WEG S.A.
MANAGEMENT REPORT
December 31, 2014

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

SCENARIO

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

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

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

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

ECONOMIC AND FINANCIAL ASPECTS

Operating revenue

The consolidated **Net Operation Revenue (NOR)** reached R$7,840.8 million in 2014, up 14.8% over the previous year. Disregarding the NOR on acquisitions made in the year, adjusted growth was 12.6%.
All business areas showed positive performances during the year. The highlights were the performances of the **GTD** and **Motors for domestic use**, with rates above the consolidated growth rate. The segment of **industrial electro-electronic equipment –** grew more slowly, but still above the double digits. Only the segment of **Paints and varnishes** reported a one-digit growth rate.
The company highlights the following in each of these areas:
a) Industrial electro-electronic equipment. The industrial electronic equipment segment reported an 11.4% increase in net operating revenue compared with 2013, with better performance in foreign markets than in Brazil. In Brazil, performance was affected by the low level of investments, the result of years of consecutive poor performance of industrial production. This situation was noticeable both for serial industrial products and for engineered products. Even the adoption of tax incentives, greater availability of credit and currency depreciation during the year were not enough to make Brazilian industry more dynamic. Thus, Brazilian industry has only invested to maintain the installed capacity, with investments in expansion concentrated in a few specific segments.
In foreign markets, we were able to use our competitive advantages more aggressively and resume growth after a year, 2013, in which we consolidated positions. We started the construction of new units for the production of electric motors in Mexico and China, further expanding our production platform outside Brazil. The acquisitions made in Germany, WEG Balingen and KATT bring important expertise and are part of our strategy of building an increasingly stronger industrial equipment brand. WEG global brand, already consolidated for electrical machines supplied to leading manufacturers of world capital goods, allows us to increase the scope of our portfolio of goods and services and to provide increasingly integrated systems.

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

c) Motors for domestic use. The segment of engines for domestic use repeated in 2014 the good increase of 22.8% in net operating revenue in 2013. This growth, however, was mainly due to the consolidation of revenues from the acquisition Sinya / CMM in China, and more modest growth was reported in the Brazilian market. This business area clearly has seasonal revenues and the surge in air conditioner sales during the abnormally hot summer of 2014 allowed a good performance in the first quarter. However, the change in the consumption pattern caused by the World Cup and the continued reduction in consumer credit eventually reduced the rate of growth throughout the year.

With the acquisition of Sinya / CMM Group WEG took an important step, internationalizing this business area, which until then had had a regional focus. We currently have a full portfolio of products that can globally meet the demand of our clients, from large-volume and very competitive products for emerging markets to technologically sophisticated products demanded in developed countries.

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

Domestic Market

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

External Market

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

Cost of Goods Sold

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

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

Selling, General and Administrative Expenses

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

EBITDA

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

Finance Income and Expenses

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

Net Income

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

CAPITALIZATION

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

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

	December 2014		December 2013		December 2012	
Cash & Financial instruments	**4.194.224**		**3.376.029**		**2.565.532**	
- Current	4.193.177		3.373.799		2.563.500	
- Long Term	1.047		2.230		2.032	
Debt	**4.092.150**	**100%**	**3.209.004**	**100%**	**2.689.840**	**100%**
- Current	1.466.752	36%	912.796	28%	1.645.772	61%
- In Brazilian Reais	779.146		462.336		1.067.683	
- In other currencies	687.606		450.460		578.089	
- Long Term	2.625.398	64%	2.296.208	72%	1.044.068	39%
- In Brazilian Reais	1.701.408		2.048.766		824.910	
- In other currencies	923.990		247.442		219.158	
Net Cash (Debt)	**102.074**		**167.025**		**(124.308)**	

Figures in R$ Thousand

INVESTMENTS

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

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

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

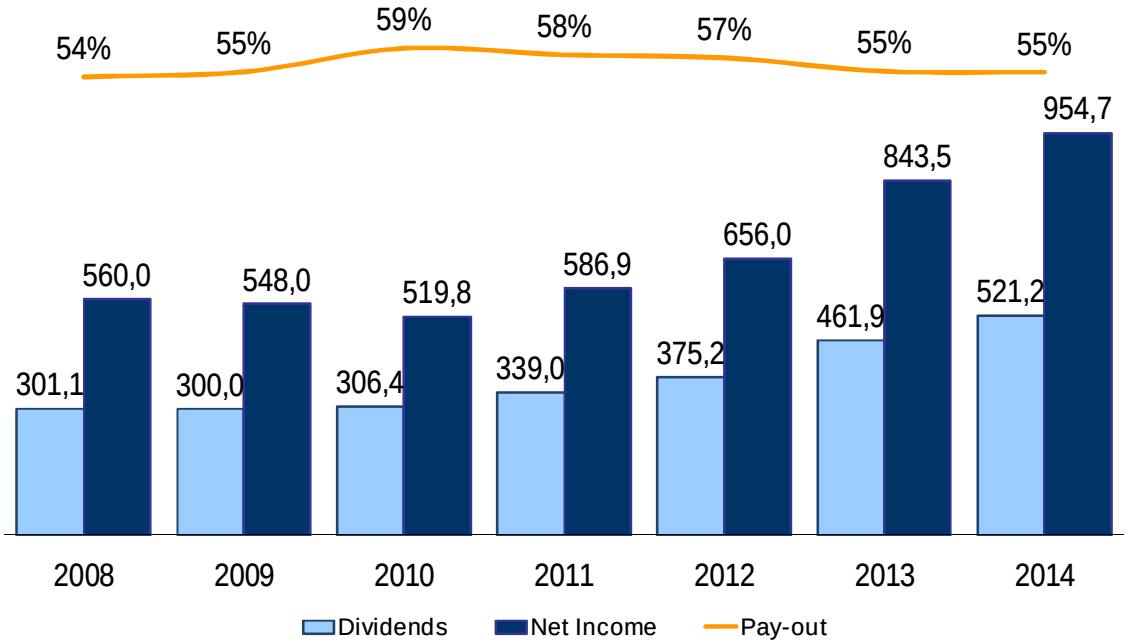
The investments in research, development and innovation (RD&I) totaled R$224.0 million in 2014, accounting for 2.9% of net operating revenue.

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

DIVIDENDS

Management will propose to shareholders gathered for the Annual General Meeting the payment of dividends and interest on capital totaling R$ 521.2 million for the results reported in 2014. Such amount accounts for 54.6% of profit before adjustments established by the Company`s bylaws.
On August 13, 2014 the Company started to pay the remuneration to shareholders which was established during the first half of the year (interim dividends), totaling R$234.1 million. The payment of (supplementary) dividends of R$ 287.1 million for the second half is to take place starting March 11, 2015.

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



CAPITAL INCREASE WITH SHARES

The Extraordinary Shareholders' Meeting, held on April 23, 2014, approved the Company's capital increase, in the amount of R$ 815,532,131.00, increasing it from R$ 2,718,440,437.00 to R$ 3,533,972,568.00, with a 30% stock bonus (three new ordinary shares for each 10 ordinary shares held).
The shareholders registered in the Company's book on April 23, 2014 were benefited. The bonus shares were included in the shareholders' positions on April 28, 2014, and they were available on April 29, 2014.
After a period in which shareholders could, if they wished to, transfer fractions of shares resulting from the stock bonus, these fractions were grouped and sold at auction on June 13, 2014, at BM&FBOVESPA. In this auction, were sold 1.458 ordinary shares, without par value. The values obtained with the sale of shares in the auction (R$ 28.391083676 per share) were paid to shareholders, pro rata to the fractions held by them before the auction, on June 26, 2014

HIGHLIGHTS

WÜRTTEMBERGISCHE ELEKTROMOTOREN GMBH ACQUISITION (WEG BALINGEN)

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

to 1,000 watts and fractional servomotors.
The manufacturing plant occupies 5,000 square meters area, employing around 80 people. Net revenues in 2013 were of approximately € 7 million.

ACQUISITION OF "SINYA" AND "CMM" GROUPS IN CHINA

On March 25, WEG S.A. announced an agreement to acquire the Chinese manufacturer of electric motors for washers and dryers Changzhou Sinya Electromotor Co. Ltd ("SINYA Group") and the component manufacturer Changzhou Machine Master Co. Ltd. ("CMM Group").
SINYA Group manufactures electric motor for washers, dryers and other white goods appliances, developing advanced technology products for major manufacturers worldwide. SINYA Group was founded in July 2005 and the main manufacturing plant is located in Changzhou, Jiangsu province, occupying 28,550 square meters area. A new manufacturing plant, with around 68,760 square meters, is under construction. The Group still includes "Wuxi Ecovi", an appliance products and solutions development and engineering company. SINYA Group's revenues in 2012 were of approximately USD 88 million.
CMM Group manufactures transmissions and mechanical components for "white line" solutions marketed by SINYA Group. CMM Group was founded in July 2005 and the manufacturing plant is located in Changzhou, with approximately 12,000 square meters area. CMM Group's revenues in 2012 were of approximately USD 17 million, being SINYA Group one of its main customers.

EFACEC ENERGY SERVICE ACQUISITION

On September 09, WEG S.A. announced the acquisition of Efacec Energy Service Ltda. ("Efacec Service"), a company that provides maintenance services for power transformers, electric motors, generators, circuit breakers and field engineering services in various energy industrial segments.
Efacec Service has over 20 years of experience in providing services in transformers and mid-sized rotating machines, occupying an area of 6,500 square meters in Jaboatão dos Guararapes, Pernambuco, in the metropolitan region of Recife. With 100 employees, the company predominantly operates in the Brazilian Northeast. In 2013, Efacec Service net revenues reached approximately R$ 16 million.
On December 31, 2014, the Company was awaiting for the approval of the acquisition from Brazilian antitrust authorities.

FTC ENERGY GROUP ACQUISITION IN COLOMBIA

On October 20, WEG S.A. announced the acquisition of FTC Energy Group ("FTC"), a Bogotá, Colombia, based company that manufactures and assembles electrical panels for process automation.
FTC was founded in 1984 and has reached a prominent position in the Colombian oil and gas equipment market, with extensive experience in special panels and electrical rooms. In 2013, FTC reached approximately US$ 10 million in net revenues.
The transaction is subject to approval from anti-trust authorities and other technical and commercial terms.

JOINT VENTURES IN OIL AND GAS MARKET

On November 3, 2014, we announced joint ventures with Jelec Inc. ("Jelec"), a North-American company with head office in Houston, Texas, specialized in engineering and integration of automation systems with large experience in drilling applications for the oil and gas industry.
The joint ventures will allow the supply of integrated automation engineering packages and associated electrical products, meeting the demand of the upstream oil and natural gas sector in Brazil and worldwide.,

KATT HESSEN ACQUISITION IN GERMANY

On December 01, WEG S.A. announced the acquisition of Antriebstechnik KATT Hessen GmbH ("KATT"), an electric motors manufacturer with headquarters in Homberg, Germany.
KATT originated in 2002, from the merger of KATT Motoren, founded in 1924, and its AKS development affiliate. Over the years, KATT has accumulated large experience in manufacture high-speed motors and a strong technological development expertise. The company has two manufacturing units, in Homberg and Dresden, employing around 190 people. Net revenues in 2013 were of approximately € 14.4 million.
The approval of German authorities was obtained in January 2015.

WEG SHARES COMPOSE SUSTAINABILITY INDEX

On September 11, WEG S.A. has been selected as component of the Dow Jones Sustainability Indices (DJSI). WEGE3 shares were included, from September 22, 2014 onwards, in the Dow Jones Sustainability Emerging Markets Index (DJSI-EM) portfolio.
DJSI, developed by Dow Jones and the RobecoSAM Group, was the first global index to assess corporate sustainability considering the economic, environmental and social development aspects. In 2014, DJSI considered a universe of 3,395 companies worldwide, including the 800 largest companies in Emerging Markets, among which 86 components with

more sustainable practices were selected.
On November 26, WEG S.A was once again selected to the Corporate Sustainability Index portfolio (ISE) of BM&FBOVESPA. The new ISE's portfolio, will be valid from January 5, 2015 to January 2, 2016. Company is the sole representative of Machinery and Equipment segment.
The inclusion of WEGE3's shares in ISE, which has been occurring consistently for some years, shows the Company's commitment with corporate governance good practices, social responsibility and sustainable development. WEG once again authorized disclosure of its answers to the selection questionnaire.

OUTLOOK

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

In Brazil, the prospects are that macroeconomic adjustment measures, although they may cause further reduction in economic activity in the short term, create the conditions for the resumption of more robust economic growth with low inflation and recovery of the industry competitiveness. The Company hopes that even with these adjustments, the investments in generation, transmission and distribution, fundamental to ensure Brazil`s economic activity, are not reduced. Similarly, WEG has products and solutions for increasing energy efficiency, reducing costs and conserving energy, major concerns in the current scenario. These will be the main business opportunities for WEG in the Brazilian market throughout the year.

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

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

(R$ million)

Investments	**2015**
Property, plant and equipment (plant expansion/modernization)	477.6
Intangible (software)	12.5
Working capital	60.5
Total Investments	**550.6**

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

AUDIT SERVICES

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

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

(R$ thousand)

	2014	
Audit of financial statements	1,035.5	84.7%
Legal advisory	186.6	15.3%
Total general	**1,222.1**	**100%**

ARBITRATION CHAMBER

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

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

WEG S.A.
Balance sheet
At December 31, 2014 and 2013
In thousands of reais

	Notes	COMPANY 31/12/14	COMPANY 31/12/13	CONSOLIDATED 31/12/14	CONSOLIDATED 31/12/13
Assets					
Currents assets					
Cash and cash equivalents	4	886,700	870,906	3,328,015	3,373,799
Short-term investments	5	57,699	-	865,162	-
Clients	6	-	-	1,867,864	1,658,806
Inventories	7	-	-	1,704,919	1,445,927
Taxes recoverable	8	8,948	10,573	159,446	166,384
Dividends and interest on equity receivable		70,577	62,324	-	-
Other current assets		-	-	172,781	206,871
		1,023,924	**943,803**	**8,098,187**	**6,851,787**
Noncurrent assets					
Short term investment	5	-	-	1,047	2,230
Judicial deposits	15.d	3,430	1,328	44,394	35,260
Recoverable to related parties	9	-	1,193	-	-
Deferred taxes	10	557	2,977	55,864	60,376
Taxes recoverable	8	-	-	19,221	16,793
Other noncurrent assets		-	-	6,144	9,207
Investments	11	4,147,413	3,714,150	8,224	7,264
Property, plant and equipment	12	4,713	4,830	2,877,942	2,614,556
Intangible assets	13	-	-	671,607	543,820
		4,156,113	**3,724,478**	**3,684,443**	**3,289,506**
Total assets		**5,180,037**	**4,668,281**	**11,782,630**	**10,141,293**

See the accompanying notes to the financial statements.

WEG S.A.

Balance sheet

At December 31, 2014 and 2013

In thousands of reais

	Notes	COMPANY 31/12/14	COMPANY 31/12/13	CONSOLIDATED 31/12/14	CONSOLIDATED 31/12/13
Liabilities					
Current liabilities					
Trade accounts payable		-	-	445,577	420,250
Loans and financing	14	-	-	1,466,752	912,796
Labor and social charges and federal tax obligation		13,331	11,459	237,003	208,538
Income and social contribution taxes payable		95	16	84,714	83,771
Dividends and interest on equity capital payable		104,174	87,305	111,707	87,723
Advance from clients		-	-	590,815	459,130
Profit sharing		-	-	111,173	98,005
Other current liabilities		1,193	1,207	333,074	307,835
		118,793	**99,987**	**3,380,815**	**2,578,048**
Noncurrent liabilities					
Loans and financing	14	-	-	2,625,398	2,296,208
Tax obligations		-	-	9,011	30,199
Payables to related parties	9	873	-	-	-
Provisions for contingencies	15	3,986	10,522	258,849	235,334
Deferred taxes	10	-	-	282,989	294,405
Other noncurrent liabilities		-	-	86,305	64,832
		4,859	**10,522**	**3,262,552**	**2,920,978**
Total liabilities		**123,652**	**110,509**	**6,643,367**	**5,499,026**
Equity					
Company's shareholders					
Paid-in capital	17.a	3,533,973	2,718,440	3,533,973	2,718,440
Capital reserves		(57,298)	(55,337)	(57,298)	(55,337)
Options granted	18	1,817	1,325	1,817	1,325
Treasury stock	17.d	(8,418)	(9,522)	(8,418)	(9,522)
Retained earnings/accumulated losses		678,665	1,015,425	678,665	1,015,425
Equity valuation adjustments		740,152	724,267	740,152	724,267
Additional proposed dividends		167,494	163,174	167,494	163,174
		5,056,385	**4,557,772**	**5,056,385**	**4,557,772**
Non-controlling shareholders		-	**-**	**82,878**	**84,495**
Total equity		**5,056,385**	**4,557,772**	**5,139,263**	**4,642,267**
Total liabilities and equity		**5,180,037**	**4,668,281**	**11,782,630**	**10,141,293**

See the accompanying notes to the financial statements.

WEG S.A.

Income Statement

Years ended December 31, 2014 and 2013

In thousands of reais, except when indicated otherwise

		COMPANY		CONSOLIDATED	
	Notes	**31/12/14**	**31/12/13**	**31/12/14**	**31/12/13**
Net revenue	19	**-**	**-**	**7,840,757**	**6,828,896**
Cost of goods and services sold	21	-	-	(5,356,260)	(4,592,130)
Gross profit		**-**	**-**	**2,484,497**	**2,236,766**
Selling and distribution expenses	21	-	-	(820,471)	(716,358)
Administrative	21	(1,317)	(1,179)	(365,964)	(310,853)
Management fees	9	(1,915)	(1,916)	(20,148)	(18,010)
Other operation expenses	22	3,892	(10,612)	(183,562)	(179,792)
Equity pickup	11	876,188	798,281	-	-
Income before financial results		**876,848**	**784,574**	**1,094,352**	**1,011,753**
Financial income	23	81,543	56,731	785,503	599,974
Financial expenses	23	(134)	(264)	(651,926)	(526,848)
Income before taxes		**958,257**	**841,041**	**1,227,929**	**1,084,879**
Current taxes	24	(1,111)	(675)	(271,583)	(274,859)
Deferred taxes	24	(2,420)	3,101	5,970	35,284
Net income for the year		**954,726**	**843,467**	**962,316**	**845,304**
Atributable to:					
Company shareholders				954,726	843,467
Non-controlling shareholders				7,590	1,837
Earnings basic per share (in R$)				1.1836	1.0458
Earnings diluted per share (in R$)				1.1827	1.0453

See the accompanying notes to the financial statements.

WEG S.A.

Statements of Comprehensive Income

Years ended December 31, 2014 and 2013

In thousands of reais

	COMPANY		CONSOLIDATED	
	31/12/14	**31/12/13**	**31/12/14**	**31/12/13**
Net income for the year	**954,726**	**843,467**	**962,316**	**845,304**
Accumulated translation adjustment (*)	60,636	83,760	60,348	83,520
Total comprehensive income attributable to:	**1,015,362**	**927,227**	**1,022,664**	**928,824**
Company shareholders			1,015,362	927,227
Non-controlling shareholders			7,302	1,597

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

See the accompanying notes to the financial statements.

WEG S.A.
Statements Of Changes in Equity
Years ended December 31, 2014 and 2013
In thousands of reais

	Capital	Capital reserve		Stock option plan	Treasury stock	Income reserve		Equity valuation adjustment		Proposed additional dividends	Retained earnings	Equity		
		Goodwill reserve	Revaluation of assets of subsidiaries			Legal reserve	Capital budget reserve	Translation adjustment	Deemed cost			Company's shareholders	Non-controlling shareholders	Total
At January 1, 2013	**2,718,440**	**(54,077)**	**3,784**	**758**	**(10,055)**	**32,799**	**537,245**	**47,006**	**656,646**	**127,803**	**-**	**4,060,349**	**91,277**	**4,151,626**
Dividends paid	-	-	-	-	-	-	-	-	-	(127,803)	-	(127,803)	-	(127,803)
Treasury stock	-	205	-	-	533	-	-	-	-	-	-	738	-	738
Capital transactions	-	(5,177)	-	-	-	-	-	-	-	-	-	(5,177)	(7,019)	(12,196)
Pricing of options granted (Note 18)	-	-	-	567	-	-	-	-	-	-	65	632	-	632
Realization of revaluation reserves	-	-	(72)	-	-	-	-	-	-	-	72	-	-	-
Reversal of dividends of previous years	-	-	-	-	-	-	-	-	-	-	521	521	-	521
Equity valuation adjustment														
Accumulated translation adjustments:	-	-	-	-	-	-	-	83,760	-	-	-	83,760	(240)	83,520
Realization of deemed cost net of taxes	-	-	-	-	-	-	-	-	(63,145)	-	63,145	-	-	-
Net income for the year	-	-	-	-	-	-	-	-	-	-	843,467	843,467	1,837	845,304
Proposed allocations:														
Legal reserve (Note 17.c)	-	-	-	-	-	42,173	-	-	-	-	(42,173)	-	-	-
Dividends (Note 17.b)	-	-	-	-	-	-	-	-	-	163,174	(277,952)	(114,778)	(544)	(115,322)
Interest on equity (Note 17.b)	-	-	-	-	-	-	-	-	-	-	(183,937)	(183,937)	(816)	(184,753)
Capital budget reserve	-	-	-	-	-	-	403,208	-	-	-	(403,208)	-	-	-
At december 31, 2013	**2,718,440**	**(59,049)**	**3,712**	**1,325**	**(9,522)**	**74,972**	**940,453**	**130,766**	**593,501**	**163,174**	**-**	**4,557,772**	**84,495**	**4,642,267**
Dividends paid	-	-	-	-	-	-	-	-	-	(163,174)	-	(163,174)	-	(163,174)
Treasury stock	-	792	-	-	1,104	-	-	-	-	-	-	1,896	-	1,896
Pricing of options granted (Note 18)	-	-	-	492	-	-	-	-	-	-	(206)	286	-	286
Capital transactions	-	(2,699)	-	-	-	-	-	-	-	-	-	(2,699)	(6,708)	(9,407)
Realization of revaluation reserves	-	-	(53)	-	-	-	-	-	-	-	53	-	-	-
Reversal of dividends of previous years	-	-	-	-	-	-	-	-	-	-	608	608	-	608
Capital increase	815,533	-	-	-	-	(74,972)	(740,560)	-	-	-	-	-	-	
Equity valuation adjustment														
Accumulated translation adjustments:	-	-	-	-	-	-	-	60,636	-	-	-	60,636	(288)	60,348
Realization of deemed cost net of taxes	-	-	-	-	-	-	-	-	(44,751)	-	44,751	-	-	-
Net income for the year	-	-	-	-	-	-	-	-	-	-	954,726	954,726	7,590	962,316
Proposed allocations:														
Legal reserve (Note 17.c)	-	-	-	-	-	47,736	-	-	-	-	(47,736)	-	-	-
Dividends (Note 17.b)	-	-	-	-	-	-	-	-	-	167,494	(292,829)	(125,335)	(1,495)	(126,830)
Interest on equity (Note 17.b)	-	-	-	-	-	-	-	-	-	-	(228,331)	(228,331)	(716)	(229,047)
Capital budget reserve	-	-	-	-	-	-	431,036	-	-	-	(431,036)	-	-	-
At december 31, 2014	**3,533,973**	**(60,956)**	**3,658**	**1,817**	**(8,418)**	**47,736**	**630,929**	**191,402**	**548,750**	**167,494**	**-**	**5,056,385**	**82,878**	**5,139,263**

See the accompanying notes to the financial statements.

WEG S.A.

Statements od Cash Flow – Indirect method

Years ended December 31, 2014 and 2013

In thousands of reais

	COMPANY		CONSOLIDATED	
	31/12/14	**31/12/13**	**31/12/14**	**31/12/13**
Operating activities				
Income before taxes	958,257	841,041	1,227,929	1,084,879
Depreciation and amortization	117	117	250,477	218,279
Stock option plan expenses	919	567	919	567
Equity pickup	(876,188)	(798,281)	-	-
Provision for risk credits	-	-	11,723	9,783
Provision for tax, civil and labor liabilities	-	-	23,515	28,721
Provision for investories losses	-	-	5,537	6,394
Provision for product warranty	-	-	23,577	11,486
Write off for noncurrent assets	-	-	2,541	15,052
Provision for interest on loan and financing	-	-	146,296	138,564
Employees profit sharing	-	-	168,138	142,872
	83,105	**43,444**	**1,860,652**	**1,656,597**
Decrease (Increase) in accounts receivable	(9,353)	(13,097)	(199,394)	(299,506)
Decrease (Increase) in inventories	-	-	(237,825)	(146,049)
Increase (decrease) in accounts payable	(5,628)	6,655	156,085	187,409
Increase (decrease) in other accounts payable	1,765	1,906	13,392	25,920
Income and social contribution taxes paid	(1,032)	(745)	(290,872)	(280,483)
Payment of employees' profit sharing	-	-	(154,518)	(116,454)
Net cash flow from operating activities	**68,857**	**38,163**	**1,147,520**	**1,027,434**
Investing activities				
Goodwill in capital transactions	-	-	(2,699)	(5,177)
Property, plant and equipment	-	-	(427,652)	(258,699)
Intangibel assets	-	-	(40,943)	(21,943)
Acquisition of subsidiary	-	-	(136,523)	-
Cash acquired of subsidiary	-	-	14,922	-
Acquisition of noncontroling	-	-	(5,947)	(6,260)
Financial investments	(57,699)	261,244	(863,979)	261,046
Disposal property, plant and equipment	-	-	12,355	2,030
Dividends/interest an equity	469,092	400,281	-	-
Accumulated currency translation adjustments	-	-	60,636	83,761
Net cash flow (applied in) from investing activities	**411,393**	**661,525**	**(1,389,830)**	**54,758**
Financing activities				
Loans and financing obtained	-	-	1,517,761	1,890,267
Payment of loans and financing	-	-	(677,016)	(1,353,734)
Interest paid on loan and financing	-	-	(185,807)	(155,933)
Treasury stock	1,104	738	1,104	738
Dividends/interest on equity paid	(465,560)	(390,734)	(459,516)	(391,987)
Net cash flow applied in (from) financing activities	**(464,456)**	**(389,996)**	**196,526**	**(10,649)**
Increase (decrease) net cash and cash equivalent	**15,794**	**309,692**	**(45,784)**	**1,071,543**
Cash and equivalents at January 1	870,906	561,214	3,373,799	2,302,256
Cash and cash equivalents at December 31	**886,700**	**870,906**	**3,328,015**	**3,373,799**

See the accompanying notes to the financial statements.

WEG S.A.

Statement of Value added

Years ended December 31, 2014 and 2013

In thousands of reais

	COMPANY		CONSOLIDATED	
	31/12/14	**31/12/13**	**31/12/14**	**31/12/13**
Revenues	**-**	**-**	**9,007,703**	**7,920,152**
Sale of goods, products and services	-	-	9,016,759	7,922,884
Other revenues	-	-	5,399	7,349
Provision for losses on trade receivables	-	-	(14,455)	(10,081)
Inputs acquired from third parties	**5,266**	**(8,975)**	**(4,934,805)**	**(4,292,444)**
Material, energy, third party services and other	(392)	(278)	(4,928,949)	(4,263,837)
Others	5,658	(8,697)	(5,856)	(28,607)
Gross value added	**5,266**	**(8,975)**	**4,072,898**	**3,627,708**
Depreciation, amortization and depletion	(117)	(117)	(250,477)	(218,279)
Net value added generated by the entity	**5,149**	**(9,092)**	**3,822,421**	**3,409,429**
Value added received in transfers	**957,731**	**854,713**	**785,503**	**599,974**
Equity pickup	876,188	798,281	**-**	-
Financial income	81,543	56,432	785,503	599,974
Total value added to be distributed	**962,880**	**845,621**	**4,607,924**	**4,009,403**
Distribution of value added	**962,880**	**845,621**	**4,607,924**	**4,009,403**
Personel	**4,026**	**4,041**	**1,743,761**	**1,456,866**
Direct remuneration	3,878	3,882	1,504,548	1,249,742
Benefits	71	87	166,736	141,500
F.G.T.S.	77	72	72,477	65,624
Taxes, charges and contributions	**4,004**	**(1,777)**	**1,213,743**	**1,148,954**
Federal	4,004	(1,777)	1,097,306	1,034,349
State	**-**	-	106,178	106,907
Municipal	**-**	-	10,259	7,698
Remuneration of third party capital	**124**	**(110)**	**688,104**	**558,279**
Interest	124	(110)	649,430	524,536
Rents	**-**	-	38.674	33,743
Remuneration of own capital	**954,726**	**843,467**	**962,316**	**845,304**
Dividends	292,829	277,952	292,829	277,952
Interest on equity	228,331	183,937	228,331	183,937
Retained profit for the year	433,566	381,578	433,566	381,578
Retained profit for the year – non controlling	-	-	7,590	1,837

See the accompanying notes to the financial statements.

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

WEG S.A.

Notes to financial statements

At December 31, 2014
(In thousands of reais, except when indicated otherwise).

1. Company information

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

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

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

2. Basis of preparation and significant accounting policies

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

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

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

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

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

2.2 Consolidation basis

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

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

A change in interest equity on a subsidiary that does not result in loss of control is accounted for a transaction between shareholders under equity.

The profit and loss for the year and comprehensive income are attributed to the company's shareholders and the non-controlling shareholders of consolidated companies. Losses are attributed to noncontrolling interest, even if these result in negative balance.

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

2.3 Business combination

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

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

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

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

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

2.4 Foreign currency translation

a) Functional currency of companies of the Group

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

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

b) Transactions and balances

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

c) Translation of balances of the Group´s company overseas

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

2.5 Cash and cash equivalents

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

2.6 Short-term investments

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

2.7 Customers

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

2.8 Inventories

Inventories are evaluated and stated at average acquisition or production cost, considering the present value, when applicable. The Company and its subsidiaries inventory costing is carried out by means of absorption, by using the weighted moving average. Provisions for (i) realization; (ii) slow-moving; and (iii) obsolete inventories are recognized in accordance with Company policy. Imports in transit are stated at accumulated cost of each import.

2.9 Property, plant and equipment

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

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

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

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

2.10. Intangible assets

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

2.11 Research, development and innovation

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

2.12 Provision for contingencies

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

2.13 Provision for warranty

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

2.14 Profit sharing

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

2.15 Dividends and interest on equity

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

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

2.16 Adjustment to present value

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

2.17 Benefit plan

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

2.18 Financial instruments

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

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

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

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

- Financings and loans in local currency – are classified as financial liabilities non-measured at fair value and accounted for at their restated amounts pursuant to the fees agreed upon. Market values of said loans are equivalent to their book value, for being financial instruments with particular characteristics from specific financing sources.
- Financings and loans in foreign currency – are loans contracted to support working capital of commercial operations in Brazil and in subsidiaries abroad and are restated pursuant to fees agreed upon.
- Swap and NDF Operations – "Non Deliverable Forwards": Classified as derivative financial instruments, registered based on their market price.

2.19 Treasury stock

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

2.20 Stock option plan

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

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

2.21 Government grants and assistance

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

benefit are recorded at par value and reflected in the income statement over the expected useful life of the asset in equal annual installments.

2.22 Revenue recognition

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

2.23 Constructions contracts

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

2.24 Taxes

a) Income and social contribution taxes - current and deferred

Income and social contribution taxes of the Company and subsidiaries in Brazil are calculated at 25% and 9% rates, respectively, and consider the offsetting of tax loss and negative basis limited to 30% of taxable income, except for subsidiaries established abroad, which comply with tax rates valid in the respective country.

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

b) Other taxes

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

2.25 Segment information

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

2.26 Statement of value added

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

2.27 New pronouncements that are not yet in force

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

3. Accounting estimates

The financial statements included the use of estimates which considered reviews and Management's judgments, past and current event experiences, assumptions related to future events and other objective and subjective factors. Significant items subject to these estimates and assumptions include:
a) credit risk analysis for the determination of the allowance for doubtful accounts;

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

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

4. Cash and cash equivalents

	COMPANY		CONSOLIDATED	
	12/31/14	12/31/13	12/31/14	12/31/13
a) Cash and banks	**24**	**28**	**302,346**	**248,149**
b) Short-term investments	**886,676**	**870,878**	**3,025,669**	**3,125,650**
In local currency	**886,676**	**870,878**	**2,916,630**	**3,027,945**
Bank Deposit Certificate (CDB), Repurchase operation and Investment funds	886,676	870,878	2,916,630	3,027,945
In foreign currency	**-**	**-**	**65,299**	**96,036**
Certificates of Deposits Abroad, Repurchase operation	-	-	23,512	67,997
Other balances held abroad	-	-	41,787	28,039
SWAP	**-**	**-**	**42,590**	**553**
NDF - "Non Deliverable Forwards"	**-**	**-**	**1,150**	**1,116**
TOTAL	**886,700**	**870,906**	**3,328,015**	**3,373,799**

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

Investments abroad:

	Interest Rate	Original currency value	CONSOLIDATED	
			12/31/14	12/31/13
In Euros	0.005% - 0.08% p.a	1,659	5,410	25,002
In US Dollars	0.20% - 0.25% p.a	6,809	18,102	42,995
In others currency	1.6% - 20.65% p.a	Sundry	41,787	28,039
TOTAL			**65,299**	**96,036**

5. Short-term Investments

	COMPANY		CONSOLIDATED	
	12/31/14	12/31/13	12/31/14	12/31/13
Certificate of deposit and repurchase operations	57,699	-	865,162	-
Others	-	-	1,047	2,230
TOTAL	**57,699**	-	**866,209**	**2,230**
Short-Term	57,699	-	865,162	-
Long-Term	-	-	1,047	2,230

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

6. Trade accounts receivable

	CONSOLIDATED	
	12/31/14	**12/31/13**
a) Breakdown of balances		
Domestic Market	986,990	833,903
External Market	921,931	856,826
SUBTOTAL	**1,908,921**	**1,690,729**
Present value adjustment	(1,361)	(3,950)
Allowance for losses on trade receivables	(39,696)	(27,973)
TOTAL	**1,867,864**	**1,658,806**
b) Losses on trade accounts receivable for the period	**5,020**	**2,345**
c) Maturity of trade notes		
Not yet due	1,652,153	1,470,047
Due: Up to 30 days	111,114	104,446
Over 30 days	145,654	116,236
TOTAL	**1,908,921**	**1,690,729**

The changes of provision with losses on trade accounts receivable is as follows:

Balance at 01/01/2013	**(18,190)**
Losses written-off	2,345
Setting up of provisions	(14,068)
Reversal of provisions	1,940
Balance at 12/31/2013	**(27,973)**
Losses written-off	5,020
Setting up of provisions	(16,743)
Balance at 12/31/2014	**(39,696)**

7. Inventories

	CONSOLIDATED	
	12/31/14	**12/31/13**
Finished products	319,997	271,911
Products in process	314,885	260,049
Raw materials and others	300,553	248,487
Imports in transit	43,777	63,501
Provision for slow moving	(10,882)	(11,012)
Total inventories - domestic market	**968,330**	**832,936**
Finished products	492,000	427,344
Products in process	123,208	93,497
Raw materials and others	149,443	114,545
Provision for slow moving	(28,062)	(22,395)
Total inventories - external market	**736,589**	**612,991**
OVERALL TOTAL	**1,704,919**	**1,445,927**

The changes of provision for slow moving is as follows:

Balance at 01/01/2013	**(27,013)**
Inventories write-off	6,915
Setting up of provisions	(13,309)
Balance at 12/31/2013	**(33,407)**
Reversal write-off	1,377
Setting up of provisions	(6,914)
Balance at 12/31/2014	**(38.944)**

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

8. Taxes recoverable

	COMPANY		CONSOLIDATED	
	12/31/14	12/31/13	12/31/14	12/31/13
State VAT (ICMS) on capital expenditures	-	-	29,827	25,989
Value Added Tax (IVA) from foreign subsidiaries	-	-	65,209	67,222
PIS/COFINS on capital expenditures	-	-	2,647	2,585
ICMS	-	-	20,446	22,991
IPI	-	-	16,619	13,368
IRPJ/CSLL recoverable	8,948	10,573	15,918	21,552
PIS/COFINS	-	-	11,248	7,335
Reintegra	-	-	13,441	17,882
Other	-	-	3,312	4,253
TOTAL	**8,948**	**10,573**	**178,667**	**183,177**
Short-term	8,948	10,573	159,446	166,384
Long-term		-	19,221	16,793

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

9. Related parties

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

Amount of outstanding balances	COMPANY		CONSOLIDATED	
	12/31/14	12/31/13	12/31/14	12/31/13
BALANCE SHEET				
Noncurrent assets	**-**	**1,193**	**-**	**-**
Management of financial resources				
WEG Equipamentos Elétricos S.A.	**-**	1,193	**-**	**-**
Current liabilities	**-**	**-**	**3,075**	**2,206**
Agreements with directos/officers	-	-	3,075	2,206
Noncurrent liabilities	**873**	**-**	**-**	**-**
Management of financial resources	-	-	-	-
WEG Equipamentos Elétricos S.A.	873	**-**	**-**	**-**

	COMPANY		CONSOLIDATED	
INCOME STATEMENT	12/31/14	12/31/13	12/31/14	12/31/13
Management compensation:				
a) Fixed (fees)	**1,915**	**1,916**	**20,148**	**18,010**
Board of Directors	955	1,017	1,909	2,033
Executive Board	960	899	18,239	15,977
b) Variable (profit sharing)	**1,765**	**1,916**	**14,967**	**15,662**
Board of Directors	880	1,017	1,760	1,888
Executive Board	885	899	13,207	13,774

Additional information:

a) Business transactions

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

b) Management of financial resources

The financial and commercial operations between Group companies are recorded, in compliance with the requirements of the Group's bylaws;

The credit/debit contracts entered into with managements are recorded subject to interest between 95% and 100% of the CDI variation;

c) Services provision and other covenants

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

d) Securities and guarantees

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

e) Management compensation

Board of Directors members were paid the amount of R$ 1,909 (R$ 2,033 at December 31, 2013) and the executive officers were paid the amount of R$ 18,239 (R$ 15,977 at December 31, 2013), for their services, aggregating the total of R$ 20,148 (R$ 18,010 at December 31, 2013).

It is expected the participation of 0% to 2.5% of net income to be paid to management as long as the result of activity on capital invested. The provision is recognized in P&L for the period, in the amount of R$ 14,967 (R$ 15,662 at December 31, 2013), under other operating expenses. Board members and officers receive additional corporate benefits, as follows: Health and dental insurance, life insurance, supplementary pension benefits, among others.

10. Deferred taxes

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

a) Breakdown:

	COMPANY		CONSOLIDATED	
	12/31/14	**12/31/13**	**12/31/14**	**12/31/13**
Income tax losses	-	267	31,775	35,917
CSLL tax losses	58	172	8,361	7,947
Temporary differences:				
Provision for contingencies	-	-	47,024	40,206
Taxes questioned in court	1,355	3,576	26,350	27,038
Losses on trade receivables	-	-	5,210	5,275
Losses on low movement inventories	-	-	8,471	9,887
Labor severance pay and for contract termination	-	-	16,165	12,656
Freight and sales commissions	-	-	10,191	8,858
Services from third	-	-	46,420	22,915
Employee profit sharing	-	-	8,303	10,759
Others	704	561	7,935	15,005
Adjustment of transition tax regime	(52)	(52)	(169,806)	(133,428)
Accelerated depreciation incentive - Law n° 11.196/05	-	-	(6,387)	(5,522)
Deemed cost of PP&E	(1,508)	(1,547)	(267,137)	(291,542)
TOTAL	**557**	**2.977**	**(227,125)**	**(234.029)**
Noncurrent assets	**557**	**2,977**	**55,864**	**60,376**
Noncurrent liabilities	**-**	**-**	**(282,989)**	**(294,405)**

b) Estimated realization term

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

In relation to deferred tax credits calculated on income and social contribution tax losses, management estimates that they will be realized within the next 5 years, with a view to projecting future profits.

The estimated realization of tax losses is founded based on the projection of the discounted cash flow, calculated periodically with premises in accordance with the prospects of each business.

11. Investments

11.1. Investments in subsidiaries

	Country	Ajusted Shareholders' equity	P&L	Investment in Capital (%)				Equity		Book Value	
				12/31/14		12/31/13		12/31/14	12/31/13	12/31/14	12/31/13
				Direct	Indirect	Direct	Indirect				
WEG Equipamentos Elétricos S.A.(*)	Brazil	3,502,936	797,136	100.00	-	100.00	-	791,750	695,213	3,502,936	3,122,002
RF Reflorestadora Ltda.		169,296	4,215	100.00	-	100.00	-	4,215	6,051	169,296	167,488
WEG Tintas Ltda.		114,547	23,336	99.91	0.09	99.91	0.09	23,.314	22,289	114,441	98,702
WEG Amazônia S.A.		43,723	5,692	0.02	99.98	0.02	99.98	1	-	7	6
WEG Administradora de Bens Ltda.		24,833	2,149	4.41	95.59	5.00	95.00	49	645	1,095	1,656
WEG Logística Ltda.		98,341	14,511	-	100.00	-	100.00	-	-	-	-
WEG Linhares Equips. Elétricos S.A.		173,630	43,158	-	100.00	0.01	99.99	-	-	1	1
WEG Drives & Controls Aut. Ltda.		380,357	71,859	89.20	10.80	99.99	0.01	54,544	68,951	339,277	305,583
WEG Partner Aerogeradores S.A.		9	-	-	99.90	-	99.90	-	-	-	-
WEG-Cestari Redut. Motorredut. S.A.		39,249	3,291	-	50.00	-	50.00	-	-	-	-
WEG Automação Critical Power Ltda.		38,714	2,548	0.03	99.97	0.05	99.95	1	1	11	20
Hidráulica Indl. S.A. Ind. e Com.		46,572	2,421	-	62.32	-	62.32	-	-	-	-
Agro Trafo Adm. de Bens S.A.		7,137	140	91.75	8.25	91.75	8.25	128	1,967	6,548	6,420
Injetel Ind. Com. Comp. Plásticos Ltda.		4,290	261	-	100.00	-	100.00	-	-	-	-
Ind. de Tintas e Vernizes Paumar S.A.		104,068	(2,461)	-	100.00	0.01	99.99	-	-	-	-
WEG-Jelec Oil and Gas Sol. Aut. Ltda.		11	1	-	100.00	-	100.00	-	-	-	-
Zest Electric Motors (Pty) Ltd.	South Africa	183,624	23,420	-	100.00	-	96.62	-	-	-	-
Zest Energy (Pty) Ltd.		3,968	4,691	-	76.09	-	70.00	-	-	-	-
Shaw Controls (Pty) Ltd.		3,202	(2,602)	-	100.00	-	89.47	-	-	-	-
WEG Transf. África (Pty) Ltd.		6,280	1,811	-	100.00	-	100.00	-	-	-	-
Electric/Instrumentations Eng.Cont.(Pty)		19,474	(3,541)	-	86.67	-	86.67	-	-	-	-
WEG Germany GmbH.	Germany	46,337	(4,909)	-	100.00	-	100.00	-	-	-	-
Watt Drive GmbH.		4,497	473	-	100.00	-	100.00	-	-	-	-
Wurttembergische Elektromotoren GmbH		6,418	(504)	-	100.00	-	-	-	-	-	-
WEG Equipamientos Electricos S.A.	Argentina	76,981	25,807	10.44	89.55	10.44	89.55	2,697	1,995	8,207	5,970
Pulverlux S.A.		1,944	1,002	-	100.00	-	100.00	-	-	-	-
EPRIS Argentina S.R.L.		64	(7)	-	100.00	-	100.00	-	-	-	-
WEG Austrália Pty Ltd.	Australia	19,492	(10,104)	-	100.00	-	100.00	-	-	-	-
Watt Drive Antriebstechnik GmbH	Áustria	3,771	(5,327)	-	100.00	-	100.00	-	-	-	-
WEG International Trade GmbH		161	-	-	100.00	-	100.00	-	-	-	-
WEG Holding GmbH		1,068,600	97,882	-	100.00	-	100.00	-	-	-	-
WEG Benelux S.A.	Belgium	40,098	2,005	-	100.00	0.01	99.99	-	-	-	-
WEG Chile S.A.	Chile	29,369	2,869	8.00	92.00	8.00	92.00	207	555	2,350	2,156
WEG (Nantong) Electric Motor Co., Ltd.	China	109,944	20,163	-	100.00	-	100.00	-	-	-	-
Changzhou Machine Master Co., Ltd.		17,875	195	-	100.00	-	-	-	-	-	-
Changzhou Master Machinery Co., Ltd.		(648)	(137)	-	100.00	-	-	-	-	-	-
Changzhou Sinya Electromotor Co., Ltd.		12,315	5,346	-	100.00	-	-	-	-	-	-
Changzhou Yatong Jiewei Elect., Ltd.		36,976	145	-	100.00	-	-	-	-	-	-
Wuxi Ecovi Technology Co., Ltd.		(4,075)	(349)	-	100.00	-	-	-	-	-	-
Jiangsu Shiya Elect. Technolog. Co., Ltd		11,241	(295)	-	100.00	-	-	-	-	-	-
The First Drive Technology Co., Ltd.		10,734	-	-	100.00	-	-	-	-	-	-
WEG (Jiangsu) Electric Equip. Co., Ltd.		65,373	(283)	-	100.00	-	-	-	-	-	-
Watt Euro-Drive Pte. Ltd.	Singapore	18,456	2,117	-	100.00	-	100.00	-	-	-	-
WEG Singapore Pte. Ltd.		2,765	560	-	100.00	-	100.00	-	-	-	-
WEG Colômbia Ltda.	Colômbia	11,942	146	1.00	99.00	1.00	99.00	-	6	120	131
WEG Middle East Fze.	Arab Emirates	(4,251)	(901)	-	100.00	-	100.00	-	-	-	-

WEG Ibéria Industrial S.L.	Spain	52,806	596	-	100.00	-	100.00	-	-	-	-
WEG Electric Corp.	USA	184,556	19,744	-	100.00	0.79	99.21	(1,230)	176	-	1,116
Electric Machinery Holding Company		30,066	(286)	-	100.00	-	100.00	-	-	-	-
WEG Service CO.		7,038	4,745	-	100.00	-	100.00	-	-	-	-
WEG France SAS	France	13,978	571	-	100.00	-	100.00	-	-	-	-
Zest Eletric Ghana Ltd.	Ghana	(1,391)	(816)	-	100.00	-	100.00	-	-	-	-
E & I Electrical Ghana Ltd.		(55)	(403)	-	90.00	-	90.00	-	-	-	-
WEG Industries (Índia) Private Ltd.	Índia	129,975	1,009	-	100.00	-	99.99	-	-	-	-
WEG Electric (Índia) Private Ltd		1,418	702	5.00	95.00	5.00	95.00	35	(3)	71	32
WEG Electric Motors (UK) Ltd.	England	16,380	735	-	100.00	-	100.00	-	-	-	-
WEG Itália S.R.L.	Italy	13,215	386	0.07	99.93	0.07	99.93	-	1	9	9
WEG Electric Motors Japan CO. Ltd.	Japan	1,901	526	-	100.00	-	100.00	-	-	-	-
Watt Euro-Drive SDN BHD	Malaysia	3,521	131	-	100.00	-	100.00	-	-	-	-
WEG México S.A. de C.V.	Mexico	158,620	22,853	-	100.00	0.01	99.99	-	-	1	1
WEG Transform. México S.A. de C.V.		44,849	2,469	-	60.00	-	60.00	-	-	-	-
Voltran S.A. de C.V.		60,395	10,016	-	60.00	-	60.00	-	-	-	-
ENI Eletrical Moçambique (Pty) Limited	Mozambique	(8)	(2)	-	66.67	-	-	-	-	-	-
WEG Peru S.A.	Peru	845	(800)	0.05	99.95	0.05	99.95	(1)	1	-	1
WEG Euro Ind. Electrica S.A.	Portugal	52,991	9,066	5.74	94.26	5.74	94.26	478	433	3,043	2,856
WEG Electric CIS	Rússia	4,381	1,434	-	100.00	-	100.00	-	-	-	-
WEG Scandinavia AB.	Suécia	4,054	(809)	-	100.00	-	100.00	-	-	-	-
ENI Eletrical Tanzania (Pty) Limited	Tanzânia	545	**415**	--	**100.00**	-	- -	- -	- -	- -	- -
WEG Indústrias Venezuela C.A.	Venezuela	8,424	(5,405)	-	99.99	-	99.99	-	-	-	-
E & I Zambia Ltd.	Zambia	266	(542)	-	50.00	-	50.00	-	-	-	-
TOTAL								**876,188**	**798,281**	**4,147,413**	**3,714,150**

(*)Equity pickup adjusted by unearned income

11.2. Acquisitions 2014

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

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

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

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

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

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

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

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

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

		COMPANY		CONSOLIDATED	
		12/31/14	12/31/13	12/31/14	12/31/13
Land		1,440	1,440	378,747	337,735
Construction and facilities		5,639	5,639	944,907	878,537
Equipment		-	-	3,150,970	2,831,826
Furniture and fixtures		-	-	103,459	95,235
Hardware		-	-	89,903	84,030
Construction in progress		-	-	116,886	84,418
Reforestation		-	-	53,051	51,571
Other		-	-	104,205	39,246
Total PPE		**7,079**	**7,079**	**4,942,128**	**4,402,598**
Accumulated deprec,/depletion	**Annual depreciation rate (%)**	**(2,366)**	**(2,249)**	**(2,064,186)**	**(1,788,042)**
Construction and facilities	02 to 03	(2,366)	(2,249)	(249,834)	(217,469)
Equipment	05 to 20	-	-	(1,664,119)	(1,434,703)
Furniture and fixtures	07 to 10	-	-	(54,869)	(49,010)
Hardware	20 to 50	-	-	(62,829)	(58,802)
Reforestation	-	-	-	(14,076)	(11,033)
Other	-	-	-	(18,459)	(17,025)
TOTAL NET PPE		**4,713**	**4,830**	**2,877,942**	**2,614,556**

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

PP&E Classification	12/31/13	Transfer between classes	Acquis.	Write-offs	Deprec. and depletion	Exchange effect	12/31/14
Land	337,735	9,819	28,796	(1,030)	-	3,427	378,747
Construction and facilities	661,068	33,676	15,729	(924)	(23,456)	8,980	695,073
Equipment	1,397,123	27,771	245,611	(7,011)	(192,321)	15,678	1,486,851
Furniture and fixtures	46,225	354	8,420	(261)	(6,448)	300	48,590
Hardware	25,228	30	10,618	(156)	(9,189)	543	27,074
Construction in progress	84,418	(72,481)	108,442	(4,602)	-	1,109	116,886
Reforestation	40,538	-	1,480	-	(3,043)	-	38,975
Other	22,221	831	66,911	(912)	(4,256)	951	85,746
TOTAL	**2,614,556**	**-**	**486,007**	**(14,896)**	**(238,713)**	**30,988**	**2,877,942**

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

13. Intangible assets – consolidated

	Amortization/ Years	Cost	Accumulated Amortization	12/31/14	12/31/13
Software license	5	90,209	(63,866)	26,343	23,733
Right of use of property	50 - 99	56,638	(17,248)	39,390	7,840
Other	5	185,818	(170,234)	15,584	9,199
Subtotal		**332,665**	**(251,348)**	**81,317**	**40,772**
Goodwill - Acquisition of subsidiaries	-	611,643	(21,353)	590,290	503,048
TOTAL		**944,308**	**(272,701)**	**671,607**	**543,820**

a) Summary of changes in intangible assets:

	12/31/13	Additions	Amortization	Exchange effect	12/31/14
Software license	23,733	10,671	(6,734)	(1,327)	26,343
Right of use of property	7,840	27,718	(332)	4,164	39,390
Other	9,199	9,115	(4,698)	1,968	15,584
Subtotal	**40,772**	**47,504**	**(11,764)**	**4,805**	**81,317**
Goodwill - Acquisition of subsidiaries	503,048	88,205	-	(963)	590,290
TOTAL	**543,820**	**135,709**	**(11,764)**	**3,842**	**671,607**

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

	12/31/14	12/31/13
2014	-	9,232
2015	11,348	7,098
2016	10,644	6,148
2017	8,903	4,265
2018	7,515	7,566
After 2019	42,907	6,463
TOTAL	**81,317**	**40,772**

14. Loans and financing

Direct loans from BNDES and FINEP are guaranteed by the parent company, WEG S.A. Finame operations are guaranteed by collateral signature and statutory lien.

All covenant clauses related to indicators of capitalization, current liquidity and the relation between net debt/Ebitda, included in the BNDES, are being met.

		CONSOLIDATED	
Type	**Annual charges**	**12/31/14**	**12/31/13**
In Brazil			
SHORT TERM		**1,090,901**	**533,972**
In Real, pre fixed rate			
Working capital	3.5% to 8.0% p.a.	364,190	151,534
Property, plant and equipment	2.5% to 8.7% p.a.	21,054	6,667
In Real, pré fixed rate			
Working capital	TJLP (+) 1.4% to 3.0% p.a.	375,135	284,099
Working capital	UFIR (+) 1.0% to 4.0% p.a.	15,281	18,124
In US Dollars			
Working capital (ACCS)	US$ dollar (+) 0.9% to 1,0% p.a.	266,032	-
Working capital	US$ dollar (+) 1.4% p.a.	3,045	23,082
Working capital	US$ dollar (+) Libor (+) 3.3% p.a.	-	7,401
Prepayment of Export	US$ dollar (+) Libor (+) 1.1% p.a.	38,419	33,519
Non Deliverable Forwards (NDF)	Exchange rate variation	-	6,867
Others			
SWAP	-	4,259	1,936
Other	Sundry	3,486	743
LONG TERM		**2,376,690**	**2,187,968**
In Real, pre fixed rate			

Working capital	3.5% to 8.0% p.a.	1,552,001	1,580,130
Property, plant and equipment	2.5% to 8.7% p.a.	19,391	16,921
In Real, pre fixed rate			
Working capital	TJLP (+) 1.4% to 3.0% p.a.	89,983	409,477
Working capital	UFIR (+) 1.0% to 4.0% p.a.	33,612	36,178
In US Dollars			
Working capital	US$ dollar (+) 1.4% p.a.	-	37,149
Working capital	US$ dollar (+) Libor (+) 3.3% p.a.	-	35,139
Prepayment of Export	US$ dollar (+) Libor (+) 1.5% p.a.	675,281	66,914
Others			
Other	Sundry	6,422	6,060
In abroad			
SHORT TERM		**375,851**	**378,824**
In USA Dollar			
Working Capital	Libor (+) 0,4% to 3.3% p.a.	116,264	122,693
In Euros			
Working Capital	Euribor (+) 0.8% to 2.0% p.a.	10,603	156,691
In Pesos (Mexico)			
Working Capital	3.5% p.a.	74,262	36,548
In Renminbi (China)			
Working Capital	5.2% to 6.9% p.a.	137,387	1,311
Other Currency			
Working Capital	Interest of local market	37,355	61,581
LONG TERM		**248,708**	**108,240**
In US Dollar			
Working Capital	Libor (+) 0.8% to 1.5% p.a.	81,597	91,369
In Euro			
Working Capital	Euribor (+) 1.3% p.a.	157,155	11,853
Other currency			
Working Capital	Interest of local market	9,956	5,018
TOTAL SHORT TERM		**1,466,752**	**912,796**
TOTAL LONG TERM		**2,625,398**	**2,296,208**

Maturity of long-term financing and loans:

	12/31/14	**12/31/13**
2015	-	745,968
2016	1,213,429	1,305,799
2017	647,792	67,502
2018	214,807	127,064
2019	519,357	29,989
After 2020	30,013	19,886
TOTAL	**2,625,398**	**2,296,208**

15. Provision for contingencies

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

a) Balance of provision for contingencies

		COMPANY		CONSOLIDATED	
		12/31/14	12/31/13	12/31/14	12/31/13
(i) Tax:		**3,986**	**10,522**	**90,767**	**93,248**
- IRPJ e CSLL	(a.1)	**-**	**-**	15,310	16,096
- INSS	(a.2)	3,510	3,046	38,703	39,926
- PIS/COFINS	(a.3)	-	-	26,297	19,444
- IRRF	(a.4)	476	7,476	476	7,811
- Other		**-**	**-**	9,981	9,971
(ii) Labor		**-**	**-**	**91,781**	**79,189**
(iii) Cível		**-**	**-**	**73,747**	**60,161**
(iv) Other		**-**	**-**	**2,554**	**2,736**
TOTAL		**3,986**	**10,522**	**258,849**	**235,334**

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

	12/31/13	Additions	Interest	Write-offs	Reversals	12/31/14
a) Tax	93,248	14,490	3,462	(6,103)	(14,330)	90,767
b) Labor	79,189	12,628	10,374	(4,371)	(6,039)	91,781
c) Civil	60,161	18,333	2,676	(5,495)	(1,928)	73,747
d) Other	2,736	1,430	-	(188)	(1,424)	2,554
TOTAL	**235,334**	**46,881**	**16,512**	**(16,157)**	**(23,721)**	**258,849**

c) The provisions recorded basically refer to:

(i) Tax contingencies

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

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

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

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

(ii) Labor contingencies

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

(iii) Civil contingencies

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

d) Restricted judicial deposits

	COMPANY		CONSOLIDATED	
	12/31/14	12/31/13	12/31/14	12/31/13
Tax	3,430	1,328	27,656	23,363
Labor and civil	-	-	12,234	7,683
Other	-	-	889	1,412
TOTAL RESTRICTED JUDICIAL DEPOSITS	**3,430**	**1,328**	**40,779**	**32,458**
Non-restricted judicial deposits	-	-	3,615	2,802
TOTAL JUDICIAL DEPOSITS	**3,430**	**1,328**	**44,394**	**35,260**

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

e) Contingencies classified as possible losses

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

The estimated amount of such litigation relates to the tax proceedings totaling R$ 66,326 (R$ 85,142 at December 31, 2013). The processes with to possible are:

- taxation on profits computed abroad in the total estimated amount of R$ 45 million.
- non-approval of IPI credits amounting to R$ 10.6 million.

16. Benefit plan

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

The Plan managed by WEG Seguridade Social includes monthly income benefits, supplementation of sick-leave, supplementation of retirement due to disability, pension due to death, lump sum benefit (due to death), proportional deferred benefit and self-funding.

The number of participants is 21,867 participants (22,240 at December 31, 2013). The Company and its subsidiaries made contributions in the amount of R$ 25,708 (R$ 22,498 at December 31, 2013).

Based on actuarial calculations carried out by independent actuarial, as per the procedures established by CVM Resolution No. 695/12 – technical pronouncement CPC 33 (R1), actuarial liabilities were identified in the amount of R$ 4,092 (R$ 5,000 at December 31, 2013).

17. Equity

a) Capital

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

b) Shareholder compensation - Interest on equity capital

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

	31/12/14	31/12/13
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF COMPANY	**954,726**	**843,467**
(-) Legal Reserve	(47,736)	(42,173)
(+) Realization of Revaluation Reserve (1989) and deemed cost (2010)	44,804	63,217
BASIS OF CALCULATION OF DIVIDEND	**951,794**	**864,511**
Dividends for the 1st semester R$ 0.155/share (R$ 0.185/share in 2013)	125,335	114,778
Interest on equity of the 1º semester R$ 0.131/share (R$ 0.115/share in 2013), IRRF R$ 16,314 (R$ 12,591 in 2013)	108,760	83,938
Dividends for the 2º semester R$ 0.208/share (R$ 0.263/share in 2013)	167,494	163,174
Interest on equity of the 2º semester R$ 0.126/share (R$ 0.137/share in 2013), IRRF R$ 17,936 (R$ 15,000 in 2013)	119,571	99,999
Total dividends and interest on equity for the year	**521,160**	**461,889**

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

c) Transfer to reserves of profits:

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

- Capital budget reserve - represents the remaining net income R$ 385,830, plus the retained earnings balance of R$ 45,206

(arising from the realization of revaluation reserve (1989), the completion of the cost (2010), reversal of provision of the option shares exercised and reversal of previous dividends) exercises intended to reserve to the capital budget for 2015 to the investment plan.

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

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

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

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

18. Stock option plan

(i) Plan description
The Plan is managed by the Board of Directors, seeking to grant Stock Option Plans for WEG S.A.'s (Company) shares to its statutory officers or of its subsidiaries with head offices in Brazil, so as to attract, motivate and retain them, as well as aligning their interests to that of the Company and its shareholders.

Each option grants its bearer with the right to acquire 1 (one) common Company-issued share (BM&FBOVESPA: "WEGE3"), strictly according to the terms and conditions established in the Plan ("Option").

Share purchase options to be granted are limited to 2% (two percent) of the total Company's capital.

The participant must maintain the invested shares blocked during the retention period, according to the minimum levels determined by the Plan.

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

(ii) Programs
The Board of Directors may approve, each semester, a Share Purchase Option Program ("Program"), which will define the participants, number of Options, exercise price, Option distribution, term and other rules specific to each Program.

In order to participate in each Program, the participant must invest an amount of the variable compensation in each period in Company's shares.

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

Program	Number of Options Rights	In reais (R$)				Amount appropriate (thousand R$)
		Strike Price	Price corrected by IPCA	Option price	Option Difference	
April /11	118,372	16.16	18.72	25.35	6.63	785
September /11	46,662	13.42	15.73	20.80	5.07	236
March /12	97,760	14.75	17.33	22.60	5.27	515
September /12	51,770	13.46	15.82	21.02	5.20	276
April /13	107,344	18.79	22.20	28.65	6.45	692
September /13	54,431	19.20	22.79	31.16	8.37	455
March /14	110,520	20.95	25.08	34.60	9.52	1,053
August /14	45,580	26.23	31.49	39.54	8.05	367
Total	**632,439**					**4,379**

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

Program	Exercise price Of option (R$)	Lifespan of the option – in days	Current price for corresponding share (R$)	Expected volatility In share price (%)	Interest free of risk for the lifespan of the option (%)
April /11	16.16	755 – 1,260	17.00	26.33	12.79 – 12.83
September /11	13.42	756 – 1,259	13.89	29.88	10.90 – 11.22
March /12	14.75	755 – 1,257	15.23	29.85	9.76 – 10.33
September /12	13.46	753 – 1,257	15.46	24.50	8.32 – 8.78
April /13	18.79	760 – 1,260	19.78	28.53	8.67 – 9.24
September /13	19.20	756 – 1,258	21.35	28.25	11.29 – 11.81
March /14	20.95	753 – 1,257	24.31	20.51	12.28 – 12.58
August /14	26.23	754 – 1,257	26.90	20.04	11.26 – 11.28

Summary of the movement of shares plan: Number of shares

Program	12/31/2013	Bonus Share	Granted	Expired	Exercised	12/31/2014
April/11	69,440	16,756	-	-	(28,186)	58,010
September/11	28,358	8,506	-	-	(9,173)	27,691
March/12	75,200	19,139	-	-	(19,285)	75,054
September/12	39,824	11,946	-	-	(7,230)	44,540
April/13	82,574	24,770	-	-	-	107,344
September/13	41,870	12,561	-	-	-	54,431
March /14	-	25,504	85,016	-	-	110,520
August /14	-	-	45,580	-	-	45,580
Total	**337,266**	**119,182**	**130,596**	**-**	**(63,874)**	**523,170**

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

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

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

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

19. Net revenue

	CONSOLIDATED	
BREAKDOWN OF NET REVENUE	**12/31/14**	**12/31/13**
Gross revenue	**9,235,147**	**8,146,901**
Domestic market	5,074,329	4,525,025
External market	4,160,818	3,621,876
Deductions	**(1,394,390)**	**(1,318,005)**
Taxes	(1,176,002)	(1,093,988)
Returns and Rebates	(218,388)	(224,017)
Net revenue	**7,840,757**	**6,828,896**
Domestic market	3,876,757	3,432,040
External market	3,964,000	3,396,856

20. Construction contracts

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

	CONSOLIDATED	
	12/31/14	**12/31/13**
Gross operational revenue recognized	332,579	121,147
Incurred costs	(236,800)	(104,034)
	12/31/14	**12/31/13**
Received prepayments	167,628	38,393

21. Operating expenses by nature and function

	CONSOLIDATED	
	12/31/14	12/31/13
EXPENSE BY NATURE	**(6,746,405)**	**(5,817,143)**
Depreciation, amortization and depletion	(250,477)	(218,279)
Personnel expenses	(1,709,134)	(1,481,450)
Raw materials and use and consumption materials	(3,502,602)	(2,961,985)
Freight and insurance costs	(266,172)	(214,182)
Other expenses	(1,018,020)	(941,247)
EXPENSE BY FUNCTION	**(6,746,405)**	**(5,817,143)**
Cost of products and services sold	(5,356,260)	(4,592,130)
Selling expenses	(820,471)	(716,358)
General and administrative expenses	(365,964)	(310,853)
Management fees	(20,148)	(18,010)
Other operating expenses	(183,562)	(179,792)

22. Other operating revenue/expenses

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

	CONSOLIDATED	
	12/31/14	12/31/13
OTHER OPERATING REVENUE	**15,902**	**16,431**
- Other	15,902	16,431
OTHER OPERATING EXPENSES	**(199,464)**	**(196,223)**
- Profit sharing - Employees	(147,169)	(132,084)
- Profit sharing - foreign subsidiaries	(20,970)	(10,788)
- Profit sharing - executive board	(14,967)	(15,662)
- Constitution/Reversal of provision for tax proceedings	8,841	3,795
- Tax debits of REFIS IV	(5,214)	(14,240)
- Tax incentives of Rouanet Law	(5,807)	(4,959)
- Other	(14,178)	(22,285)
TOTAL NET	**(183,562)**	**(179,792)**

23. Financial income (expenses), net

	COMPANY		CONSOLIDATED	
	12/31/14	12/31/13	12/31/14	12/31/13
FINANCIAL INCOME	**81,543**	**56,731**	**785,503**	**599,974**
Short-term investment yield	**95,568**	**68,462**	**313,850**	**219,206**
Exchange variation	-	-	**308,883**	**278,441**
Exchange variation - Trade accounts payable	-	-	103,431	107,373
Exchange variation - Clients	-	-	79,743	87,553
Exchange variation – Loans	-	-	49,959	34,338
Exchange variation – Others	-	-	75,750	49,177
Present value adjustment - customers	**-**	**-**	**68,826**	**44,952**
Pis/Cofins on interest on equity	**(14,393)**	**(12,450)**	**(14,512)**	**(12,450)**
Derivatives	**-**	**-**	**41,500**	**(4,090)**
PROEX – Equaliz. Interest rate	**-**	**-**	**20,652**	**29,187**
Other income	**368**	**719**	**46,304**	**44,728**

FINANCIAL EXPENSES	**(134)**	**(264)**	**(651,926)**	**(526,848)**
Interest on loans and financing	**-**	**-**	**(185,807)**	**(155,933)**
Exchange variation	**-**	**-**	**(374,760)**	**(290,642)**
Exchange variation - Trade accounts payable	-	-	(124,138)	(122,818)
Exchange variation – Clients	-	-	(53,514)	(52,656)
Exchange variation - Loans	-	-	(137,420)	(57,956)
Exchange variation - Others	-	-	(59,688)	(57,212)
Present value adjustment - suppliers	**-**	**-**	**(21,921)**	**(12,355)**
Derivatives	**-**	**-**	**(10,849)**	**(5,438)**
Other expenses	**(134)**	**(264)**	**(58,589)**	**(62,480)**
NET FINANCIAL INCOME	**81,409**	**56,467**	**133,577**	**73,126**

24. Provision for income and social contribution taxes

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

Reconciliation of income and social contribution taxes

	COMPANY		CONSOLIDATED	
	12/31/14	**12/31/13**	**12/31/14**	**12/31/13**
Income before taxes on profit	958,257	841,041	1,227,929	1,084,879
Statutory rate	**34%**	**34%**	**34%**	**34%**
IRPJ and CSLL calculated at the statutory rate	(325,807)	(285,954)	(417,496)	(368,859)
Adjustment to determine effective income and social contribution taxes:				
Result from investments in subsidiaries	297,904	271,416	382	(4,108)
Rate difference on foreign results	-	-	(11,038)	2,135
Tax incentives	-	-	78,781	59,428
Interest on equity	24,727	16,775	77,876	62,816
Other adjustments	(355)	189	5,882	9,013
IRPJ and CSLL as per the income statement	**(3,531)**	**2,426**	**(265,613)**	**(239,575)**
Current tax	(1,111)	(675)	(271,583)	(274,859)
Deferred tax	(2,420)	3,101	5,970	35,284
Effective rate - %	**0.37%**	**(0.29%)**	**21.63%**	**22.08%**

25. Insurance coverage

The corporate unit in Brazil is responsible for the management of the insurance portfolio of the WEG Group in Brazil and abroad, establishing risk policies for the Group in order to protect its assets. Risk analysis assumptions adopted, given their nature, are not included in the audit scope and, as a result, were not audited by our independent auditors.

The Company implemented the Worldwide Insurance Program - WIP, through which the local insurance policies will be replaced by worldwide policies, such as: transport risk (Export, Import and Domestic), Civil Product Liability, Civil Management's Liability (D&O), Surety Insurance, General Civil Liability, Properties and Environment Pollution, Contractual Insurance and Risk Engineering Installation and Assembly.

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

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

26. Financial instruments

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

	BOOK VALUE		MARKET VALUE	
	12/31/14	**12/31/13**	**12/31/14**	**12/31/13**
Cash and cash equivalents	**3,328,015**	**3,373,799**	**3,328,015**	**3,373,799**
Cash and banks	**302,346**	**248,149**	**302,346**	**248,149**
Short-term investments:	**3,025,669**	**3,125,650**	**3,025,669**	**3,125,650**
- Local currency	2,916,630	3,027,945	2,916,630	3,027,945
- Foreign currency	65,299	96,036	65,299	96,036
- SWAP	42,590	553	42,590	553
- *Non Deliverable Forwards* - NDF	1,150	1,116	1,150	1,116
Short-term investments	**866,209**	**2,230**	**866,209**	**2,230**
Total assets	**4,194,224**	**3,376,029**	**4,194,224**	**3,376,029**
Loans and financing:	**4,092,150**	**3,209,004**	**4,092,150**	**3,209,004**
- Local currency	2,470,647	2,509,933	2,470,647	2,509,933
- Foreign currency	1,606,895	682,902	1,606,895	682,902
- Non Deliverable Forwards (NDF)	-	6,867	-	6,867
- SWAP	14,608	9,302	14,608	9,302
Total liabilities	**4,092,150**	**3,209,004**	**4,092,150**	**3,209,004**

The risk factors of financial instruments are relate to:

(i) Financial risks

Foreign currency risk

The Company and its subsidiaries has import and export operations in various currencies, it manages and monitors its exposure to foreign currency, seeking to balance its financial assets and liabilities within the limits established by Management.

The financial exposure limit (balance sheet) is equivalent to 2 months of revenue in foreign currency as defined by the Company's Board of Directors.

The Company and its subsidiaries had export operations totaling US$ 919.0 million (US$ 899.8 million in 2013), which acts as a natural hedge for indebtedness and other costs pegged to other currencies, especially US Dollars.

Risks related to debt charges

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

Derivative financial instruments

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

a) NDF derivative financial instruments - Non Deliverable Forwards, with notional amount of:

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

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

b) SWAP operations, in the notional amount of:

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

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

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

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

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

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

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

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

a) NDF Operations - "Non Deliverable Forwards":

Risk	Notional value (thousands)	Currency	Market value at 12/31/14		Possible scenario 25%		Remote scenario 50%	
			Average price	R$ thousand	Average price	R$ thousand	Average price	R$ thousand
USD Increase	800	US$/AUD	0.9537	239	1.1921	(177)	1.4306	(818)
USD Decrease	10,853	US$/ZAR	11.3958	915	8.5469	(6,364)	5.6979	(13,643)
Total of Dolar	**11,653**			**1,154**		**(6,541)**		**(14,461)**
Decrease of euro	13	EUR/ZAR	14.1388	(4)	10.6041	(14)	7.0694	(24)
Total of euro	**13**			**(4)**		**(14)**		**(24)**
Total				**1,150**		**(6,555)**		**(14,485)**

b) SWAP Operations:

Risk	Notional value (thousands)	Market value at 12/31/14		Possible scenario 25%		Remote scenario 50%	
		Average price	R$ thousand	Average price	R$ thousand	Average price	R$ thousand
Euribor decrease	EUR 10.0	Interest of 0.46% p.a	(10,348)	Interest of 0.35% p.a	(10,648)	Interest of 0.23% p.a	(10,948)
Libor decrease	US$ 17.1	Interest of 0.66% p.a	(237)	Interest of 0.50% p.a	(281)	Interest of 0.33% p.a	(326)
CDI increase	R$ 200.0	Interest of 12.82% p.a	(1,788)	Interest of 16.01% p.a	(6,299)	Interest of 19.22% p.a	(9,909)
USD Decrease	US$ 300.0	2.6562	40,355	1.9922	(152,013)	1.3281	(315,867)
Total			**27,982**		**(169,241)**		**(337,050)**

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

(ii) Operational risks

Credit risk

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

27. Subsidies and assistance government

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

	CONSOLIDADO	
	31/12/14	31/12/13
TOTAL GOVERNMENT GRANTS AND ASSISTANCE	**44,580**	**34,733**
a) WEG Amazônia S.A.	**1,252**	**460**
- ICMS incentive credit of 90.25%	305	281
- Corporate Income Tax (IRPJ) 75% reduction	947	179
b) WEG Linhares Equipamentos Elétricos S.A.	**29,680**	**20,696**
- ICMS incentive credit of 85.00%	26,840	18,784
- Corporate Income Tax (IRPJ) 75% reduction	2,256	1,887
- Reduction Reinvestment 30% of income tax	559	-
- Municipal investment	25	25
c) WEG Equipamentos Elétricos S.A.	**-**	**171**
- Municipal Investment	-	171
c) WEG Logística Ltda.	**13,648**	**13,406**
- ICMS incentive credit of 75.00%	13,648	13,406

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

28. Information by segment

	Brazil				Foreign		Eliminations and adjustments		Consolidated	
	Industry		Energy							
	12/31/14	12/31/13	12/31/14	12/31/13	12/31/14	12/31/13	12/31/14	12/31/13	12/31/14	12/31/13
Revenue from sale of products / services	4,647,205	4,283,237	1,810,298	1,455,914	3,730,564	3,147,370	(2,347,310)	(2,057,625)	7,840,757	6,828,896
Earnings before income taxes	1,501,958	1,429,174	609,697	459,803	196,414	207,865	(1,080,140)	(1,011,963)	1,227,929	1,084,878
Depreciation / Amortization / Depletion	149,705	135,331	45,175	40,846	55,597	42,102	-	-	250,477	218,279
	12/31/14	12/31/13	12/31/14	12/31/13	12/31/14	12/31/13	12/31/14	12/31/13	12/31/14	12/31/13
Identifiable assets	3,125,990	3,101,374	1,509,993	1,297,686	2,663,313	2,282,020	180,628	(18,715)	7,479,924	6,662,365
Identifiable liabilities	782,492	780,033	599,922	471,689	823,931	781,749	(308,673)	(360,911)	1,897,672	1,672,560

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, control panels and system integration services.

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

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

29. Earnings per share

a) Basic

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

	12/31/14	12/31/13
Profit attributed to Company shareholders	954,726	843,467
Weighted average number of outstanding common shares (shares /thousand)	806,597	806,548
Basic earnings per share - R$	1.1836	1.0458

b) Diluted

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

	12/31/14	12/31/13
Profit attributed to Company shareholders	954,726	843,467
Weighted average of potentially diluted common shares held by shareholders (shares/thousand)	807,223	806,945
Basic and diluted earnings per share - R$	1.1827	1.0453

30. Statement of comprehensive income

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

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

31. Subsequent events

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

Independent auditor’s report

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

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

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

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

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

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

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

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

Other matters

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

Joinville, February 6, 2015

KPMG Auditores Independentes
CRC SC-000071/F-8

Marcelo Lima Tonini
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 at 31.12.2014, and the proposals of the Management for allocation of Net Income, based on the tests and clarifications offered by the Management, by the representatives of the Independent Auditors, and also based on the report of KPMG – Auditores Independentes. on the non-qualified Financial Statements dated 06.02.2015. opines that these documents are conditions being examined and voted at the Annual General Meeting.

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

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

STATEMENT

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

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

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

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

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