

Sustainability Report 2011



MESSAGE FROM THE PRESIDENT

In 2011 we celebrate the 50th anniversary of the foundation of WEG. The tripod of sustainability is something that WEG understands, respects and has sought since its foundation; something that is in the DNA of the company, coming directly from the personal convictions of the founders. WEG was practicing sustainability when the word was not yet part of the usual vocabulary of business and newspapers. Other terms really common now, such as corporate governance, succession plan, profit sharing, recycling, waste control and so many others were common practice at WEG, part of its daily routine, even before these names had been coined. Sustainability, at WEG, is not a fad: it is the basis, the essence, the root. It is not marketing effort: it is a matter of principles. It is not a superficial goal to achieve: it is the path itself. It is WEG itself.

The results obtained in this journey can be measured in different ways and in many aspects. And although the results are really positive in all these different metrics, the most important is to observe the widely positive impact that WEG had on people's lives. This includes, of course, those who became employees and who could, by taking part in this journey, achieve better standards of living for themselves and their families. Also those who are our suppliers and partners that could follow us and grow with us. And those who have benefited indirectly by the impact that our activities had on the people's lives in different communities surrounding our operations in relation to both social and environmental conditions.

In this report you will get to know a little bit more about our activities and results in aspects that may not get as much attention as our financial results. You will be able to learn about our programs to promote the well-being of our employees, programs that go far beyond the usual benefits. Just as an example, we may mention the Active Maturity Program, which prepares people for life after retirement with a great impact on the life quality of those who, in some cases, dedicated up to 40 years of their lives to building WEG.

Also in this report you will know the WEG's actions in environmental conservation and mitigation of the impacts of its activities on the environment. Data on energy and water consumption, and effluent, gas and solid emission are clearly presented. Most important, the report presents our energy efficiency initiatives. We believe this is our biggest environmental impact and also a source of many business opportunities. This includes both investments in our own manufacturing facilities, for which we earned ISO 50001 certification in Brazil – pioneer in our industry, and the development of eco-efficient products and solutions that enable our customers to generate significant reductions in consumption with significant operational improvements.

Another relevant point is the constant involvement of our partners and the other so-called related parties. We always value the conduction of an open and sincere dialog, seeking to build lasting relationships with suppliers, investors, customers and other stakeholders, which is essential to succeed in all sustainable initiatives.

We hope this report will enhance your knowledge about WEG and allow a better understanding of the context in which our business is conducted. We are a company driven by great challenges and we have ambitious goals to achieve in the coming years. But each of these challenges and goals must be translated into better standards of living. Better standards of living for our customers, our employees, our suppliers, communities, Brazil and other countries where we conduct business. Only this way our shareholders will benefit from a company that grows in a sustainable manner, while maintaining simplicity.

Harry Schmelzer Junior
CEO

ABOUT THE REPORT

A Sustainability Report is the practice of measuring, disclosing and accounting for organizational performance aiming at the sustainable development, both internally and externally. To this end, WEG publishes its first Sustainability Report, presenting its performance in 2011 and reinforcing the commitment to its future and to all its stakeholders.

The scope of WEG Sustainability Report is comprehensive, including all manufacturing plants and sales offices in the WEG Group.

In order to prepare this Report, we followed the guidelines of the *Global Reporting Initiative* (GRI) in its version G3, at application level **B**.

Relatório		Níveis de aplicação					
		C	C+	B	B+	A	A+
Conteúdo do Relatório	Perfil da G3	Responder aos itens: 1.1; 2.1 a 2.10; 3.1 a 3.8, 3.10 a 3.12; 4.1 a 4.4, 4.14 a 4.15.		Responder a todos os critérios elencados para o Nível C mais: 1.2; 3.9, 3.13; 4.5 a 4.13, 4.16 a 4.17.		O mesmo exigido para o nível B	
	Informações sobre a Forma de Gestão da G3	Não exigido	Com Verificação Externa	Informações sobre a Forma de Gestão para cada Categoria de Indicador	Com Verificação Externa	Forma de Gestão divulgada para cada Categoria de Indicador	
	Indicadores de Desempenho da G3 & Indicadores de Desempenho do Suplemento Setorial	Responder a um mínimo de 10 Indicadores de Desempenho, incluindo pelo menos um de cada uma das seguintes áreas de desempenho: social, econômico e ambiental.		Responder a um mínimo de 20 Indicadores de Desempenho, incluindo pelo menos um de cada uma das seguintes áreas de desempenho: econômico, ambiental, dir. humanos, práticas trabalhistas, sociedade, responsabilidade pelo produto.		Responder a cada Indicador essencial da G3 e do Suplemento Setorial* com a devida consideração ao Princípio da materialidade de uma das seguintes formas: a) respondendo ao indicador ou b) explicando o motivo da omissão.	

*Suplemento Setorial em sua versão final.

The definition of the content was performed by a multidisciplinary team involving the areas of corporate sustainability, HR, procurement, marketing, environment, finance and product, based on the demands of each of the people to whom the company relates (*stakeholders*). Thus, the report was structured so as to present the company structured, its management philosophy, its economic and environmental performance, as well as the form of engagement and good practices of sustainability with each of those *stakeholders*.

The process of data collection of this Report occurred along 2011 and beginning of 2012, involving many different areas of the company.

WEG Sustainability Reports will be published annually, always in the first half on the company's website.

SUSTAINABILITY IN THE DNA OF THE COMPANY

Since its earliest days WEG has shown the characteristics that lead to greatness. It has always been a visionary company, as evidenced by its pioneering initiatives of corporate governance, resource conservation and technological development. It has always been a company concerned about the community, as evidenced by its involvement with the society of Jaraguá do Sul, city where it was founded, and in other regions where it was established. It has always been a company of responsible administration, as evidenced by the countless episodes in which the founders and their successors put the interests of the organization ahead of themselves, and the community interests ahead of the company's immediate interests.

These are practices that promise to keep the company and especially the planet on a healthy path of constant improvement, devoted to the three crucial basic points for the long-term survival: society, environment and economy. At WEG, these three fundamentals are bond, inseparable. It is not possible to conceive the company without thinking of its close ties with employees and the community as a whole, with Jaraguá do Sul, with Santa Catarina, with Brazil, with the planet.

DOING OUR PART

The power demand is increasing all over the world. As developing countries industrialize and standards of living rise, more energy is consumed by society and, therefore, the industry. Thus, power generation, currently dependent on fossil and nonrenewable fuels, such as coal, oil and gas, turns to the expansion of renewable energy sources.

This trend also aligns with world actions to mitigate the impacts of climate change from the use of these fuels.

The *expertise* in the area of renewable energy developed by WEG over the past year combined with the growing interest in the efficient use of electricity, another field of excellence of the company, make us confident in our ability to take advantage of these megatrends to continue growing in a sustainable way.

WEG's core business is related to electricity. WEG's products are power generators, perform the distribution and control of equipment and also use energy to drive different machines in all industries, from home to large industry applications, i.e., the entire electric power grid is covered.

The reasonable use of this energy is part of the decisions of the company's daily routine. It's part of WEG's strategy to be a leader in providing energy-efficient solutions for rotating electrical machines.

From the environmental point of view, WEG plays an important role for the use of its products and this role is firmly based on clean production and efficient use of energy, directly related to the emissions of greenhouse gases, one of the causes of the climate change on our planet.

WEG stands out for its knowhow and number of projects and installed power in the industry of power generation based on biomass and small hydro plants, mainly in Brazil - points that contribute for the Brazilian power generation system to be one of the cleanest in the world.

Rational use of energy has been a continuous pursuit of the industry in general. Brazil has a high cost of energy, jeopardizing national competitiveness. There is global concern about cost savings related to energy, but there is also strong concern about the level of emissions of greenhouse gases. The setting of targets to reduce emissions has been a trend worldwide. All markets are favorable for equipment of clean generation and efficient solutions.

Laws are increasingly restrictive as to the minimum levels of efficiency of products, many of them in manufactured by WEG. This orientation increases the level of efficiency, which is interesting for a company like WEG because it sets the competition at a high level.

WEG is in the forefront of high efficiency products. The highest level of efficiency in a market becomes available to other markets and the large scale production enables competitive prices.

In line with this trend, WEG has a policy of strong investments in Research and Development in order to drive projects in search of new technologies related to increased energy efficiency applied to its products and services. In this line, we can point out:

- High efficiency motors – we develop complete lines of electric motors that meet the highest degrees of efficiency in the market, such as class IE4;
- Frequency inverters and control and supervisory systems – we also develop the control and protection of these motors. These systems basically reduce the energy consumption for adjusting the power used by the electric motors to the power required by the process, avoiding energy losses;
- Painting – WEG provides products with no volatile fluids, paints with water-based solvent (hydrosoluble), antifouling paints and antifungal paints. Antifouling paints are widely used in the hulls of marine and river vessels. This paint prevents the proliferation of marine material, not jeopardizing the performance of the engine of these vessels and, therefore, the fuel consumption. Antifungal paints are suitable for application in alcohol tanks, avoiding the browning of the tanks and thus reducing the losses by the evaporation of the alcohol;
- Complete systems for power generation using renewable sources – the systems include several of our products (generators, transformers and automation) and integration services. They are generating plants, including small hydro plants, generation through biomass and wind. In this industry, WEG stands out for its knowhow and number of projects and installed power plants, especially in Brazil – points that contribute for the Brazilian energy matrix to be considered one of the cleanest in the world;
- Electric drive systems have also become a strong tendency for the means of transportation. Our solutions were already used in marine vessels and have been intensified in urban transportation, with obvious benefits for the reduction of air pollution in large cities – a good example is the trolleybus in Sao Paulo city. WEG will present, at the UN Conference on Sustainable Development - Rio+20, in June 2012, three projects related to electric drive and renewable energy: The Amazon Solar Boat and the H2+2 Bus (hydrogen-electric hybrid), in partnership with the federal universities of Santa Catarina and of Rio de Janeiro, and the Itaipu Bus (electric-ethanol hybrid), in partnership with Itaipu Binacional Hydro Plant.

In Brazil, funding lines available for the renovation of industrial parks have promoted a growing number of businesses that use the concept of energy efficiency to replace equipment.

Always observing the results in the customers, WEG itself is concerned about its manufacturing processes, based on transformation, with a level of emission of greenhouse gases quite low, as evidenced by the emission assessment conducted in 2011. And WEG products have, as mentioned before, a strong influence on energy consumption of its customers, among which are also its suppliers. Thus, efficient products, usually in efficiency levels above the standards, provide a lower power consumption in the process of suppliers and customers and, therefore, lower emission levels.

In all cases, the goal is to reduce energy consumption, with consequent reduction in operating costs, coupled with the environmental advantages of reducing emissions. In this way, WEG efficient solutions generate immediate interest for focusing on the identified needs of its customers.

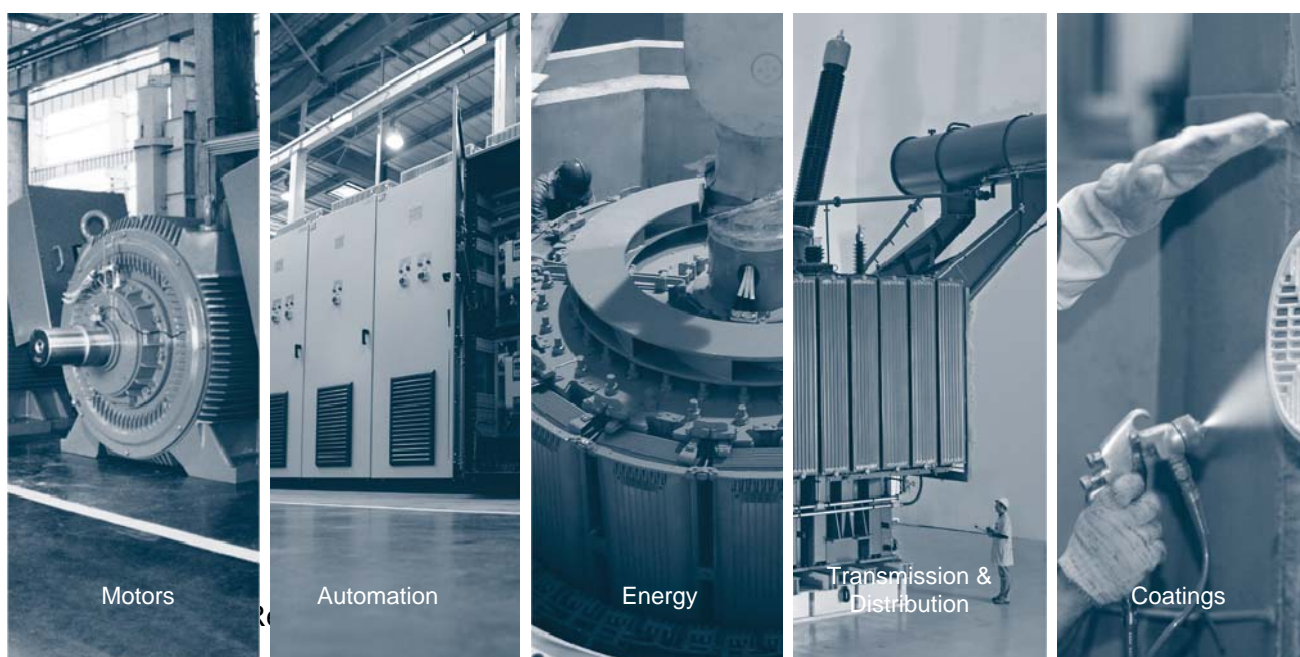
THE COMPANY

Founded on September 16, 1961, WEG S.A. is a Brazilian corporation based in Jaraguá do Sul City, Santa Catarina State, Brazil. It is the holding company of the WEG Group whose activity is the manufacturing and trading of capital goods, such as electric motors, equipment for energy generation, transmission and distribution, industrial automation and coatings and varnishes. It employs 24,927 people in 5 continents.

In the state of Santa Catarina, where the company was born, is concentrated most of the production, mainly vertical, ranging from metal casting and stamping to copper and aluminum enameling and package manufacturing.

As of 2000, the company adopted a strong strategy to gain the international market, acquiring companies already established in target countries or building manufacturing plants in these countries. The fact is that WEG currently has branches in approximately 25 countries, of which in eight are production units (Argentina, Mexico, USA, Portugal, Austria, India, China and South Africa) and in 17 other countries are business offices (Chile, Colombia, Venezuela, Peru, Spain, Italy, France, UK, Germany, Belgium, The Netherlands, Sweden, United Arab Emirates, Russia, Singapore, Japan and Australia).

BUSINESS UNITS



LOCATION

Fábricas e Filiais

Do primeiro prédio ao **parque instalado** total

Argentina
Chile
Colômbia
Venezuela
Peru

México
Estados Unidos
Portugal
Espanha
Itália

França
Áustria
Reino Unido
Alemanha
Bélgica

Holanda
Suécia
Emirados Árabes
Rússia
Índia

China
Cingapura
Japão
Austrália
África do Sul



Brasil



Argentina



México



EUA



Áustria



Portugal



China



Índia



África do Sul














- Manufacturing Plants in 8 countries

○ - Commercial Branches in 17 countries

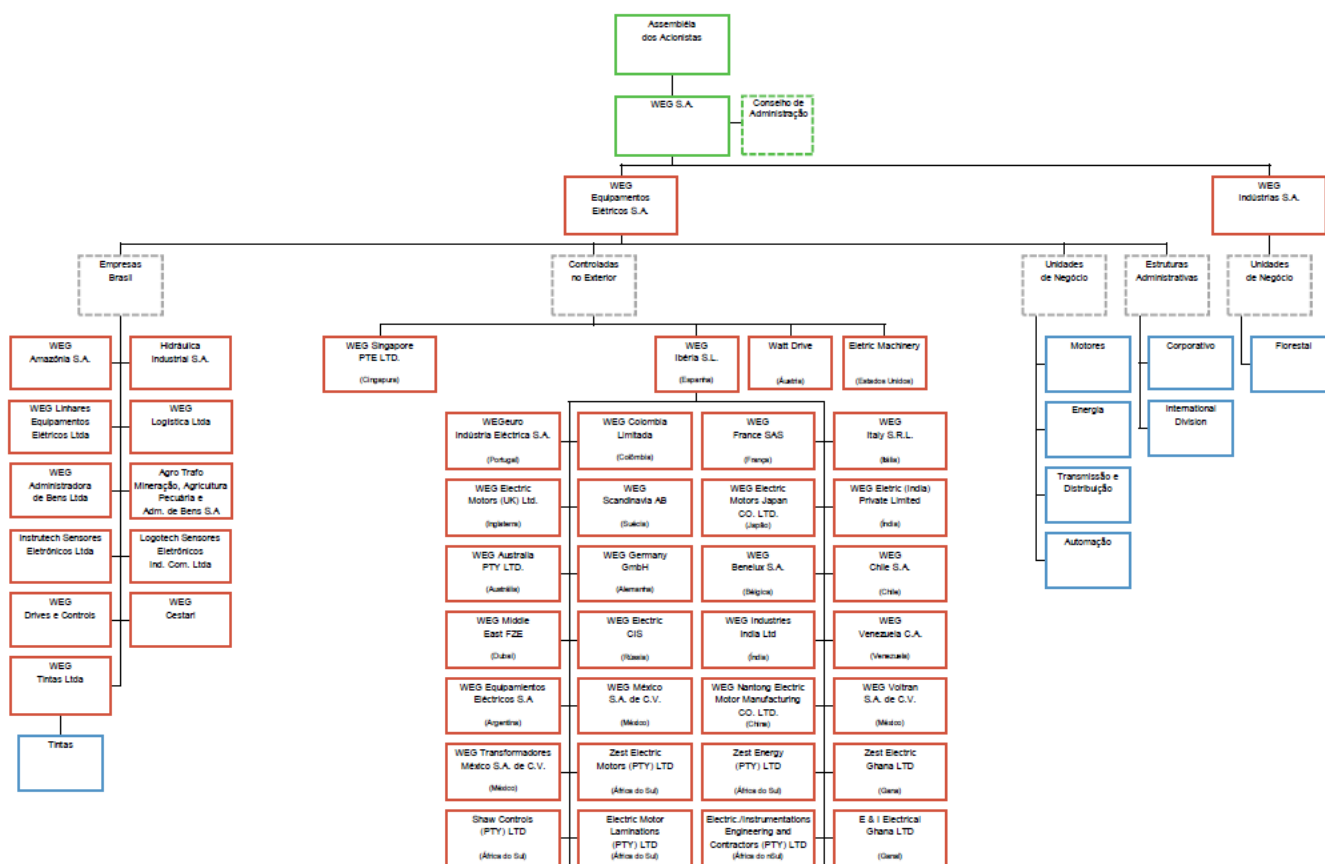
LOCATION OF THE BRAZILIAN UNITS

BUSINESS UNIT	LOCATION	
Motors	Jaraguá do Sul – SC	
	Guaramirim - SC	
	Itajaí – SC	
	Linhares – ES	
	Manaus – AM	
	Florestal	Corupá - SC
		Barra do Sul - SC
		Itapoa - SC
		Rainha - SC
		Piçarras - SC
		Garuva - SC
		Poço Grande - SC
	Administrativo PF II-SC	
Energy	Jaraguá do Sul – SC	
	São Bernardo do Campo - SP	
	Joaçaba – SC	
	Macaé - RJ	
Transmission and Distribution	Blumenau – SC	
	Itajaí – SC	
	Gravataí – RS	
Automation	Jaraguá do Sul – SC	
	Itajaí - SC	
	São Bernardo do Campo - SP	
	Ribeirão Preto - SP	
	Macaé - RJ	
	São Paulo - SP	
	São José - SC	
	Jaraguá do Sul – SC	
	Itajaí – SC	
	São Bernardo do Campo - SP	
	Macaé - RJ	
Paints	Guaramirim - SC	
	Mauá - SP	
	Cabo de Santo Agostinho - PE	

ASSOCIATES AND JOINT VENTURES

BRAND	STATUS	LOCATION
	Associate	Tizayuca - Mexico
	Associate	Johannesburg - Africa
	Associate	Joaçaba – SC
	Associate	São José - SC
	Associate	São Paulo - SP
	Associate	Buenos Aires - Argentina
	Associate	Mineápolis - USA
	Associate	MarktPiesting -Austria
	Joint-Venture	Spain
	Joint-Venture	Monte Alto - SP
	Associate	Gravataí – RS

ORGANIZATIONAL STRUCTURE



MAJOR STRUCTURAL CHANGES IN 2011

Takeover Electric Machinery (USA)

On November 3rd we announced the signing of the agreement with GE Energy for the takeover of Electric Machinery (EM). The takeover was completed at the end of 2011.

The Electric Machinery, founded in 1891 and based in Minneapolis (USA), develops and manufactures motors, generators and exciters which are supplied mainly to the global oil and gas and power generation markets. The company also provides a full range of after-sales services, including installation, field support, parts and accessories, repairs, rewinding, rebalancing and technical support. The Electric Machinery has an installed base of more than 5,500 units in operation and is a leader in technological development of products with high added value such as 2-pole generators and low-speed synchronous motors.

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

Takeover Watt Drive (Austria)

On November 8 we announced the takeover of Watt Drive Antriebstechnik GmbH ("Watt Drive"), Austrian company specialized in the development and manufacture of gearboxes, geared motors, frequency inverters and drive systems. Founded in 1972 near Vienna, Austria, Watt Drive was a traditional European player in the industry of power transmission, with a manufacturing plant in Austria and assembly facilities in Germany and Singapore, and with an extensive network of sales representatives.

With the acquisition of Watt Drive, WEG will offer solutions for power transmission in foreign markets, in line with the strategy of offering an increasingly wider range of products and solutions. The power transmission solutions integrate electric motor, frequency inverter and gearboxes and improve operating performance and maximize energy efficiency.

Joint Venture with CESTARI

On October 19, 2011 we announced an agreement signed with CESTARI Industrial e Comercial S.A. ("CESTARI") for the development, manufacture and trade of gearbox and geared motors.

CESTARI is a leading company in the Brazilian market of gearboxes and is based in Monte Alto, São Paulo, where it has a vertical production structure with casting process of iron, bronze and aluminum, and machining in modern computerized equipment.

WEG-Cestari Redutores e Motorreductores S.A., encompasses specifically the business and assets related to the manufacturing of gearboxes and geared motors, combining the solutions of electric motors and industrial automation systems with the gearboxes and geared boxes in integrated solutions known as "power transmission solutions", with an increasing demanded from the market, because they improve operating performance and maximize energy efficiency.

Joint Venture with MTOI

On March 3, 2011 we announced the signing of the Memorandum of Understanding and the Agreement for Technology Transfer with the M. Torres Olvega Industrial Group (MTOI) so as to create a joint venture to manufacture, assemble, install and sell wind turbines and to supply operating and maintenance services in Brazil.

The Torres M Group was founded in 1975 to design, develop and manufacture systems for industrial automation and solutions for the aerospace, paper and energy industries. The technology developed by MTOI allows the electrical generator to be coupled directly to the wind turbine shaft, not requiring the installation of the speed multiplier, which represents a competitive advantage, because it reduces the number of components and consequently the possibility of operating problems and maintenance costs.

This partnership enables us to participate directly in the business of wind power generation with an integrated offer, including several products of our line of business, such as generators, transformers, frequency inverters, motors and coatings.

Acquisition Pulverlux (Argentina)

On May 11, we announced the acquisition of share control of Pulverlux S.A., a company specialized in manufacturing and selling powder paints in Argentina. On this same date, we announced the opening of a new manufacturing facility in Mauá City (São Paulo State) and a distribution unit in Cabo de Santo Agostinho City (Pernambuco State).

Pulverlux operated in the architecture, aluminum profiles, electrical panels, household appliances, auto parts, machinery and equipment industries for over 10 years, and had, at the time of the acquisition, 42 employees, a factory area of 10,000 m² in Buenos Aires and annual sales of approximately US\$ 7.0 million.

The new coating factory in Maua (SP) is an answer to the increase of investments in the exploitation of oil reserves in the pre-salt, improving the service logistics in the southeast region and increasing the production capacity of liquid coatings. The unit of Cabo de Santo Agostinho City (Pernambuco State), located 25 km from the Suape Port and 17 km from the state capital, Recife, simplifies the service in the northern and northeastern regions of Brasil.

New Manufacturing Unit in India

The company has built a new factory in the Hosur City, Tamil State, India. This unit produces high-voltage electric motors and electric power generators and began operations in early 2011.

This is a pioneering enterprise for the company in the manufacture of high-voltage equipment abroad, trying to take advantage of the opportunity offered by the rapid expansion of the Indian market.

Another unprecedented aspect is that this is a greenfield project, designed and implemented to meet the requirements of WEG standard from the beginning of operations.

New Manufacturing Park in Linhares City (Espírito Santos State)

In August 2009, it was announced the completion of negotiations with the governments of the Espírito Santo State and Linhares City for the installation of a new plant for the production of electric motors.

In the construction of this manufacturing plant, the company is adopting the same modular concept used by WEG in its other manufacturing plants in Brazil and abroad and allows the gradual and continuous increase of the production capacity, meeting the needs of the company for expansion over several years. The first of these production modules in Linhares started operation in 2011. The projected investment for this phase of the project is R\$ 160 million over the next 4-6 years.

The project is being implemented in the region with incentives of SUDENE.

CORPORATE GOVERNANCE

WEG SA has always been characterized by the adoption of differentiated practices of Corporate Governance. This attitude reflects the example set by the founders of the company of great respect for the partners who have joined the company over time. We are committed to continuing to work within the same principles of transparency, fairness and accountability to shareholders and other stakeholders.

The administration of the WEG Group is exercised by the Board of Directors, with deliberative functions; by the Executive Office, with executive and representative functions, and by the Audit Committee.

The Board of Directors consists of 7 (seven) members as follow: a president, a vice president (Independent) and 5 (five) members, one of these, Independent. It is considered an Independent Council Member the one who meets the requirements of the Listing Rules of the New Market of BM&FBOVESPA, as well as the Council Member elected by right provided in §§ 4th and 5th of the Article 141 of the Brazilian Law no. 6.404/76.

The Board of Directors must formally assess the performance results of the company, the Board of Directors itself, the Executive Office, and individually, the members of each of those organs. For this, the Board of Directors shall meet whenever necessary, at least quarterly, convened by its President.

Council members are elected and dismissed by the General Assembly for a unified term of office of two years and may be reelected. As a collective body, we seek to meet the Board of Directors skills such as:

- experience of participation in other Boards of Directors;
- experience as a senior executive;
- experience in change management and crisis management;
- experience in identifying and controlling risks;
- experience in people management;
- finance knowledge;
- accounting knowledge;
- legal knowledge;
- business organization knowledge;
- knowledge of national and international markets;
- contacts of interest of the organization.

Individually, it is intended that applicants have:

- alignment with the values of the organization;
- ability to defend their point of view from their own appreciation;
- availability of time;
- motivation;
- strategic view;
- knowledge of best practices of Corporate Governance;
- ability to teamwork;
- ability to read and understand managerial, accounting and financial reports;
- notions of corporate law;
- perception of the risk profile of the organization.

The counselor must also be free of conflict of fundamental interests (not manageable, not occasional or situational, which is or is expected to be permanent) and constantly alert to organizational matters, and understand their duties and responsibilities are comprehensive and not restricted to the Board meetings.

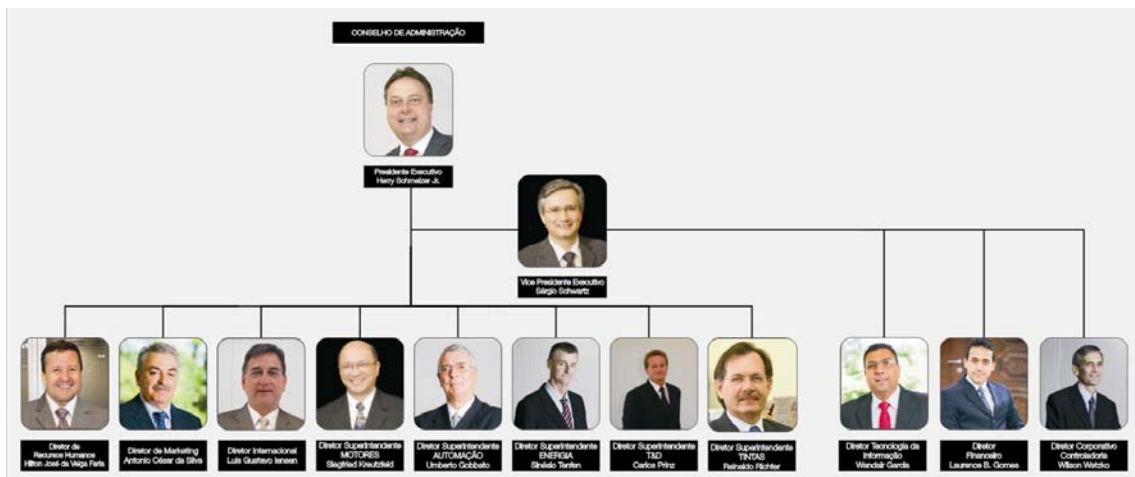
In accordance with the company's bylaws, the positions of President of the Board of Directors and of Executive President Director cannot be accumulated by the same person.

Conselho de Administração



The Executive Office consists of thirteen (13) members as follows: an Executive President Director, a Vice-President, a Director of Investor Relations and other Directors. All Office members are elected and removed at any time by the Board of Directors and may accumulate functions. The term of the office is two years, and re-election is admitted. The Office, within the limits set by law and the bylaws of the company, is vested with broad and general powers of management to enable the practice of all the acts necessary to regulate the functioning of the company in order to achieve its social goals.

ORGANIZATION CHART OF THE EXECUTIVE OFFICE



The Audit Committee is permanent, composed of 3 (three) members and 3 (three) alternate members, and the election of its members happens at the Annual General Meeting.

REMUNERATION

Members of the Board of Directors and the of Executive Board receive, in addition to fixed remuneration, variable remuneration contingent upon the achievement of targets and economic, environmental and social indicators. This form of remuneration promotes the sharing of the results in a consistent and transparent way and promotes the alignment of interests of the company, directors and shareholders in accordance with best management practices and corporate governance.

RISK MANAGEMENT

WEG Enterprise Risk Management System is in conformity with the best international practices and standards set by regulatory agencies in Brazil and abroad, adapted to the specific characteristics of the business. This system is based on a Corporate Risk Management Policy establishing guidelines, limits and responsibilities, guiding the Committees, Commissions, Departments and Sections in the execution of actions, according to the limits set by the Board of Directors.

The objective of this system is to anticipate, evaluate and generate responses to risks and opportunities that may affect the achievement of strategic objectives of the organization. The scope of this system comprises 4 (four) large dimensions:

- Strategic dimension - refers to the ability to anticipate, protect itself and/or adapt to changes;
- Financial dimension – refers to the ability to obtain and/or preserve financial resources;
- People dimension - refers to the ability of the company to attract, develop, retain and have human resources available; and,
- Process dimension – refers to the ability to use available resources effectively and efficiently.

Management of Corporate Risk System is integrated with the structure of participatory management of the organization that provides multidisciplinary committees and commissions to analyze, define, approve and implement changes in their business processes. Risk management is the responsibility of these committees and commissions and is periodically subjected to the *referendum* of Top Management.



50 YEARS OF HISTORY

On September 16th, 2011, WEG completed 50 years of history. In this half century, WEG has become, from a small manufacturer of electric motors in the countryside of Santa Catarina to one of the largest Brazilian-owned multinationals with operations in 5 continents and leadership position in several markets and segments.

WEG celebrated its 50th anniversary with a major campaign entitled "The People Grow with WEG," involving employees and the community, which aimed to work pride, recognition and appreciation among the public of the company relationship.

To commemorate this date, WEG presented its employees with **more than \$ 1 million in prizes**, in raffles held from April to September. There were 12 cars, 100 prizes of \$ 3,000 and 55 prizes of \$ 5,000.

In addition to the raffles, internal motions were conducted, such as the Campaign Tell Your Story - collecting employees' testimonials and tributes to the fiftieth anniversary of the company - the campaign collecting drawings of employees' children, Mass Wedding, Special Community Action, WEG 50-year Rustic Race and a big party in September, gathering together founders, relatives, managers and employees who have completed 25 years at the company.



MOTOR BUSINESS UNIT

Commercial Electric Motors

Durable and energetically economic, WEG's single-phase electric and commercial motors are used in commercial machinery and equipment as food processors, concrete mixers, reapers and bench grinders, besides appliances such as air conditioners, refrigerators, etc. They are mostly single-phase motors working at low voltage.



Industrial Electric Motors

WEG has been concerned about minimizing operating costs in the industry since the 90s when it launched lines of electric motors with an income well above industry standards. Our three-phase electric motors of alternating current are used in diverse equipment to the various segments of industry such as mining, steel, sugar & ethanol, paper & pulp, etc. They are used in both low and medium voltage. Their main applications are centrifugal pumps, compressors, overhead cranes, among others.

ENERGY BUSINESS UNIT



Power Generation

New power conditions ensure full compliance with the expansion of consumption and WEG offers complete systems for power generation, increasing the operational flexibility of the electrical system and reducing the risk of power outages or limiting consumption in emergency situations. WEG delivers the full range of equipment and specialized services for hydro plants, thermoelectric power plants, wind power and *criticalpower*. hydraulic turbines, turbogenerators, hydrogenerators, turbines, panels, cubicles, supervisory

hydromechanic, synchronous alternators, wind systems, among others.

AUTOMATION BUSINESS UNIT

Drives

The advancement of the electronics allows to observe the drive of DC motors, alternating current motors and servomotors in a much broader way by use of the *drives*. With them, the effects of speed variation, torque and positioning controls and various protections incorporated into a single product are possible. In addition, WEG *drives* are also inserted in projects that require reliability and energy saving.

Controls

WEG develops *controls* with the purpose of sectioning, protecting, controlling and signaling circuits, generally obeying the strictest safety and application standards.

Electric Panels

The drives and industrial automation projects are well represented by the electric panels. Through the WEG electric panels you can organize the *drives* and *controls* in order to control and protect from a simple application to an industrial plant with the highest sophistication in automation. They are designed to ensure the equipment protection, safety and useful life of machines and applications that will be driven.



DISTRIBUTION & TRANSMISSION BUSINESS UNIT



Energy Transmission and Distribution

There is a long way between the production of electricity and its final consumption. And WEG is also present in this way, offering Complete Solutions that involve Products and Services for various applications and market segments. They are conventional substations (on a *turn-key duty*), mobile solutions (substations and transformers), disconnecting switches, transformers (oil and dry) and retrofitting and repowering services. All

this work is performed by a highly qualified technical team responsible for customizing the portfolio according to the needs of each client.

COATINGS BUSINESS UNIT

Paints and Varnishes: All equipment needs protection against corrosion and other harsh conditions and for this, WEG has developed high technology products that provide total protection. They are liquid paints, powder paints and varnishes for the various applications and market segments. Our solutions are present in various segments: ships and oil platforms, refineries, tanks, steel structures, auto parts, road and agricultural implements, architecture, lighting, electric panels, enamel-coated wire, tubular steel furniture and appliances.



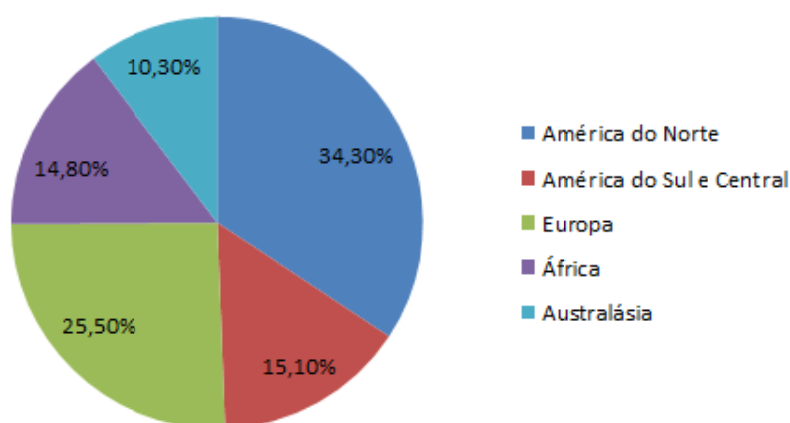
BUSINESS SEGMENTS

WEG operates in several business segments, focusing on:

- Manufacturers of Machinery and Equipment;
- Sugar and Ethanol;
- Mining;
- Paper and Cellulose;
- Oil and Gas;
- Naval;
- Food and Beverages;
- Construction;
- Energy;
- Services;
- Among others.

COVERED MARKETS

WEG products are present in over 100 countries, stratified in the following markets:

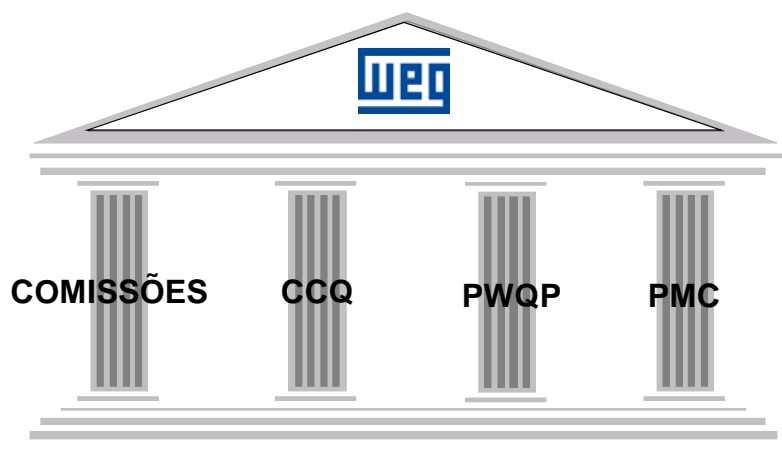


AWARDS

- Quality Award 2010 - Modern Electricity Magazine;
- Valuable Executive, Harry Schmelzer Jr. - Economic Value Newspaper (Industrial Machinery and Equipment segment);
- Most Innovative Companies in Brazil 2010 Award – Época Negócios Magazine;
- 20-Year Special Top Five Awarde Years - NEI Magazine;
- Human Being Award SC 2011, Category Social Project (Community Action) - Brazilian Association of Human Resources of Santa Catarina (SC-ABRH);
- A New Beginning Seal - National Judicial Council (CNJ);
- Olympics Knowledge - Gold Medal;
- Supply Quality – RGE;
- The 2011 BCG 100 New Global Challengers;
- Top 500 South - 4th position in the Ranking of SC and 12th among the 500 largest in the South, 2011 – Amanhã Magazine;
- FINEP 2011 Award - Large Business category;
- Naval Award for Quality and Sustainability - Training of Project Managers;
- Chests of the XXI Century - Entrepreneur Magazine;
- Best Suppliers of Goods 2011 - Petrobras (Bacia de Campos)
Category: Major Fields (2nd Place - Silver)
- Best Companies to Communicate with Journalists 2011 Award - Magazine;
- Sustainable Supplier Award - ThyssenKrupp Elevators;
- TOP FIVE for 20 consecutive years of the category of electric motors - NEI Magazine.

MANAGEMENT FORM

The WEG management model is Participative Management supported by 4 pillars: the Working Committees, the Quality Control Circles (QCC), the WEG Program Quality and Productivity (PWQP) and Continuous Improvement Program (CIP).



COMMISSIONS

WEG's commission system is an integral part of the formal structure of the organization leadership and is the foundation of the practice of participative management. It was created in 1969, by means of the development of jobs coordinated by the founders and consulting assistance of Mr. Walter Christian (BAIC – Brazilian Institute for Quality Issues).

The commissions are part of the premises of the participatory management model and pursue three objectives, aligned to WEG's culture, which are:

- Improve the decision-making process;
- Develop people - different subjects from different areas and expand the knowledge systems view of the processes;
- Commitment, because it works in the search for consensus.

"Commissions" are groups formally constituted and recognized by management decision-making at first instance. All commissions have their specific duties outlined at the time of their creation and are registered in a Manual of Legal and Functional Structure. The commissions support the Director in the decision-making process, and their proposals are submitted to the Board *referendum* by the Executive Office during their meetings.

QUALITY CONTROL CIRCLE - QCC



In 1982, participative management was taken to the base of the company through the implementation of the Program of Quality Control Circles (QCC). The QCC is formed by groups of employees who meet voluntarily to identify, analyze and solve problems and make improvements. Currently, WEG has 580 groups and has deployed more than 82,000 improvements in its trajectory.

WEG QUALITY AND PRODUCTIVITY PROGRAM - WQPP

Another important pillar of the management model is the WEG Quality and Productivity Program (WQPP), introduced in 1991 to strengthen the involvement of employees in the company management. This program promotes the development of goals and projects to be developed each year by the employees, including the areas of environment, health and safety, technological development, internal standardization and improvement of performance in general.



CONTINUOUS IMPROVEMENT PROGRAM - CIP



In 2008, the management model was complemented with the launch of the Continuous Improvement Program, aiming to enable/train people in Management tools to eliminate non-value added activities and reduce waste and default.

DATA ACCURACY

The measurement techniques of economic, environmental and social data and calculation basis are accurate, based on data extracted from *ERP* systems from SAP, SIG, system VetoRH of Senior Personnel Management Systems, and in some cases, spreadsheets in the responsible areas.



MISSION

Continuous and sustainable growth, maintaining simplicity.

VISION

Be the global benchmark in electric machines and with a wide range of products, providing effective and complete solutions.

VALUES

Human Company

We value each individual contribution to our success, and motivate people through integrity, ethics and ongoing support for personal development.

Teamwork

Working as a team, we have reunited the best of knowledge, intelligence and ability to constantly improve the work and benefit our customers.

Efficiency

Every day we work to make things better. All products, processes and developments are guided by the increase in efficiency.

Flexibility

We will always develop new efficient ways to respond to changing situations and meet the customers' needs.

Innovation

New ideas and technologies ensure the existence of the company. That's why we encourage and support a climate of thinking beyond today.

Leadership

Be a reference in the relationship with customers.

Policies were created to ensure compliance with the conducts aligned to the corporate culture and improve their practices. These policies are formed by the Policies of Quality, Environment, Energy Efficiency, Health and Safety and Social Responsibility.

Quality

Provide products and services with authentic quality, i.e., satisfy the needs of our customers at the lowest possible cost.

Environment

WEG Group features a policy to ensure the lowest environmental impact of its products and productive processes, searching for:

- Meeting the applicable environmental legislation;
- Continuous improvement through the establishment of objectives and environmental targets;
- Taking preventive action, in order to protect the environment in which it is inserted;
- Eco-efficient products and processes, preserving natural resources.

Energy Efficiency

Ensure the development, production and distribution of equipment with higher efficiency and continuous improvement of our business processes, meeting the legal requirements and allowing the reduction of the energy consumption and the impacts on the energy matrix.

Health and Safety

WEG Group establishes a policy of valuing human life in developing its activities, products and services regarding the matters related to safety and health, committing to:

- Adopt prevention postures in all its levels;
- Identify, eliminate and/or minimize the significant risks to safety and health of its employees, independent contractors and the general public;
- Identify and meet legal requirements for occupational health and safety associated with their processes, products and services;
- Establish goals and objectives in order to continuously improve the performance of the management system.

Social Statement

Group WEG establishes a policy to conduct their business for continued growth and development, valuing and respecting all the public to which it relates, maintaining transparency and ethics in relationships and committing to:

- Comply with labor laws and tax regulations, among other things, applicable in all business activities and locations where it operates;
- Ensure the elimination of child labor and forced and compulsory labor in all activities of the company;
- Ensure the fight against sexual exploitation of children and adolescents in all activities of the company;
- Do not hire children under 18 except as an apprentice;
- Encourage and provide conditions for the development of employees, aiming to increase their skills and personal and professional growth;
- Value diversity and multiculturalism and restrain any action for discrimination based on race, gender, sexual orientation, physical condition, religion, age group, social class, political conviction and nationality;
- Repel practices and sexual harassment in employment relationships that compromise the integrity of the person;
- Respect the right of employees to join unions and bargain collectively, ensuring that there are no reprisals;
- Support communities to which it relates directly strengthening the economic and social development.

SUSTAINABILITY COMMISSION

Compounding the structure of Participative Management of the WEG Group, the Sustainability Commission features corporate activities and multidisciplinary training, involving 8 (eight) members representing the social, economic, products, environment and corporate sustainability. Formed since 2010, this Commission is entrusted with the examination, approval and implementation of policies and practices of sustainability, and dissemination of issues related to this theme in the company. This Commission is subject to the General Director, who along with Chief Executive Officer reviews and countersigns the matters approved by the Commission.

Formed in 2011, the Sustainability Group actuates at the operational level, with a focus on the centralization and planning of future Sustainability actions of WEG Group. This is a multidisciplinary group composed of 7 (seven) members representing the social, institutional communication, economic, and environmental products, under the coordination of the area of corporate sustainability of the company.

The first activity of this Group was the realization of a structured diagnostic assessment for the sustainability status of the stocks of the company. This diagnosis was the basis for the creation of a Sustainability Plan with horizon of three years. This Plan includes 83 corporate actions in several areas, and of these, 57 actions have to be launched in 2012. Thirteen actions of this Plan were considered strategic priority, comprising issues such as the sustainability management, spread of the theme in the company, adhering to voluntary agreements, managing the impacts of climate change, engagement of suppliers in corporate sustainability, social and environmental impact management in new ventures, mergers and acquisitions and inclusion of people with disabilities.

A second activity was highly representative to review the mapping of interested parties (*stakeholders*), serving as a basis for planning future actions of engagement and improved relations with these audiences.

MANAGEMENT COMMISSION OF THE ETHICS CODE

Formed in 2007 and making part of the structure of Participative Management of the company, the Management Committee of the Ethic Code has corporate activities and multidisciplinary composition, with 10 (ten) members and the following tasks:

- a) Interpret the ethics code in case of questions in order to harmonize the understanding and avoiding ambiguities in its application;
- b) Analyze periodically and review when necessary, the ethics code in the application and ethics evolution in the social field and inside the company;
- c) Monitor the alignment of its application among the units of the group;
- d) Check and report the direction on the application of the code in the company;
- e) Resolve on the resources required for the application of the code;
- f) Publicizing and internal distribution, in order to settle the culture of the Company.

In 2011, the restructuring of the Commission was approved, with the inclusion of 4 (four) new members, and the beginning of the work of reviewing the Ethics Code.

COMMITMENT TO EXTERNAL INITIATIVES

In 1994, WEG joined Procel Seal to its line of three-phase induction electric motors of high efficiency. The Procel Seal is a product developed and awarded by the National Program for Energy Conservation (PROCEL), coordinated by the Ministry of Mines and Energy of the Brazilian Government, with the Executive Secretary held by Eletrobras.



This seal is intended to guide the consumer in the purchase, indicating products with the best levels of efficiency within each category, thus providing savings in the electric bill. It also stimulates the production and trade of more efficient products, contributing to the technological development and conservation of the environment. The membership of the companies to this Seal is voluntary and WEG's participation is aligned with its business strategy to provide products with high levels of energy efficiency, thus contributing to the reduction in the energy consumption of its customers and, consequently, the reduction of emissions of Greenhouse Gases (GHGs).

We believe that macroeconomic conditions in 2012 will be similar to those found during the year 2011 and they will allow us to maintain the growth of our activities. We have explored two clear opportunities for growth: the conquest of new markets and increase of the product line by means of acquisitions and strategic partnerships. We believe that the gradual improvement of the world economic activity, though at a slow pace, will continue to favor investment in expansion of the industrial capacity.

In Brazil, we continue to see good prospects in infrastructure investments under the Programs to Accelerate Growth (PACs), in the diversification and progress of the energy matrix, in the state auction of concessions in the infrastructure area, and the preparations for holding the World Cup in 2014 and the Olympic Games in Rio de Janeiro in 2016. Important segments such as oil and gas, power generation and electricity distribution, mining and cement manufacturing, for example, should continue to perform well and provide opportunities. In addition, we expect the resumption of investment in sugar and alcohol sector, an important segment for our energy business.

In our global operations we also have been able to find attractive opportunities even in markets with poor macroeconomic performance, as the most developed economies. We believe that our form of action, with great proximity to customers and our ability to provide customized solutions, will continue to differentiate us in these markets.

In addition, important issues, like energy efficiency of industrial equipment, have received increasing attention. In 2011, ISO 50001 standard about energy management system was published, confirming the overall trend of greater attention to the issue. We have already certified, a pioneer in Brazil, one of our factories in Jaragua do Sul, and we are now expanding our efforts and taking advantage of our experience to the benefit of our customers. Alongside the adoption of minimum energy efficiency standards for electric motors, increasingly common worldwide, we see the consumer market evolving for products with higher added value.

Also in 2011, the company developed together with McKinsey&Co, the strategic planning "WEG 2020," which resulted in plans and goals to achieve revenues of \$ 20 billion in 2020.

This strategic aspiration is based on the continuity and progress of the internationalization process and strengthening of the company's position in the markets where we already have a prominent position. New technologies, new products and new target markets will also help the company achieve the goals of its plan WEG 2020.

Thus, we started 2012 with clear strategic direction and purpose for each business unit, associated with an internal environment of high motivation and enthusiasm generated by the back of the pace of double-digit growth of the company and new businesses and products incorporated to our portfolio in 2011.

ECONOMIC PERFORMANCE

In 2011, the year we celebrated 50 years of history, we highlight the strong consolidate growth of 18% of our revenues and the completion of acquisitions and strategic partnerships in Brazil and abroad which have brought new technologies and products to our already extensive portfolio.

Importantly, this growth was achieved in an environment of fierce competition, appreciated exchange rate most of the year and the credit crunch in the domestic market, caused by macro prudential measures adopted by the Brazilian government in order to mitigate the increase in inflation.

In foreign markets, we gained *marketshare* despite the context of great uncertainty about the worsening of the crisis in Europe and low economic activity in developed countries. In Asia, we opened a plant of high voltage motors in India, one of the most modern and automated in the world, and found the appropriate level of operation in the industrial plant of low and medium voltage motors in China.

FINANCIAL STATEMENTS

	Dezembro 2011		Dezembro 2010	
	R\$	AV%	R\$	AV%
ATIVO CIRCULANTE	5.867.061	64%	4.794.009	64%
Disponibilidades	2.931.615	32%	2.552.996	34%
Créditos a Receber - Total	1.307.692	14%	1.044.712	14%
Estoques – Total	1.362.314	15%	1.008.952	13%
Outros Ativos Circulantes	265.440	3%	187.349	2%
REALIZÁVEL A LONGO PRAZO	432.469	5%	136.984	2%
Aplicações Financeiras	280.635	3%	-	0%
Impostos Diferidos	111.488	1%	78.810	1%
Outros Ativos não circulantes	40.346	0%	58.174	1%
PERMANENTE	2.806.331	31%	2.580.171	34%
Investimentos	349	0%	601	0%
Imobilizado Líquido	2.445.760	27%	2.395.575	32%
Intangível	360.222	4%	183.995	2%
TOTAL DO ATIVO	9.105.861	100%	7.511.164	100%

	Dezembro 2011		Dezembro 2010	
	R\$	AV%	R\$	AV%
PASSIVO CIRCULANTE	2.752.960	30%	1.938.803	26%
Obrigações Sociais e Trabalhistas	161.436	2%	141.797	2%
Fornecedores	298.195	3%	242.300	3%
Obrigações Fiscais	88.473	1%	72.204	1%
Empréstimos e Financiamentos	1.701.435	19%	1.018.995	14%
Dividendos e Juros S/ Capital Próprio	2.804	0%	63.440	1%
Adiantamento de Clientes	285.843	3%	271.949	4%
Participações nos Resultados	26.314	0%	23.583	0%
Outras Obrigações	188.459	2%	104.535	1%
EXIGÍVEL A LONGO PRAZO	2.446.312	27%	2.028.525	27%
Empréstimos e Financiamentos	1.756.293	19%	1.399.948	19%
Outras Obrigações	122.485	1%	86.875	1%
Impostos Diferidos	421.918	5%	415.318	6%
Provisões para Contingências	145.616	2%	126.384	2%
PARTICIPAÇÕES MINORITÁRIAS	106.477	1%	89.229	1%
PATRIMÔNIO LÍQUIDO	3.800.112	42%	3.454.607	46%
TOTAL DO PASSIVO	9.105.861	100%	7.511.164	100%

CURRENT ASSETS - On December 31st, 2011, Current Assets totaled R\$ 5,867,061, with positive variation of R\$ 1,073,052 or 22.4% of the total of R\$ 4,794,009 on December 31st, 2010. In relation to total assets, current assets remained 64%, the same proportion observed on December 31st, 2010. The main changes in Current Assets were:

Cash - The account "Cash", with a balance of R\$ 2,931,615 on December 31st, 2011, presented an increase of R\$ 378,619 or 15% compared to R\$ 2,552,996 recorded on December 31st, 2010. This positive variation is the result of cash generation from operating activities and captivation of new loans during the period. In relation to total assets, the availability account represented 32% on December 31st, 2011, compared to 34% on December 31st, 2010.

Customers - The account "Receivables" presented a balance of R\$ 1.307.692 on December 31st, 2011, with an increase of R\$ 262,980 or 25% compared to R\$ 1.044.712 recorded on December 31st, 2010. This variation is due to the increased financing needs of Customers observed during the period, with the business growth. In relation to total assets, the credit account to customers represented on December 31st, 2011, the same 14% recorded on December 31st, 2010.

Inventories - The account "Inventories" presented a balance of R\$ 1,362,314 on December 31st, 2011, an increase of R\$ 353,362 or 35% compared to R\$ 1,008,952 recorded on December 31st, 2010. This variation is the result of the natural increase of the need for investments during the period, with the business growth. In relation to total assets, the inventory account represented 15% on December 31st, 2011, compared to 13% on December 31st, 2010.

NON-CURRENT ASSETS - On December 31st, 2011 the Non-Current Assets totaled R\$ 3,238,800, representing 36% of Total Assets with positive variation of R \$ 521,645 or 19% of

the total of R\$ 2,717,155 on December 31st, 2010. In relation to total assets, the non-current assets remained on December 31st, 2011, 36% observed on December 31st, 2010. The main changes in non-current assets were:

Fixed Assets - The account "Fixed Assets" presented a balance of R \$ 2,445,760 on December 31st, 2011 with an increase of R \$ 50,185 or 2% compared to R \$ 2,395,575 recorded on December 31st, 2010. The variation is a result of investments in capacity expansion, net of effects of the falls and depreciation and exhaustion recorded in the period. In relation to total assets, fixed assets represented 27% on December 31st, 2011, compared to 32% recorded on December 31st, 2010.

Intangible - The "Intangible" presented a balance of R\$ 360,222 on December 31st, 2011, an increase of R\$ 176,227 or 96% compared to R\$ 183,995 recorded on December 31st, 2010. The variation is a result of the goodwill recorded on the acquisitions. In relation to total assets, intangible assets accounted for 4% on December 31st, 2011, compared to 2% on December 31st, 2010.

CURRENT LIABILITIES - The Current Liabilities totaled R\$ 2,752,960 on December 31st, 2011, an increase of R\$ 814,157 or 42% over the total of R\$ 1,938,803 on December 31st, 2010. In relation to total liabilities, current liabilities on December 31st, 2011 represented 30%, compared to 26% observed on December 31st, 2010. The main variations of the current liabilities were:

Suppliers - The account "Suppliers" presented a balance of R\$ 298,195 on December 31st, 2011, with an increase of R\$ 55,895 or 23% compared to R\$ 242,300 recorded on December 31st, 2010. This change was a natural result of the increased business observed in the period. In relation to total liabilities, the account of suppliers represented 3% on December 31st, 2011, the same percentage observed on December 31st, 2010.

Financing and Short Term Loans - The account "Financing and Short Term loans", with a balance of R\$ 1,701,435 on December 31st, 2011, presented an increase of R\$ 682,440 or 67% compared to R\$ 1,018,995 recorded on December 31st, 2010. This variation is a result of obtaining new financing in the short term to cope with the need for investment in working capital, taking advantage of attractive market conditions. In relation to total liabilities, the account Financing and Short Term Loans accounted for 19% on December 31st, 2011, compared to 14% on December 31st, 2010.

Dividends and Interest Payable on Capital - The account "Dividends and Interest Payable on Capital" presented a balance of R\$ 2,804 on December 31st, 2011, with a decrease of R\$ 60,636 or 96% compared to R\$ 63,440 recorded on December 31st, 2010. This variation results from changes in accounting methods of the proposed dividend, now part of Net Equity. In relation to total liabilities, the account no longer has any representation on December 31st, 2011, compared to 1% recorded on December 31st, 2010.

NON-CURRENT LIABILITIES - The Non-Current Liabilities totaled R\$ 2,446,312 on December 31st, 2011, with an increase of R\$ 417,787 or 21% over the total of R\$ 2,028,525 on December 31st, 2010. In relation to total liabilities, non-current liabilities remained representing the same 27% observed on December 31st, 2010. The main changes in non-current liabilities were:

Financing and Long Term Loans - The account "Financing and Long Term Loans", with a balance of R\$ 1,756,293 on December 31st, 2011, showed a growth of R\$ 356,345 or 25% compared to R\$ 1,399,948 recorded on December 31st, 2010. This variation is due to the net

hiring of new financing. In relation to total liabilities, the account of Financing and Long Term Loans represented 19% on December 31st, 2011, the same recorded on December 31st, 2010.

Net Equity – The Net Equity reached the amount of R\$ 3,906,589 on December 31st, 2011, with an increase of R\$ 362,753 or 10% over R\$ 3,543,836 recorded on December 31st, 2010. This growth was caused mainly by the net income generated in the fiscal year, net of the performed distributions of results.

	2011	2010	%	2009	%
Receita Operacional Bruta	6.130.291	5.282.737	16,0%	5.110.596	3,4%
Receita Operacional Líquida	5.189.409	4.391.973	18,2%	4.210.620	4,3%
Mercado Interno	2.902.958	2.670.443	8,7%	2.526.430	5,7%
Mercado Externo	2.286.451	1.721.530	32,8%	1.684.190	2,2%
<i>Mercado Externo em US\$</i>	1.361.689	982.835	38,5%	849.655	15,7%
Lucro Operacional Bruto	1.556.051	1.386.952	12,2%	1.356.401	2,3%
<i>Margem Bruta</i>	30,0%	31,6%		32,2%	
Lucro Líquido	586.936	519.781	12,9%	550.543	-5,6%
<i>Margem Líquida</i>	11,3%	11,8%		13,1%	
EBITDA	882.340	789.110	11,8%	837.424	-5,8%
<i>Margem EBITDA</i>	17,0%	18,0%		19,9%	
LPA	0,9461	0,8371	13,0%	0,8914	-6,1%

Valores em R\$ Mil

Net Operating Revenue

In 2011, the consolidated Net Operating Revenue (ROL) reached R\$ 5,189.4 million, showing growth of 18.2% over the previous year. The main business areas showed growth in relation to the previous year. In the areas of industrial electronic equipment and paints and varnishes that revenue growth in 2011 followed the good performance already observed in the previous year. In the area of GTD (equipment for the sector of generation, transmission and distribution of energy), there was renewed growth, reversing the decline of revenue observed in the previous year. Only in the area of electric motors for household there was a decline in revenue compared to 2010.

Cost of Products Sold

The Cost of Products Sold (CPV) totaled R\$ 3,633.4 million, representing 70% of the revenue (68% in 2010), generating a gross margin of 30% with a slight decrease over the previous year.

We observed that the main impacts on the CPV were:

- The high volatility and prices of key raw materials at the beginning of the year, with increases that could not be transferred at the speed and intensity that would be needed. Throughout the year, these pressures have been mitigated both by the decrease of volatility as the active management of costs and selling prices. Although the Brazilian currency has depreciated in the last quarter, the annual average has valorized 5% compared to the U.S. dollar;
- The startup of new production capacity in the factories of electric motors in Linhares, Espírito Santo, and Hosur, India, with a consequent negative impact on the dilution of fixed costs during the *ramp-up* of production. This effect has been gradually

overcome with the growth of production and the consequent occupation of the productive capacity of the new units.

Sales , General and Administrative Expenses

The Sales, General and Administrative Expenses totaled R\$ 768.4 million, representing 14.8% of the net operating revenue (R\$ 697.0 million in 2010, representing 15.9% of the net operating revenue). In the previous year the operating expenses grew 10% in absolute terms, but showed a relative decrease of 1.1 percentage points, mainly achieved with a strong presence on the administrative costs, seeking greater operational efficiency.

EBITDA

As a result of the effects discussed above, EBITDA reached R\$ 882.3 million (calculated according to the methodology defined by CVM Circular Letter 01/07), an increase of 12% over the result obtained in 2010. EBITDA margin was 17%, one percentage point below the EBITDA margin in the previous year.

Financial Result

The Financial Income reached R\$ 140.2 million in 4T11 (R\$ 154.4 million in 3T11 and R\$ 97.7 million in 4T10). The Financial Income reached R\$ 111.2 million (R\$162.4 in 3T11 and R\$ 61.5 million in 4T10). In this quarter, net financial result was R\$ 29.0 million (loss of R\$ 8.0 million in 3T11 and positive for \$ 36.2 million in 4T10).

Net Result

As a result of the effects mentioned above, the Consolidated Net Income attributable to shareholders of WEG SA totaled R\$ 586.9 million, an increase of 13% over the R\$ 519.8 million achieved in 2010. The return on net equity was 17% in 2011 (15.8% in 2010) and net margin reached 11.3% (11.8% in 2010).

TOTAL CAPITALIZATION SEGMENTED BY DEBT AND EQUITY

The company's market value at the end of 2011 was R\$ 11.7 billion, considering the closing value of the shares R\$ 18.78.

Debt and Cash Position (R\$ Thousand)

	Dezembro 2011	Dezembro 2010	Dezembro 2009
DISPONIBILIDADES E APLICAÇÕES	3.212.250	2.552.996	2.127.117
- Curto Prazo	2.931.615	2.552.996	2.127.117
- Longo Prazo	280.635	-	-
FINANCIAMENTOS	3.457.728	2.418.943	1.872.533
- Curto Prazo	1.701.435	1.018.995	895.885
- Em Reais	585.687	476.599	491.378
- Em outras moedas	1.115.748	542.395	404.507
- Longo Prazo	1.756.293	1.399.948	976.648
- Em Reais	1.560.712	1.209.687	891.323
- Em outras moedas	195.581	190.260	85.324
Caixa (Dívida) Líquida	(245.478)	134.053	254.584

On December 31st, 2011, cash (cash and investments in short and long term) totaled R\$ 3,212.3 million and gross financial debt totaled R\$ 3,457.7 million, resulting in net debt of R\$ 245.5 million (net cash of R\$ 134.1 million on December 31st, 2010). The cash is mostly applied in national currency in investments referred to CDI, in first-tier banks.

According to maturity, gross debt is divided into:

- Short-term operations, totaling R\$1,701.4 million (49% of the total), represented by the short-term parcel of the loans from BNDES and other development agencies, mostly in domestic currency, and by operations related to operating activities (*trade finance*) in foreign currency and financing of working capital of subsidiaries abroad, in the respective currencies of each country.
- Long-term operations, totaling R\$ 1,756.3 million (51% of the total), represented mainly by financing from BNDES and other development agencies, mostly in domestic currency, and in a smaller portion, by financing operations of working capital of foreign subsidiaries, in the respective currencies of each country. The *duration* of the long-term portion is 26.7 months.

According to the reference currencies, the total debt can be divided into:

- Denominated in Real, totaling R\$ 2,146.0 million (62% of the total), mainly represented by BNDES financing and other development agencies. The average weighted cost of debt denominated in Real is approximately 6.9% per year. The post-fixed contracts are indexed mainly to TLJP. The *duration* of the portion denominated in Real is 19.8 months.
- Denominated in U.S. dollars, Euros and other currencies, totaling R\$ 1,311.8 million (38% of the total), represented mainly by *trade finance* operations (advances on exchange contracts or ACC), made in Brazil and by working capital loans contracted by foreign subsidiaries in their local currencies. The *duration* of the portion in foreign currencies is 11 months.

INVESTING IN RESEARCH AND DEVELOPMENT (R&D)

Our markets are undergoing by constant technological changes and our efforts in research and development include expenditures aimed at developing new products, the continuous improvement of products already available, in the application and adaptation engineering of products and systems, and improvement of our industrial processes.

In 2011, these expenditures totaled R\$ 134.8 million, representing 2.5% of the Net Operating Revenue, in return for these investments, the company received tax incentive through the Law of Technological Innovation in the order of R\$ 28.1 million.

GRANTS AND GOVERNMENT ASSISTANCE

The company received government grant in return for investments made in the implementation, expansion and modernization of its manufacturing plants.

In 2011, we received R\$ 2.9 million as government grants regarding the reduction of Income Tax (Federal Government) and stimulus credit of ICMS (Amazonas and Espirito Santo states) concerning the operation of the units WEG Amazon and WEG Linhares, respectively.

OTHER FISCAL TAX INCENTIVES (PAT, ROUANET LAW, FIA, SPORTS)

In 2011, the company obtained federal tax incentives in the order of \$ 4.2 million that were invested in projects to support culture, education, health, sports and leisure, as follows:

Incentive	Values (in R\$)
Culture	2.392.122
Child Care and Youth	593.750
Sport	593.781
Meals	612.979

These resources benefited miscellaneous cultural projects, by means of the Rouanet Law, assistance and protection to the child, by means of the Childhood and Adolescence Fund (FIA), sporting projects, by means of the Sports Act, and were applied internally, by means of the Workers' Food Program (WFP), benefiting hundreds of communities where WEG operates.

STATEMENT OF THE ADDED VALUE (DVA) (IN THOUSAND REAL)

WEG S.A.

DEMONSTRAÇÃO DO VALOR ADICIONADO

Exercícios findos em 31 de dezembro de 2011 e 2010

Em milhares de reais

	CONTROLADORA		CONSOLIDADO	
	31/12/11	31/12/10	31/12/11	31/12/10
Receitas	-	-	6.005.251	5.172.316
Vendas de mercadorias, produtos e serviços	-	-	6.006.960	5.156.766
Outras receitas	-	-	718	20.005
Provisão para perda com crédito de clientes - rev./ (const.)	-	-	(2.427)	(4.455)
Insumos adquiridos de terceiros	(703)	(589)	(3.382.369)	(2.837.025)
Custo dos produtos e serviços, energia, serviços de terceiros e outros	(378)	(514)	(3.376.707)	(2.830.569)
Outros	(325)	(75)	(5.662)	(6.456)
Valor adicionado bruto	(703)	(589)	2.622.882	2.335.291
Depreciação, amortização e exaustão	(276)	(292)	(188.030)	(183.990)
Valor adicionado líquido produzido pela entidade	(979)	(881)	2.434.852	2.151.301
Valor adicionado recebido em transferências	592.760	524.413	499.570	350.561
Resultado de equivalência patrimonial	522.197	506.832	-	2.090
Receitas financeiras	70.563	17.581	499.570	348.471
Valor adicionado total a distribuir	591.781	523.532	2.934.422	2.501.862
Distribuição do valor adicionado	591.781	523.532	2.934.422	2.501.862
Pessoal	2.886	2.252	1.051.038	880.085
Remuneração direta	2.793	2.140	896.973	746.290
Benefícios	46	67	105.138	90.946
F.G.T.S.	47	45	48.927	42.849
Impostos, taxas e contribuições	1.926	1.173	842.670	833.592
Federais	1.926	1.172	749.346	726.965
Estaduais	-	-	87.351	99.726
Municipais	-	1	5.973	6.901
Remuneração de capitais de terceiros	33	325	433.693	254.551
Juros	33	325	414.051	237.456
Aluguéis	-	-	19.642	17.095
Remuneração de capitais próprios	586.936	519.782	607.021	533.634
Dividendos	147.036	167.645	147.036	167.645
Juros sobre o capital próprio	191.995	138.791	191.995	138.791
Lucros retidos / prejuízo do exercício	247.905	213.346	247.905	213.346
Lucros retidos / prejuízo do exercício - não controladores	-	-	20.085	13.852

A demonstração do valor adicionado não faz parte das demonstrações financeiras consolidadas em IFRS.

ENVIRONMENTAL PERFORMANCE

There is a growing worldwide interest in society for the performance of companies with regard to their environmental responsibility. Nothing more natural, since the quality of life of people in this and in future generations depends on this *performance*.

WEG, conscious of its role in this context, inserts environmental issues in their commitments and strategies and promotes the conservation of the regions where it operates, being convinced that only companies that internalize this responsibility will be able to develop on a sustainable basis.

OBJECTIVES AND ENVIRONMENTAL GOALS

In order to meet all commitments, the WEG Group defines at all relevant levels, objectives and goals and, through the approval of the General Director, provides all the infrastructure and resources needed to achieve them.

These objectives and goals are measurable, whenever possible, and include a commitment to pollution prevention, continuous improvement and compliance with environmental legislation.

For its definition, significant environmental aspects, legal requirements, technological options of the company, its financial, operational, commercial requirements and the view of interested parts are considered.

Once established, the objectives and goals are documented and deployed across all relevant levels and functions.

In order to give direction to the actions planned, the company has established the following environmental guidelines:

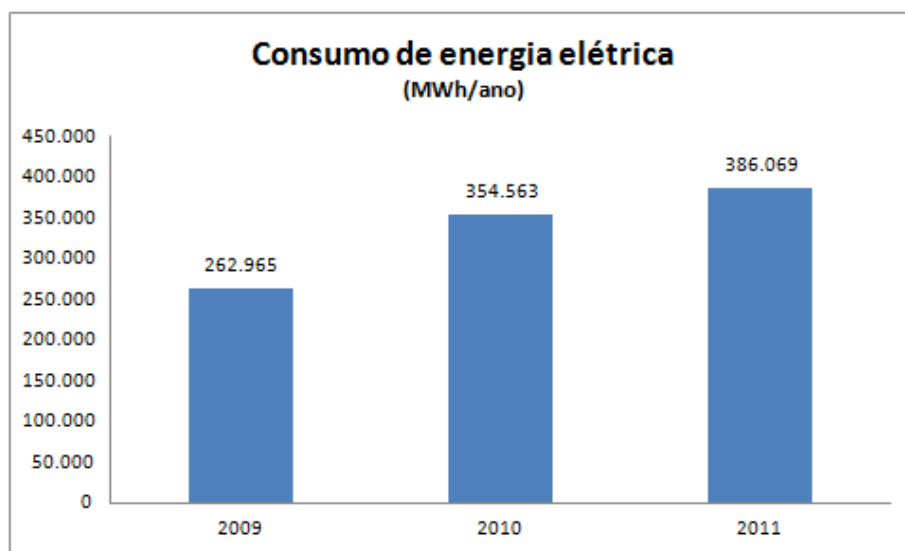
- Optimize the use of raw materials and inputs;
- Develop processes and products that are less harmful to the environment;
- Optimize the management of residues and effluents in the manufacturing processes.

Based on these directives, each department of the company must establish goals and implement environmental improvement actions.

ENERGY

ELECTRIC ENERGY

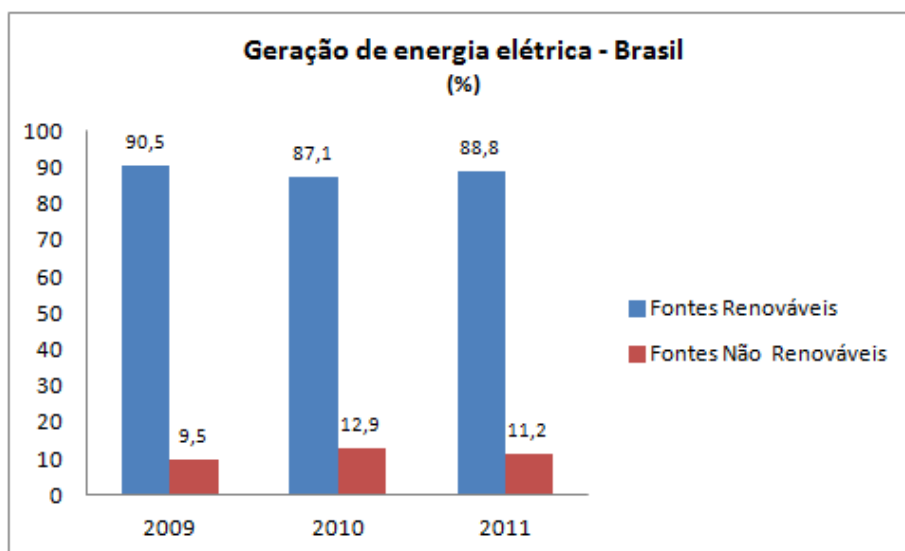
The chart below shows the profile of energy consumption of WEG's production units.



The increase in energy consumption observed over the period 2009 to 2011 was due to the increased production and putting into operation of units Linhares/ES in Brazil and the unity of India. However, despite this increase, there was an improvement of 7.85% in the performance indicator for energy consumption per revenue this year, provided by actions to improve energy efficiency in industrial parks.

The power consumed by the units WEG in Brazil, which represents most of the consumption of the company, is acquired at the Brazilian open market of energy.

According to the National Energy Balance Sheets of 2009, 2010 and 2011, the generation of electricity in Brazil, from renewable sources represents:



Source: National Energy Balance Sheet 2009/2010/2011

Thus, in 2011, 88.8% of the electricity consumed by the units WEG in Brazil was generated from renewable sources.

Internal processes are usually identified and implemented actions to reduce the electric energy consumption, operating costs and improvements. These actions are supported by some pillars, which are:

- Quality Control Circles - QCC;
- Kaizen Projects;
- Works to improve the processes;
- Internal application of WEG efficient solutions developed to the market.

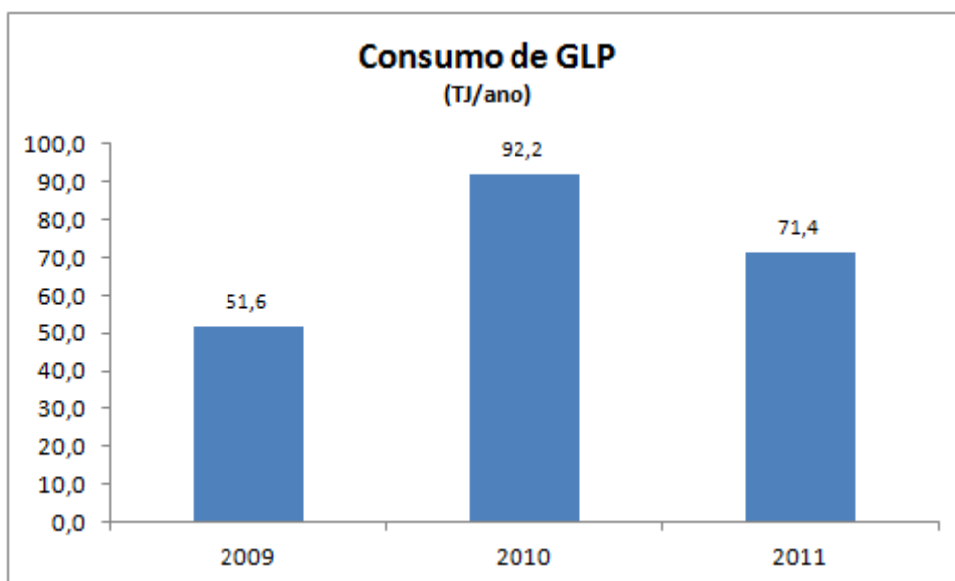
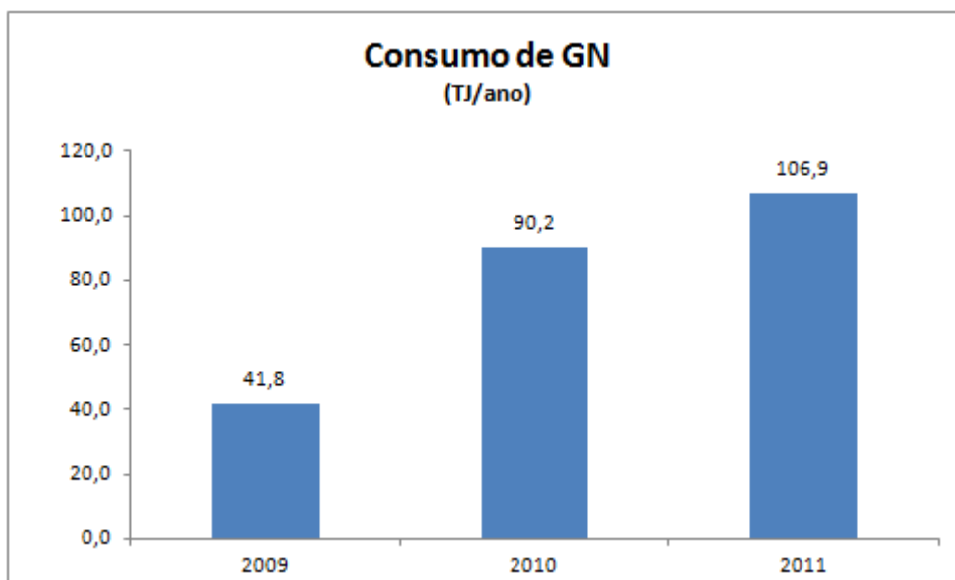
These actions, in addition to reducing energy costs, also allow application of technological innovation and adjustment of operating routines.

The works of the pillars mentioned in cost reduction and process optimization/innovation include:

- Implementation of ISO 50001 - Energy Management Systems. This voluntary action made WEG come to be the first company of the electronics industry to obtain certification in Brazil and become a reference on the subject, helping partner companies to conduct their projects;
- Replacement of manual to automatic shutdown at the Testing Laboratories. The difficulty of shutdown for safety reasons required to keep the equipment connected during the teams' break and test intervals;
- Automation of bag filters to control the flow from the needs of the process. Thus, the switching in the process is recognized by the variation of pressure and the flow required for the system is automatically set. The solution was applied to two filters with reduced electric energy consumption of 53 and 54%. This system is being implemented in the other filters at the company;
- Automation of the speed control of the fans of the cooling towers. According to the production and ambient temperature, there is a need to increase or decrease the ventilation that is set automatically from the temperature required in the process. The economy reaches 88% in the most clearance cycles of the process. The solution was applied to two towers and the study has continued with other equipment;
- According to a plan initiated in 2007, the electric motors with higher energy consumption are being replaced by others with greater efficiency. In 2011, it was completed the first phase with equipment which *payback* was lower than 3 years. In 2011, 119 motors were replaced in the manufacturing plants, totaling 690 motors;
- Implementation of speed control in plastic injection molding by the adequacy of the needs of injection cycles. Elimination of the recirculation of hydraulic oil which caused its temperature increase and reduced useful life. The earnings in reducing the consumption of electric energy vary with the mold and are about 40%. The solution was implemented in the equipment and the study continues to expand the other.

OTHER ENERGY SOURCES

Besides the electric energy, WEG units use other energy sources, mainly for the generation of thermal and motive energy. The Liquefied Petroleum Gas - LPG and the Natural Gas – NG stand out among these energy sources.



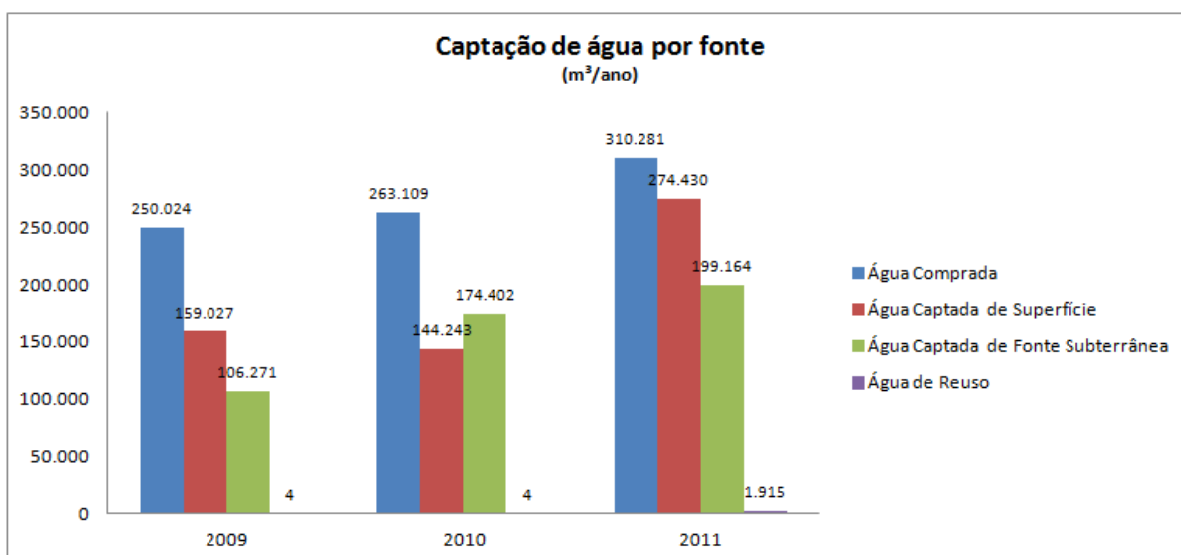
WATER AND EFFLUENTS

WATER

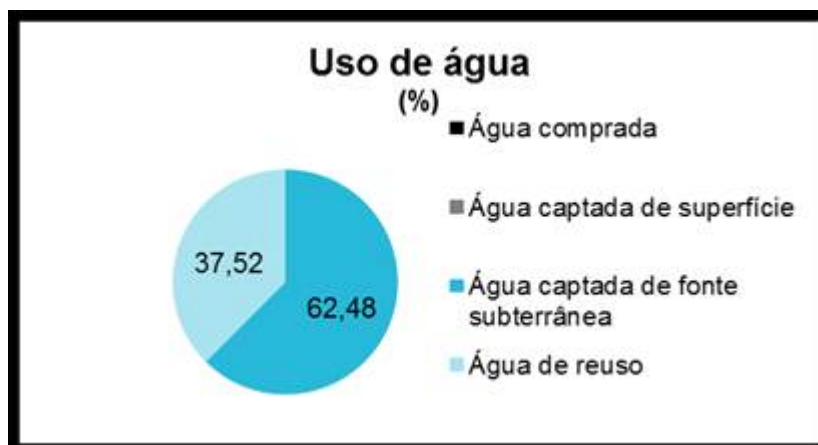
WEG Business Units supply their manufacturing plants of water using the following sources:

- Public Utility Company - for drinking and industrial use;
- Surface Water - for industrial use;
- Groundwater - for drinking and industrial use
- Reuse water.

Assessing the chart below, it can be seen that in 2011, 35% of the water used was taken from surface sources with proper treatment, 25.3% from groundwater sources, 39.5% was derived from public utility companies and 0.2% from reuse water.



The profile of water consumption of the new Manufacturing Plant of Linhares (see picture below), shows the trend in the design of new plants, as well as the migration of existing plants, where the company has sought the implementation of projects for water reuse. As an example, a line of surface treatment with closed circuit for rinsing water of plate frames will come into operation in the unit of Linhares.



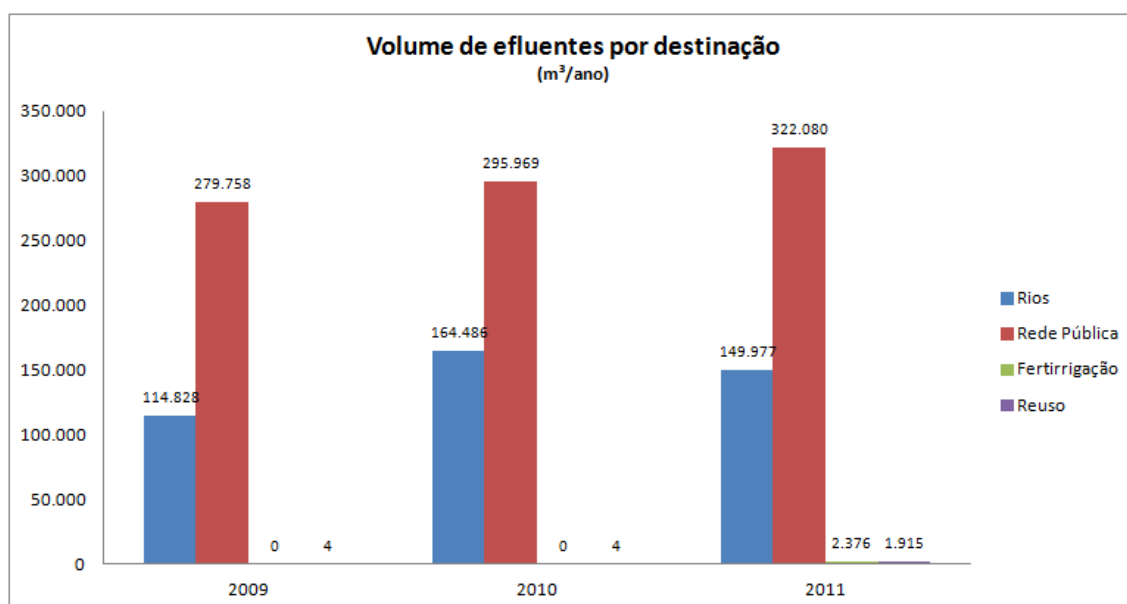
EFLUENTS

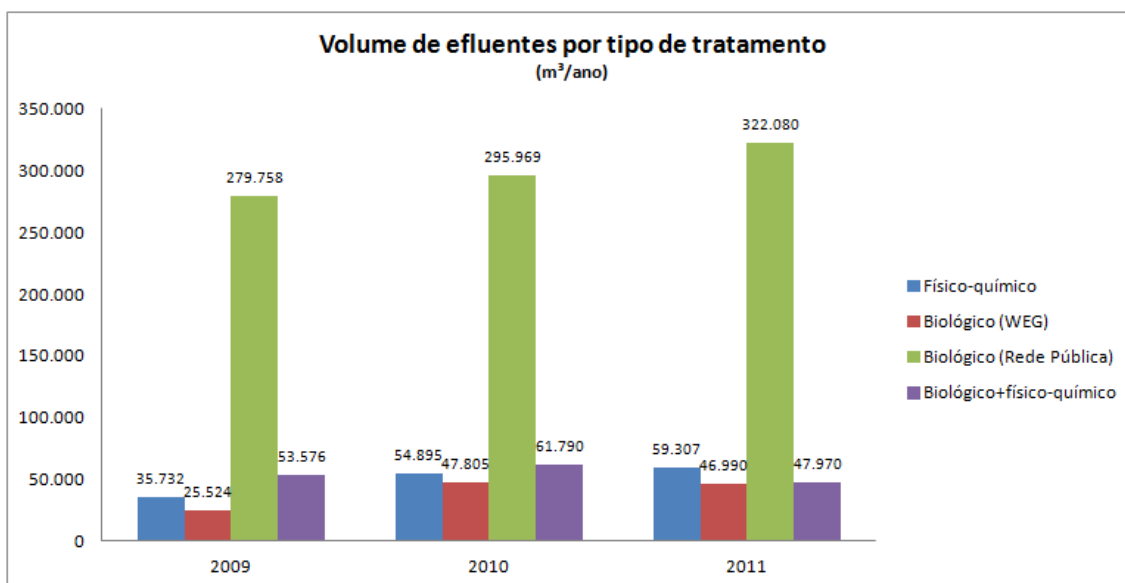
All treated effluent meets the standards established by law for the issuance of liquid effluents.

The generated effluents go by treatment stations/processes, operating with physical-chemical, biological and physical-chemical and biological.

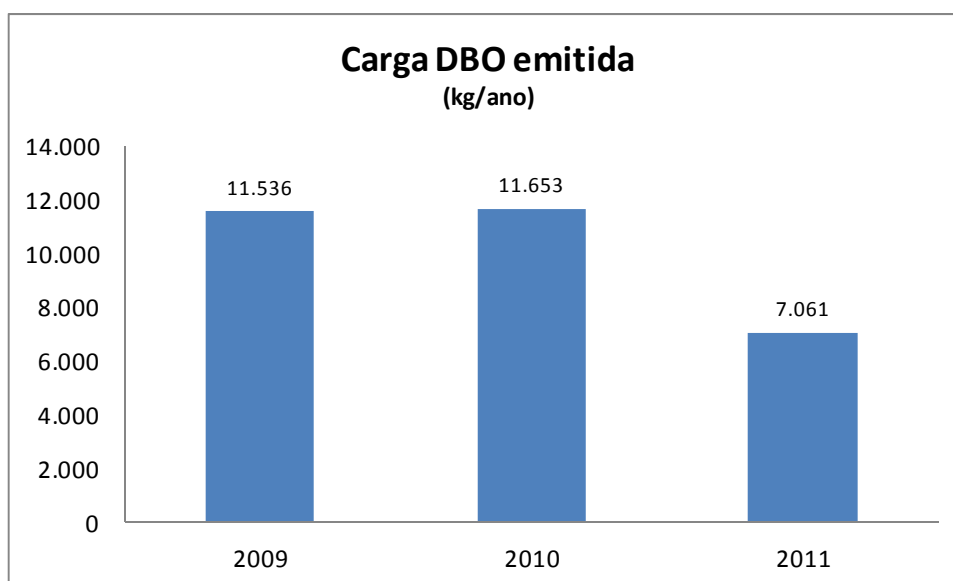
The treatment of sewage in the unit of Linhares/ES in 2011, had 37% of treated effluent reused in toilets and the remaining fraction destined for fertigation.

In 2011, 476,347m³ of effluents were treated in the effluent treatment plants of WEG units, as shown in the chart below.





Despite the increased volume of treated effluent over the past few years, due to the increase of production and employees, the polluting load emitted has been reducing gradually, as shown in the charts below, thus demonstrating the efficiency of the used treatment systems.



Note: BOD – Oxygen Biochemical Demand

Parallel to the increase of efficiency of treatment systems, WEG units have been adopting the concept of reuse of the treated effluent, as already mentioned.

SPILLS

In 2011, there were no instances of significant spills in the units of WEG Group.

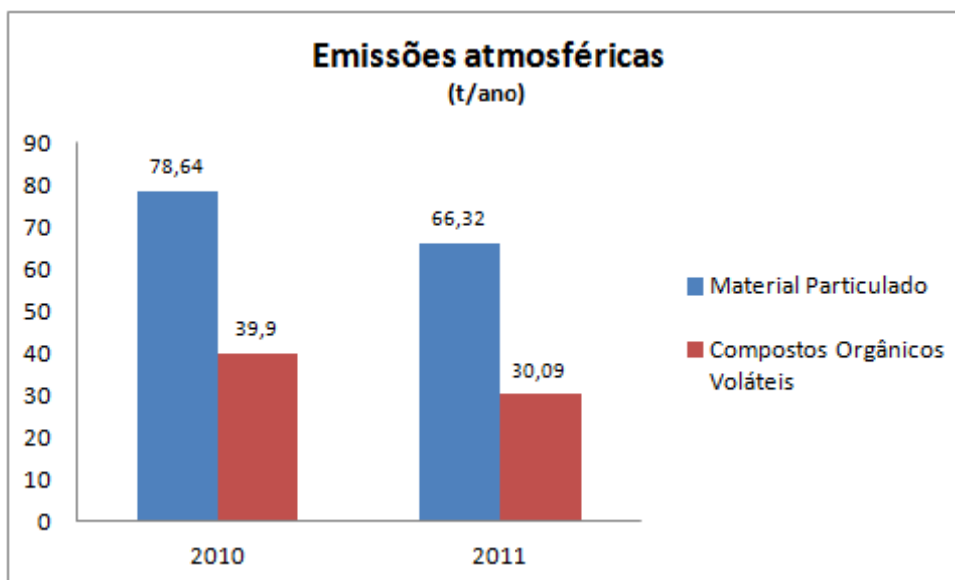
AIR EMISSIONS

As a practical matter, air emissions monitored by WEG are associated with processes of metallurgy, impregnation of stators, painting, finishing of metal surfaces and copper enameling.

The technologies used by WEG in mitigating these emissions range from gas scrubbers and bag filters to catalytic burners, that reutilize the hot gases generated by burning the solvent evaporated in the healing process for heating, with consequent reduction in the consumption of electric energy of kilns.

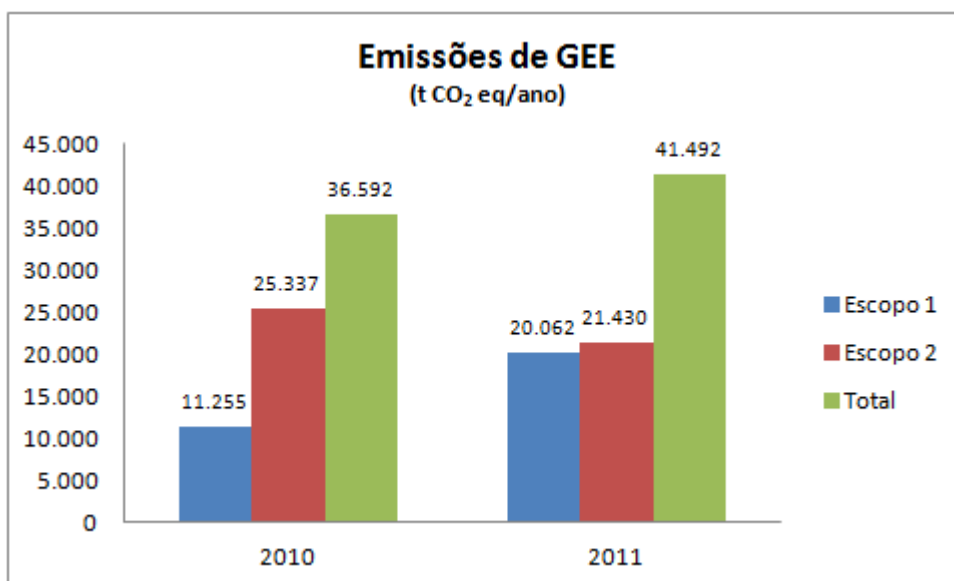
The following chart quantifies air emissions relating to Volatile Organic Compounds - VOC and Particulate Matter, from exhaust systems installed in production processes classified as generators of significant environmental aspects of the environmental management system. The definition of the level of significance of environmental aspects related to air emissions is based on the chemical characteristic of the gas at the point of discharge and frequency of emission.

Emissions of NO_x and SO_x were not considered significant as a function of the energy used.



Since 2010, WEG has calculated the emissions of greenhouse gases (GHG) of scope 1 and 2, according to the requirements established by ISO 14064. Analyzing the emission inventory for the years 2010 and 2011, it appears that the scope 1 increased due to increased production and start-up of manufacturing units in India and Linhares. The increase in scope 2 was low because of the improvement actions of energy efficiency at the manufacturing plants in Brazil, which account for 26% of total emissions. These actions are reported on page 40 of the report.

Despite the increase in total GHG emissions, there was an improvement of 4.03% in the performance indicator of GHG emissions per revenue this year, provided by the actions of energy efficiency improvements already mentioned.



SOLID RESIDUE

Established in 1998, WEG Selective Collection Program – Residue Zero/Set the Color aimed at revitalizing the concepts of reuse and recycling, as well as those appropriate to dispose residues generated in manufacturing and administrative areas.

Among the activities for the reuse of residue developed by this program are:

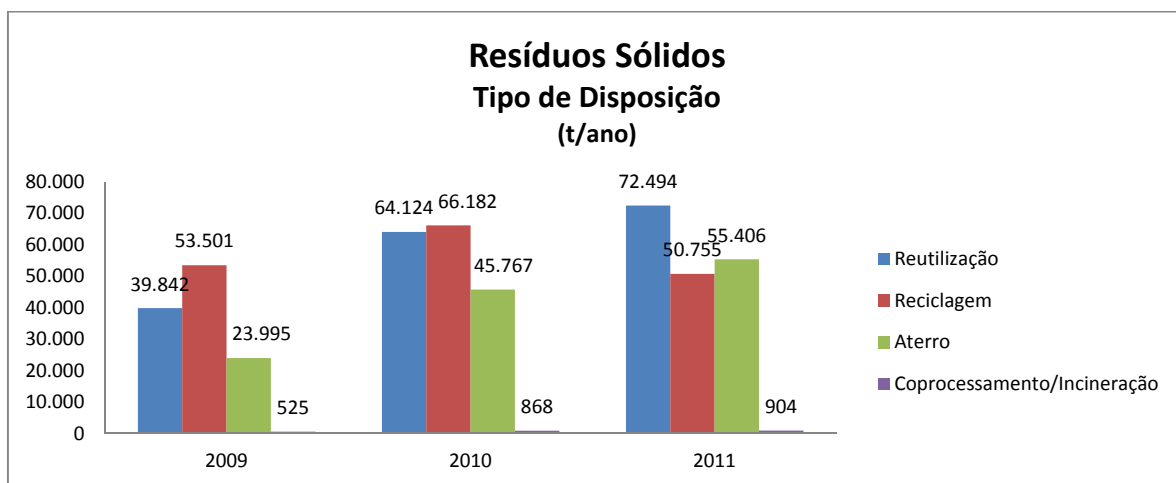
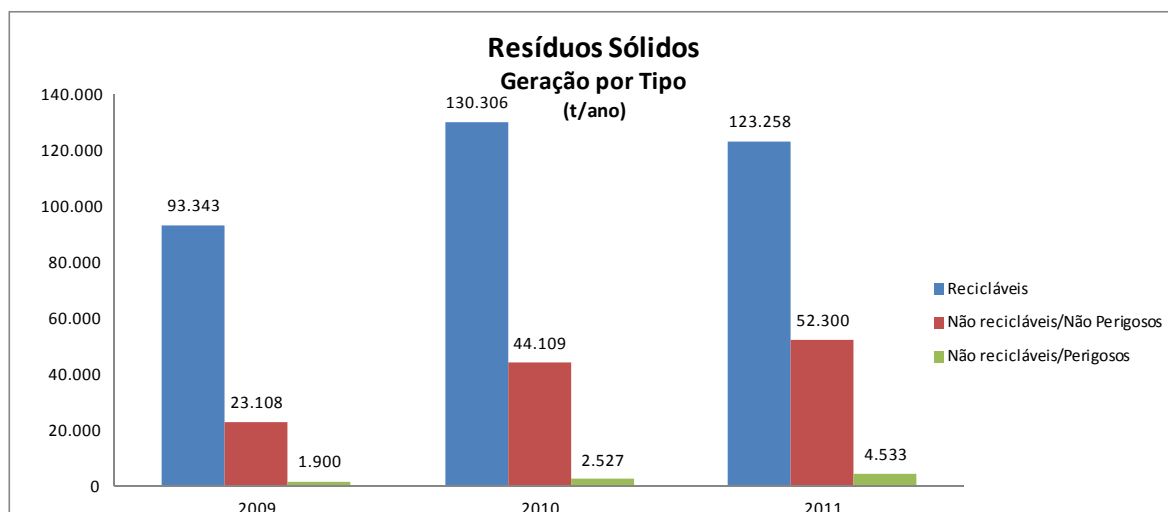
- *The use of steel scrap in the production of cast iron*

In 2011, we used an average of 6,200 t/month of scrap steel SAE 1006/1008 in the production of cast iron FC 200, used in the manufacture of frames of electric motors. This scrap is generated in the process of stamping stator/rotor blades of electric motors and, after pressing process, it is taken to cast at the metallurgical departments of WEG units;

- *The use of wood residues in the manufacture of packages*

In the period from 2009 to 2011, around 5,000 cubic meters of wood residues were reused to manufacture packages, through the Finger Joint process. The *Finger Joint* process consists basically of milling, bonding, and healing through infrared radiation. This wood is reused in parts of the package that are not subjected to high voltages.

The variation in trends of solid residues generation by type and, consequently, in the form of provision in the period from 2009 to 2011, presented in the following charts reflect the increased demand by the market.



Hazardous residues generated during 2011 are mainly represented by residues from manufacturing processes. These residues received special treatment by specialized hired companies, which collected and promoted the proper transportation and discharge. These residues are destined to class I industrial landfills and to the co-processing in cement kilns. The hired companies have environmental permit for transportation, as well as for the treatment, to meet the requirements of the environmental agency.

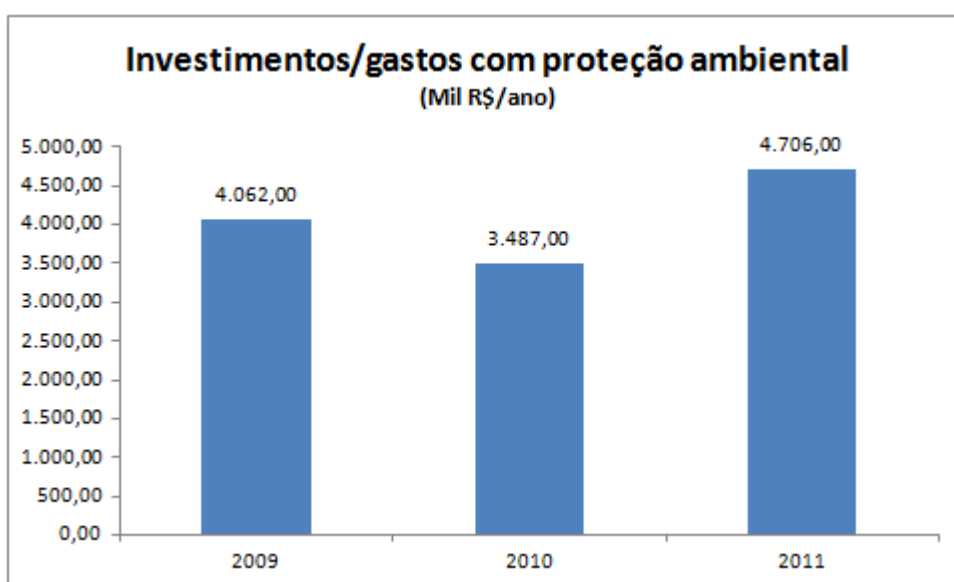
In 2011, there was no occurrence of import and export of hazardous residues by the WEG Group.

INVESTMENTS AND EXPENSES WITH ENVIRONMENTAL PROTECTION

WEG accounts for these investments in two ways, which are:

- Investment/operating expenses related to treatment and discharge of residues, treatment of air and net emissions, acquisition of equipment for environmental control, environmental liability insurance and depreciation of equipment and expenses with materials and their maintenance and operation services;
- Investment/prevention and management expenses related to the remuneration of personnel used in training and exercising activities of environmental management, research and development, certification of environmental management systems and Cleaner Production.

The chart below shows the amount of investment/expenses in the period from 2009 to 2011.



RECYCLING PROGRAM

WEG also promotes a recycling program for electric motors. It began 15 years ago and known as Change Plan, gives a discount purchasing a new motor if purchased a motor with efficiency above the standard efficiency. Thus, besides the financial advantage for customers, it ensures that the motor used with low efficiency is effectively removed from use. These motors are received at WEG and dismantled, where the materials are separated and sent to accredited and screened recyclers.

RELATIONSHIPS

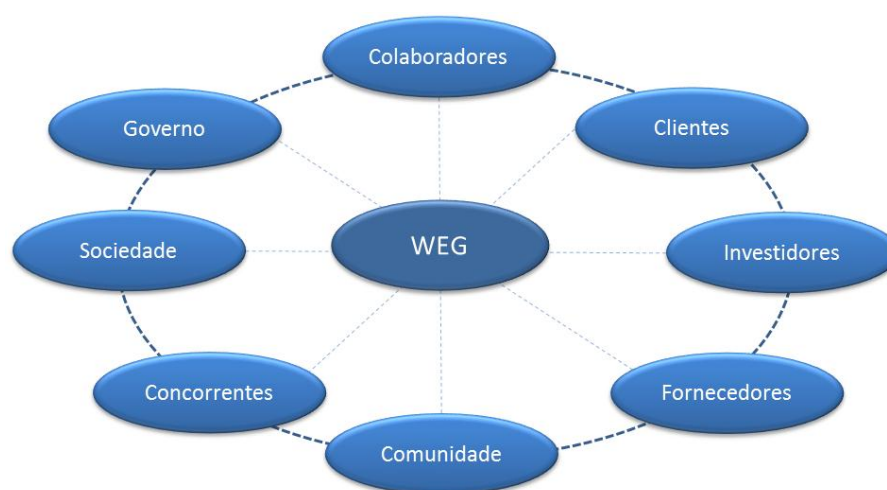
Assuming that the long-term aim of any organization is the survival and growth, and that to achieve its strategic objectives it is increasingly strong the need to interact in various spheres and with various public, the engagement with the *stakeholders* becomes an important tool to be considered within the perspective of organizational management model to ensure sustainability.

Since its founding, WEG has had this concern, as a legacy of its founders, to grow up thinking in the development of its employees and the surrounding community, meeting the expectations of its shareholders and customers, partnering with its suppliers and engaging in defense of public policies for competitiveness, having the commitment of establishing relationships based on respect, transparency and ethics.

Over the years, the company has been structuring and developing specific actions for each public, aiming the construction and perpetuation of trusty relationships as a guarantee of its continuity.

Most notably, in 2011, the company's stakeholder map was revised and formalized in order to identify the need for inclusion of new public, validate their expectations, reset the priority for engagement and assess the need for improvement in the existing communication channels.

The company has invested in the forms of engagement with these *stakeholders* through business contacts, visits, participation in fairs and events, promotion of meetings with representatives, suppliers and community, acting in Associations and Business and Professional Entities, training sessions, as well as improvement in the communication channels among others, in order to identify their demands of internalization in the company and deployment of future actions in the involved areas. These demands have guided the preparation of this report and are better detailed for each public below.



WEG S.A. (the "Company") is a publicly Brazilian corporation with headquarters at 3.300, Prefeito Waldemar Grubba Avenue, in Jaragua do Sul - SC, Brazil, a *holding* company of the WEG Group.

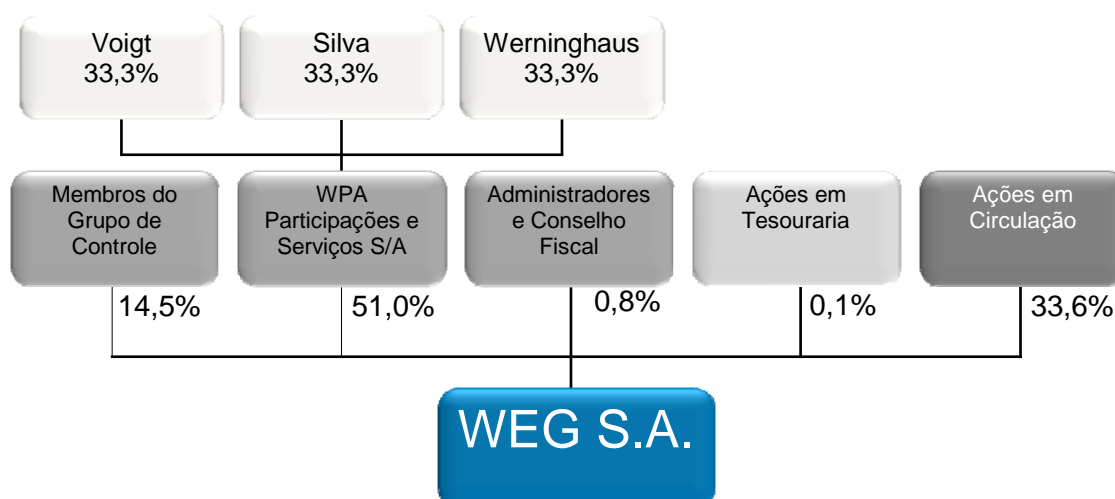
The Company's shares are traded at the BM&FBovespa under the code "WEGE3" and has been listed since June 2007, the corporate governance special segment called New Market.

The Company has *American Depositary Receipts* "ADRs" - Level I that are traded at the OTC ("*over-the-counter*" or OTC) in the United States under the symbol WEGZY.

The Company maintains with shareholders and potential investors, dialogue channels through which they are informed about the activities and results. The main means of communication and relationship are: website of Investor's Relationships (www.weg.net/ri); direct channel to the area of the Investor's Relationships by e-mail ri@weg.net, tool Contact Us at the IR website, *mailing list*, disclosure of the Annual Financial Statements and Quarterly Information (ITR); general, ordinary and extraordinary meetings and Annual Report. The requests directed to the Board of Directors go through an internal evaluation before being forwarded.

In December 2011, the percentage of the capital stock in circulation (free float) was 34% and the controllers, along with members of the control group, held 65% of the total capital of the company.

SHAREHOLDING STRUCTURE - 12/31/2011



DIVIDEND DISTRIBUTION

Before each Annual General Meeting, the Executive Office must make a recommendation on the destination of the net profit for the previous fiscal year, which will be subject to approval by the shareholders of the Company.

WEG notes the following factors to define the allocation of resources:

- (i) The current behavior and future prospects of the actual target and potential markets of the Company are considered to identify the existing investment opportunities for the Company;
- (ii) It is considered the need of resources for maintenance and expansion of the productive capacity and structures to support the operation of the investment opportunities available to the Company;
- (iii) The resources available to the Company are considered to make the necessary investments, and both its own resources and from others, already available or that will be, with reasonable confidence, obtained in the future;
- (iv) The need of flexibility and financial strength is considered for the maintenance of business and access to credit by the Company;
- (v) The excess funds are distributed to shareholders as return on capital, in the form of dividends.

The legislation establishes several conditions for the destination of the net income of the fiscal year. WEG's Bylaws consider these limitations on how you define the calculation of the remuneration of shareholders with the distribution of dividends, which can also be distributed as interest on capital, as permitted by Law 9.249/95. According to our bylaws, WEG's dividends are defined as follows:

Article 37 - The fiscal year ends on the last day of December of each year, when it is accounted for the general inventory and annual balance sheet.

Sole paragraph - Ad Referendum of General Assembly, the Executive Office may decide on the distribution of interim dividends and/or interest on capital in the form of Law No. 9.249/95, as well as on the payment of interim dividends, provided that the balance sheet is accounted in the form of legislation.

Article 38 - The net income of the fiscal year, after deductions established in Article 189 of the Corporation Law and after the deduction, observed the legal restrictions, up to 10% (ten percent) in the form of participation of administrators (Article 190 of the Corporation law), will be destined as follows:

- a) 5% (five percent) to the legal reserve, which shall not exceed 20% (twenty percent) of the capital stock;*
- b) The importance, when necessary and fully justified by the administrators, for the formation of Reserves for Contingencies and Reserve for Unrealized Profit in the form of legislation;*
- c) 25% (twenty five percent) at least, of the adjusted net income in accordance with article 202 of the Corporation Law for distribution of dividends and/or interest on equity capital in the form of Law No. 9.249/95, in dividends;*

d) Retention of profit, when justified by the Administrators, to finance the capital budget approved by the General Assembly and reviewed annually;

e) The balance that is checked after the above deductions, will be distributed to shareholders as dividends.

Sole paragraph - In view of Law No. 9.249/95, the Executive Office resolves on:

a) The amount of interest as remuneration of the equity capital, to be paid or credited to Shareholders, in cash or "in natura", total or in part, and

b) The imputation and deduction of the mandatory dividend, the amount of interest paid or credited to Shareholders as remuneration of the equity capital.

WEG has committed the following policy regarding compensation to shareholders:

(i) Semi-annual dividends are declared on the basis of the net income obtained on June 30 and on December 31 of each year;

(ii) In addition, quarterly interests on capital are declared, which will be in accordance with applicable law, imputed to the value of the dividends for all legal purposes;

iii) The declared dividends are paid twice a year.

CUSTOMERS

WEG searches intensively to develop and maintain with all its customers a strong relationship marketing through contacts, visits, events, and primarily through the quality of service (response time, order management, documentation, delivery time and services after sale).

All marketing activities conducted by WEG are aligned with business strategies with focus on sustainable growth of the entire chain.

Only in 2011, several actions were performed with the objective of approximating WEG to their clients, which are:

- Participation in trade fairs in various countries, especially those where it has subsidiaries and Brazil, in which were recorded nine major fairs of the most diversified segments (electric, sugar and ethanol, mining, oil and gas, mining, furniture, food and beverages, among others). In all these markets, WEG's was of a provider of flexible solutions to each of the segments served with a strong focus on renewable energy, energy efficiency and increased productivity;
- Conducting seminars throughout Brazil on energy efficiency in partnership with the Institute PRÓCOBRE. In 2011, there were 2 major events with the participation of over 100 target customers;
- Through the Project Meet Our House, created in early 2000, WEG brought into their plants more than 200 customers in 2011. There were a total of five projects, considering various types of customers: retailers, manufacturers and final consumers. This project enables customers who do not know WEG's products and solutions, form their opinion based on observation of processes, applications of technology and WEG's *know-how*. The satisfaction index of customers who participated in these projects was above 98%;
- Launch of the THINK GREEN campaign, aimed to promote to the general market, WEG's products with high energy efficiency, low operating cost and that are dictating the market trends of electric motors all over the world. This campaign had global in scope, but with strong penetration in the Brazilian market where the Energy Efficiency Law had to charge minimum levels of efficiency for electric motors. Fully aligned to the new legislation on energy efficiency, WEG already had a portfolio of products that were above the legal requirement;
- Implementation of the 1st Technological Innovation Contest coordinated entirely by WEG's engineers working in the area of Research and Development of the company. The competition had subscriptions from engineering students of universities from all around the country. The major goal of the competition was to encourage the technological development of various products and applications and, especially, to develop the critical/technological thinking in the Brazilian academic world;
- WEG has a broad and comprehensive network of resellers and technical assistants all over Brazil. This WEG's solution network enables the market to have a fast and accurate reception for each of the needs identified to be answered as soon as possible.

Constant trainings are performed to all network as demand, enabling the market to always count on the best professionals to meet your needs. The trainings take place at the facilities of WEG's partners on at WEG's Customer Training Center (CTC).

In 2011, we had about 2,484 clients trained in our Training Center. The trainings can be booked directly by clients through a course schedule that WEG provides on its website.

WEG's CTC has a dedicated team to provide various types of training for their clients, from the windings of electric motors, parameterization of frequency inverters to courses of business management, this one well-focused to WEG's partners' successors (children).

- Through the Customer Satisfaction Survey WEG monitors and improves gradually the relationship with the various publics with which it relates. The research WEG is held every two years and covers national and international customers. In 2011, there were two separate surveys, one for the Brazilian market and one for external customers. The average satisfaction index of the two surveys was above 96%.
- WEG's history, the culture of Jaragua do Sul, and the wonders of science and technology gathered in one place. An interactive space for emotion, reflection and citizenship. This is WEG's Museum! Built in the historic building where the first WEG's factory was operated, the museum, besides a strong pedagogical matter, was designed to please all ages, giving visitors a variety of sensations and discoveries, in a journey that helps you remember the past, to better understand the present and be able to plan for future. To WEG, sell the product is no longer enough, you need to create shopping experience, make the act of purchasing pleasurable, enjoyable and especially memorable. At this point, WEG's Museum has been an important marketing tool for the company, which annually receives more than 6,000 visitors, including customers, suppliers, and the wider community.
- WEG magazine is a quarterly publication produced by the area of Institutional Communication WEG and distributed to over 10,000 readers, including customers, suppliers, schools, universities and professional associations. By means of general information on various segments, WEG Magazine not only approximates the company's customers, as well as prospects for new partnerships. Created in 1999, the media, now also available in the online version, has been gaining more readers.
- In 2011, there were no reported cases of non-compliance with regulations and voluntary codes concerning marketing communications, and no cases of substantiated complaints regarding breaches of customer privacy and losses of customer data;
- In 2011, we formalized a Marketing Policy in order to ensure alignment of activities and marketing communication projects of the WEG GROUP, with its mission and its principles regarding the sustainability of a responsible, transparent, ethical and truthful, respecting individuality, diversity and the environment. Minimize the risks in the company's business activities, with respect to industry self-regulatory codes and legislation in order to finally allow the creation of positive values in society, as a contribution to sustainable development.

MARKETING POLICY

1. Meet the demands of the market, seeking to develop products and services in line with social and environmental sustainability and technological trends of the market.
2. Communicate the company's marketing activities in a transparent, ethical and truthful way, respecting the individuality and diversity of people.
3. Act with respect to the environment, encouraging the use of natural resources, considering the life cycle of products and residue discharge.
4. Establish quality relationships with customers, clients, partners and suppliers, seeking gains for all involved parts.
5. Ensure the corporate image, reputation, brand and identity of their products.
6. Diversify its communication and distribution channels, stimulating dialogue and exchange of experience between the company, customer and consumer in the pursuit of the satisfaction of the involved parts.
7. Respect the public spaces when using the tools of its marketing activities on the streets, buildings, parks, etc. Respect the rights of privacy and intimacy of the citizen in relation to communication or marketing promotions.
8. Consolidate its communication and marketing tools based on concrete and reliable data, rejecting any form of coercion and discrimination, placement of information, misleading or abusive advertising communication and, in particular, that incites violence, prejudice, exploits fear and superstition, takes advantage of the lack of judgment and experience of children or other vulnerable groups in conflict, environmental values, or capable of inducing the public to behave in a harmful or dangerous way to their health or safety.
9. Encourage marketing consistent actions, considering the principles of environmental sustainability and economic development, promoting the spread of these internal and external activities.
10. Expand its markets to identify new opportunities for its clients and consumers, respecting the technological principles of each sector.
11. To encourage free and healthy competition, and consider it constant encouragement to innovation and the pursuit of excellence for the benefit of customers and consumers.
12. Ensure security of information exchanged between the company and its partners (customers, investors, employees, general partners), using them solely for commercial purposes and with prior-approval of the parties.

Since its foundation, WEG has always invested a lot in people. A phrase from one of WEG's three founders, Eggon João da Silva, sums up the philosophy that today is part of everyday business: "If there are no machines, you can buy them; if there is no money, you borrow it; but you cannot buy or borrow men, and men motivated by an idea are the foundation of success."

In its business, WEG considers people as a fundamental part of its success and therefore tries to develop a harmonious, ethics and respectful environment for human beings. This is possible by means of actions, programs and policies that encourage and provide conditions for expansion of skills and personal and professional growth of employees, in addition to valuing and caring for the people's health and safety. Moreover, this promotion of safety and health and human development are part of WEG's history and are aligned with the company's business on the path of sustainability.

The management of climate and communication are also considered strategic to achieve the objectives, promoting transparency, dialogue and building a healthy and positive environment to work.

CLIMATE MANAGEMENT

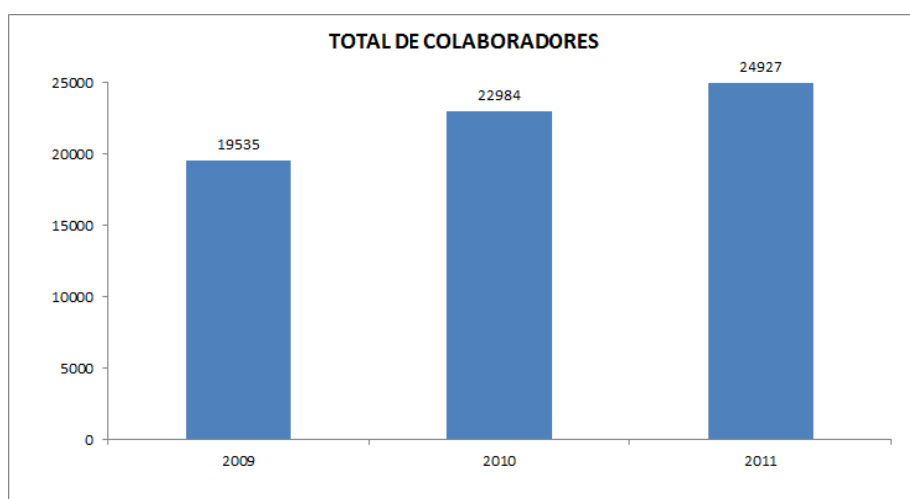
WEG's Organizational Climate Management process aims to contribute to improve the working environment within the general scope of the company, through the diagnosis and measurement of the employees' satisfaction.

It is a cyclical and continuous process that uses some tools to measure employee's satisfaction, and thereafter act in question, such as: internal climate survey, specific research, journal research, diagnostic and development of work to improve the climate of the team and dismissal questionnaire of employees.

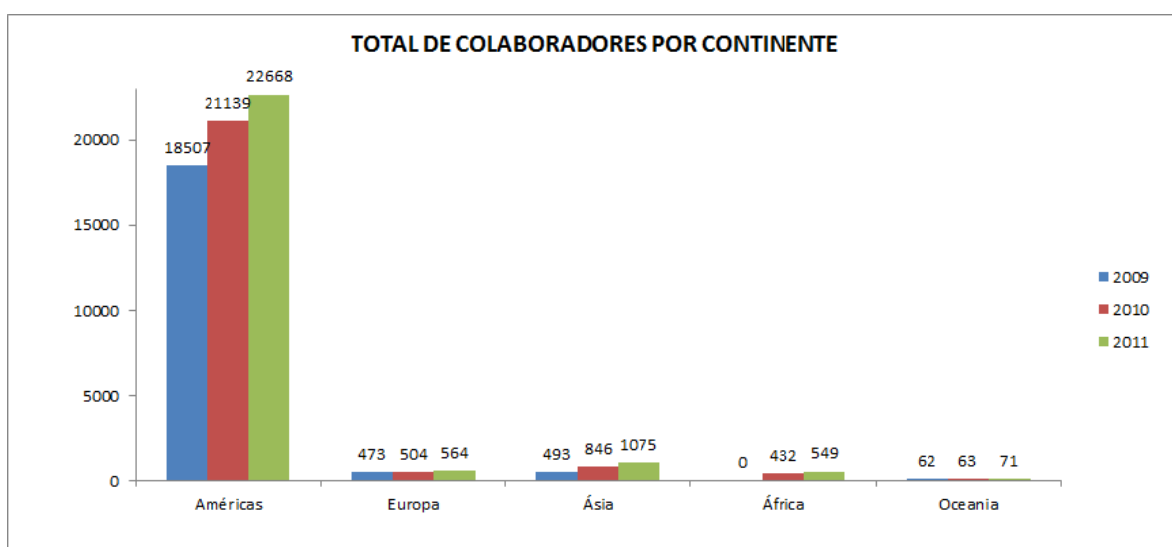
HIGHLIGHTS IN 2011:

- Seminar on Management Practices: provided the sharing, dissemination and exchange of experience among managers. Three workshops were conducted and seven cases were presented with participation of 351 managers;
- Diagnosis, development, monitoring and redirection of climate management plans, made from departmental requests. There were an average of 31 works in the units of Santa Catarina;
- Dismissal questionnaires of employees were analyzed with the aim of developing improvements identified on the comments of the forms;
- Management and organization of research procedures in magazines and awards such as: Best in Leadership (Época Negócios Magazine); Human Being Award ABRH SC; 100 Best Companies to Work (Época Magazine) and Generation Y (EDM LOGOS);
- Endomarketing groups were featured in all WEG units in Brazil, contributing in planning corporate events and motivational actions seeking the satisfaction of employees. Achievement of 8 corporate events;

- Flexible hours for salaried employees of Jaragua do Sul, Guaramirim, Blumenau and Itajai units.



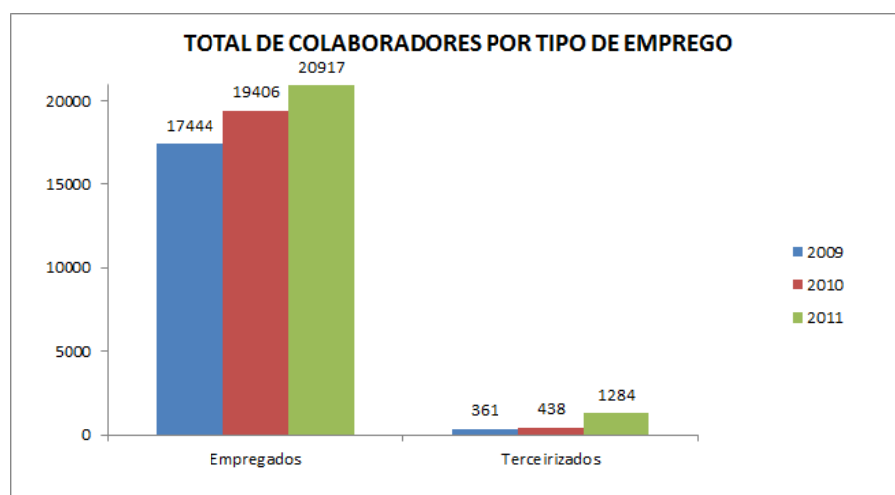
* Watt Drive and Electric Machinery not included



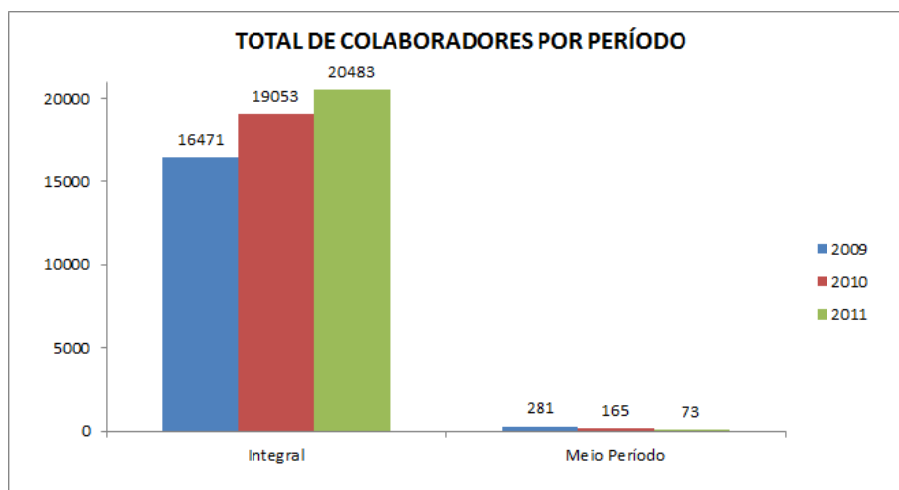
* Watt Drive and Electric Machinery not included

COLABORADORES POR CONTINENTE				
CONTINENTE	PAÍSES	TOTAL DE COLABORADORES		
		2009	2010	2011
Américas	Brasil	17444	19406	20917
	Argentina	169	220	261
	México	628	1224	1167
	EUA	202	221	250
	Demais países	64	68	73
	Subtotal	18507	21139	22668
Europa	Portugal	243	262	294
	Demais países	230	242	270
	Subtotal	473	504	564
Ásia	China	447	622	622
	Índia	31	211	441
	Demais países	15	13	12
	Subtotal	493	846	1075
África	África do Sul	-	432	549
	Demais países	-	-	-
	Subtotal	0	432	549
Oceania	Austrália	62	63	71
	Demais países	-	-	-
	Subtotal	62	63	71
TOTAL DE COLABORADORES GRUPO WEG		19535	22984	24927

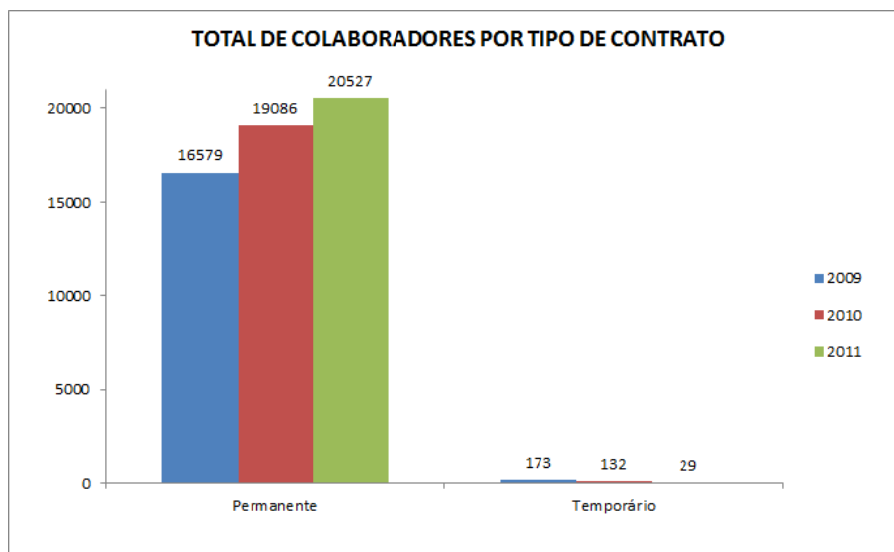
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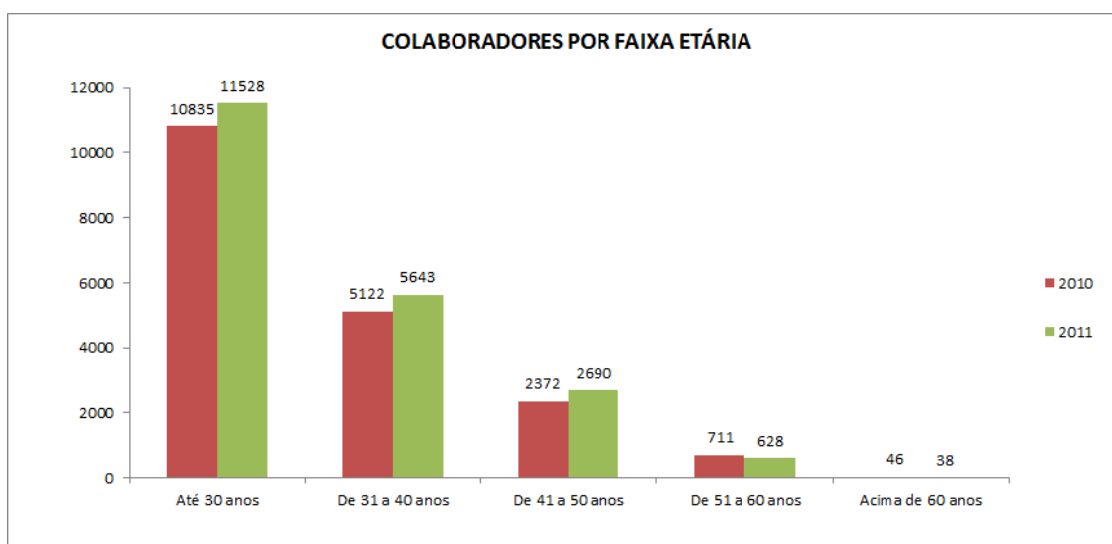
*Refers to Brazilian units



* Refers to Brazilian units, excluding Controlled units and outsourced employees



* Refers to Brazilian units, excluding Controlled units and outsourced employees



* Refers to Brazilian units, excluding Controlled units and temporary and outsourced employees

RECRUITMENT AND SELECTION

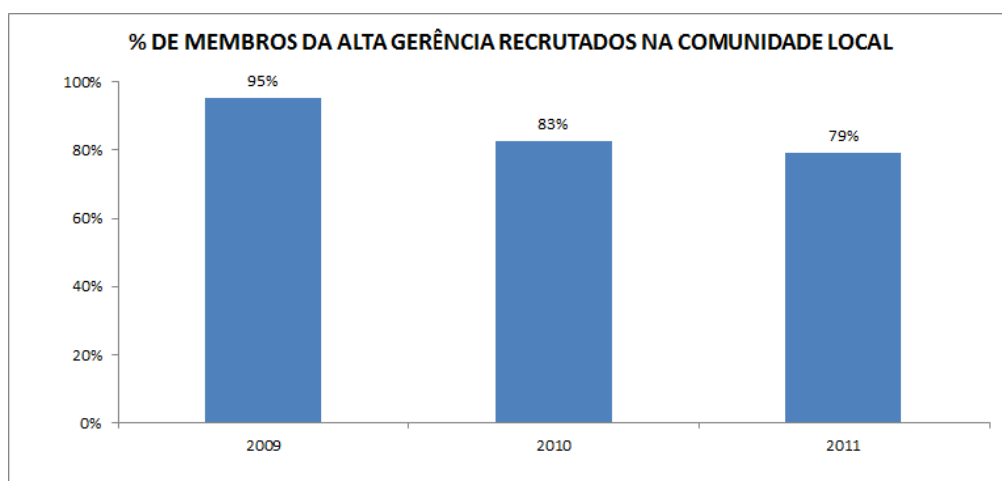
WEG Recruitment aims to meet the needs of hiring staff, identifying qualified candidates and assisting managers in the choice of professionals who identify with the culture of the organization and that possess the potential/skills to meet the requirements of the function. The selection processes are conducted in the cities where each unit is located, trying to value the professionals and local culture.

The company emphasizes the practice of **Internal Recruitment**, which aims to promote opportunities for employees, by identifying the internal potentials and their replacement for better use, enabling retention of talent and encouraging professional development and

career development. To participate in the Internal Recruitment, the employee must work at least two years in the company and have approval from its boss to sign up.

Recruitment selection process works prioritizing the candidate of the local community, which enables the insertion of young people without experience in learning programs, training and qualification, respecting the diversity.

The following chart shows the evolution of the percentage of senior management members hired from the local community, i.e., refers to members of the Board who grew up professionally in the company, referencing the best practice prioritization of internal promotions.



* Refers to Brazilian, except controlled units

WEG keeps a benefit package to its employees:

BENEFÍCIO	DESCRIÇÃO DO BENEFÍCIO	INVESTIMENTOS REALIZADOS PELA EMPRESA		
		2009	2010	2011
Assistência Médica	Oferecido aos colaboradores e dependentes. A Empresa contribui com um percentual dos valores para os colaboradores e seus dependentes	13.692.581	15.884.254	16.256.184
Programa de vacinação anti gripe	Oferecido a todos os colaboradores das unidades Brasil. A empresa assume o valor integral	39.212	132.053	136.978
Plano Odontológico	Oferecido aos colaboradores e dependentes. A mensalidade é gratuita aos colaboradores.	1.079.428	1.033.466	1.541.053
Plano de Previdência	A empresa possui um plano de benefício de natureza previdenciária, estruturado na modalidade de Contribuição Variável (CV). O passivo do Plano é integralmente coberto pelas reservas constituídas e suportados pelos ativos do Plano, conforme Demonstrativo Atuarial (DA), emitido em 31/12/2011 pelo atuário independente responsável pelo Plano. As contribuições das patrocinadoras, estão definidas no plano de custeio e representam 2,98% da folha total de salários. Os participantes contribuem com um percentual livremente escolhido, sobre o salário base, respeitado o mínimo de 1%. O Plano conta atualmente com 99% de adesão, sendo que 92% dos participantes são contribuintes.	13.835.557	15.526.244	17.611.533
Educação e Treinamento	Bolsas de estudo fornecidas aos colaboradores para continuarem seus estudos em cursos de idiomas, técnicos, superiores e pós-graduação. Oferecidos inclusive treinamentos realizados na própria empresa.	5.803.863	7.570.244	7.285.690
Alimentação	Oferecido aos colaboradores e produzido e servido internamente em refeitórios. O colaborador contribui em média com 20% do valor da refeição	21.875.608	19.987.511	22.502.610
Participação no Resultado	Oferecido aos colaboradores das unidades Brasil e exterior. É realizada a distribuição de até 12,5% do lucro líquido do grupo WEG (Balanço Consolidado), se atingido o lucro equivalente a 10% do valor do patrimônio líquido existente em 31/12 do ano anterior. A distribuição ocorre seguindo critérios de atingimento de metas do grupo WEG, unidades de negócio, departamentais e avaliação de desempenho do colaborador	80.938.451	89.072.532	99.483.203
Programa de Educação Infantil	A WEG mantém convênios com Centro de Educação Infantil - CEI públicas e particulares para atender filhos de colaboradores com idade de 0 a 5 anos completos. O diferencial do programa encontra-se na não distinção entre colaboradores homens ou mulheres para ter o direito a benefício.	1.224.856	1.392.997	1.578.717
Seguro de vida	Oferecido aos colaboradores das unidades Brasil. Neste benefício 62,22% do valor é custeado pela empresa e os demais 37,78% pelo colaborador	1.111.316	1.219.104	1.376.025
Outros Benefícios	Oferecido aos colaboradores das unidades Brasil, benefícios com vale-transporte, uniformes, ginástica laboral e associação recreativa.	8.613.295	8.977.468	9.504.064
TOTAL		148.214.168	160.795.872	177.276.056

Valores em R\$

CORPORATE COMMUNICATION

The Corporate Communication is responsible for disseminating information from the WEG Group in a strategic and integrated way to each group of its workforce. The main internal printed means of communication are the bulletins fixed on the murals of the Departments, the Journal of the Employee on a monthly basis, the Bulletin Board in the cafeterias and the Employee Handbook.

In the electronic media, we provide the IntraWEG (intranet portal with comprehensive information and services), kiosks (totems with intranet access, located in industrial areas) and videos produced during the year. The face-to-face communication is facilitated with the agenda for monthly meetings, sent to all the leaders of the company.

In 2011, 1,665 actions of internal communication were performed, as follows:

- 7 plans in change management;
- 6 satisfaction researches on campaigns;
- 275 releases to managers;
- 716 bulletins;
- 362 news in intraweg;
- 7 international corporate news;
- 13 bulletin boards;
- 8 editions of the Employee Journal (105,140 copies);
- 610,649 accesses to intraweg.

CODE OF ETHICS

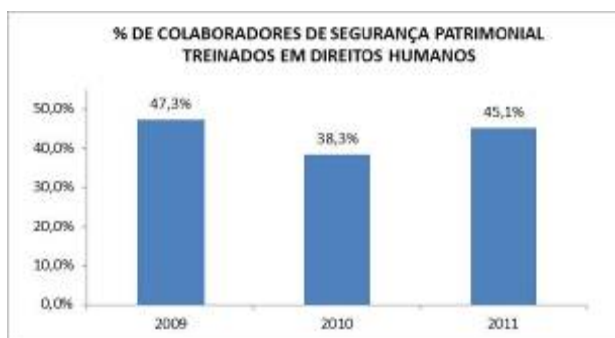
Sustainability, citizenship, ethics and respect among the people. These practices are encouraged and normalized by two important fronts: the Code of Ethics and WEG's Social Responsibility Policy. Both are aligned with the UN human rights and the International Standard SA 8000 (Social Accountability International) and are widespread in the WEG units.

The Code of Ethics was established in the company in 2007. On the occasion of the launch, wide dissemination and explanation of each topic to all employees, including the Senior Management and the Board of Directors. The principles of the Code remain alive through disclosure contained in the internal means of communication. This code is transferred to new employees during the integration period.

WEG's Social Responsibility policy strengthened in 2010, the company's commitment to human rights, through the following topics:

- ⇒ Guarantee of commitment to society through law enforcement;
- ⇒ Guarantee the eradication of child labor and forced labor;
- ⇒ Hiring young people over 18 years, except in the character of apprentice;
- ⇒ Encouraging the development of employees,
- ⇒ Respect for diversity and multiculturalism;
- ⇒ Repulsion of practices of moral and sexual harassment in working relationships;
- ⇒ Respect for the right of employees to join unions,
- ⇒ Support the communities with which it interacts directly.

These concepts are applied in practice through various actions. One of them is the training on human rights to all employees with vigilant jobs, when they join the company. To keep them up to date, we make a refresher on the theme every two years.



Notes:

- 1) 100% of the employees of the assets security go through a training on human rights when they join the company and through a refresher training on the theme every two years;
- 2) It is the practice of the company the training of its employees on human rights at departmental meetings, lectures and bulletins. The newly admitted employees go through specific training on the theme through the presentation of the Code of Ethics.

TRAINING AND HUMAN DEVELOPMENT

The personal and professional development of the employees has its point of main support in education. These are programs that involve people from young apprentices to the retired employees, going through a structure of free internal courses. This characteristic has established a learning culture that goes to all areas and allows the employees to make the most of the opportunities. The education also extends to the community the opportunity to start a career as an apprentice or a trainee.



CENTROWEG: WEG Training Center (CTW) is a vocational school, located in Jaragua do Sul, SC. Its main objective is the development of skills of the apprentice, qualifying him for the full practice of work in activities that require specific technical training. Founded on April 23, 1968, the CTW had originally intended to meet shortage of professional mechanics. Over the years, expanded training opportunities, and currently offers training courses for minors in the following areas:

- Course with one year duration: Machining and Electromechanical Assembly of machines;
- Course with two years duration: Chemistry, Electronics, Power Engineering, Maintenance Mechanics and Tooling.

Besides the formation of minors, acts in the education of adults in three courses with a duration of one year each: General mechanics, General electricity and Mechanical design of electrical machines. Intended for WEG's employees, this training aims to provide improvement or acquisition of a profession, which has facilitated access to these employees for promotions or contributed to a better performance of their functions.

The CentroWEG has an infrastructure consisting of 16 instructors. It also has a structure of 2,550 square meters of built area, divided into 20 laboratories for practical activities and seven classrooms.

Training Program: The Training Program aims to provide an opportunity for complementary education to students, according to Law 11,788 of 9/25/2008, and also the application of knowledge acquired in the Education Institution through practical work of real usefulness to the company.

Professional Qualification of Production Operators (QPOP): The objective is to provide opportunity of technical professional development to employees of the production areas and the local community, increasing the level of technical knowledge to those who work in activities that directly affect product quality, contributing to improved quality and productivity.

It is structured with 78% of theory (33% theoretical basis and 45% exercise) and 22% of laboratory practice.

School Aid: Scholarships that WEG pays to employees to continue their language, technical, higher and postgraduate level studies.

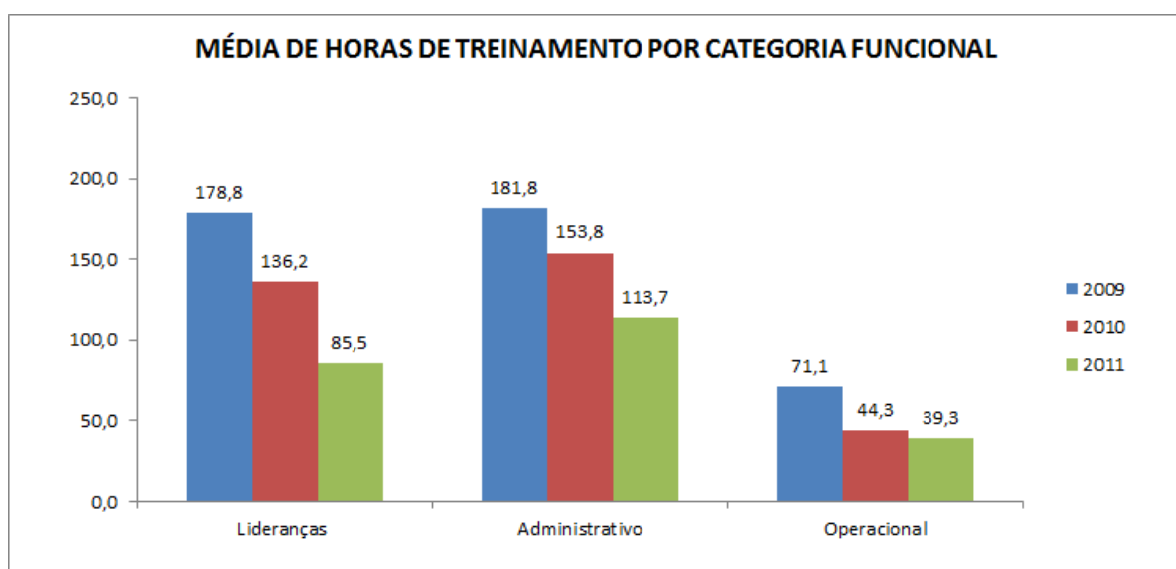
External open courses: Courses conducted with participants from different places and businesses, usually outside WEG's premises and with an instructor or external company.

Closed external courses or in-company: Courses conducted only with participants from WEG, usually at the premises and with an instructor or external company.

Internal Courses: Courses conducted only with participants and instructors from WEG, usually at the premises.

Professional Skills for Engineers and Technologists (QPET): The program aims to create opportunities of knowledge aimed at engineers and technologists working in the technical, commercial and industrial areas, widening the technical expertise toward the reality of work, equalize the information on rotating electric machines and energy efficiency and create a different internal and external customer service.

Leadership Training: The program aims to provide to participants constant self-improvement, development and improvement of qualities or administrative and behavioral skills, to improve the performance of their duties in the position of section supervisor effectively and safely.



Note: In 2009 and 2010, we had a significant increase in average hours of training due to the reduced activity in some industrial units of the group. Thus, we took advantage of the fall in production to train and develop employees.

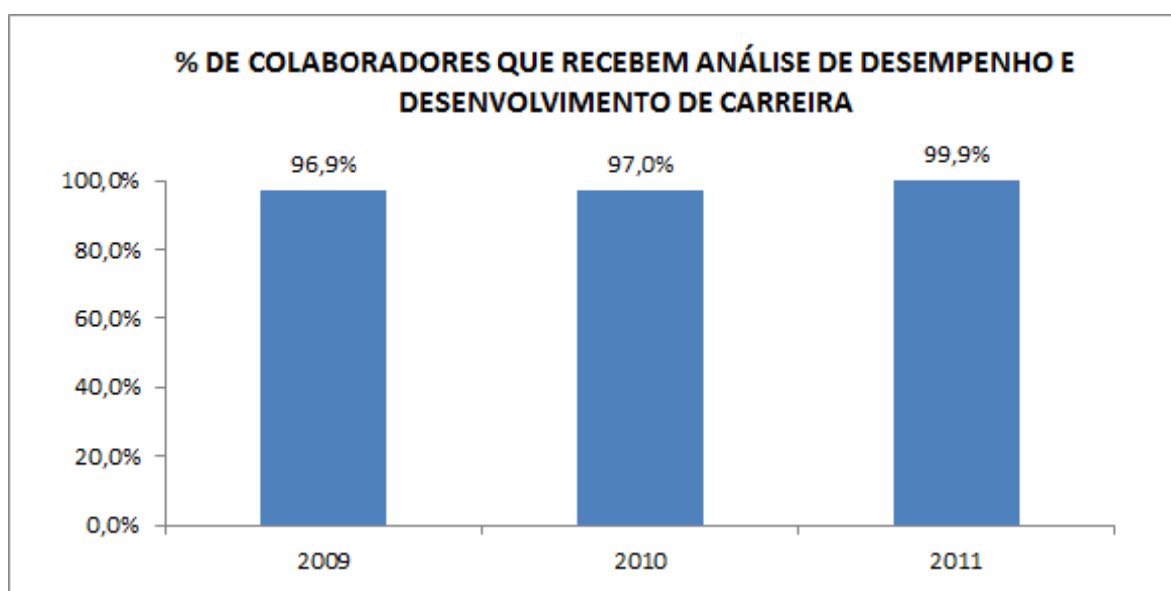
Management Development: Aims to develop skills that drive the company to sustained growth in the global market. In a systemic process that includes transparency and clarity on the company's expectations regarding the performance of the executive body, we encourage

the philosophy of self-development and opening to systematic learning through a development planning in the medium and long term.

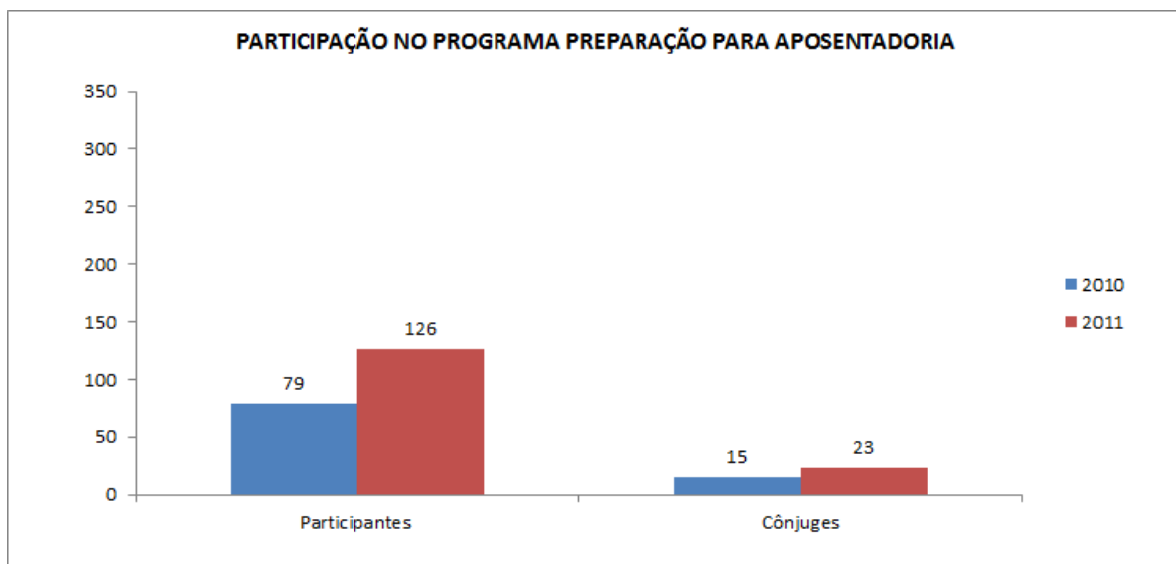
Evaluation of the Potential: It consists on the identification of potential, considering administrative, interpersonal and intrapersonal characteristics, in order to stimulate the training and development and assist the company in making strategic decisions in case of promotions or transfers.

Performance evaluation and skills: It is directed to all company employees, which are evaluated once a year on their birthday in the company, by their immediate supervisor, in 10 factors: knowledge, quality, productivity, occupational safety, discipline, attendance and punctuality, initiative, interpersonal relationships, teamwork and communication.

Assessment of Managerial Skills: It is directed to the managers of the company and there are seven factors: customer focus, pro-activity, management of invested capital, people management, knowledge management, group synergy and multiculturalism. Managers are evaluated every two years by the immediate supervisor with the assistance of pairs and internal clients in the competences of Group Synergy and Customer Focus and by subordinates in the competence of People Management. This assessment bases the self-development plan of the managers, revised every evaluation process.

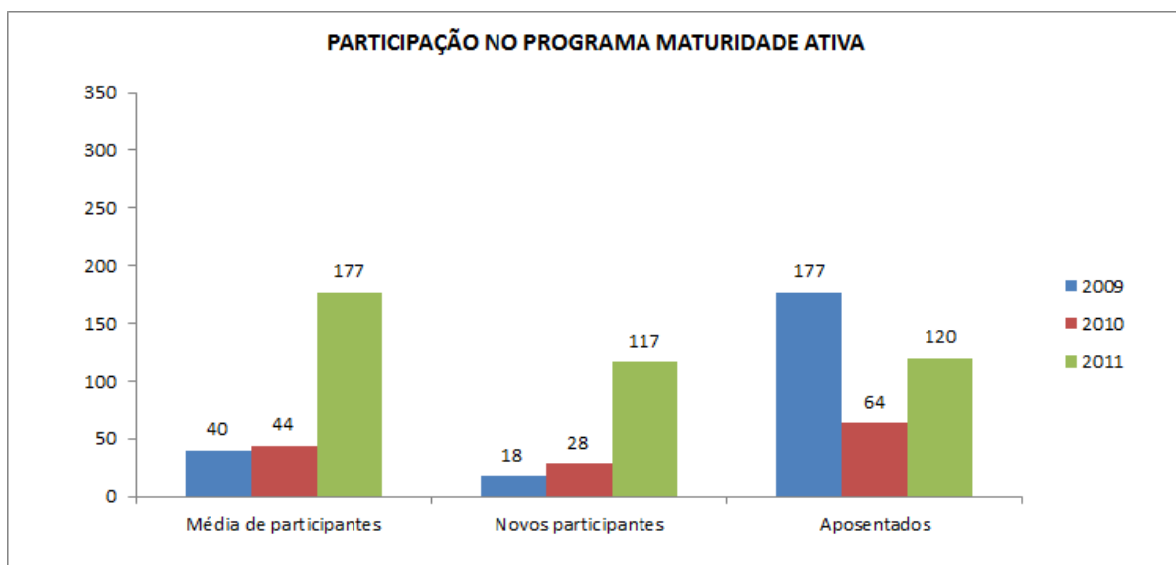


Program for Retirement Preparation: It aims to prepare the employee for the retirement process. It is aimed at men over 55 and women over 50, also inviting their spouses to participate. The program, held in Jaragua do Sul and Guaramirim, consists of six meetings to discuss the issues life cycle, health, nutrition, financial planning, social security and private social security (INSS and WSS) and project of post-retirement life.



Program Active Maturity: Aims to minimize the impacts generated by the dismissal process of employees who are already retired and remain in the organization. The employee is invited to take part in the program a year before dismissal. The adherence is optional.

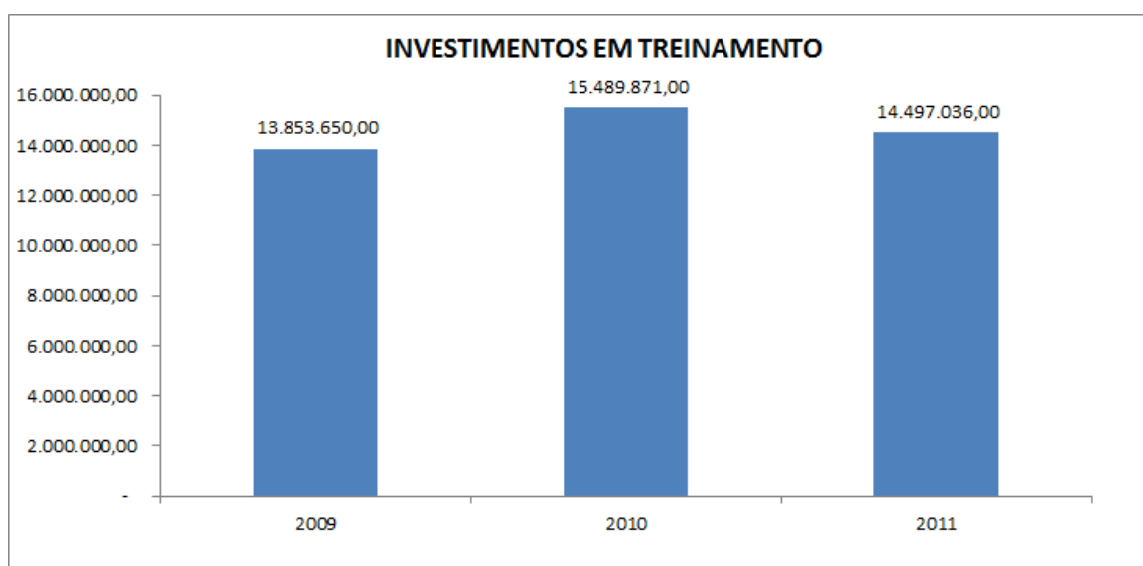
The Program Active Maturity has as methodology monthly meetings where the matters discussed and actions taken are defined by the participants themselves. The objective is to exercise autonomy and a new way of experiencing the post-WEG everyday - paid or unpaid - and identifying their own potential.



HIGHLIGHTS IN 2011:

- Change of the class schedule, workload and inclusion of new courses for Leadership Training;
- Change of the School Aid policy, defining the scholarships according to the need of training employees in the departments;
- Intensification of distance education, with more courses in the catalog of internal courses;
- Intensification of distance English courses with more vacancies so that employees can study by means of this practice;
- Performance assessment and powers of directors;
- Intensification on development of managers through *Coaching*;
- Implementation of the program Apprentice Qualification in QPOP - Professional Qualification for Production Operators;
- Implementation of the program QPET - Vocational Training for Engineers and Technologists;
- Intensification of the partnership/agreement with SENAI in the CentroWEG training – WEG Training Center.
- The Program for Retirement Preparation was extended to the unity of Blumenau.

TRAINING INVESTMENTS



HEALTH AND SAFETY

WEG establishes a policy of valuing human life in developing its activities, products and services in the matters related to safety and health, working corporately and in the units. Promotes awareness and spreads the culture of prevention by means of campaigns and internal training that deal with different topics related to health and safety.

WEG has a section of Safety and Work Medicine - SESMT corporate with support to external unities, by the professional of the support area or those with specific techniques for diagnosing the current condition of the unit and training sessions for the crane operation, forklift operators, among others.

The medical care services are present in all units to promptly care for the employees and their dependents. The services provided in the medical care services include the activities of benefits (health and dental insurance), nursing and medical care.

A diverse team consisting of: technical professionals, engineers, doctors, nurses, nursing assistants, speech therapists, physical therapists and physical educators, clinicians, occupational physicians, occupational nurses, ergonomists and administrative assistants, ensures the smooth progress of projects.

EMPLOYEE PARTICIPATION IN COMMISSIONS

The commissions consist of members of the Board (Committee) and Managers and Supervisors (Commissions). The meetings occur monthly and topics are targeted for evaluation in accordance with the precepts established by the commissions, focusing on tasks, activities, development of the members and decision making process.

- **Deliberative Committee of Ergonomics**

Committee comprised of Board members, aiming to carry out periodic review of the process and result indicators of WEG's Program of Ergonomics and Safety and ensure that issues relating to health and safety are considered an integral part of business management of WEG group. It has corporate representation, covering 100% of WEG's employees.

- **Health and Safety Commission - HSC**

Commission comprised of representatives of the Motors, Energy, Automation, Transmission & Distribution, Paints and Corporate segments. The objective of this group is to analyze new structures, procedures and investments on Safety and Health, to improve the workplace conditions. Covers the units of WEG Brazil, reaching 83.9% of the employees of the WEG Group.

- **Internal Commission for the Prevention of Accidents - CIPA**

In accordance with requirements of the Brazilian Norm (NR 5), CIPA operates in the development of improvements to the irregularities identified in monthly inspections and promotes, in conjunction with the Specialized Service in Safety and Health (SESMT), the Internal Week of prevention of Labor Accidents (SIPAT).



PREVENTION, SAFETY AND HEALTH - PSH

The work program focuses on targeted inspections, preceded by technical training on a specific topic and behavioral surveys. The groups are formed by 3 to 5 members. The action is limited to business units located in Jaragua do Sul and Blumenau, covering 68.7% of the employees of the Group. 570 employees are directly involved.

EMERGENCY TEAMS - BRIGADE

Emergency Teams are made up of volunteer employees, trained to act in evil situations such as fires, serious accidents, chemical leaking, floods, and other emergency situations. Teams are formed by departments from 9 to 11 members. Covers the units of WEG Brazil, reaching 83.9% of the employees of the WEG Group. 441 employees are directly involved.



LABOR GYMNASTICS

The Labor Gymnastics aims to improve the quality of life, encourage physical activity and integration of employees, prevention of stress and occupational illness. The program covers all units of the WEG Group and currently 85% of employees of Jaragua do Sul, Guaramirim and the Forestry Business Unit participate of the labor gymnastics at the workplace.

WEG HEARING CONSERVATION PROGRAM - PWCA



Standardize measures to promote, maintain and prevent the hearing health of the employee at risk of occupational noise. These are the objectives of the PWCA, program based on education, assessment of risk areas, engineering/administrative measures, personal protection and audiometric monitoring. To implement the program it is established an action level from 80 dB (A). Individual guidelines on the use of hearing protectors are conducted, extra occupational exhibitions and other issues related to hearing health held with employees during periodic audiometric testing and refresher lectures on hearing health, hygiene and proper use of hearing protection are held annually in locations

where the program is being restored.

WEG ERGONOMICS PROGRAM (PWE)

The PWE aims to train and empower employees so that they can develop new processes, jobs, machinery, equipment and devices – according to ergonomic criteria - and identify and correct the ergonomic inadequacies at work environments. In 2011, there was a reduction of 35% of complaints by ergonomic reasons, compared to the previous year, and absenteeism by ergonomic reasons reduced 64%.



LIVING WELL PROGRAM

The program aims to prevent, delay or alleviate chronic diseases (diabetes, hypertension and obesity) improving the employees' quality of life. The action takes place through mentoring as a means of prevention and care for employees with diabetes, hypertension and obesity. The program includes the units of Jaragua do Sul and Guaramirim. The average number of employees served by the multidisciplinary team is 120 per month.

GAAT – SMOKER SUPPORT GROUP



The GAAT aims to provide treatment to smoker employees who want to quit smoking through group work. It consists of meetings that work with specific guidelines and practices that assist in overcoming addiction, based on guidance from the Ministry of Health and National Cancer Institute (INCA).

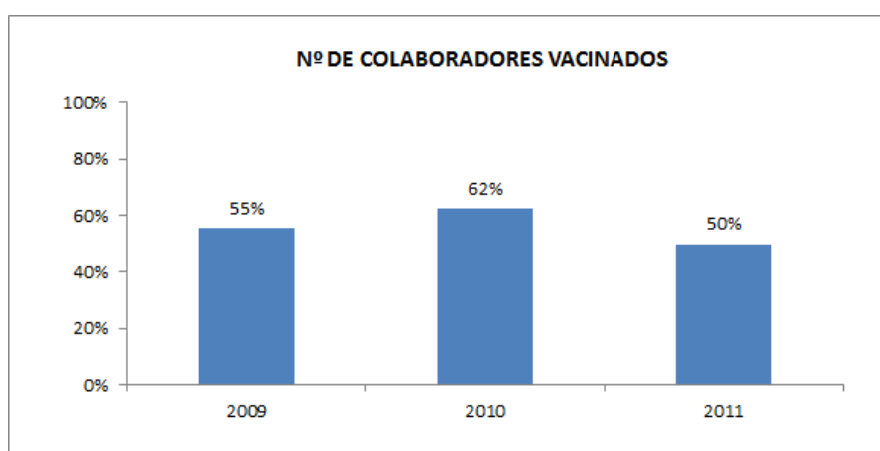
In 2011, GAAT counted on the participation of 35 employees, and 47% (16) of them stopped smoking.

PSYCHOLOGICAL AND SOCIAL ASSISTANCE

The psychological and social assistance consist in making interventions through individual care, home visits, group work and referral to the resources of the public power and the community. Professionals work in the treatment of diseases and psychological disorders, helping to change behaviors that interfere the welfare of employees. In 2011, 5,068 calls were made, covering 2,363 employees.

VACCINATION PROGRAM AGAINST INFLUENZA

With the aim of prevention and immunization of employees against influenza and its possible consequences, once a year the flu vaccine is available for free. The program covers all the units in Brazil, including the subsidiaries. In recent years, the adhesion was:



AWAY FROM WORK PROGRAM

It aims to track and monitor employees away from work for more than 15 days. The program consists of a multidisciplinary team (physician, nurse, psychologist and social worker). The program is implemented in the units of Jaragua do Sul and Guaramirim and in other units, the multidisciplinary team provides support. In 2011, 543 pre-existing cases and 116 new cases were seen by the Program.

HEALTH CAMPAIGNS

Annually, WEG holds prevention campaigns at the premises in order to raise awareness among employees, covering topics such as:

- ⇒ Campaign to fight cancer
- ⇒ Campaign STD/AIDS
- ⇒ Campaigns against smoking

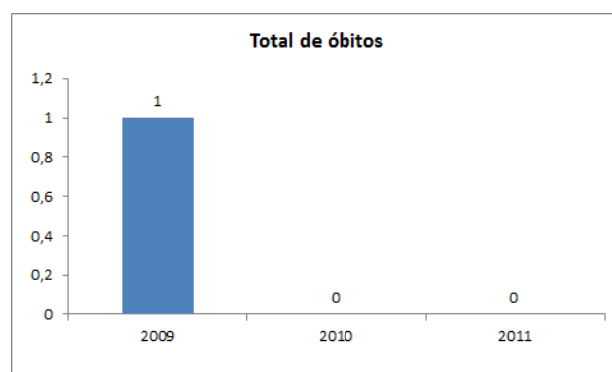
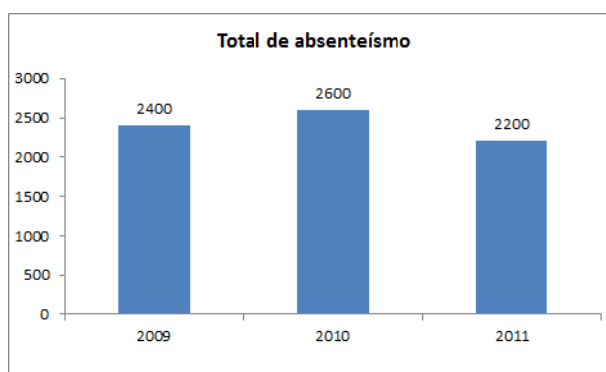
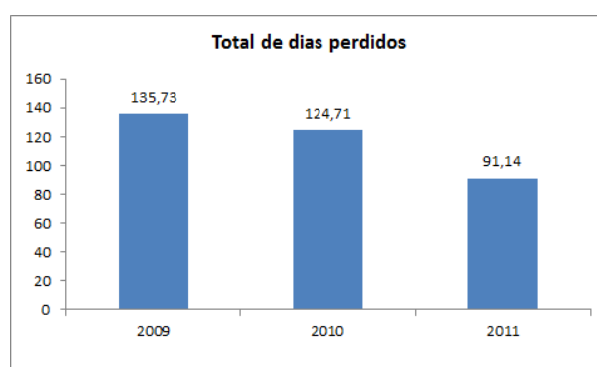


In addition, WEG has formal agreements with local unions to ensure the health and safety of the employee: CIPA - Use of PPE's - Notice of Injury - Hygienic Needs - Duty Ambulatory - Doctor's and dental statement - Medical Examination - Certificate of Occupational Health - Pharmacy - Measures for the Prevention of Accidents.

HIGHLIGHTS IN 2011:

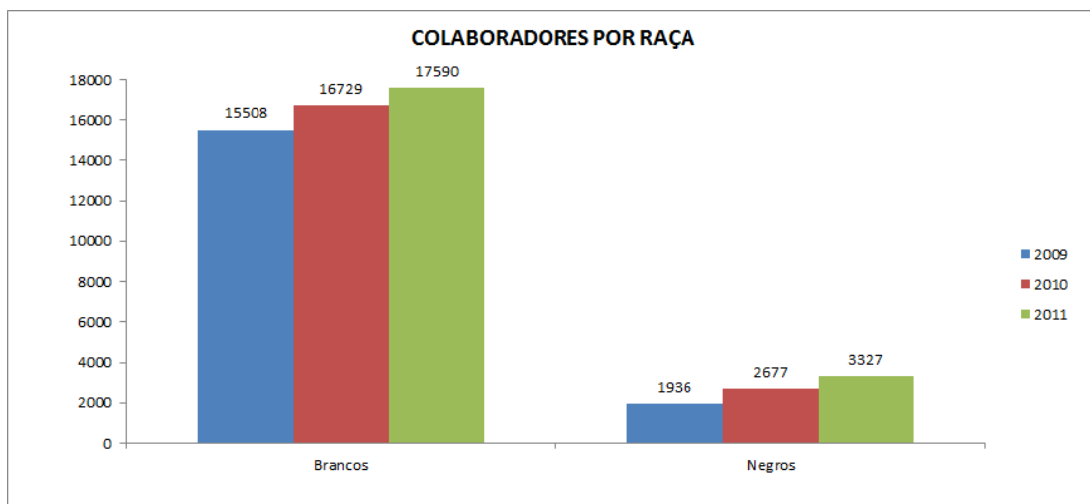
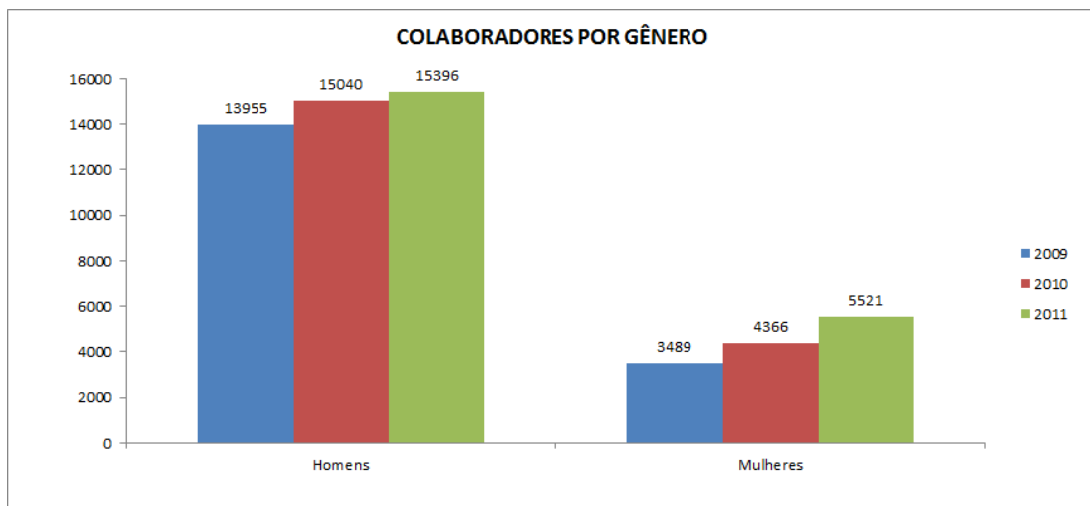
- Implementation of new training methodology for Newly Admitted, with a focus on risk perception.
- Implementation of minimum criteria for performance in the reform of machinery and equipment, as new text of Norm No. 12 of the Ministry of Labor and Employment.
- Creation of a study group to implement the requirements of the new Norm 12 - Ministry of Labor.
- Creation of a coordination for the Prevention Safety and Health - PSS.
- New process for service employees, prioritizing emergency care;
- Hiring more doctors, allowing the increase of 19% in vacancies in the medical agenda;
- 79,040 medical visits were performed in the medical care services in the Brazilian WEG units.

INDICATORS:



DIVERSITY

WEG bets on the **diversity** strength and tries to build an environment of respect between people. This occurs through the actions of health and safety assessment in the adaptation of the workplace for women and as a result of growth in the workforce and immigration to the north region of Santa Catarina, where the company head office is located.



PROGRAM FOR PEOPLE WITH DISABILITIES (PPCD)

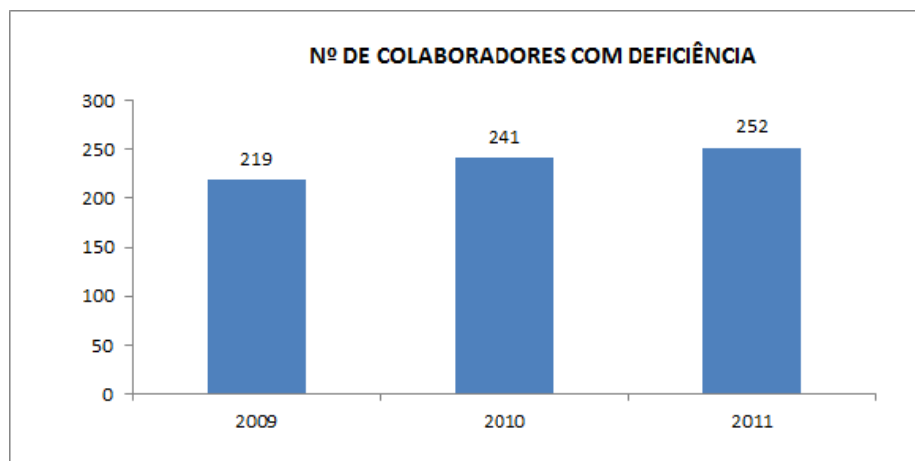


Valuing diversity is part of WEG's policy. One of the actions to meet this policy is the Inclusion Program for People with Disabilities. Including is not just admitting the person, but integrating him/her into the workplace, helping him/her to awaken his/her potential.

With this thought, WEG has maintained the PPcD since 2005, through a multidisciplinary team. This team has developed several initiatives to meet the objectives of inclusion as:

admission process, carrying out adaptations in space and on the job for accessibility, hiring an interpreter of LIBRAS, monitoring employees with disabilities, advising managers, internal public awareness and training of community people with disabilities.

Based on Article 93º of the Law No. 8.213/91 we still do not serve the minimum number of employees with disabilities. The program is implemented in the units of Jaragua do Sul and Guarimirim. In the other units, the multidisciplinary team provides support for the local application of the guidelines for inclusion of professionals with disabilities.



HIGHLIGHTS IN 2011:

- Creation of seal identification of employees who took the LIBRAS course;
- Creation of an identification coat for employees with disabilities as a security measure.

SUPPLIERS

WEG has a strong partnership relationship with its suppliers and service providers and this commitment is clearly evident in its Code of Ethics:

"We consider our suppliers and service providers as business partners for the pursuit of sustainable development, treating them equally, free from undue favoritism and respecting the principles of free competition."

Sustainable development is expressed in the relationship with their suppliers and service providers and the formal commitment established in the respective supply agreements and contracts for services, preserving:

- Quality assurance of the products;
- Assistance to the RoHS Directive, which prohibits or restricts the use of certain chemicals present in raw materials and components, or used in manufacturing processes of electrical and electronic equipment;
- The compliance with the standards established by environmental legislation;
- Compliance to not using child, forced or compulsory labor in its supply chain;
- Compliance with labor and tax obligations in accordance with the laws in force;
- The commitment to developing internal policies for valuing diversity and combating discriminatory practices, standards and compliance with international labor conventions;
- The commitment to extending these requirements to its key business partners, encouraging the alignment of these policies;
- The commitment to developing local and/or regional suppliers and the hiring of small and/or medium-sized suppliers in their supply chain.

This formal commitment ensures the practice that all who are part of the supply chain are aligned with the sustainable development of their business and society where the companies are located.

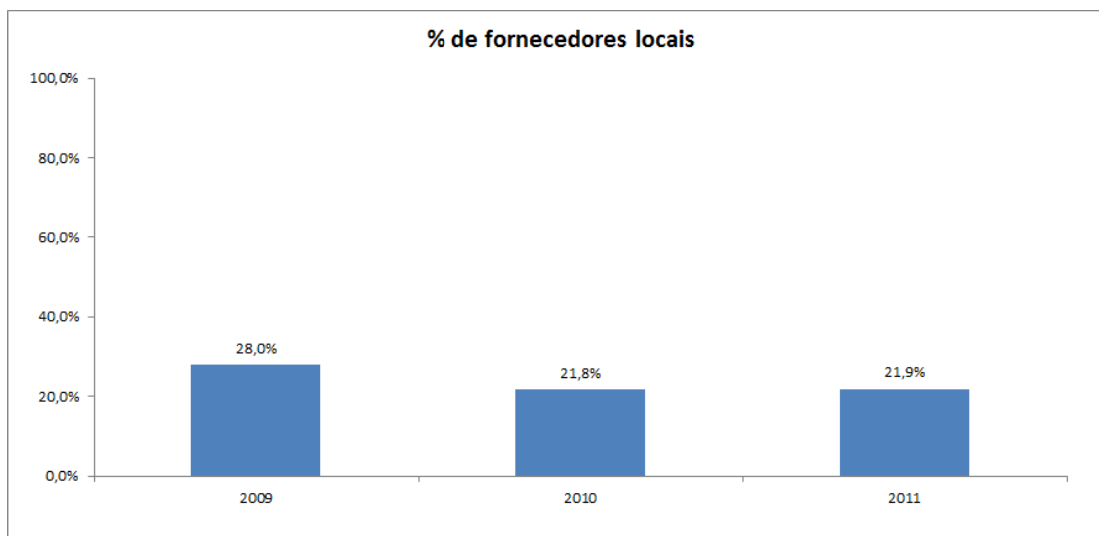
As business partners, WEG's suppliers are encouraged to grow together with the company. For this purpose, the following practices are highlighted:

- a) Valuation of Local Supplier:** Since its founding, WEG has tried to be self-sufficient in its manufacturing processes and the inputs used in its products. This was a feature of its founders, to produce internally everything which there was no availability in the market in order to gain in efficiency, productivity or reduce costs. The procurement processes and supply of the plants were difficult due to the geographic location of suppliers, which were very distant, due to poor roads and transportation, as well as deficiencies in the media of the time. This model of performance, commonly called "piggybacking" was widely used until the late 1990. From this year, at the guidance of the Director of the Company, WEG has started to focus efforts on what was its essence, produce stamped blades for stators and rotors, cast components, machined, injected, extruded, or with high added value that depended on high technology or complex tooling to produce them. It started, then a process of identifying products and services that would no longer be produced domestically but "outsourced". Among the assumptions defined for the outsourcing process was to develop local suppliers, primarily located in the state on the business unit. It was a long process that required much effort for the training of suppliers, but it brought (and still brings) excellent results for WEG, as well as for the community where suppliers are located. WEG creates partnerships with these suppliers and they receive the support they need to structure themselves solidly in the market. Other benefits of this

practice:

- Greater proximity to suppliers;
- The community sees WEG as a partner of the other companies in the region;
- Partnership with regional suppliers optimize the trading conditions, delivery time and service to quality requirements of the end customer;
- Encouraging entrepreneurship for the emergence and development of new businesses.

Currently, the percentage of the purchasing volume from local suppliers in the business units in Brazil is an average of 21.9%. The chart below shows the evolution of this percentage over the past years:



Note: It is understood by local suppliers those located in the federal state of the concerned business unit.

About 70% of the purchasing volume of the Brazilian units is of materials and components where there is no strategy of buying from local suppliers, because they are purchased from suppliers worldwide and the purchase volume does not represent economic feasibility for development of local supplier. Among these materials are: steel sheets, steel bars, copper rods, rod aluminum, ingots of pure aluminum and alloys, bearings, among others.

- b) Development of Suppliers:** In order to promote business growth and improve the quality of products supplied, WEG encourages its current suppliers to improve themselves, often providing laboratories, calibrators, devices, tools, presenting manufacturing processes and negotiating for these suppliers the same conditions as related to commercial suppliers common to both.
- c) WEG Quality Assurance Program:** This program certifies, through a careful process of approval, their suppliers, making them jointly responsible for the quality of the final WEG product. The certification is valid for an indefinite period to suppliers who maintain the Performance Index within the minimum standards required. For products provided with Quality Assurance, the incoming inspection is waived. This program aims to:
- Develop reliable suppliers to ensure a uniform quality standard;
 - Strengthen the relationship of trust and mutual assistance between the suppliers and the company;
 - Promote continuous and sustainable development of the supply chain;
 - Increasing the competitiveness, reducing costs for our products and services;
 - Improve service levels to our customers.

For suppliers, this Program promotes the following benefits:

- Ensuring supply continuity and greater participation;
 - Technical support and sharing of resources and development;
 - Preference in the development of new materials and products;
 - Opportunity to use the Certificate of WEG Quality Assurance as a marketing tool.
- d) **Technology exchange:** Following the commitment to partnership, WEG is always open for suppliers to provide new technologies related to components and processes, to evaluate the technical and economic feasibility of implementation by the respective responsible technical areas of the company.
- e) **Product development:** In line with the commitment to partnership, the company has the practice of developing materials and components together with their suppliers for future application in WEG products.
- f) **Development, selection and evaluation of suppliers based on sustainability criteria:** Suppliers respond a self-assessment questionnaire where scores are assigned to the fulfillment of requirements related to quality, health and safety, environment and social responsibility. This questionnaire consists one of the stages of development, selection and evaluation of suppliers.
- g) **Periodic audits:** They aim to periodically assess if the quality system of suppliers is evolving according to WEG's needs, if the suppliers are complying with the specifications set forth in the quality plans, and are respecting the supply agreements.
- h) **Communication:** WEG Online System is implemented in the regional suppliers of the Brazilian business units located in the headquarters city of the company. In this system, suppliers visualize the components of the program and conduct the delivery of these materials directly to the Central Warehouse of the company. For some regional suppliers of these units there is also the use of *Milkrun*, where the components are delivered directly on the assembly lines. With other suppliers of Brazilian business units and abroad, the communication is done via email or phone.
- i) **Relationship with service providers:** Before starting their activities in the business units in Brazil, 100% of service providers go through a period of integration, where WEG policies and general information of the company are presented, besides the realization of training and awareness about aspects of safety and environment in order to ensure that they carry out their activities safely, within the standards. The performance of these service providers is coordinated by the respective areas responsible for the company, as the service provided. The renewal of contracts takes place annually, however, monthly audits are carried out to guarantee the payment of taxes by these companies. There is a multidisciplinary corporate commission responsible for setting selection policies, hiring and evaluation of service providers, as well as evaluation of existing contracts and of indicators of management services.

HIGHLIGHTS IN 2011:

- a) **Global Procurement:** Structuring a corporate area with the main objective of developing national and global suppliers, to improve competitiveness of products supplied by the WEG Group. c) The focus of the work is the development of suppliers for materials and components with the largest representation in the volume of

purchases of the Group. In addition to this objective, this area has the responsibility to:

- Assist in the standardization of purchasing procedures and materials and purchased components, in order to reduce costs;
- Monitor the indicators of the acquisition areas of units abroad so that they reach a performance similar to Brazilian units;
- Use the same Sustainability guidelines followed by WEG Brazil, respecting the social, labor and local tax laws in each country, the environment, aspects of human rights and free competition.

b) 1st Meeting of Sustainable Growth WEG - Supplier Development: Held in Jaragua do Sul - SC, headquarters city, attended by 42 regional vendors. The purpose of this 1st meeting was to engage suppliers in the Sustainability theme, presenting WEG's concepts and sustainable practices, and examples of quality tools aimed at solving problems, heavily used in production processes.

THE SURROUNDING COMMUNITY

The community in which the company operates provides the infrastructure and social capital represented by its employees and partners, contributing significantly to the viability of their business. Respect for local manners and cultures and commitment to education and dissemination of social values are part of a policy of community involvement of the company, the result of understanding your role as an agent of social improvement.

Social investment for WEG is to maintain good relationship with the community, becoming co-responsible for local development and contributing to the reduction of inequalities and giving the opportunity to access. The scope of activities of WEG's social investments are the locations of the Brazilian units and, considering the impact on the region of Jaraguá do Sul / SC, headquarters, also serve the surrounding cities.

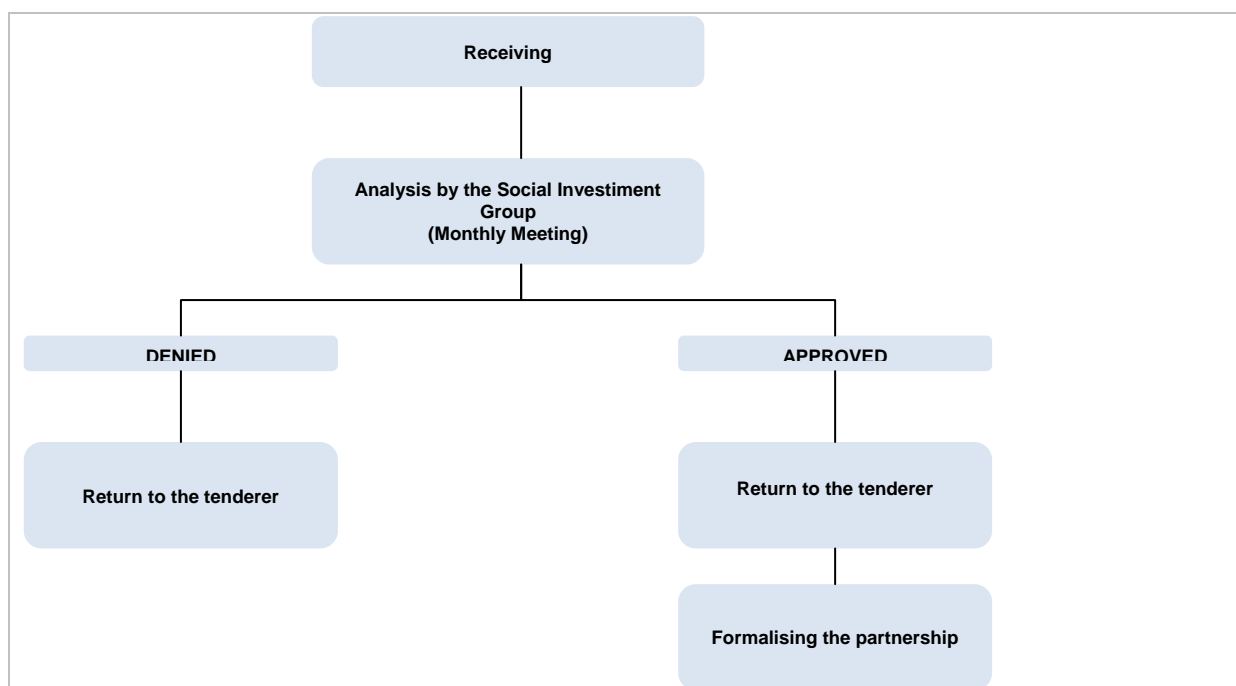
Created in 2005, the Group of Social Investment intends to be the reference for the community in the routing of requests for donations and sponsorship to the WEG Group.

We realize many benefits with the formation of the Group, which narrowed the relationship with the community, professionalized the evaluation of projects and formalized a response of the result of the evaluation to all requests for support. The following areas of the company belong to this group: HR, Corporate Communications, Community Relationship, Social Responsibility, Controller, Environmental Management, MKT and HR office.

What guides the decisions of the Group are the guidelines for donations and sponsorship.

The social investment meets the projects in areas of **education, culture, citizenship, sports and health**. The company's **main focus** is the social projects related to **children and adolescents**.

PROJECT EVALUATION FLOW:



HIGHLIGHTS IN 2011:

- Completion of the 2nd Meeting of Sustainable Growth - Community, comprising representatives from the projects sponsored by WEG to discuss best management practices and fundraising. This exchange of experience enables administrative improvement and strengthens the initiative in the face of potential sponsors. The intention is to give continuity to the autonomy and social projects. The main beneficiary is the community. 101 people attended the meeting, representing 47 organizations.
- Receipt of the social label of the Project New Start, awarded by the National Judiciary Council (CNJ), in recognition for their efforts and cooperation in the work rehabilitation of the graduates of the prison system. WEG was the first company in Santa Catarina to receive the honor. We have had an agreement with the Regional Jail of Jaragua do Sul for 11 years, a period that has already registered the entry of ex-convicts to work in our factories. In addition to hiring ex-offenders, WEG has a space in the Jail of Jaragua do Sul, where uses manpower of 23 prisoners who produce about 400 electrical components per day and, which in addition to salary, receive the benefit of the reduction of the sentence.
- **51 supported projects with total investment of R\$ 8,330,027.51**
 - ✓ 22 Cultural Projects - LAW ROUANET - R\$ 2,392,122.40
 - ✓ 4 Sports Projects – SPORTING LAW - R\$ 593,781.00
 - ✓ 13 Projects with Own Resources - R\$ 4,750,374.11
 - ✓ 12 cities served by transfers to FIA - Fund for Children and Adolescents - R\$ 593,750.00

PROJECTS HELD BY WEG:

Community Action

Since 1986, WEG has contributed to the construction of citizenship, providing opportunities for information, guidance and free services in **health, education, security, culture and leisure**. It involved 242 volunteers and 45 domestic partner agencies with 514 volunteers. In 2011, received the AWARD OF HUMAN BEING SC, Category Social Projects.

Investment with Own Resources: R\$ 151.318,05

Beneficiaries: 48,583 people of different ages attended.

City: Jaraguá do Sul/SC

WEG Museum

Founded in 2003, the museum was created with the view to show the history of WEG, the culture of Jaraguá do Sul and the wonders of science and technology, all gathered in a space of emotion, reflection and citizenship.

The museum was created thinking mainly in children's education. It is a museum of strong educational, interactive stamp, made so that each information captured results in another questioning, in a succession of questions and answers that transform us, helping to become

better professionals and citizens. It is a place often used by teachers, mainly from the disciplines of History, Geography, Mathematics and Physics.

Investment with Own Resources: R\$ 383.000,00

Beneficiaries: 6,182 visitors formally registered

City: Jaraguá do Sul/SC

Centroweg

Created in 1968, only seven years after the foundation of the company, it is one of the pillars of WEG's culture. Provides ongoing training and professional education to young people from 16 to 18 years old. There are 2 years of study that form skilled labor for WEG and other companies in the region. The Centroweg operates in the areas of mechanics, electronics, electric, mechatronics, chemical and electrical engineering. Young people are recruited from throughout the region of Jaraguá do Sul in SC, go through a selection and the selected are hired by the company, receive a benefit and help with costs. During the course, students spend 70% of the time in practical classes conducted in laboratories and classrooms and have the same rights and duties of other employees. As the vacancies of the Training Center are planned, the hiring after the course is virtually 100% of the students who are selected. The CTW has a partnership with SENAI allowing the project to meet the law of the apprentice minor.

Investment with Own Resources: R\$ 3.146.080,00

Beneficiaries: 250 students

City: Jaraguá do Sul/SC

APAE Community center

This project is conducted in APAEs of Jaraguá do Sul and Guaramirim/SC where WEG services are sent to be performed within the entities. The project contributes to the socialization of APAE students and income generation. This project occurred only in APAE of Jaraguá do Sul/SC and in October of 2010 it was extended to APAE Guaramirim/SC.

In this project there is no investment, but an exchange of opportunities.

Beneficiaries: 45 APAE students

City: Jaraguá do Sul and Guaramirim/SC

PROERD– (Educational Program of Resistance to Drugs and Violence)

WEG is a partner of the program in Jaraguá do Sul/SC also serving the cities of the microregion. The PROERD, modeled the D.A.R.E. (Drug Abuse Resistance Education), developed in Brazil with the primary goal of acting in the prevention of drug use by children and adolescents.

The project, developed by a group of psychologists, psychiatrists, police and teachers, in its implementation, was successful in all North American States and, later, in over 40 countries contracted under the program. In Brazil, the D.A.R.E. arrived in 1992 by the Military Police of

Rio de Janeiro and in 1993 received the Portuguese name of Proerd by the Military Police of São Paulo. For the project in Jaragua do Sul WEG donates the caps that are used as uniform.

Investment with Own Resources: R\$ 10.000,00

Beneficiaries: 2,500 children

City: Jaraguá do Sul/SC and microregion

Historical Review

It enables visits of the 3rd age groups in the company. Began in 2001 and was restructured in 2011. The groups begin to visit the WEG Museum and then make a *tour* of the company, visiting some factories. The objective is to bring the community inside the company, providing opportunities of knowledge and interaction with the WEG Group.

Investment through the Own Resources: R\$ 5.610,00

Beneficiaries: 1,155 elderly

City: Jaraguá do Sul and microregion

Embracing with Art

WEG buys cards made from recycled paper by volunteers. There are two main objectives: Provide to AMA (Association of Autistic Friends), responsible entity for the project, the ability to self-management and valuation of WEG's employees in specific dates. The cards are intended for employees of WEG units in Brazil.

Investment through the Own Resources: R\$ 37.845,76

Beneficiaries: 15 autistic students

City: Jaraguá do Sul/SC

Fishing Project

The Fishing Social Technology is shared with partner organizations in 11 Brazilian states and the Federal District. 146 organizations in 79 Brazilian municipalities, and 24 units abroad (23 in Argentina and one in Paraguay). Each unit of the Fishing Project provides courses with the basic learning to a profession according to local demand.

WEG Unit Gravataí/RS has maintained a partnership with the Fish Foundation since 1998. Classes are taught by 22 staff volunteers in the laboratory set up especially for the program. "The big difference in students' Fishing is the behavioral training they receive. We perceive more motivated professionals, proactive and open to changes", says Sérgio Augusto Scarpinelli, manager of the Industrial Unit WEG in Gravataí and volunteer of the project. The programs of the 35 courses in the eight training areas cover 60% of Personal Development and Citizenship, and 40% of the technical area of the franchise organization.

At the end of each course, on average, 60% of graduates are hired by WEG. The others find jobs in the market of Gravataí. Participate of the selection for the vacancies of the Fishing

Project, young people aged between 17 and 18 who have completed or are attending high school and whose families have income below half the minimum wage.

Investment through the Own Resources: R\$ 117.145,40

Beneficiaries: 15 students

City: Gravataí/RS

Bola da Vez (In the Spotlight) - AJAB

The project was developed by Jaraguaense Basketball Association (AJAB) in 2002 and since then, WEG has been a partner with its own resources. The goal is to provide conditions for socializing and enhance the cultural universe of the individual, developing creativity and skills that are required in daily life, contributing to the integral formation of a new citizen, using the sport as a childcare means which will lead to this way that we understand as essential.

In 2011, the project was approved by the Ministry of Sport and through the Sports Incentive Act received 100% of WEG's support.

Investment through the Sports Incentive Act: R\$ 151.558,00

Beneficiaries: 920 children and adolescents

City: Jaraguá do Sul/SC

Open Air Gym

We support in the city of Itajaí, by the Municipal Foundation of Sports and Recreation - FMEL, the adaptation of open air gyms for people with disabilities and implantation of more academies in some neighborhoods. The objective is to improve the quality of life and health, reducing dependency, inactivity and psychosocial risk factors, such as: social isolation, loss of autonomy, financial constraints, among others.

Investment through the Sports Incentive Act: R\$ 237.223,00

Beneficiaries: Itajai's population

City: Itajaí/SC

Music for All

The project was developed in Jaragua do Sul in SCAR (Society Artistic Culture) in order to continue the musical education of approximately 250 children, youth and adults in 19 modalities of songs, collaborating with social inclusion and providing opportunities of access to art and culture.

The Music for All project is a process of musical education, more comprehensive training that aims to promote music literacy and develop the sensitivity of children and youth.

In the current context, this project has relevance as it offers an alternative to full training, which goes far beyond the classroom for learning an instrument, also including knowledge about the history and influence it exerts in different cultures.

The material used in training is the "Tone Method", which is a system of teaching for music literacy and the development of thought.

The resulting cultural product of this project is the formation of vocal groups, the public presentation of concerts of musical groups planned jointly by students, teachers, and administrators of the institution, in order to expand access to musicals for the community, family, other children and youth of the city and region.

Investment through the Rouanet Law: R\$ 397.500,00

Beneficiaries: 130 people of the Community interested in music.

City: Jaraguá do Sul/SC

FEMUSC - Music Festival of Santa Catarina

The Music Festival of Santa Catarina occurs in Jaragua do Sul, and aims to help increasing the quality of the cultural production in the State of Santa Catarina and in Brazil. The Festival features top-level teachers, providing students with better learning, and takes cultural activities to all sections of the population through social concerts.

Investment through the Rouanet Law: R\$ 300.000,00

Beneficiaries: 25.000 people of the Community interested in music.

City: Jaraguá do Sul/SC

Sponsorship of the Philharmonic Orchestra of Jaraguá do Sul

The project was developed in Jaraguá do Sul/SC with statewide extent and aims the professional development of artists of Santa Catarina in the art of classical music, disclosure of the orchestral work, cultural exchange and democratization of access to classical music through presentations to the community in general.

Investment through the Rouanet Law: R\$ 264.122,00

Beneficiaries: 70 people directly plus the public that attend the presentations.

City: Jaraguá do Sul, Blumenau, Joaçaba and Itajaí.

Music in Museums

Comprised of Flute, Oboe, Clarinet, Bassoon and Horn, the quintet affirms the musical tradition of the city through the Music in Museums Project, supported by WEG through the Rouanet Law, and has established itself as a permanent chamber group and a cultural diffuser in Santa Catarina.

The QSJS is reflect of the new era of musical culture of the region, coming to strengthen and take a step forward in the evolution of this tradition, including in the social and cultural context of the city a group of blowing wood to join the tradition of the choir and stringed instruments.

The project aims to promote music and approximate the public to the museum, helping to spread the musical culture for society at the same time that promotes the preservation of history.

In order to promote and democratize the music concert in Jaraguá do Sul and the entire state of Santa Catarina, all presentations are free.

Investment through the Rouanet Law: R\$ 25.250,00

Beneficiaries: 400 people of the community

City: Jaraguá do Sul/SC

Inside Dance

The Project Inside Dance aims to continue the project already started in 2009, of educational nature, for the training of approximately 150 children and adolescents, in order to make the dance an enriching experience and present in our community, as they will be participating in presentations and performances, contributing to social inclusion as they allow access to art and culture.

The project aims to develop a process of dance education, more comprehensive training that seeks to promote the learning of dance and develop sensitivity of children and young people, because dance has great potential to open communication channels with reality and can open perspectives that include future projects.

Investment through the Rouanet Law: R\$ 290.000,00

Beneficiaries: 150 children and adolescents.

City: Jaraguá do Sul/SC

FENATIB - National Children's Theatre Festival of Blumenau

WEG's partner since 2009, the festival is annual and is intended to spread the national theater, to promote exchanges between artists and audience, bringing children's theater performances to schools, parks and theater rooms.

The theater groups undergo a selection to participate in the National Children's Theatre Festival of Blumenau (Fenatib), held in September. Besides the presentation of shows, the Fenatib has debates about the plays, lectures and workshops. The Festival is a non-competitive show, open to theater groups from all over Brazil and South America, amateurs or professionals, who are selected by a commission appointed by the organization.

Investment through the Rouanet Law: R\$ 80.000,00

Beneficiaries: 15,000 people, mainly children.

City: Blumenau/SC

Hospitals and Fire Brigade

WEG's relationship with the Hospitals and Fire Brigade has always been present throughout history too. In 2011, R\$ 550,000.00 were donated to the Hospital and Maternity Jaraguá located in Jaraguá do Sul, to help build the new wing of Cardiology that will serve the entire northern region of Santa Catarina.

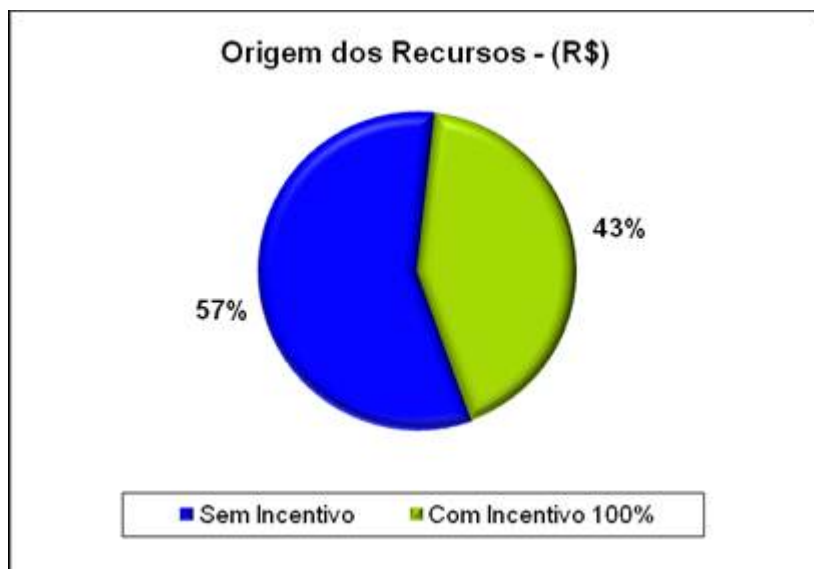
For the body of Volunteer Firefighters of Guaramirim were transferred R\$ 107,000.00 for the purchase of a new ambulance. This corporation serves the city of Guaramirim and still performs the service at the BR-280, which has a heavy traffic and, unfortunately, commonplace accidents.

For the Military Fire Brigade of Itajai, were transferred \$ 30,000.00 to assist in adapting a van into an emergency car.

SOCIAL INVESTMENT DATA



2011 DATA





GOVERNMENT AND SOCIETY

WEG is a Brazilian multinational corporation that occupies a prominent position among the largest manufacturers of electrical equipment in the world. Committed to the development of the region in which it operates, through the job creation and social responsibility projects aimed at the community, WEG also has strong presence in Associations and Government.

DIRECTORS IN THE *PLANO BRASIL MAIOR* (GREATER BRAZIL PLAN)

WEG continually participates in meetings and events related to the Brazilian Government and its agencies, in order to contribute WITH suggestions for the implementation of public policies to support competitiveness of the sectors of electronics and capital goods.

With the Government, WEG's most important participation is in the following Sector Competitiveness Councils, linked to the Greater Brazil Plan: Oil, Gas and Maritime, Capital Goods, Information and Communication Technology / Electronics Complex and Renewable Energy.

The measures advocated by WEG, together with the Class Associations which represent it, follow guidelines aimed at:

- ✓ The systemic and entrepreneurship competitiveness;
- ✓ The financing of production and trade;
- ✓ Market Expansion: promotion of business in national and international markets;
- ✓ productive and technological consolidation of value chains, expanding domestic added value;
- ✓ Incentives for investment and innovation;
- ✓ Foreign Trade (defense and commercial finance / export competitiveness);
- ✓ Defense of the industry and Brazilian market;
- ✓ Sustainable development and environmental preservation;
- ✓ Energy efficiency and Energy management;
- ✓ Isonomic treatment before the entry in the country, of imported products.

REPRESENTATIVE IN THE NATIONAL COUNCIL OF INDUSTRIAL DEVELOPMENT - CNDI

On August 9th, 2011, Mr. Décio da Silva, President of the Executive Office, was appointed for a term of two years, representative of the civil society in CNDI, which is the highest authority of the institutional counseling of the Major Brazil Plan.

As main tasks, the CNDI should define general policy guidelines and support the activities of the management system of the industrial policy.

REPRESENTATION IN TRADE ASSOCIATIONS

WEG has been involved with a number of Trade Associations strategic to their business, with the aim of strengthening the national industry, performing actions with the political and economic instances in order to promote the sustainable development of the national electronics industry and capital goods, by means of actions of Industrial Policy.

The Class Associations that stand out are:

ABIMAQ - Brazilian Association of Machinery and Equipment;
ABINEE - Brazilian Association of Electronic Industry;
AEB - Brazilian Association of Foreign Trade;
SIMEFRE - Interstate Association of Rail and Road Material and Equipment Industry ;
FIESC – Industry Federation of the State of Santa Catarina;
CNI – Industry National Council;
ABNT - Brazilian Association of Technical Standards;
INMETRO - National Institute of Metrology, Quality and Technology, among others.

INTERNAL WORKING GROUPS

They are made in order to prepare matters for discussion in Trade Associations, or provide their treatment within the company (internalization of subjects). In this context are included:

1) Public Policies and Coordination of Oil, Gas and Naval

It covers:

- ✓ Local Content in the Rounds of ANP;
- ✓ Presentation of WEG to the Oil, Gas and Naval Segment;
- ✓ Participation in Strategic Events;
- ✓ Analysis of the Loss of Orders.

2) Energy Efficiency in Electric Motors

It covers:

- ✓ Compliance with the law by reconditioned electric motors and sold on a massive scale;
- ✓ Renewal of the installed industrial park with a view to meeting the Energy Efficiency Legislation.

3) Local Content Certification

It treats the simplification of procedures that may favor the certification of the local content of products manufactured by WEG.

4) Special Trade Duties

Search for the equality of treatment in the supplies at the domestic market, when compared to imports.

5) Commercial Defense

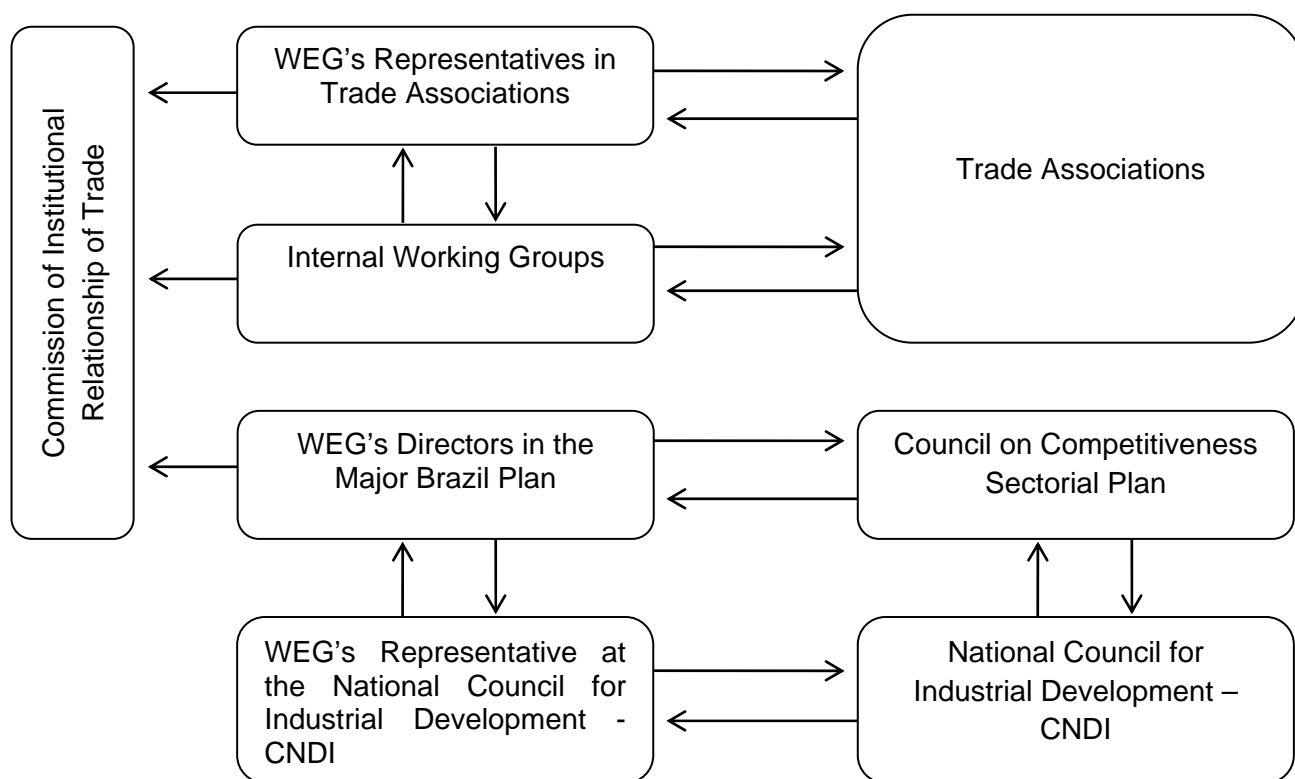
Actions of trade defense and support for domestic production of electric motors and generators, among other products manufactured by WEG.

COMMISSION OF INSTITUTIONAL RELATIONSHIPS OF TRADE

Part of the structure of Participatory Management of the company, this Commission has as primary responsibility to decide in the first instance, and prepare for analysis, issues that depend on the decision of WEG's General Director, such as:

- ✓ Complementary Measures of the Major Brazil Plan;
- ✓ Acting of WEG's Representatives in Trade Associations;
- ✓ Company Position on International Trade Agreements, Special Tax Duties, Trade Defense Projects, among others.

DIAGRAM OF WEG'S INSTITUTIONAL REPRESENTATION



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INDICATOR	DESCRIPTION	PAGE
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SOCIAL INDICATORS RELATED TO SOCIETY

INDICATOR	DESCRIPTION	PAGE
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The channel faleconosco@weg.net is available for those who have questions or want to give suggestions for future reports

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