

Chief Executive's Review



Heimo Scheuch, Chief Executive Officer
of Wienerberger AG

Ladies and Gentlemen,

2017 was a good year marked by notable milestones: We generated record revenues of over € 3.1 billion – the highest ever in the history of the Group. Our dedication to improving operations continues to deliver result, as we succeeded to increase our EBITDA for the fifth consecutive year, reaching € 415 million. Below the line, this translated into a significantly higher net profit of € 123 million, the highest in the last ten years.

We used the past year to strengthen our industrial platform and accelerate the pace of growth. In 2017, we acquired several companies: By taking over the Belgian Preflex Group, we strengthened our position in the fast-growing, profitable segment of prewired electric conduits. Acquisitions in Germany, Austria, Romania and North America broadened the geographic scope of our brick business in these markets. These newly acquired companies fit seamlessly with our existing operations, both geographically and strategically, and will create additional opportunities for growth in the coming years.

2017 was a particular strong demonstration of our business plan execution, as we delivered on a number of our commitments. Despite our growth steps, we were able to reduce our net debt by 10%. A net debt/EBITDA of 1.4 years gives us the necessary flexibility for further growth. Highly satisfactory developed the ongoing cost optimization program. In 2017 alone, we achieved savings in a total amount of € 11 million. Our working capital management has been equally successful: Even after the integration of our most recent acquisitions, working capital stands at less than 20% of revenues.

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Finally, we can also report substantial progress in the implementation of our Sustainability Roadmap 2020,

ranging from the reduction of energy consumption to a clear commitment and substantially enhanced efforts on the part of all Business Units to reach the shared target of zero accidents. These examples show that our sustainable management approach is an important factor contributing to the long-term increase in the value of the enterprise. We are determined to continue working along these lines in the future.

Taken together, this shows that 2017 was a year of highly positive development for our Group. We will continue to pursue this course throughout 2018. Our objective is to maximize our long-term growth potential and create value for you, our shareholders. We are following a clear course and will remain focused on our three strategic priorities: organic growth, operational excellence and growth projects.

We will continue this course in 2018. Our goal is to maximize our long-term growth potential and create value for our shareholders.

Our strong industrial portfolio and the continuous development of innovative products, services and system solutions constitute a solid foundation for the organic growth of the Wienerberger Group and are the essential pillars of our success.

We are constantly improving the way our organization works through initiatives aimed at enhancing efficiency, cutting costs and optimizing our processes. Relevant measures were initiated in the fourth quarter of 2017, starting with our plastic pipes business in France and continuing with our ceramic pipe activities at the beginning of 2018. In the area of clay building materials, we are restructuring our operational companies in Germany and Austria in order to make them fit for the future. This will entail costs of approx. € 30 million. Nevertheless, in combination with our continuous cost optimization program, we expect to generate savings in a total amount of € 15 million in 2018.

Moreover, we will continue to strengthen our platform through the acquisition of growth-oriented companies generating high margins. We analyze potential takeover candidates for the added value and technical simplicity of their products, relevance in the local market, and reliability as partners for our customers. We are interested in companies that can be swiftly integrated into the existing industrial network and that perfectly complement our business. Currently, we see numerous attractive opportunities and have therefore earmarked at least € 200 million for growth investments in 2018.

Our organization has undergone an intensive process of transformation in recent years. Nevertheless, we are continuously reviewing all our business areas for their strategic orientation. If we identify individual assets that do not meet our criteria for future growth, we initiate a divestment process. From today's perspective, we expect to generate proceeds of up to € 100 million from asset sales in the coming 24 months.

All in all, we are better positioned than ever to take advantage of future development opportunities and the expansion of our platforms. We have a strong balance sheet that enables us to reach our growth targets. Our experienced local management teams are capable of supporting and implementing our strategy of accelerated growth. And above all, we have a strong industrial base in all our business areas – infrastructure, new residential construction and renovation – both in Europe and in North America.

Overall, we expect to generate organic consolidated EBITDA of between € 450 and € 470 million in 2018. In view of our strategy and the measures we intend to implement, we are confident of meeting our ambitious targets. Strengthened by your trust and confidence, we look forward to continuing on this course together with you.

Yours
