WEG S.A.
MANAGEMENT REPORT
At December 31, 2011

We present hereby to our shareholders the Consolidated Financial Statements of WEG Group and WEG S.A. for the year ended December 31, 2011. The financial statements were prepared in accordance with Brazilian Corporate Law as well as Brazilian Securities and Exchange Commission (CVM), which are in compliance with the international accounting rules issued by the International Accounting Standards Board (IASB).

SCENARIO

The global economic activity continued to grow in 2011, also with major variations in intensity and speed of changes in different markets. Most of the global economic growth is attributed to emerging markets, which generally remained more dynamic. Developed economies kept seeking solutions to structural problems. In view of the foregoing, we noted that:

a) The growth in 2012 of emerging economies' product is expected to reach 6.2% on average, in comparison to only 1.6% of more advanced economies, in accordance with estimates of the *World Economic Outlook* report of the International Monetary Fund. Emerging economies not only recorded fast paced growth, but also managed maintain the dynamism of previous year. Economic problems led more mature economies, especially in Europe, to slow down economic growth;

b) In Brazil, the gross domestic product recorded 3.2% growth in the first three quarters in comparison with the same period of last year. In 2011, growth records were lower than in 2010, without major emphasis from the production point of view;

c) In 2011, Brazil's industrial production grew 0.3% according to Brazilian Institute of Geography and Statistics (IBGE). Capital goods production recorded 3.7% increase higher than in the previous year, which reflected its best performance;

d) According to the preliminary evaluation of the Brazilian Association of Electrical and Electronic Industries (ABINEE), the Brazilian sector is expected to record 8% revenue increase over the previous year, with highlight to the industrial and automation equipment and Generation, transmission and distribution of power (GTD) segments, which are directly related to our business.

Brazil has been receiving a heavy flow of foreign funds for direct investments. The industrial sector, in general, was able resume growth and of the production capacity expansion, even with structural bottlenecks of competitiveness, like ineffective logistics and heavy tax burden undermining a stronger and more consistent expansion.

ECONOMIC AND FINANCIAL ASPECTS

Operating Revenue

In 2011, the consolidated **Net Operating Revenue (NOR)** reached R$5,189,4 million, up 18,2% as compared to prior year. The main business segments recorded growth in comparison to the previous year. In 2011, the revenue growth in **industrial electric and electronic equipment** and **paints and varnishes** areas followed the good performance of the previous year. The **GTD** area resumed growth, recovering the drop in revenue recorded in the previous year. The area of **home appliance engines** was the only one to fall in comparison to 2010's revenue.

We highlight the following aspects in each of these areas:

Industrial electro-electronic equipment – We were able to obtain 29% revenue growth in the business area and expanded our businesses across several markets, despite industrial production, both in Brazil as in the rest of the world, showing stability of slow growth trends. Our activity is characterized by our acting on opportunies in industrial segments that have their dynamics, not directly related to the general macroeconomic conditions, such is the case, for example, of the oil and gas business in Brasil. Otherwise, we continue to expand our line of business in all markets, either adding new products or services or increasing the scope of our offer in foreign markets, by offering products with greater customization levels in those markets, where our performance as a supplier of equipment is already traditional. In addition, we incorporated new products into our business, such as, for example, in power transmission solutions (gearboxes and geared motors), always within the concept of broad supply of products and services to our customers.

Electric energy generation, transmission and distribution equipment - In this business area we noted 15% growth in net operating revenues in relation to 2010 In this segment, which is considered as characteriscaly "long cycle", 2011 performance is a reflection of orders that were obtained as early as 2010, but were only effectively recorded as revenues as the products were delivered to the clients, throughout 2011. The rate of new orders intake has been normalized, what should be reflected as lower variations over the next periods. In power generation equipment we focus on renewable and distributed sources, such as small power plants and thermal energy from biomass. In 2011, we announced the formation of a *joint venture* with MTOI, enabling the company to also offer complete solutions to the wind energy market. However, the benefits arising out of the substantial investment increase in wind energy in the Transmission & Distribution (TD) business unit, by supplying transformers and substations of complete energy for wind projects.

Motors for home appliances – This business area is considered to be a “short cycle”, that is, variations in market conditions are rapidly transferred to sales and revenues. NOR fell by 10% as compared 2010, which was an elevated comparison base. Basically, market conditions remained positive in 2011, with an increase in employment, income and credit.

Paints and varnishes – In this business area we seek to serve customers from other operating areas by maximizing return on sales effort. The sound conditions of the segment in Brazil and the business expansion to Latin America allowed us to maintain NOR increase by 12% as compared to prior year.

Domestic Market

Net Operating Revenue in the domestic market totaled R$2,903,0 million, up 9% as compared to prior year and representing 56% of our NOR. The growth in domestic market is a result of the ongoing recovery of its dynamism in some sectors of the industrial segment with highlights to capital goods for investments made in the expansion of the production capacity. We remained as Brazil’s market leaders in all operating areas and also continued to expand our portfolio of products and services, aiming to provide industrial solutions increasingly complete and integrated.

External Market

Net Operating Revenue in the external market totaled R$2,286,4 million, or 44% of our NOR, up 33% as compared to the previous year when the comparison is made with amounts in reais (R$). This net operating revenue in the external market translated in US dollars totaled US$1,361.8 million, 38.6% higher than in 2010.

External markets’ sound performance in 2011 was due to the expansion of our operations in our traditional markets, also considering the expansion to new markets and businesses. The acquisitions carried out in 2010, such as the additional interest in the capital of Voltran in Mexico and of control in ZEST in South Africa, contributed to the increase in revenue over the year. Even in developed markets, in which the recovery of macroeconomic dynamism growth is slow, we were able to find growth opportunities by exploring interesting niches of business. In addition, we remained expanding manufacturing operations in the external market, with significant new acquisitions over the year: Pulverlux, an Argentina company specialized in the manufacturing of paints, Watt Drive, producer of gearboxes and geared motors in Austria, and Electric Machinery one of the most traditional manufacturer’s high-voltage rotating electrical machines in the United States.

Cost of goods sold

Cost of goods sold (COGS) reached R$3,633,4 million, or 70% of NOR (68% in 2010), generating gross margin of 30%, slightly lower than in the previous year.

The main impacts on COGS were as follows:

- Significant variations in the foreign exchange and in prices of main raw materials at the beginning of the year, with increases that could not be passed on in the speed and intensity required. During the year, these pressures were mitigated by both the decrease in said variation and active management on the cost and prices of sales. Even though the Brazilian currency's devaluation in the last quarter, the annual average recorded 5% appreciation in relation to the US dollar;

- The beginning of operations of the new production capacity in electric motor plants located in Linhares, Espírito Santo, and in Hosur, in Índia, with the subsequent negative impact of fixed costs’ dilution over the production’s ramp-up process. This effect is being gradually overcome with the increase in production, subsequently, in the productive capacity of new units.

Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses totaled R$768.4 million, or 14.8% of NOR (R$697.0 million in 2010, or 15.9% of NOR). Operating expenses grew by 10% as compared to prior year in absolute terms, despite the 1.1 percentage point decrease, mainly due to a strong action on administrative expenses, seeking greater operating efficiency.

EBITDA

As a result of the effects previously presented, EBITDA totaled R$882.3 million (calculated according to the method established by the Brazilian Securities and Exchange Commission (CVM) in Official Circular No. 01/07), with 12% increase on the profit or loss (P&L) in 2010. EBITDA margin was of 17%, one percentage point below prior year EBITDA margin.

Financial Income and Expenses

Financial income totaled R$499.6 million (R$348.5 million in 2010) and Financial Expenses aggregated R$396.6 million (R$225.4 million in 2010). Accordingly, the financial income was positive in R$ 103.0 million (R$123,1 million in 2010). It is important to note that the volatility of exchange rates in the second half led to short-term accounting impact on financial expenses on sales financing transactions in the foreign market. This impact is fully offset by the appreciation of receivables in foreign currencies, but this positive effect on revenue occurs in time.

Net income

As a result from the aforementioned effects, **Consolidated Net Income** attributable to WEG S.A.'s shareholders reached R$586.9 million, up 13% in relation to R$519.8 million in 2010. Return on net equity in 2011 was of 17% (15.8% in 2010), with net margin of 11.3% (11.8% in 2010).

CAPITALIZATION

We operate in growth markets, in which we found plenty of investments with attractive returns. This scenario requires that we have financial flexibility in order to capture these investment opportunities without excessively increasing exposure to financial risks. Accordingly, we worked so as to preserve the access to liquidity funds and sources, while maintaining a sound capital structure. In addition, we maintain close relationship with agents, such as the Brazilian Development Bank (BNDES) and the International Finance Corporation (IFC), as important sources of capital for long-term investments.

In 2011, we took advantage of the opportunity created by the one-off devaluation in local currency to raise new short-term financing in foreign in foreign currency to finance foreign trade transactions, as well as, to the manage financial exposure to foreign currencies. The resources in cash are applied in first-tier banks, usually in national currency.

At December 31, 2011 cash and cash equivalents totaled R$3,212 .3 million. Being R$2,931.6 million classified as short-term operating and R$280.6 million in long-term operating. The gross financial debt totaled R$3,457.7 million, being R$49 in short-term financing and 51% in long-term financing. At the end of 2011, WEG recorded net debt of R$245.5 million.

	December 2011,	December 2010,
CASH & EQUIVALENT	**3,212,250**	**2,552,996**
- Short-term	2,931,615	2,552,996
- Long-term	280,635	-
DEBT	**3,457,728**	**2,418,943**
- Short-term	**1,701,435**	**1,018,995**
- In reais	585,687	476,599
- In other currencies	1,115,748	542,395
- Long term:	**1,756,293**	**1,399,948**
- In reais	1,560,712	1,209,687
- In other currencies	195,581	190,260
NET CASH (DEBT)	**(245,478)**	**134,053**

INVESTMENTS

Investments in fixed assets for the production capacity expansion purposes totaled R$187.9 million in 2011, 90% of wich destined to industrial premises and other installations in Brazil and the remaining amount to production units and other subsidiaries abroad.

Our investment program is managed through the capacity occupation optimization and the maximization of return on capital invested. Disbursements in capacity expansion over 2011 were lower than in the previous year due to start up of operations of two new production units in the first months of 2011: (a) WEG Linhares, in the city of Espírito Santo, Brazil, a new manufacturing facility that shall receive additional investments in the upcoming years aiming for the vertical integration of production comprising a wide range of products; and (b) WEG India, focused on the production of high-voltage equipment for industrial use and of infrastructure.

INVESTMENTS IN REASEARCH AND DEVELOPMENT (R&D)

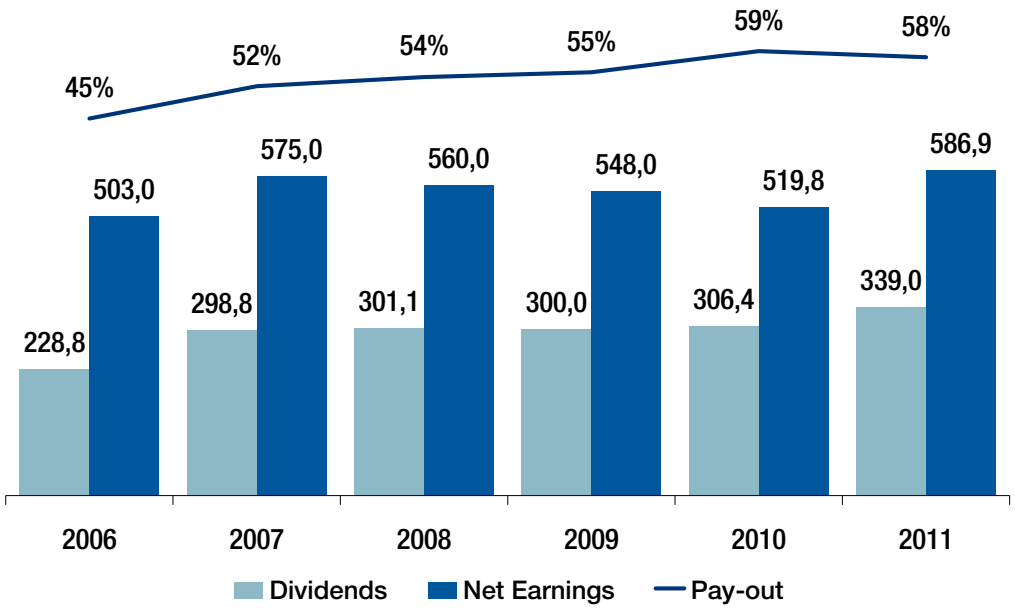
Our markets are going through major technological transformations and our research and development initiatives include expenses for the development of new products, ongoing improvement products already available, sales engineering, improvement of products, systems and our industrial processes.

In 2011, these expenses totaled R$134.8 million, or 2.5% of Net Operating Revenue.

Dividends

Management will propose to the General Shareholders' Meeting the payment to shareholders of dividends and interest on equity amounting to R$339,0 million, calculated based on the result of operating for 2011, corresponding to approximately R$0.54641176 per share before taxes. This amount represents 58% of net income before statutory adjustments.

Net income, Dividends and Pay-out (%)



HIGHLIGHTS

Acquisition of Electric Machinery (EUA)

On November 03, we announced that we had signed an agreement with GE Energy to acquire the Electric Machinery ("EM"). The acquisition was completed at the end of 2011.

Electric Machinery, founded in 1891 and based in Minneapolis (USA), custom designs and manufactures motors, generators and brushless exciters that serve thousands of customers worldwide primarily in the oil & gas and power generation industries. The business also provides a complete range of aftermarket services including installation, field support, parts, repairs, upgrades, stator rewinds, high-speed balancing and technical support. Electric Machinery has an installed base of more than 5,500 units in operation and is a technological leader in the development of high value added products, such as 2-pole turbo generators and slow speed synchronous motors.

The reputation built by the Electric Machinery in large machines over the 100 years of history, with high quality products and great brand recognition in important market segments such as oil & gas and power generation, will add to our platform in North America in Minneapolis, allowing flexibility in providing integrated solutions in the region.

Acquisition of Watt Drive (Austria)

On November 08 we announced the acquisition of Watt Drive Antriebstechnik GmbH ("Watt Drive"), an Austrian corporation that designs and manufactures gearboxes, gear motors, drives and control systems. Founded in 1972 and based near Viena, Austria, Watt Drive was a traditional European player in power transmission, with industrial plants in Austria and assembly units in Germany and Singapore and an extensive distribution network.

With the Watt Drive acquisition, WEG will offer power transmission solutions in foreign markets, in line with the strategy to offer a complete portfolio of products and solutions. Power transmission solutions that integrate electric motors, frequency inverters and gearboxes, as there are clear improvements on operating performance and energy efficiency maximization.

Joint Venture with CESTARI

On October 19, 2011 we announced a memorandum of understanding signed with CESTARI Industrial e Comercial S.A. ("CESTARI") for the development, manufacturing and distribution of gearboxes and gear motors.

CESTARI is a leading player in the Brazilian gearboxes and gear motors market and is headquartered in Monte Alto, State of São Paulo, with vertically integrated production capabilities that include iron, bronze and aluminum casting facilities and state of the art computerized machining centers.

The constitution of the WEG-Cestari Redutores e Motorredutores S.A. specifically covers the business and assets related to manufacturing of gearboxes and gear motors, combining the electric motors and industrial automation systems with the gearboxes and gear motors to be offered as integrated solutions, known as power transmission solutions, as there are clear benefits in terms of operating performance and energy efficiency.

Joint Venture with MTOI

On March 03, we announced that we had signed an Memorandum of Understanding and a Technology Transfer Agreement of with the M. Torres Olvega Industrial (MTOI) for the formation of a joint venture for the manufacturing, assembling, installing and marketing of wind turbine generators, as well as operation and maintenance services, in Brazil.

The M Torres Group was founded in 1975 to design, develop and manufacture systems for industrial and process automation solutions for the aerospace, paper and energy sectors. The technology developed by MTOI allows for the electric generator to be directly coupled to the shaft of the turbine, without the need of gearboxes. This represents a competitive advantage, as it reduces the number of components and hence the possibility of operational problems and maintenance costs.

This partnership enables us to directly participate in wind power generation business with an integrated supply that includes several products in our line of business, such as generators, transformers, drives, electric motors and coatings.

Acquisition of Pulverlux (Argentina)

On May 11, we announced the acquisition of control of Pulverlux SA, a company specializing in the manufacture and sale of powder coatings in Argentina. Additionally, we announced the opening of a new manufacturing unit in Mauá (SP) and a distribution unit in Cabo de Santo Agostinho (PE).

Pulverlux operates in the architectural, aluminum profiles, electrical panels, electrical home appliances, auto parts, machinery and equipment segments for over 10 years. With 42 employees and manufacturing area of 10,000 square meters in Buenos Aires, the company had annual revenues around U$ 7 million.

The new coatings manufacturing unit in Mauá (SP) responding to increased investment in exploration of oil reserves in the pre-salt layer, improving services logistics in the Southeast region as well as to increasing the liquid coatings production capacity. The unit of Cabo de Santo Agostinho (PE), located 25 km from the port of Suape and 17 km from Recife, will facilitate distribution in the North and Northeast of Brazil.

OUTLOOK

We believe that macroeconomic conditions in 2012 will be similar to that found throughout this year, thereby enabling us to maintain the growth of our activities. We have been exploring two clear growth opportunities: penetrate new markets and the expansion of the line of products through acquisitions and strategic partnerships. We believe that the gradual improvement of global economic activity, albeit at a slow pace, should continue to promote investments in the expansion of industrial productive capacity.

We still see good prospects in infrastructure investment in Brazil, within the scope of Growth Acceleration Programs (PACs), in the diversification and advance of the energy matrix, in government concession auctions in the infrastructure area, and preparations for the 2014 FIFA World Cup and the 2016 Olympic Games in Rio de Janeiro. Important segments, such as oil and gas, power generation and distribution, mining and cement manufacturing, for example, are expected to continue to perform well and provide opportunities. In addition, we expect to resume investments in the sugar and alcohol sector, such an important segment for our energy business.

In our global operations we were also able to find attractive opportunities even in markets with weak macroeconomic performance, like in countries of more developed economies. We believe that our way operating, with close relationships with customers and our ability to provide customized solutions will continue to differentiate us in these markets.

Additionally, important themes, such as the energy efficiency of industrial equipment, have been gaining increasing attention. In 2011, the rule ISO 50,001, management systems of energy efficiency, reflecting the global trend of increased attention to such theme. We were pioneers in certifying one of our plant in Jaraguá do Sul, in Brazil and are expanding our efforts and leveraging our expertise to the benefit of our customers. Together with the adoption of minimum standards of energy efficiency for electric motors, more and more commonly seen worldwide, we see the a consumer market evolving into higher value-added products.

Our capital budget for 2012 provides for the following investments:

Investments	**(R$ million)**
Property, plant and equipment (plant expansion/modernization)	293.7
Working capital	328.4
Total investments	**622.1**

These investments will be funded through use of Capital Budget Reserve as well as funds to be raised with Brazilian and foreign banks.

AUDIT SERVICES

In accordance with CVM Instruction No. 381/03, we hereby inform that the Company and its subsidiaries adopt as a formal procedure to seek advice from independent auditors, Ernest Young Terco Auditores Independentes ("EYT"), in order to ensure that the provision of these other services will not affect the independence and objectivity required for the performance of independent audit services. In addition, these auditors are required to present formal statements as per its independence for the performance of non-audit services, further submitted to the Board of Directors. During 2011, EYT provided specific management advisory services, as well as the translation of financial statements into

English, in addition to the assurance services of financial statements. The policy of the Company and its subsidiaries for the engagement of independent auditor's services ensures there is no conflict of interests, loss of independence or objectivity.

ARBITRATION CHAMBER

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

Jaraguá do Sul (SC), February 2012.

THE MANAGEMENT

WEG S.A.

BALANCE SHEET

At December 31, 2011 and 2010

In thousands of reais

	Notes	COMPANY		CONSOLIDATED	
		12/31/2011	12/31/2010	12/31/2011	12/31/2010
Assets					
Currents assets					
Cash and cash equivalents	4	520,939	689,944	2,931,615	2,552,996
Trade receivables	5	-	-	1,307,692	1,044,712
Inventories	6	-	-	1,362,314	1,008,952
Taxes recoverable	7	3,782	6,125	156,076	107,182
Dividends and interest on equity receivable		59,724	56,483	-	-
Other		-	-	109,364	80,167
		584,445	**752,552**	**5,867,061**	**4,794,009**
Noncurrent assets					
Long-term receivable					
Short-term investments	4	239,860	-	280,635	-
Judicial deposits	14	541	321	24,038	21,697
Receivables from related parties	8	79	-	-	-
Deferred taxes	9	712	602	111,488	78,810
Taxes recoverable	7	-	-	12,902	31,661
Other		-	-	3,406	4,816
Investments	10	2,978,752	2,770,286	349	601
Property, plant and equipment	11	11,956	12,233	2,445,760	2,395,575
Intangible asset	12	10	-	360,222	183,995
		3,231,910	**2,783,442**	**3,238,800**	**2,717,155**
Total assets		**3,816,355**	**3,535,994**	**9,105,861**	**7,511,164**

See accompanying notes.

WEG S.A.

BALANCE SHEET

At December 31, 2011 and 2010

In thousands of reais

	Notes	COMPANY		CONSOLIDATED	
		12/31/2011	12/31/2010	12/31/2011	12/31/2010
Liabilities					
Current liabilities					
Trade accounts payable		-	-	298,195	242,300
Loans and financing	13	-	-	1,701,435	1,018,995
Social and tax obligations		5,765	8,393	205,725	172,283
Income and social security taxes		36	-	44,185	41,718
Dividends and interest on equity payable		2,182	62,214	2,804	63,440
Advances from customers		-	-	285,843	271,949
Profit sharing		-	-	26,314	23,583
Other		770	551	188,459	104,535
		8,753	**71,158**	**2,752,960**	**1,938,803**
Noncurrent liabilities					
Loans and financing	13	-	-	1,756,293	1,399,948
Tax obligations		-	-	58,326	58,765
Payables to related parties	8	1,837	4,783	-	-
Provision for contingencies	14	1,889	1,626	145,616	126,384
Deferred taxes	9	3,764	3,820	421,918	415,318
Other		-	-	64,159	28,110
		7,490	**10,229**	**2,446,312**	**2,028,525**
Total liabilities		**16,243**	**81,387**	**5,199,272**	**3,967,328**
Equity					
Company's shareholders					
Capital	15	2,265,367	1,812,294	2,265,367	1,812,294
Capital reserves		3,834	48,815	3,834	48,815
Income reserves		694,062	799,468	694,062	799,468
Treasury stock	15	(10,055)	-	(10,055)	-
Stock option plan	15	239	-	239	-
Equity valuation adjustment		672,951	692,822	672,951	692,822
Proposed additional dividends	15	173,714	101,208	173,714	101,208
		3,800,112	**3,454,607**	**3,800,112**	**3,454,607**
Non-controlling shareholders		**-**	**-**	**106,477**	**89,229**
Total equity		**3,800,112**	**3,454,607**	**3,906,589**	**3,543,836**
Total liabilities and equity		**3,816,355**	**3,535,994**	**9,105,861**	**7,511,164**

See accompanying notes

WEG S.A.

INCOME STATEMENT

Yeasr ended December 31, 2011 and 2010

In thousands of reais, except when indicated otherwise

	Notes	COMPANY		CONSOLIDATED	
		12/31/2011	**12/31/10**	**12/31/11**	**12/31/10**
Sale of products		-	-	5,049,430	4,299,917
Sale of services		-	-	192,300	140,487
Adjustment o presente value		-	-	(52,321)	(48,431)
Net revenue	16	**-**	**-**	**5,189,409**	**4,391,973**
Cost of goods and services sold		-	-	(3,633,358)	(3,005,021)
Gross profit		**-**	**-**	**1,556,051**	**1,386,952**
Selling and distribution expenses		-	-	(508,904)	(434,249)
Adminsitrative expenses		(1,339)	(1,503)	(242,495)	(245,388)
Management fees	8	(1,701)	(1,580)	(16,988)	(17,336)
Other operating expenses	18	(1,302)	(802)	(124,539)	(89,432)
Equity pickup	10	522,197	506,832	-	2,090
Income before financial results		**517,855**	**502,947**	**663,125**	**602,637**
Fiancial income	19	70,562	17,581	499,570	348,471
Fiancial expenses	19	(161)	(325)	(396,569)	(225,356)
Income before taxes		**588,256**	**520,203**	**766,126**	**725,752**
Current taxes	20	(1,485)	(544)	(182,956)	(158,195)
Deferred taxes	20	165	123	23,851	(33,923)
Net income for the year		**586,936**	**519,782**	**607,021**	**533,634**
Atributable to:					
Company shareholders				586,936	519,782
Non-controlling company shareholders				20,085	13,852
Earnings per share atributable to company shareholders - basic and diluted (in R$)				**0.95**	**0.84**

See accompanying notes

WEG S.A.

STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2011 and 2010

In thousands of reais

	COMPANY		CONSOLIDATED	
	12/31/2011	**12/31/2010**	**12/31/2011**	**12/31/2010**
Net income for the year	**586,936**	**519,782**	**607,021**	**533,634**
Accumulated translation adjustments (*)	34,378	(34,008)	34,366	(34,023)
Comprehensive income attributable to:	**621,314**	**485,774**	**641,387**	**499,611**
Company's shareholders			621,314	485,774
Non-controlling shareholders			20,073	13,837

(*) The item in the income statement is not taxable.

See accompanying notes

WEG S.A.

STATEMENTS OF CHANGES IN EQUITY

Years ended December 31, 2011 and 2010

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, 2010	**1,812,294**	**44,931**	**3,935**	**-**	**-**	**27,420**	**506,092**	**(31,885)**	**809,667**	**127,285**	**-**	**3,299,739**	**27,547**	**3,327,286**
Dividends paid	-	-	-	-	-	-	-	-	-	(127,285)	-	(127,285)	-	(127,285)
Capital transactions	-	-	-	-	-	-	-	-	1,138	-	-	1,138	49,147	50,285
Reversal of dividends of previous years	-	-	-	-	-	-	-	-	-	-	469	469	-	469
Realization of revaluation reserves	-	-	(51)	-	-	-	-	-	-	-	51	-	-	-
Equity valuation adjustment:														
Accumulated translation adjustments	-	-	-	-	-	-	-	(34,008)	-	-	-	(34,008)	(15)	(34,023)
Realization of deemed cost net of taxes	-	-	-	-	-	-	-	-	(52,090)	-	52,090	-	-	-
Net income for the year	-	-	-	-	-	-	-	-	-		519,782	519,782	13,852	533,634
Proposed allocations:														
Legal reserve	-	-	-	-	-	25,989	-	-	-	-	(25,989)	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	101,208	(167,645)	(66,437)	(1,244)	(67,681)
Interest on equity	-	-	-	-	-	-	-	-	-	-	(138,791)	(138,791)	(58)	(138,849)
Capital budgte reserve	-	-	-	-	-	-	239,967	-	-	-	(239,967)	-	-	-
At December 31, 2010	**1,812,294**	**44,931**	**3,884**	**-**	**-**	**53,409**	**746,059**	**(65,893)**	**758,715**	**101,208**	**-**	**3,454,607**	**89,229**	**3,543,836**
Dividends paid	-	-	-	-	-	-	-	-	-	(101,208)	-	(101,208)	-	(101,208)
Capital increase	453,073	(44,931)	-	-	-	(53,409)	(354,733)	-	-	-	-	-	-	-
Capital transactions	-	-	-	-	-	-	-	-	-	-	-	-	(1,759)	(1,759)
Acquisition of treausry stock (Note 15.e)	-	-	-	-	(10,055)	-	-	-	-	-	-	(10,055)	-	(10,055)
Pricing of options granted (Note 15.d)	-	-	-	239	-	-	-	-	-	-	-	239	-	239
Realization of revaluation reserves	-	-	(50)	-	-	-	-	-	-	-	50	-	-	-
Reversal of dividends of previous years	-	-	-	-	-	-	-	-	-	-	532	532	-	532
Equity valuation adjustment:														
Accumulated translation adjustments	-	-	-	-	-	-	-	34,378	-	-	-	34,378	(12)	34,366
Realization of deemed cost net of taxes	-	-	-	-	-	-	-	-	(54,249)	-	54,249	-	67	67
Net income for the year	-	-	-	-	-	-	-	-	-	-	586,936	586,936	20,085	607,021
Proposed allocation:														
Legal reserve (Note 15.c)	-	-	-	-	-	29,347	-	-	-	-	(29,347)	-	-	-
Dividends (Note 15.b)	-	-	-	-	-	-	-	-	-	173,714	(147,036)	26,678	(1,133)	25,545
Interest on equity (Note 15.b)	-	-	-	-	-	-	-	-	-	-	(191,995)	(191,995)	-	(191,995)
Capital budget reserve	-	-	-	-	-	-	273,389	-	-	-	(273,389)	-	-	-
At December 31, 2011	**2,265,367**	**-**	**3,834**	**239**	**(10,055)**	**29,347**	**664,715**	**(31,515)**	**704,466**	**173,714**	**-**	**3,800,112**	**106,477**	**3,906,589**

See accompanying notes

WEG S.A.

Statements of cash flow – Indirect method

Years ended December 31, 2011 and 2010

In thousands of reais

	COMPANY		CONSOLIDATED	
	12/31/2011	**12/31/10**	**12/31/11**	**12/31/10**
Operating activities				
Income before taxes	588,256	520,203	766,126	725,752
Depreciation and amortization	276	292	188,030	183,990
Stock option plan expenses	239	-	239	-
Equity pickup	(522,197)	(506,832)	-	(2,090)
Employees' profit sharing	-	-	93,354	84,859
Increase (decrease) in accounts receivable	(6,532)	24,933	(389,865)	(96,268)
Increase (decrease) in accounts payable	(6,071)	6,408	229,714	196,623
Increase (decrease) in inventories	-	-	(359,436)	(254,945)
Other changes in assets and liabilities	977	(108)	34,293	38,950
Income and social contribution taxes paid	(1,449)	255	(174,304)	(152,808)
Payment of employees' profit sharing	-	-	(88,369)	(109,470)
Net cash flow from operating activities	**53,499**	**45,151**	**299,782**	**614,593**
Investing activities				
Investments	(1,304)	(1)	-	-
Property, plant and equipment	-	-	(231,542)	(293,012)
Intangible assets	-	-	(193,509)	(84,357)
Long-term financial investments	(239,860)	-	(280,635)	-
Disposal property, plant and equipment	-	-	21,000	18,928
Dividends/interest on equity received	327,073	839,772	-	-
Accumulated currency translation adjustments	-	-	34,378	(34,008)
Net cash flow applied in investing activities	**85,909**	**839,771**	**(650,308)**	**(392,449)**
Financing activities				
Working capital financing	-	-	710,482	100,548
Long-term financing	-	-	328,304	442,059
Treasury stock	(10,055)	-	(10,055)	-
Dividend/interest on equity paid	(298,358)	(285,967)	(299,586)	(338,872)
Net cash flow applied in financing activities	**(308,413)**	**(285,967)**	**729,145**	**203,735**
Cash and cash equivalents at January 1	689,944	90,989	2,552,996	2,127,117
Cash and cash equivalents at December 31	**520,939**	**689,944**	**2,931,615**	**2,552,996**

See accompanying notes

WEG S.A.

Statement of value added

Years ended December 31, 2011 and 2010

In thousands of reais

	COMPANY		CONSOLIDATED	
	12/31/2011	**12/31/10**	**12/31/11**	**12/31/10**
Revenues	**-**	**-**	**6,005,251**	**5,172,316**
Sale of goods, products and services	-	-	6,006,960	5,156,766
Other revenues	-	-	718	20,005
Provision for losses on trade receivables - rev./ (const.)	-	-	(2,427)	(4,455)
Inputs acquired from third parties	**(703)**	**(589)**	**(3,382,369)**	**(2,837,025)**
Materials, energy, third party services and other	(378)	(514)	(3,376,707)	(2,830,569)
Other	(325)	(75)	(5,662)	(6,456)
Gross value added	**(703)**	**(589)**	**2,622,882**	**2,335,291**
Depreciation, amortization and depletion	(276)	(292)	(188,030)	(183,990)
Net value added generated by the entity	**(979)**	**(881)**	**2,434,852**	**2,151,301**
Value added received in transfers	**592,760**	**524,413**	**499,570**	**350,561**
Equity pickup	522,197	506,832	-	2,090
Financial income	70,563	17,581	499,570	348,471
Total value added to be distributed	**591,781**	**523,532**	**2,934,422**	**2,501,862**
Distribution of value added	**591,781**	**523,532**	**2,934,422**	**2,501,862**
Personnel	**2,886**	**2,252**	**1,051,038**	**880,085**
Direct remuneration	2,793	2,140	896,973	746,290
Benefits	46	67	105,138	90,946
F.G.T.S.	47	45	48,927	42,849
Taxes, charges and contributions	**1,926**	**1,173**	**842,670**	**833,592**
Federal	1,926	1,172	749,346	726,965
State	-	-	87,351	99,726
Municipal	-	1	5,973	6,901
Remuneration of third party capital	**33**	**325**	**433,693**	**254,551**
Interest	33	325	414,051	237,456
Rents	-	-	19,642	17,095
Remuneration of own capital	**586,936**	**519,782**	**607,021**	**533,634**
Dividends	147,036	167,645	147,036	167,645
Interest on equity	191,995	138,791	191,995	138,791
Retained profit/ loss for the year	247,905	213,346	247,905	213,346
Retained profit/ loss for the year - non-controlling	-	-	20,085	13,852

The statement of value added is not an integral part of the consolidated financial statements under IFRS.

See accompanying notes

WEG S.A.

Notes to financial statements

At December 31, 2011
(In thousands of reais, except when indicated otherwise).

1. Company information

WEG S.A. (the "Company") is a public corporation based in Jaraguá do Sul, state of Santa Catarina (SC), Brazil, operating as the holding company of WEG Group. Its business purpose is to produce, manufacture, market, export and import (a) industrial, electromechanical and electronic systems, electrical rotating machines, machinery and equipment in general, devices for production, distribution and conversion of electric power, electrical equipment, programmable controllers, parts and components of machines, devices and equipment in general, hydraulic turbines of all types and capacities; and (b) resins in general, dyeing materials, plant- and chemical-based substances and products; all through manufacturing units located in Brazil, Argentina, Mexico, Portugal, South Africa, China and India.
Company shares are traded on BM&FBovespa under ticker "WEGE3", being listed, since June 2007, in the special corporate governance segment denominated Novo Mercado.
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. Accounting policies

Preparation of the financial statements requires the use of certain accounting estimates and professional judgment by Company management, the most significant being presented in Note 3.
The authorization to conclude preparation of these financial statements was granted in the Board meeting held on January 30, 2012.

In relation to the consolidated and individual financial statements, the accounting practices adopted were as under:

a) 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. The accounting practices adopted in Brazil applied in the individual financial statements differ from the International Financial Reporting Standards (IFRS) applicable to the individual financial statements only concerning the valuation of investments by the equity method, since under IFRS they would be measured at cost or fair value.

b) Consolidated financial statements
The consolidated financial statements were prepared and are presented in accordance with accounting practices adopted in Brazil, which comprise Brazilian Securities and Exchange Commission (CVM) rules and the pronouncements of Brazilian FASB (CPC), which are in conformity with international accounting standards issued by IASB.

2.1. Consolidation basis

The financial statements of subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting practices, and include the financial statements presented in Note 10.
All balances, revenue, expenses and unrealized gains and losses, arising from the transactions of companies of the Group included in the consolidation are eliminated altogether.
Financial statements are included in the consolidation as of the acquisition date in accordance with the respective agreements.
Net income for the period and comprehensive income are attributed to the Company's shareholders and to non-controlling shareholders of consolidated companies. Losses are attributed to non-controlling shareholders, even if resulting in negative balance.

2.2. Business combination

In acquiring a business, the Company evaluates the financial assets and liabilities assumed in order to classify them according to the contractual terms, economic circumstances and applicable conditions, within up to one year from the acquisition date. In case of a phased business combination, the fair value on the date of acquisition of the

shareholdings previously held in acquiree is revaluated at fair value as of acquisition date, being the impacts recognized in the income statement.
Goodwill is initially measured as excess consideration transferred in relation to net assets acquired (identifiable assets and assumed liabilities). When consideration is lower than the fair value of net assets acquired, the difference is recognized as gains in the income statement.

After initial recognition, goodwill is measured at cost, less any accumulated impairment. For impairment testing purposes, purchase goodwill in a business combination is, as from acquisition date, allocated to each of the Company's cash generating units that are expected to be benefitted by the synergies of the combination, irrespective of whether other assets or liabilities of acquiree are attributed to these units.
When goodwill is attributed to a cash generating unit and a portion of this unit is sold, goodwill related to the sold portion shall be included in cost of the operation in determining gain or loss. Goodwill on this operation is determined based on the proportional amount of the portion sold in relation to the cash generating unit.

2.3. Foreign currency translation

a) Functional currency of companies of the Group

The consolidated financial statements under IFRS are presented in Brazilian reais (R$), which is the functional currency of the Company and its subsidiaries located in Brazil.
The functional currency of foreign subsidiaries is determined based on the main economic environment in which they operate, and when the currency is different from the currency of presentation of the financial statements, these are translated into real (R$) at the financial statement closing date.

b) Transactions and balances

Transactions in foreign currency are recorded at the exchange rate to the functional currency of the transaction date.
Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate to the functional currency of balance sheet date. All differences are recorded in the income statement. Nonmonetary assets measured based on historic cost in foreign currency are translated using the exchange rate in force on the date of the initial transactions. Nonmonetary assets measured at fair value in foreign currency are translated using the exchange rate of the date on which fair value was determined.

c) Translation of balances of the Group´s company

Assets and liabilities of foreign subsidiaries are translated to Brazilian real at the exchange rate at financial statements date and the corresponding income statements are translated by the monthly average exchange rate. Exchange differences resulting from the referred to translation are recorded separately in equity. Upon sale of a foreign subsidiary, the accumulated deferred amount recognized in equity, referring to this foreign subsidiary, is recognized in the income statement.

2.4. Cash and cash equivalents

These include the balances in checking accounts and short and long term investments. Are registered at cost plus earnings earned up to the period closing date, based on the rates agreed upon with financial institutions, which do not exceed market or realizable value.

2.5. Customers

These correspond to amounts receivable from customers for the sale of goods or rendering of services in the normal course of business and are stated at present value and realizable value. The allowance for doubtful accounts is calculated considering the analysis of credit risks, which considers the percentage trade acceptance bill, market liquidity and the credit level, being sufficient to cover losses on amounts receivable (Note 5).

2.6. Inventories

Inventories are evaluated and stated at average acquisition or production cost, considering the present value, when applicable. The Company's inventory costing is carried out by means of absorption, by using the weighted moving average.
Provisions for inventory for : realization; (ii) slow-moving; and (iii) obsolete inventories are set up, when deemed necessary by the Management. Imports of raw materials in process are stated at accumulated cost of each import (Note 6).

2.7. Related parties

Input purchase and sale transactions are carried out under conditions and terms similar to those of transactions with unrelated
parties (Note 8).

2.8. Property, plant and equipment

Property, plant and equipment are assessed at acquisition and/or construction cost, plus interest capitalized during the construction period, when applicable.

Property, plant and equipment are presented deducted from the corresponding depreciations, which does not apply to land, considering it is not depreciated. Include costs incurred with loans during the period of construction, improvement and expansion period of industrial units.

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 financial 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 (Note 11).

2.9. Intangible

These are valued at acquisition cost, less amortization and any impairment losses, as applicable. Intangible assets with defined useful lives are amortized taking into consideration the estimated term of generation of future economic benefits. Goodwill ased on expected future profitability, without defined useful life, was amortized until December 31, 2008, however subject to impairment testing every year or whenever there is any evidence of impairment (Note 12).

2.10. Evaluation of assets at recoverable value

Property, plant and equipment and intangible assets, as well as other non-current assets, as applicable, are evaluated annually at recoverable value through future cash flows. Sales growth rates are considered as premises of sale growth rates within conservative level of 90% of budget, margins equivalent to those obtained in the last fiscal year and discount rates that account for the expected returns. At December 31, 2011 no impairment of these assets was identified.

2.11. Provisions for contingencies

Provisions are recognized when the Company and its subsidiaries have a current or non-formalized 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's legal counselors. (Note 14).

2.12. Interest on equity and dividends

Distribution of interest on equity and dividends is recognized as a liability based on the Company's minimum statutory dividends.

Any amount in excess of the minimum mandatory dividends is recognized as a liability when approved by a General Shareholders' Meeting or the Board of Directors (Note 15).

2.13. Adjustment to present value

Assets and liabilities resulting from short-term operations, when relevant, were adjusted to present value at discount rates reflecting best market valuations. The discount rate used is the Certificate of Interbank Deposit (CDI). The measurement of the adjustment at present value was carried out on a "*pro rata die*", as from the origin of each transaction.

2.14. Benefit plan

The Company sponsors a private pension plan based on variable contribution. The costing of the plan is established based on the projected unit credit cost method. The actuarial commitments with pension and retirement benefits are accrued based on actuarial calculations, annually produced by independent actuaries, pursuant to the projected unit credit cost method, net of plan assets given in guarantee of the plan, and the corresponding costs recognized during the employees' length of service. Actuarial assumptions are used, such as the estimate evolution costs of health care, biological and economic assumptions, and also historical data of expenses incurred and of employees' contributions (Note 21).

2.15. Financial instruments

The Company's financial instruments include:

a) Cash and cash equivalents: presented at market value, which approximates book value.

b) Short-term investments: Market value is reflected in the amounts recorded in the balance sheet. Short-term investments are classified as for trading (Note 4).

c) Trade accounts receivable: These are recognized at amortized cost using the effective interest rate method, being classified as loans and receivables (Note 5).

d) Suppliers: These are recognized at amortized cost using the effective interest rate method, being classified as loans and receivables.

e) Loans and financing: The main purpose of this financial instrument is to generate funds for the Company's expansion programs and to meet its short-term cash needs (Note 13).
- Loans and financing in local currency – these are classified as financial liabilities not measured at fair value and are recorded at their updated amounts based on the agreed rates. The market value of these loans approximates their book value for being financial instruments with exclusive characteristics from specific financing sources.
- Loans and financing in foreign currency – these are contracted to meet working capital needs for commercial operations in Brazil and foreign subsidiaries, being restated by the agreed rates.
f) NDF Operations – "*Non Deliverable Forwards*": Classified as derivative financial instruments, registered based on their market price.

2.16. Stock option plan

The company grants stock purchase options to its statutory officers or its subsidiaries in Brazil, which will exercise their option only after specific grace 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. (Note 15).

2.17. Government grants and assistance

Government subsidies are recognized when there is reasonable certainty that the benefit will be received and that all the corresponding conditions will be fulfilled. When the benefit refers to an expense item, it is recognized as revenue along the period of the benefit, on a systematic basis in relation to costs that the benefit intends to offset. When the benefit refers to an asset, it is recognized as deferred revenue and posted to income for equal amounts along the expected useful life of the asset.
When the Company receives non-monetary benefits, the asset and the benefit are recorded for the nominal value and reflected in the income statement along the expected useful life of the asset, in equal annual installments (Note 24).

2.18. Revenue recognition

Revenue from sale of goods is recognized in the income statement when all the risks and rewards inherent to the product are transferred to buyer and it is probable the economic benefits will flow to the Company. The revenue of services is recognized in income based on its realization.

2.19. Taxes

a) Income and social contribution taxes—current and deferred
The current and deferred taxes are calculated in accordance with the legislation in force in the countries in which the Group operates and generates taxable revenue.

b) Other taxes
Revenues, expenses and assets are recognized net of taxes on sales, except: when taxes on sales incurred on the purchase of goods or services are not recoverable with the tax authorities, case in which taxes on sales are recognized as part of the acquisition cost or of expense item, as follows; (ii) when receivables and payables are presented together with the amount of sales tax; and (iii) net value of taxes on sales, recoverable or payable, is included as a component of amounts receivable or payable in the balance sheet.

2.20. Earnings per share - base and diluted

Basic earnings per share are calculated dividing profit attributable to the Company's shareholders by the weighted average number of common shares issued in the year. Diluted earnings per share are calculated adjusting the weighted average number
of outstanding common shares considering all common shares that could potentially cause dilution (Note 26).

2.21. 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, 2012; and (ii) are under investigation by regulatory organs and are public knowledge, and concluded that none of these pronouncements should cause significant impacts on the Company's financial statements.

3. Estimates and assumptions

The financial statements included the use of estimates that considered 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; and
f) deferred income tax assets on income and social contribution tax losses , as well as the analysis of other risks for determination of other provisions, including contingencies arising from administrative and judicial proceedings and other assets and liabilities at the date of financial statements.

Settlement of transactions involving these estimates may result in amounts different from those recorded in the financial statements due to the uncertainties related to the estimate process. These estimates and assumptions are periodically reviewed.

4. Cash and cash equivalents

	COMPANY		CONSOLIDATED	
	12/31/11	12/31/10	12/31/11	12/31/10
a) Cash and banks	**28**	**9**	**59,512**	**53,971**
b) Short-term investments*	**760,771**	**689,935**	**3,152,738**	**2,499,025**
In local currency	**760,771**	**689,935**	**3,113,536**	**2,454,302**
Bank Deposit Certificate (CDB)	520,911	689,935	2,832,901	2,454,302
Financial bills (LF)	239,860	-	280,635	-
In foreign currency	**-**	**-**	**37,502**	**44,723**
Foreign Certificate of Deposit	-	-	25,041	29,685
Other	-	-	12,461	15,038
NDF – "Non Deliverable Forwards"	**-**	**-**	**1,700**	**-**
TOTAL	**760,799**	**689,944**	**3,212,250**	**2,552,996**
Short-term	520,939	689,944	2,931,615	2,552,996
Long-term	239,860	-	280,635	-

Investments in Brazil
CDBs and LFs are remunerated at the rates of 100% to 106% of the CDI (100% to 106% of the CDI at December 31, 2010

Investments abroad
Certificates of deposits issued by foreign financial institutions are bear interest as follows:
- In Euros with interest of 0.65% to 1.7% p.a. at the original amount of EUR 3,052, of which balance amounts to R$7,430;
- In US dollars with interest of 0.02% to 0.5% p.a. at the original amount of US$ 9,334, of which the balance amounts to R$17,611;
- In the original currency with interest from 3.9% to 19.5% p.a. at the amount of R$12,461;
- NDF – "*Non Deliverable Forwards*" amounting to R$1,700.

5. Trade accounts receivable

	CONSOLIDATED	
	12/31/11	12/31/10
a) Breakdown of balances		
Domestic Market	673,032	627,619
External Market	650,876	431,978
SUBTOTAL	**1,323,908**	**1,059,597**
Present value adjustment	(3,070)	(1,571)
Allowance for losses on trade receivables	(13,146)	(13,314)
TOTAL	**1,307,692**	**1,044,712**
b) Actual losses on trade accounts receivable for the period	**144**	**1,974**
c) Maturity of trade notes		
Not yet due	1,191,813	902,185
Due: Up to 30 days	68,854	58,207
Over 30 days	63,241	99,205
TOTAL	**1,323,908**	**1,059,597**

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

Balance at 1/1/2010	**(13,919)**
Losses permanently written-off	1,944
Setting up of provisions	(6,466)
Reversal of provision	5,127
Balance at 12/31/2010	**(13,314)**
Losses permanently written-off	144
Setting up of provisions	(4,244)
Reversal of Provision	4,268
Balance at 12/31/2011	**(13,146)**

6. Inventories

	CONSOLIDATED	
	12/31/11	**12/31/10**
Finished products	262,408	192,354
Products in process	262,454	215,166
Raw materials and others	225,658	193,385
Imports in transit	51,611	33,118
Provision for obsolete inventories	(9,741)	(9,200)
Total inventories - domestic market	**792,390**	**624,823**
Finished products	384,601	292,649
Products in process	82,453	39,430
Raw materials and others	119,184	62,827
Provision for obsolete inventories	(16,314)	(10,777)
Total inventories - external market	**569,924**	**384,129**
OVERALL TOTAL	**1,362,314**	**1,008,952**

Changes in the provision for obsolete is as follows:

Balance at 1/1/2010	**(15,624)**
Permanent inventory write-off	10,881
Provision setting up	(15,234)
Balance at 12/31/2010	**(19,977)**
Permanent inventory write-off	22,148
Provision setting up	(28,226)
Balance at 12/31/2011	**(26,055)**

Inventories are insured and their coverage is determined considering the values and level of risk involved. The amount of R$3,633,358 was recognized as cost of goods sold (R$3,005,021 at December 31, 2010). Cost of sales includes the amounts of R$22,148, referring to inventories permanently written off, and R$28,226 referring to set up of provision for obsolescence.

7. Taxes recoverable

	COMPANY		CONSOLIDATED	
	12/31/11	**12/31/10**	**12/31/11**	**12/31/10**
ICMS on acquisitions of property, plant and equipment	-	-	22,759	29,743
IVA (foreign subisidiaries)	-	-	51,462	39,919
PIS/COFINS on acquisitions of property, plant and equipment	-	-	10,122	26,630
ICMS	-	-	20,700	20,150
IPI	-	-	14,237	9,031
IRPJ/CSLL carryforward	3,782	6,125	11,778	3,123
PIS/COFINS	-	-	30,255	4,077
Other	-	-	7,665	6,170
TOTAL	**3,782**	**6,125**	**168,978**	**138,843**
Short-term	3,782	6,125	156,076	107,182
Long-term	-	-	12,902	31,661

These credits will be realized by the Company and its subsidiaries in the form of tax and contribution refund and/or carryforwards.

8. Related parties

Business transactions involving the purchase and sale of products, raw materials and services, as well as financial transactions involving loans, funding among the Group companies and management compensation were carried out as described below.

	COMPANY		CONSOLIDATED	
BALANCE SHEET	**12/31/11**	**12/31/10**	**12/31/11**	**12/31/10**
Noncurrent assets	**79**	**-**	**-**	**-**
Management of financial resources				
WEG Tintas Ltda	79	-	-	-
Current liabilities	**-**	**-**	**1,566**	**1,570**
Agreements with directors/officers	-	-	1,566	1,570
Noncurrent liabilities	**1,837**	**4,783**	**-**	**-**
Management of financial resources				
WEG Equipamentos Elétricos S.A.	1,699	4,644	-	-
RF Reflorestadora Ltda	138	139	-	-

	COMPANY		CONSOLIDATED	
INCOME STATEMENT	**12/31/11**	**12/31/10**	**12/31/11**	**12/31/10**
Management compensation:				
a) Fixed (fees)	**1,701**	**1,580**	**16,988**	**17,336**
Board of Directors	1,124	1,052	1,588	1,596
Executive Board	577	528	15,400	15,740
b) Variable (profit sharing)	**979**	**727**	**6,129**	**4,213**
Board of Directors	647	484	906	706
Executive Board	332	243	5,223	3,507

Additional information:

a) Business transactions

Purchase and sale transactions of raw materials and products are carried out under the same conditions as those transactions conducted with unrelated parties. Most sales are cash sales.

b) Management of financial resources

Financial and business transactions carried out among Group companies are accounted for in the records, pursuant to the Group's requirements, not subject to interest. Credit/debit agreements executed with Directors/Officers are accounted for in the records, subject to interest between 95% and 100% of CDI variation.

c) Service provision and other covenants

WEG Equipamentos Elétricos S.A. has entered into a "Guarantees and Other Covenants" agreement with Hidráulica Industrial S.A Ind. e Com - HISA, whereby WEG will provide guarantee or collateral in loan operations and in the issuance of guarantees to clients (performance bonds, surety bonds etc.).

d) Securities and guarantees

WEG S.A. provided its foreign subsidiaries with sureties and guarantees amounting to US$ 207.5 million (US$ 142.0 million at December 31, 2010).

e) Management compensation

Compensation paid to the Board of Directors and Executive Board members amounted to R$ 1,588 and R$ 15,400 respectively, for services rendered, representing a total amount of R$ 16,988.

As long as the result of activity on capital invested is at least 10%, interest to be paid to management is expected to range from 0% to 2.5% of net income. The provision is recognized in P&L for the period, in the amount of R$ 6,129, 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.

9. Deferred taxes

Deferred income tax and social contribution tax credits and debts were determined in accordance with ruling standards.

a) Breakdown of amounts:

	COMPANY		CONSOLIDATED	
	12/31/11	12/31/10	12/31/11	12/31/10
Noncurrent assets	**712**	**602**	**111,488**	**78,810**
Income tax losses	-	-	11,773	4,580
CSLL tax losses	-	-	1,252	986
Temporary differences:				
Provision for contingencies	-	-	28,346	24,239
Taxes disputed in court	565	475	9,686	9,482
Losses on trade receivables	-	-	3,234	1,814
Losses on obsolete inventories	-	-	5,628	3,128
Labor severance pay and for contract termination	-	-	10,772	6,259
Freight and sales commissions	-	-	4,819	2,772
Accounts payable (electric energy, technical assistance and others)	-	-	12,610	7,052
Employees' profit sharing	-	-	7,173	5,412
Other temporary additions	147	127	16,195	13,086
Noncurrent liabilities	**3,764**	**3,820**	**421,918**	**415,318**
Incentive accelerated depreciation – Law No. 11196/05	-	-	2,923	2,835
Property, plant and equipment deemed cost	3,724	3,797	344,605	371,463
Adjustment from transition tax regime	40	23	64,815	38,880
Other temporary exclusions	-	-	9,575	2,140

b) Estimated realization term

Management estimates that deferred tax assets calculated on 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 in the next 5 years.

10. Investments

10. 1. Investments in subsidiaries

			Investment in capital (%)				Equity Pickup		Investment Book Value	
		P&L	12/31/11		12/31/10		12/31/11	12/31/10	12/31/11	12/31/10
			Direct	Indirect	Direct	Indirect				
WEG Equipamentos Elétricos S.A.	2,694,855	502,442	100.00	-	99.95	-	487,376	(*)471,200	2,666,862	2,459,328
RF Reflorestadora S.A	-	-	-	-	99.95	-	11,618	25,469	-	247,730
RF Reflorestadora Ltda	232,949	2,434	100.00	-	-	-	2,437	-	232,948	-
WEG Tintas Ltda.	65,610	18,450	99.91	0.09	99.91	0.04	18,433	8,313	65,550	56,062
WEG Amazônia S.A.	41,585	2,962	0.02	99.98	0.02	99.98	1	3	7	6
WEG Administradora de Bens Ltda.	27,268	8,545	-	100.00	-	100.00	-	-	-	-
WEG Logística Ltda.	157	54	-	100.00	-	100.00	-	-	-	-
WEG Linhares Equips Elétricos S.A.	49,952	(2,808)	-	99.99	-	99.99	-	-	-	-
WEG Drives & Controls Automação Ltda	839	1,088	99.00	1.00	-	-	1,077	-	831	-
WEG Partner Aerogeradores S.A.	10	-	-	99.90	-	-	-	-	-	-
Hidráulica Indl.S.A. Ind. e Com.	54,146	6,232	-	61.92	-	60.94	-	-	-	-
Agro Trafo Administradora de Bens S.A.	4,126	(179)	91.75	8.25	-	99.99	(238)	-	3,786	-
Sensores Eletrônicos Instrutech Ltda.	1,515	985	0.01	99.99	0.01	99.99	-	-	-	-
Logotech Sensores Eletrônicos Ltda.	510	230	0.10	99.90	0.10	99.90	-	-	-	-
Equisul Indústria e Comércio Ltda	6,426	(1,691)	0.12	99.88	-	-	(2)	-	8	-
WEG Equipamientos Electricos S.A.	42,888	9,065	10.44	89.55	10.44	89.55	967	1,147	4,478	3,324
WEG Chile S.A.	20,862	3,433	8.00	92.00	8.00	92.00	263	450	1,669	1,562
WEG Colômbia Ltda.	8,627	1,322	1.00	99.00	0.99	99.00	12	16	86	65
WEG Electric Corp.	79,312	6,377	0.79	99.21	0.79	99.21	51	63	625	499
WEG Service CO.	(623)	(671)	-	100.00	-	100.00	-	-	-	-
WEG Overseas S.A.	20	(43)	100.00	-	100.00	-	(43)	(10)	20	61

WEG México S.A. de C.V.	77,885	5,198	-	99.99	-	99.99	-	-	1	1
WEG Transformadores México S.A. de C.V.	29,314	(1,366)	-	60.00	-	60.00	-	-	-	-
Voltran S.A de C.V.	36,977	(4,157)	-	60.00	-	60.00	-	-	-	-
WEG Indústrias Venezuela C.A.	1,475	(3,476)	-	99.99	-	99.99	-	-	-	-
Zest Electric Motors (Pty) Ltd.	115,839	40,533	-	50.68	-	50.68	-	-	-	-
WEG Nantong CO Ltd.	15,355	(5,783)	-	100.00	-	100.00	-	-	-	-
WEG Middle East Fze.	(746)	(1,160)	-	100.00	-	100.00	-	-	-	-
WEG Industries (Índia) Private Ltd.	110,058	(5,062)	-	99.99	-	99.99	-	-	-	-
WEG Electric (Índia) Private Limited	399	65	4.99	94.99	4.99	94.99	(1)	3	20	21
WEG Electric Motors Japan CO. Ltd.	826	364	-	100.00	-	100.00	-	-	-	-
WEG Singapore Pte. Ltd.	246	(8)	-	100.00	-	100.00	-	-	-	-
WEG Germany GmbH.	36,355	5,165	-	100.00	-	100.00	-	-	-	-
WEG Benelux S.A.	22,960	3,947	-	99.99	-	99.99	-	-	-	-
WEG Ibéria S.L.	711,107	58,929	-	100.00	-	100.00	-	-	-	-
WEG France S.A.S	3,399	195	-	100.00	-	100.00	-	-	-	-
WEG Electric Motors (UK) Ltd.	8,092	1,205	-	100.00	-	100.00	-	-	-	-
WEG Itália S.R.L.	7,023	(213)	0.07	99.93	0.07	99.93	-	-	5	5
WEG Euro Ind. Electrica S.A.	32,330	4,063	5.74	94.26	5.74	94.26	246	178	1,856	1,622
WEG Electric CIS	1,094	1,159	-	100.00	-	100.00	-	-	-	-
WEG Scandinavia AB.	1,966	(1,430)	-	100.00	-	100.00	-	-	-	-
WEG Austrália Pty Ltd.	22,953	3,321	-	100.00	-	100.00	-	-	-	-
WEG Peru S.A.	536	-	0.05	99.95	-	-	-	-	-	-
Pulverlux S.A.	946	(242)	-	100.00	-	-	-	-	-	-
EPRIS Argentina S.R.L.	360	(157)	-	100.00	-	-	-	-	-	-
Electric Machinery Holding Company	62,329	403	-	100.00	-	-	-	-	-	-
Watt Drive Antriebstechnik GmbH	1,934	(3,553)	-	100.00	-	-	-	-	-	-
TOTAL							**522,197**	**506,832**	**2,978,752**	**2,770,286**

(*) Equity pickup adjusted by unearned income.

10.2. Acquisitions

Seeking to ever increase the Company's product and solution portfolio, thus gaining flexibility to cater to clients and increase its potential for growth, the following companies were acquired:

(i) Equisul Indústria e Comércio Ltda

The financial statements for this subsidiary were consolidated as of January 2011.

(ii) Pulverlux S.A. and EPRIS Argentina S.R.L

In May 5, 2011, through its subsidiary WEG Tintas Ltda, the Company acquired 100% of the shareholdings of Pulverlux S.A. and EPRIS Argentina S.R.L. The financial statements for these subsidiaries were consolidated as of June 2011.

(iii) Watt Drive Antriebstechnik GmbH

On November 8, 2011, through its subsidiary WEG Equipamentos Elétricos S.A., the Company acquired 100% of the shareholdings of Watt Drive Antriebstechnik GmbH.

Goodwill totaling R$ 45,284, was initially measured as the exceeding consideration amount transferred in relation to net assets acquired. Allocation shall take place in no more than 1 year.

Transferred consideration was realized using the resources available in cash and cash equivalents, totaling R$ 50,269. Assets and liabilities were consolidated as of November 1, 2011.

(iv) Electric Machinery Holding Company

On November 3, 2011, through its subsidiary WEG Equipamentos Elétricos S.A., the Company acquired 100% of the shareholdings of Electric Machinery Holding Company.

Goodwill totaling R$ 121,305, was initially measured as the exceeding consideration amount transferred in relation to net assets acquired. Allocation shall take place in no more than 1 year.

Transferred consideration was realized using the resources available in cash and cash equivalents, totaling R$ 181,090. Assets and liabilities were consolidated as of December 1, 2011.

10.3 Restructuring

(i) RF Reflorestadora S.A.

On September 12, 2011 the partial spin-off of this company was approved. It took place on October 1, 2011, with the consequent merger of the spun-off portion into RF Reflorestadora Ltda.

The objective is to segregate the operation into two different activities, as follows:

Real estate: including prospecting of reforestation areas; and

Manufacture: Including forestry, cut and processing of wood.

(ii) WEG Drives & Controls Automação Ltda
At the Special General Meeting of WEG Equipamentos Elétricos S.A. held on December 28, 2011, the partial spin-off of this company was approved, with the consequent merger of the spun-off portion into WEG Drives & Controls – Automação Ltda.
The objective of this restructuring is to improve the management of processes related to processing and sale activities; focus in one company all activities connected to IT products and services, as well as to establish the company as a benchmark company for IT and automation.

10.4 Other investments
These refer to other investments recorded at cost of acquisition in the amount of R$ 349 (R$ 601 in 2010).

11. Property, plant and equipment

The Company capitalized borrowing costs in the amount of R$ 1,221 (R$ 285 in 2010) 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	
		12/31/11	12/31/10	12/31/11	12/31/10
Land and buildings and facilities		15,973	15,973	1,073,721	993,110
Equipment		-	-	2,455,418	2,304,279
Furniture and fixtures		-	-	76,988	60,199
Hardware		-	-	70,884	60,125
Construction in progress		-	-	70,434	52,011
Reforestation		-	-	48,676	47,552
Other		-	-	39,476	84,500
Subtotal		**15,973**	**15,973**	**3,835,597**	**3,601,776**
Accumulated depreciation/depletion	**Annual depreciation rate (%)**				
Construction and premises	02 to 03	(4,017)	(3,740)	(169,563)	(150,504)
Equipment	05 to 20	-	-	(1,102,709)	(964,644)
Furniture and fixtures	07 to 10	-	-	(39,907)	(26,863)
Hardware	20 to 50	-	-	(55,352)	(45,634)
Reforestation	-	-	-	(7,325)	(5,911)
Other	-	-	-	(14,981)	(12,645)
TOTAL		**11,956**	**12,233**	**2,445,760**	**2,395,575**

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

PP&E Classification	12/31/10	Transfer between classes	Acquisitions	Write-offs	Deprec. and depletion	Exchange effect	12/31/11
Land, buildings and premises	842,606	55,328	38,048	(14,724)	(18,458)	1,358	904,158
Equipment	1,339,635	34,509	113,470	(4,759)	(131,667)	1,521	1,352,709
Furniture and fixtures	33,336	(799)	7,447	(60)	(3,845)	1,002	37,081
Hardware	14,491	1,233	7,272	(563)	(7,169)	268	15,532
Construction in progress	52,011	(41,930)	60,480	(53)	-	(74)	70,434
Reforestation	41,641	-	1,123	-	(1,413)	-	41,351
Other	71,855	(48,341)	3,702	(841)	(2,584)	704	24,495
TOTAL	**2,395,575**	**-**	**231,542**	**(21,000)**	**(165,136)**	**4,779**	**2,445,760**

b) Amounts offered in guarantee – PPE items were provided as collateral for loans, financing, labor claims and tax suits in the amount of R$ 14,333 (R$ 14,830 at December 31, 2010).

12. Intangible assets - consolidated

	Amortization/Years	Cost	Accumulated Depreciation	12/31/11	12/31/10
Projects:					
- Development of products and processes	5	69,505	(69,505)	-	6,379
- Information Technology	5	79,441	(71,112)	8,329	19,239
Software license	5	54,729	(43,770)	10,959	8,164

Other	5	34,938	(25,545)	9,393	10,088
Subtotal		**238,613**	**(209,932)**	**28,681**	**43,870**
Goodwill - Acquisition of subsidiaries	-	352,927	(21,386)	331,541	140,125
TOTAL		**591,540**	**(231,318)**	**360,222**	**183,995**

a) Summary of changes in intangible assets:

	12/31/10	Additions	Amort.	Exchange effect	Other (*)	12/31/11
Projects:						
- Development of products and processes	6,379	-	(6,379)	-	-	-
- Information Technology	19,239	-	(10,910)	-	-	8,329
Software license	8,164	6,360	(3,583)	18	-	10,959
Other	10,088	1,192	(2,022)	135	-	9,393
Subtotal	**43,870**	**7,552**	**(22,894)**	**153**	**-**	**28,681**
Goodwill - Acquisition of subsidiaries	140,125	193,180	-	5,459	(7,223)	331,541
TOTAL	**183,995**	**200,732**	**(22,894)**	**5,612**	**(7,223)**	**360,222**

(*) Reclassification of credit right on acquisition of subsidiary ZEST Electric Motors (Pty) Ltd., formerly recognized as goodwill.

b) Amortization of intangible assets schedule is as follows (except goodwill):

2012	14.166
2013	4.654
2014	3.369
2015	1.396
After 2016	5.096
TOTAL	**28.681**

c) Goodwill on acquisition of subsidiaries is not amortized for accounting purposes. Therefore the income tax liability was recognized by the Company (Note 9):

13. Loans and financing

Financing raised in foreign currency comprises Advances on Exchange Contracts (ACC's), BNDES-FINEM in currency basket, BNDES-FINEM in dollar and IFC in dollar (+) LIBOR.

Financing taken by foreign subsidiaries for working capital purposes is denominated in US dollars and/or in the currency of each country, amounting to R$ 497.1 million in the short term (R$ 258.6 million at December 31, 2010) and R$ 23.5 million in the long term (R$ 88.3 million at December 31, 2010), corresponding to US$ 277.8 million (US$ 208.0 million at December 31, 2010).

Direct loans from BNDES 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 and IFC contracts, are being met.

		CONSOLIDATED	
Type	**Annual charges**	**12/31/11**	**12/31/10**
In Brazil			
SHORT TERM		**1,204,287**	**760.349**
Working capital (ACCs)	Interest from 0,9% to 3,9% p.a. (+) exchange variation	596,087	276.411
Working Capital	TJLP (+) 1.4% to 5.0% p.a.	247,694	388.700
Working Capital	Interest of 1.6%p.a. to 9.0 %p.a.	330,505	82.560
Working Capital	US$ (+) 1.4% to 1.8% p.a.	15,868	4.801
Working Capital	US dollar (+) Libor (+) 3.25% p.a.	6,335	67
Non Deliverable Forwards (NDF)	Foreign exchange gains/(losses)	310	-
Property, plant and equipment	TJLP (+) 1.0% to 5.0% p.a.	5,939	5.340
Other	Sundry	1,549	2.470
LONG TERM		**1,732,781**	**1.311.643**
Working Capital	TJLP (+) 1.4% to 6.8% p.a.	812,841	488.272
Property, plant and equipment	UFIR (+) 1.0% to 4.0% p.a.	55,016	41.500
Working Capital	Interest of 4.0%p.a. to 9.0 %p.a.	678,941	662.216
Property, plant and equipment	TJLP (+) 1.0% to 5.0% p.a.	13,914	17.700
Working Capital	US$ (+) 1.4% to 1.8% p.a.	56,241	59.876
Working Capital	US dollar (+) Libor (+) 3.25% p.a.	40,642	41.655
Export prepayment - PPE	Foreign exchange gains/(losses)	75,004	-
Other	Sundry	182	424

ABROAD			
SHORT TERM		**497,148**	**258.646**
Working Capital	EURIBOR (+) 0.6% to 3.5% p.a.	176,198	40.524
Working Capital	LIBOR (+) 0.9% a 4.5% p.a.	94,921	72.358
Working Capital	90% of PBOC (4.5% to 5.0%) p.a.	50,965	8.059
Working Capital	BBSY (+) 1.3% to 1.5% p.a.	30,900	18.277
Working Capital	JIBAR (+) 3.5% p.a.	-	14.058
Working Capital	Interest of 0.8% a 17.2% p.a.	144,164	105.370
LONG TERM		**23,512**	**88.305**
Working Capital	90% of PBOC (4.5% to 5.0%) p.a.	11,900	51.079
Working Capital	BBSY (+) 1.3% to 1.5% p.a.	309	302
Working Capital	JIBAR (+) 3.0 to 3.5% p.a.	9,390	32.338
Working Capital	Interest of 5.0% a 11.7% p.a.	1,913	4.586
TOTAL SHORT TERM		**1.701.435**	**1,018,995**
TOTAL LONG TERM		**1.756.293**	**1,399,948**

Maturity of long-term financing and loans:

	12/31/11	**12/31/10**
2012	-	637,061
2013	1,142,720	429,750
2014	348,885	159,226
2015	133,482	96,443
2016	70,520	43,105
2017 onwards	60,686	34,363
TOTAL	**1,756,293**	**1,399,948**

14. Provision for contingencies

In the normal course of business, the Company and its subsidiaries are parties to administrative and legal proceedings involving tax, labor and civil claims. The related provisions were recognized for suits considered as “probable” losses and, in some specific cases, for suits considered as “possible” losses based on the expected value at risk estimated by the Company’s legal 30 advisors. The Company’s management believes the recorded provision for contingencies to be sufficient to cover possible losses on ongoing legal cases, as follows:

a) Balance of provision for contingencies

		COMPANY		**CONSOLIDATED**	
		12/31/11	**12/31/10**	**12/31/11**	**12/31/10**
(i) Tax:		**1,660**	**1,397**	**39,644**	**37,018**
- IRPJ and CSLL	(a.1)	-	-	12,883	10,049
- INSS	(a.2)	1,660	1,397	23,843	21,007
- PIS/COFINS		-	-	559	-
- Other		-	-	2,359	5,962
(ii) Labor		**-**	**-**	**38,834**	**29,189**
(iii) Civil		**-**	**-**	**63,456**	**58,182**
(iv) Other		**229**	**229**	**3,682**	**1,995**
TOTAL		**1,889**	**1,626**	**145,616**	**126,384**
(v) Restricted court deposits		**541**	**321**	**21,300**	**20,575**
- Tax		541	321	17,223	16,755
- Other		-	-	4,077	3,820

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

	12/31/10	**Additions**	**Interest**	**Write-offs**	**Reversals**	**12/31/11**
a) Tax	37,018	8,779	534	(5,354)	(1,333)	39,644
b) Labor	29,189	8,087	2,384	-	(826)	38,834
c) Civil	58,182	17,300	688	(6,414)	(6,300)	63,456
d) Other	1,995	2,106	-	(419)	-	3,682
TOTAL	**126,384**	**36,272**	**3,606**	**(12,187)**	**(8,459)**	**145,616**

c) The provisions set up basically refer to:

(i) Tax contingencies

(a.1) The Company maintains a provision 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) This 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.

(ii) Labor contingencies

The Company and its subsidiaries are defendants in labor claims primarily involving health and risk exposure, among others. Based on payment history and the legal counsel's opinion, the provision of R$ 38,834 (R$ 29,189 at December 31, 2010).

(iii) Civil contingencies

These correspond primarily to civil lawsuits, including personal injury, aesthetic damage, occupational diseases and indemnities arising out of occupational accidents. A provision of R$ 63.456 was set up (R$ 58,182 at December 31, 2010)

(v) Restricted Judicial Deposits

	COMPANY		CONSOLIDATED	
	12/31/11	**12/31/10**	**12/31/11**	**12/31/10**
IRPJ/CSLL on "Summer Plan"	-	-	13,195	13,195
Other	541	321	8,105	7,380
TOTAL RESTRICTED DEPOSITS	**541**	**321**	**21,300**	**20,575**
- Unrestricted court deposits	-	-	2,738	1,122
TOTAL COURT DEPOSITS	**541**	**321**	**24,038**	**21,697**

The court deposits not restricted to contingencies await authorization for withdrawal of the related amounts.

d) 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 set up.

The estimated amount of such litigation relates to the tax proceedings totaling R$ 82.115 (R$ 2,258 at December 31, 2010). The suits considered to be relevant and with "legal opinions" are the lawsuits involving:

- taxation according to taxable profit in the total estimated amount of R$ 68.0 million
- taxation on assessed foreign profits in the total estimated amount of R$ 12.0 million.

15. Equity

e) Capital

The Annual and Extraordinary Shareholders Meeting held on April 26, 2011 the capital increase of the Company was approved from R$ 1,812,294 to 2,265,367, without change in the number of shares, with use of the final reserves:

- Legal reserve R$ 53.409
- Goodwill reserve R$ 44,931
- Reserve for Equity Budget R$ 354.733

The Company's capital stock is made up by 620,405,029 common registered and uncertified shares, without par value, all of which with voting rights, not including the 500,000 shares held in treasury as per item "e".

f) Dividends and interest on equity

The Group's Bylaws provide for the distribution of at least 25% of Adjusted Net Income, considering that the Company propose the following:

	12/31/11	**12/31/10**
NET INCOME FOR THE YEAR ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS	**586,936**	**519,782**
(-) Legal reserve	(29,347)	(25,989)
(+) Realization of Reevaluation Reserve (1989) and attributed cost (2010)	54,299	52,090
CALCULATION BASE DIVIDENDS	**611,888**	**545,883**
Dividends for the 1st half R$ 0.97/share (R$ 0.107/share in 2010)	60,179	66,437
Interest on equity for the 1st half was R$ 0.123/share (R$ 0.093/share in 2010), IRRF R$ 13.472 (R$ 10,190 in 2010).	89,811	67,933
Dividends for the 2nd half R$ 0.140/share (R$ 0.205/share in 2010)	86,857	101,208
Interest on equity in the 2nd half was R$ 0.140/share (R$ 0.055/share in 2010), IRRF R$ 15,328 (R$ 10,628 in 2010)	102,184	70,858
Total dividends/interest on equity for the year	**339,031**	**306,436**

g) Constitution of reserves

- **Legal reserve -** was constituted in the total amount of R$ 29,347, equivalent to 5% and net income for the year, obeying the 20% limit of capital stock.
- **Profit retention reserve -** corresponds to the remaining net income for the year R$ 218.558, in addition to accumulated profit of R$ 54.831 (from the realization of reevaluation reserve (1989), of the realization of the attributed cost (2010) and reversal of dividends from previous years) which were allocated to the reserve for capital budget for the 2012 investment plan.

h) Stock option plan

(i) Plan description

The Plan is managed by the Board of Directors, seeking to offer a share option plan for Company issued shares to the Company's statutory officers or that of its subsidiaries with main office 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 Capital Stock.
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 be part of each Program, the participant must invest in Company shares an amount of his/her variable compensation in each period.

Program	Number of shares			Vesting Period	Number of Options Rights	In reais (R$)				In thousand R$
	Granted	Acquired	Rights			Exercise Price	Price Corrected by IPCA	Price of Option	Difference of Option	Expense
April/11	274.678	47.953	93.006	1st	31.002	21,01	23.16	30.60	7.43	230
				2nd	31.002	21,01	24.32	32.98	8.66	268
				3rd	31.002	21,01	25.54	35.29	9.76	303
Subtotal					**93.006**					**801**
September/11	274.678	19.072	37.894	1st	12.631	17,45	19.39	25.08	5.70	72
				2nd	12.631	17,45	20.43	27.05	6.62	84
				3rd	12.632	17,45	21.54	29.00	7.46	94
Subtotal					**37.894**					**250**
General Total					**130.900**					**1.051**

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

Program	**April/11**			**September/11**		
***Vesting* Period**	**1st**	**2nd**	**3rd**	**1st**	**2nd**	**3rd**
Factors:						
Exercise price of option (R$)	21,01	21,01	21,01	17,45	17,45	17,45
Lifespan of the option - in days	755	1.008	1.260	756	1.008	1.259
Current price for corresponding share (R$)	22,10	22,10	22,10	18,06	18,06	18,06
Expected volatility in share price (%)	26,33	26,33	26,33	29,88	29,88	29,88
Interest free of risk for the lifespan of the option (%)	12,79	12,81	12,83	10,90	11,05	11,22

Recording of expenses with shares is carried out throughout the period of acquisition of "vesting rights".
At December 31, 2011, R$ 239 was recorded as other results in the financial statements for the year against capital reserve in Net Equity.

e) Treasury stocks

As per the minutes of the Board of Directors meeting held on April 26, 2011 and seeking to support the Company's Stock Option Plan, the Company may acquire up to 500,000 common Company-issued shares. The Company

acquired the 500,000 common shares, for R$ 10,055 at an average of R$ 20.11 per share. The acquired shares will be held in treasury to be used in the exercise of Stock Purchase Options by program beneficiaries or for subsequent cancelation or sale.

16. Net revenue

	CONSOLIDATED	
BREAKDOWN OF NET REVENUE	**12/31/11**	**12/31/10**
Gross revenue	**6,130,291**	**5,282,737**
Domestic market	3,766,447	3,503,934
External market	2,363,844	1,778,803
Deductions	**(940,882)**	**(890,764)**
Taxes	(817,551)	(764,790)
Returns and Rebates	(123,331)	(125,971)
Net revenue	**5,189,409**	**4,391,973**

17. Operating expenses by nature

The Company opted for presenting the consolidated income statement by function. As required by IFRS, the consolidated income statement by nature is set out below:

	CONSOLIDATED	
	12/31/11	**12/31/10**
EXPENSE BY NATURE	**(4,526,284)**	**(3,789,336)**
Depreciation and amortization	(188,030)	(183,990)
Personnel expenses	(1,132,117)	(979,077)
Raw materials and use and consumption materials	(2,392,200)	(1,914,131)
Freight and insurance costs	(124,399)	(101,966)
Other expenses	(689,538)	(610,172)
EXPENSE BY FUNCTION	**(4,526,284)**	**(3,789,336)**
Cost of products and services sold	(3,633,358)	(3,005,021)
Selling expenses	(508,904)	(434,249)
General and administrative expenses	(242,495)	(245,388)
Management fees	(16,988)	(17,336)
Other operating expenses	(124,539)	(89,432)
Equity pickup	-	2,090

18. Other operating revenue/expenses

The recorded amounts refer to profit sharing, reversal/(constitution) of provision for tax proceedings and others, as under:

	CONSOLIDATED	
	12/31/11	**12/31/10**
OTHER OPERATING REVENUE	**17,072**	**20,098**
- Other	17,072	20,098
OTHER OPERATING EXPENSES	**(141,611)**	**(109,530)**
- Profit sharing – Employees	(87,629)	(79,685)
- Profit sharing – foreign subsidiaries	(5,725)	(5,174)
- Profit sharing - executive board	(6,129)	(4,213)
- Constitution/Reversal of provision for tax proceedings	(196)	(1,076)
- Tax debits of REFIS IV	(2,126)	-
- Tax incentives of Rouanet Law	(2,194)	(2,471)
- Other	(37,612)	(16,911)
TOTAL NET	**(124,539)**	**(89,432)**

19. Net financial result

	COMPANY		CONSOLIDATED	
	12/31/11	12/31/10	12/31/11	12/31/10
FINANCIAL INCOME	**70,562**	**17,581**	**499,570**	**348,471**
Financial investments yield	81,958	29,013	313,069	205,045
Exchange variation	-	-	123,346	79,758
Present value adjustment – customers	-	-	48,251	57,828
Pis/Cofins on interest on equity	(11,739)	(11,690)	(11,739)	(11,690)
Other	343	258	26,643	17,530
FINANCIAL EXPENSES	**(161)**	**(325)**	**(396,569)**	**(225,356)**
Interest on loans and financing	-	-	(155,246)	(122,838)
Exchange variation	-	-	(177,636)	(62,954)
Present value adjustment – suppliers	-	-	(17,756)	(12,187)
Other expenses	(161)	(325)	(45,931)	(27,377)
NET FINANCIAL INCOME	**70,401**	**17,256**	**103,001**	**123,115**

20. Provision for income and social contribution taxes

The Company and its subsidiaries in Brazil determine income and social contribution taxes under the taxable profit regime, excepting WEG Administradora de Bens Ltda., WEG Drives & Controls Automação Ltda, Instrutech Ltda, Logotech Ltda and Agro Trafo Administradora de Bens S.A. which adopt the presumed profit (taxable income computed as a percentage of gross revenue) regime. The provision for income tax was recorded at the rate of 15%, plus a 10% surtax, and Social Contribution tax at the rate of 9%. The provision for such taxes of foreign subsidiaries is set up in accordance with legislation of the countries in which they are located.

Reconciliation of income and social contribution taxes:	COMPANY		CONSOLIDATED	
	12/31/11	12/31/10	12/31/11	12/31/10
Income before taxes on profit	588,256	520,203	766,126	725,752
Statutory rate	**34%**	**34%**	**34%**	**34%**
IRPJ and CSLL calculated at the statutory rate	(200,007)	(176,869)	(260,483)	(246,756)
Adjustments to determine effective income and social contribution taxes:				
Result from investments in subsidiaries	177,547	172,323	22	(2,076)
Rate difference on foreign results	-	-	140	(10,753)
Tax incentives	-	-	33,481	21,664
Interest on equity	22,128	4,219	65,288	47,208
Other adjustments	(988)	(94)	2,447	(1,405)
IRPJ and CSLL as per the income statement	**(1,320)**	**(421)**	**(159,105)**	**(192,118)**
Current tax	(1,485)	(544)	(182,956)	(158,195)
Deferred tax	165	123	23,851	(33,923)
Effective rate - %	**0.22%**	**0.08%**	**20.77%**	**26.47%**

21. Benefit Plans

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. There are 19,926 participants (18.121 in 2010). The Company and its subsidiaries made contributions in the amount of R$ 17,612 (R$ 15,526 in 2010).

Based on actuarial calculations carried out by independent actuarial, as per the procedures established by CVM Resolution No. 371/2000, no relevant actuarial liabilities were identified.

22. Insurance coverage

The corporate unit in Brazil is responsible for the management of the insurance portfolio of the WEG Group in Brazil and abroad, and continuously constitutes, jointly with the executive board, the risk policies for the WEG Group so as 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.
In 2010 the implementation of the Worldwide Insurance Program – WIP took place, through which the local insurance policies will be replaced by worldwide policies in accordance with the laws and regulations of each country. Currently a few of the worldwide insurance policies of the WEG Group stand out, such as: transport risk (Export, Import and Domestic), Civil Product Liability, Civil Management's Liability(D&O), Surety Insurance, General Civil Liability and Properties.
The aforementioned program will be completed in mid 2012, when all main local policies will be substituted by the worldwide policies, thus the Group's risk management will be aligned and will comply with the risk management policies established by the executive officers of the WEG Group.
The insurance policies are issued only by first tier multinational insurance companies which are able to cater to the WEG Group in the countries where it operates. The financial ability 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$ 70 million;
- Loss of profits: R$ 20 million;
- Civil liability: US$ 25 million;
- Civil liability products: US$ 100 million;
- Transport: US$ 4 million per shipment (Import and export) and R$ 6 million (Domestic).

23. Financial instruments

The Company and its subsidiaries carried out an evaluation of its financial instruments, including derivatives, recorded in the financial statements as at December 31, 2011, which presented the following book and market values:

	BOOK VALUE		MARKET VALUE	
	12/31/11	12/31/10	12/31/11	12/31/10
Cash and cash equivalents:				
Cash and banks	59,512	53,971	59,512	53,971
Short-term investments:				
- Local currency	3,113,536	2,454,302	3,113,536	2,454,302
- Foreign Currency	37,502	44,723	37,502	44,723
- Non Deliverable Forwards (NDF)	1,700	-	1,700	-
Customers	1,307,692	1,044,712	1,307,692	1,044,712
Suppliers	298,195	242,300	298,195	242,300
Loans and financing:				
- Local currency	2,145,977	1,686,288	2,145,977	1,686,288
- Foreign Currency	1,311,441	732,655	1,311,441	732,655
Non Deliverable Forwards (NDF)	310	2,367	310	2,367

The risk factors of financial instruments are mostly related to:

(i) Financial risks:

Foreign currency risk
The Company 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 4 months of revenue in foreign currency as defined by the Company's Board of Directors.
The Company had export operations totaling US$ 851.6 million (US$ 650.1 million in 2010), 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 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 has operations with NDF derivative financial instruments – Non Deliverable Forwards, with notional amount as follows:

a) US$ 14.4 million, held by its parent company abroad Zest Electric Motors (Proprietary) Limited, seeking to protect its product import operations from exchange fluctuation risks; and
b) US$ 10.0 million, held by subsidiary WEG Equipamentos Elétricos S.A., seeking to protect the pre-payment contracts from exports to take place in future dates, from the fluctuation risks of the exchange rates.

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, 2011, as the estimated impact of the foreign currency rate over the NDFs presented as follows will be offset, if effective, entire or partially, with loss of value of assets and liabilities.

Management defined that the Company must use the exchange rates used to mark financial instruments to market valid as at December 31, 2011 for the likely scenario (market value). Said rates represent the best estimate of future behavior of said prices and represent the value for which the positions may have been settled on their maturity date.

Unrealized losses and gains on derivative transactions are recorded as loans and financing or as short-term investments,
respectively, matched with foreign exchange expenses or income in the income statement..

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

Risk	Counterparty	Notional value	Market value at December 31, 2011		Possible scenario – 25%		Remote scenario – 50%	
			Average rate	Amount in R$	Average rate	Amount in R$	Average rate	Amount in R$
Drop in US$	First National Bank	US$ 14.4 million	US$/ZAR 8.1875	7,321	US$/ZAR 6.1406	(29,375)	US$/ZAR 4.0937	(58,750)
Increase in US$	Bradesco	US$ 4.0 million	US$/R$ 1.8779	(81)	US$/R$ 2.3474	(1,878)	US$/R$ 2.81694	(3,756)
Increase in US$	Votorantim	US$ 6.0 million	US$/R$ 1.8636	(229)	US$/R$ 2.3295	(2,795)	US$/R$ 2.7954	(5,591)

We carried out the accounting record based on the market price as at December 31, 2011 according to the accrual method. These operations had a net positive impact as at December 31, 2011 of R$ 3,899, which were recognized as financial revenues. The Company does not have margins offered as guarantee for outstanding derivative financial statements as at December 31, 2011.

(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 carry out investments in low risk credit institutions.

24. Government subsidies and assistance

The Company obtained subventions in the amount of R$ 2,877, from tax incentives, recognized in the period's results:

a) WEG Amazônia S.A.	**1.213**
- ICMS stimulation credit 90.25%	955
- 75% reduction of IRPJ	258
b) WEG Linhares Equipamentos Elétricos S.A.	**1.664**
- ICMS stimulation credit 90.25%	1.664

All conditions to obtain government incentives were met.

25. Information by segment

Management defined the operating and geographic segments of the Company based on the reports used internally to make strategic business decisions. Company management is structured and systematized with information on operations considering the segments industry, energy, foreign and consolidated.

	Brazil				Foreign		Write-offs and Adjustments		Consolidated	
	Industry		Energy							
	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Revenue from sale of products/services	3.131.392	2.616.471	1.320.846	1.277.789	1.990.544	1.425.015	(1.253.373)	(927.302)	5.189.409	4.391.973
Earnings before income taxes	817.283	689.203	234.465	357.715	86.220	42.257	(371.842)	(363.423)	766.126	725.752
Depreciation/Amortization/Depletion	120.073	116.495	41.370	43.225	26.587	24.270	-	-	188.030	183.990
Identifiable assets	2.734.721	2.514.308	1.264.986	1.210.811	1.645.050	1.171.664	(221.968)	(184.664)	5.422.789	4.712.119
Identifiable liabilities	558.117	515.647	373.178	324.043	433.886	275.180	(193.975)	(171.627)	1.171.206	943.243

Industry: monophase and three phase motors for low and medium voltage, 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: consists of the operations conducted through subsidiaries located in several countries.

The column of eliminations and adjustments includes the elimination applicable to the Company in connection with the consolidated financial statements under IFRS.
All operating assets and liabilities are presented as identifiable assets and liabilities.

26. Earnings per Share

Basic

	12/31/11	12/31/10
Profit attributed to Company shareholders	586,936	519,782
Weighted average number of outstanding common shares (shares /thousand)	620,405	620,905
Basic and diluted earnings per share – R$	0.95	0.84

Diluted

	12/31/11	12/31/10
Profit attributed to Company shareholders	586,936	519,782
Weighted average of potentially diluted common shares held by shareholders (shares/thousand)	620,274	620,905
Basic and diluted earnings per share – R$	0.95	0.84

The amount of 130,900 shares was considered to be shares with potential to dilute, related to the stock option plan.

27. Statement of comprehensive income

The Company presents as other comprehensive income the amounts of accumulated translation adjustment. These amounts are not subject to taxation.
Presentation of the statement of comprehensive income is required by CPC 26 - Presentation of Financial Statements and includes other comprehensive income that corresponds to revenue and expense items that are not recognized in the income statement as required or permitted by the pronouncements, interpretations and guidelines issued by the Brazilian FASB (CPC).

28. Subsequent event

In January 2011 the partnership between WEG and Cestari took place, with the constitution of WEG-Cestari Redutores e Motorredutores S.A. dedicated to the production and sale of gearboxes and geared motors and the rendering of related services.

Board of Directors
Décio da Silva - Chairman
Nildemar Secches- Vice-Chairman
Douglas Conrado Stange
Martin Werninghaus
Miriam Voigt Schwartz
Moacyr Rogério Sens
Wilson Pinto Ferreira Junior

Executive Board
Harry Schmelzer Junior - CEO
Sérgio Luiz Silva Schwartz – Executive vice-presidente
Laurence Beltrão Gomes – Finance and IR Officer
Antônio Cesar da Silva – CMO
Carlos Diether Prinz – T&D Division Managing Director
Luis Angelo Noronha de Figueiredo – HR Officer
Roberto Bauer – International Division Managing Director
Siegfried Kreutzfeld – Electric Motors Division Managing Director
Sinésio Tenfen – Energy Division Managing Director
Umberto Gobbato – Automation Division Managing Director
Wilson José Watzko – Controller

Accountant
Wilson José Watzko
TC-CRC/SC 16555/O-4
CPF 352.366.129-34

Supervisory Board
Alidor Lueders
Eduardo da Gama Godoy
Eduardo Grande Bittencourt
Hayton Jurema da Rocha
Ilário Bruch
Marcelo Adolfo Moser

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Shareholders and Management of
WEG S.A.
Jaraguá do Sul, SC

We have audited the accompanying individual and consolidated financial statements of WEG S.A. (the "Company"), identified as Company and Consolidated, respectively, which comprise the balance sheet at December 31, 2011, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement, for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

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

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 audit 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. as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with the 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 consolidated financial position of WEG S.A. as at December 31, 2011, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil.

Emphasis

As mentioned in Note 2, the individual financial statements were prepared according to accounting practices adopted in Brazil. For WEG S.A., such practices differ from IFRS applicable to individual financial statements solely as regards to assessment of investments in subsidiaries, affiliated companies and joint ventures under the equity method. IFRS require evaluation of these investments by their fair value or their cost value.

Other Matters

Statements of value added

We have also examined the individual and consolidated added value statements (DVA), relative to the year ended December 31, 2011, prepared under the responsibility of the Company's Management, whose presentation is required for the Brazilian Corporation Law for publicly-held companies, and supplementary IFRS information does not require the presentation of DVA. The financial statements herein have been submitted to the same audit procedures previously described and, in our opinion are adequately presented, in all material aspects, regarding the financial statements taken as a whole.

Blumenau (SC), January 30, 2012.

Ernst & Young Terco
Auditores Independentes S.S.
CRC-2-SP 015.199/O-6 F- SC

Marcos Antonio Quintanilha
Accountant CRC-1-SP 132.776/O – 3 -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 December 31, 2011, 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 ERNST & YOUNG TERCO – Auditores Independentes S.S. on the non-qualified Financial Statements dated January 30, 2012. The Tax Counsel resolves that said documents are appropriate to be examined and voted on by the Annual Shareholders' Meeting.

Jaraguá do Sul (SC), February 14, 2012.

ALIDOR LUEDERS **EDUARDO GRANDE BITTENCOURT** **HAYTON JUREMA DA ROCHA**

STATEMENT

By the present document, the Executive Managing Director and the other Directors of WEG S.A., a publicly-traded corporation, headquartered at Avenida Prefeito Waldemar Grubba, nº 3300, enrolled with Brazilian IRS Registry of Legal Entities under CNPJ No. 84.429.695/0001-11, for purposes of items V and VI, article 25 of CVM Rule No. 480, dated December 7, 2009, declare that they:

(i) reviewed, discussed and agreed with the express opinions in the report of Ernst & Young Terco Auditores Independentes S.S., dated January 30, 2011, related to the financial statements of WEG S.A. and its consolidated financial statements for the year ended December 31, 2011, and

(ii) reviewed, discussed and agreed with the financial statements of WEG S.A. and its consolidated financial statements for the year ended December 31, 2011.

Jaraguá do Sul, January 30, 2012.

Harry Schmelzer Junior - CEO
Sérgio Luiz Silva Schwartz – Executive vice-presidente
Laurence Beltrão Gomes – Finance and IR Officer
Antônio Cesar da Silva – CMO
Carlos Diether Prinz – T&D Division Managing Director
Luis Angelo Noronha de Figueiredo – HR Officer
Roberto Bauer – International Division Managing Director
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