ and CSLL calculated at nominal rate	(388,079)	(380,307)	(421,752)	(435,035)
Adjustments for determination of actual income and social contribution taxes:				
Income from investments in subsidiaries	364,124	345,459	(4,754)	5,310
Rate difference on profit or loss abroad	-	-	105,367	123,484
Tax incentives	-	-	81,900	59,251
Reintegra (Special Regime for the Reimbursement of Taxes paid by Export Companies)	-	-	12,364	596
Interest on shareholders' equity	25,082	34,116	132,264	142,071
Provision for income and social contribution taxes (Lei do Bem - Innovation Tax Incentive Law)	-	-	(6,596)	(52,968)
Other adjustments	(387)	(193)	1,701	5,609

(Amounts in thousands of Reais, except otherwise stated)

IRPJ and CSLL in profit or loss	**740**	**(925)**	**(99,506)**	**(151,682)**
Current tax	(393)	(954)	(167,681)	(245,415)
Deferred tax	1,133	29	68,175	93,733
Effective rate - %	**-0.06%**	**0.08%**	**8.02%**	**11.85%**

27 Insurance coverage

The corporate unit in Brazil is responsible for WEG Group's management regarding the insurance portfolio in Brazil and abroad, establishing risk policies for the Group in order to protect its assets. The Company and its subsidiaries have a Worldwide Insurance Program - WIP, in which the following world policies established stand out, such as: Transport risk (Export, Import and Domestic), Civil Product Liability, Directors and Officers (liability) insurance (D&O), Surety Bond, General Civil Liability, Properties and Environment Pollution, Contractual Insurance and Engineering Installation and Assembly Risk.

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

Some of the policies and their insured capital are highlighted below:

- Operating risks (Equity): US$ 36 million;
- Loss of Profits: US$ 11.7 million (for Paint companies and newly acquired companies for the first 12 months with an indemnity period of 6 months);
- General Civil liability: US$ 10 million;
- Products Civil Liability: US$ 40 million;
- Domestic Transport: R$ 12 million per shipment/accumulation/trip and cabotage up to R$ 40 million;
- International Transport - Export and Import: US$ 5 million per shipment/accumulation/trip;
- Environment pollution: US$ 20 million;
- Contractual Insurance: As stipulated in the contract;
- Installation and Assembly Engineering Risk: R$ 150 million in Brazil, US$ 30 million in Latin America (except Cuba) and US$ 5 million in the USA;
- Directors & Officers (liability) insurance (D&0): US$30 million.

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 VALUE		FAIR VALUE	
	12/31/17	**12/31/16**	**12/31/17**	**12/31/16**
Cash and cash equivalentes	**3,162,685**	**3,390,662**	**3,162,685**	**3,390,662**
Cash and banks	**224,249**	**223,267**	**224,249**	**223,267**
Financial investments:	**2,938,436**	**3,167,395**	**2,938,436**	**3,167,395**
- In local currency	2,847,251	3,091,597	2,847,251	3,091,597
- In foreign currency	91,185	75,798	91,185	75,798
Financial investments:	**1,411,046**	**1,373,287**	**1,411,046**	**1,373,287**
Derivative financial instruments	**182,154**	**184,664**	**182,154**	**184,664**
- *Non Deliverable Forwards* - NDF	4,986	15,425	4,986	15,425
- SWAP	174,214	169,221	174,214	169,221
- *Hedge accounting*	2,954	18	2,954	18
Total - Assets	**4,755,885**	**4,948,613**	**4,755,885**	**4,948,613**
Loans and financing	**4,056,442**	**4,400,325**	**4,056,442**	**4,400,325**
- In local currency	1,757,618	2,529,984	1,757,618	2,529,984
- In foreign currency	2,298,824	1,870,341	2,298,824	1,870,341
Derivative financial instruments	**53,640**	**89,373**	**53,640**	**89,373**
- *Non Deliverable Forwards* - NDF	7,774	12,061	7,774	12,061
- SWAP	40,795	47,105	40,795	47,105
- *Hedge accounting*	5,071	30,207	5,071	30,207
Total - Liabilities	**4,110,082**	**4,489,698**	**4,110,082**	**4,489.698**

28.1 Risk factors

Risk factors regarding financial instruments are basically related to:

a) Credit risks

Arises from the possibility of the company's subsidiaries not receiving amounts arising from sales or credit transactions with financial institutions generated by financial investments. To mitigate the risk arising from sales operations, the Company's subsidiaries adopt a policy of analyzing the financial position of their customers, establishing a credit limit and permanently follow their outstanding balance. With regard to financial investments, the Company and its subsidiaries invest with institutions with low credit risk.

b) Foreign currency risks

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

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

The Company and its subsidiaries had export operations totaling US$ 651.4 millions (US$ 596.9 millions as of December 31, 2016), which acts as a natural *hedge* for indebtedness and other costs related to other currencies, especially US Dollars.

c) Risks related to debt charges

These risks arise from the possibility that the subsidiaries may suffer losses due to fluctuations in interest rates or other debt indexes, which increase financial expenses related to loans and financings obtained in the market, or decrease financial income related to the subsidiaries' short-term investments. The Company and its subsidiaries continually monitor market interest rates aiming at assessing the possible need for hedging against the volatility of these rates.

28.2 Derivative financial instruments

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

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

(i) US$ 45.3 million, held by subsidiary WEG Equipamentos Elétricos S.A., with the purpose of protecting its exportations from the currency exchange fluctuation risks;
(ii) US$ 13.5 million, held by subsidiary Zest WEG Group Africa (PTY) Ltd, aiming at protecting the importation operations against currency exchange fluctuation risks;
(iii) EUR 31.3 million, held by subsidiary WEG Equipamentos Elétricos S.A., with the purpose of protecting the exportations against currency exchange fluctuation risks;
(iv) US$ 78.5 million, held by subsidiary WEG Holding GmbH, with the purpose of protecting its intercompany financing operations against the risks of Euro decreases;

b) Swap operations, 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;
(ii) US$ 462.3 million held by the subsidiary WEG Equipamentos Elétricos S.A., with the purpose of protecting the financing operations against the US$ Dollar increase risks;
(iii) R$ 80 million, held by subsidiary WEG Equipamentos Elétricos S.A., with the purpose of protecting against the interest rate decreases risk.

The Company's Management and that of its subsidiaries maintain a permanent monitoring of the derivative financial instruments contracted, through their internal control.

The sensitivity analysis statement chart (item 28.3) must be read jointly with the other financial assets and liabilities expressed in foreign currency as of December 31, 2017, as the estimated impact of the foreign currency rate over NDFs and SWAPs presented will be offset, if effective, in whole or in part, with the devaluation of all assets and liabilities.

Management has determined that, for the probable scenario (market value), the exchange rates used to mark to market the financial instruments, valid on December 31, 2017, should be considered. These rates represent the best estimate of the future performance of these prices and represent the amount by which the positions could be settled at maturity.

The Company and its subsidiaries made the accounting based on their market price on December 31, 2017 at fair value and on the accrual basis. These operations had net negative impact as of December 31, 2017 in the amount of R$ 65,787 (R$ 319,055 negative as of December 31, 2016) which were recognized as financial income. The Company and its subsidiaries have no margin guarantees for derivative financial instruments outstanding as of December 31, 2017.

c) Derivative financial instruments designated to hedge accounting (hedge accounting)
The Company made the formal designation of its operations subject to protection accounting (hedge accounting) for derivative financial instruments of protection of inputs purchase and expenses denominated in foreign currency, documenting:
- Date of designation and identification of the hedging relation;
- Description of the purpose of hedging and risk management strategy;
- Hedge compliance statement and risk management;
- Description and identification of the derivative instrument and the hedged item;
- Description of the risks covered and excluded risks;
- Description of the evaluation method of the actual hedge effectiveness;
- Frequency of evaluation effectiveness of prospective and retrospective;
- Description of hedge accounting policy.

The Company and its subsidiaries have operations of hedge accounting as of December 31, 2017, in the notional amount of US$ 31.3 million and EUR 4.8 million, held by subsidiary WEG Equipamentos Elétricos S.A.

The Company and its subsidiaries made the accounting based on their fair value as of December 31, 2017, and on the accrual basis. The net accumulated value, net of taxes, recorded in equity is R$ 11,355 negative (R$ 26,948 negative at December 31, 2016).

The Company and its subsidiaries have no margin guarantees for derivative financial instruments outstanding as of December 31, 2017.

28.3 Sensitivity Analysis
The tables below present "cash and expense" effects deriving from the results of financial instruments in each one of the scenarios.

a) Financial investments and Financing:

Operation	Risk	Currency	National Value (in thousands)	Market Value in 12/31/2017		Possible scenario 25%		Remote scenario 50%	
				Average price	In R$ Thousands	Average price	In R$ Thousands	Average price	In R$ Thousands
Short-term investments	Decrease of CDI	R$	3,276,968	Rate 6.89% p.a.	225,783	Rate 5.17% p.a.	169,419	Rate 3.45% p.a.	113,055
	TOTAL				**225,783**		**169,419**		**113,055**
Financing	Increase of TJLP	R$	958,121	Rate 7.00% p.a.	(67,068)	Rate 8.75% p.a.	(83,836)	Rate 10.50% p.a.	(100,603)
	Increase of Dollar	US$	402,300	3.3074	(206,632)	4.1343	(539,301)	4.9611	(871,970)
	TOTAL				**(273,700)**		**(623,137)**		**(972,573)**

(*)Analysis of sensitivity variation of investments: risk of the Company in the event of reduction in interest rates, considering as static the position of applications backed by the CDI rate as of December 31, 2017.
(**)Financing variation sensitivity analysis: the Company's risk in the event of rising interest rates, considering the static funding position backed TJLP of December 31, 2017.

b) *Non Deliverable Forwards* - NDF operations:

Operation	Risk	Currency	National Value (in thousands)	Market Value in 12/31/2017		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 of Dollar	US$/R$	45,300	3.3436	(512)	4.1796	(38,378)	5.0155	(76,245)
	Decrease of Dollar	US$/R$	297	3.3329	(422)	2.4997	(670)	1.6665	(917)
	Increase of Dollar	US$/ZAR	978	15.4367	(384)	19.2958	(1,399)	23.1550	(2,414)
	Decrease of Dollar	US$/ZAR	13,496	13.6625	(443)	10.2621	(12,863)	6.8416	(25,282)
	Decrease of Dollar	US$/EUR	78,500	1.2029	3,261	0.9022	(83,082)	0.6015	(255,770)
	Total Dollar		**138,571**		**1,500**		**(136,392)**		**(360,628)**
	Increase of Euro	EUR/ZAR	82	14.8188	(8)	11.1141	(90)	7.4094	(171)
	Increase of Euro	EUR/R$	31,300	4.0250	(3,932)	5.0313	(35,428)	6.0376	(66,924)
	Decrease of Euro	EUR/R$	208	4.0063	(294)	3.0047	(503)	2.0032	(711)
	Total Euro		**31,590**		**(4,234)**		**(36,021)**		**(67,806)**

	Decrease of Pound	GBP/ZAR	187	17.0944	(92)	12.8251	(307)	8.5506	(522)
	Total Euro		**187**		**(92)**		**(307)**		**(522)**
	Decrease of Cingapure Dollar	SGD/EUR	2,948	1.6117	38	1.2087	(2,382)	0.8058	(7,221)
	Total Euro		**2,948**		**38**		**(2,382)**		**(7,221)**
	TOTAL				**(2,788)**		**(175,102)**		**(436,177)**

c) SWAP Operations:

Operation	Risk	Currency	National Value (in thousands)	Market Value in 12/31/2017		Possible scenario 25%		Remote scenario 50%	
				Average price	In R$ Thousands	Average price	In R$ Thousands	Average price	In R$ Thousands
SWAP	Decrease of Euribor	EUR	10,000	Interest 0.11% p.a.	(8,591)	Interest 0.08% p.a.	(8,644)	Interest 0.05% p.a.	(8,697)
	Decrease of Dollar	US$	462,333	3.2980	138,076	2.4735	(221,153)	1.6490	(581,525)
	Increase of CDI	R$	80,000	Rate 6.28%	3,934	Rate 7.84%	2,998	Rate 9.41%	2,086
	TOTAL				**133,419**		**(226,799)**		**(588,136)**

d) Hedge accounting *operations*:

Operation	Risk	Currency	National Value (in thousands)	Market Value in 12/31/2017		Possible scenario 25%		Remote scenario 50%	
				Average price	In R$ Thousands	Average price	In R$ Thousands	Average price	In R$ Thousands
Hedge Accounting	Decrease of Dollar	US$/R$	31,315	3.3472	(1,136)	2.5104	(27,339)	1.6736	(53,544)
	Decrease of Euro	EUR/R$	4,813	3.9835	(981)	2.9876	(5,776)	1.9917	(10,569)
	TOTAL				**(2,117)**		**(33,115)**		**(64,113)**

29 Subsidies and Government grants

The Company and its subsidiaries obtained subsidies in the amount of R$ 74,776 (R$ 52,176 as of December 31, 2016) deriving from tax incentives, recognized in the profit or loss for the period:

	CONSOLIDATED	
	12/31/17	**12/31/16**
Total subsidies and government grants	**74,776**	**52,176**
a) WEG Linhares Equipamentos Elétricos S.A.	**43,447**	**40,844**
- ICMS incentive credit of 85.0%	30,716	31,935
- Corporate Income Tax (IRPJ) 75.0% reduction	12,006	8,380
- Corporate Income Tax (IRPJ) 30% reduction due to reinvestment	700	504
- Municipal investment	25	25
b) WEG Drives & Controls – Automação Ltda.	**16,981**	**-**
- ICMS incentive credit	16,981	-
c) WEG Logística Ltda.	**10,360**	**10,522**
- ICMS incentive credit	10,360	10,522
d) WEG Amazônia S.A.	**2,983**	**810**
- ICMS incentive credit of 90.25%	402	378
- Corporate Income Tax (IRPJ) 75.0% reduction	2,581	432
e) WEG Equipamentos Elétricos S.A.	**1,005**	**-**
- ICMS incentive credit	1,005	-

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

(Amounts in thousands of Reais, except otherwise stated)

30 Information by segment

	Brazil				Foreign		Eliminations and Adjustments		Consolidated	
	Industry		Energy							
	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16
Revenue from sale of products / services	4,677,288	4,341,305	2,034,590	2,185,202	5,566,322	5,585,702	(2,754,370)	(2,745,201)	9,523,830	9,367,008
Earnings before income taxes	1,648,245	1,427,489	724,502	841,155	469,699	630,995	(1,601,998)	(1,620,125)	1,240,448	1,279,514
Depreciation / Amortization / Depletion	135,157	182,700	50,292	64,237	98,426	96,320	-	-	283,875	343,257
	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16
Identificable assets	3,098,156	2,967,103	1,517,913	1,735,504	4,923,974	3,871,977	(489,471)	(192,857)	9,050,572	8,381,727
Identificable liabilities	773,478	867,463	600,952	614,173	1,487,813	1,317,424	(594,290)	(635,228)	2,267,953	2,163,832

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

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

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

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

31 Earnings per share

a) Basic

The calculation of basic earnings per share is performed by means of dividing the net income for the year attributable to the holders of the Company's ordinary shares, by the weighted average number of ordinary outstanding shares for the year.

	12/31/17	12/31/16
Earnings attributable to the Company's shareholders.	1,142,149	1,117,624
Weighted average number of outstanding ordinary shares (adjusted including splitting) held by shareholders (shares/thousand)	1,613,447	1,613,245
Basic earnings per share - R$	0.70789	0.69278

b) Diluted

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

	12/31/17	12/31/16
Earnings attributable to the Company's shareholders.	1,142,149	1,117,624
Weighted average number of outstanding ordinary shares (adjusted including splitting) potentially diluting held by shareholders (shares/thousand)	1,613,968	1,614,188
Diluted earnings per share - R$	0.70767	0.69238

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

Executive Board
Harry Schmelzer Junior - CEO (Chief Executive Officer)
André Luis Rodrigues - CFAO (Chief Administrative and Financial Officer)
Carlos Diether Prinz - Officer - Transmission and Distribution
Daniel Marteleto Godinho - Corporate Strategies Director
Eduardo de Nóbrega - Officer - Energy
Hilton José da Veiga Faria - CHRO (Chief Human Resources Officer)
Luis Alberto Tiefensee - Officer - Motors
Luis Gustavo Lopes Iensen - International Department Director
Manfred Peter Johann - Officer - Automation
Paulo Geraldo Polezi - Finance and Investors Relations Officer
Reinaldo Richter - Officer - Paints
Siegfried Kreutzfeld - Officer - China
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

Statutory Audit Committee

Incumbents	**Deputies**
Alidor Lueders	Ilário Bruch
Paulo Cesar Simplicio da Silva	Aramis Sa de Andrade
Vanderlei Dominguez da Rosa	Paulo Roberto Franceschi

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors and Management
WEG S.A.
Jaraguá do Sul - Santa Catarina (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 statement of financial position as at December 31, 2017 the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of the WEG S.A. as at December 31, 2017 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
See notes 2.2 and 11 of individual and consolidated financial statements.

In 2017 the Company acquired the control of CG Power USA Inc, company based in United States, a manufacturer of electrical transformers.

The accounting standard requires the measurement of the fair value of the consideration transferred, the assets acquired and the liabilities assumed and the result of the goodwill by expectation of future profitability.

This transaction was considered a significant matter for our audit, due to the uncertainties inherent in the definition process of estimates and the impact that possible changes in the assumptions used in those estimates might have on the financial statements.

How our audit addressed this matter
We evaluated the contracts that supports the business combination and reviewed the supporting documentation that we understand to be relevant.

With the assistance of our specialists in corporate finance, based on our knowledge of the entity acquired and the industry in which it operates, we assessed the assumptions and methodologies used by the Company and its legal advisors in the determination and appropriate recognition of the fair value of assets and liabilities acquired and compared the estimates and judgments with the independent calculations performed based on external and historic data in order to analyze the reasonableness of the fair values determined. We also assessed the appropriateness of the disclosures made in the financial statements.

As a result of the evidence obtained through the procedures described above, we understand that the recognition and disclosure of the business combination is acceptable in the context of the financial statements taken as a whole.

Valuation of the goodwill recoverable value
See notes 2.2, 2.9, 11 and 13 of individual and consolidated financial statements.

The Company has a significant amounts of goodwill recognized in intangible assets, which originated in the various acquisitions performed by the Company, which is subject to an annual impairment test and whose realization depends on estimates of future profitability based on the business plans and annual budget prepared by the Company and which are supported by economic and business assumptions such as rates of growth and discount.

Due to relevance of goodwill, the uncertainties inherent in the definition process of estimates and the impact that possible changes in the assumptions used in those estimates might have on the financial statements, we consider that this is a significant matter for our audit.

How our audit addressed this matter
With the support provided by our specialists in corporate finance, we assessed the assumptions and methodologies used by the Company in the preparation of the analysis that supports the analyses of determined goodwill recoverable value, particularly those used in the preparation of cash flow forecasts and compared them with historical data and data obtained from external sources. We carried out a sensitivity analysis of those assumptions made by Company.

We also carried out the analysis of reasonableness of mathematical calculations and assessed the appropriateness of disclosures made by the Company.

Based on the evidence obtained through the procedures described above, we consider that it is acceptable to assess the recoverability of goodwill in the context of the financial statements taken as a whole.

Other matters

Statements of value added
The individual and consolidated statements of value added (DVA) for the year ended December 31, 2017, 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.

Other information accompanying the individual and consolidated financial statements and the auditor's 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 individual and 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 02, 2018

KPMG Auditores Independentes
CRC SC-000071/F-8
Original report in Portuguese signed by
Marcelo Lima Tonini
Accountant CRC PR-045569/O-4 T-SC

WEG S.A.
FINANCIAL STATEMENTS
REPORT OF SUPERVISORY BOARD

The Supervisory Board of WEG S.A., performing its legal function, has examined the Management Report, Financial Statements as of 12/31/2017, and the proposals of the Management for: (a) allocation of Net Profit; and (b) Plan Investment / Capital Budget, based on the tests and clarifications offered by the Management, by the representatives of the Independent Auditors, and also based on the report of KPMG - Auditores Independentes on the non-qualified Financial Statements dated February 02, 2018, opines that these documents are in condition to be examined and voted at the Annual General Meeting.

Jaraguá do Sul (SC), February 27, 2018.

ALIDOR LUEDERS **PAULO CESAR SIMPLICIO DA SILVA** **VANDERLEI DOMINGUEZ DA ROSA**

STATEMENT

Through this instrument, the CEO and other Officers of WEG S.A., a publicly owned company, with head office at Avenida Prefeito Waldemar Grubba, 3300, registered under CNPJ (Brazilian IRS Registry of Legal Entities) No. 84.429.695/0001-11, for the purposes described in items V and VI of Article 25 of CVM instruction 480, of December 7, 2009, hereby state that:

(i) Reviewed, discussed and agreed with the opinions expressed in the report of KPMG, dated February 2, 2018, regarding the financial statements of WEG S.A. and consolidated for the year ended December 31, 2017, and

(ii) Reviewed, discussed and agreed with the financial statements of the WEG S.A. and consolidated for the year ended December 31, 2017.

Jaraguá do Sul (SC), February 2, 2018.

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