

Chief Executive's Review



*Heimo Scheuch, Chief Executive Officer
Wienerberger AG*

Ladies and Gentlemen,

In 2019, Wienerberger is celebrating the 200th anniversary of its foundation and the 150th anniversary of its listing on the Vienna Stock Exchange. It is our constant focus on people in everything we do that has made this impressive double jubilee possible. This is why our 2018 Annual Report is entitled "Building for People". Consistent customer orientation has always been a central pillar of our corporate identity. This was true in the 19th century, when Wienerberger contributed substantially to the construction of the imperial city of Vienna. And it is still true in the 21st century, as we continue to evolve from a supplier of building materials to become a full provider of innovative system solutions for buildings and infrastructure. We are determined to remain as close to our customers as possible and have therefore reorganized our business units. Wienerberger Business Solutions offers our customers the complete range of innovative products for wall, facade, roof, and paving applications. Wienerberger Piping Solutions will be developed into a full-range provider of smart infrastructure in the fields of water and sewage, building installations and special solutions for industrial and energy applications. In the

North America Business Unit, our aim is to further pursue our strategy of expansion through organic growth and, at the same time, contribute to market consolidation and improve our regional presence through acquisitions.

In the 21st century, we are taking exactly the same customer-focused, sustainable and forward-looking management approach as the founding fathers of our company in the 19th century.

Alongside this ongoing cultural change, we are working on a comprehensive strategy of digitalization in order to make our processes even more efficient in the years to come and to offer our customers an attractive range of innovations: from building design apps to virtual reality solutions. This is our way of pursuing the sustainable and forward-looking approach that characterized the work of our founding fathers in the 19th century.

Today, innovative products account for more than one quarter of our total revenues. This is attributable to the successful development of new products and services, on the one hand, and a selective policy of acquisitions, on the other hand, which we are pursuing consistently. In 2018, we acquired a stake in the Interbran Group with whom we will work as strategic partners on the development of new and sustainable materials with outstanding thermal insulating properties. Acquisitions in Europe and the USA, as well as the divestment of our Austrian paver operations, are other examples of how we implemented our strategy of acquisitions and portfolio optimization in 2018.

Wienerberger has delivered an excellent performance. We therefore propose that the Annual General Meeting increases the dividend by 70% to € 0.50 per share.

Trendsetting solutions demand a holistic approach and responsible action. We have therefore made sustainability an integral part of our corporate strategy. We have set ourselves ambitious targets and are well on track toward further improving our ecological, social and societal performance. We will continue along these lines and intensify our efforts.

Wienerberger delivered an excellent performance in 2018. We generated a 6% increase in revenues to a new record high of € 3.3 billion. EBITDA on a like-for-like basis rose significantly by 15% year on year to € 469.3 million. This strong growth is attributable to the persistent and sustainable implementation of our corporate strategy: first of all, through the improvement of our market position and organic growth generated by innovative products and services; secondly, through the implementation of optimization measures within the framework of our Fast Forward 2020 program; and thirdly, through targeted bolt-on acquisitions aimed at diversifying and strengthening our current operations. In each of these areas, we have met all our targets for 2018.

We are continuously improving our customer proximity. This ongoing cultural change goes hand in hand with a comprehensive strategy of digitalization.

The strong development of earnings and the ongoing optimization of our portfolio led to a substantial 55% increase in free cash flow to € 236.5 million (as compared to € 152.5 million in 2017). Our strategic growth investments of € 158.9 million were therefore financed exclusively from free cash flow. Our Fast Forward 2020 program enabled us to identify potential for improvements in all business areas. On this basis, we agreed on a comprehensive set of measures that are now being implemented. In the first year of the program, we recorded savings of roughly € 20 million. This shows that our target of achieving sustainable improvements in EBITDA totaling € 120 million between 2018 and 2020 is ambitious, but realistic. Our balance sheet, with a debt repayment period of 1.4 years at the end of 2018, is very sound. In view of these positive developments, we will propose to the Annual General Meeting that the dividend be increased by almost 70% from the previous year's level to € 0.50 per share.

Notwithstanding existing factors of uncertainty the successful results of 2018 provide a solid basis for Wienerberger's continued growth in 2019. In the year of our 200th anniversary, in particular, we are confident of being able to reap the benefits of our long-term orientation: In stable to slightly growing markets, we plan to generate organic growth on the basis of our innovative product range. Our Fast Forward 2020 program of optimization measures is making excellent progress and will enable us to realize an EBITDA contribution of another € 40 million in 2019. Moreover, we are working on a highly attractive acquisition pipeline. We therefore regard a further substantial increase in EBITDA on a like-for-like basis to between € 560 and 580 million at Group level as a realistic target. We are full of optimism taking our company forward into its third century.

Yours
