wienerberger

# Building for People

Since 1819

*Wienerberger Annual Report*

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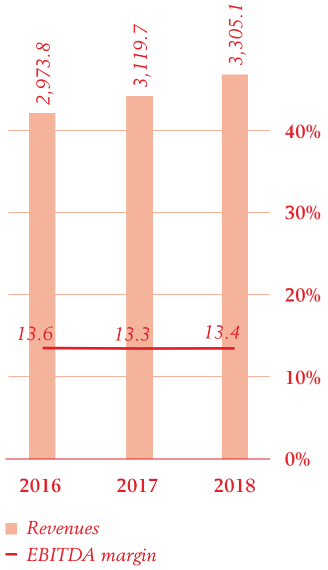
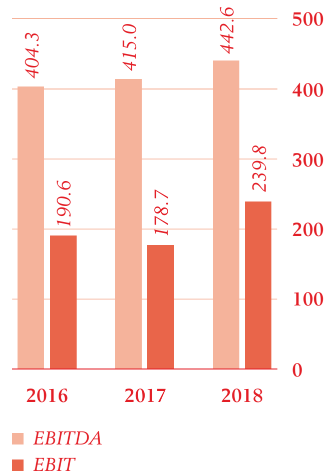
*The Annual Report and Annual Financial Statements for 2018, which were released on March 28, 2019 and presented at the 150th Annual General Meeting on May 6, 2019 in Vienna, are also available for download under www.wienerberger.com.*

*Available in German and English.*

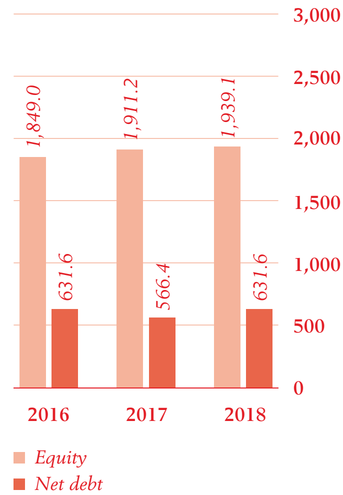
## Revenues and EBITDA Margin
*in MEUR and %*



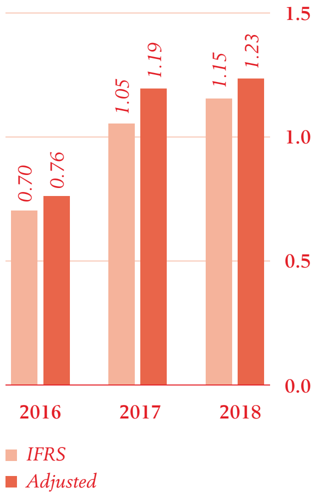

## EBITDA and EBIT
*in MEUR*



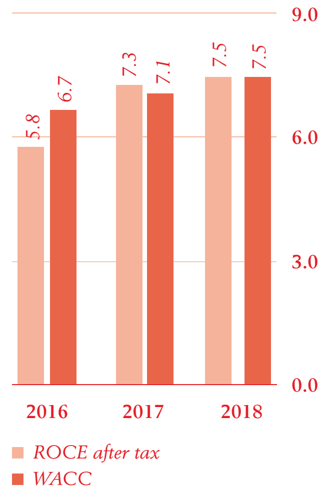

## Equity and Net Debt
*in MEUR*



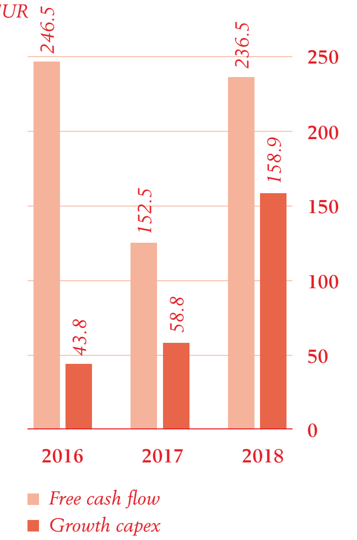

## Earnings per Share
*in EUR*



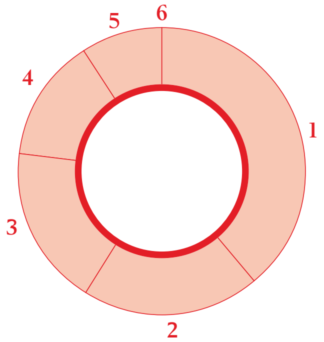

## ROCE after tax
*in %*




## Free Cash Flow and Growth Capex
*in MEUR*

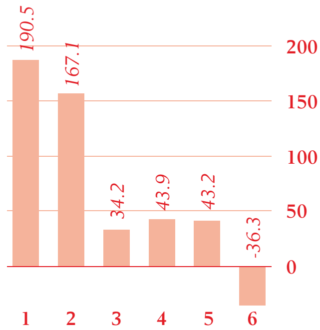



## Revenues by Segment



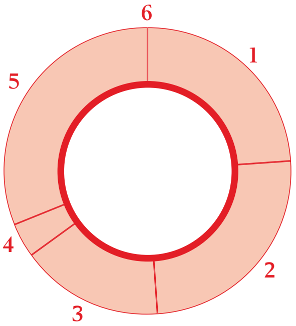

1 *Clay Building Materials Western Europe 39%*
2 *Clay Building Materials Eastern Europe 20%*
3 *Pipes & Pavers Western Europe 18%*
4 *Pipes & Pavers Eastern Europe 14%*
5 *North America 9%*
6 *Holding & Others 0%*

## EBITDA by Segment
*in MEUR*




1 *Clay Building Materials Western Europe*
2 *Clay Building Materials Eastern Europe*
3 *Pipes & Pavers Western Europe*
4 *Pipes & Pavers Eastern Europe*
5 *North America*
6 *Holding & Others*

## Revenues by Product




1 *Wall 24%*
2 *Facade 25%*
3 *Roof 16%*
4 *Surface 4%*
5 *Pipes 31%*
6 *Others 0%*

Explanatory notes to the report:
Operating EBIT and adjusted earnings per share are adjusted for impairment charges to goodwill and assets as well as the reversal of impairment charges to assets. // ROCE after tax is calculated based on average capital employed. // Rounding differences may arise from the automatic processing of data.

| **Earnings Data** | | 2016 | 2017 | **2018** | Chg. in % |
|---|---|---|---|---|---|
| Revenues | *in MEUR* | 2,973.8 | 3,119.7 | **3,305.1** | +6 |
| EBITDA LFL [1] | *in MEUR* | 382.3 | 406.5 | **469.3** | +15 |
| EBITDA | *in MEUR* | 404.3 | 415.0 | **442.6** | +7 |
| Operating EBIT | *in MEUR* | 197.7 | 194.2 | **248.2** | +28 |
| EBIT | *in MEUR* | 190.6 | 178.7 | **239.8** | +34 |
| Profit before tax | *in MEUR* | 158.5 | 144.9 | **195.3** | +35 |
| Net result | *in MEUR* | 82.0 | 123.2 | **133.5** | +8 |
| Free cash flow [2] | *in MEUR* | 246.5 | 152.5 | **236.5** | +55 |
| Normal capex | *in MEUR* | 137.3 | 147.5 | **166.3** | +13 |
| Growth capex [3] | *in MEUR* | 43.8 | 58.8 | **158.9** | >100 |
| ROCE after tax | *in %* | 5.8 | 7.3 | **7.5** | - |
| Ø Employees | *in FTE* | 15,990 | 16,297 | **16,596** | +2 |

| **Balance Sheet Data** | | 2016 | 2017 | **2018** | Chg. in % |
|---|---|---|---|---|---|
| Equity [4] | *in MEUR* | 1,849.0 | 1,911.2 | **1,939.1** | +1 |
| Net debt | *in MEUR* | 631.6 | 566.4 | **631.6** | +12 |
| Capital employed | *in MEUR* | 2,460.0 | 2,459.2 | **2,536.7** | +3 |
| Total assets | *in MEUR* | 3,637.2 | 3,659.9 | **3,742.9** | +2 |
| Gearing | *in %* | 34.2 | 29.6 | **32.6** | - |

| **Stock Exchange Data** | | 2016 | 2017 | **2018** | Chg. in % |
|---|---|---|---|---|---|
| Earnings per share | *in EUR* | 0.70 | 1.05 | **1.15** | +9 |
| Adjusted earnings per share | *in EUR* | 0.76 | 1.19 | **1.23** | +4 |
| Dividend per share | *in EUR* | 0.27 | 0.30 | **0.50** | +67 |
| Share price at year-end | *in EUR* | 16.50 | 20.17 | **18.00** | -11 |
| Shares outstanding (weighted) [5] | *in 1,000* | 116,956 | 116,956 | **116,154** | -1 |
| Market capitalization at year-end | *in MEUR* | 1,938.6 | 2,370.5 | **2,115.5** | -11 |

| **Divisions 2018** *in MEUR and %* [6] | Clay Building Materials Europe | | Pipes & Pavers Europe | | North America | | Holding & Others | | Reconciliation |
|---|---|---|---|---|---|---|---|---|---|
| External revenues | 1,918.8 | *(+7%)* | 1,070.1 | *(+6%)* | 306.8 | *(-1%)* | 8.3 | *(-3%)* | |
| Inter-company revenues | 1.6 | *(+4%)* | 0.1 | *(+23%)* | 0.0 | *(-96%)* | 16.9 | *(+14%)* | -17.5 |
| Revenues | 1,920.4 | *(+7%)* | 1,070.2 | *(+6%)* | 306.8 | *(-1%)* | 25.2 | *(+8%)* | -17.5 |
| EBITDA | 357.6 | *(+10%)* | 78.2 | *(+12%)* | 43.2 | *(+35%)* | -36.3 | *(<-100%)* | |
| Operating EBIT | 240.4 | *(+30%)* | 29.4 | *(+46%)* | 18.1 | *(>100%)* | -39.7 | *(<-100%)* | |
| Total investments | 190.7 | *(+98%)* | 73.5 | *(+27%)* | 42.4 | *(-4%)* | 18.5 | *(>100%)* | |
| Capital employed | 1,555.7 | *(+2%)* | 568.6 | *(+1%)* | 411.8 | *(+13%)* | 0.6 | *(-92%)* | |
| Ø Employees (in FTE) | 10,808 | *(+2%)* | 4,182 | *(-1%)* | 1,380 | *(+6%)* | 226 | *(+8%)* | |

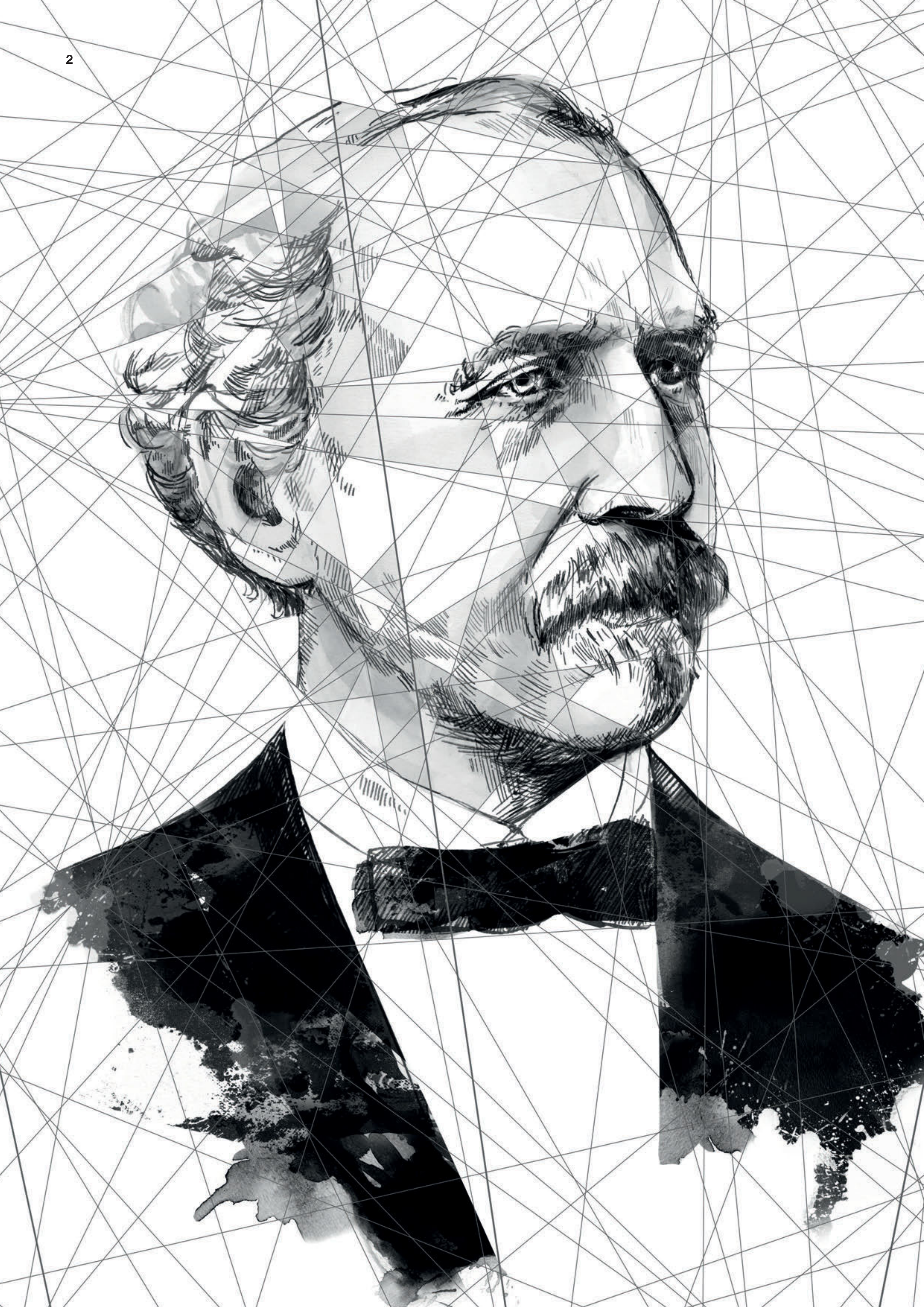
1) Adjusted for effects from consolidation, FX, sale of non-strategic and non-operating assets as well as structural adjustments // 2) Cash flow from operating activities less cash flow from investing activities plus growth capex (excluding purchase of non-controlling interests) // 3) Including purchase of non-controlling interests // 4) Equity including non-controlling interests and hybrid capital // 5) Adjusted for treasury stock // 6) Changes in % to the comparable prior year period are shown in brackets

All abbreviations and indicators are explained in the glossary on page 219.

# Building for People

***Understanding our customers' needs.***
***Taking the initiative.***
***Breaking new ground and finding solutions.***

*Ultimately, it is always people who make the difference. At Wienerberger, people work with people for people. A worldwide network with local roots, always at the service of our customers.*



**Success Story #1**
**Building for People –**
**200 years of Wienerberger**

***"To stand up to competition, it all comes down to one single factor that determines whether you will be successful or not, and that is the people who help a company identify opportunities, take the initiative and act."*** *Heimo Scheuch, Chief Executive Officer of Wienerberger AG*

***"Building for People" means putting people center stage – a promise that Wienerberger has been fulfilling for 200 years. With entrepreneurial spirit and the power to innovate, we have been developing excellent solutions for our customers and partners since the establishment of the company. We are shaping the future by setting the pace in the industry.***

# Putting the customer center stage

**What factors have ensured Wienerberger's success over the past 200 years? What does "Building for People" mean? And what personalities have shaped the company? An interview with the two Managing Board members Heimo Scheuch and Willy Van Riet.**

*This year Wienerberger is celebrating two very special anniversaries: its 200-year company anniversary and its 150-year listing anniversary. What is the secret of Wienerberger's success?*

**Scheuch:** Throughout its history, Wienerberger has overcome many radical economic and political changes: from the end of the monarchy to global economic crises and even two world wars. For me, there are two essential success factors: First, the entrepreneurial spirit with which many distinguished personalities have played a key role in the development of Wienerberger. Second, the fact that the company has always operated at the service of people – be it customers, partners or employees.

**Van Riet:** This corporate culture goes all the way back to our founding fathers Alois Miesbach and Heinrich Drasche. In the 19th century they founded a company that was totally focused on meeting the requirements of customers in their core market, the rapidly growing imperial city of Vienna. At the same time, they were advocates for their employees' interests by building housing for workers, giving them a place to live, which at that time was far from being the rule.

*For me, there are two essential success factors: First, the entrepreneurial spirit with which many distinguished personalities have played a key role in the development of Wienerberger. Second, the fact that the company has always operated at the service of people – be it customers, partners or employees.*

***Heimo Scheuch, CEO of Wienerberger AG***

*In the development of new markets and business areas Wienerberger opted for partnerships early on. Can you give us some examples?*

**Scheuch:** One example is the determined expansion in Eastern Europe after the fall of the Iron Curtain. At that time Wienerberger was a true pioneer. On numerous occasions during the company's expansion we have chosen to cooperate with other successful businesses for mutual benefit. The establishment of Pipelife as a joint venture with the Belgian Solvay Group in 1989 was the start of a remarkable success story. Today, the pipe business is one of our core fields of business.

*To date, there have always been dedicated individuals who have advanced Wienerberger's development.*

**Van Riet:** That is correct. One such outstanding person who shaped the expansion of the brick business in Western Europe is Christian Dumolin.

In 1996 Dumolin contributed Terca Bricks, at that time Europe's largest manufacturer of facing bricks, to Wienerberger. As a major shareholder and member of the Supervisory Board, he played an important role in shaping the development of the company up to 2013. In 2004, for example, he contributed to another strategic milestone with the integration of Koramic's roofing operations into the Wienerberger Group. This step not only resulted in the expansion of our product range but also turned Wienerberger into a pure free float company through the sale of the interests held by the core shareholders.

*Is it this entrepreneurial spirit that has allowed Wienerberger to capitalize on times of crisis to generate change and growth?*

**Scheuch:** Absolutely. Throughout its company history, Wienerberger has always used radical changes to re-invent itself and, with entrepreneurial spirit and common sense, has never allowed temporary upheaval to deter it from remaining true to its vision. Take, for example, the big financial crisis ten years ago: At that time many experts recommended that we immediately pull out of Eastern Europe because according to them the region would never recover. We disagreed with them, always believing in the great potential harbored by this region. Today, we are recording the strongest growth and have highly profitable operations in Eastern Europe.

*Basically our strategy is the logical extension of the nature of our business. Given our long-term investment cycles, you have to act with foresight and focus on the right long-term trends.*

***Willy Van Riet, CFO of Wienerberger AG***

*How are you handling such challenges today?*

**Van Riet:** Basically our strategy is the logical extension of the nature of our business. Given our long-term investment cycles, you have to act with foresight and focus on the right long-term trends. It goes without saying that the financial market tends to take a more short-term view, which creates some tension that we try to address through very open communication.

*What is your entrepreneurial spirit telling you today – what developments are you seeing and what trends are you focusing on?*

**Scheuch:** In my opinion, the three key aspects that are closely interlinked with each other are the power to innovate, customer focus and the digital transformation. The primary focus of our operations is the customer, whom we want to offer excellent solutions. These are characterized by innovative and enhanced product

## The founder and humanist Alois Miesbach (1791–1857)

"In Granada I saw the marvelous buildings constructed by the Arabs from marble and stone – side by side with red bricks," said Alois Miesbach in an enthusiastic report of his trip. It started with his fascination with fired clay as a building material, and ended with the cornerstone for a global corporation: In 1819 the civil engineer from Moravia purchased the state-owned brickworks in Meidling, in the south of Vienna, and later on estates on the Wienerberg and additional brickworks. By 1845 Alois Miesbach had already become the largest brick manufacturer and the leading coal producer in the Habsburg Empire.

The avid entrepreneur had two passions: science and people. At the height of his career, Wienerberger was the leading brick manufacturer in Europe with an output of more than 120 million bricks a year and a workforce of 4,700. Miesbach also set up a nursery school on the factory premises, promoted the training of skilled workers, supported social clubs and built schools and hospitals.

## The coal and brick baron Heinrich Drasche von Wartinberg (1811–1880)

Heinrich Drasche was the son of a cloth manufacturer from Brno. The nephew of Alois Miesbach joined his uncle's company in 1829, where he first headed the brick-works on the Laaer Berg and for many years was in charge of the coal mines. After Miesbach's death, Drasche succeeded his uncle in 1857. He expanded Wienerberger while profiting from the construction boom in Vienna at the time: The construction of the Ringstrasse and the incorporation of the second to ninth districts skyrocketed demand for bricks in an unprecedented manner.

For Heinrich Drasche innovative processes and products were the priorities right from the start. In 1860, the first continuous kiln was installed at Wienerberger. Its construction allowed for energy-efficient and almost uninterrupted production. Drasche turned Wienerberger into a stock corporation and went public in 1869, choosing the Vienna Stock Exchange for the IPO. Drasche's work was met with international acclaim. In 1870, the industrialist was knighted for services to economic development in the monarchy.

## The cosmopolitan entrepreneur Christian Dumolin (*1945)

The entrepreneur Christian Dumolin has shaped the international development of the Wienerberger Group in the past two decades: As the head of the Belgian Koramic Building Products Group he contributed Terca Bricks – at the time the largest facing brick manufacturer in Europe – to Wienerberger in 1996. With Koramic as the core shareholder, the course was set for the successful expansion of the brick business in Western Europe. In 2003, Wienerberger acquired an interest in Koramic Roofing, and one year later the roofing operations of the Belgian company were fully integrated.

This opened up the way for today's shareholder structure: Wienerberger AG is the only stock corporation to be listed on the Vienna Stock Exchange with 100% of the shares being publicly owned, free float shares. As a major shareholder and member of the Supervisory Board, Christian Dumolin played a key role in the development of Wienerberger up to 2013. In addition, he holds numerous seats on the supervisory boards of leading European companies. With the Terca brand, Wienerberger continues to be the number one in the European facing bricks market. Clay roof tiles are sold in Western Europe under the Koramic brand.

features as well as new and easier processing procedures, which increases quality, shortens construction time and lowers costs during use. The progressing digitalization of all spheres of life is fundamentally changing our business model, ranging from the interaction with our customers and partners as well as the implementation and planning of construction projects to internal processes in administration and production. Wienerberger plays a leading role in shaping this transformation. I am fully convinced that as an industry we are only at the beginning of fundamental change.

**Van Riet:** In addition to our dedicated internal teams, acquisitions are another priority in our efforts to actively promote the topics mentioned. Currently, some interesting acquisition targets are available which could help us establish or consolidate our position in attractive growth environments. We must proceed with determination without endangering our sound balance sheet. We therefore have defined specific yield targets, and we are acting with great financial discipline and in a highly selective manner.

*What are the relevant factors for your continued success in the next 200 years?*

**Scheuch:** In an increasingly interconnected world, companies are facing a broad array of challenges. To stand up to competition, it all comes down to one single factor that determines whether you will be successful or not, and that is the people who help a company identify opportunities, take the initiative and act. When you set yourself ambitious goals, you are well-advised to recruit talented and committed employees, deploy them according to their skills and interests and develop them. Therefore it is also part of our vision to be the employer of choice in our markets – a target that we will continue to persistently pursue.

*The primary focus of our operations is the customer, whom we want to offer excellent solutions. The progressing digitalization of all spheres of life is fundamentally changing our business model.*

***Heimo Scheuch, CEO of Wienerberger AG***

# 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.

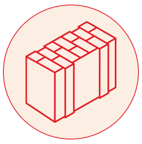
*We are continuously improving our customer proximity. This ongoing cultural change goes hand in hand with a comprehensive strategy of digitalization.*

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.

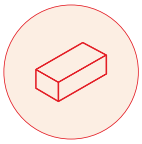
Yours

# Regions & Divisions



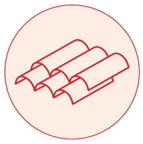
*Clay Blocks*

No. 1 worldwide



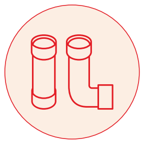
*Facing Bricks*

No. 1 in Europe, leading positions in the USA



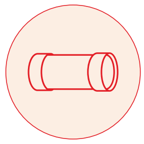
*Clay Roof Tiles*

No. 1 in Europe



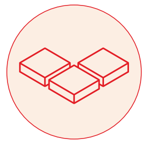
*Plastic Pipes*

Leading positions in Europe



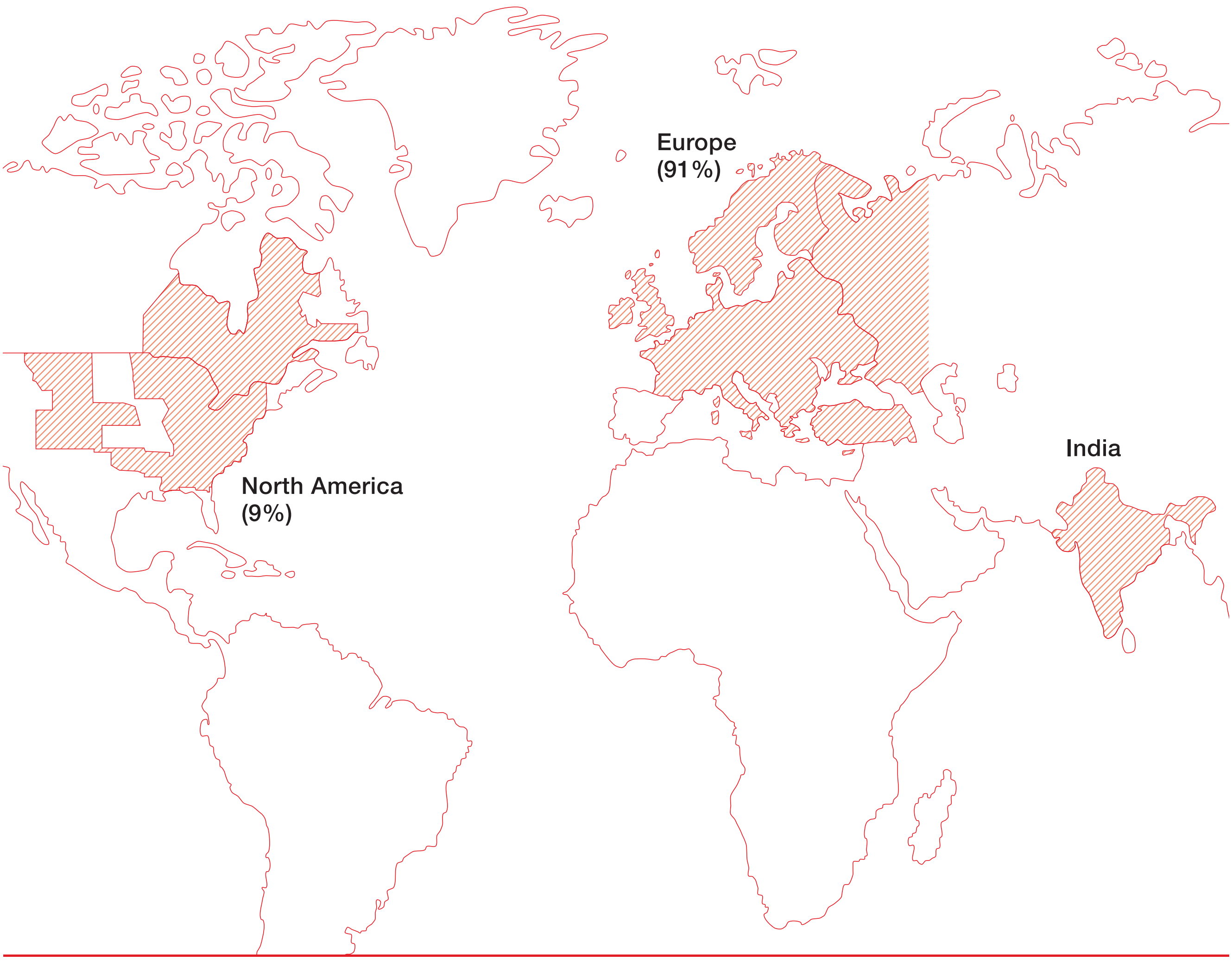
*Ceramic Pipes*

No. 1 in Europe

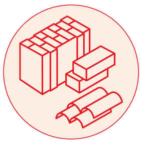


*Concrete Pavers*

No. 1 in Central-East Europe

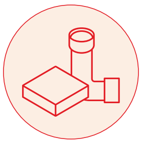


# *Our Divisions*



## *Clay Building Materials Europe*

Clay Blocks
Facing Bricks
Roof Tiles



## *Pipes & Pavers Europe*

Plastic Pipes
Ceramic Pipes
Concrete Pavers

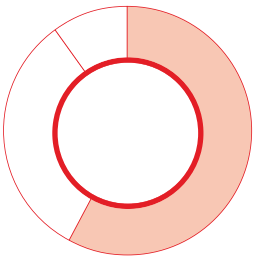
## *North America*

Facing Bricks
Plastic Pipes
Concrete Products
Calcium Silicate

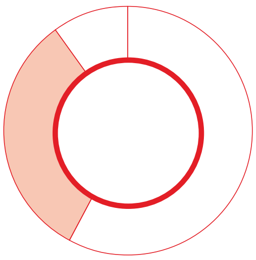
## *Holding & Others*

Clay Blocks

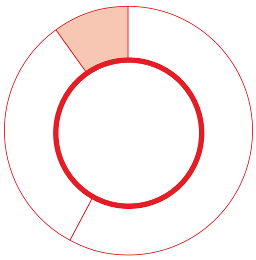
**External revenues 2018**
*58%*



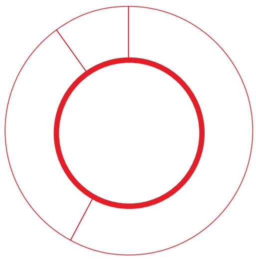
**External revenues 2018**
*32%*



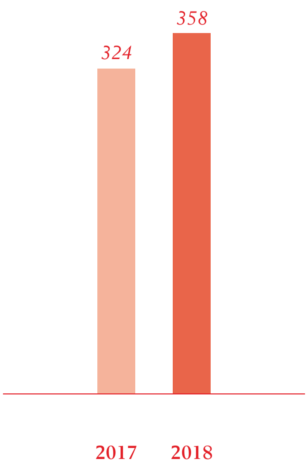
**External revenues 2018**
*9%*



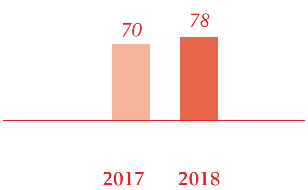
**External revenues 2018**
*0%*



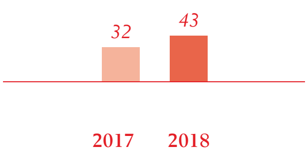
**EBITDA**
*in MEUR*



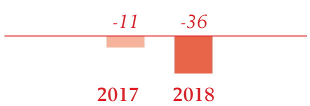

**EBITDA**
*in MEUR*



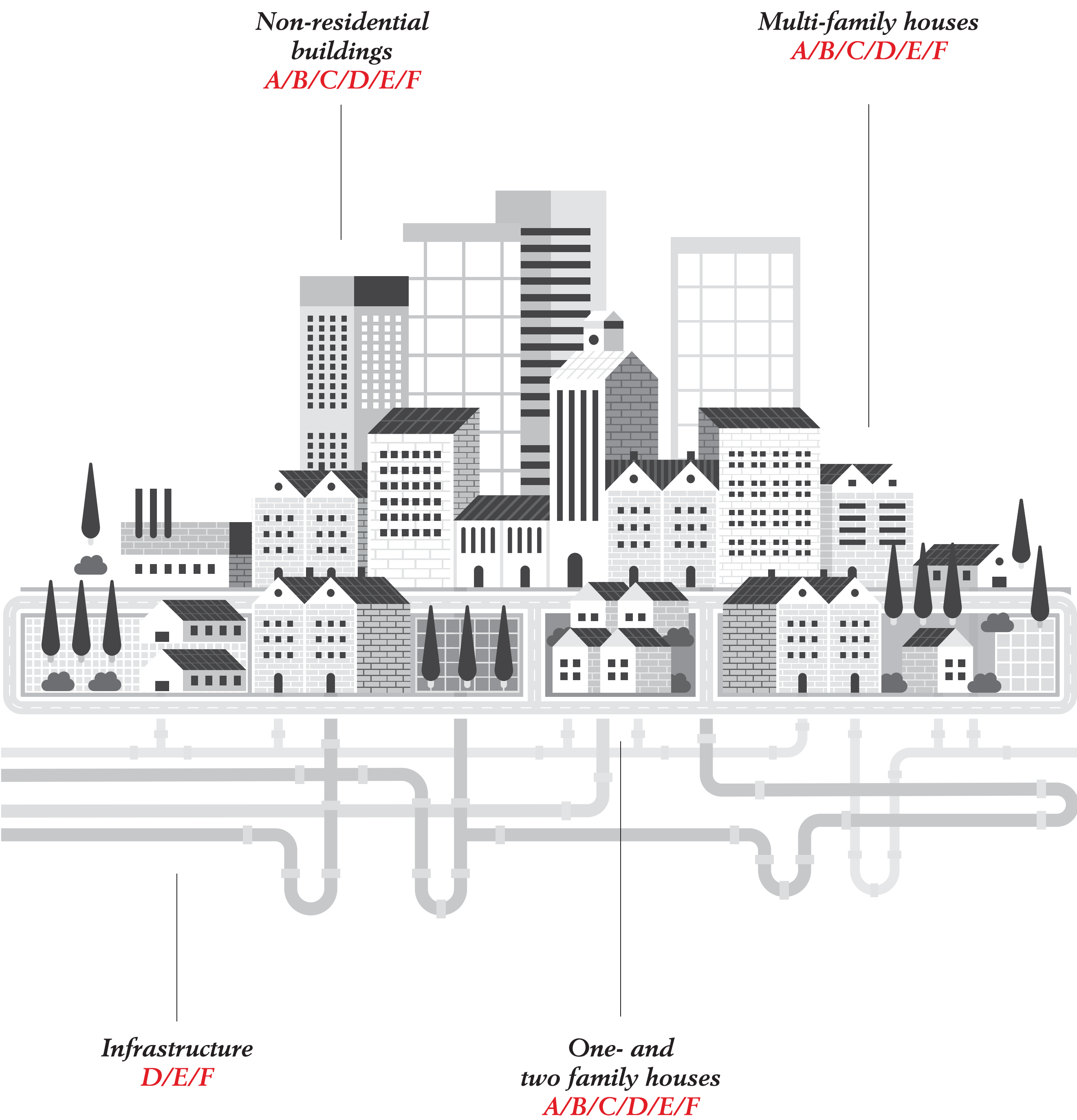

**EBITDA**
*in MEUR*

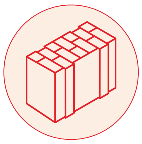



**EBITDA**
*in MEUR*



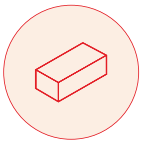
# Wienerberger at a Glance





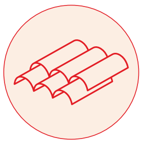
## *Wall (A)*

Innovative clay blocks already fulfill the demanding standards of building physics that will have to be met by the buildings of tomorrow. Depending on local building traditions, they are used for load-bearing exterior monolithic or cavity walls of single-family homes as well as multi-story buildings. They are also used for load-bearing interior walls and for non-load-bearing partitions or infill walls.



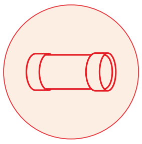
## *Facade (B)*

Facing bricks are used, above all, in visible brick architecture as the most striking aesthetic exterior feature of a building. A facing brick wall provides optimal protection from weather conditions, but still allows the building to breathe. Thanks to the durability of facing bricks, there is no need for costly renovation or maintenance as the building gets older. Through the combination of different colors, formats and surface structures, facing bricks are ideally suited for modern and cost-effective urban brick architecture.



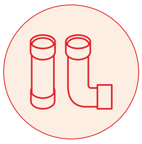
## *Roof (C)*

Clay roof tiles are used for pitched roofs, low slope roofs and as design elements on facades. They protect the building and its facade from weather influences and moisture for many years. On account of their long useful life and their color-fastness, they are the preferred material for renovation works. A broad range of roof tiles and accessories is available for creative applications in modern residential construction as well as for traditional solutions in renovation and for classified buildings.



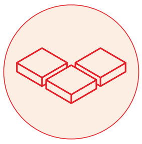
## *Ceramic pipes (D)*

Ceramic pipes (incl. fittings, shafts and accessories) are used in open-trench and trenchless construction, providing sustainable solutions for municipal waste-water disposal. Thanks to their durability, stability, low maintenance requirements and resistance to effluents, ceramic pipes meet all the requirements of modern sewage systems.



## *Plastic pipes (E)*

Plastic pipes (incl. fittings and accessories) are suitable for a wide variety of applications for private and industrial use. The range of high-quality, durable pipe systems includes products for building services installations, drinking water supply, irrigation, waste-water and rain-water management, drainage, energy supply and data transfer, as well as special products for industrial applications.



## *Pavers (F)*

Concrete and clay pavers offer outstanding advantages in terms of durability and lifetime esthetics. They are used for a wide variety of applications, from public spaces and heavily trafficked roads to private buildings and gardens. Customers appreciate the high-quality surface finish as well as the variations in design and setting patterns.

# Mission Statement

## *Our Vision*

*We want to be the most highly regarded producer of building materials and infrastructure solutions and the preferred employer in our markets. We share our values, our knowledge, our experience and our success.*

## *Our Mission*

*We improve people's quality of life by providing outstanding, sustainable building material and infrastructure solutions.*

## *Our Culture*

*We live by our values and share our visions and our goals. Based on our strong corporate culture, successful local teams join forces in a dynamically evolving, international company.*

## *Our Employees*

*Our employees are crucially important for the success of our company. Thanks to their professionalism, their passion and their entrepreneurial spirit we can seize opportunities, take purposeful action, and create value for our shareholders.*

## *Our Goal*

*The primary goal of our entrepreneurial activities is to achieve a sustainable increase in the value of the company in accordance with ecological, social and economic principles.*

## *Our Values*

*Expertise – Passion – Integrity and Respect – Customer Orientation – Entrepreneurship – Quality – Responsibility*

*Our values form the basis of our entrepreneurial activities. We live by our values and share them in our day-to-day cooperation.*

# Value Proposition

*We offer our shareholders a unique value proposition through which we create value and set ourselves apart from our competitors.*

### *Customer proximity through strong local platforms*

We use our profound market know-how and our networks to offer our customers attractive solutions that are tailor-made to their needs. Through our strong platforms we combine the advantage of maximum customer proximity in local markets with the potential of an internationally active Group.

### *Digital Transformation*

We shape the digital transformation of our industry and pursue clear goals:
_Deeper customer relations
_Higher added value
_More efficient internal processes

### *Innovation leadership*

We market cutting-edge products and solutions that offer added value for our customers and enhance the efficiency of construction projects.

### *Strong brands*

Our customers trust our strong brands, which stand for quality, a long useful life, and sustainable values.

### *Highly efficient processes*

We create value by continuously improving the efficiency of all our success factors and benefit from economies of scale through the Group-wide exchange of successful projects.

**Success Story #2**
**Building for People – Digitalization**

***"For me, 'Building for People' means joining forces to improve people's quality of life. This is the path we are consistently pursuing at Wienerberger.*** *Jörg Reinold, Chief Information and Digital Officer, Wienerberger AG*

***Digitalization changes the way we communicate, work, interact and innovate. State-of-the-art technologies help us raise our customer relations and business processes to a higher level. This applies to Wienerberger's entire business model – from sales to administration to production.***

# We are shaping the digital future of our industry

**From networking in design to virtual reality apps – digitalization concerns all of Wienerberger's fields of business. Chief Information and Digital Officer Jörg Reinold works on the development of new solutions for our employees, partners and customers.**

*In everything we do, people must always come first. Together with our customers, partners and employees, we are sustainably shaping Wienerberger's digital future.*

***Jörg Reinold, Chief Information and Digital Officer of Wienerberger AG***

"Digital processes are not an end in themselves, but have to generate a benefit for people. To be successful, we need to make sure that our employees, partners and customers join us on our journey", says Jörg Reinold. In his role as Digital Officer, he has been working on Wienerberger's digital transformation since 2017. In this process, the 37-year-old business management graduate never loses sight of our maxim: 'Building for People'. "We develop added-value services and take the needs of all our stakeholders into account."

**A virtual exploration of the dream house**

The My Designs tool introduced in 2018 by General Shale, Wienerberger's subsidiary in the USA, is an excellent example. This design app enables customers to visualize their home built with Wienerberger products. A further innovation is already in use in Austria: the virtual-reality app, complete with VR goggles, takes customers on a virtual tour of their future home on a smartphone. In Belgium, the All4Roof platform is being tested. It will enable roof-setters to plan and implement their projects more efficiently. "We have successfully launched these tools in local markets and intend to roll them out to other countries of the Wienerberger Group", explains Jörg Reinold.

Wienerberger uses digital processes to open up new fields of business: "We intend to focus increasingly on the marketing of home building concepts and high-performing infrastructure solutions", says Reinold. The first completely digital e4 house is under construction in the Czech Republic, inspired by the vision of the so-called "cognitive home", which is designed and built by means of Building Information Modeling (BIM). Its inhabitants are supported by a smart household assistant. Smart solutions for infrastructure projects are another field of application: The Raineo® rainwater management system produced by Pipelife protects buildings against flooding and promotes the sustainable management of water, receiving input from weather forecasts.

**Online tools to address customers**

Trendsetting solutions like these help Wienerberger to intensify its customer relationships and optimize its business processes. The company has taken the lead in shaping the digital transformation of the building materials industry. Over ten million hits per year on the various media make digital communication the most important channel. „Digitalization enables us to develop tailor-made services for our partners and customers",

***Working on the digital transformation: For Jörg Reinold, talented employees are the key to success.***

*Driving new solutions: Customers view their new home through virtual reality goggles.*

## Data privacy for customers and partners

Data protection is a matter of high priority at Wienerberger. In 2018, more than 80 data controllers ensured compliance with all regulatory requirements. Across the Group, over 250 employees working in IT, finance and human resources received training on data security. Moreover, the company regularly cooperates with partners to develop an international cyber defense strategy, allowing it to react quickly to any threat in this field.

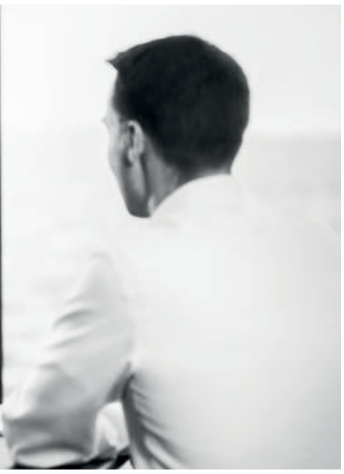
explains Jörg Reinold. This includes web shops, digital product catalogues or configuration tools for contractors as well as apps for end customers.

At the same time, digital tools are used to improve cooperation with stakeholders along the value chain and to strengthen direct sales. “We want to upgrade the dealer from an intermediary into a fully integrated business partner”, explains Reinold, outlining the vision. „This means that we cooperate with partners and customers on their projects and support them from start to finish. We can thus ensure that our products are factored in at an early stage of the process and then used to optimum effect.”

**Employees contribute their own ideas**

Having introduced new business models, Wienerberger is evolving from a pure supplier of building materials into an integrated service provider. Well-trained employees are essential to this digital transformation. “At Wienerberger, we are making every effort to develop talents and foster networking”, says Reinold. This happens, for instance, within the framework of the internal L.A.B. (Lead-Act-Build) program, where employees get the chance to pursue and implement their ideas about innovation, Industry 4.0 and digitalization. Last year, this led to the development of ten prototypes which were then tested in practice – including the cognitive home approach.

According to Reinold, there is a great deal of potential for the future. In production, for instance: intelligent networking can help to align production to customer requirements in a more energy-efficient and flexible way. “Turning visions into reality and developing new solutions – that is what digitalization is all about,“ emphasizes the transformation expert.



## Featuring: Jörg Reinold, Chief Information and Digital Officer

How will we live and work in the future? This question is always on Jörg Reinold’s mind. As Chief Information and Digital Officer, he has been responsible for Wienerberger’s digital transformation since 2017, supporting the development of new business models and products. Born in the German State of Saxony, Jörg Reinold studied international management in Germany and the USA. Before joining Wienerberger, he worked for IBM in the areas of Group Strategy and Digitalization in Europe and Asia.

# Strategy

## *Maximizing our long-term growth potential*

Each of Wienerberger's business areas – infrastructure, new construction and renovation – is supported by strong industrial platforms in Europe and North America. We have defined a clear strategy that enables us to benefit from future development opportunities and the expansion of our platforms. A strong executive team at corporate level cooperates with our experienced local managers in the implementation of our accelerated growth course and the full realization of our long-term growth potential. Our strategic priorities:

*Organic growth*

*Operational excellence*

*Growth projects and portfolio optimization*

**Sustainable management decisions**
In our strategic approach we focus on the interests of our organization as well as those of our stakeholders, with whom we engage through a network of long-standing relationships. We are convinced that we can bring about a convergence of these interests through well-balanced decisions. This allows us to broaden the basis for our growth and create the best possible prerequisites for sustainable value creation.

To make progress measurable, we have set ourselves clear financial and non-financial targets.

**Disciplined investment decisions**
Strict financial discipline provides a strong framework for the strategic development of the Wienerberger Group. Clearly defined financial targets ensure value-creating capital allocation, a strong balance sheet and an attractive dividend policy.

- **ROCE after tax.** The return on capital employed after tax serves as the key indicator for the value-oriented management of our company. It measures the after-tax return on capital currently employed in the company.

- **Net Debt / EBITDA.** In order to keep our balance sheet strong for the long term, we aim to maintain the year-end ratio of net debt to EBITDA at below 2.5x.

## *Organic Growth*

› **Innovation.** As the innovation leader in our industry, we continuously strive to improve and further develop our products and system solutions for all fields of application. We take advantage of our strong market positions to introduce successful innovations at supra-regional level. Our development priorities are:

_Innovations in the application and use of our products
_Research into new materials and production processes
_Resource-efficient use of raw materials
_Re-use of our products

› **Market proximity.** The complexity inherent in the design and execution of construction projects is increasing. We therefore take the individual needs of specific customer groups, stakeholders and decision-makers into account, offering comprehensive advisory services and supporting projects from the planning phase right through to execution.

› **Digitalization.** We play a leading role in the digital transformation of our industry and aim to offer our customers higher added value. To this end, we initiate change processes within the company along the entire value chain.

## *Operational Excellence*

The Fast Forward 2020 Program provides the framework for all our measures aimed at enhancing efficiency and increasing our profitability. Across the Group, we are concentrating our efforts on six clearly defined work streams to increase EBITDA by € 100 million over the period from 2019 to 2020:

_Manufacturing excellence
_Commercial excellence
_Procurement
_Supply chain management
_Administration
_Turnaround cases

## *Growth projects and portfolio optimization*

› We are enlarging our existing platforms through the acquisition of growth-oriented companies generating high margins. In this process, we apply clearly defined criteria and aim to strengthen our unique selling propositions. As well as analyzing the financial position of potential takeover candidates, therefore, we also consider the added value and user-friendliness of their products, the relevance of the companies in the local markets, and their position as partners for our customers. We thus acquire companies which can be swiftly integrated into the existing industrial network and optimally complement our business.

› To achieve sustainable growth, we continuously review all business areas and analyze their strategic orientation and growth potential. Operations that do not meet our criteria for value creation will be sold. We have set ourselves the target of generating € 150 million from the divestment of business operations and the sale of non-operating assets by 2020. These funds will then be available for investments in high-margin operations with potential for future growth.

# Value Creation

Our value creation process consists in the industrial production and the marketing of innovative building materials and system solutions for modern buildings and infrastructure. It provides the basis for the achievement of our entrepreneurial goal – a sustainable increase in the value of the company in accordance with ecological, social and economic principles. Wienerberger's value creation process receives input from six sources: financial capital,

### *Input*

*Financial capital*

*Asset base*

*Know-how*

*Employees*

*Dialogue*

*Natural resources*

### *Procurement* / *Production*

#### *Ceramic products*

**Procurement**

**Extraction from own clay reserves or supply by third parties**

**Purchase of**
- Additives and aggregates (sand, grit, gravel, sawdust, paper fiber, etc.)
- Packaging material
- External secondary raw materials
- Energy

**Water from own wells and public networks**

**Production processes**
- Delivery/Storage
- Preparation
- Shaping
- Drying
- Processing
- (Glazing)
- Firing
- Packaging

#### *Plastic pipes*

**Purchase of**
- PVC, PP and PE granulates
- External secondary raw materials
- Additives
- Packaging material
- Energy

**Water from own wells and public networks**

**Production processes**
- Preparation
- Extruding
- Injection molding
- Cooling
- Processing
- Packaging

#### *Concrete pavers*

**Purchase of**
- Cement, additives (sand, grit, gravel, etc.), admixtures (super-plasticizer, pigments, etc.)
- Packaging material
- External secondary raw materials

**Water from own wells and public networks**

**Production processes**
- Delivery/Storage
- Mixing
- Shaping
- Processing
- Drying
- Packaging

production facilities, know-how, human capital, business relationships and natural resources. These interact closely with one another and are increased, diminished or transformed through the company's business activities.

Changes within the input parameters are based on well-balanced strategic decisions. This is how we create added value for the organization and our shareholders.

## *Output*

**Roof tiles**
**Clay blocks**
**Facing bricks**
**Ceramic accessories**

**Private and public investments**

**New construction & renovation**
- Residential construction: *Single- and two-family homes, Multi-family houses*
- Non-residential construction: *Office buildings, hotels, schools, nursery schools, etc.*

**Ceramic pipes**
**Accessories**

**Public investments**
- Waste water systems

**Plastic pipes**
**Fittings**
**Accessories**

**Private and public investments**
- Civil engineering & infra-structure: *Sewers, drainage, energy supply, cable protection, etc.)*
- Building construction & installation: *Heating, sanitary and electrical installations, building drainage, geothermal energy, etc.)*
- Special applications: *Industrial projects, oil and gas industry*
- Agriculture and food production

**Pavers and slabs**
**Walls and fences**
**Steps, edging stones, design elements**

**Private and public investments**
- Public spaces
- Roads and walkways
- Gardens
- Patios, etc.

## *End-of-life*

**Re-use**
**Recovery**
- Own production
- External use

**Landfill (debris)**

**Recovery**
- Own production
- External use

**Energy recovery**
**Landfill**

**Re-use**
**Recovery**
- Own production
- External use

**Landfill (debris)**

## *Outcome*

*Financial capital*

*Asset base*

*Know-how*

*Employees*

*Dialogue*

*Natural resources*

# Financing Success

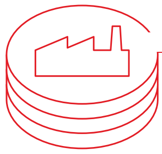
## *Our Principles*

Wienerberger's financing policy pursues transparent targets: securing an adequate liquidity position, building a strong capital structure, and ensuring unrestricted access to capital and credit markets. To achieve these targets, we maintain our equity at an adequate level and regularly explore refinancing opportunities from a diversified portfolio of financing instruments available to us. In this way, we adjust our financing structure to the needs of our operational business, lower our financing costs and balance our maturity profile. The sustainable generation of free cash flow is the basis of our strong financing structure and the increase in enterprise value. The funds are used, above all, to reduce debt, invest in value-creating growth projects and ensure that our shareholders participate in the financial success of the company. The Managing Board of the Wienerberger Group is committed to a policy of dividend distribution, with due consideration given to the development of business, the economic environment and potential growth projects. Selective share buyback programs complement the annual dividend distribution. For detailed information on the Wienerberger share, please refer to the Management Report starting on page 114; for information on our corporate bonds, please visit our website (www.wienerberger.com).

## *Our Activities*

- The successful placement of a bond in May 2018 with a volume of € 250 million, a coupon of 2.00% and a term of 6 years.
- The 2011 bond with a nominal value of € 100 million and a coupon of 5.25%, which matured in July 2018, was refinanced with the 2018 bond on far more favorable interest terms.
- As a proactive measure aimed at securing our strong liquidity position, we refinanced our existing credit line with a new revolving credit line on attractive terms. € 400 million will thus be available to us until at least 2023.
- Notwithstanding the fact that more acquisitions were made than in 2018, the ratio of net debt to EBITDA remained stable at 1.4 years at the end of 2018 and was clearly below our internal threshold of 2.0 years.
- Two share buyback programs were implemented in 2018, the second one running up to and including January 3, 2019. A total amount of € 47.9 million was spent to buy back 2.02% of the share capital (2,375,268 shares). 1% of the share capital was cancelled through a capital reduction in 2019.
- Despite strong growth, we managed to further reduce the ratio of working capital to revenues to 16.6%.
- The Managing Board and the Supervisory Board will propose to the 150th Annual General Meeting that the dividend be significantly increased from € 0.30 to € 0.50 per share.

| Financial indicators | | 2017 | 2018 | Chg. in % |
|---|---|---|---|---|
| Free cash flow | *in MEUR* | 152.5 | **236.5** | +55 |
| ROCE after tax | *in %* | 7.3 | **7.5** | - |
| Equity | *in MEUR* | 1,911.2 | **1,939.1** | +1 |
| of which hybrid capital | *in MEUR* | 266.0 | **266.0** | 0 |
| Market capitalization | *in MEUR* | 2,371.0 | **2,115.0** | -11 |
| Dividend paid | *in MEUR* | 31.6 | **34.8** | +10 |
| Hybrid coupon paid | *in MEUR* | 29.9 | **13.6** | -54 |
| Financial liabilities | *in MEUR* | 814.7 | **837.5** | +3 |
| Interest paid | *in MEUR* | 38.5 | **38.3** | -1 |
| Net debt | *in MEUR* | 566.4 | **631.6** | +12 |
| Net debt / EBITDA | *in years* | 1.4 | **1.4** | - |



# Optimizing Our Asset Base

## *Our Principles*

The industrial production and distribution of high-quality building materials and infrastructure solutions form the core of Wienerberger's economic activity. As market leaders in terms of costs and technology, we aim at an efficient and sustainable use of resources in production while, at the same time, improving the quality of our products. To this end, Wienerberger relies on its diversified industrial base and its comprehensive network of 195 production sites in 30 countries. Our normal capital expenditure serves not only to cover the costs of regular maintenance of our production facilities, but also finances technological improvements to existing products and production processes. Moreover, we develop new production technologies and are working on measures to save costs and perfect our processes within the framework of our Fast Forward 2020 program. At the same time, we regularly analyze opportunities for portfolio optimization and, if necessary, adjust our structures to market conditions. Wienerberger employs its capital exclusively in its core areas of business, which means that non-core assets and business areas identified for divestment are sold in structured divestment processes, and the proceeds generated are reinvested. Our organic growth potential, based on our existing asset base, is enhanced through value-creating growth projects. These include acquisitions and the selective takeover of individual plants, as well as capacity expansions and the construction of new plants.

## *Our Activities*

- In 2018 Wienerberger invested a total of € 158.9 million in growth projects. An amount of € 103.2 million was attributable to acquisitions of companies, including production sites for facing bricks and clay pavers in the Netherlands, a Norwegian producer of pre-insulated, frost-resistant special pipes, a producer of facing bricks in Pennsylvania and a concrete paver plant in Romania. Another € 55.7 million were invested in capacity enlargements.
- By acquiring a stake in a German R&D start-up producing innovative high-performance insulating materials and entering into a cooperation with an Australian producer of masonry robots, Wienerberger opened up to entirely new technologies and building materials.
- The structural adjustments in the course of the reorganization of the German and Austrian brick business as well as the ceramic pipe business were completed during the reporting year. The notable increase in profitability in the second half of 2018 underlines the sustainable improvement in the Group's earning power.
- Our program for the sale of non-strategic assets will generate proceeds of approx. € 150 million in the period from 2018 to 2020. In the reporting year, the sale of assets worth € 64.7 million resulted in a contribution to earnings of € 23.2 million. The divestment of our Austrian concrete paver business with an enterprise value of approx. € 30 million marked an important step.
- In the course of our Group-wide Fast Forward 2020 program of optimization measures, we plan to invest a total of € 50 million in production, which will be reported as part of our normal capex in 2019 and 2020.

| **Financial indicators** | | 2017 | **2018** | Chg. in % |
|---|---|---|---|---|
| Capital employed | *in MEUR* | 2,459.2 | **2,536.7** | +3 |
| Property, plant and equipment | *in MEUR* | 1,521.6 | **1,575.7** | +4 |
| Depreciation of property, plant and equipment | *in MEUR* | 167.2 | **166.1** | -1 |
| Impairment charges to PPE | *in MEUR* | 40.4 | **20.5** | -49 |
| Normal capex | *in MEUR* | 147.5 | **166.3** | +13 |
| Growth capex | *in MEUR* | 58.8 | **158.9** | >100 |
| Proceeds from asset sales (incl. financial assets) | *in MEUR* | 28.8 | **43.8** | +52 |

# Sharing Knowledge

## *Our Principles*

Faced with the challenge to provide affordable and efficient housing and infrastructure, our building material solutions have to meet more and more demanding requirements. We therefore consider it our task to continually develop and improve our processes and products in an effort to create lasting values for generations to come. For us, the crucial factors for success are our strategic focus on innovation and our highly committed and experienced staff. A firmly rooted corporate culture supported by all and based on our shared values – expertise, passion, integrity and respect, customer orientation, entrepreneurship, quality and responsibility – is an integral part of our model of success. Over many years of international activity, we have not only acquired a profound understanding of our markets, but also developed comprehensive problem-solving competencies and flexible organizational structures, which gives us a competitive edge. Our strong brands, which are closely associated with local building traditions in many regions, testify to our leading position in numerous markets.

## *Our Activities*

- Wienerberger operates several research centers in Europe, which specialize in different product groups and experiment with novel product properties and processing methods. Our engineers cooperate closely with the marketing and sales departments in order to adapt our developments to customer requirements and local market conditions.
- As the technology and innovation leader in our industry, we take advantage of digitalization to optimize our production processes, intensify our customer relations and create more efficient structures in distribution and administration. Moreover, we explore new fields of business and use BIM (Building Information Modelling) for a seamless digital design of construction projects on a one-stop-shop basis.
- Our sales teams address individual needs of specific customer groups and provide comprehensive services, ranging from planning to logistics to the implementation of a construction project.
- A key target of our Sustainability Roadmap 2020 is to reduce energy consumption for the production of ceramic products by 20% as compared to 2010.
- With our project "Demoplant" we are pursuing the ambitious target of reducing gas consumption by up to 50%. After a successful development phase, we are now testing the technologies identified as well-suited for this purpose at a retrofitted plant.
- In our core markets, we increasingly rely on project teams working exclusively in multistory construction and supporting decision-makers from the land development phase to project completion. We are thus gradually increasing our market share in this segment and, at the same time, participating of the advanced urbanization.
- Motivated by the desire to create optimal conditions outside our existing structures for the conception of projects and ideas focused on innovation, Industry 4.0 and digitalization, we established our L.A.B. (Learn-Act-Build).

| **Financial and non-financial indicators** | | **2017** | **2018** | **Chg. in %** |
|---|---|---|---|---|
| Intangible assets | *in MEUR* | 206.2 | **224.2** | +9 |
| Goodwill | *in MEUR* | 484.7 | **488.5** | +1 |
| Amortization of intangible assets | *in MEUR* | 17.5 | **19.1** | +9 |
| Impairment charges to intangible assets and goodwill | *in MEUR* | 6.4 | **0.0** | -100 |
| R&D expenditure | *in MEUR* | 11.0 | **15.9** | +45 |
| Percentage of revenues generated by innovative products | *in %* | 30 | **29** | -2 |

# Developing Employees

## *Our Principles*

We owe our success to the experience and the dedication of our 16,600 employees. It is therefore part of our vision to be the preferred employer in our markets. To achieve this goal, we create all the necessary prerequisites and conditions through constant progress in all areas relating to occupational health and safety, diversity and equal opportunities, further training and succession management. Moreover, we make a special effort to ensure fair and performance-oriented remuneration for all and to facilitate the reconciliation of work and family duties in the best possible way through flexible working time models. A culture of open communication within the company, the consistent involvement of our employees, and a motivating work environment are essential components of our firmly rooted and thriving corporate culture.

## *Our Activities*

- For us as an industrial producer, occupational health and safety for all our employees is a top priority. We therefore continuously upgrade our safety standards in order to reduce the frequency and severity of accidents at the workplace and build awareness for occupational safety among our employees. We are happy to report that our efforts have led to a reduction in accident frequency by 75 % compared to 2010.
- Through Group-wide employee surveys we actively foster a feedback culture and implement measures to increase employee satisfaction. In 2018, more than 5,150 employees participated in the survey relating to employee commitment, the work environment and performance-oriented support. As a follow-up to the 2017 surveys, measures were identified and implemented. These included initiatives in the field of leadership training, improving internal communication and optimization of production sites.
- Within the framework of our further training initiatives for senior management, 240 persons from different country organizations attended workshops on topics such as coaching, emotional intelligence and team management and participated in 360° feedback surveys. As in previous years, a comprehensive onboarding program for new senior managers was a special priority in 2018.
- By the end of 2018, over 125 participants participated in Ready4Excellence, our development program for young employees with leadership potential, and attended specialized courses on topics such as project communication, performance indicators, process and conflict management, and intercultural competencies.
- 36% of the members of the Wienerberger Supervisory Board are women. We have thus fulfilled the minimum quota of 30%, mandatory in Austria as of 2018, since 2015.

| Financial and non-financial indicators [1] | | 2017 | 2018 | Chg. in % |
|---|---|---|---|---|
| Ø Employees | *in FTE* | 16,297 | **16,596** | +2 |
| Personnel expenses | *in MEUR* | 794.5 | **853.5** | +7 |
| Accident frequency | *Number of occupational accidents / Number of hours worked x 1,000,000* | 5 | **5** | -6 |
| Accident severity | *Accident-related sick-leave days / Number of hours worked x 1,000,000* | 173 | **155** | -10 |
| Fatal occupational accidents | | 2 | **1** | -50 |
| Ø Sick-leave days / employee | *in days* | 10 | **11** | +3 |
| Employee turnover | *in %* | 9 | **12** | - |
| Percentage of women | *in %* | 14 | **14** | - |
| Ø Training hours / employee | *in hours* | 14 | **16** | +16 |

1) For explanations on the non-financial indicators, please refer to the Glossary on page 219.

# Engaging in Dialogue

## *Our Principles*

As a responsible member of society, we take the concerns of our stakeholders into account in the definition of our Group strategy. We thus aim to ensure that our entrepreneurial activity creates added value for all our stakeholder groups. These include our employees, customers and business partners, investors, analysts and banks, neighbors and communities in the vicinity of our plants, suppliers, political decisionmakers, regulators, bodies representing organized interests, research institutions and universities, the media and NGOs. To improve mutual understanding of each other's interests, expectations and targets, we strongly promote open, continuous and target-group-oriented dialogue. In 2014, we performed a materiality analysis that involved internal and external stakeholders. The results were translated into the binding targets of the Wienerberger Sustainability Roadmap 2020 and are now an integral part of our corporate strategy. Supported by experts, we launched an impact and risk analysis in 2018, which will serve as a basis for updating our materiality analysis and the Wienerberger Sustainability Roadmap from 2020 onward. Furthermore, we are aware of our social responsibility and support various humanitarian and social projects through product donations and training programs.

## *Our Activities*

- Through our accession to the UN Global Compact in 2003 we officially committed to the principles regarding human rights, labor standards, environmental protection and the fight against corruption. As we also demand compliance with our standards and principles along the supply chain, we expect our suppliers in all our European markets to comply with a code of conduct. In the course of the restructuring of Wienerberger's procurement, a uniform Group-wide code of conduct for our suppliers is being developed.
- The management actively seeks feedback from employees through surveys on issues regarding health, satisfaction and performance-related factors in the work environment. Since the beginning of structured employee surveys in 2015, all employees of the Wienerberger Group have been questioned at least once.
- Wienerberger's European Works Council, a social partnership organization, aims to facilitate networking among all bodies representing employee interests. Currently, 11 countries are represented by 33 delegates, with the Chairman of the European Works Council also serving as employee representative on the Wienerberger Supervisory Board.
- As a member of international and national associations representing the interests of the sector, such as Tiles and Bricks Europe (TBE), the umbrella organization of brick and roof tile producers, Construction Products Europe (CPE), and The European Plastic Pipes and Fitting Association (TEPPFA), Wienerberger actively contributes to the process of political opinion-shaping.
- Every year we organize a Capital Markets Day, which is targeted at investors and analysts. The event not only provides extensive information on the strategy of the Group, but also an opportunity for direct exchanges with senior management. For further information on Investor Relations, please refer to page 116.
- Within the framework of our long-standing partnership with Habitat for Humanity, an international non-profit organization, we were able to help another 37 families and provide aid for more than 290 children and adolescents in 2018.

| Financial indicators [1] | | 2017 | 2018 | Chg. in % |
|---|---|---|---|---|
| Payments to public bodies | *in MEUR* | 75.5 | **75.1** | -1 |
| of which income taxes | *in MEUR* | 48.9 | **47.6** | -3 |
| of which other taxes and charges | *in MEUR* | 26.6 | **27.5** | +3 |
| Donations | *in MEUR* | 0.5 | **0.5** | +4 |

1) For definitions, please refer to the Glossary on page 219.

# Assuming Responsibility

## *Our Principles*

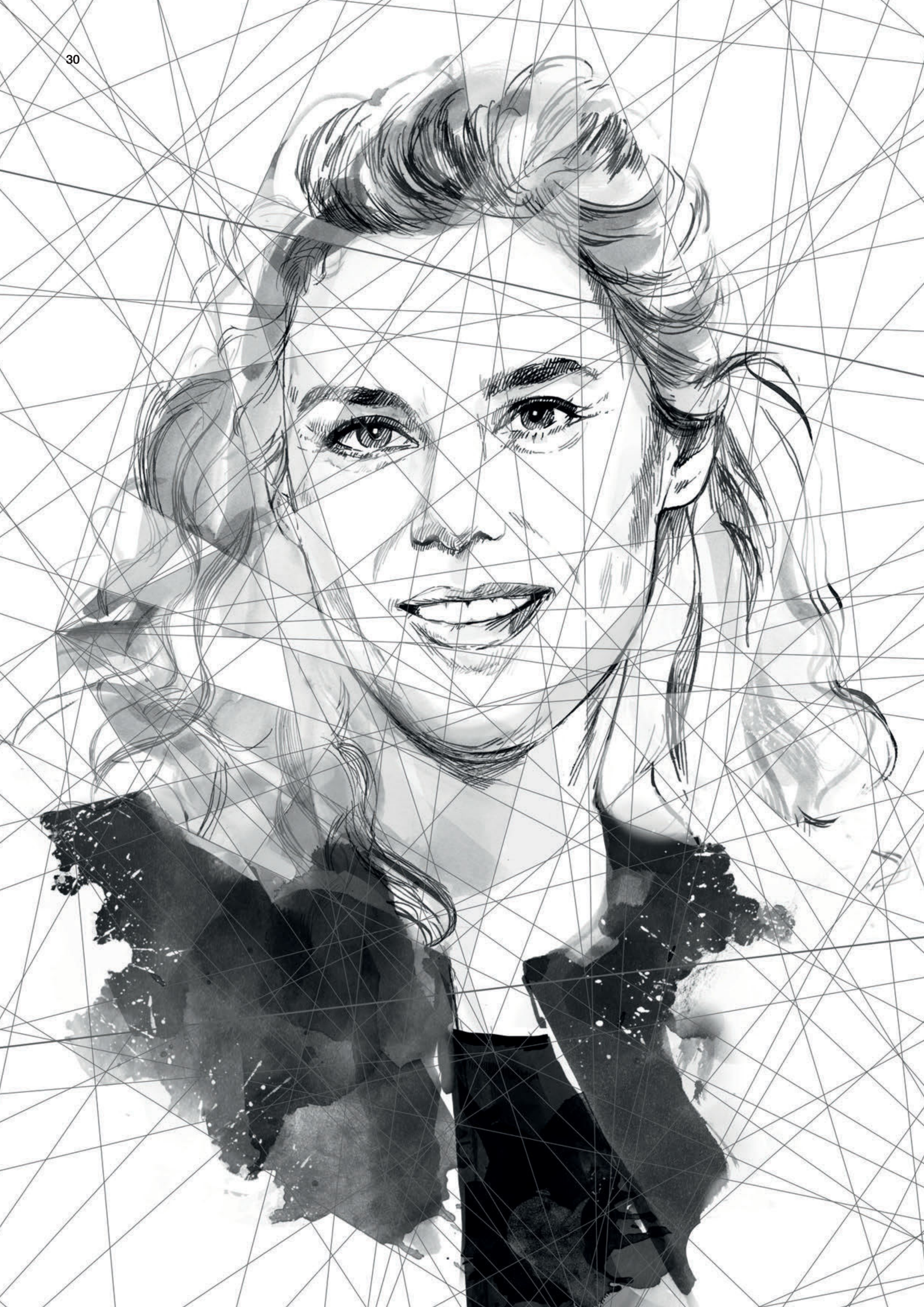
We are well aware that industrial production processes always involve a certain degree of interference with the natural environment. We therefore aim to minimize the environmental impact and the risks of our entrepreneurial activity along the value chain. Operating our extraction sites and using raw materials and natural resources, such as energy and water, responsibly is a central concern for us. Enhancing energy efficiency, reducing our $CO_2$ emissions and increasing the percentage of recycled materials in production, also rank high among our priorities. Our clear commitment to continuous improvement of our ecological performance translates into the binding targets laid down in the Wienerberger Sustainability Roadmap 2020. Based on these measurable targets, the effectiveness of the measures taken becomes transparent and verifiable.

## *Our Activities*

- In our clay mining activities we undertake to implement comprehensive protective measures in the field of occupational health and safety and to keep noise and dust pollution for employees and neighbors as low as possible. To restore the natural balance, depleted extraction sites are recultivated, renaturalized or converted to other uses.
- While we own about two thirds of the clay reserves we need for production, we usually enter into long-term extraction contracts to cover the remaining demand. The supply of raw materials for the production of plastic pipes and concrete pavers is safeguarded through a diversified supplier structure.
- To minimize the consumption of raw materials, we constantly experiment with modified product properties in terms of weight and design; we are also taking measures to diminish the amount of waste, breakage and scrap.
- While residual material from our own plants can usually be recycled into production, the use of secondary raw material from external sources depends on the availability and quality of the material as well as the technological and economic feasibility of reuse. We see great potential for a further increase in the percentage of secondary raw materials used, especially in the production of plastic pipes.
- Our engineers continuously work to reduce the energy input for the drying and firing processes, avoid or recycle waste heat, and optimize our products and processes. We are striving to arrive at the best possible solutions through in-house research and cooperation with external institutions.
- Water is used primarily as a coolant in plastic pipe production and as an additive in the production of concrete pavers. We reduce the volume of water drawn from public networks through the installation of closed circuits and by using water from our own ponds.

| Financial and non-financial indicators [1] | | 2017 | 2018 | Chg. in % |
|---|---|---|---|---|
| Energy costs | *in MEUR* | 264.2 | **262.9** | -1 |
| of which natural gas | *in %* | 61 | **60** | - |
| of which electricity | *in %* | 33 | **33** | - |
| of which other sources of energy | *in %* | 6 | **7** | - |
| Total energy consumption | *GWh* | 7,889 | **8,149** | +3 |
| Specific energy consumption | *Index in % based on kWh/ton (2013 = 100%)* | 99 | **98** | -1 |
| $CO_2$ emissions from primary energy sources | *in kilotons* | 1,365 | **1,408** | +3 |
| Specific $CO_2$ emissions | *Index in % based on kg $CO_2$/ton (2013 = 100%)* | 94 | **92** | -2 |

1) For definitions, please refer to the Glossary on page 219.



## Success Story #3
## Building for People – Fast Forward 2020

***"To me 'Building for People' means harnessing all the potential at Wienerberger in the best possible manner. Together we can achieve a lot."*** *Solveig Menard-Galli, Chief Performance and Transformation Officer, Wienerberger AG*

***We are striving to become top of the class in everything that we do. With the Fast Forward 2020 program we are a big step closer to achieving this goal. As part of our operational excellence, the program makes a substantial contribution to the implementation of our corporate strategy. Together we are making the Wienerberger Group fit for the future.***

# We are developing the potential at Wienerberger

**How can our strengths be utilized even better? This is a question that Solveig Menard-Galli is trying to answer in the Fast Forward 2020 program. Together with her team, she is raising Wienerberger's performance to a new level.**

Solveig Menard-Galli is convinced that "it is always people who make a difference. Wienerberger has highly skilled employees who want to drive change. It is up to us to support them in this endeavor." Ms. Menard-Galli, who is 49 years old, is in charge of Wienerberger's Fast Forward 2020 program, which was initiated in the fall of 2018. The program aims at improving the company's financial performance and tapping into available potential throughout the Group.

*Wienerberger has highly skilled employees who want to make a difference. Within the Fast Forward 2020 program, we are working together to kick-start many processes, enabling the company to become top of the class in all areas.*

***Solveig Menard-Galli, Chief Performance and Transformation Officer of Wienerberger AG***

**Clearly defined increase in earnings**

"With Fast Forward 2020 our company will become top of the class in all areas," explains Ms. Menard-Galli. The program is part of Wienerberger's operational excellence – one of the pillars of Wienerberger's business strategy alongside organic growth, growth projects and portfolio optimization. What is new is that all projects planned in this area have now been bundled into a Group-wide set of measures with the clear objective of increasing Wienerberger's EBITDA by 120 million euros in the three years from 2018 to 2020.

As far as implementation goes, Wienerberger is well underway: "With approximately 20 million euros, we have reached our target for 2018," says Ms. Menard-Galli. The company is expecting 40 million euros in contributions in 2019 and a further 60 million euros in 2020. Fast Forward 2020 is in the best of hands with the internationally experienced senior manager. Together with her team in the newly established Transformation Office, she coordinates the three-year program and reports directly to Wienerberger's CFO.

*Seizing every opportunity: For Fast Forward 2020, Solveig Menard-Galli is in continuous contact with colleagues from all business areas.*

### More efficiency in six work streams

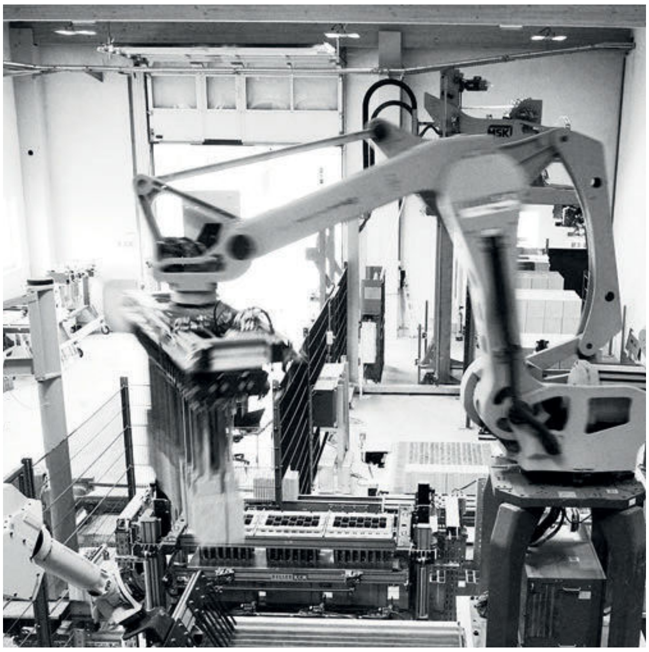
Fast Forward 2020 is being implemented in six work streams. "The largest contribution to earnings is expected to come from manufacturing excellence," says Ms. Menard-Galli by way of analysis. This particular work stream looks to make improvements in manufacturing – ranging from process management and the automation of processes to higher energy efficiency and less scrap. "We review each and every plant in detail beforehand, and then the five to ten most promising measures are implemented without delay."

Another important sector is commercial excellence, focusing on the optimization of pricing and the further enhancement of the product portfolio to offer customers the best possible value added. This includes expanding the portfolio through system solutions or digital helpers, such as a calculation tool for roofers. "We have also identified great potential in procurement," adds Ms. Menard-Galli. These measures include the bundling of supplier contracts as well as the establishment of central expert teams for core issues like materials, packaging or spare parts. Appropriate measures are also being implemented in supply chain management, general administration and the restructuring of organizational units.

### Investing in employees

Wienerberger is providing approximately 50 million euros up to 2020 to leverage optimization potential. This money is going primarily to projects promising attractive yields in the manufacturing excellence work stream. At the same time, expert know-how is being expanded within the company. In that regard Ms. Menard-Galli and her team put great emphasis on the development and targeted training of staff. This sees the transformation office work in close cooperation with human resources and the relevant local departments.

According to Ms. Menard-Galli, Wienerberger is well-prepared for the future. How has Fast Forward 2020 gone down with the employees? "We have received a lot of positive feedback from throughout the company because the opinion of colleagues is being heard. Moreover, one of the central goals we are pursuing in this project is ensuring maximum transparency, which goes down well with staff," says Ms. Menard-Galli. "To me 'Building for People' means harnessing all the potential at Wienerberger in the best possible manner. Together we can achieve a lot."



*Further improvements in production: Manufacturing Excellence is expected to deliver a significant contribution to earnings.*

## Featuring: Solveig Menard-Galli, Chief Performance and Transformation Officer

Driving change is something at which Solveig Menard-Galli excels. She graduated with a master's degree in controlling and strategic management and has held numerous positions in finance in Austria and the Netherlands. In 2016 she joined Wienerberger as CFO of the Clay Building Materials Europe Business Unit and has been in charge of the newly founded Transformation Office since 2018.

## Fast Forward 2020 at a glance

Optimizing processes and leveraging available potential at Wienerberger – that is the target of Fast Forward 2020. This is an overview of the six work streams:

1. Manufacturing excellence: Improvement of production processes
2. Commercial excellence: Strategic pricing and portfolio design
3. Procurement: Optimization of procurement
4. Supply chain management: Best possible management of flows of goods
5. General administration: Simplification of administrative processes
6. Turnaround cases: Restructuring of organizational units

# The History of Wienerberger Group

**1819**
Wienerberger is founded by Alois Miesbach in the Wienerberg district on the southern outskirts of Vienna, the capital of the Habsburg Empire. Benefiting from the construction boom in the city, the company experiences rapid growth.

**1869**
In 1857, Alois Miesbach's nephew, Heinrich Drasche, takes over the management of the company. To raise fresh capital for continued dynamic growth, he takes Wienerberger public in 1869, making it one of the first Austrian companies to be listed on the Vienna Stock Exchange.

**1986**
The company makes its first move toward internationalization when it enters the German market by taking over a producer of clay blocks.

**1989**
With the foundation of Pipelife as a joint venture, Wienerberger diversifies into the plastic pipe market. The market entry in Hungary is the first step in the company's expansion into Central and Eastern Europe.

**1996**
Wienerberger takes over Terca Bricks, the leading producer of facing bricks in Belgium and the Netherlands. The acquisition of a majority interest in Semmelrock, the leading producer of pavers in Central and Eastern Europe, follows in the same year. Through these two strategic acquisitions, Wienerberger adds facing bricks and concrete pavers to its product portfolio and broadens its geographic market coverage.

**1999**
Wienerberger gains a foothold in the North American building materials market through the acquisition of General Shale, a leading brick producer in the USA.

**2003**
The acquisition of Koramic is a strategically important step for the development of the company's roof tile business, strengthening Wienerberger's position in building renovation.

**2004**
Wienerberger becomes a free float company without a core shareholder, with 100% of its shares being publicly traded.

**2009**
The new management team consisting of CEO Heimo Scheuch and CFO Willy Van Riet initiates a comprehensive restructuring program, repositions the company and launches it onto a trajectory of strong growth.

**2010 - 2012**
In 2010, Wienerberger takes over Semmelrock, a producer of concrete pavers, and Steinzeug-Keramo, a specialist in waste water systems. By taking full control of Pipelife in 2012, the company becomes the leading supplier of plastic pipes in Europe. Together, these three companies form the Pipes & Pavers Europe Division. With this step, Wienerberger strengthens its presence in the infrastructure market and reduces its dependence on new residential construction, a sector subject to cyclical fluctuations.

**2014**
The takeover of Tondach Gleinstätten positions Wienerberger as the leading supplier of roof tiles in Eastern Europe.

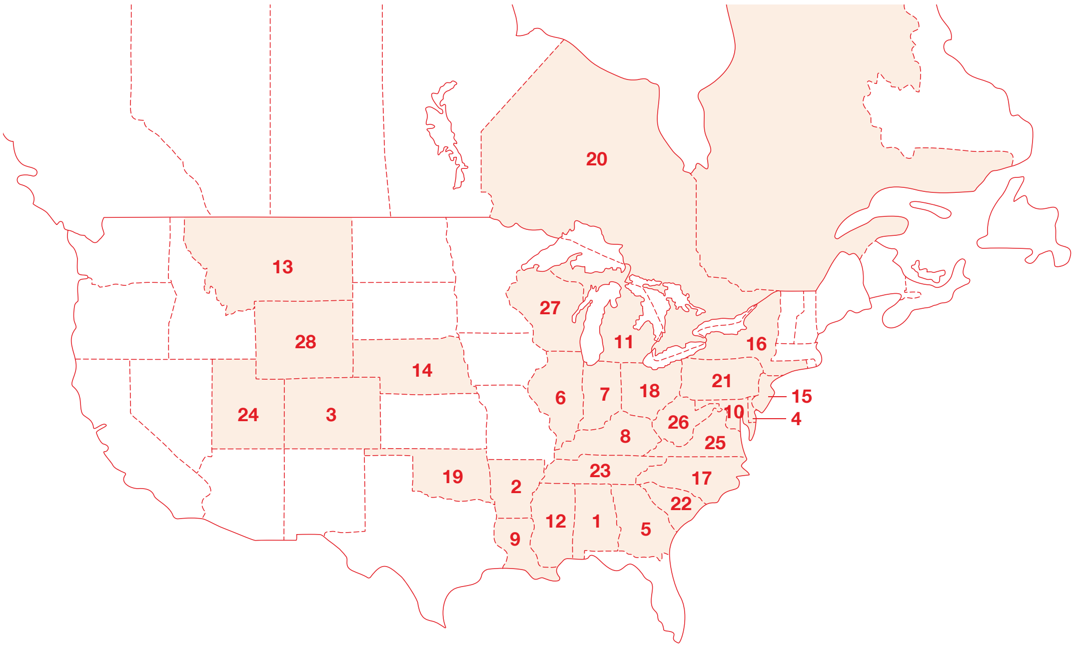
**2018**
The consistent implementation of its corporate strategy based on the three priorities of organic growth, operational excellence, and growth projects in conjunction with portfolio optimization enables Wienerberger to increase its revenues to a record level of € 3.3 billion.

**2019**
In 2019, we are celebrating two jubilees: the foundation of the company 200 years ago and its going public 150 years ago. What began as a single brick plant in Vienna in 1819 has evolved over two centuries into an international group with about 16,600 employees and about 200 production sites in 30 countries. During this period, Wienerberger has grown to become the world's biggest producer of bricks, the no. 1 in roof tiles in Europe, the market leader in concrete pavers in Central and Eastern Europe, and a leading supplier of pipe systems in Europe.

# Production Sites and Market Positions

Wienerberger is the only multinational producer of bricks, roof tiles, concrete pavers and pipe systems with a total of 195 production sites in 30 countries and activities in international export markets. We are the world's largest producer of bricks and number one on the clay roof tile market in Europe. Furthermore we hold leading positions in pipe systems in Europe and concrete pavers in Central-East Europe.

## *Wienerberger Markets in North America*




*Market positions*
1 *Facing Bricks*

*Number of sites*
1 *Facing Bricks*
1 *Concrete Products*
1 *Distribution Outlets*
1 *Plastic Pipes*
1 *Calcium Silicate*

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1 | *Alabama* | 3 | | | 1 | | |
| 2 | *Arkansas** | 4 | | | | 1 | |
| 3 | *Colorado* | 1 | 1 | | 1 | | |
| 4 | *Delaware** | 5 | | | | | |
| 5 | *Georgia* | 1 | 1 | | | | 1 |
| 6 | *Illinois* | 3 | | | 2 | | |
| 7 | *Indiana* | 1 | 1 | | 2 | | |
| 8 | *Kentucky** | 1 | | | | | |
| 9 | *Louisiana** | 2 | | | | | |
| 10 | *Maryland** | 2 | | | | | |
| 11 | *Michigan* | 2 | | | 2 | | |
| 12 | *Mississippi* | 1 | 1 | | | | |
| 13 | *Montana* | 1 | | | 1 | | |
| 14 | *Nebraska** | 6 | | | | | |
| 15 | *New Jersey** | 3 | | | | | |
| 16 | *New York** | 3 | | | | | |
| 17 | *North Carolina* | 1 | 2 | | 4 | | |
| 18 | *Ohio** | 2 | | | | | |
| 19 | *Oklahoma** | 6 | | | | | |
| 20 | *Ontario* | | | | | | 1 |
| 21 | *Pennsylvania** | 3 | 1 | | | | |
| 22 | *South Carolina* | 4 | | | 1 | | |
| 23 | *Tennessee* | 1 | 1 | 1 | 6 | | |
| 24 | *Utah** | 2 | | | | | |
| 25 | *Virginia* | 1 | 1 | | 1 | | |
| 26 | *West Virginia** | 1 | | | | | |
| 27 | *Wisconsin** | 5 | | | | | |
| 28 | *Wyoming* | 1 | | | 1 | | |

** Markets are served through exports from neighboring states.*

*Status December 2018*

## *Wienerberger in India*

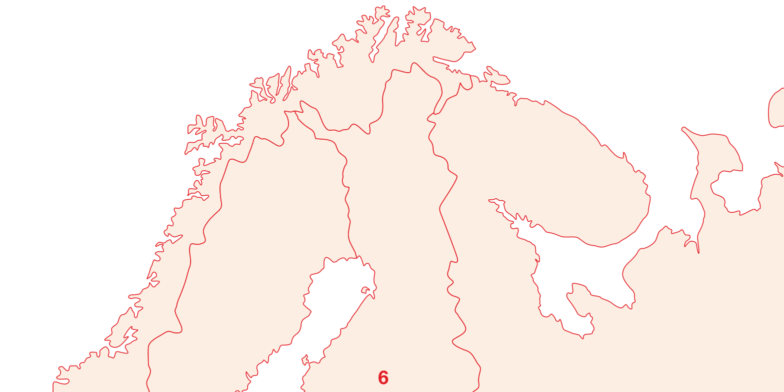
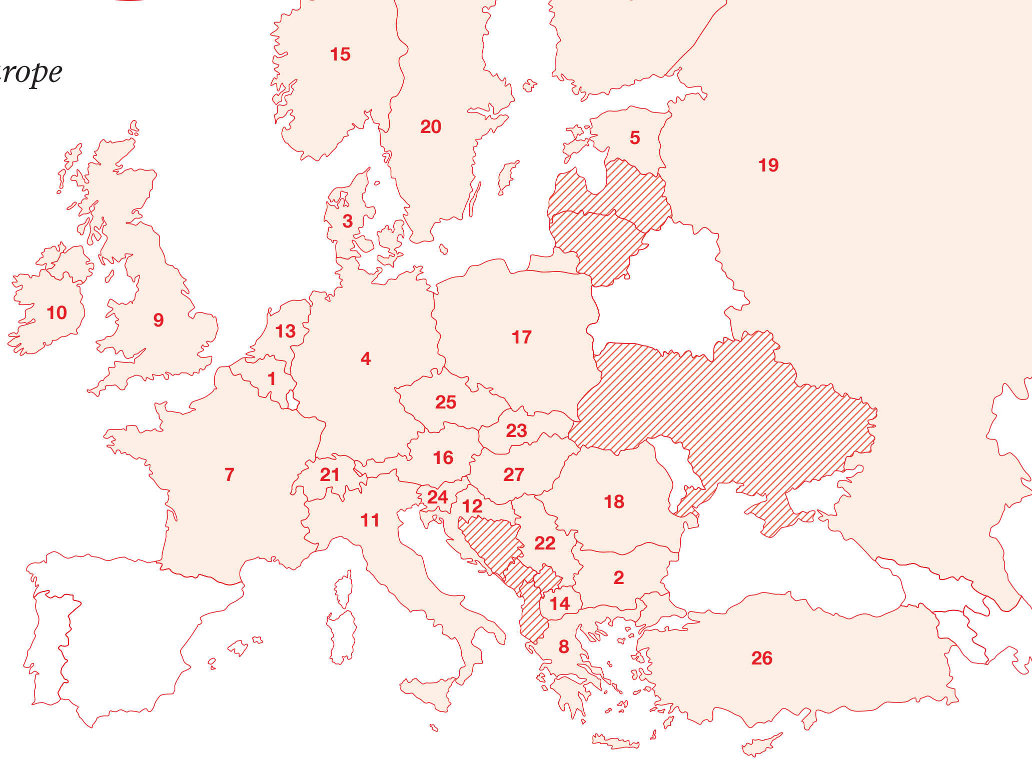
***Number of sites***

1 *Clay Blocks*

## *Wienerberger Markets in Europe*

*Markets with production sites*

*Export markets*


***Market positions***

1 *Clay Blocks and/or Facing Bricks*

1 *Clay Roof Tiles*

***Number of sites***

1 *Clay Blocks*

1 *Facing Bricks*

1 *Roofing Systems*

1 *Pavers*

1 *Plastic Pipes*

1 *Ceramic Pipes*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Belgium | 1 | 1 | 3 | 6 | 2 | | 2 | 1 |
| 2 | Bulgaria | 1 | 2 | 1 | | | 1 | 1 | |
| 3 | Denmark* | | | | 2 | | | | |
| 4 | Germany | 1 | 4 | 13 | 3 | 4 | 1 | 1 | 1 |
| 5 | Estonia | 1 | | | 1 | | | 1 | |
| 6 | Finland* | | | | 1 | | | 4 | |
| 7 | France | 2 | 4 | 4 | 1 | 3 | | 2 | |
| 8 | Greece | | | | | | | 1 | |
| 9 | Great Britain | 2 | 1 | | 9 | 5 | | | |
| 10 | Ireland | | | | | | | 1 | |
| 11 | Italy | 1 | | 4 | | | | | |
| 12 | Croatia | 1 | 1 | 1 | | 1 | 1 | | |
| 13 | Netherlands | 1 | 1 | 1 | 10 | 3 | 5 | 2 | |
| 14 | North Macedonia | | 1 | | | 1 | | | |
| 15 | Norway* | | | | | | | 3 | |
| 16 | Austria | 1 | 1 | 7 | | 2 | | 1 | |
| 17 | Poland | 1 | 2 | 7 | 1 | 1 | 5 | 2 | |
| 18 | Romania | 1 | 1 | 4 | | | 3 | | |
| 19 | Russia | 1 | | 2 | | | | 1 | |
| 20 | Sweden* | | | | 2 | | | 2 | |
| 21 | Switzerland | 3 | 1 | 1 | | 2 | | | |
| 22 | Serbia | | 1 | | | 1 | | | |
| 23 | Slovakia | 1 | 1 | 2 | | | 1 | | |
| 24 | Slovenia | 1 | 1 | 1 | | 1 | | | |
| 25 | Czech Republic | 1 | 1 | 7 | | 3 | 1 | 2 | |
| 26 | Turkey | | | | | | | 1 | |
| 27 | Hungary | 1 | 1 | 6 | | 2 | 2 | 1 | |

* *In the clay business the Nordic markets (Denmark, Finland, Norway and Sweden), in which we hold a No. 2 market position, are managed by a regional management.*

*Status December 2018*

*Overview*

# Clay Building Materials Europe

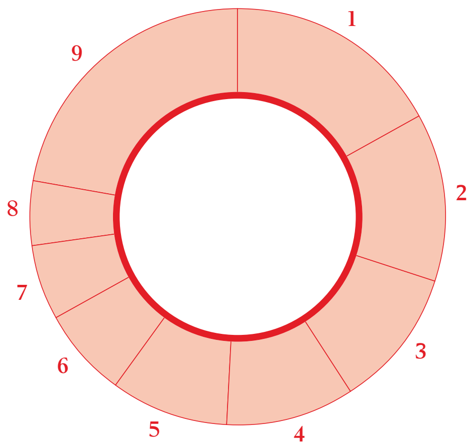
## Highlights 2018

- Significant increase in earnings through higher sales volumes and increased average prices
- Strengthening of our market position through the acquisition of two brick producers in the Netherlands
- Exploring new fields of business and technologies through strategic cooperations
- Strong 18% growth of EBITDA LFL

## Market- and business development

- Slight growth in residential construction in Europe
- Positive market environment in Eastern Europe leads to significant growth in operational business
- Sound development in new residential construction in the UK, Belgium and the Netherlands
- Challenging market environment in France
- Muted activity in Western European renovation market

## External revenues by country

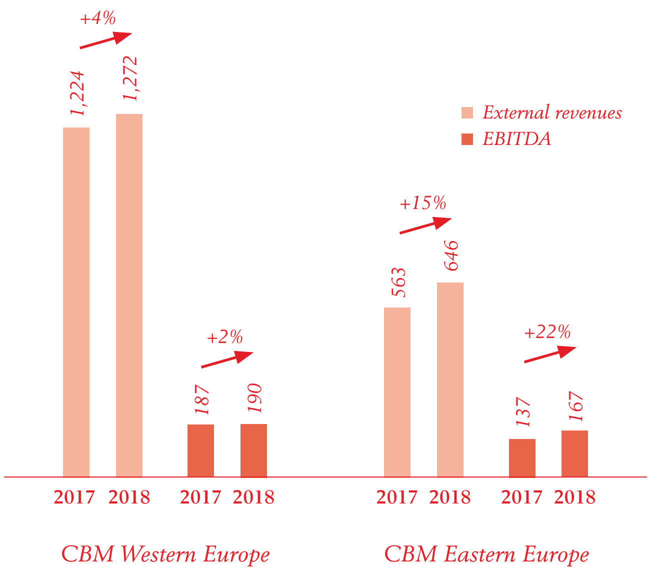



*1 Great Britain 17%*
*2 Germany 12%*
*3 Netherlands 11%*
*4 Belgium 11%*
*5 France 9%*
*6 Poland 8%*
*7 Czech Republic 6%*
*8 Austria 5%*
*9 Other countries 21%* [1]

*1) BG, CH, HU, RO, RU, SK and other markets (each with < 5% of division revenues)*

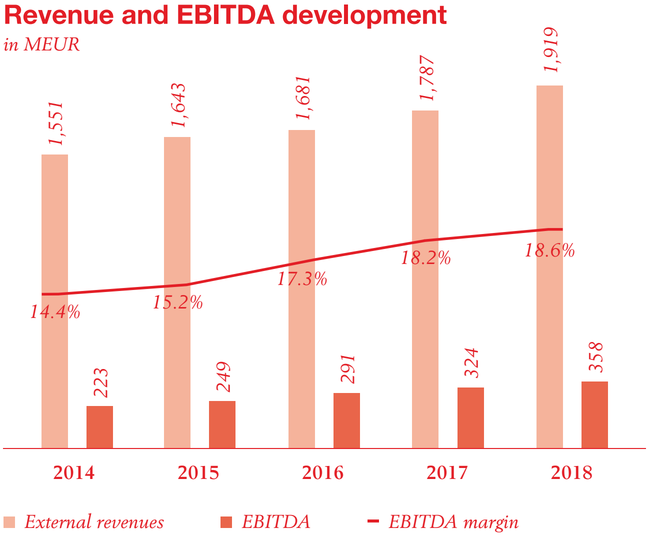
## Segment results 2018

*in MEUR*

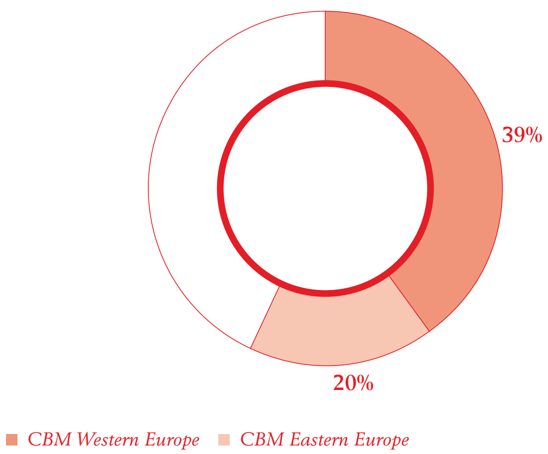



## Revenue and EBITDA development

*in MEUR*




## Share of Group external revenues 2018

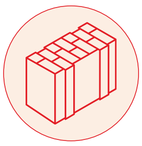


## *Division strategy*

The Clay Building Materials Europe Division has a broad range of innovative products and system solutions, a modern industrial base with lean cost structures, and a network of efficient plants. With construction activity in our core markets still below a normalized level, we continue to see an attractive potential for growth, which should enable us to achieve a more than proportional increase in earnings and free cash flow. Alongside our focus on organic growth, we are evaluating new applications and selective acquisitions of companies and individual plants in order to improve our geographic market coverage and broaden the scope of our activities.

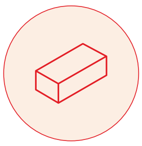
To generate organic growth, our medium-term plan is focused on customer orientation, the marketing of innovative products and system solutions, as well as operational excellence. Through ongoing dialogue with our customers, we are making every effort to adapt our building material solutions to their needs. We therefore respond to the expectations of individual customer groups by supporting them with comprehensive advisory services from the planning phase to project execution. We increasingly rely on digital and mobile solutions to facilitate fast data and information exchange. Roof tiles, clay blocks and facing bricks are essential innovation drivers for energy-efficient, sustainable and affordable building solutions. Therefore, in accordance with our internal target, innovative products and system solutions are to account for more than 25% of our annual revenues. In addition, measures taken within the framework of the Fast Forward 2020 program aimed at optimizing our cost structure and processes and adjusting our structures to changing market conditions are essential components of our strategic orientation.

From 2019 onward, we will report on our activities in the field of ceramic building materials for the building envelope and our concrete paver operations within the framework of the Wienerberger Building Solutions Business Unit.



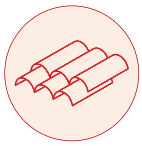
### Clay blocks

- Market and innovation leadership in European core markets
- Higher sales volumes through organic growth
- Increased market share in multi-story residential construction
- Intensified marketing of monolithic walls with infill bricks



### Facing bricks

- Focus on core markets: Belgium, the Netherlands and Great Britain
- Shift in product mix to premium products
- Product innovation and continuous optimization measures to reduce energy consumption in production



### Roof tiles

- Leading positions in European construction and renovation markets
- Higher share of accessories in total revenues

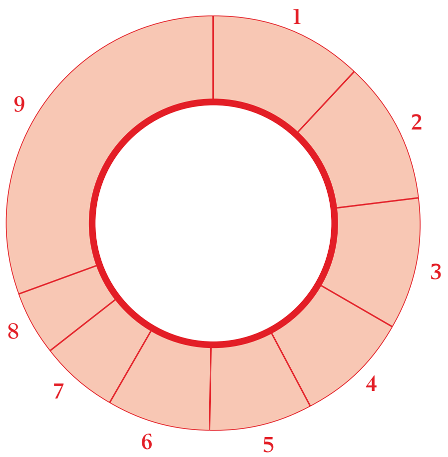
*Overview*

# Pipes & Pavers Europe

### Highlights 2018

- Growth in earnings generated in a sound market environment
- Successful implementation of growth projects and optimization measures
- Renewed activity through EU-funded infrastructure projects in Eastern Europe
- Significant increase in EBITDA LFL by 9%

### External revenues by country

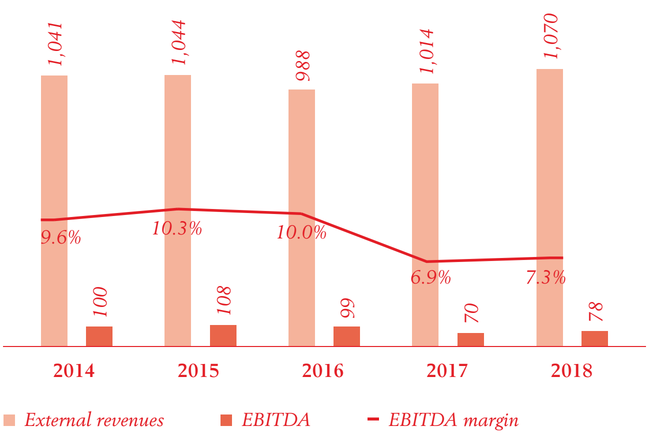



1 *Austria 12%*
2 *Norway 11%*
3 *Poland 10%*
4 *Belgium 9%*
5 *Sweden 8%*
6 *Netherlands 8%*
7 *Finland 6%*
8 *Hungary 5%*
9 *Other countries 30%* [1)]

*1) CZ, GER, GR, HU, IRL, RU, TK und other markets (each with < 5% of division revenues)*

### Revenue and EBITDA development

*in MEUR*




### Market- and business development

***Plastic pipes***

- Market growth in Eastern Europe
- Stable to slightly increasing demand in the Western European core markets
- Restructuring in France as a boost to earning power

***Ceramic pipes***

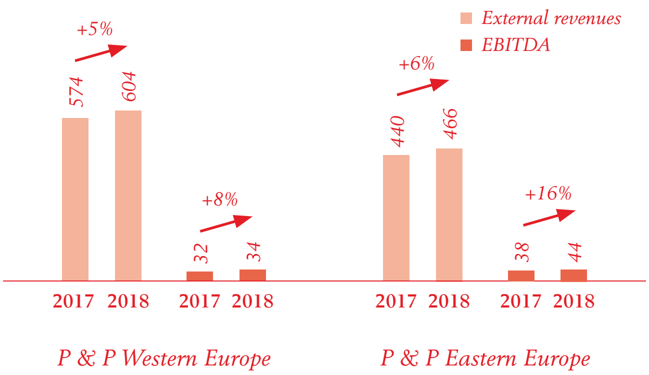
- Stable market environment in Western Europe, revival of demand in Eastern European export markets
- Structural adjustments led to significant increase in profitability in the second half of the year

***Concrete pavers***

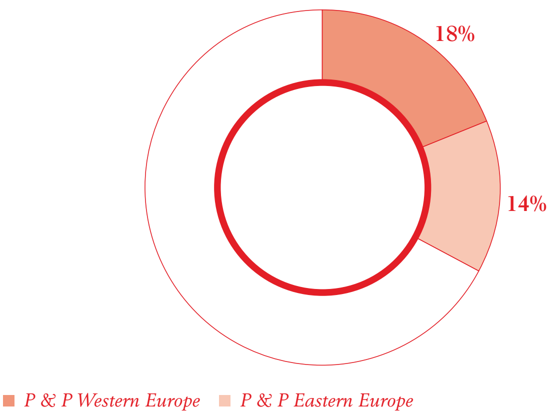
- Notable increase in sales and average prices resulted in substantial earnings growth
- Austrian operations sold at a profit
- Growth investments in Romania, Croatia and Hungary

### Segment results 2018

*in MEUR*



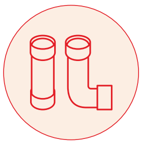

### Share of Group external revenues 2018



## *Division strategy*

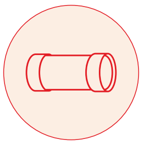
The Pipes & Pavers Europe Division includes our business with Pipelife plastic pipes, Steinzeug-Keramo ceramic pipes and Semmelrock concrete pavers. The product portfolio of the Division comprises system solutions for installation in buildings, fresh-water supply, irrigation, waste-water and rainwater management, drainage, energy supply and data transmission, special products for industrial applications, and pavers. In terms of our strategic development, we group these applications in three priority areas: modern solutions for buildings, smart infrastructure and special solutions for industrial and energy applications. Our focus lies, in particular, on enhancing our expertise in order to offer our customers the best possible solutions. On the one hand, we benefit from in-house developments pursued in the Group's own research centers; on the other hand, we continuously explore possibilities of value-creating acquisitions to add new applications to the existing range and to broaden our geographic market coverage.

From 2019 onward, we will report on the performance of our plastic pipe business and on our ceramic pipe operations within the framework of the Wienerberger Piping Solutions Business Unit. The concrete paver business will be transferred to Wienerberger Building Solutions, the Business Unit replacing the Clay Building Materials Europe Division.



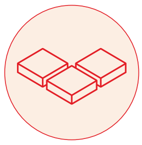
### Plastic pipes

- International product and system supplier holding leading positions in Europe
- Focus on the analysis of value-creating transactions to complement the product portfolio and strengthen the Division's market presence
- Operational excellence and continuous product innovation



### Ceramic pipes

- Market leader in European niche market for ceramic pipes for waste-water management
- Innovation leadership: climate-neutral clay pipes, Cradle to Cradle® sustainability certificate
- Selective reorientation of sales activities and streamlining of structures



### Concrete pavers

- Market leadership in concrete pavers in Central and Eastern Europe
- Upgrading of the product portfolio to strengthen premium supplier position
- Focus on measures to enhance efficiency and optimize costs in production and strengthen the organization

*Overview*

# North America

### Highlights 2018

- Significant earnings growth
- Strong growth of US plastic pipe business
- Steep 23% rise in EBITDA LFL

### Market- and business development

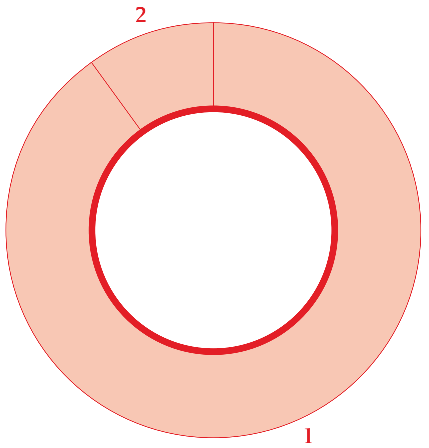
***Brick business***

- Satisfactory earnings growth
- Substantial contribution to earnings from Mississippi-based brick producer taken over last year
- Expansion of our footprint in the North-East through acquisition of a facing brick producer in Pennsylvania
- Decrease in earnings in Canada due to stricter regulations of the real estate market

***Plastic pipe business***

- Significant increase in earnings through reorganized distribution system, optimized cost of goods sold and higher average prices

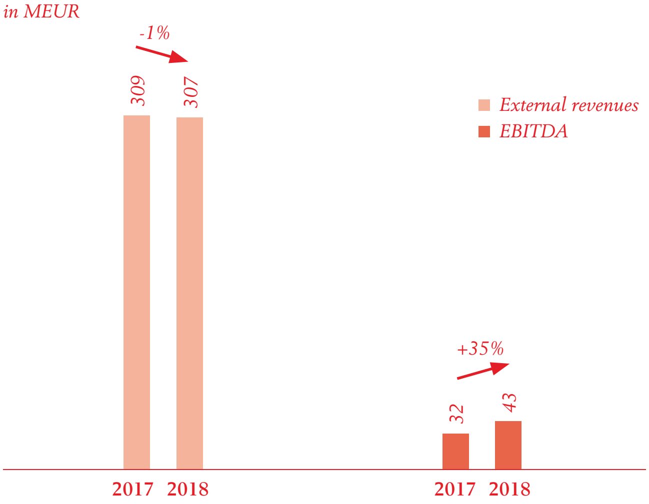
### External revenues by country




1 *USA 91%*
2 *Canada 9%*

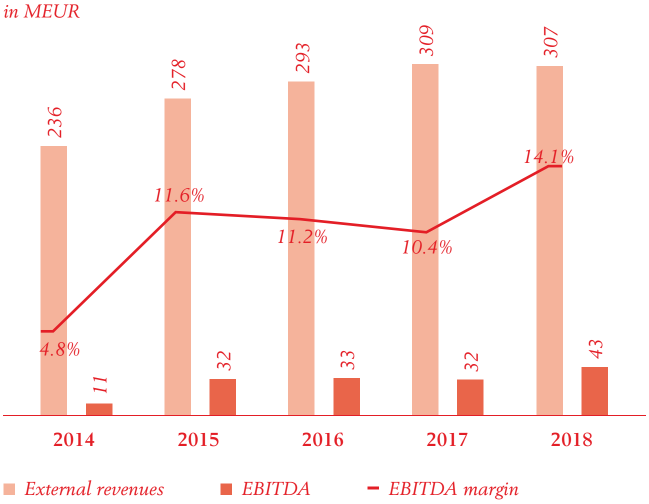
### Segment results 2018

*in MEUR*

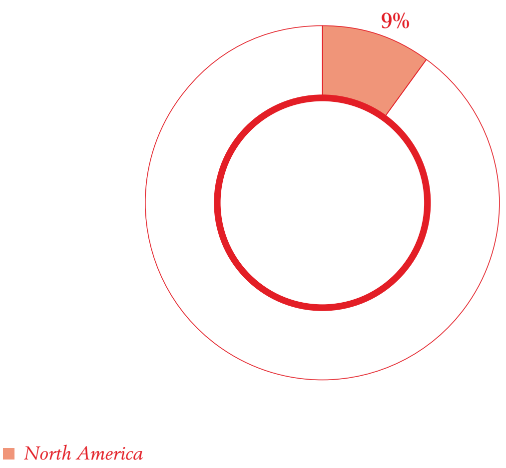



### Revenue and EBITDA development

*in MEUR*




### Share of Group external revenues 2018



## *Division strategy*

In the North American brick business Wienerberger benefits from a modern and highly efficient plant network and a strong market position. We see considerable potential for growth in the US housing market and expect to generate more than proportionate earnings growth. Moreover, optimization measures in distribution and production result in a steady increase in profitability. We focus on innovative products and system solutions to create added value for our customers. Moreover, we take advantage of the competitive structure in North America to explore attractive possibilities of value-creating acquisitions to complement our product portfolio and enter new regional markets.

In our pipe business, which we operate from a production site in Arkansas, we focus on water management and high-pressure applications for the oil and gas industry. In this field of business, we are actively driving the trend to substitute plastic pipes for other materials.

### Facing bricks

- Leading positions in our target markets
- Value-creating transactions to complement the product portfolio and gain access to new regional markets
- Strengthening and reorientation of distribution and sales activities

### Plastic pipes

- Strong market position in Arkansas and neighboring states
- Potential for organic growth through optimization measures in distribution and production

## Success Story #4
## Building for People – Innovation

*“For me, ‘Building for People’ means creating affordable housing where people feel at home. This is the goal we pursue every day at Wienerberger.* Alexander Lehmden, Head of International Product Management Wall, Wienerberger AG

***Wienerberger regards the transformation of the industry as an opportunity to shape the market of the future and to explore new fields of business. We develop energy-efficient building systems, safe and secure supply networks, and environment-friendly pavers for our customers. In all these areas, innovation plays an important role.***

# We never stop thinking about the future of housing

**As a market leader in terms of technology and innovation, Wienerberger designs products and services that are perfectly in tune with the times. The primary focus is on what people need. Product Manager Alexander Lehmden is striving to position brick as the building material of the future.**

*Innovation is not an end in itself. We want to develop sustainable solutions for our partners and customers by meeting their needs throughout the entire process – from the design phase to execution to end-of-life reuse.*

***Alexander Lehmden, Head of International Product Management Wall at Wienerberger AG***

The requirements to be met by affordable, high-quality housing are increasing. In his capacity as product manager for the wall segment at Wienerberger, Alexander Lehmden has been advancing the development of innovative products and services since 2008. “Innovation is not an end in itself. We want to offer our partners and customers sustainable solutions”, says the 40-year-old construction engineer. “To this end, we cover the entire construction process – from the design phase to execution to the reuse of building materials.”

**Masonry robots at work in residential construction**

To help contractors save time and costs at the construction site, Wienerberger is cooperating with innovative companies, such as Fastbrick Robotics (FBR) in Australia. The company’s masonry robot Hadrian X automatically erects high-precision brick walls at the construction site according to 3D designs. For example, it takes no more than a day to finish the shell of a single-family house. “We are convinced that the Hadrian X technology has great potential to speed up residential construction, reduce its costs, and overcome the shortage of skilled workers in construction”, says Lehmden. Within the framework of a pilot project, special bricks are being developed and tested in cooperation with FBR. Subsequently, the masonry robot is to be deployed in selected Wienerberger markets.


*Robots at the construction site: Hadrian X erecting high-precision brick walls.*

Another example is Wienerberger’s participation in Redbloc. This German supplier of prefabricated structural components has developed a fully automatic process and a unique dry bonding system to manufacture brick wall elements according to a digital design. At the construction site, the individual wall elements are quickly assembled to form the shell of the building. “The Redblock prefab system can be used to produce parts of any conceivable shape and size, it minimizes scrap and reduces costs”, emphasizes Alexander Lehmden. Wienerberger joined forces with Redbloc two years ago, contributing both know-how and capital. Today, the business model is well established in the market: 90,000 square meters of brick walls built in 2018, which corresponds to roughly 360 single-family houses.

**High-performance insulating materials as a new field of business**

The strategic partnership with Interbran opens up a new field of activity for the world’s leading supplier of building material solutions. The German R&D start-up has succeeded in developing high-performance insulating materials made from mineral raw materials. Their insulation values are significantly higher than those of commercially available products. Moreover, they are fireproof and completely recyclable.

Alexander Lehmden sees great potential there for a new field of business with applications in both new construction and renovation. “This innovation offers us the opportunity to broaden our product range of infill bricks. The material can also be cut into large insulating panel for renovation projects”, says the expert. Wienerberger acquired a stake in Interbran in the fall of 2018 and is closely involved in the product development process. Step by step, the products are to be tested and developed to market maturity. Industrial production and marketing will then be launched at a pilot site.

## Featuring: Alexander Lehmden, Head of International Product Management Wall

A passion for brick as a building material and the drive to innovate – this is what makes Alexander Lehmden so special. As Head of International Product Management Wall, he has been working on innovations for Wienerberger’s clay block product group since 2017. A construction engineer by training, he has been product manager at Wienerberger since 2008.

## Innovation in the pipe segment

Pipelife, Wienerberger’s wholly owned subsidiary, is a leading European supplier of pipes, pipe systems and accessories made of high-quality plastics. The company’s innovative drive matches that of its parent, as some of its most recent developments show:

_**Isoterm:** The Norwegian market leader in pre-insulated, frost-resistant pipes has been part of Pipelife since July 2018. It produces special pipes for infrastructure projects, primarily for water and sewage water management in remote regions.

_**Raineo Smart Meter:** Pipelife’s Raineo Smart Meter is a measuring station consisting of several sensors. It monitors water throughput in pipes and predicts floods. Four stations are currently in trial operation.

_**Smart Probe:** Based on an entirely new technology, this add-on greatly facilitates the attachment of different types of sensors to the pipe. Smart probes are able to accurately locate defects in the pipe and perform measurements without any interruption of supply to the user.

**Innovation driven by employees**

The innovative power of Wienerberger’s employees is a strong driving force for new ideas. “We have a transparent innovation pipeline in which we evaluate the market potential of new approaches step by step”, explains Alexander Lehmden. Every employee is welcome to contribute ideas, for instance via the “Ideas and More” platform. “It’s the people who work with the products every day who know best how to make them even better”, adds Lehmden.

As a brick professional, Lehmden is convinced that Wienerberger is well positioned for the future. The development priorities range from processing innovations and new applications to research into new materials and production processes to the sustainable use of raw materials. “If we want to deliver on our promise to be ‘Building for People’, we have to get better day by day”, says Lehmden. “In the end, this is all about creating affordable housing for people to feel at home in.”

# Report of the Supervisory Board

*Dear Shareholders:*

2018 was a highly successful year for the Wienerberger Group, marked by the determined implementation of our growth strategy. In operational terms, we benefited from the sound economic environment in our core markets and generated strong organic growth. Our optimization program Fast Forward 2020, under which we concentrate and accelerate all ongoing efficiency-enhancing measures, is also well on track. The program met all our expectations in its first year, contributing about € 20 million to the significant improvement of our operating result. Moreover, we strengthened our leading market positions through the acquisition of companies that operate in interesting markets and, like Wienerberger, produce and sell innovative products and solutions. The resulting opportunities for further growth, together with substantial synergy effects, hold great potential for an even better performance in the years to come. However, the further development of our industrial portfolio does not preclude the exit from fields of business that are not meeting our expectations in terms of profitability and the outlook for future growth. In the first half of 2018, we therefore sold the Austrian concrete paver operations at a profit. Given Wienerberger's excellent performance in 2018 and the optimistic outlook for the development of business in 2019, the Supervisory Board and the Managing Board will propose to the Annual General Meeting that the dividend be increased by almost 70% to € 0.50 per share.

### Priority areas of work in 2018

In the course of eleven meetings during the reporting year, the Supervisory Board and the Managing Board intensively discussed the company's economic situation as well as important growth projects and the strategic orientation of the Group. In addition to its advisory and steering functions, the Supervisory Board focused, in particular, on the efficiency of the company's management as well as monitoring the company's compliance with its legal and regulatory obligations. The Managing Board provided the Supervisory Board with timely and comprehensive information at all meetings and between meetings through regular written and oral reports on the economic and financial position of the Group and its subsidiaries as well as its personnel situation and its acquisition and investment projects. In addition, the committee chairpersons and I met regularly with the Managing Board to discuss the Group's strategy, its business development and its approach to risk management. Certain subjects were dealt with in greater detail by the committees and reported to the full Supervisory Board. Since all relevant Supervisory Board decisions were taken either in plenary sessions or by circular resolution, there was no need for the Presidium to meet during the reporting year. The overall attendance rate at all Supervisory Board meetings was 93%; no member of the Supervisory Board was absent from more than half of the meetings. A detailed overview of meeting attendance by the members of the Supervisory Board is contained in the Remuneration Report on page 70.

In the course of its discussions, the Supervisory Board focused, in particular, on the following issues in 2018:

- The continuous analysis of the Wienerberger portfolio and the strategic positioning of the Group and its most important operational entities.
- The assessment of projects intended to generate sustainable and value-creating growth as well as the further development of the industrial portfolio.
- The in-depth discussion of an external performance review performed by Boston Consulting Group as a starting point for the further development of cooperation within the framework of the Supervisory Board and the updated requirements profile for Supervisory Board succession management.
- The assessment of candidates for election to the Supervisory Board by way of a desktop review and personal interviews, supported by an external HR consultant.
- Discussion of the strategy update presented in mid-2018 and the changes in the organizational structure effective as of 2019.
- The design and implementation of an Employee Participation Foundation.
- The examination, discussion and approval of the budget for 2019 and, on that basis, the determination of the targets for the variable remuneration components of the Managing Board.
- The decision to integrate the Strategy Committee into the full Supervisory Baord as of the end of 2018.
- Introduction of a governance roadshow to further the dialogue with investors.

Regina Prehofer, Chairwoman of the Supervisory Board

The Supervisory Board meetings on June 20 and 21, 2018 were held within the framework of a two-day Supervisory Board trip to Belgium, in the course of which the Supervisory Board engaged in an intensive discussion of the update of the Wienerberger Group's growth strategy. In particular, the discussion focused on the transformation of the business model through progressive digitalization of the building materials industry. Moreover, the further development of the Western European operations of the Clay Building Materials Europe Division was discussed with members of the senior management in charge. The members of the Supervisory Board obtained a first-hand impression of the broad range of products on offer and the marketing strategy during a visit to the showroom for facade and roofing solutions in Londerzeel and a visit to the plant producing pre-wired electro conduits, which we acquired in 2017.

## Report of the Audit Committee

The Audit Committee met five times in 2018. The representatives of the external auditor attended all of these meetings. The first two meetings of the year under review were devoted to the annual financial statements of Wienerberger AG and the consolidated financial statements for 2017. At its meetings on February 22 and March 27, 2018, the Audit Committee met with representatives of the external auditor in order to thoroughly discuss the consolidated financial statements, the separate financial statements of Wienerberger AG, the management report, the Group management report, the corporate governance report and the non-financial report on the business year 2017 as well as the Managing Board's proposal for profit distribution. The Audit Committee unanimously recommended the approval and adoption thereof by the Supervisory Board. In the interest of timely communication with the capital market, the preliminary results for the financial year 2017 were published in the form of a short report on February 28, 2018. The full annual report was published on March 29, 2018. Other focal points in the work of the Audit Committee included:

- Discussion of the auditor's report on Wienerberger's risk management. The report described the implementation of the Group's active risk management system, which permits the effective identification, assessment and monitoring of risk factors as well as fast reactions to risks.
- Verification of the statement submitted by the external auditor on its legal relations with the Wienerberger Group and the members of the Group's boards for the year 2018.
- Verification and confirmation of compliance with Rules 77-83 of the Austrian Corporate Governance Code.
- Analysis of the reports on the audits performed in accordance with the internal audit plan and discussion of measures to be taken. Approval of the internal audit plan for 2019.
- Discussion of measures relating to IT security and compliance with the General Data Protection Regulation.

*David Davies, Chairman of the Audit Committee*

### Report of the Strategy Committee

The Strategy Committee exercised both controlling and advisory functions and was actively involved in strategic decisions to be taken by the company. The Committee met four times in 2018 and was in regular contact with the Managing Board. The priorities of the Committee's work in 2018 included:

- The discussion and analysis of value-creating growth projects and the preparation of decisions to be taken by the Supervisory Board. In its plastic pipe business, the company took over a producer of pre-insulated pipe systems in Norway in 2018. In the growing Dutch market, two producers of innovative ceramic facade solutions were acquired. In Romania, Wienerberger's presence in the concrete paver business was strengthened through the takeover of a producer in the north-west of the country, who is well positioned to supply markets in the east of Hungary and the north of Serbia. In the North America Division, the acquisition of a facing brick producer opened up the markets of News Jersey and New York for Wienerberger. In cooperation with Interbran, an R&D start-up working on high-performance mineral insulating materials, Wienerberger will develop industrial manufacturing processes and business models for such innovative insulation solutions. Wienerberger holds an option to increase its stake in the company to 100%.
- The analysis of the Wienerberger portfolio and of current projects aimed at the sale of operational entities, such as the profitable divestment of the Austrian concrete paver business.
- Discussion and further development of the strategy for the most important business areas of the Wienerberger Group and the priorities of capital allocation. This process was supported by comparative analyses of the performance of our competitors.

*Peter Johnson, Chairman of the Strategy Committee*

### Report of the Personnel and Nomination Committee

The Personnel and Nomination Committee, which also exercises the function of a remuneration committee, met five times in 2018 and dealt with the following issues:

- Verification and confirmation of the entitlements to the variable components of remuneration for Managing Board members earned for the business year 2017.
- Determination of the targets for the variable remuneration components for the Managing Board members for 2019.
- Discussion of long-term succession management for the Managing Board and evaluation of an internal pool of high potential executives.
- Discussion of the results of a performance review of the Supervisory Board performed by Boston Consulting Group and discussion of the future composition and the tasks of the Committees with a view to improved cooperation and the best possible utilization of the Supervisory Board members' expertise.
- Elaboration of a requirements profile for candidates for election to the Supervisory Board on the basis of

the performance review and a skills matrix of the current Supervisory Board.
- Evaluation of the candidates for election to the Supervisory Board in cooperation with Korn Ferry, an international HR consultant specializing in headhunting for leadership positions.

*Regina Prehofer, Chairwoman of the Personnel and Nomination Committee*

### Changes to the Supervisory Board composition

Franz Josef Haslberger's term of office as a member of the Supervisory Board ended for health reason as of the 149th Annual General Meeting on June 14, 2018. On behalf of my colleagues on the Supervisory Board and the Managing Board, I should like to thank Franz Josef Haslberger cordially for his work on the Supervisory Board of our company, which he joined in 2014. In particular, he contributed his profound expertise to the Strategy Committee of the Supervisory Board, the work of which he enriched with his long-standing experience as an entrepreneur in the German building materials market. We wish Franz Josef Halsberger all the best for the future.

At the 149th Annual General Meeting, Christian Jourquin was re-elected and Peter Steiner was elected as a new member of the Supervisory Board. I am happy to report that this distinguished expert with many years of experience in managing board functions in the building materials industry and profound capital market expertise has joined the Supervisory Board. At the Supervisory Board meeting held immediately after the Annual General Meeting, I was re-elected Chairwoman, with Peter Johnson and David Davies appointed to serve as my deputies. Peter Steiner was appointed to the Strategy Committee; subsequently, in the wake of the decision to integrate the work of the Strategy Committee in the full Supervisory Board as of the end of 2018, he was appointed to serve on the Personnel and Nomination Committee. During the same meeting, pursuant to sect. 270 (1) of the Austrian Company Code, the Supervisory Board mandated Deloitte Audit Wirtschaftsprüfungs GmbH, Wien, elected by the Annual General Meeting, to audit the accounts for the business year 2018.

Prior to the first Supervisory Board meeting in February 2019, the members of the Supervisory Board reiterated their declarations of independence in accordance with the Austrian Corporate Governance Code.

### Approval and adoption of the 2018 consolidated financial statements

The annual financial statements and the management report of Wienerberger AG as well as the consolidated financial statements for 2018 prepared in accordance with IFRS rules were audited by Deloitte Audit Wirtschaftsprüfungs GmbH, Wien, and granted an unqualified audit opinion. The financial statement documents, the Managing Board's proposal for profit distribution and the audit reports of the external auditors were discussed in detail with the external auditor in the Audit Committee and submitted to the Supervisory Board. The Supervisory Board examined the documents pursuant to sect. 96 of the Austrian Stock Corporation Act and endorsed the result of the audit. Moreover, the Supervisory Board approved the annual financial statements, which are thus deemed adopted pursuant to sect. 96 (4) of the Stock Corporation Act. Having analyzed the financial position of the company, the Supervisory Board agreed with the Managing Board's profit distribution proposal.

On behalf of the Supervisory Board, I should like to thank the Managing Board, the senior management and all the employees of the company for their outstanding dedication during the past business year. The company's strong performance and the strategic milestones reached in 2018 underline that we are well on track for future growth. The most important factor for the successful implementation of our growth strategy is the commitment of our employees. Their professionality, their passion and their entrepreneurial spirit enable us to seize opportunities, act with determination, and create value for our shareholders. I am therefore confident that the Wienerberger Group will continue on its successful course in 2019, and I thank you, our shareholders, for accompanying us on this path.

Vienna, March 28, 2019

*Regina Prehofer, Chairwoman of the Supervisory Board*

# Corporate Governance at Wienerberger

## Commitment to the Corporate Governance Code

As a listed company with international operations, Wienerberger is committed to strict principles of good corporate governance and transparency as well as to the further development of an efficient system of corporate control. We regard a responsible, long-term approach to the management of the Wienerberger Group as an essential prerequisite for the achievement of its corporate target: the sustainable increase of the enterprise value on the basis of ecological, social and economic principles. This understanding of our role as a company is based on Austrian law, the Austrian Corporate Governance Code, our articles of association, the rules of procedure of the boards of the company and our internal policies. Since 2002, Wienerberger has committed itself to observe the rules of the Austrian Corporate Governance Code in their entirety (see www.corporate-governance.at). The Code provides a framework for the management and supervision of a company and is intended to strengthen the confidence of investors in the company and in Austria as a financial marketplace. Its guiding principles include the following:

- Equal treatment of all shareholders and the highest possible level of transparency;
- Independence of the supervisory board;
- Open communication between the supervisory board and the managing board;
- Avoidance of conflicts of interest between the boards of the company;
- Efficient monitoring by the supervisory board and the external auditor.

The rules of the Code go beyond the requirements of the law and take effect upon the company's voluntary self-commitment. Once committed to the Code, the company has to explain any non-compliance with the rules of the Code ("comply or explain"). The implementation of the Code and the correctness of our public statements are evaluated by the external auditor, Deloitte Audit Wirtschaftsprüfungs GmbH, Wien, within the framework of its review of the corporate governance report; the auditor's report on review is published on our website (www.wienerberger.com). The most recent evaluation of the corporate governance report for 2018 did not result in any negative findings regarding our public statements on compliance with the Code. Compliance with the provisions of the Code relating to the external auditor was verified by the Audit Committee. In its report to the Supervisory Board, the Audit Committee stated that no deviations from the rules of the Code were identified in 2018.

## Compliance

In order to prevent insider trading and the unlawful disclosure of inside information, the company has adopted a compliance policy that implements the provisions of European and Austrian insider law. A compliance officer and his/her deputy are in charge of monitoring compliance. The principles governing lobbying activities have been laid down in a code of conduct based on the provisions of the Austrian Lobbying and Transparency Act, which applies to all boards and employees of Austrian companies in which Wienerberger AG holds a majority interest. This code of conduct can be downloaded from the Wienerberger website.

## Internal audit and risk management

In order to further improve Wienerberger's system of risk management, an internal audit function has been set up as a staff unit reporting to the Managing Board. The Managing Board and Internal Audit regularly analyze operational processes for potential risks and possible improvements in efficiency; they also monitor compliance with legal provisions, internal policies and processes. These activities are based on an audit plan approved by the Managing Board and agreed upon with the Audit Committee, as well as a Group-wide system of risk assessment covering all the company's operations. Internal Audit reports to the Managing Board and the Audit Committee on the audit findings. Moreover, the internal control system (ICS) is being further developed to permit the early identification and management of risks, and various measures have been implemented and reviewed (see page 118). The management letter drawn up by the external auditor and the auditor's report on the efficiency of risk management in the Group were submitted to the chairwoman of the Supervisory Board and discussed in detail by the Supervisory Board.

## Disclosures required pursuant to § 243 of the Austrian Company Code

The disclosures required pursuant to § 243 of the Austrian Company Code can be found in the following chapters: information on the composition of Wienerberger's capital, types of shares, restrictions and rights, as well as the authorization of the members of the Managing Board to issue or buy back shares is contained in the Management Report in the chapter "Wienerberger Share and Shareholders" beginning on page 114 and in the Notes to the Consolidated Financial Statements under Note 29 ("Group Equity") beginning on page 172 . Furthermore, the chapter "Wienerberger Share and Shareholders" contains information on direct and indirect investments in Wienerberger equity capital. The "Remuneation Report" (pages 65 to 71) explains the principles and structure of the company's remuneration policy, specifies the amounts of remuneration due to the individual members of the Managing Board and the Supervisory Board, and provides an overview of Wienerberger shares held by board members. Updates on the purchase and sale of Wienerberger shares by members of the Managing and Supervisory Boards are disclosed on the Wienerberger website under "Managers' Transactions". Change of control clauses are included in the contracts concluded with the members of the Managing Board, the terms of corporate bonds, the hybrid bond, and the syndicated loans and other loans.

### Related-party transactions

Business transactions with companies in which members of the Supervisory Board of Wienerberger AG are active are carried out at arm's length. No loans were granted to members of the Supervisory Board or the Managing Board. Information on related party transactions is provided in the Notes to the Consolidated Financial Statements on page 209.

### Statutory audit

The 149th Annual General Meeting appointed Deloitte Audit Wirtschaftsprüfungs GmbH, Wien, to audit the consolidated and separate financial statements of Wienerberger AG. In addition to its auditing function, Deloitte also provides certain tax and financial consulting services for the Group through its global network of partner offices. In 2018, consultancy fees for non-audit services charged by Deloitte, excluding fees for auditing the financial statements, amounted to TEUR 376 (2017: TEUR 160). The fee for the audit of the financial statements of the Wienerberger Group and related services amounted to TEUR 1,700 (2017: TEUR 1,636).

### Measures for the advancement of women

Our uniform Group-wide human resources policy guarantees the same rights and opportunities for all employees. As a company of the building materials industry, Wienerberger traditionally has a high percentage of male employees, given the fact that most of the company's workers employed in production are men. We are therefore making every effort to promote the career development of women and to provide initial and further training for them. In particular, our objective is to increase the percentage of women in middle and senior management positions. By nominating an above-average number of women for internal training and development programs for future executives, we ensure that high-potential women candidates are guided toward senior management positions. We also offer attractive part-time models and home office options, and we are continuously developing further measures to introduce working-time models that suit the needs of both women and men employed at Wienerberger. In 2018, the share of women in executive positions within the Wienerberger Group amounted to 10% (2017: 12%). Currently, women on the Supervisory Board account for 36% of its membership. An increase in the percentage of women on the Managing Board is an important criterion to be considered in succession management or in the case of an enlargement of the Managing Board.

### Shareholders

As at 31 December 2018, Wienerberger AG had 117,526,764 common shares in circulation. On February 18th, 2019 1,175,268 common shares were cancelled and the number of common shares in circulation was reduced to 116,351,496. There are no preferred shares or restrictions on common shares. The "one share – one vote" principle therefore applies in full. In accordance with the Austrian Corporate Takeover Act, each shareholder will receive the same price for his/her Wienerberger shares in the event of a takeover bid (mandatory offer). Wienerberger AG has no core shareholder. The company's shareholder structure is shown on page 115.

# Diversity Policy

## *Principles*

Being aware of the great diversity of talents in our society, Wienerberger is making every effort to identify, address and tap this talent pool. We are convinced that our sustainable economic success is based on the skills and dedication of our employees as well as our corporate culture. We therefore want to bring together men and women with different talents, personality features, career histories and cultural backgrounds. The resultant diversity of competencies and the internationality of our employees reflect the diversity of our customers, investors, business partners and markets, reaffirm our innovative mindset and make us fit for the challenges of a dynamic and fast changing business environment.

The principles of human resources management at Wienerberger ensure that all employees have the same rights and opportunities, regardless of age, gender, culture, religion, origin or other diversity features. Based on these principles, Wienerberger does not tolerate any form of discrimination. In 2009, we started to collect data on diversity and equal opportunities within the framework of our sustainability reporting. Since the beginning of data collection, no incidents of discrimination have been found.

Our corporate values include integrity and respect. As an international group of companies with a decentralized structure, Wienerberger respects local cultures and regards regionally recruited teams as a central factor of success. In our human resources planning, we deliberately focus on employing local staff and executives, which enables us to gain a profound knowledge of the local market and adapt our strategic developments accordingly. The international character of the company is strengthened through a system of job rotation between different functional areas and country organizations, which enables our employees to gain new insights and a deeper understanding of various business areas.

We are convinced that a higher percentage of women in executive positions has a positive impact on a company's success. We are therefore determined to increase the number of women in senior management and executive positions. By nominating an above-average number of women for internal training and talent development programs for future executives, we ensure that high-potential women candidates are guided toward senior management positions and have the chance to embark on a suitable career path. In 2018, the share of women in management positions was 10% (2017: 12%).

Enabling our employees to combine work and family life is a matter of high priority of our human resources management. We aim to offer our employees individual solutions that facilitate the reconciliation of work and family obligations. This includes a high degree of flexibility on the part of the employer as regards re-entry after a period of parental leave.

## *Supervisory Board*

The international orientation and balanced composition of the Supervisory Board are essential prerequisites for the further development and the lasting success of the Wienerberger Group. As the terms of office of the individual Supervisory Board members overlap, the composition of the Supervisory Board is subject to continuous renewal. At the same time, consistent succession planning ensures that the necessary skills and professional qualifications are represented on the Supervisory Board at any point in time. This is a pre-requisite for the Supervisory Board to fulfil its monitoring function and advise the Managing Board on strategic issues.

To facilitate the objective assessment and transparent comparisons of different candidates for election to the Supervisory Board, the Personnel and Nomination Committee defines many-faceted requirements profiles. Apart from the general requirements of professional competencies and experience, a proven track record in the management of international companies and the ability to contribute to strategic discussions on a variety of geographic markets are important criteria for the selection process. In order to ensure a comprehensive and diversified body of expertise on the Supervisory Board, the need for specialized know-how, depending on the current priorities of the Group's strategy, is taken into account. When a position falls vacant, a first analysis serves to identify the type of expertise to be replaced or strengthened on the Supervisory Board. On this basis, special emphasis is placed on maximum diversity of the membership in terms of gender, age and nationality.

To cover these diverse aspects, a skills matrix was elaborated in cooperation with Korn Ferry, an international HR consultant specializing in head-hunting for leadership positions, and Boston Consulting Group. The matrix shows the specific expertise of the individual members of the Supervisory Board and reflects the high degree of diversity of its current membership. Moreover, the matrix serves as a useful tool for the transparent search for new candidates for the Supervisory Board, as it illustrates the competencies that have been identified as essential and need to be taken into account in the nomination process. This is to ensure that the search for successors to outgoing members is based on a specific requirements profile, which facilitates long-term succession management in the interest of a balanced composition of the Supervisory Board.

In 2018, six nationalities were represented among the eight capital representatives. The mandatory 30% quota for women on supervisory boards introduced in 2018 has been more than fulfilled by Wienerberger since 2015, with 36% of its Supervisory Board members being women.

| Expertise in | Regina Prehofer | David Davies | Peter Johnson | Myriam Meyer | Caroline Gregoire Sainte Marie | Christian Jourquin | Peter Steiner | Wilhelm Rasinger |
|---|---|---|---|---|---|---|---|---|
| Building materials, infrastructure or construction | | | ✓ | | ✓ | ✓ | ✓ | |
| CEO / Executive Committee | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | |
| CFO | ✓ | ✓ | | | ✓ | | ✓ | |
| M&A / Portfoliomanagement | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Capital Markets / IR | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ |
| Senior HR | | | | ✓ | | | | ✓ |
| Sales & Marketing | ✓ | | ✓ | | | | ✓ | |
| Manufacturing | | | ✓ | ✓ | ✓ | ✓ | | |
| Innovation | | | | ✓ | ✓ | ✓ | | |
| Supply chain / logistics | | | ✓ | ✓ | ✓ | ✓ | | |
| Digitalization | | | ✓ | ✓ | | | ✓ | |
| Austrian market | ✓ | ✓ | | | | | | ✓ |
| European markets | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| North American markets | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |

## *Managing Board*

In an international group like Wienerberger, the members of the top executive body must have outstanding professional qualifications and international leadership experience. The Managing Board of Wienerberger AG fully meets this requirement, consisting of two personalities distinguished by international careers of different length, complementary professional expertise, a profound knowledge of the industry, and different national and cultural backgrounds. In the event of a new appointment, this qualifications profile guides the search for suitable candidates, which is to include both women and men.

In the interest of long-term succession planning, the Supervisory Board and the Managing Board are making a continuous effort to identify and promote high-potential candidates for top level positions, if possible within the Wienerberger Group. Nomination decisions are based on a uniform catalogue of criteria, which is used for the evaluation of both internal and external candidates.

## *Bodies of Wienerberger AG*

The members of the Supervisory Board of Wienerberger AG and their professional careers are presented in the chapter "Members and Committees of the Supervisory Board" starting on page 60. This chapter also contains information on the composition of the committees of the Supervisory Board. The members of the Managing Board and their professional careers are presented in the chapter "Managing Board" on page 57. The chapter "Report of the Supervisory Board", starting on page 48, provides information about changes in the composition of the Boards in the reporting year.

# Managing Board

## *Heimo Scheuch*

***Chief Executive Officer,*** *appointed for a term of office up to April 1, 2023; born 1966*

After the completion of legal studies at the Universities of Vienna and Paris and studies at the Vienna University of Economics and Business and the Ecole Supérieure de Commerce de Paris, Heimo Scheuch began his professional career in corporate finance with Shook, Hardy & Bacon, a law firm with offices in Milan and London. In 1996, he joined Wienerberger AG as an assistant to the Managing Board; in 1997, he transferred to the senior management of Terca Bricks in Belgium, where he assumed the position of CEO in 1999. Heimo Scheuch was appointed to the Managing Board of Wienerberger AG on May 21, 2001 and assumed the position of CEO on August 1, 2009.

***Management and supervisory board function in material subsidiaries:*** Managing Director of Wienerberger West European Holding GmbH

***Other functions:*** Chairman of the Supervisory Board of Wiener Börse AG and CEESEG AG, President of Construction Products Europe and Vice-President of Cerame-Unie

## *Willy Van Riet*

***Chief Financial Officer,*** *appointed for a term of office up to April 1, 2022; born 1957*

Having obtained his Master's Degree in Business Economics at the University of Ghent,Willy Van Riet began his professional career as an auditor and subsequently was employed as a senior manager with Pricewaterhouse-Coopers in Belgium. He has been active in the building materials sector since 1993, first as Chief Financial Officer of Terca Brick Industries and later as Chief Financial Officer of Koramic Building Products. In 2004, he took over the management of Wienerberger Limited in Great Britain. Since April 1, 2007 Willy Van Riet has been Chief Financial Officer of Wienerberger AG.

***Management and supervisory board function in material subsidiaries:*** Managing Director of Wienerberger Roof Asset Management GmbH, Tondach Holding GmbH, WIBRA Tondachziegel Beteiligungs-GmbH, Wienerberger Anteilsverwaltung GmbH, Wienerberger Dach Beteiligungs GmbH, Wienerberger Finanz Service GmbH, Wienerberger Gamma Asset Management GmbH, Wienerberger Industriebeteiligungsverwaltung GmbH, Wienerberger West European Holding GmbH, Wienerberger Finance Service B.V. (Netherlands) and Wienerberger International N.V., Chairman of the Supervisory Board of TONDACH Gleinstätten AG, Member of the Supervisory Board of Wienerberger BV (Netherlands), Vice-President of Wienerberger NV (Belgium), Director of General Shale Brick Inc. (USA)

# Organization

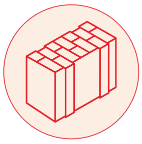
## *Willy Van Riet*

CFO

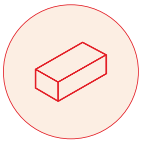
Willy Van Riet is responsible primarily for financial matters. The management of the respective operating unit reports to the Wienerberger Managing Board. The following Corporate Functions report directly to him:

***Corporate Reporting & Treasury***
***Corporate Investor Relations***
***Corporate Risk Management***
***Corporate Internal Audit***
***Corporate Legal Services***
***Performance & Transformation Team***
*(Transformation Office, Business Process Improvement, Procurement, Corporate IT & Digitalization)*

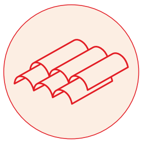
## *Wienerberger Building Solutions*



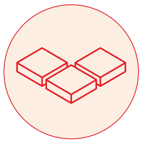
Clay Blocks



Facing Bricks



Roof Tiles



Concrete Pavers

| | | | |
|---|---|---|---|
| Austria | Denmark | India | Russia |
| Belgium | Estonia | Italy | Serbia |
| Bosnia and Herzegovina | Finland | Netherlands | Slovakia |
| Bulgaria | France | North Macedonia | Slovenia |
| Czech Republic | Germany | Norway | Sweden |
| Croatia | Great Britain | Poland | Switzerland |
| | Hungary | Romania | Ukraine |

## Heimo Scheuch

CEO

Heimo Scheuch is responsible for the strategic and operating development of the Wienerberger Group. The management of the respective operating unit reports to the Wienerberger Managing Board. The following Corporate Functions report directly to him:

***Corporate Technical Key Projects***
***Group-wide Special Projects***
***Corporate Communications***
***Corporate Development***
***Corporate Human Resources***
***Sustainability Management***

## Wienerberger Piping Solutions

**Plastic Pipes** | **Ceramic Pipes**

Austria
Belgium
Bulgaria
Croatia
Czech Republic
Estonia
Finland
France
Germany
Great Britain
Greece
Hungary
Ireland
Netherlands
Norway
Poland
Romania
Russia
Slovakia
Slovenia
Sweden
Turkey

## North America

**Facing Bricks** | **Plastic Pipes** | **Concrete Products Calcium Silicate**

Canada
USA

*Reporting structure as of 1/1/2019*

# Members and Committees of the Supervisory Board

## *8 shareholder representatives*

### *Regina Prehofer*

***Chairwoman***
*Independent, born 1956, appointed until the 150th AGM (2019), first elected: May 13, 2011*

***Position and board membership***
Second Vice-Chairwoman of the Supervisory Board of AT&S Austria Technologie & Systemtechnik AG, Member of the Supervisory Boards of SPAR Holding AG and SPAR Österreichische Warenhandels-AG and 6B47 Real Estate Investors AG, Chairwoman of the Supervisory Board of Wiener Sozialdienste Förderung & Begleitung GmbH, Member of the Advisory Board of Sappi Papier Holding GmbH, Member of the Shareholders' Committee of Vamed Engineering GmbH, Member of the Board of the Foundation Karlheinz und Agnes Essl Privatstiftung and of Quester Privatstiftung

***Career***
1974-1980 Studies in business and law in Vienna, 1981-2010 Career in the Austrian banking industry; among other positions, Member of the Managing Board of Bank Austria Creditanstalt AG from 2003-2008 and Member of the Managing Board of BAWAG P.S.K. from 2008-2010, 2011-2015 Vice-Rector for Financial Affairs and Infrastructure at the Vienna University of Economics and Business

### *Peter Johnson*

***Vice-Chairman***
*Independent, born 1947, appointed until the 152nd AGM (2021), first elected: May 12, 2005*

***Position and board membership***
Chairman of the Board of Directors of Electrocomponents PLC

***Career***
1965-1970 Studies in Economics at Oxford University, 1970-1973 Unilever PLC, 1973-1996 various senior positions at Redland PLC; among others, Director responsible for the brick and roof tile business from 1988-1996, 1996-2000 CEO of Rugby Group plc, 2000-2006 CEO of George Wimpey plc, 2007-2012 Chairman of the Board of Directors of DS Smith Plc

### *David Davies*

***Vice-Chairman***
*Independent, born 1955, appointed until the 152nd AGM (2021), first elected: May 19, 2017*

***Position and board membership***
Non-Executive Director and Chair of Audit Committee of Ophir Energy Plc, Uniper SE and Petrofac Limited, Member of the Advisory Committee of First Alpha Energy LLP

***Career***
1975-1978 Studies in economics at the University of Liverpool, 1986-1988 MBA Program at the Cass Business School in London, 1978-1981 Chartered Accountant at Touche Ross & Co., 1981-1983 Senior Auditor at Price Waterhouse Sa., 1983-1988 various positions at BOC Plc. (Internal Auditor, Finance Manager BOC Special Gases, Financial Controller BOC Health Care - Disposable Products Division), 1988-1994 various positions at Grand Metropolitan Plc (1988-1989 Commercial Director - Retail Enterprises Division, 1989-1991 Finance Director - European Restaurant Division, 1991-1994 Corporate Controller - Burger King Corporation), 1994-1997 Vice President at Walt Disney Company - The Disney Store Europe, 1997- 2000 Group Finance Director at London International Group Plc, 2000-2002 Group Finance Director at Morgan Crucible Plc, 2002-2016 Member of the Executive Board (CFO) and Deputy Chairman of the Executive Board at OMV AG

## Caroline Grégoire Sainte Marie

*Independent, born 1957, appointed until the 150th AGM (2019), first elected: May 22, 2015*

***Position and board membership***
Chairwoman of the Nomination and Remuneration Committee and Member of the Audit Committee of Groupama, Director and Member of the Technology Committee and Audit Committee of FLSmidth, Investor and Board Director of Calyos, Founding Member and President of DefInnov SAS, Senior Advisor of HIG European Capital, Member of the Supervisory Board and Member of the Nomination Committee of Elkem ASA, Member of the Corporate, Environmental and Social Responsibility Committee of Fnac Darty

***Career***
1979 Institut d'Etudes Politiques de Paris, 1980 graduation in Commercial Law in Paris, 1981-1984 Controller at Rank Xerox, 1984-1994 Roussel Uclaf S.A., 1994-1996 CFO at Albert Roussel Pharma GmbH, 1996-1997 Finance and IT Manager, CFO at Volkswagen France, 1997-1999 CFO and Member of the division's Management Committee at Lafarge Speciality Products, 2000-2004 Senior Vice-President of Lafarge Cement Division, 2004-2006 CEO at Lafarge Germany and Lafarge Czech Republic, Member of the Board of the German Cement Association, 2007-2009 President and CEO at Tarmac France and Belgium, 2009-2011 President and CEO at FRANS BONHOMME

## Peter Steiner

*Independent, born 1959, appointed until the 153rd AGM (2022), first elected: June 14, 2018*

***Position and board membership***
Member of the Board of Directors, Chairman of the Audit Committee and Member of the Executive Committee of Clariant AG, Chairman of the Supervisory Board and Member of the Audit Committee of Zeal Network SE, Member of the Supervisory Board of JM Holding KGaA and Member of the Supervisory Board of Renolit SE (a company of the JM Holding Group), Chairman of the Supervisory Board of Caldic B.V.

***Career***
1985: Degree in Business Administration from the Universities of Cologne and Mannheim 1985-1989: Arthur Andersen (Frankfurt/Chicago), 1989 tax advisor, 1990 certified public accountant; from 1991 Member of the Managing Board of SÜBA Freie Baugesellschaft mbH & Co KG responsible for finance, controlling and foreign business; 1995 CFO of SÜBA Bau AG, 1998 CFO of Dyckerhoff AG, 2001 Member of the Board (COO) of Dyckerhoff AG and Chairman of the Managing Board of Dyckerhoff Zement GmbH; 2002 Chief Executive Officer of Dyckerhoff AG; 2004 Member of the Board and CFO of mg technologies ag (renamed Gea Group AG); 2006 Partner at One Equity Partners. Since 2012: Certified Public Accountant (C.P.A.), tax advisor, business consultant with a focus on M&A, financing and investment management

## Christian Jourquin

*Independent, born 1948, appointed until the 153rd AGM (2022), first elected: May 16, 2014*

***Position and board membership***
Member of the Royal Academy of Belgium, Honorary Chairman of the Executive Committee of SOLVAY S.A., Chairman of the Board of KNDS, Honorary Member at ING Belgium, Chairman of the Board of several non-profit organizations

***Career***
1966-1971 Studies in Commercial Engineering in Brussels, 1992 International Senior Management Program at Harvard Business School,1971-2012 Various senior positions at SOLVAY S.A.; among others, CEO and Chairman of the Executive Committee 2006-2012; 2008-2010 Chairman of CEFIC (European Federation of the Chemical Industry) and Chairman of ICCA (International Council of Chemical Associations), 2011-2015 Chairman of the Executive Board of EIFF (European Institute of Innovation and Technology Foundation)

## Myriam Meyer

*Independent, born 1962, appointed until the 150th AGM (2019), first elected: May 22, 2015*

***Position and board membership***
Member of the Supervisory Board of KUKA AG, Member of the Supervisory Board of Lufthansa Technik AG, Member of the Board of Directors of Swiss Post Ltd. and Bedag Informatik AG, Member of the Board of Trustees of the Swisscontact Foundation, Member of the Industry Advisory Board of ETH Zurich/ Department of Mechanical Engineering

***Career***
1987 Master of Science in Mechanical Engineering in Zurich, 1994 Ph.D. in Technical Sciences in Zurich, 1994-2001 Vice-President Swiss Air Flight Operations and Member of the Executive Committee, General Manager of SR Technics, 2002-2005 Vice-President Global Human Resources & Organization Development of F. Hofmann La Roche and Member of the Executive Committee of Roche Consumer Health, 2005-2008 CEO and Member of the Executive Committee of RUAG Group, 2009-2010 Group CEO of WIFAG-Polytype Holding, since 2011 Founder and Managing Partner of mmtec

## Wilhelm Rasinger

*Independent, born 1948, appointed until the 150th AGM (2019), first elected: April 27, 2006*

***Position and board membership***
Chairman of IVA – Interessensverband für Anleger, Member of the Supervisory Board of Erste Group Bank AG, S IMMO AG and Gebrüder Ulmer Holding GmbH, Chairman of the Foundation HATEC Privatstiftung

***Career***
1972-1976 Graduate degree and doctorate in Business Economics in Vienna, 1972-1977 Project manager at Hernstein Institut für Management und Leadership, 1977-1983 Consultant, 1982-2015 University lecturer at Vienna University of Technology (honorary professor), Lecturer at the Technical College in Krems and Vienna, 1983-1993 Managerial position in the insurance industry (internal audit, asset management), 1993- 2014 Consultant

# *3 employee representatives*

## Gerhard Seban

*delegated for the first time: February 3, 2006*
Chairman of the Employees' Council at the Hennersdorf plant in Austria, Chairman of the Central Works Council of Wienerberger Österreich GmbH, the Group Works Council and the European Works Council of Wienerberger AG

## Claudia Schiroky

*delegated for the first time: July 2, 2002*
Chairwoman of the Works Council and the Central Works Council of Wienerberger AG, Vice-Chairwoman of the Group Works Council

## Gernot Weber

*delegated for the first time: May 16, 2014*
Electrician and Chairman of the Works Council at the Göllersdorf plant in Austria, Vice-Chairman of the Central Works Council of Wienerberger Österreich GmbH, Member of the Works Council of Wienerberger AG

# *4 committees*

***Presidium***
Regina Prehofer *(Chairwoman)*, Peter Johnson, David Davies

***Strategy Committee****
Peter Johnson *(Chairman)*, Regina Prehofer, Peter Steiner, Christian Jourquin, Caroline Grégoire Sainte Marie, Gerhard Seban

***Audit Committee***
David Davies *(Chairman)*,Wilhelm Rasinger, Caroline Grégoire Sainte Marie, Christian Jourquin, Gerhard Seban

***Personnel- and Nomination Committee/ Remuneration Committee***
Regina Prehofer *(Chairwoman)*, Peter Johnson, Myriam Meyer, Gerhard Seban

* *At the end of 2018, the Supervisory Board decided to integrate the Strategy Committee and to have all strategic decisions dealt with by the full Supervisory Board as of 2019. At the same time, Peter Steiner was appointed to serve on the Personnell- and Nomination Committee.*

# Working Mode of the Supervisory Board and the Managing Board

## *Mode of Operation of the Supervisory Board*

The Supervisory Board decides on issues of fundamental importance and on the strategic orientation of the company. In particular, it is responsible for:

- the appointment of members of the Managing Board, succession management and the structure of remuneration;
- the preparation of lists of candidates for the Supervisory Board to be voted on at the Annual General Meeting;
- the formal adoption of the annual financial statements and the report to the Annual General Meeting on the annual financial statements;
- resolutions on transactions requiring the approval of the Supervisory Board or its committees in accordance with the rules of procedure.

The Managing Board and the Supervisory Board maintain intensive cooperation. Their chairpersons, in particular, regularly engage in discussions on the development and strategic orientation of the company. In order to exercise its advisory and monitoring function in an efficient manner, the Supervisory Board has set up four committees, which deal with specific issues and prepare the relevant decisions to be taken by the Supervisory Board. The rules of procedure of the Supervisory Board are published on the Wienerberger website.

### Presidium

As stated in the rules of procedure of the Supervisory Board, the Presidium consists of the Chairwoman of the Supervisory Board and her deputies. It decides on all issues regarding the relationship between the company and the members of the Managing Board, unless the matter is within the remit of the full Supervisory Board or the Personnel and Nomination Committee.

### Audit Committee

The Audit Committee monitors the Group's system of accounting as well as the effectiveness of the systems of internal control, internal audit and risk management. An integral part of the work performed by this Committee is the monitoring of the audit process in a preparatory capacity for the Supervisory Board. This includes the annual verification of the independence of the external auditor and its qualification, as established by peer reviews. The Chairman of the Audit Committee, David Davies, is a recognized financial expert, based on his experience as the CFO of a publicly listed company.

### Strategy Committee

The Strategy Committee discusses the company's strategic development with the Managing Board and prepares strategic issues for decision-making by the Supervisory Board. In matters that are not the exclusive responsibility of the Supervisory Board, the Committee is authorized to take decisions at its own discretion. This concerns, in particular, capital expenditure projects, acquisitions and the sale of real estate with a value of between € 7.5 and 30 million. The Strategy Committee is chaired by Peter Johnson, who has well-founded expertise in our industry due to his many years of experience in managing board functions in the building materials sector. At the end of 2018, the Supervisory Board decided to integrate the Strategy Committee and to have all strategic issues dealt with by the full Supervisory Board as of 2019.

### Personnel and Nomination Committee / Remuneration Committee

The Personnel and Nomination Committee deals with all matters relating to the Supervisory Board and the Managing Board and is responsible, in particular, for evaluating qualified candidates for these Boards, for succession management and for remuneration issues. On the basis of a defined requirements profile derived from a skills matrix and our diversity policy, the Committee submits candidacies for the positions of capital representatives to the Supervisory Board, which are then voted on at the Annual General Meeting. Moreover, the Committee prepares decisions on appointments to the Managing Board and deals with the remuneration of the Managing Board members and the content of their employment contracts. Regina Prehofer, Chairwoman of the Supervisory Board, who has many years of experience in managing board functions in the banking industry, chairs the Personnel and Nomination Committee.

### Independence

The Austrian Corporate Governance Code requires the majority of capital representatives on a supervisory board to be independent. A supervisory board member is deemed to be independent if he or she has no relationship, either business or personal, with the company or its managing board that constitutes a material conflict of interest and consequently may influence his or her behavior. In accordance with these guidelines, the Supervisory Board defined six criteria, pursuant to which a member of the Supervisory Board is independent if he or she:

- has not served as a member of the Managing Board or in an executive position of Wienerberger AG or a company of the Wienerberger Group during the past five years;
- does not maintain, or did not maintain in the past year, business relations with Wienerberger AG or a company of the Wienerberger Group to an extent of significance for the member of the Supervisory Board concerned (this also applies to business relations with companies in which the Supervisory Board member has a material economic interest);
- has not acted as an external auditor of Wienerberger AG or been a partner or an employee of the public accounting firm mandated to perform the audit during the past three years;
- is not a member of the management board of another company in which a member of the Managing Board of Wienerberger AG serves on the supervisory board;
- has not been a member of the Supervisory Board for longer than 15 years;
- is not closely related to a member of the Managing Board of Wienerberger AG or to persons holding one of the aforementioned positions.

The criteria for independence are published in full on our website. As at 31/12/2018, the Supervisory Board of Wienerberger AG consisted of eight capital representatives, who reconfirmed their independence in accordance with these criteria at the beginning of 2019. None of the capital representatives holds an investment of more than 10% or represents the interests of such a shareholder.

### Employee representatives

The representation of the company's employees on the Supervisory Board and its committees is regulated by law as an integral part of the Austrian corporate governance system. In accordance with the Austrian Labor Relations Act, the body representing employee interests is entitled to delegate to the supervisory board of a joint stock corporation and its committees one member from among its ranks for every two members elected by the Annual General Meeting (capital representatives). Currently, three employee representatives are delegated to the Supervisory Board. Unlike the elected capital representatives, the members delegated by the employees serve on the Supervisory Board for an unlimited term of office.

## *Mode of Operation of the Managing Board*

The Managing Board of Wienerberger AG consists of two members. Heimo Scheuch, serving as CEO, is primarily responsible for the strategic and operational development of the Wienerberger Group, while CFO Willy Van Riet is in charge of financial matters. The work of the Managing Board is premised on shared responsibility for strategic and operational issues and a continuous exchange of information. The formal framework for such exchange is provided by the Managing Board meetings, which are normally held once a week, as well as continuous informal communication. Transactions requiring the approval of the Supervisory Board are first discussed and agreed upon at the Managing Board meetings and then submitted to the Supervisory Board. Decisions taken by the Managing Board require unanimity. The four-eyes principle applies when contracts are to be signed by the Managing Board. Monthly meetings are held with the management of the Business Units to discuss current business developments and, in particular, trends in demand, prices and costs, as well as capacity utilization. Strategic issues are also discussed at these meetings, with a special focus being placed on the development of markets, products and technologies. The measures agreed upon are implemented by the management of the Business Unit concerned.

The management of the company is based on an effective reporting system of high quality. Monthly reporting is of special importance and covers data aggregated at Group level as well as essential detailed information relating to the Business Units. Moreover, the Managing Board receives monthly reports on energy consumption and the financial situation of the Group as well as the status of projects in the process of implementation. Data relating to markets and the macroeconomic situation, as well as non-financial indicators, are also collected regularly.

# Remuneration Report

The remuneration report summarizes the principles that are used to determine the remuneration for the Managing and Supervisory Boards of Wienerberger AG. The report provides details of the resulting amount and structure of the payments to these persons and discloses the number of shares held by members of the Managing and Supervisory Boards.

## *Managing Board Remuneration*

The Personnel and Nomination Committee, in close cooperation with the Presidium of the Supervisory Board, is responsible for the structure of the remuneration system. The goal of the remuneration system is to provide the members of the Managing Board with compensation that is appropriate by national and international standards. The fixed remuneration component reflects the functions and scopes of responsibility of the Managing Board members. The variable remuneration components are designed to create an adequate incentive scheme for achieving material corporate goals and sustainable value creation. Great attention is paid to ensuring the greatest possible goal congruency between shareholders' interests and Managing Board remuneration. On this basis the short-term variable remuneration component is linked to short-term financial targets, whereas the long-term remuneration component is primarily linked to the sustainable improvement of shareholder value.

### Fixed remuneration

The fixed component of remuneration reflects the scope of responsibility of the Managing Board member. This results in different base salaries that correspond to the individual board members' strategic and operating responsibilities. Following common practice in Austria, fixed remuneration is divided into fourteen installments and paid at the end of each month.

In 2018, the fixed remuneration of CEO Heimo Scheuch was € 841,051 (2017: € 739,917) and that of CFO Willy Van Riet was € 559,903 (2017: € 549,653). This increase in comparison with 2017 is attributable to the adjustment of Managing Board remuneration made in connection with extending the terms of office of the Board members. The adjustment was based on a comparative study carried out by Egon Zehnder, a leading international HR consultant, which found that the remuneration paid to the Managing Board was below the international average. This benchmarking study looked at industrial enterprises that are comparable in size and complexity to Wienerberger AG. All in all, fixed remuneration equaled 24% of the Managing Board's total remuneration in 2018.

| **Fixed remuneration** *in EUR* | 2018 | 2017 |
|---|---|---|
| Heimo Scheuch | **841,051** | 739,917 |
| Willy Van Riet | **559,903** | 549,653 |
| **Total** | **1,400,953** | **1,289,570** |

### Variable remuneration

Variable remuneration is linked to the aim of sustainably increasing shareholder value and since 2018 consists of a short-term and a long-term variable component. The entitlement based on the medium-term component, which was in place up to and including 2017, was paid out in 2018. The remuneration model developed by the Supervisory Board ensures a high degree of transparency by linking the goals to clearly defined indicators of earnings and profitability. In addition, the incentive structure built into the Managing Board remuneration system is reviewed each year with regard to its effectiveness in promoting the sustainable improvement of shareholder value, and adjustments are made if necessary.

#### *Short-term variable remuneration*

The short-term variable remuneration component is conditional on the attainment of short-term corporate financial goals. The achievement of these goals is measured on the basis of an organic EBITDA (EBITDA LFL) target and a target for profit after tax (50% for each indicator). These targets are defined by the Personnel and Nomination Committee / Remuneration Committee at the end of the prior year on the basis of all information available at that time and submitted to the full Supervisory Board for approval. The target achievement is determined on a linear basis within the designated range, and the over-fulfillment of one target is offset against the partial fulfillment of the second target, where applicable. The maximum entitlement is limited to 100% of annual fixed remuneration and is paid out in the following period. No short-term variable remuneration is paid if the minimum limit is not reached. In 2018, the entitlements to the short-term variable remuneration component came to € 1,314,304, € 789,032 thereof for Heimo Scheuch (2017: € 739,917) and € 525,273 for Willy Van Riet (2017: € 549,653). These entitlements will be paid out in 2019.

**Attainment of short-term variable remuneration in 2018**
*in EUR*

| | | | | | Entitlement | |
|---|---|---|---|---|---|---|
| Target | Relevance | Target value | Amount reported | Attainment of target | Heimo Scheuch | Willy Van Riet |
| EBITDA LFL | 50% | 470 | 469.3 | 99% | 414,638 | 276,032 |
| Profit after tax | 50% | 165 | 146.9 | 89% | 374,394 | 249,241 |
| **Total** | | | | **94%** | **789,032** | **525,273** |

**Short-term variable remuneration**
*in EUR*

| | Entitlement | | Payout | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Heimo Scheuch | 789,032 | 739,917 | 739,917 | 725,409 |
| Willy Van Riet | 525,273 | 549,653 | 549,653 | 538,876 |
| **Total** | **1,314,304** | **1,289,570** | **1,289,570** | **1,264,285** |

### *Medium-term variable remuneration component*

The medium-term variable remuneration component, which was in place up to and including 2017, consisted of two strategic goals in the period from 2015 to 2017, the attainment of which was measureable in financial terms. The amount of the entitlement was determined in early 2018, was limited to 150% of the fixed remuneration for 2017 and was paid out in 2018. Entitlements of € 1,934,355 were paid out to the Managing Board, € 1,109,875 to Heimo Scheuch and € 824,480 to Willy Van Riet.

### *Long-term variable remuneration component*

The long-term variable remuneration component is designed as a long-term incentive (LTI) program. The LTI program covers the Managing Board and selected Group managers. Its goal is to focus the actions of top executives more intensively on shareholder value enhancement and to strengthen their identification with corporate planning and goals. With this LTI program, Wienerberger fully meets the requirements of the Austrian Corporate Governance Code, which stipulates that remuneration systems for managing boards and management be geared towards the sustainable development of the company.

The LTI program is renewed each year and involves the allocation of virtual shares, so-called performance share units (PSUs). A total of 68,000 PSUs were allocated to the Managing Board in 2018 (Heimo Scheuch: 39,000 PSUs, Willy Van Riet: 29,000 PSUs). Special conditions for participation apply to the Managing Board: the CEO must hold at least 80,000 Wienerberger shares and a Managing Board member at least 20,000 shares. The individual shareholdings must not fall below the defined levels during the program's term. The target CFROI is defined at the end of the prior year by the Personnel and Nomination Committee / Remuneration Committee on the basis of all information available at that time and submitted to the full Supervisory Board for approval. A corridor with upper and lower limits is also defined. The monetary value of the PSUs is determined at year-end by multiplying the number of PSUs by the target achievement in percent and the average price of the Wienerberger share. For 2018 it was determined that the average price was the lower of the price during the last 20 trading days prior to the start of the share buyback program on 26 November 2018 (€ 19.92) or the price during the last 20 trading days of the calendar year (€ 18.76). The target achievement is calculated as the difference between the CFROI calculated on the basis of the annual results for the respective year and the defined target, and is determined on a linear basis within the target corridor. There is no payout if the CFROI falls below the target corridor. If the upper limit is exceeded, the payment for the Managing Board is capped at 150% of fixed remuneration. In 2018, the Managing Board earned entitlements to the long-term variable remuneration component of € 1,159,466 (2017: € 1,289,570), € 664,988 of which was attributable to CEO Heimo Scheuch (2017: € 739,917) and € 494,478 to Willy Van Riet (2017: € 549,653).

| **Remuneration entitlement LTI in 2018** *in EUR* | **Allocated PSUs** | **Share price** | **CFROI target** | **CFROI in 2018** | **Target achievement** | **Entitlement** |
|---|---|---|---|---|---|---|
| Heimo Scheuch | 39,000 | 18.76 | 7.9% | 7.7% | 91% | 664,988 |
| Willy Van Riet | 29,000 | 18.76 | 7.9% | 7.7% | 91% | 494,478 |
| **Total** | **68,000** | | | | | **1,159,466** |

Payouts resulting from the target achievement are not made at once, but in three equal installments over a period of two years. The installment payout will be canceled if the CFROI in the respective financial year falls below the actual CFROI in the year the PSUs were granted. In 2018, payments to the Managing Board for the long-term variable remuneration component equaled € 1,267,305 (2017: € 1,244,115), € 727,142 thereof for Heimo Scheuch (2017: € 713,836) and € 540,163 for Willy Van Riet (2017: € 530,278).

| **Payout LTI** | **Year** | **Entitlement 1)** | **Payout in 2018 2)** | **Payout in 2019 2)** |
|---|---|---|---|---|
| Heimo Scheuch | 2018 | 664,988 | | 221.663 |
| | 2017 | 739,917 | 246.639 | 246.639 |
| | 2016 | 725,409 | 241,803 | 241,803 |
| | 2015 | 716,100 | 238,700 | |
| Willy Van Riet | 2018 | 494,478 | | 164,826 |
| | 2017 | 549,653 | 183,218 | 183,218 |
| | 2016 | 538,875 | 179,625 | 179,625 |
| | 2015 | 531,960 | 177,320 | |

1) In the years from 2015 to 2017 the payment of the entitlement was capped at 100% of the annual fixed remuneration.
2) As the CFROI achieved in the year of payment exceeded the comparative figures from the two prior years, the condition precedent for the payment of installments was met in each case.

## Earned entitlements and payments in 2018

In 2018, the Managing Board remuneration amounted to a total of € 5,892,183 (2017: € 3,797,970), € 3,417,985 thereof for Heimo Scheuch (2017: € 2,179,163) and € 2,474,199 to Willy Van Riet (2017: € 1,618,807). In addition to the fixed remuneration, the installments of the entitlements from previous years under the long-term variable remuneration component as well as the entitlements under the short-term and medium-term variable remuneration components were paid out.

The year-on-year increase results from the one-off payment in 2018 of the entitlements earned under the medium-term variable remuneration component during the observation period from 2015 to 2017.

| Payout *in EUR* | Fixed remuneration | | Short-term component | | Medium-term component | | Long-term component | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Heimo Scheuch | 841,051 | 739,917 | 739,917 | 725,409 | 1,109,875 | 0 | 727,142 | 713,836 | **3,417,985** | **2,179,163** |
| Willy Van Riet | 559,903 | 549,653 | 549,653 | 538,876 | 824,480 | 0 | 540,163 | 530,278 | **2,474,199** | **1,618,807** |
| **Total** | **1,400,953** | **1,289,570** | **1,289,570** | **1,264,285** | **1,934,355** | **0** | **1,267,305** | **1,244,115** | **5,892,183** | **3,797,970** |

In 2018, the Managing Board earned entitlements for the short-term and long-term variable remuneration components totaling € 2,473,770 (2017: € 3,689,372), € 1,454,019 for Heimo Scheuch (2017: € 2,116,852) and € 1,019,751 for Willy Van Riet (2017: € 1,572,520).

| Entitlements *in EUR* | Short-term component | | Medium-term component | | Long-term component [1)] | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Heimo Scheuch | 789,032 | 739,917 | 0 | 637,017 | 664,988 | 739,917 | **1,454,019** | **2,116,852** |
| Willy Van Riet | 525,273 | 549,653 | 0 | 473,214 | 494,478 | 549,653 | **1,019,751** | **1,572,520** |
| **Total** | **1,314,304** | **1,289,570** | **0** | **1,110,231** | **1,159,466** | **1,289,570** | **2,473,770** | **3,689,372** |

1) The above amounts are based on the earned entitlements under the assumption that the targets for delayed payment will be met.

## Rule C-27 of the Austrian Corporate Governance Code

The Supervisory Board makes every effort to design the remuneration system for the Managing Board of Wienerberger AG in a transparent and comprehensible manner and to base the incentive structure on sustainable value creation and the realization of key corporate targets. When defining the targets for the variable remuneration component, it is therefore essential that these targets be measurable and a meaningful indicator of the further development of the Group. As clearly shown in our Sustainability Roadmap, we have defined specific targets and measures for the individual activities and operations of the Group which take into account the specific characteristics of the business. The determination of uniform non-financial targets for the Group as an indicator for the variable remuneration would mean using remuneration criteria which are of little informative value for the long-term success of the Wienerberger Group. At the same time, an individualized and separate determination of non-financial criteria for each business area would impact transparency and comprehensibility. Therefore, the Supervisory Board currently limits the targets for the variable remuneration of Managing Board members to financial targets. Nonetheless, the long-term development of the financial indicator EBITDA, in particular, is driven by measures targeting sustainable value creation. At the same time, the Supervisory Board evaluates non-financial indicators in terms of their suitability to serve as variable remuneration targets at Group level.

## Other remuneration components and agreements

### *Defined-contribution pension agreements*

The members of the Managing Board are covered by defined-contribution pension agreements that require the company to make contributions each year. Contributions to pension funds (defined-contribution commitments) on behalf of the Managing Board amounted to € 610,227 in 2018 (2017: € 596,158). Of this total, € 253,796 was attributable to Heimo Scheuch (2017: € 247,945) and € 356,431 to Willy Van Riet (2017: € 348,213). Payments of € 861,162 were made to former members of the Managing Board and their surviving dependents during the reporting year (2017: € 847,608).

### *Severance compensation*

The members of the Managing Board are entitled to severance compensation upon termination of employment. This compensation is calculated in accordance with the legal regulations in Austria on the basis of total compensation and the length of service with the company. In the 2018 financial year, the provision for statutory severance compensation entitlements amounted to € 405,673 (2017: € 887,521).

### *Change of control clauses*

The employment contracts with the members of the Managing Board include change of control clauses, which regulate payment obligations in the event that a board member's appointment is terminated prematurely following a change in the control of the company. The articles of association of Wienerberger AG define a change of control as an increase in a shareholding to over 20%, which triggers a mandatory takeover offer to all other shareholders. Under these change of control clauses, the payment obligations agreed upon in the employment contracts with the members of the Managing Board are to be met by the end of the contract period as originally specified. Total entitlements are capped at three annual remuneration payments. There are no further entitlements.

### *Directors' and officers' liability insurance*

Wienerberger has concluded directors' and officers' liability insurance with coverage of € 100 million for the members of the Supervisory Board, Managing Board, operational bodies and key employees. This insurance also covers any loss to the company arising from the failure of these parties to act conscientiously (without any intentional or conscious violation of their responsibilities). There is no deductible for the insured corporate bodies and employees of the Wienerberger Group.

### *Incidental benefits*

Incidental benefits provided to members of the Managing Board include, without limitation, a secretariat, a company car as well as mobile and other communication devices. No loans were granted to members of the Managing Board.

### *Outside activities*

The members of the Managing Board require the prior approval of the Supervisory Board in order to enter into any activities outside the scope of their work with Wienerberger. This guarantees that neither the time required nor the related compensation could lead to a conflict with their duties for the company. All outside activities that involve seats on supervisory boards or comparable positions for publicly traded companies are listed on page 57 and also disclosed on the Wienerberger website. No compensation is provided for positions in Group companies.

## Remuneration of senior management

The remuneration of the senior management within the Wienerberger Group is designed along the lines of the incentive scheme for Managing Board members. Apart from fixed remuneration reflecting the scope of responsibility, a short-term remuneration component is regarded as an adequate incentive. Depending on the scope of responsibility of each executive, the targets for the short-term remuneration component are determined on the basis of the Group budget or the budget of their respective areas of responsibility and supplemented by individually agreed financial or non-financial targets. The actual target achievement can be measured for each goal and is determined on a linear basis within a corridor. The entitlement earned is paid out in the following period. In addition, selected executives participate in the LTI program. Both the short-term and the long-term variable remuneration components are capped at agreed limits.

## *Supervisory Board Remuneration*

The following remuneration system for the Supervisory Board was approved in 2011 by the 142nd Annual General Meeting: Each elected member of the Supervisory Board receives a fixed annual remuneration of € 15,000. The fixed remuneration for the vice-chairmen and the chairwoman equals € 22,500 and € 30,000, respectively. For work on a committee, the annual fixed remuneration is € 7,500 for an ordinary member, € 11,250 for the vice-chairpersons and € 15,000 for the chairperson. The fixed remuneration is limited to one committee membership per person and is paid only once, even if a Supervisory Board member is active on several committees. Each elected member of the Supervisory Board also receives an attendance fee of € 5,000 per meeting day, or € 2,500 for a committee meeting that is not held on the same day as a Supervisory Board meeting. The following table contains an overview of the attendance of Supervisory Board members in 2018.

| Attendance 2018 | Supervisory Board | Personnel and Nomination Committee | Strategy Committee | Audit Committee |
|---|---|---|---|---|
| Regina Prehofer | 11 / 11 | 5 / 5 | 3 / 4 | - |
| David Davies | 10 / 11 | - | - | 5 / 5 |
| Peter Johnson | 10 / 11 | 5 / 5 | 4 / 4 | - |
| Caroline Grégoire Sainte Marie | 11 / 11 | - | 4 / 4 | 5 / 5 |
| Christian Jourquin | 11 / 11 | - | 4 / 4 | 5 / 5 |
| Myriam Meyer | 11 / 11 | 4 / 5 | - | - |
| Wilhelm Rasinger | 11 / 11 | - | - | 5 / 5 |
| Peter Steiner 1) | 6 / 6 | - | 3 / 3 | - |
| Franz Josef Haslberger 2) | 4 / 5 | - | 1 / 1 | - |
| Gerhard Seban 3) | 10 / 11 | 5 / 5 | 4 / 4 | 5 / 5 |
| Gernot Weber 3) | 10 / 11 | - | - | - |
| Claudia Schiroky 3) | 8 / 11 | - | - | - |

1) Member of the Supervisory Board since June 14, 2018 // 2) Member of the Supervisory Board up to June 14, 2018 // 3) Employee representative

The Supervisory Board remuneration is adjusted on the basis of the Statistics Austria consumer price index for 2005 or a subsequent index where applicable. Increases and decreases up to and including 5% will not be compensated, but an adjustment will be made for the full change if this corridor is exceeded. To date, index adjustments have been made in 2014 and 2018, which in total amount to 10.5%. The Supervisory Board remuneration for 2018 (payment in 2019) totaled € 799,567 (2017: € 663,440). This 21% increase as compared to 2017 resulted from the higher number of meetings held.

No compensation is paid for services outside the aforementioned Supervisory Board duties, in particular for consulting or agency services. The salaries received by the employee representatives as part of their employment contracts represent exceptions to this rule. No pension commitments were made to the members of the Supervisory Board of Wienerberger AG, nor were any loans granted to them. Business transactions with companies in which members of the Supervisory Board of Wienerberger AG are active are carried out at arm's length. Information on related party transactions is provided in the Notes to the Consolidated Financial Statements on page 209.

| **Supervisory Board remuneration** *in EUR* | | | | **2017** | | | | **2018** |
|---|---|---|---|---|---|---|---|---|
| | Fixed remu-neration | Work on a committee | Attendance fees | Total remuneration | Fixed remuneration | Work on a committee | Attendance fees | Total remuneration |
| Regina Prehofer [1)] | 31,650 | 15,825 | 58,025 | **105,500** | 33,140 | 16,570 | 66,280 | **115,989** |
| David Davies [2)] | 14,763 | 9,842 | 29,013 | **53,617** | 24,855 | 16,570 | 66,280 | **107,704** |
| Peter Johnson [2)] | 23,738 | 15,825 | 58,025 | **97,588** | 24,855 | 16,570 | 63,518 | **104,943** |
| Caroline Grégoire Sainte Marie | 15,825 | 7,913 | 55,388 | **79,125** | 16,570 | 8,285 | 74,565 | **99,420** |
| Christian Jourquin | 15,825 | 7,913 | 55,388 | **79,125** | 16,570 | 8,285 | 74,565 | **99,420** |
| Myriam Meyer | 15,825 | 7,913 | 55,388 | **79,125** | 16,570 | 8,285 | 60,756 | **85,611** |
| Wilhelm Rasinger | 15,825 | 11,869 | 52,750 | **80,444** | 16,570 | 12,427 | 71,803 | **100,800** |
| Peter Steiner [3)] | - | - | - | **-** | 9,125 | 4,562 | 38,663 | **52,350** |
| Franz Josef Haslberger [4)] | 15,825 | 7,913 | 31,650 | **55,388** | 7,491 | 3,745 | 22,093 | **33,329** |
| Harald Nograsek [2,5)] | 9,040 | 6,027 | 18,463 | **33,529** | - | - | - | **-** |
| **Total** | **158,315** | **91,037** | **414,088** | **663,440** | **165,745** | **95,300** | **538,522** | **799,567** |

1) Chairwoman // 2) Vice-Chairman // 3) Member of the Supervisory Board since June 14, 2018 // 4) Member of the Supervisory Board up to June 14, 2018 // 5) Member of the Supervisory Board up to May 19, 2017

## Shareholdings

The members of the Managing and Supervisory Boards have voluntarily agreed to disclose their holdings of Wienerberger shares. In accordance with Article 19 of Regulation (EU) No 596/2014, any purchase or sale by the members of the Supervisory Board and Managing Board is reported to the Austrian Financial Market Authority. Moreover, the transactions are also disclosed via an EU-wide dissemination system as well as on the Wienerberger website (see “Managers’ Transactions”). In 2018, members of the Supervisory Board and the Managing Board purchased a total of 26,808 Wienerberger shares; no sales of Wienerberger shares were made. The number of Wienerberger shares held by the members of the Managing and Supervisory Boards totaled 257,784 at the end of 2018.

| **Number of shares held** | | 31/12/2017 | Purchase | Sale | 31/12/2018 |
|---|---|---|---|---|---|
| Managing Board | Heimo Scheuch | 131,252 | 12,428 | 0 | **143,680** |
| | Willy Van Riet | 50,000 | 5,000 | 0 | **55,000** |
| Supervisory Board | Regina Prehofer | 0 | 0 | 0 | **0** |
| | David Davies | 0 | 2,280 | 0 | **2,280** |
| | Peter Johnson | 0 | 0 | 0 | **0** |
| | Caroline Grégoire Sainte Marie | 400 | 0 | 0 | **400** |
| | Christian Jourquin | 0 | 0 | 0 | **0** |
| | Myriam Meyer | 1,000 | 0 | 0 | **1,000** |
| | Wilhelm Rasinger | 48,324 | 5,000 | 0 | **53,324** |
| | Peter Steiner [1)] | - | 2,100 | 0 | **2,100** |
| | Franz Josef Haslberger [2)] | 107,154 | 0 | 0 | **-** |
| **Total** | | **338,130** | **26,808** | **0** | **257,784** |

1) Member of the Supervisory Board since June 14, 2018 // 2) Member of the Supervisory Board up to June 14, 2018

# Wienerberger at a Glance

## *Company Profile*

Wienerberger is an international supplier of innovative building material and infrastructure solutions headquartered in Vienna. We are the only multinational producer of clay blocks, facing bricks and clay roof tiles, pipe systems made of plastics and ceramics, and concrete and clay pavers. As at 31/12/2018, Wienerberger operated 195 production sites in 30 countries of the world and exported its products to international markets. We are the worldwide market leader in bricks and the No. 1 producer of clay roof tiles in Europe. Moreover, we are one of the leading suppliers of pipe systems in Europe and concrete pavers in Central and Eastern Europe. For details on our production sites and market positions, please refer to the diagrams on page 36-37.

## *History of the Company*

Wienerberger was founded in 1819 by Alois Miesbach in the Wienerberg district on the southern outskirts of Vienna. In 1869, this Austrian brick manufacturer became one of the first companies to be listed on the Vienna Stock Exchange. Wienerberger is a free float company with 100% of its shares being publicly traded. For details on the shareholder structure, please refer to the Management Report on page 114-116.

The company took its first step toward internationalization with the takeover of the German Oltmanns Group in 1986, which was followed by successful expansion into Eastern Europe, France and the Benelux countries. At about the same time, Pipelife (plastic pipes) was established as a joint venture and the activities of the Group were diversified to include ceramic pipes and concrete pavers. After a further period of expansion in Europe, the Wienerberger Group developed into a global player with the takeover of General Shale in the USA in 1999. Another strategic milestone was the Group's entry into the roof sector through the acquisition of Koramic in 2003; this line of business was steadily expanded in the following years. With the takeovers of Semmelrock (2010), Steinzeug-Keramo (2011), Pipelife (2012) and Tondach Gleinstätten (2014), Wienerberger completed its transformation into an international supplier of building material systems, comprising the Clay Building Materials Europe Division, the Pipes & Pavers Europe Division and the North America Division.

## *Mission Statement*

Our vision is to be the most highly regarded producer of building materials and infrastructure solutions and the preferred employer in our markets.

Our mission is to improve people's quality of life by providing outstanding, sustainable building material and infrastructure solutions. The primary goal of our entrepreneurial activities is to achieve a sustainable increase in the value of the company in accordance with ecological, social and economic principles. Day after day, 16,596 employees are making every effort to translate this vision into reality through their commitment and their professional approach. This excellent cooperation is based on a firmly rooted corporate culture, which is characterized by shared values - expertise, passion, integrity and respect, customer orientation, entrepreneurship, quality and responsibility - and provides the foundation of our organization.

## *Business Model*

Wienerberger's business model is focused on providing innovative building material solutions for all our fields of application - from sustainable and energy-efficient buildings to environment-friendly pavers to pipe systems designed to ensure maximum security of supply.

## *Value Creation*

Our value creation process is fundamental to the achievement of our corporate goal of sustainably increasing the value of the company in ecological, social and economic terms. Six input variables determine Wienerberger's value creation process: financial capital, production facilities, know-how, employees, relationships and natural resources. These variables not only influence one another, but also change as a consequence of the company's business activities. Such changes result from well-balanced strategic decisions. Thus, we create added value for the organization and for our stakeholders. A diagram illustrating our value creation process is contained in this Annual Report on page 22.

## *Strategy and Targets for 2020*

Each of our business areas - infrastructure, new construction and renovation - is supported by strong industrial platforms in Europe and North America. We have defined a clear strategy that enables us to benefit from future development opportunities and the expansion of our platforms. A strong leadership team at corporate level cooperates with experienced local managers in the implementation of our accelerated growth course and the full realization of our long-term growth potential. Our strategic priorities are organic growth, operational excellence, growth projects and portfolio optimization.

### Organic growth

#### *Innovation*

As the innovation leader in our industry, we continuously strive to improve and further develop our products and system solutions for all fields of application. We take advantage of our strong market positions to introduce successful innovations at supra-regional level. Our development priorities are:

- Innovations in the application and use of our products and system solutions
- Research into new materials
- Optimization of existing production processes and process innovation
- Resource-efficient use of raw materials
- Reuse of our products

#### *Market proximity*

The growing complexity of the design and execution of construction projects is an issue to be addressed. We take the individual needs of specific customer groups, stakeholders and decision-makers into account, offering comprehensive advisory services and supporting projects from the planning phase right through to execution.

#### *Digitalization*

We play a leading role in the digital transformation of our industry and aim to offer our customers higher added value. To this end, we initiate change processes within the company along the entire value chain.

### Operational Excellence

The Fast Forward 2020 program provides a framework for our measures taken to enhance efficiency and increase our profitability.

### Growth projects and portfolio optimization

We are enlarging our existing platforms through the acquisition of growth-oriented companies generating high margins. Our investment decisions are based on defined criteria and aim to strengthen our unique selling propositions. We therefore analyze not only the financial position of potential take-over candidates, but also the added value and user-friendliness of their products, the relevance of the companies in the local markets, and their position as partners for our customers. We thus acquire companies which can be swiftly integrated into the existing industrial network and ideally complement our business.

To achieve sustainable growth, we continuously review all business areas and analyze their strategic orientation and growth potential.

## *Corporate Governance at Wienerberger*

As a listed company with international operations, Wienerberger is committed to the strict principles of good governance and transparency as well as to the continuous development of an efficient corporate control system. We are convinced that managing the Wienerberger Group responsibly and with long-term goals in mind is a crucial prerequisite for a sustainable increase of our enterprise value. In the pursuit of this target, we always act within the framework of Austrian law, the Austrian Corporate Governance Code, our Articles of Association, the rules of procedure of the Boards of the company, and our internal policies.

In 2018, Wienerberger complied with all rules and recommendations of the Austrian Corporate Governance Code. For an overview of relevant activities in the reporting year, please refer to the Report of the Supervisory Board starting on page 48, which is also published on the Wienerberger website.

# Management Approach and Due Diligence Processes

## *Sustainability Management*

Wienerberger's voluntary commitment to sustainable development covers all stages of the Group's value chain. To ensure a uniform approach and the efficient implementation of the defined measures and targets, we have established clear structures and responsibilities for the Group's sustainability management.

### Organizational structure

The Sustainability Steering Committee (SSC) is responsible for Wienerberger's sustainability strategy and the definition of targets, deadlines and measures of the sustainability program. It comprises the extended Managing Board of the Wienerberger Group (CEO and CFO of the Wienerberger Group, CEOs of the Business Units) and is the top-level body in charge of sustainability management. Sustainability Management is a staff function headed by the Corporate Sustainability Officer (CSO). The CSO ensures Group-wide coordination of sustainability management, reports directly to the CEO of Wienerberger AG and is responsible for Wienerberger's sustainability reports. The CEOs of the Business Units are responsible for implementing the sustainability targets in their respective Business Units. They are supported by sustainability officers engaged in continuous exchange with the CSO on current developments and the progress achieved. This structure enhances the responsibilities of the individual Business Units and strengthens their influence on the integration of our sustainability strategy.

### Instruments of sustainability management

***The value chains***

In 2014, we took a close look at the entire value chain of each of our four specific product groups. This includes raw material extraction along the entire supply chain, the production and use of products, and finally the product's transformation into waste at the end of its useful life. Potential ecological, social, ethical and/or macroeconomic issues, as well as issues relating to the security of supply, were allocated to the individual steps in the value chains. They provided the basis for our stakeholder survey.

***The stakeholder survey***

The view of our internal and external stakeholders regarding the materiality of the issues identified was obtained through an online survey. The survey also served to establish our stakeholders' perception of Wienerberger's current engagement in respect of the individual issues. The stakeholder survey was performed and evaluated by an external partner, who also provided the necessary tools for the survey.

To begin with, the relevance of the various stakeholder groups for each product group was rated on the basis of their interest in and influence on the company. Thus, we were able to define which stakeholder groups had to be included in the survey and how many people from each group had to be questioned in order to obtain a well-founded and informative result.

We invited close to 500 stakeholders to participate in the survey - 80% of them external stakeholders. Based on the stakeholders' responses, the essential topics for the four product groups along their respective value chains were determined by our partner. The significance (medium to high) of individual aspects, as perceived by internal and external stakeholders, was entered into a matrix.

***Result of the materiality analyses***

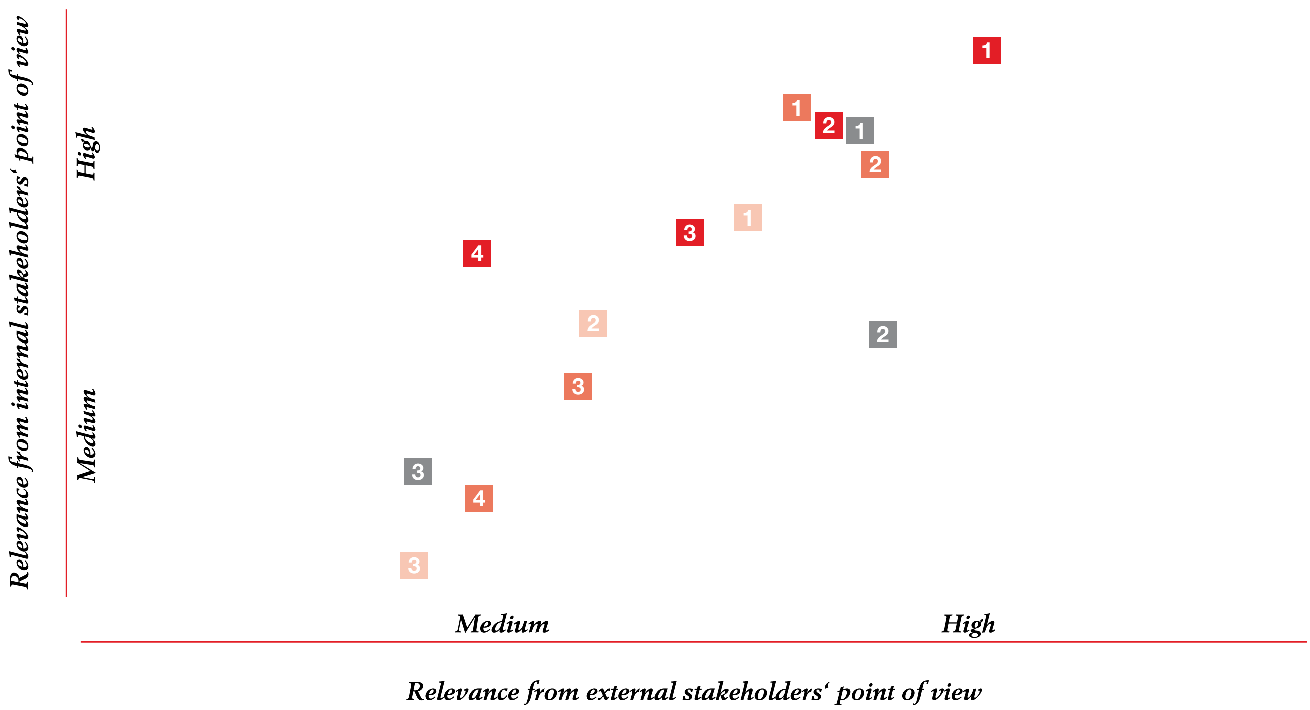
The matrix showed that the stakeholders perceived certain topics as being of similarly high significance across all product groups. The topics identified as material in the various product groups were then aggregated at Group level. The result shows which topics along the value chains of the individual product groups are equally relevant for the entire Wienerberger Group. These topics are presented in the following chapters: "Employees", "Production", "Products" and "Social and Societal Commitment". The result of the materiality analysis provided the basis for the further development of our sustainability strategy and the identification of targets and measures for our Sustainability Roadmap 2020.

***The Wienerberger Sustainability Roadmap 2020***

The Wienerberger Sustainability Roadmap 2020 describes the sustainability targets pursued by the Wienerberger Group up to 2020. These targets are based on the results of the 2014 materiality analysis. The Roadmap represents a deliberate, self-imposed commitment to continuously improving Wienerberger's ecological, social, societal and economic performance.

The following diagram shows all the topics identified in the materiality analysis as highly relevant, which therefore provide the basis for the Wienerberger Sustainability Roadmap 2020. The measures taken and the targets achieved, as well as the steps to be taken by the Business Units within the framework of the Sustainability Roadmap 2020, are outlined in detail in our Sustainability Reports.

## *The Topics with Highest Relevance as a Basis for the Sustainability Roadmap 2020*




***Caption***

| Sustainability in the supply chain | Sustainable products |
|---|---|
| 1 *Availability of raw materials* | 1 *Innovative and durable products* |
| 2 *Avoidance of hazardous substances* | 2 *Recyclability, recycling and re-use of products* |
| 3 *Protection of local residents and employees, nature conservation, re-use of depleted extraction sites* | 3 *Product-group-specific properties* |

| Environmental aspects in production | Social aspects in production |
|---|---|
| 1 *Energy efficiency* | 1 *Health and safety of employees* |
| 2 *Climate protection* | 2 *Business ethics and compliance* |
| 3 *Resource efficiency and waste management* | 3 *Employee satisfaction and training* |
| 4 *Responsible use of water* | 4 *Communication with and involvement of employees* |

***Updating of the materiality analysis and the Wienerberger Sustainability Roadmap 2020***

Starting in 2019, Wienerberger will update the materiality analysis and define a new Wienerberger Sustainability Roadmap on that basis, effective as of 2020.

***Impact and risk analysis and identification of the relevant Sustainable Development Goals***

In 2018, Wienerberger launched an impact and risk analysis based on the specific value chains of its four main product groups, i.e. bricks and roof tiles, ceramic pipes, plastic pipes and concrete pavers. On the basis of its findings, Wienerberger will, in the course of 2019, identify which of the Sustainable Development Goals of the United Nations (UN SDGs) are relevant for the Group and decide when and how Wienerberger can and/or will contribute to the Global Agenda 2030. The conduct of the analysis will be monitored and methodologically supported by independent external experts.

The essential steps of the process include:

- Documentation of all potential groups of topics, broken down by type of impact on or risk/chance for the environment, for employees and in terms of social issues, including the respect of human rights and the fight against corruption.
- Qualitative evaluation of the significance of all identified potential impacts and risks by internal experts.
- Identification of all relevant SDGs to the achievement of which Wienerberger contributes on the basis of product-group-specific impact and risk analyses.

The following diagram provides an overview of the impacts and risks relating to non-financial matters identified as material, aggregated at Group level. For more detailed information on the underlying concepts and the due diligence processes applied, please go to the corresponding paragraph on page 77 and the chapters “Employees”, “Production”, “Products” and “Social and Societal Comitment”.

## *Results of the Impact and Risk Analysis of the Wienerberger Group - Overview*

| | Procurement | Production | Products |
|---|---|---|---|
| **Social matters** | □ Employment | □ Employment | |
| | □ Technology development, Know-how | | |
| **Employee matters** | □ Equal opportunities | □ Equal opportunities | |
| | | □ Skills development | |
| | | SR ■ Safety | |
| **Environmental matters** | □ Energy consumption | SR □ Energy input in production process | SR □ Longevity |
| | □ Emissions from raw material procurement | SR □ Emissions from production process | □ Hygiene |
| | SR □ Secondary raw materials | SR □ Raw material consumption | |
| | | SR □ Secondary raw materials | |
| | | □ Transport fuel consumption | |
| | SR ■ Environmental damages | □ Transport emissions | |
| **Respect for human rights** | ■ Human rights violations in energy and raw material procurement | | |
| **Anti-corruption and bribery matters** | ■ Corruption | | |

**Method:** The topics listed in the table have been identified as material for at least two business areas of the Wienerberger Group. // **SR:** The topics marked SR were classified as highly relevant in the Wienerberger materiality matrix (2014) and therefore provide the basis for the Wienerberger Sustainability Roadmap 2020. // □ These topics have been classified as impacts. // ■ These topics have been classified as risks and/or opportunities.

***Sustainability reporting***

Non-Financial Group Reporting has been introduced as a central data management tool for the consolidation of all non-financial indicators, which serve as a basis for strategic decisions taken in the Business Units and at Group level.

Wienerberger's Sustainability Report, published annually since 2010, constitutes a binding framework for our commitment to sustainable development. All Wienerberger Sustainability Reports meet the requirements of the Global Reporting Initiative (GRI). The reports focus on the ecological and social aspects of our activities and on measures to be taken in the future regarding employees, production and products as well as our engagement in social and societal affairs. In combination with the sustainability program (Sustainability Roadmap 2020), the Sustainability Report is an essential instrument supporting Wienerberger in the pursuit of its long-term goals.

As in previous years, Wienerberger again plans to publish a Sustainability Report for 2018, in addition to this non-financial report. It will be prepared in accordance with the "core" option of the GRI Standards.

Sustainability reporting follows the scope of consolidation of the Wienerberger Group, which is described in detail on page 128 of the Notes to the 2018 Annual Report. In substantial terms, this report covers the fully consolidated subsidiaries operating in Wienerberger's product groups, i.e. wall, roof, façade, ceramic pipes, plastic pipes as well as concrete and clay pavers. The only exceptions are two sites in the Netherlands acquired in 2018, as the structures required to compile the non-financial indicators are not yet in place there and will be implemented in the course of 2019. Other deviations of individual indicators from the reporting scope are mentioned wherever they apply.

**Voluntary commitment to comply with the ten principles of the UN Global Compact**

Wienerberger acceded to the UN Global Compact in 2003 and is a founding member of respACT, Austria's leading platform for corporate social responsibility and sustainable development. Thus, Wienerberger officially commits to the implementation of the ten principles regarding human rights, labor standards, environmental protection – including the precautionary principle – and the fight against corruption.

The Wienerberger Social Charter, which confirms the company's commitment to compliance with the relevant conventions and recommendations of the International Labor Organization (ILO – a specialized agency of the United Nations), was signed by the Managing Board of Wienerberger AG and the chairman of the European Forum, a social partnership body, in Strasbourg in 2001. Through this charter, which is available on our website, Wienerberger demonstrates its global commitment to respect for human rights, fair working conditions, payment of adequate remuneration, the avoidance of excessive working hours, permanent employment relationships and respect for the freedom of assembly and the right of employees to engage in collective bargaining. Within its sphere of influence, Wienerberger guarantees the protection of fundamental human rights. Thus, it goes without saying that Wienerberger tolerates neither child labor nor any form of discrimination.

## *Concepts and Due Diligence Processes*

The responsible management of the Wienerberger Group with a view to its long-term development is an essential prerequisite for sustainable corporate success.

The most important risks and impacts of the Wienerbeger Group's operations relating to non-financial matters are outlined on pages 78 to 79. Information on the underlying concepts and the due diligence processes applied by Wienerberger are summarized in this chapter and explained in the chapters "Employees", "Production", "Products" and "Social and Societal Commitment".

Information on Wienerberger's approach to the management of financial risks is contained in the Management Report on page 117.

## Supplier management

Within the framework of our business relations, we strive to ensure that our suppliers also comply with ecological and social standards.

In 2018, the scope of Wienerberger's procurement function was extended at Group level, the objective being to optimize existing processes, utilize synergies, and, as in other areas, achieve a higher level of efficiency. The new structure also influences the way we conduct our supplier management in respect of non-financial matters.

So far, it has been common practice for almost all production segments to apply minimum standards, laid down in specific "supplier codes of conduct" (SCOCs), which suppliers shall sign when doing business with Wienerberger. Given the new, Group-wide procurement structure headed by Corporate Procurement as a staff function, a uniform "Supplier Code of Conduct" is to be introduced for the entire Wienerberger Group. It will be elaborated and rolled out in 2019.

In 2018, an external certification body provided targeted training for employees working in Corporate Procurement, who will carry out supplier audits. As of 2019, supplier audits are to be performed in those areas of procurement where the biggest potential risks are assumed to exist. These audits will cover essential non-financial matters, such as environmental protection, health and safety of employees, human rights, and the fight against corruption and bribery. Based on the audit results, conclusions will be drawn as to Wienerberger's future supplier relations.

## Occupational health and safety

For Wienerberger, as an industrial producer, the health and safety of all its employees is a top priority. Every effort is made to avoid and/or minimize the exposure of our employees to potential health and safety hazards.

Our objective is to reduce the annual number of accidents throughout the Group to zero. We are consistently pursuing this target by implementing Group-wide safety standards and individual safety programs for our Business Units. These include structural, technological and organizational measures. Moreover, we foster a culture of safety through training programs and incentive systems.

## Quality and environmental management

Among the greatest global challenges confronting humankind have been and still are climate change and the worldwide consumption of energy and resources. The industrial sector is responsible for some of these problems, but also has the ability to offer solutions.

Wienerberger is striving for operational excellence in all its operations through the optimization of organizational and production processes and through networking along the value chain. A number of quantitative targets have been defined, such as reductions in specific energy consumption and $CO_2$ emissions, the reduction of water consumption from public networks, as well as the resource-efficient use of raw materials. In a voluntary effort, Wienerberger has for years been working intensively on the preparation of eco-balances, environmental product declarations (EDPs) and environmental certificates.

## Complaints management

Wienerberger's customers and business partners are interested in obtaining high-quality, durable and affordable products for a safe and comfortable residential environment.

Complaints regarding product quality or other issues are dealt with in various ways. At Pipelife, for instance, complaints management is dealt with locally by the individual country organizations. Steinzeug-Keramo has taken a different approach and introduced a centralized complaints management regime. Each complaint is entered into the system via an app and, at intervals of two weeks, the complaints received are assessed by a group comprising representatives of all departments concerned. Corrective measures, if necessary, can then be implemented.

In order to understand our customers' concerns even better and adapt our products to their needs as far as possible, it is essential to engage in continuous dialogue with them. We also inform our customers about the technological and ecological properties of our products.

### Data protection

The protection of personal data has always been a matter of high priority for Wienerberger in all the company's business relations. We treat personal data as confidential and process them in accordance with the data protection rules in effect. We continuously invest in data security measures in order to ensure the best possible protection of personal information. In order to meet all requirements arising in this context and continuously improve the privacy-related processes, an international team of data protection coordinators is operating at holding level at Wienerberger AG and in the country organizations. With a view to the General Data Protection Regulation, a quality standard for data protection was prepared in cooperation with external specialists and implemented throughout the Group in 2018.

### Corporate ethics and compliance

As a listed company with international operations, Wienerberger is committed to the strict principles of good governance and transparency as well as to the continuous development of an efficient corporate control system. In the pursuit of this target, we always act within the framework of Austrian law, the Austrian Corporate Governance Code, our Articles of Association, the rules of procedure of the Boards of the company, and our internal policies.

Wienerberger is committed to the principle of free and fair competition, which includes a firm stance against any form of corruption. We have always pursued the target of "zero incidents of corruption" and expect all our employees to act accordingly.

In 2018, no charges were brought or sentences pronounced against Wienerberger for corruption and no penalty payments were due.

Commitment to compliance with all national and international legal standards is a central principle of the Wienerberger Group. Monitoring by the competent authorities did not result in any negative findings in 2018.

To prevent insider trading and the unlawful disclosure of inside information, the company has adopted a compliance policy, updated in 2018, which implements the provisions of European and Austrian stock exchange law. A compliance officer, assisted by a deputy, has been appointed to monitor compliance. Training sessions on issuer compliance are held regularly at the Vienna headquarters of Wienerberger AG and the Business Units.

Pursuant to the Austrian Lobbying and Interest Representation Transparency Act, the basic principles governing lobbying activities have been laid down in a code of conduct for all board members and employees of Austrian companies in which Wienerberger AG holds a majority interest. This code of conduct can be downloaded from the Wienerberger website.

For the Wienerberger Corporate Governance Report, please refer to pages 52-71 of this Annual Report and the Wienerberger website.

Additionally, Wienerberger officially commits to the implementation of the ten principles of the UN Global Compact and, as stated in the Wienerberger Social Charter, undertakes to observe the relevant conventions and recommendations of the International Labor Organization (ILO). For detailed information, please refer to the Wienerberger website.

# Employees

## *Principles, Processes and Instruments*

Our employees are the basis of our success and a key factor for the successful development of our company. We consider it our responsibility to create the necessary basis and best possible conditions for the safety, health and satisfaction of our employees.

The following principles of human resources management apply at Group level:

- Safeguarding of health and safety at the workplace
- Equal opportunities, regardless of age, sex, cultural background, religion, origin or other diversity features (for information on our diversity policy, please refer to pages 54-56 of this report)
- Advancement and support of the development of each individual employee
- Performance-oriented work ethics and readiness to assume responsibility
- Entrepreneurial thinking and acting

Our values provide the basis for our entrepreneurial activity. Responsibility, integrity and respect are the values we regard as particularly important in the relationship with our employees.

By signing the Social Charter in 2001, Wienerberger undertook to create employment and working conditions across the Group that meet or exceed the standards laid down in national laws and/or collective bargaining agreements. Thus, Wienerberger complies with the recommendations of the International Labor Organization (ILO – a specialized agency of the United Nations).

Wienerberger is fully aware of its responsibility for its employees. As an industrial producer, our top priority is to avoid and/or minimize the exposure of our employees to potential health and safety hazards, especially in our plants. We not only take the necessary structural, technical and organizational measures, but also make every effort to foster a culture of safety, for instance through training programs and incentive systems.

At the same time, the degree of employee satisfaction has a considerable impact on the performance of the company. The general conditions at the workplace as well as the type and quality of the specific instruments available to employees for the performance of their tasks play an important role in this context. It is therefore our responsibility to create the prerequisites for dialogue and exchange across operating segments, promote the transfer of knowledge and support efficient cooperation.

Wienerberger is an international group with operations in 30 countries. Therefore, creating possibilities for all our employees to interact, exchange information and become involved in the life of the company are highly relevant factors that influence their well-being and their personal development.

The freedom of assembly of our employees and their right to engage in collective bargaining are other important principles upheld by us. In 2018, about 71% of all Wienerberger employees were covered by collective bargaining agreements.

## *Targets and Measures*

### Occupational health and safety

Our long-term target is to reduce the number of accidents to zero across the Group. All normal capex and standard maintenance activities are carried out with the health and safety needs of our employees in mind. The Wienerberger Safety Initiative, launched in 2010, implemented Group-wide safety standards aimed at reducing the frequency and severity of occupational accidents. In 2014, the safety initiative was further developed and the activities undertaken within this framework were stepped up. As in previous years, the safety initiative was pursued consistently throughout 2018. Moreover, each operating segment implements its specific internal programs. Prevention is an important factor in promoting health. Therefore, apart from regular health screenings, company physicians are available to employees throughout the Group. Workplaces are analyzed for their ergonomic characteristics, and individual programs for fitness and health are offered. In certain countries, we provide supplementary insurance coverage for our employees either free of charge or at reduced premiums. In the North America Division, for instance, all full-time employees are covered by additional health insurance, the scope of which goes beyond the Affordable Care Act (ACA) in some respects.

## Employee satisfaction

We are planning to implement measures targeted at increasing employee satisfaction. In 2018, together with an experienced cooperation partner, we conducted the employee survey, which was launched in 2015, in another 24 organizations and thus completed it. Based on a detailed set of criteria, the degree of satisfaction of our employees was ascertained. The results, broken down by department cluster, were communicated to all employees at the respective locations and follow-up measures were initiated.

## Communication with employees, involvement and development of employees

An important goal of Wienerberger is to strengthen the shared values of our corporate culture through various communication measures and platforms and translate them into practice throughout the Group. In this context, we also inform our employees about corporate targets and strategies as well as current developments. Since 2016, we have increasingly emphasized dialogue-oriented communication, supported by tools suited for anonymous questions and/or feedback. At Wienerberger, we attach great importance to advancing and supporting our employees in a targeted fashion and in facilitating the cross-border exchange of knowledge. For this purpose, we provide internal and external programs for initial and further training. All Wienerberger training programs are designed to promote networking and facilitate international knowledge transfer. They are aimed at providing training that is tailored to the employees' specific areas of work and, at the same time, serve the goal of long-term succession management. As in previous years, initiatives aimed at advancing and supporting employees in a targeted fashion and facilitating the cross-border exchange of knowledge were implemented in 2018.

| Non-financial indicators - Employees | | 2017 | 2018 1) | Chg. in % |
|---|---|---|---|---|
| ø Employees | full-time equivalents | 16,297 | **16,596** | +2 |
| Accident frequency | Number of occupational accidents / number of hours worked x 1,000,000 | 5.4 | **5.1** | -6 |
| Accident severity | Accident-related sick-leave days / number of hours worked x 1,000,000 | 173 | **155** | -10 |
| Fatal occupational accidents 2) | Number | 2 | **1** | -50 |
| ø Sick-leave days / employee | in days | 10.2 | **10.5** | +3 |
| Employee turnover | in % | 9.2 | **12.2** | - |
| Percentage of women | in %, relative to headcount | 13.8 | **14.3** | - |
| Percentage of women in senior management | in %, relative to headcount | 11.8 | **9.6** | - |

1) Two production sites in the Netherland acquired in 2018 are not included in the indicators. The structures necessary for the compilation of non-financial indicators will be implemented at both sites in 2019. // 2) Indicator in 2018 exclusively from a company in which Wienerberger holds a 50% interest. Although not within the reporting scope of this non-financial report, the indicator is reported on account of its high relevance. // For explanations of the abbreviations and indictors used, please refer to the Glossary on page 219.

# Production

## *Principles, Processes and Instruments*

Wienerberger strives to employ production methods that are as environmentally friendly as possible. In particular, we focus on the responsible and efficient use of raw materials, energy and water. We contribute to the fight against climate change through enhanced energy efficiency and through measures to further reduce our $CO_2$ emissions. At the same time, every effort is being made to increase the use of recycled materials in all Business Units, wherever technically and economically feasible.

Research and development (R&D) are among the priorities of Wienerberger's strategic planning. One of the core activities of R&D is to optimize production processes and product development. In 2018, R&D expenditure amounted to € 15.9 million, which corresponds to 0.5% of the Group's revenues.

Effective technical controlling systems have been installed in all fields of production of the Wienerberger Group. These systems record all production-related data that are required for the management of the company and enable internal benchmarking across production sites.

### Quality and environmental management

Quality management systems (QMS) have been established at all our plants, almost all of which are certified according to ISO 9001. Environmentally relevant aspects have been integrated into our existing quality management systems. Where appropriate, some production sites have also been certified according to ISO 14001. All Steinzeug-Keramo production sites, as well as the Pipelife site in Germany, have already been certified according to DIN EN ISO 50001:2011 (Energy Management).

Ongoing optimization programs, such as the Plant Improvement Program (PIP) for the brick segment and the Production Excellence Program (PEP) in our concrete paver business, are aimed at sustainably reducing resource consumption and costs through improvements of production processes.

In the plastic pipe segment, we promote the Lean Six Sigma management approach in order to implement quality improvements and process optimization.

### Supplier management

Wienerberger attaches prime importance to the long-term security of supply and the sourcing of natural resources, materials and products in accordance with the criteria of sustainability. In our business relations, we want to do our utmost to ensure that our suppliers comply with our ecological and social standards, which we clearly communicate to them. For almost all product groups, minimum standards have been laid down in specific "supplier codes of conduct", which suppliers shall sign and observe when doing business with us. In line with Wienerberger's new central procurement structure, a uniform Group-wide "Supplier Code of Conduct" is to be elaborated in 2019.

## *Targets and Measures*

### Energy efficiency and climate protection

For brick production in Europe, our target is to reduce specific energy consumption and specific $CO_2$ emissions from production by 20% by 2020, as compared to 2010. In plastic pipe production in Europe, we had to adapt our original targets in 2018. This was primarily due to major changes in the product mix with a shift toward lighter products with smaller pipe diameters. We regard this as a long-term development that will have a substantial influence on our specific performance measured in tons of net additions to inventories. Irrespective of these challenges, we want to reduce specific energy consumption in plastic pipe production in Europe by at least 3% and specific indirect $CO_2$ emissions from electricity generation by 11% by 2020, as compared to 2010. To reach these targets, Wienerberger is continuously optimizing its production processes with a view to enhancing energy efficiency and changing over to low-emission energy sources.

### Resource efficiency and waste management

Wienerberger's target is to increase resource efficiency in production and, at the same time, improve the properties of its products. Reducing raw material consumption, using secondary raw materials in production wherever this is meaningful and feasible, continuously reducing the scrap rate, and returning production waste as well a reusable material into the production process play an important role in this context.

In concrete paver production, we succeeded in reducing the scrap rate by 45% between 2014 and 2017. We hope to achieve a further reduction by 23% by 2020, as compared to 2017.

In plastic pipe production in Europe, we outperformed our target of increasing the percentage of recycled material to 70 kg per ton of products produced already in 2018. We have therefore set ourselves a new and even more ambitious target and fine-tuned our definition of the recycling materials used. The new target is defined in the following chapter "Products".

### Responsible use of water

We make every effort to use water sparingly, for instance by running it in closed circuits and drawing primarily on our own wells. Water consumption is particularly relevant in plastic pipe production, as water is used for cooling in the production process. Our target in plastic pipe production in Europe, set in 2015, is to reduce the volume of water drawn from public networks to 0.55m³ per ton of products produced by 2020. Here, too, the original target of the Sustainability Roadmap 2020 was adjusted on the basis of recent findings and revised to 0.85m³ per ton of products produced to be reached by 2020.

### Availability of raw materials

Long-term availability of raw materials is a crucial aspect of corporate responsibility. To avoid the risk of potential shortages, the early identification of possible problems and a diversification of sources of supply are essential.

### Avoidance of hazardous substances

Wienerberger meets all legal requirements at European, national and regional level regarding the avoidance and substitution of hazardous substances, especially in raw materials. Compliance is being monitored continuously, and corrective measures, if necessary, are taken without delay.

### Protection of local residents, nature conservation and the reuse of depleted extraction sites

Local residents in the vicinity of clay extraction sites are an important stakeholder group for Wienerberger. We engage in open dialogue with the residents concerned because their health and safety are important considerations for the company.

For manufacturers of plastic products, the sustainable sourcing of raw materials comprises a range of critical issues, from nature conservation and the rights of regional stakeholders in crude oil extraction to energy efficiency in processing in the petrochemical industry.

Biodiversity, nature conservation and a meaningful reuse of depleted sites are significant sustainability criteria for the operation of clay pits. For Wienerberger, this includes non-interference with protected areas and efforts to make the company's own depleted sites available for their intended reuse.

In Europe, Wienerberger continuously monitors all its clay pits used for brick production. This includes information on their intended reuse. As a rule, the competent public authority defines the type of reuse of depleted clay pits at the time of approval of clay extraction. Environmental impact assessments and ecological studies are always part of the approval procedures.

Given the fact that clay pits are to be operated as long and as sustainably as possible, the issue of reuse usually arises only after several decades.

Depleted clay pits can be reused for a variety of purposes: provision of landfill space, agricultural use, design as recreational areas for leisure-time activities, or complete renaturation, which leads to an improvement in local biodiversity.

In principle, depleted clay pits, with enough open space and water gathering in ponds, have the potential to become an ideal habitat for rare plants and animals.

In special cases, Wienerberger even takes measures to renaturate parts of the clay pit while extraction is still going on. In cooperation with experts, every effort is made to create the best possible living conditions for rare species. For example, we support the planting of vegetation likely to attract rare animals at risk of extinction.

| Non-financial indicators – Production [1] | | 2017 | 2018 | Chg. in % |
|---|---|---|---|---|
| Total energy consumption | in GWh | 7,889 | **8,149** | +3 |
| Specific energy consumption | Index in % based on kWh/ton (2013 = 100%) | 99.1 | **98.4** | -1 |
| $CO_2$ emissions from primary sources of energy | in kilotons | 1,365 | **1,408** | +3 |
| Specific direct $CO_2$ emissions from primary energy used in ceramic production [2] | Index in % based on kg $CO_2$/ton (2013 = 100%) | 94.0 | **91.8** | -2 |
| Specific indirect $CO_2$ emissions from electricity used in plastic pipe production | Index in % based on kg $CO_2$/ton (2010 = 100%) | 84.0 | **89.0** | +6 |

1) Two production sites in the Netherlands acquired in 2018 are not included in the indicators. The structures necessary for the compilation of non-financial indicators will be implemented at both sites in 2019. // 2) In previous years, the indices included concrete products in North America. Owing to a more specific differentiation of the indicators in this field, the indices have been adjusted accordingly. // For explanations of the abbreviations and indictors used, please refer to the Glossary on page 219.

# Products

## *Principles, Processes and Instruments*

A central principle of product development at Wienerberger is the creation of lasting value for our customers by supplying them with durable and innovative building material and infrastructure solutions. In our opinion, the relation between a product's useful life and its impact on the environment during raw material extraction, production, transport, installation, use and disposal plays an important role.

Wienerberger brick products form an integral part of sustainable building concepts. They guarantee a high quality of life and contribute to climate protection, for example through their heat storage capacity. In the pipes and pavers segment, we offer system solutions for all present-day challenges, including the demands on water management resulting from climate change and increasing urbanization.

### Research and development

In view of what users and developers expect of a modern building, and considering the numerous regulatory requirements to be met, such as the Energy Performance of Buildings Directive (EPBD), the system-based approach to building construction is becoming more and more important. Integrated system solutions enable us to combine the outstanding properties of individual products of the Wienerberger product portfolio with products supplied by our partners in the field of building services and facilities in order to obtain the best possible results.

Wienerberger operates several research centers in Europe, each of them specializing in a different product group. Our product management specialists cooperate closely with the marketing and sales departments of the individual Business Units in order to align new developments with the needs of our customers. Market launches of new products across several countries are managed centrally, but the products are adjusted to local market conditions by our specialists on site. Thus, successful developments can be rolled out quickly and efficiently to the entire Group.

### Environmental product declarations and certifications

For many years, Wienerberger has been working intensively on the voluntary preparation of eco-balances and environmental product declarations (EDPs) for its entire product range. All ceramic pipes and fittings as well as selected product lines of our product group concrete pavers have been certified according to the Cradle to Cradle® concept.

### Service centers and complaints management

Our customers and business partners – end users as well as building material dealers, developers, designers and building contractors – want high-quality, durable and affordable products for a safe and comfortable residential environment. Complaints regarding product quality or other issues are dealt with in various ways, ranging from local service centers run by the country organizations to centralized complaint-management regimes. In order to understand our customers' concerns even better and adapt our products to their needs as far as possible, it is essential to engage in continuous dialogue with them. We also inform our customers about the technological and ecological properties of our products. Our trained and qualified employees as well as our service centers advise customers on how to use our products and system solutions.

## *Targets and Measures*

### Innovative and durable products

Wienerberger aims to secure and further strengthen its market positions through cost and technology leadership and product innovations. Therefore, research and development are among the priorities of Wienerberger's strategic planning.

Products, system solutions or processes that represent an improvement over earlier versions or add to the diversity of the product range qualify as innovative. In line with current market requirements, definitions of the innovative character of products have been elaborated for the individual product groups.

These definitions facilitate Group-wide comparisons. They refer, in particular, to properties identified by our stakeholders as being of material importance, depending on the type of product or system solution. Such properties include, for example, durability, recyclability, recycling and reuse, and contributions to energy efficiency, climate protection and the preservation of buildings as part of the cultural heritage, as well as cost efficiency and ease of installation. In 2018, innovative products and system solutions accounted for 29.0% of the Group's total revenues. The specific quantitative targets of the individual Business Units regarding the percentages of innovative products and system solutions in total revenues are listed in our sustainability report.

### Recyclability, recycling and reuse of products

From the viewpoint of resource efficiency, the use of secondary raw materials is an important topic for the future. However, the technological possibilities vary greatly, depending on the types of material and their applications. The use of secondary raw materials has become a well-established practice in plastic pipe production. In ceramic production, secondary raw materials are used as additives.

In its European brick production operations, Wienerberger gathers information on the percentage of external recycling materials used within the framework of its raw material monitoring regime. External raw materials include saw dust, sunflower seed shells and rice husks.

Resource efficiency and the use of secondary raw materials are issues of special importance in plastic pipe production in Europe. In 2015, we therefore set ourselves the target of increasing the proportion of recycling material to 70 kg per ton of products produced by 2020. We exceeded this target already in 2018. Within the framework of a revision of our quantitative targets for plastic pipe production in Europe (see also chapter "Production", page 82), we set ourselves a new and even more ambitious target, given the high relevance of the matter: By 2020, we want to increase the proportion of recycling material to 85 kg per ton of products produced. We will continue working on our research projects in order to establish the optimal ratio of primary to secondary raw materials in our products, analyze the technological feasibility of using recycling material, and identify production sites suited for implementation of such projects.

# Social and Societal Commitment

## *Principles, Processes and Instruments*

Wienerberger takes its role as a responsible member of society very seriously. For us, this responsibility encompasses the observance of ethical principles in all our actions, honest communication, active involvement in the creation of a transparent economic environment, personal accountability for what we do, and acting as a reliable and useful member of society.

By acceding to the UN Global Compact in 2003, we officially committed to the implementation of its principles regarding human rights, labor standards, environmental protection – including the precautionary principle – and the fight against corruption. Every year, we publish the Communication on Progress (CoP) required by the UN Global Compact. The latest version of Wienerberger's Communication on Progress is contained in our current Sustainability Report and can also be viewed on our website.

In 2001, the Wienerberger Social Charter was signed in Strasbourg by the Managing Board of Wienerberger AG and the Chairman of the European Forum, a social partnership body. The document confirms Wienerberger's commitment to comply with the relevant conventions and recommendations of the International Labor Organization (ILO – a specialized agency of the United Nations).

## *Targets and measures*

Wienerberger is committed to the principle of free and fair competition, which includes a firm stance against any form of corruption. We have always pursued the target of zero incidents of corruption and expect all our employees to act accordingly.

In 2018, no charges were brought or sentences pronounced against Wienerberger for corruption and no penalty payments were due.

Compliance with all national and international legal standards in force is a fundamental principle strictly observed by the Wienerberger Group. Monitoring by the competent authorities did not result in any negative findings in 2018.

Further details relating to these issues are contained in the chapter "Management Approach", which also outlines the relevant measures taken by us.

## *Social Commitment and Donations*

Wienerberger regularly supports a large number of social projects and organizations in almost all the countries in which the Group operates. In accordance with the Wienerberger Donations Policy, we support people in need in a targeted manner through product donations. We are convinced that we can help best in our fields of core competence, i.e. through the provision of building material and infrastructure solutions and the transfer of sustainable building know-how.

In accordance with the Wienerberger Donations Policy, which was revised in 2017 and applied in its new version in 2018, we support people in need in a targeted manner through product donations.

Within the framework of our long-standing partnership with Habitat for Humanity, an international nonprofit organization, we were able to help another 37 families and more than 290 children and adolescents.

Vienna, March 13, 2019
The Managing Board of Wienerberger AG

Heimo Scheuch
Chief Executive Officer

Willy Van Riet
Chief Financial Officer

# Economic Environment and Capital Markets

## Economic environment in 2018

Global economic growth lost momentum in the course of the reporting year: According to the International Monetary Fund (IMF), the world economy grew by 3.7% in 2018 (2017: 3.8%). Diverging trends were observed in Europe and North America, the core regions of the Wienerberger Group. For the euro zone, the IMF forecasts a slowdown in GDP growth to 1.8% from 2.4% in 2017. The biggest European economies, i.e. Germany, France and Italy, saw their growth rates decline to a more moderate level than before. In Great Britain, the atmosphere of profound political uncertainty led to a decline in GDP growth to 1.4% from the previous year's level of 1.8%. Economic growth also slowed down in the economies of Eastern Europe, another core region of the Wienerberger Group. Nevertheless, the IMF still projects a rate of growth of 3.8% for 2018 (2017: 6.0%). Eastern Europe thus remains the fastest growing region of all Wienerberger markets. According to the IMF, the USA recorded an acceleration of GDP growth thanks to higher consumer spending. The US growth rate improved from 2.2% in 2017 to 2.9% in 2018.

In our core regions, economic developments in 2018 were marked by political uncertainty in Europe and the trade dispute between the two major economic powers, the USA and China. The predominant political topic in Europe was the still unresolved issue of Brexit. In France, internal pressure on President Emmanuel Macron was building up. The budget controversy in Italy and German Federal Chancellor Angela Merkel's announcement of her gradual withdrawal from political life caused additional unrest. Concern over global economic growth arose in the wake of the trade conflict between China and the USA, which led to the mutual imposition of punitive tariffs. While economic growth in China began to slow down, the US economy was hardly affected by the trade controversy in 2018. Low unemployment, a slight increase in wages and notable fiscal stimulation measures in the form of tax cuts and higher government spending supported economic growth in the United States. However, leading indicators and forecasts already signal possible negative effects on the US economy in 2019.

## Monetary policy

As expected, the US Federal Reserve System (Fed) continued on its path of monetary policy normalization and increased its key interest rate four times in 2018. Since December 2018, the interest rate has ranged between 2.25% and 2.50%. Moreover, the Fed announced further rate hikes for 2019. The European Central Bank (ECB) maintained its key lending rate at its all-time low of 0.0% throughout 2018. Its asset purchase program was discontinued in December 2018, but the ECB Governing Council intends to reinvest funds from maturing bonds and thus maintain the current, favorable liquidity conditions. The ECB plans to maintain the key lending rates at their current level until the medium-term target of a 2% inflation rate is within reach. In contrast to the ECB's low-interest policy, the Bank of England increased its key lending rate to 0.75%.

## Forecasts for 2019

For 2019, the International Monetary Fund projects the world economy to grow at a rate of 3.5%. Economic growth is expected to slow down by 0.4 percentage points to 2.5% in the USA and by 0.2 percentage points to 1.6% in the euro zone. For the Eastern European economies, the IMF anticipates a slowdown of growth by 3.1 percentage points to 0.7%. For Great Britain, an improvement by 0.1 percentage points to 1.5% has been forecast.

## Effects on the stock markets

Having begun the year in a bullish mood, stock markets soon began to feel the impact of widespread uncertainty in 2018, which led to increasing volatility and a more conservative outlook. The announcement of a more restrictive interest rate policy by the Fed and the trade dispute between China and the USA contributed to the deterioration of market sentiment. In Europe, the unresolved Brexit problem and the budget controversy between Italy and the EU led to growing political uncertainty, accompanied by disappointing economic data. Altogether, market sentiment continued to deteriorate and the year closed with substantial stock exchange losses.

In the USA, the Dow Jones Industrial Average and the S&P 500 had a good start to the year and, after a phase of volatility, reached their annual highs toward the end of the third and the beginning of the fourth quarters. However, both indices saw much of their positive development reversed and closed the year with losses of -6.7% and -7.0% respectively. After three strong quarters, the NASDAQ index for technology stock also closed with a slight loss of -1.7%. In Europe, the losses recorded by the most important indices were more significant. The EURO STOXX 50 almost succeeded in offsetting its initial losses by the end of May, but an accelerating downward trend in the third quarter led to a year-end loss of -14.8%. The British FTSE 100 and the French CAC 40 delivered a similarly poor performance at -12.4% and -11.9% respectively. The DAX, the lead index of the biggest European economy, closed the year with a loss of -18.3%, which was the worst performance since the financial crisis. The Austrian ATX, which had been the best performing index in Europe with a gain of 30.6% in 2017, closed 2018 with a loss of -19.7%.

### The residential construction market in Europe

The most important indicators for the analysis and projection of residential construction activities in a region are the numbers of building permits, new housing starts and housing completions. According to Euroconstruct, which can be taken as an industry benchmark, these indicators presented a satisfactory picture for Europe in 2018. To enhance the validity of the Euroconstruct forecasts, we base our analysis on weighted growth rates. To this end, Euroconstruct's growth projections for the individual countries were weighted by the respective shares of revenues in our brick business. In the single- and two-family home segment, where Wienerberger's market position is particularly strong, weighted building permits increased by 3.0%, new housing starts by 3.4% and the retrospective indicator of housing completions by 3.2%. For 2019, Euroconstruct forecasts a slight 0.3% decrease in building permits and a 0.5% increase in new housing starts in the single- and two-family segment in our relevant markets. Taken together, these indicators confirm the slow recovery of housing construction in our relevant markets.

Renovation activities in the residential segment are covered mainly by statistics on renovation expenditure. According to Euroconstruct, this broad-based indicator showed a weighted increase of 2.0% in 2018. For our roof tile business, the renovation of pitched roofs, often combined with improvements to thermal insulation, is of special importance. For 2019 Euroconstruct forecasts a weighted increase in renovation activity of 2.3%.

### The European infrastructure market

2018 was another year marked by a favorable environment for capital expenditure on infrastructure projects in Europe. The following analysis is based on revenue-weighted growth forecasts of Euroconstruct for the markets of the Pipes & Pavers Europe Division. According to Euroconstruct, the weighted infrastructure expenditure increased by 6.0% in the relevant countries of Western Europe. Growth was particularly strong in the four Eastern European markets observed, i.e. the Czech Republic, Hungary, Poland and Slovakia. Compared to the previous year, expenditure on infrastructure in this region increased by 17.4%. This notable development is primarily attributable to the increased take-up of EU funds for infrastructure projects. Overall, the weighted growth of total infrastructure expenditure in all European markets relevant to the Wienerberger Group amounted to 7.8%.

An analysis of the individual sub-segments of total infrastructure expenditure in Europe in 2018 also presents a positive picture. In water management, which accounts for approximately 10% of total expenditure on infrastructure and includes water-supply and waste-water disposal systems, an important market for our pipe business, total expenditure increased by 3.8% according to the weighted projection. The telecommunication segment registered a moderate 3.1% increase in construction output in 2018, while capital expenditure in the energy segment grew substantially by 8.3%. The road construction segment, by far the most important segment and accounting for 38% of total infrastructure expenditure, recorded the highest growth rates with a weighted average increase of 9.0%.

## The US housing market

According to the U.S. Census Bureau, housing starts in the USA rose by 3.6% to 1.247 million housing units in 2018. Housing completions grew by 3.4% to 1.192 million units. As in the previous year, an interesting development was seen in the issue of building permits, which increased by 2.2% to 1.311 million: In 2018, the multi-family home segment again showed a decline in building permits by -1.0%. For the third consecutive year, activities in the single-family home segment, growing at a rate of 4.0%, exceeded those of the multi-family segment.

The National Association of Home Builders (NAHB) foresees a 2.0% increase in housing starts to 1.272 million units in 2019. For the multi-family home segment, the NAHB projects an increase of 1.4%, while an increase of 2.4% is expected for single-family homes. The estimate by McGraw Hill Construction – Dodge is similar, with new housing starts projected to reach a total of 1.280 units.

The NAHB/Wells Fargo Housing Market Index, which is based on monthly surveys among NAHB members, reflects a general assessment of market conditions and estimates of house sales for the next six months. In December 2018, the index stood at 56 points, down by 18 points year on year. Nevertheless, the index exceeds the 50-point mark, which indicates that the majority of market participants see the outlook as positive. The S&P Case-Shiller 20-City Composite Home Price Index reflects the development of the value of residential real estate in the 20 biggest cities of the USA. In the reporting year the index continued its upward trend of recent years. Selling prices rose by 4.18% over the 12 months up to and including December 2018.

The benchmark for fixed interest rates on 30-year mortgage loans increased to 4.64% at the end of 2018, which corresponds to a rise of 69 basis points from its 2017 year-end value. Despite the increase, this important indicator remained at a moderate level in the context of a long-term comparison.

Given the increasing number of building permits and new housing starts, as well as the positive trend in real estate selling prices, a continuation of growth in the US housing market is to be expected.

Sources: IMF (World Economic Outlook, January 2019), U.S. Census Bureau, Euroconstruct, NASDAQ, Freddie Mac Primary Mortgage Market Survey, McGraw Hill Construction - Dodge, NAHB, NAHB/Wells Fargo Housing Market Index, S&P/Case-Shiller 20-City Composite Home Price Index

# Financial Review

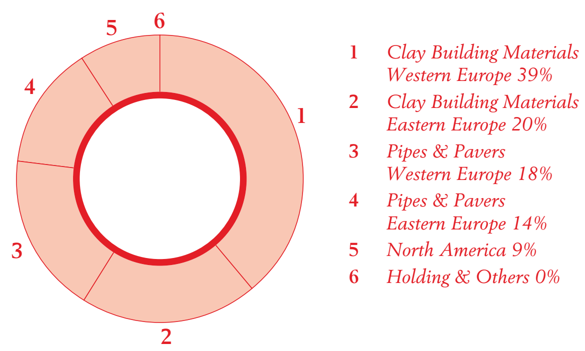
## *Earnings*

In 2018, the Wienerberger Group generated sound growth in revenue and earnings:

- Revenues increased by 6% to € 3,305.1 million (2017: € 3,119.7 million)
- EBITDA rose by 7% to € 442.6 million (2017: € 415.0 million)
- 15% organic EBITDA growth to € 469.3 million
- Business performance benefited from higher average prices, profitable growth and continuous improvement of the cost structure
- Steep increase in free cash flow by 55% to € 236.5 million (2018: € 152.5 million)

In the reporting year, Wienerberger succeeded in increasing its revenues by 6% to a record level of € 3,305.1 million (2017: € 3,119.7 million) at stable sales volumes and notably improved average prices. Foreign-exchange differences, mainly against the Turkish lira, the US dollar and the Swedish crown, burdened revenues by € 49.2 million and were only partly offset by the appreciation of the Czech crown.

### External Revenues by Segment




Supported by a positive market environment, Wienerberger's Clay Building Materials Europe Division recorded a 7% increase in external revenues to € 1,918.8 million (2017: € 1,787.0 million), benefiting from notably higher average prices and a slightly increased sales volume. This resulted in a substantial 10% year-on-year improvement of EBITDA to € 357.6 million (2017: € 324.3 million). Revenues and earnings in the Division's Eastern European business rose significantly despite the costs of structural adjustments. Revenues and earnings also increased in Western Europe. The segment's result was burdened by the costs of structural adjustments, which were only partly offset by income from the sale of non-core assets and consolidation effects. Overall, we generated a notable increase in adjusted EBITDA in both reporting segments.

The Pipes & Pavers Europe Division recorded an increase in external revenues by 6% to € 1,070.1 million (2017: € 1,014.2 million) as well as substantial growth in EBITDA by 12% to € 78.2 million (2017: € 69.7 million) in the reporting year. The individual business areas of the Division were characterized by diverging developments. In the Division's plastic pipe business we saw revenue increases in both Western and Eastern Europe. Operating results in Western Europe were significantly above the previous year's level. This was due to improved profitability in the restructured French pipe business, the absence of the previous year's one-off costs, growth in international project business, and the contribution to earnings from newly acquired operations. Business in Eastern Europe also delivered a higher operating result, but was impacted by negative foreign-exchange effects. In the field of concrete pavers, we recorded substantially improved earnings due to the divestment of the Austrian paver business. In current business, all core markets for these activities contributed substantially to the Division's earnings through significantly higher volumes sold and improved prices. Our business in ceramic sewage pipe systems had to absorb costs of € 16.1 million caused by structural adjustments initiated in the reporting year. In operational terms, however, the measures taken have already generated the expected rise in profitability.

The North America Division reported a steep increase in earnings despite wet weather conditions. As expected, the Mississippi-based facing brick producer taken over last year made a highly positive contribution to our North American brick business. We achieved a notable increase in sales year on year at slightly improved prices. Additionally, we benefited from the sale of two distribution outlets and were able to generate significant growth in earnings despite negative foreign-exchange effects. In our Canadian business, the measures taken by the government aimed at stricter regulation of the housing market as expected resulted in a slowdown of demand and led to a decline in revenues and earnings. In the plastic pipe business, higher selling prices and lower raw material costs translated into significant earnings growth. Overall, the segment's revenues remained stable at € 306.8 million (2017: € 308.7 million) due to clearly negative foreign-exchange effects, while EBITDA improved significantly to € 43.2 million (2017: € 32.0 million).

The Group's adjusted EBITDA, amounting to € 469.3 million, exceeded the previous year's level by 15%. This result does not include costs of structural adjustments in the amount of € 55.8 million, which resulted primarily from our brick business in Europe, business in ceramic sewage pipes, and the planning and implementation of the Fast Forward 2020 program, as well as the establishment and endowment of the Employee Participation Foundation. Moreover, earnings were adjusted for negative foreign-exchange effects of € 7.3 million. A total of € 23.2 million resulted from the sale of non-operating assets, the Austrian paver business and two distribution outlets in the USA. Consolidation effects of € 13.2 million are not included either. Including the aforementioned effects, the reporting year's EBITDA improved by 7% to € 442.6 million (2017: € 415.0 million).

| **EBITDA bridge** *in MEUR* | 2017 | 2018 | Chg. in % |
|---|---|---|---|
| EBITDA | 415.0 | 442.6 | +7 |
| Foreign-exchange effects | - | 7.3 | - |
| Results from sale of non-strategic and non-operating assets | -22.8 | -23.2 | -1 |
| Consolidation effects | 2.3 | -13.2 | <-100 |
| Structural adjustments | 12.0 | 55.8 | >100 |
| **EBITDA LFL** | **406.5** | **469.3** | **+15** |

| **EBITDA** *in MEUR* | 2017 | 2018 | Chg. in % |
|---|---|---|---|
| Clay Building Materials Europe | 324.3 | 357.6 | +10 |
| Pipes & Pavers Europe | 69.7 | 78.2 | +12 |
| North America | 32.0 | 43.2 | +35 |
| Holding & Others | -11.1 | -36.3 | <-100 |
| **Wienerberger Group** | **415.0** | **442.6** | **+7** |

Scheduled depreciation and amortization amounted to € 186.5 million (2017: € 189.6 million). Moreover, impairments of property, plant and equipment and intangible assets in the amount of € 20.7 million (2017: € 41.5 million) were booked. Reversals of impairment charges totaled € 4.3 million (2017: € 1.1 million).

Due to the strong improvement of business in the reporting year, earnings before interest and tax (EBIT) increased by 34% to € 239.8 million (2017: € 178.7 million).

**Profitability Ratios**
*in %*

| | 2017 | 2018 |
|---|---|---|
| Gross profit to revenues | 32.9 | **35.1** |
| Administrative expenses to revenues | 6.5 | **6.6** |
| Selling expenses to revenues | 19.1 | **19.3** |
| EBITDA margin | 13.3 | **13.4** |
| Operating EBIT margin | 6.2 | **7.5** |

## *Financial Result and Taxes*

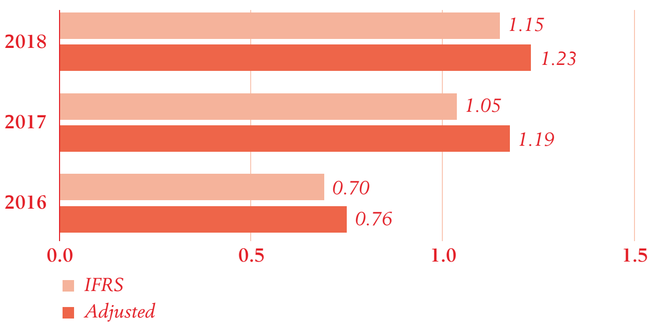
The financial result decreased from € -33.8 million in 2017 to € -44.5 million in the reporting period. This was due, among other factors, to a lower net interest result of € -39.3 million (2017: € -36.2 million) attributable to a decline in interest income from hedging instruments and, above all, to higher foreign-currency funding costs. Moreover, income from investments in associates and joint ventures declined from € 4.2 million in 2017 to € 1.7 million in 2018. The other financial result, which was negative at € -6.9 million (2017: € -1.9 million), included valuation effects in the amount of € -5.4 million and bank charges of € -2.6 million. Dividend income and other effects amounted to € 1.0 million.

As a result of the Group's very strong operating performance, profit before tax improved by 35% to € 195.3 million (2017: € 144.9 million).

| **Income Statement** *in MEUR* | 2017 | 2018 | Chg. in % |
|---|---|---|---|
| Revenues | 3,119.7 | 3,305.1 | +6 |
| Cost of goods sold | -2,093.7 | -2,146.3 | -3 |
| Selling and administrative expenses | -798.9 | -854.7 | -7 |
| Other operating expenses | -92.3 | -110.0 | -19 |
| Other operating income | 59.4 | 54.2 | -9 |
| **Operating EBIT** | **194.2** | **248.2** | **+28** |
| Impairment charges to assets | -10.2 | -12.7 | -24 |
| Impairment charges to goodwill | -6.3 | 0.0 | >100 |
| Reversal of impairment charges to assets | 1.1 | 4.3 | >100 |
| **EBIT** | **178.7** | **239.8** | **+34** |
| Financial result [1] | -33.8 | -44.5 | -32 |
| **Profit/loss before tax** | **144.9** | **195.3** | **+35** |
| Income taxes | -4.2 | -48.5 | <-100 |
| **Profit/loss after tax** | **140.6** | **146.9** | **+4** |

1) Including income from investments in associates

**Earnings per Share**
*in EUR*




On account of strong growth in earnings generated by the Clay Building Materials Europe Division and the significantly improved results of the Pipes & Pavers Eastern Europe segment, the current income tax expense increased to € 58.1 million in the reporting year (2017: € 45.0 million). The current income tax expense was contrasted by positive effects from the capitalization of deferred taxes in a total amount of € 9.6 million (2017: € 40.8 million), which was mainly attributable to the positive development of earnings in the Western European brick business and in North America.

The profit after tax improved from € 140.6 million in 2017 to € 146.9 million in 2018. This is due to the substantial improvement of operating EBIT, which was partly offset by a lower financial result and a significant reduction in deferred tax assets in the reporting year. The net result is calculated after deduction of income attributable to non-controlling interests of € -0.2 million (2017: € +3.4 million) and the annual hybrid coupon of € 13.6 million (2018: € 14.1 million). Overall, net profit rose from € 123.2 million to € 133.5 million. Taking the slightly reduced weighted average of 116.2 million shares into account (2017: € 117.0 million), earnings per share increased to € 1.15 (2017: € 1.05).

## *Assets and Financial Position*

In the year under review, the total assets of the Group increased by 2% to € 3,742.9 million, which was mainly due to the increase in fixed assets, while current assets declined slightly. As a result, the share of fixed assets in total assets increased slightly year on year from 63% to 64%.

Developments of intangible assets and goodwill were marked by a slight increase in goodwill due to acquisitions and foreign-exchange effects as well as an increase in other intangible assets through additional rights of use, the identification of trade marks and client base in the purchase price allocation of acquired companies, and the allotment and revaluation of CO2 certificates.

As of the balance sheet date, property, plant and equipment accounted for 62% of capital employed, unchanged from the previous year. The book values of real estate held as investment property remained almost stable year on year at € 66.6 million (2017: € 65.9 million). Additions to investments in associates and higher long-term receivables led to an increase in non-current assets. The increase in deferred tax assets to € 54.1 million (2017: 44.0 million) was primarily due to the capitalization of losses carried forward in the Clay Building Materials Western Europe segment and in North America.

Working capital (inventories + net trade receivables - trade payables) increased by 3% to € 549.5 million in the reporting year (2017: € 534.3 million). Given that revenues grew by 6%, the ratio of working capital to revenues improved further to 16.6% (2017: 17.1%), which is clearly below the Group's self-defined threshold of 20%.

As at 31/12/2018, cash and cash equivalents as well as the portfolio of securities and other financial assets totaled € 205.9 million, down by 17% from the previous year's level of € 248.3 million. Liquid funds were reduced slightly by € 6.2 million, while the securities portfolio was reduced by € 36.2 million for the purpose of repaying short-term liabilities and optimizing the net interest result. These funds are part of the high liquidity reserve available to finance seasonal working capital requirements and cover contractual cash flows in 2019.

In 2018, the Group's equity increased by 1% to € 1,939.1 million (2017: € 1,911.2 million).This change was due, on the one hand, to the slightly improved after-tax result of € 146.9 million (2017: € 140.6 million). On the other hand, dividends paid out in the amount of € 34.9 million, the deduction of the hybrid coupon of € 13.6 million and the buyback of own shares for an amount of € 45.0 million led to a reduction in equity. Moreover, the exercise of the call option on the remaining shares in our Eastern European roof tile activities resulted in the elimination of minority interests of € 22.6 million, plus a difference of € 10.6 million, which was offset against capital reserves. The decrease in hedging reserves by € 9.5 million as well as actuarial gains after tax in connection with defined benefit pension plans and provisions for severance pay in the amount of € 12.3 million were recognized in other comprehensive income.

Deferred tax liabilities increased slightly year on year from € 71.6 million to € 75.0 million, whereas non-current employee-related provisions dropped to € 136.4 million (2017: € 155.0 million), which was primarily due to lower pension obligations in Great Britain and the USA. Since Wienerberger has not concluded any new defined benefit pension plans and is converting existing commitments into defined contribution commitments, wherever possible, pension provisions carried on the balance sheet show a decreasing trend, except for the effects of changes in legislation or changes in pension parameters. Other non-current provisions, mainly provisions for warranties and the restoration of depleted clay pits, increased from € 76.5 million to € 83.6 million due to higher restoration provisions. Current provisions came to € 51.9 million (2017: € 39.1 million), the increase being primarily due to provisions for structural adjustments in the brick and ceramic pipe business in Germany. The share of total provisions in total assets remained stable at 7%.

Interest-bearing debt (financial liabilities) increased by € 22.8 million to € 837.5 million (2017: € 814.7 million), comprising liabilities to banks, bond holders and other third parties in the amount of € 829.9 million (2017: 806.1 million) as well as derivatives with negative market values of € 7.6 million (2017: € 8.6 million). These liabilities stand against liquid funds and securities of € 205.9 million (2017: € 248.3 million) and committed credit lines of € 400.0 million, € 345.0 million of which were undrawn by the balance sheet date. Of the total interest-bearing debt in the amount of € 837.5 million, 85% (2017: 61%) were of a long-term and 15% (2017: 39%) of a short-term nature.

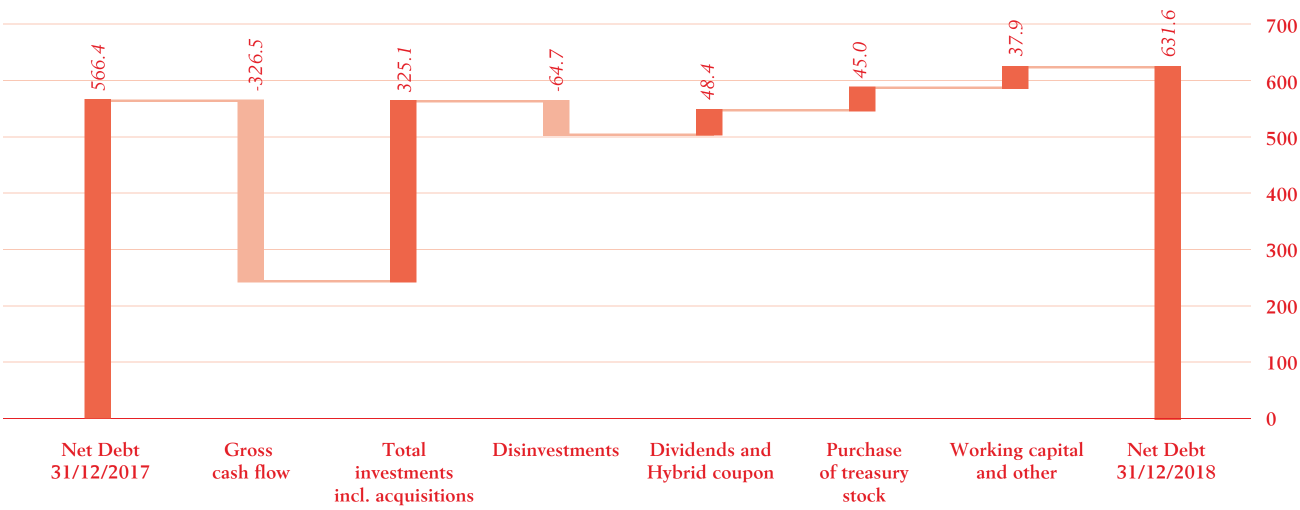
**Calculation of Net Debt** [1)]
*in MEUR*

| | 2017 | 2018 | Chg. in % |
|---|---|---|---|
| Long-term interest-bearing financial liabilities | 492.9 | **709.6** | +44 |
| Short-term interest-bearing financial liabilities | 320.7 | **126.9** | -60 |
| Financial leases | 1.1 | **1.0** | -7 |
| - Intercompany receivables and payables from financing | -20.5 | **-21.7** | +6 |
| - Securities and other financial assets | -58.5 | **-21.1** | -64 |
| - Cash and cash at bank | -169.3 | **-163.1** | +4 |
| **Net debt** | **566.4** | **631.6** | **+12** |

1) Excluding the 2014 hybrid bond, which is recognized in equity according to IFRS

As at 31/12/2018, the level of net debt came to € 631.6 million, up by 12% from the previous year's level of € 566.4 million. Thus, the year-end level of net debt corresponded to a gearing of 32.6%, which was slightly above the previous year's value of 29.6%. The debt repayment period at year end remained stable at 1.4 years; the EBITDA coverage ratio was 11.3 (2017: 11.5).

## Development of Net Debt
*in MEUR*



| Balance Sheet Ratios | | 2017 | 2018 |
|---|---|---|---|
| Capital employed | *in MEUR* | 2,459.2 | **2,536.7** |
| Net debt | *in MEUR* | 566.4 | **631.6** |
| Equity ratio | *in %* | 52.2 | **51.8** |
| Gearing | *in %* | 29.6 | **32.6** |
| Asset coverage | *in %* | 83.2 | **81.2** |
| Working capital to revenues | *in %* | 17.1 | **16.6** |

## *Treasury*

Treasury operations in 2018 were marked by two substantial refinancing steps. In May of 2018, we issued a bond with a volume of € 250 million and a term of six years to cover the year's maturities and the operational requirements of the Group. The bond, which was successfully placed with mostly international investors, was almost three times oversubscribed. This enabled us to lock in an attractive coupon of 2.00% for the entire term.

Given the favorable market situation, Wienerberger decided in the fourth quarter of 2018 to refinance the € 400 million revolving credit facility ahead of its scheduled maturity in 2019. The credit line was placed with the Group's consortium of banks for a term of at least five years. With two prolongation options open to Wienerberger, the term could be extended to a maximum of seven years. Moreover, interest and commissions payable were below the previously applied rates. The bank covenants were reduced to a single financial indicator (net debt divided by EBITDA) and the value to be complied with was adjusted to the requirements of IFRS 16 regarding liabilities for leases to be applied on a mandatory basis from 2019 onward. This makes the refinancing extremely attractive. As in previous years, the credit line will be used to meet seasonal working capital requirements and redeemed from the cash flows of the second half of the year.

The seasonal financing requirements of net current assets were met from the revolving € 400 million credit line, and the cash flow of the second half of the year was used to bring the line back to a degree of utilization of € 55.0 million by the end of the year. On account of lower interest income for hedging instruments and higher interest expenses for foreign-currency funding, the net interest result of € -39.3 million was below the previous year's level of € -36.2 million.

Wienerberger's liquid funds remained almost stable at € 163.1 million (2017: € 169.3 million); together with securities positions and the committed but undrawn credit line of € 345.0 million, they constituted the Group's liquidity reserve for the coming 12 months. It will be used, in particular, to finance the seasonal build-up of stocks in the first quarter and, in part, to redeem liabilities, which eliminates the need for longer-term external investment. This minimizes the problem of the current interest environment with partly negative interest rates and underlines our focus on cost-efficiency of our approach.

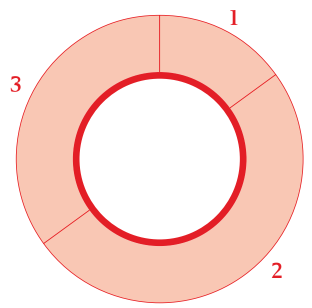
The most important financial parameters, which are the basis for the company's bank covenants and its rating, showed a stable development in 2018 with sufficient headroom to remain below the external limits set by our bank covenants. The debt repayment period (ratio of net debt to EBITDA) of 1.4 years remained at the previous year's level; the interest coverage ratio (EBITDA / net interest expense) was almost stable at 11.3 (2017: 11.5).

Thus, we outperformed our internal target of a debt repayment period of less than 2.0 at year end. The targets set by our rating agency also show that the Wienerberger Group is strongly positioned in the Ba1 rating class.

| Treasury Ratios | 31/12/2017 | 31/12/2018 | Covenant |
|---|---|---|---|
| Net debt / EBITDA | 1.4 | **1.4** | <3.50 |
| EBITDA / interest result | 11.5 | **11.3** | >3.75 |

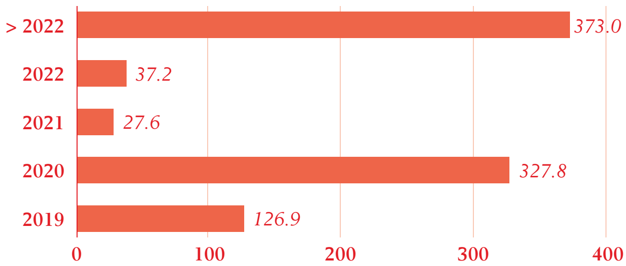
As at the balance sheet date, 87% of the Group's financial liabilities were fixed-interest-bearing. The remaining 13% of variable-interest debt is partly offset by floating-rate investments. Combined with euro-denominated interest hedging instruments, this eliminates the interest rate risk in the Group's main refinancing currency almost completely. Nevertheless, there is still a limited degree of interest rate risk in foreign currency financing.

**Term Structure of Interest-bearing Financial Liabilities**




Owing to the local character of Wienerberger's business, foreign currency fluctuations are reflected primarily as translation risks and, to a lesser extent, as transaction risks. As a rule, forwards are used to hedge the Group's transaction risks. While the majority of financing instruments are euro-denominated, Wienerberger monitors the currency risk on its balance sheet on the basis of its net risk positions in the most important currencies (Canadian dollar, Swiss franc, Czech crown, British pound, Polish zloty and US dollar) and hedges part of the risk through cross-currency swaps on the basis of monthly sensitivity tests. Subject to economic restrictions, receivables in foreign currencies due from subsidiaries of the Group are also hedged by means of cross-currency swaps and constitute translation hedges at Group level. As at the balance sheet date, the Group held derivative positions in Canadian dollars, Czech crowns, British pounds, Polish zlotys, US dollars and Swiss francs.

**Term Structure of Interest-bearing Financial Liabilities**
*in MEUR*




## *Cash Flow*

Owing to the Group's strong operational performance and a lower build-up of working capital compared with the previous year, cash flow from operating activities increased to € 319.4 million in 2018 (2017: € 272.3 million). We succeeded in further improving the ratio of working capital to revenues to 16.6% (2017: 17.1%).

Cash flow from investing activities included an outflow of cash and cash equivalents for total investments in the amount of € 325.1 million, which was significantly above the previous year's value of € 206.3 million. However, this was partly offset by inflows from non-current asset sales and the divestment of companies totaling € 64.7 million, which was also above the previous year's value of € 28.8 million. Alongside capital expenditure for pure maintenance, investments also covered improvements of the production program as well as external acquisitions and investments in non-current financial assets. Proceeds from asset sales in the amount of € 43.8 million are primarily attributable to the program for the disposal of non-operating real estate, including cash inflows from real estate sold in the previous year. Additionally, the sale of the Group's Austrian concrete paver activities generated a cash inflow of € 20.9 million. Cash flow from investing activities in the reporting year also included investments in financial assets of € 6.1 million as well as inflows from the sale of securities of € 15.6 million and dividends received from associates and joint ventures in the amount of € 3.0 million (2017: € 6.6 million).

In 2018, Wienerberger generated a free cash flow of € 236.5 million (2017: € 152.5 million). It was used to finance growth investments in the amount of € 158.9 million, including the acquisition of the minority stake in our Eastern European roof tile business. Cash outflow also comprised the payout of the dividend of € 34.9 million, share buyback transactions of € 45.0 million and payment of the hybrid coupon in the amount of € 13.6 million, the net result being a cash outflow of € 15.8 million.

**Cash Flow Statement**
*in MEUR*

| | 2017 | 2018 | Chg. in % |
|---|---|---|---|
| **Gross cash flow** | **302.4** | **326.5** | **+8** |
| Change in working capital and other | -30.1 | -7.1 | +76 |
| **Cash flow from operating activities** | **272.3** | **319.4** | **+17** |
| Normal capex | -147.5 | -166.3 | -13 |
| Growth capex [1)] | -58.8 | -128.8 | <-100 |
| Divestments and other | 27.6 | 83.3 | >100 |
| **Cash flow from investing activities** | **-178.7** | **-211.7** | **-18** |
| Growth capex [1)] | 58.8 | 128.8 | >100 |
| **Free cash flow** | **152.5** | **236.5** | **+55** |

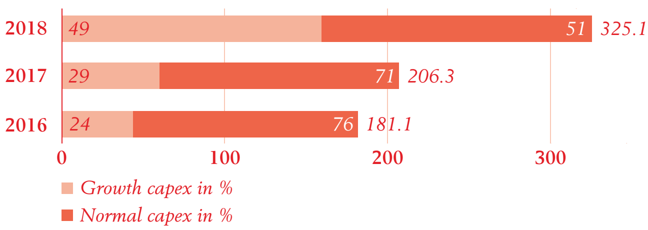
1) Growth investments excluding the purchase of minorities

## *Investments*

Investments in the reporting year totaled € 325.1 million (2017: € 206.3 million). In addition to acquisitions and capital expenditure for plant extensions, the amount included the purchase of the remaining shares in our Eastern European roof tile business as well as normal capex. The distinction between growth capex and normal capex is based on whether or not an investment serves to explore new markets or product segments or to increase production capacities. Capital expenditure for maintenance, technological innovations or production facilities for premium products is recognized under normal capex.

In 2018, growth capex included € 103.2 million (2017: € 43.1 million) for acquisitions and the purchase of minorities as well as € 55.7 million (2017: € 15.7 million) for the extension of plant capacities and improvements of the product mix. Normal capex amounted to € 166.3 million (2017: € 147.5 million), corresponding to 89% of depreciation (2017: 78%). The breakdown of total capital expenditure in the reporting year shows that the Clay Building Materials Europe Division accounted for 59%, Pipes & Pavers Europe for 23%, North America for 13%, and Holding & Others for 6% of the total.

**Total Investments**
*in MEUR*



**Development of Non-current Assets**
*in MEUR*

| | Intangible | Tangible | Financial | Total |
|---|---|---|---|---|
| **31/12/2017** | **690.9** | **1,587.5** | **18.4** | **2,296.8** |
| Capital expenditure | 24.2 | 191.6 | 6.1 | **221.9** |
| Change in scope of consolidation | 11.3 | 46.2 | 0.0 | **57.5** |
| Depreciation, amortization and impairment charges | -19.1 | -188.0 | -1.9 | **-209.0** |
| Reversal of impairment | 3.6 | 0.7 | 0.0 | **4.3** |
| Disposals | 0.0 | -9.1 | 0.0 | **-9.1** |
| Currency translation and other | 1.8 | 13.4 | 11.4 | **26.6** |
| **31/12/2018** | **712.7** | **1,642.3** | **34.0** | **2,389.0** |

**Total Investments** [1]
*in MEUR*

| | 2017 | 2018 | Chg. in % |
|---|---|---|---|
| Clay Building Materials Europe | 96.1 | **190.7** | +98 |
| Pipes & Pavers Europe | 57.9 | **73.5** | +27 |
| North America | 43.9 | **42.4** | -4 |
| Holding & Others | 8.3 | **18.5** | >100 |
| **Wienerberger Group** | **206.3** | **325.1** | **+58** |

1) Additions to property, plant and equipment, intangible assets and financial assets, including working capital and changes in the scope of consolidation or normal capex plus growth capex

# Value Management

Wienerberger's value management is focused on the long-term and sustainable creation of value for our shareholders (shareholder value). The value-oriented management of the company, aimed at ensuring efficient capital allocation, is based on profitability indicators reflecting the added value created by the individual Business Units and by the Group as a whole. Our key indicator is the return on capital employed after tax (ROCE after tax), which measures the after-tax return on capital currently employed in the company and corresponds to common international practice for comparative analyses of companies. It is calculated by relating the net operating profit after tax (NOPAT) to the average interest-bearing capital employed of the entire Group.

On account of its strong operational performance in 2018, Wienerberger generated a significant increase of its operating EBIT to € 248.2 million (2017: € 194.2 million). Despite the higher tax burden, NOPAT therefore came to € 188.2 million, up from € 180.4 million in the previous year. Capital employed increased to € 2,536.7 million in 2018 (2017: € 2,459.2 million). Overall, ROCE after tax improved to 7.5% (2017: 7.3%).

| Calculation of Operating EBIT and NOPAT | | 2017 | 2018 |
|---|---|---|---|
| **EBIT** | *in MEUR* | **178.7** | **239.8** |
| Impairments / Reversals of impairment charges to assets | *in MEUR* | 9.2 | **8.4** |
| Goodwill impairment | *in MEUR* | 6.3 | **0.0** |
| **Operating EBIT** | *in MEUR* | **194.2** | **248.2** |
| Income taxes | *in MEUR* | -4.2 | **-48.5** |
| Adjusted taxes | *in MEUR* | -9.5 | **-11.5** |
| **NOPAT** | *in MEUR* | **180.4** | **188.2** |

| Calculation of Average Capital Employed | | 2017 | 2018 |
|---|---|---|---|
| Equity and non-controlling interests | *in MEUR* | 1,911.2 | **1,939.1** |
| Financial liabilities and finance leases | *in MEUR* | 814.7 | **837.5** |
| Intercompany receivables and payables from financing | *in MEUR* | -20.5 | **-21.7** |
| Cash and financial assets | *in MEUR* | -246.1 | **-218.1** |
| **Capital employed as at the balance sheet date** | *in MEUR* | **2,459.2** | **2,536.7** |
| **Average capital employed** | *in MEUR* | **2,459.6** | **2,498.0** |

| Calculation of ROCE after tax | | 2017 | 2018 |
|---|---|---|---|
| NOPAT | *in MEUR* | 180.4 | **188.2** |
| Average capital employed | *in MEUR* | 2,459.6 | **2,498.0** |
| **ROCE after tax** | *in %* | **7.3** | **7.5** |

# Fourth Quarter of 2018

In the fourth quarter of 2018, the Wienerberger Group delivered a strong performance:

- Revenues up by 7% to € 809.7 million
- 14% organic EBITDA growth year on year

### Clay Building Materials Europe

In the fourth quarter of 2018, the revenues of the Clay Building Materials Europe Division increased by 10% to € 485.0 million and EBITDA rose by 9% to € 89.2 million. Adjusted for non-operational one-off effects, EBITDA increased significantly by 23% to € 95.3 million.

In Eastern Europe, residential construction activity remained strong throughout the region. Taking advantage of the high level of demand, we stepped up the utilization of our production capacities and increased our prices. Overall, the Clay Building Materials Eastern Europe segment generated a 13% increase in revenues to € 160.4 million and significant EBITDA growth of 24% to € 49.0 million.

In Western Europe, we continued to observe diverging trends throughout the last quarter of the year. Construction activity in Great Britain remained strong at a satisfactory level. To date, the atmosphere of profound political uncertainty has not yet had a noticeable impact on our UK markets or on demand for building materials. In Belgium and the Netherlands, very high demand translated into significant earnings growth in the fourth quarter. Moreover, the successful integration of growth projects as well as asset sales had a positive impact on our performance in the Netherlands. We also delivered a satisfactory result in the challenging French market environment. In the stable German market for single- and two-family homes, the ongoing measures aimed at improving our cost structures increased our earning power. Nevertheless, the fourth-quarter result fell short of the comparable period of the previous year owing to one-off costs for the closure of a production site and administrative streamlining. Altogether, the segment's revenues increased by 8% to € 324.6 million and EBITDA came to € 40.2 million after € 42.7 million in the comparable period of the previous year. However, adjusted for consolidation effects, asset sales and restructuring costs, we generated a notable 14% increase in EBITDA.

### Pipes & Pavers Europe

Fourth-quarter revenues in the Pipes & Pavers Europe Division increased by 5% to € 250.6 million. EBITDA improved from € 3.5 million in the prior period to € 19.0 million. Adjusted for restructuring costs and consolidation effects, EBITDA increased by 11% to € 18.9 million.

In the Pipes & Pavers Western Europe segment, the trend observed during the first nine months of the year continued in the fourth quarter. In the plastic pipe business, our core markets showed a stable to slightly positive trend. In this environment, we benefited especially from the contribution to earnings delivered by the newly acquired Norwegian specialist in pre-insulated pipes and the successful reorientation of our activities in France, which translated into a notable increase in earning power. Revenue growth in the ceramic pipe business was due to a steep increase in demand in the last quarter of the year. Together with price increases and profitability-enhancing structural adjustments, this enabled us to deliver a significantly improved performance. Overall, the segment's revenues grew by 5% to € 145.2 million, while EBITDA increased to € 12.1 million, up from € -2.5 million in the comparable period of the previous year. Adjusted for restructuring costs and consolidation effects, EBITDA improved by 22%.

In the Pipes & Pavers Eastern Europe segment, the strong performance of our concrete paver business followed the trend of previous quarters. As demand remained high, we were able to sell higher volumes at higher average prices. Supported by the contributions to earnings from successfully implemented growth projects and the positive impact of the divestment of our activities in Austria, we delivered a significantly increased operating result. In the plastic pipe business, we continued to benefit from the growing volume of EU-funded infrastructure investments in Poland and Hungary. In the other markets of the region, we still have not observed positive effects of the revival of public-sector tendering activities for projects co-funded by the EU. The contribution to earnings from our business in Turkey continued to trend downward on account of the devaluation of the Turkish currency. Overall, the segment's revenues increased by 5% to € 105.4 million and EBITDA came to € 6.9 million, as compared to € 6.0 million in the last quarter of 2017.

## North America

In the North America Division, we were not able to match the strong performance of the last quarter of 2017. Towards the end of the year, both residential and infrastructure construction activities in the USA suffered from extremely wet weather and an early winter. While the result of our US brick business remained largely stable, we observed a decline in our pipe activities from their previous high level. The acquisition of a brick producer in Pennsylvania finalized in December marks our entry into the attractive urban agglomerations of New York, New Jersey and Maryland. We expect to see a contribution to our earnings from 2019 onward. In Canada, the stricter regulation of the real estate market led to the expected cooling-off of construction activities from their very high level, which resulted in lower earnings. Overall, the North America Division experienced a 4% decline in revenues to € 71.8 million and a 17% drop in EBITDA to € 8.8 million.

| **External revenues** *in MEUR* | 10-12/2017 | 10-12/2018 | Chg. in % |
|---|---|---|---|
| Clay Building Materials Europe | 442.6 | 485.0 | +10 |
| Clay Building Materials Eastern Europe | 142.2 | 160.4 | +13 |
| Clay Building Materials Western Europe | 300.4 | 324.6 | +8 |
| Pipes & Pavers Europe | 238.8 | 250.6 | +5 |
| Pipes & Pavers Eastern Europe | 100.0 | 105.4 | +5 |
| Pipes & Pavers Western Europe | 138.8 | 145.2 | +5 |
| North America | 74.8 | 71.8 | -4 |
| Holding & Others | 2.2 | 2.3 | +2 |
| **Wienerberger Group** | **758.3** | **809.7** | **+7** |

| **EBITDA** *in MEUR* | 10-12/2017 | 10-12/2018 | Chg. in % |
|---|---|---|---|
| Clay Building Materials Europe | 82.2 | 89.2 | +9 |
| Clay Building Materials Eastern Europe | 39.5 | 49.0 | +24 |
| Clay Building Materials Western Europe | 42.7 | 40.2 | -6 |
| Pipes & Pavers Europe | 3.5 | 19.0 | >100 |
| Pipes & Pavers Eastern Europe | 6.0 | 6.9 | +16 |
| Pipes & Pavers Western Europe | -2.5 | 12.1 | >100 |
| North America | 10.6 | 8.8 | -17 |
| Holding & Others | 3.8 | -17.6 | <-100 |
| **Wienerberger Group** | **100.0** | **99.4** | **-1** |

# Operating Segments

## *Clay Building Materials Europe*

The Clay Building Materials Europe Division delivered a strong performance in 2018:

- Slight growth in residential construction activity in Europe
- Positive market environment led to higher sales volumes and improved average prices
- Revenues increased by 7% to € 1,918.8 million (2017: € 1,787.0 million)
- EBITDA up by 10% to € 357.6 million (2017: € 324.3 million)
- Organic EBITDA before foreign-exchange effects, changes in the scope of consolidation, asset sales and restructuring costs rose significantly by 18% to € 367.1 million

| Clay Building Materials Europe | | 2017 | 2018 | Chg. in % |
|---|---|---|---|---|
| External revenues | *in MEUR* | 1,787.0 | **1,918.8** | +7 |
| EBITDA | *in MEUR* | 324.3 | **357.6** | +10 |
| Operating EBIT | *in MEUR* | 185.0 | **240.4** | +30 |
| Total investments | *in MEUR* | 96.1 | **190.7** | +98 |
| Capital employed | *in MEUR* | 1,523.4 | **1,555.7** | +2 |
| Ø Employees | *in FTE* | 10,572 | **10,808** | +2 |

### Outlook for 2019

For 2019, we foresee a continuation of slight growth in European residential construction. In Eastern Europe, we expect further dynamic developments in almost all core markets, whereas diverging trends are anticipated in Western Europe. In Great Britain, market visibility is currently low due to the profound political uncertainty. From today's perspective, we expect growth to continue, given the structural demand for housing and the prolongation of government subsidy programs. In the French housing market, demand is projected to remain low as a result of cuts in government funding for residential construction. In Belgium and the Netherlands, two countries with a high level of activity, we project further growth due to the positive environment in new housing construction. Additionally, we foresee increasing contributions from the producers of facade solutions in the Netherlands taken over by us in 2018. For Germany, we expect stable development in the single- and two-family home segment. In the renovation market, an important driver of our roof tile business, we do not yet see a revival of activities in our Western European core regions. The successfully implemented optimization measures in Austria and Germany, resulting in leaner cost structures and more effective market positioning, are expected to have a positive impact on earnings in 2019.

Within the framework of our Fast Forward 2020 program, we are working, in particular, on improved pricing and product mix policies and the centralization of procurement. In addition, we will invest in automation and capacity expansions. The resultant reduction in the cost of goods sold and the further improvement of scrap rates will enhance the efficiency of our cost structures and, at the same time, ensure an even higher level of product quality. By consistently implementing the Fast Forward 2020 program, we will achieve a significant improvement in our results in the coming two years.

From 2019 onward, we will report on our activities in ceramic building materials for the building envelope and our concrete paver business in the Wienerberger Building Solutions Business Unit. Overall, we expect to see higher sales volumes and improved average prices in these fields of business, which should result in a further significant increase in earnings.

## Clay Building Materials Western Europe

In Western Europe, we observed diverging regional developments in the reporting year. Overall, we succeeded in increasing our revenues by 4% to € 1,272.4 million and EBITDA by 2% to € 190.5 million. Organic EBITDA rose significantly by 11% to € 198.7 million.

Despite the unresolved Brexit issue, residential construction in Great Britain continued at a satisfactory level. The growing number of new housing starts in the single-family home segment, where we hold a particularly strong market position, resulted in high demand for facing bricks in our core regions. Taking advantage of this environment, we sold higher volumes, increased our prices and generated growth in both revenues and earnings.

In Belgium, where residential construction activities fell short of our expectations in 2017 due to the shortage of PUR/PIR insulating materials, the number of new housing starts in the single- and two-family home segment increased again in the reporting year. Rising demand translated into higher volumes sold at higher prices. In the Netherlands, too, we benefited from the upward trend in new housing starts for single- and two-family homes. We thus generated significant growth in revenues and EBITDA in both countries. Additionally, our market position in the Netherlands was strengthened through the take-over of two producers of ceramic facade solutions in the reporting period.

In France, cuts in government-supported residential construction programs had a negative impact on housing construction and the demand for building materials. We therefore had to accept a decrease in revenues and earnings.

The German residential construction market remained stable at a satisfactory level. We optimized our market positioning and streamlined our administrative structures in the course of the reporting year, which resulted in one-off expenses and a decline in earnings. However, the restructuring measures taken in both production and administration led to the expected process improvements and higher capacity utilization, which in turn had a sustainable impact on our earning power.

| Clay Building Materials Western Europe | | 2017 | 2018 | Chg. in % |
|---|---|---|---|---|
| External revenues | *in MEUR* | 1,224.1 | **1,272.4** | +4 |
| EBITDA | *in MEUR* | 187.0 | **190.5** | +2 |
| Operating EBIT | *in MEUR* | 95.0 | **121.4** | +28 |
| Total investments | *in MEUR* | 57.7 | **113.7** | +97 |
| Capital employed | *in MEUR* | 1,051.7 | **1,101.3** | +5 |
| Ø Employees | *in FTE* | 6,121 | **6,262** | +2 |
| Sales volumes clay blocks | *in mill. NF* | 2,042 | **2,074** | +2 |
| Sales volumes facing bricks | *in mill. WF* | 1,476 | **1,547** | +5 |
| Sales volumes roof tiles | *in mill. $m^2$* | 22.65 | **22.00** | -3 |

## Clay Building Materials Eastern Europe

The positive momentum seen in the construction of single- and two-family homes in our Eastern European core markets continued throughout the reporting year. Taking advantage of this favorable market environment, we sold higher volumes of clay blocks and roof tiles and increased our average prices. Altogether, our revenues increased by 15% to € 646.4 million and EBITDA rose by 22% to € 167.1 million. Adjusted for non-operational one-off effects, EBITDA increased by 26% to € 168.4 million.

In Poland, the biggest single market in the region, the positive development in new housing construction led to growing demand for clay blocks. Substantially higher sales volumes combined with improved average prices therefore translated into a significant increase in revenues and EBITDA.

The Austrian residential construction market remained stable at a satisfactory level. The integration of the clay block producer taken over in the previous year went well and resulted in a notable increase in sales volumes. However, the costs incurred through the closure of two production sites had a negative impact on earnings. We therefore had to accept a decline in earnings despite a notable increase in revenues.

In the other markets of the region, the strong underlying macroeconomic trend had a positive impact on the construction of new single- and two-family homes. We took advantage of this environment to increase both sales volumes and average prices. Compared to the previous year, we generated a significant increase in revenues and earnings.

| Clay Building Materials Eastern Europe | | 2017 | 2018 | Chg. in % |
|---|---|---|---|---|
| External revenues | *in MEUR* | 562.9 | **646.4** | +15 |
| EBITDA | *in MEUR* | 137.3 | **167.1** | +22 |
| Operating EBIT | *in MEUR* | 90.0 | **119.1** | +32 |
| Total investments | *in MEUR* | 38.4 | **77.0** | >100 |
| Capital employed | *in MEUR* | 471.7 | **454.4** | -4 |
| Ø Employees | *in FTE* | 4,451 | **4,546** | +2 |
| Sales volumes clay blocks | *in mill. NF* | 3,698 | **3,974** | +7 |
| Sales volumes roof tiles | *in mill. m²* | 18.62 | **18.73** | +1 |

## *Pipes & Pavers Europe*

In the Pipes & Pavers Europe Division, we succeeded in increasing sales and average prices in a healthy market environment and recorded a marked rise in revenues and earnings:

- Increase in revenues by 6% to € 1,070.1 million (2017: € 1,014.2 million)
- Successful implementation of growth projects and optimization measures
- Significant improvement of EBITDA by 12% to € 78.2 million (2017: € 69.7 million)
- Organic EBITDA before foreign-exchange effects, changes in the scope of consolidation, asset sales, and restructuring costs rose substantially by 9% to € 91.2 million

| Pipes & Pavers Europe | | 2017 | 2018 | Chg. in % |
|---|---|---|---|---|
| External revenues | *in MEUR* | 1,014.2 | **1,070.1** | +6 |
| EBITDA | *in MEUR* | 69.7 | **78.2** | +12 |
| Operating EBIT | *in MEUR* | 20.1 | **29.4** | +46 |
| Total investments | *in MEUR* | 57.9 | **73.5** | +27 |
| Capital employed | *in MEUR* | 563.4 | **568.6** | +1 |
| Ø Employees | *in FTE* | 4,210 | **4,182** | -1 |

### Outlook for 2019

Beginning in 2019, we will report the performance of our plastic pipe business as well as our ceramic pipe activities under the Wienerberger Piping Solutions Business Unit. The business with concrete pavers will be realocated to the Wienerberger Building Solutions Business Unit, the successor to the Clay Building Materials Europe Division.

In the plastic pipe business, we foresee a significant improvement in earnings. In our Eastern European markets we expect a rise in the take-up of EU funding and hence a further increase in the number of tenders for infrastructure projects. In Western Europe and the Nordic core markets, we anticipate a largely stable development of demand, which leads us to assume an overall modest upturn in sales. Rising prices will compensate for a further increase in raw material costs. The acquisition of a leading Norwegian producer of pre-insulated pipes in 2018 will make a positive contribution to earnings and supports the continued shift of our portfolio towards premium products and system solutions. Strategic priorities for 2019 include the implementation of optimization projects of the Fast Forward 2020 program, as well as a focus on three core business areas: building solutions, smart infrastructure and water management in agriculture.

In our ceramic pipe business, we foresee a marked increase in earnings. The European core business is expected to record moderately higher average prices and an increase in sales, based on growth in the Eastern European export markets and a stable development in Western Europe. In addition, we will continue to profit from the considerably stronger earning power resulting from the structural measures successfully implemented in 2018.

Our business with concrete pavers will be reported under the Wienerberger Building Solutions Business Unit from 2019 onward. Following the strong performance in 2018 we reckon with additional growth in 2019. We will utilize the positive trend in public-sector demand and private investments in open space solutions to increase sales and prices. Moreover, we anticipate a significant contribution to earnings coming from the growth projects implemented in 2018. To strengthen our earning power, we are realizing projects aimed at more efficient pricing and optimizing production processes under the Fast Forward 2020 program.

## Pipes & Pavers Western Europe

In 2018, the Pipes & Pavers Western Europe segment recorded an increase in revenues by 5% to € 603.6 million (2017: € 574.2 million). EBITDA improved by 8%, coming to € 34.2 million. Restructuring costs of € 16.1 million were recorded in the ceramic pipe business in 2018, compared to the one-off expenses of € 12.0 million incurred for the structural adjustments in the French plastic pipe business in 2017. Adjusted for non-operating one-off effects, EBITDA recorded a marked 7% increase to € 47.1 million.

| Pipes & Pavers Western Europe | | 2017 | 2018 | Chg. in % |
|---|---|---|---|---|
| External revenues | *in MEUR* | 574.2 | **603.6** | +5 |
| EBITDA | *in MEUR* | 31.8 | **34.2** | +8 |
| Operating EBIT | *in MEUR* | 4.7 | **5.2** | +12 |
| Total investments | *in MEUR* | 36.8 | **39.9** | +9 |
| Capital employed | *in MEUR* | 301.0 | **317.5** | +5 |
| Ø Employees | *in FTE* | 1,884 | **1,892** | 0 |

In our Western European plastic pipe activities, we recorded a significant increase in earnings in the reporting period. In the region's core markets, the Nordic countries and the Netherlands, demand was stable or slightly positive. Apart from Ireland, which benefited from a steep rise in residential construction activity, the remaining markets of the region, for the most part, recorded a stable development. In this environment, we managed to pass on rising raw material costs to the market and achieve a moderate increase in sales, before taking into account consolidation effects and the adjustment of the product portfolio in France.

This increase in earnings was primarily attributable to three effects: First, the closure of a site in France and the streamlining of our structures gave a significant boost to our earning power, as expected. Moreover, no restructuring costs were recorded in 2018, in contrast to 2017. Secondly, the acquired operations with pre-wired conduits for electrical installations as well as with pre-insulated pipes showed a highly satisfactory performance and made a substantial contribution to higher earnings. Thirdly, the increased demand in the international project business resulted in contributions to earnings which were clearly above the level of the previous year.

In our ceramic pipe business, the market environment in Western Europe remained more or less stable, and the Eastern European export markets showed greater demand. In the 2018 financial year, we benefited from the successful implementation of the increase in average prices, whereas sales in the European core business were slightly below the previous year's level. This decline primarily results from the structural adjustments initiated in the first quarter, which, following a site closure, led to a streamlining of the product portfolio and administrative structures. The resulting costs of € 16.1 million were not fully compensated in the reporting period. Still, the significant increase in profitability in the second half of the year underlines the successful optimization of our cost structure and confirms that our goal of increasing earning potential and earning power in the long term is on track.

## Pipes & Pavers Eastern Europe

In the Pipes & Pavers Eastern Europe segment, revenues increased by 6% to € 466.5 million (2017: € 440.0 million) and EBITDA grew by 16% from € 37.9 million to € 43.9 million. Organic EBITDA rose by 10% to € 44.1 million.

In the Eastern European plastic pipe business, we profited from an upswing in infrastructure projects with EU funding and increased sales accordingly. In Poland and Hungary in particular, we achieved marked increases in revenues and earnings as a result. In the region's remaining markets, however, which are also eligible for co-funding, the increase in tendering activity had no significant impact on business performance. The domestic market in Austria recorded a stable performance at a high level. In Turkey we profited from high demand and the successful implementation of a capacity expansion in the irrigation applications business and achieved a record operating result. However, the significant devaluation of the Turkish currency resulted in a decline in the contribution to earnings in the reporting currency.

Our business with concrete pavers recorded an excellent performance in 2018. We used the increase in private investments as well as in public-sector demand for modern open space solutions to significantly grow sales and average prices. In addition, the profitable sale of the Austrian operation was a major strategic milestone with a long-term positive effect on business performance. On the one hand, this step made it possible to focus on the dynamic Eastern European core markets; on the other hand, it also freed up investment resources which were utilized for additional capacities in growth regions as well as for the reinforcement of Wienerberger's position as the leading supplier in the premium segment. With the acquisition of a plant in Romania and organic growth projects in Croatia and Hungary, we have created the foundation for further growth.

| Pipes & Pavers Eastern Europe | | 2017 | 2018 | Chg. in % |
|---|---|---|---|---|
| External revenues | *in MEUR* | 440.0 | **466.5** | +6 |
| EBITDA | *in MEUR* | 37.9 | **43.9** | +16 |
| Operating EBIT | *in MEUR* | 15.4 | **24.2** | +57 |
| Total investments | *in MEUR* | 21.2 | **33.6** | +59 |
| Capital employed | *in MEUR* | 262.4 | **251.1** | -4 |
| Ø Employees | *in FTE* | 2,326 | **2,290** | -2 |

## *North America*

The North America Division delivered an excellent performance in 2018:

- Notable increase in earnings
- Strong growth in US plastic pipe business
- Significant contribution to earnings from recently acquired facing brick producer in Mississippi
- 35% EBITDA growth year on year
- Organic EBITDA up by 23% to € 38.6 million before foreign-exchange effects, changes in the scope of consolidation and asset sales

| North America | | 2017 | 2018 | Chg. in % |
|---|---|---|---|---|
| External revenues | *in MEUR* | 308.7 | **306.8** | -1 |
| EBITDA | *in MEUR* | 32.0 | **43.2** | +35 |
| Operating EBIT | *in MEUR* | 3.0 | **18.1** | >100 |
| Total investments | *in MEUR* | 43.9 | **42.4** | -4 |
| Capital employed | *in MEUR* | 364.9 | **411.8** | +13 |
| Ø Employees | *in FTE* | 1,305 | **1,380** | +6 |
| Sales volumes facing bricks | *in mill. WF* | 454 | **534** | +18 |

Despite long periods of wet weather, the US brick business recorded satisfactory growth in earnings. As expected, the Mississippi-based producer of facing bricks taken over last year contributed substantially to the Division's sales, which increased considerably year on year. Although average prices remained almost stable, we saw a further significant increase in EBITDA. The closure of the acquisition of a facing brick producer in Pennsylvania at the end of 2018 marked a further step forward on our path of consolidation in the US brick business. This acquisition broadens our presence in the north-east of the USA and in Canada and opens up important markets for high-quality brick products for us. Our business in Canada was stimulated by sound demand during the first six months of the year. During the second half of the year, the measures taken by the government aimed at stricter regulation of the housing market resulted in a foreseeable slowdown of demand. Despite higher average prices, we therefore recorded a downturn in revenues and earnings. In the US plastic pipe business, we benefited, above all, from the repositioning of our distribution and the optimized cost of goods sold. Combined with improved average prices, this translated into significant growth in earnings, as compared to the previous year.

Overall, the North America Division's EBITDA increased by 35% to € 43.2 million (2017: € 32.0 million), while adjusted EBITDA rose by 23% to € 38.6 million.

### Outlook for 2019

For the business year 2019, we expect to see a positive trend in the construction of new single- and two-family homes in the USA, which will result in higher earnings in our brick business. Moreover, we anticipate a substantial contribution to earnings from the facing brick producer in Pennsylvania taken over in 2018. In Canada, we foresee a further downturn of demand in the wake of the measures taken by the government to regulate the real estate market. Our plastic pipe business will benefit from a higher degree of capacity utilization and additional optimization measures in production. Despite rising raw material costs, we expect this business area to generate satisfactory earnings.

For the North America Division as a whole, we expect to see an increase in revenues and earnings in 2019.

## *Holding & Others*

The Holding & Others Division comprises the holding company of the Group and our brick business in India, which we operate at a production site for clay blocks in the Bangalore region. The Indian brick business performed well in 2018 and generated an increase in EBITDA. The result reported by the holding company was substantially below that of the previous year. On the one hand, contributions to earnings from asset sales declined significantly and, on the other hand, one-off operating expenses increased sharply. The establishment and endowment of an Employee Participation Foundation as well as consultancy costs and structural adjustments in connection with the design of the Fast Forward 2020 program and other strategic projects accounted for expenses of over € 10 million.

| Holding & Others | | 2017 | 2018 | Chg. in % |
|---|---|---|---|---|
| External revenues | in MEUR | 8.6 | 8.3 | -3 |
| EBITDA | in MEUR | -11.1 | -36.3 | <-100 |
| Operating EBIT | in MEUR | -13.9 | -39.7 | <-100 |
| Total investments | in MEUR | 8.3 | 18.5 | >100 |
| Capital employed | in MEUR | 7.5 | 0.6 | -92 |
| Ø Employees | in FTE | 210 | 226 | +8 |

# Outlook and Targets 2019

## *Market Outlook for Europe*

From today's perspective, we foresee a continuation of the positive trend in residential construction in most of our Eastern European markets. At the same time, we expect that Western Europe will still be marked by regionally diverging trends in new residential construction and stable development of the renovation segment. All in all, we expect to see slight growth in the European residential construction despite uncertainty factors.

In the field of infrastructure, a growing number of Eastern European markets will benefit from rising take-up of EU funding for infrastructure projects. In Western Europe and the Nordic core markets, demand is expected to remain largely stable. Raw material costs will continue to fluctuate. Hence, it will be crucial for us to ensure that the development of costs is reflected in our pricing.

## *Market Outlook for North America*

In the USA, we expect to see a positive development in new residential construction and rising demand in our infrastructure business. In Canada, the measures taken by the government to regulate the housing market are likely to lead to a slowdown in residential construction.

## *Targets*

All in all, we intend to achieve an increase in the Wienerberger Group's EBITDA to between € 560 to 580 million. This target is based on the assumption of higher sales, improved average prices across the Group and positive effects of the optimization measures taken. In addition, EBITDA increases by around € 40 million due to the first-time application of IFRS 16, which is reflected in the target range. Conversely, contributions from asset sales, foreign-exchange effects, changes in the scope of consolidation, and structural adjustment costs have not been taken into account in our target calculation.

A budget of approx. € 200 million has been earmarked for normal capex, including maintenance investments and investments for the development and rollout of innovative products, the improvement of our environmental performance and measures in the field of occupational health and safety. The notable increase, as compared to the previous year, is attributable to the consistent implementation of the Fast Forward 2020 program. Normal capex includes an amount of approx. € 30 million for the accelerated implementation of optimization projects in production.

In terms of growth investments, we are currently evaluating a large number of attractive projects. In particular, we are examining a promising pipeline of potential takeover candidates for their earnings, cash flow and synergy potential as well as strategic development opportunities. Although we are confident of being able to implement a number of growth projects in the course of 2019, we are not yet in a position to reliably estimate the total volume of investments. We will report on the progress achieved and the financial implications in due course.

# Additional Information on the Company

## *Research and Development*

Research and development (R&D) are of central importance for Wienerberger. Our goal is to further expand our market positions and strengthen our competitiveness by taking the lead in terms of costs and technology.

Strategic R&D projects are managed centrally, but generally implemented at local level. The most important tasks of R&D include the optimization of production processes and the continuous further development and improvement of products and system solutions. At the same time, we are working on the digitalization of processes and the step-by-step introduction of Industry 4.0 in production. Within the framework of R&D projects we test new technologies for their potential and their added value.

In order to create an ideal environment outside existing structures for projects and ideas with a focus on innovation, Industry 4.0 in production and digitalization, we have set up our L.A.B. (Learn-Build-Act), which not only provides in-house space for new developments, but also serves as an interface for cooperation with external partners.

### Production processes

Optimizing production processes and minimizing energy costs across all operating segments are the primary targets of Fast Forward 2020, our Group-wide optimization program, which represents a significant potential for cost savings.

Our research priorities in ceramic production include the further automation of production processes in all business areas, the reduction of energy consumption in the drying and firing processes, and the sustainable use of raw material resources.

In the pipes and fittings segment, our research activities focus, above all, on the optimization of production processes and on reducing the weight of our products. Increasing the percentages of recycled materials used is another important goal, as this enables us to improve our ecological footprint and reduce the consumption of raw materials.

In concrete paver production we strive to improve the raw material mix and to optimize our production and surface finishing processes, thus ensuring a constantly high level of product quality.

### Product development

The central task of product development is to optimize the structural properties of our products in line with the continuously increasing requirements to be met by building materials. Another priority is the addition of smart and/or digital functionalities to existing and new products. Our goal is the development of solutions that allow efficient, fast and easy installation of the products at the construction site and provide the customer with added value throughout the product's lifetime. Wienerberger operates several research centers in Europe that specialize in different product groups.

The market launch of new products across several countries is managed centrally, but the products are adapted to the requirements of the respective markets and the needs of our customers by our local specialists. In this way, innovations can be rolled out fast and efficiently throughout the Group.

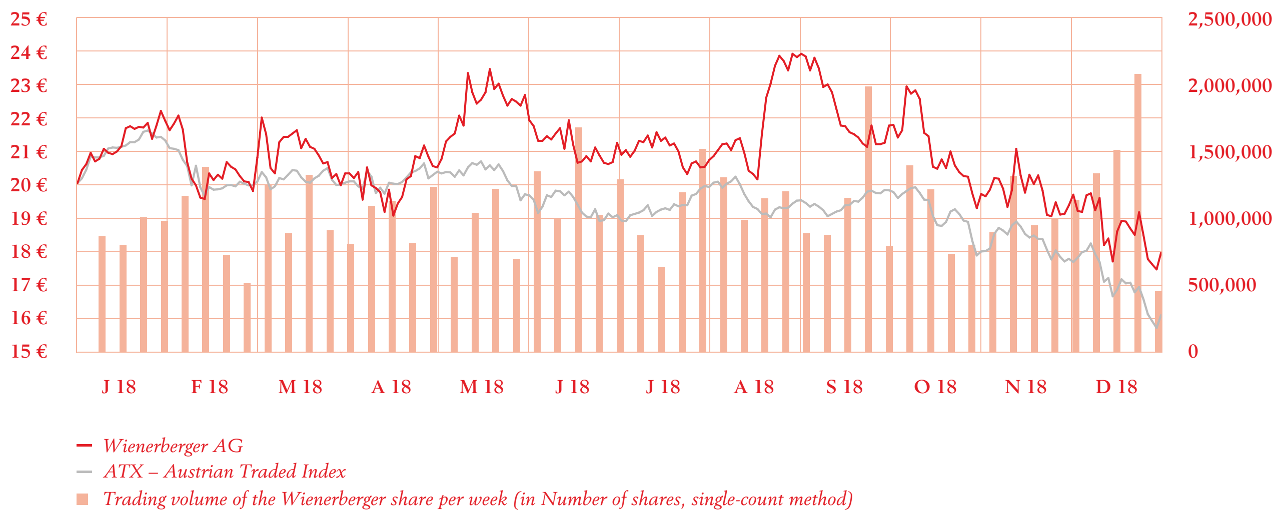
### Exploring new fields of activity

In 2018, Wienerberger initiated a strategic partnership with Interbran, an R&D start-up, aimed at the joint development of novel and sustainable high-performing insulating materials. These non-combustible materials have outstanding thermal insulation properties and are 100% recyclable. Cooperation with Interbran opens up an entirely new business segment for Wienerberger with great potential for the Group's business in roof tiles, clay blocks and facing bricks.

## *Wienerberger Share and Shareholders*

Wienerberger AG is listed in the Prime Market segment of the Vienna Stock Exchange with no-par-value shares (bearer shares). There are neither preferred shares or registered shares nor any restrictions on common stock. The "one share – one vote" principle applies in full. In the USA, Wienerberger AG trades on the OTC market through an ADR Level 1 Program of the Bank of New York. With a market capitalization of € 2,115 million and a weighting of 5.1% in the ATX at the end of 2018, Wienerberger is one of the largest listed companies in Austria.

### Development of the Share Price

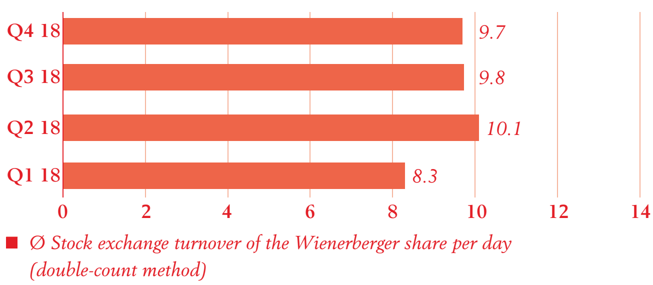



The Wienerberger share started the 2018 trading year at a price of € 20.17. Generally favorable market sentiment, our excellent results and the continuous implementation of our strategy gave a significant boost to the share, which reached its yearly high in August at € 24.06. The last months of the year were marked by an increase in volatility and substantial stock market corrections. The Wienerberger share was not immune to this development and closed the year with a performance of -10.8% at € 18.00. However, a comparison with the performance of the Austrian ATX of -19.7% shows that the Wienerberger share clearly outperformed the index by 8.9 percentage points.

Based on the current forecast for the development of business, the Managing Board will propose to the 150th Annual General Meeting on May 6, 2019, that a dividend of € 0.50 per share be paid out, which corresponds to a 67% increase over the previous year. Amounting to a total of € 57.3 million, the dividend distributed corresponds to 26% of the free cash flow after the coupon payment on hybrid capital. Based on the year-end share price, this corresponds to a dividend yield of 2.8%.

### Liquidity

*in MEUR*



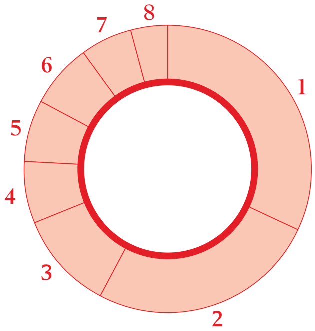
| Key Data per Share | | 2017 | 2018 | Chg. in % |
|---|---|---|---|---|
| Earnings | in EUR | 1.05 | **1.15** | +9 |
| Adjusted earnings | in EUR | 1.19 | **1.23** | +4 |
| Dividend | in EUR | 0.30 | **0.50** | +67 |
| Free cash flow 2) | in EUR | 1.30 | **2.04** | +56 |
| Equity 4) | in EUR | 14.07 | **14.40** | +2 |
| Share price high | in EUR | 22.45 | **24.06** | +7 |
| Share price low | in EUR | 16.85 | **17.57** | +4 |
| Share price at year-end | in EUR | 20.17 | **18.00** | -11 |
| P/E ratio high | | 21.3 | **21.0** | - |
| P/E ratio low | | 16.0 | **15.3** | - |
| P/E ratio at year-end | | 19.2 | **15.7** | - |
| Shares outstanding (weighted) 5) | in 1,000 | 116,956 | **116,154** | -1 |
| Market capitalization at year-end | in MEUR | 2,371 | **2,115** | -11 |
| Ø Stock exchange turnover/day 4) | in MEUR | 9.9 | **9.5** | -4 |

1) Cash flow from operating activities less cash flow from investing activities plus growth capex (excl. the buyout of minorities) // 2) Equity including non-controlling interests, excluding hybrid capital// 3) Adjusted for treasury shares // 4) Double-count method

## Shareholder structure

Wienerberger is a pure free float company and has no core shareholder. The Group's widely diversified shareholder structure is typical for a publicly traded company with international operations. The most recent survey of the shareholder structure performed in November 2018 showed that approximately 13% of Wienerberger shares are held by private investors, while the majority is held by institutional investors, more than half of them based in the Anglo-Saxon region, i.e. North America (39%) and Great Britain (26%). The remaining shares are held mainly by Continental European investors.

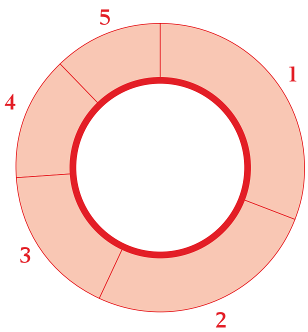
### Shareholder Structure by Country (Institutional Investors)




1 *USA 32%*
2 *Great Britain 26%*
3 *France 11%*
4 *Austria 7%*
5 *Germany 7%*
6 *Canada 7%*
7 *Other 6%*
8 *Scandinavia 4%*

An analysis of the various strategies pursued by institutional investors shows that GARP investors dominate at a rate of 31%, followed by value-oriented and growth-oriented investors (26% and 17% respectively).

### Shareholder Structure by Investor Type (Institutional Investors)




1 *GARP 31%*
2 *Value 26%*
3 *Growth 17%*
4 *Index 14%*
5 *Other 12%*

Pursuant to sections 130 to 134 of the Austrian Stock Exchange Act, which provides for mandatory reporting of significant holdings, the following notifications have been received from shareholders: More than 5% of Wienerberger voting rights have been controlled by FMR LLC (Fidelity), based in the USA, since March 27, 2017 and by BlackRock, Inc., based in the USA, since

February 6, 2019. More than 4% of Wienerberger voting rights have been controlled by Marathon Asset Management LLP, based in Great Britain, since December 19, 2018, and by Black Creek Investment Management Inc., based in Canada, since December 27, 2018. After the completion of a share buyback program on January 3, 2019 and the cancellation of 1% of share capital, the share capital is currently divided into 116,351,496 common shares and Wienerberger holds 1,770,289 treasury shares.

### Investor relations

Extensive investor relations activities allow us to establish long-term relations and engage in continuous exchanges with investors, analysts and banks. The crucial issue in investor relations is to ensure the highest possible degree of transparency through ongoing, open and active communication. To this end, Wienerberger again organized numerous roadshows and investor events in the course of 2018. We also participated in investor conferences in Europe and the USA. In the year under review, the Managing Board and the Investor Relations team had more than 650 direct contacts with investors and analysts from all over the world, informing them about the company's key financials and its operational and strategic development. The fact that Wienerberger is covered by a number of renowned Austrian and international investment banks ensures the visibility of the Wienerberger share among the financial community. As of January 2019, Wienerberger is being covered by 10 analysts.

### Disclosures on capital, shares, voting rights and rights of control

The 149th Annual General Meeting held on June 14, 2018, authorized the Managing Board to buy back own shares, up to the limit defined by law, during a period of 30 months, to withdraw or re-sell shares bought back and to sell treasury shares other than over the stock exchange or through a public offering without further resolution by the Annual General Meeting. This authorization replaces the authorization to buy back own shares granted by the 147th Annual General Meeting held on May 12, 2016.

The 148th Annual General Meeting held on May 19, 2017, authorized the Managing Board to buy back own shares in the amount of 2% of the share capital during a period of 30 months for the purpose of the Employee Participation Program. Moreover, the Annual General Meeting adopted an amendment to the Articles of Association according to which the Annual General Meeting is authorized to exclude the net profit fully or partially from such utilization.

The 145th Annual General Meeting held on May 16, 2014, approved authorized capital in the amount of € 17,629,014 million (15% of share capital) through the issue of up to 17.6 million new shares for a period of five years. Under certain conditions, the statutory subscription rights of shareholders can be excluded. However, the number of shares issued subject to the exclusion of subscription rights must not exceed 5,876,338 (5% of share capital).

In the business year under review, Wienerberger executed two share buyback programs. During the period from December 6, 2017, up to and including September 5, 2018, shares were bought back on the stock exchange at an average price of € 21.58 for a total amount of € 25.9 million. The second buyback program was executed during the period from November 26, 2018, up to and including January 3, 2019, with shares bought back at an average price of € 18.73 for a total amount of € 22.0 million. In total, 2,375,268 shares were bought back within the framework of the two programs.

Change of control clauses are included in the employment contracts of the members of the Managing Board, the terms of corporate and hybrid bonds, and the terms and conditions of syndicated loans. Further disclosures on the composition of Wienerberger capital, types of shares, rights and restrictions as well as the powers of the Managing Board to issue or buy back shares are contained in the Notes to the Consolidated Financial Statements under Note 29 ("Group Equity") starting on page 172.

## *Risk Management*

Our international operations not only offer great opportunities, but are also associated with risks. To manage these risks, we aim at identifying risks as early as possible and counteracting them through appropriate measures in order to minimize deviations from our corporate goals. This requires the identification, analysis, assessment, management and monitoring of risks by the respective risk owners. To this end, surveys are conducted regularly at top and senior management level, involving the members of the Managing Board, the management of the Business Units and the heads of corporate services, in order to update existing risks and identify new ones. Subsequently, the risks identified are broken down into strategic and operational risks along the entire value chain and allocated to the risk owners. Risks are assessed on the basis of their probability of occurrence and the potential impact on the free cash flow for a medium-term horizon of five years and a long-term horizon of six to ten years. Besides strategic risks, the major risks for the Wienerberger Group are procurement, production, market and price risks as well as financial and legal risks. For detailed information on all risks, please refer to the Risk Report starting on page 199.

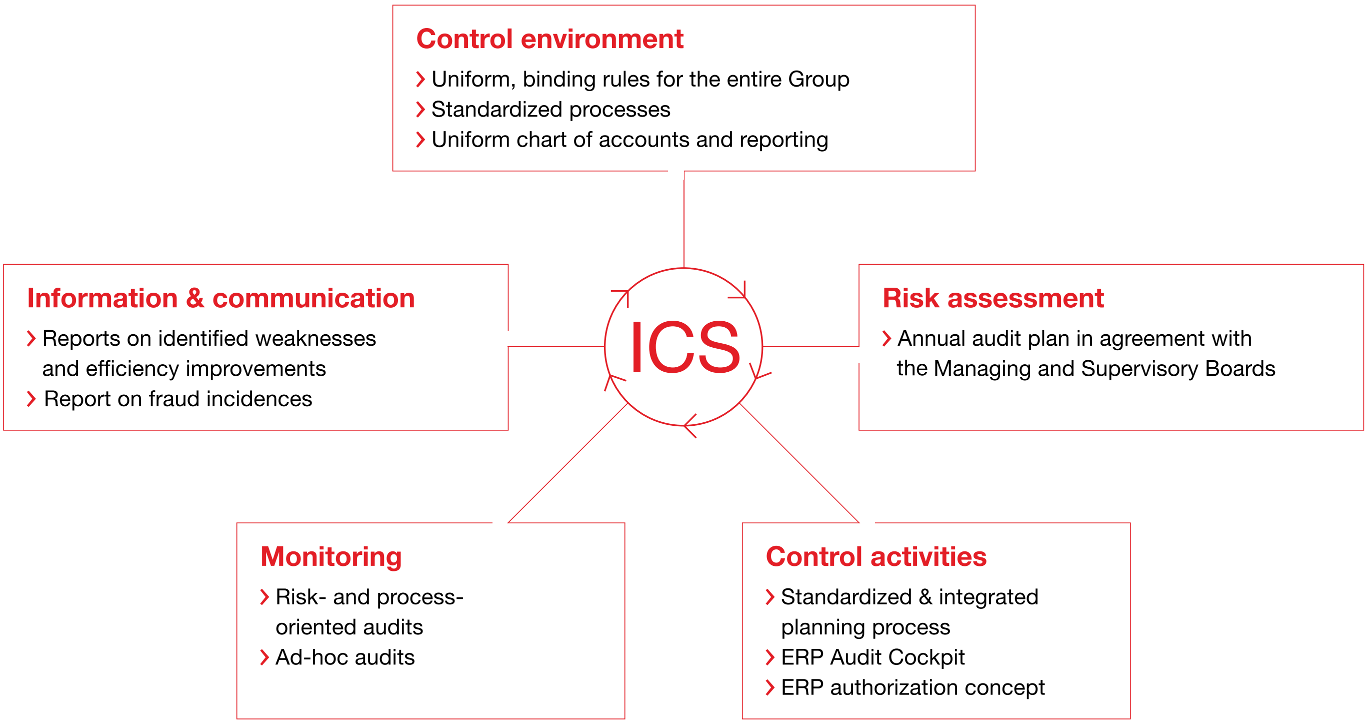
The most important instruments for risk monitoring and risk management are planning and controlling processes, Group policies, regular reporting of financial and non-financial parameters, and the internal control system. The distinction between operational and strategic risks and the decentralized organizational structure of the Group are key factors to be considered in the analysis of risks and the development of measures to avoid and manage risks. Most of the risks identified are addressed and monitored within the framework of established internal management processes. In particular, local companies only take on risks arising from their operational business, which are analyzed by the respective risk owners within the Business Unit concerned and weighed against the potential gains. Taking risks beyond the scope of operational business is not permitted. Additionally, risks arising within the framework of Group financing, in IT or in the area of compliance are not only addressed by the Business Unit concerned, but also managed, monitored and mitigated centrally by the holding company. Another risk class includes material risks with a low probability of occurrence, which are continually monitored and assessed and which are to be addressed through predefined defensive measures on a timely basis, whenever need arises.

The external auditor performs an annual evaluation of Wienerberger's risk management system and reports the outcome to the Supervisory Board and the Managing Board. The functionality of the risk management system was reviewed and confirmed by the external auditor in 2018.

### Internal control system

The internal control system (ICS) of Wienerberger AG plays an important role in risk management. Based on the internationally recognized standards for internal control systems (issued by COSO), the ICS provides the management with a comprehensive tool for the analysis and/or prevention of uncertainties and risks arising from the company's essential business activities. Rules and controls applicable throughout the Group and across its operating segments are set by the Managing Board. In accordance with the decentralized structure of Wienerberger, responsibility for implementing the ICS lies with the local management concerned. The Internal Audit unit is responsible for communication and monitoring. Continuous implementation of the ICS is ensured through regular audits performed at the local sites.

The ICS comprises a system of measures and processes covering the following areas:




The control environment of the ICS forms the basis for standardization and harmonization processes throughout the Group. As regards accounting, the Managing Board issues Group-wide guidelines with uniform and binding rules to be followed in the preparation of annual and interim financial statements. Business transactions are recorded by means of standardized processes based on a uniform Group chart of accounts. Wienerberger's consolidated financial statements and interim financial statements are prepared in accordance with IFRS in a fast-close process. The financial statements of all subsidiaries are reviewed in a two-stage process by the finance and controlling departments of the respective Business Units and by the Corporate Reporting department, consolidated, and subsequently released by the Managing Board of Wienerberger AG for submission to the Supervisory Board.

The controlling activities include an annual planning process that is based on an integrated bottom-up planning approach. The process includes the profit and loss budget, the balance sheet and the cash flows of the following business year as well as medium-term planning for a horizon of four years. The monthly comparison of actual results with the forecasts for the respective period is an essential element of the internal control and risk management system. In addition, all subsidiaries prepare updated forecasts of the expected annual results three times a year. The ERP Audit Cockpit is yet another control instrument, which models segregation of duty conflicts identified for accounting-related IT systems. This is a software tool integrated throughout the Group to support the local management in the implementation, documentation and monitoring of the measures taken to resolve segregation of duty conflicts identified in the ERP system. The system works on the basis of the ERP authorization regime, which serves to avoid authorization conflicts through a clear definition of tasks and responsibilities.

For the purposes of risk assessment and in preparation for the internal audit activities, a risk-based audit plan is drawn up annually in coordination with the Managing Board and the Audit Committee of the Supervisory Board. Following the schedule laid down in the audit plan, the Internal Audit unit audits all Group companies at regular intervals of not more than three years for compliance with the ICS. Moreover, operational processes are reviewed for their risk potential and possible enhancements of efficiency. Acting as the central monitoring body for the internal control system, Internal Audit also verifies compliance with legal provisions and internal policies. Furthermore, Internal Audit performs ad-hoc audits when so requested by the management.

The results of the audits and the related recommendations and measures are summarized in an audit report and transmitted to the local management, the Business Unit management, the Managing Board of the Group and the external auditor. Within the framework of the other information and communication requirements of the ICS, Internal Audit and Corporate Reporting regularly report to the Audit Committee on material accounting and valuation procedures, the impact of newly adopted IFRS rules on the consolidated financial statements, major changes in the accounting process, and findings from risk management. Moreover, the Audit Committee is regularly informed of audit findings, relevant implementation activities and measures to eliminate weaknesses identified in the ICS.

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# Consolidated Income Statement

| Notes | in TEUR | 2018 | 2017 |
|---|---|---|---|
| (10) | Revenues | 3,305,079 | 3,119,707 |
| (11-13, 15-17) | Cost of goods sold | -2,146,319 | -2,093,708 |
| | **Gross profit** | **1,158,760** | **1,025,999** |
| (11-13, 15-17) | Selling expenses | -637,162 | -595,562 |
| (11-13, 15-17) | Administrative expenses | -217,559 | -203,322 |
| (12, 16, 17) | Other operating income: | | |
| (12) | Reversal of impairment charges to assets | 4,297 | 1,055 |
| | Other | 54,164 | 59,390 |
| (12, 15-17) | Other operating expenses: | | |
| (12) | Impairment charges to assets | -12,727 | -10,226 |
| (12) | Impairment charges to goodwill | 0 | -6,339 |
| | Other | -109,965 | -92,323 |
| | **Operating profit/loss (EBIT)** | **239,808** | **178,672** |
| (2) | Income from investments in associates and joint ventures | 1,701 | 4,209 |
| (18) | Interest and similar income | 4,409 | 5,952 |
| (18) | Interest and similar expenses | -43,671 | -42,103 |
| (18) | Other financial result | -6,902 | -1,852 |
| | **Financial result** | **-44,463** | **-33,794** |
| | **Profit/loss before tax** | **195,345** | **144,878** |
| (19) | Income taxes | -48,475 | -4,244 |
| | **Profit/loss after tax** | **146,870** | **140,634** |
| | Thereof attributable to non-controlling interests | -237 | 3,402 |
| | Thereof attributable to hybrid capital holders | 13,609 | 14,057 |
| | **Thereof attributable to equity holders of the parent company** | **133,498** | **123,175** |
| | | | |
| | | | |
| (20) | **Earnings per share (in EUR)** | **1.15** | **1.05** |
| (20) | **Diluted earnings per share (in EUR)** | **1.15** | **1.05** |

# Consolidated Statement of Comprehensive Income

| Notes | in TEUR | 2018 | 2017 |
|---|---|---|---|
| | **Profit/loss after tax** | **146,870** | **140,634** |
| | | | |
| (38) | Foreign exchange adjustments | **-372** | -48,241 |
| (38) | Foreign exchange adjustments to investments in associates and joint ventures | **-9** | 64 |
| (26) | Changes in the fair value of available-for-sale financial instruments [1] | **0** | -740 |
| | Changes in hedging reserves | **-9,516** | 14,776 |
| | **Items to be reclassified to profit or loss** | **-9,897** | **-34,141** |
| (31) | Actuarial gains/losses | **12,340** | 4,984 |
| | Actuarial gains/losses from investments in associates and joint ventures | **-2** | 155 |
| | **Items not to be reclassified to profit or loss** | **12,338** | **5,139** |
| | **Other comprehensive income** | **2,441** | **-29,002** |
| | **Total comprehensive income after tax** | **149,311** | **111,632** |
| | | | |
| | Thereof comprehensive income attributable to non-controlling interests | **-163** | 3,739 |
| | Thereof attributable to hybrid capital holders | **13,609** | 14,057 |
| | **Thereof comprehensive income attributable to equity holders of the parent company** | **135,865** | **93,836** |

1) "Available-for-sale financial instruments" refers to the classification of financial instruments according to IAS 39, which no longer applies in the reporting year due to the initial application of IFRS 9.

# Consolidated Statement of Cash Flows

| Notes | in TEUR | 2018 | 2017 |
|---|---|---|---|
| | Profit/loss before tax | 195,345 | 144,878 |
| (12) | Depreciation and amortization | 186,465 | 189,605 |
| (12) | Impairment charges to goodwill | 0 | 6,339 |
| (12) | Impairment charges to assets and other valuation effects | 32,741 | 47,091 |
| (12) | Reversal of impairment charges to assets | -4,297 | -1,055 |
| (30, 31) | Increase/decrease in non-current provisions | -13,409 | -8,213 |
| (2) | Income from investments in associates and joint ventures | -1,701 | -4,209 |
| | Gains/losses from the disposal of fixed and financial assets | -26,314 | -25,343 |
| (18) | Interest result | 39,262 | 36,151 |
| | Interest paid | -38,257 | -38,473 |
| | Interest received | 4,321 | 4,591 |
| | Income taxes paid | -47,609 | -48,923 |
| | **Gross cash flow** | **326,547** | **302,439** |
| | | | |
| | Increase/decrease in inventories | -23,223 | -39,987 |
| | Increase/decrease in trade receivables | 2,713 | -17,112 |
| | Increase/decrease in trade payables | 2,171 | 16,374 |
| | Increase/decrease in other net current assets | 11,217 | 10,620 |
| | **Cash flow from operating activities** | **319,425** | **272,334** |
| | | | |
| | Proceeds from the sale of assets (including financial assets) | 43,847 | 28,799 |
| | Payments made for property, plant and equipment and intangible assets | -215,847 | -163,186 |
| | Payments made for investments in financial assets | -6,078 | 0 |
| | Dividend payments from associates and joint ventures | 3,039 | 6,597 |
| | Increase/decrease in securities and other financial assets | 15,578 | -7,800 |
| | Net payments made for the acquisition of companies | -73,088 | -43,128 |
| | Net proceeds from the sale of companies | 20,882 | 0 |
| (21) | **Cash flow from investing activities** | **-211,667** | **-178,718** |
| | | | |
| (22) | Cash inflows from the increase in short-term financial liabilities | 235,323 | 721,738 |
| (22) | Cash outflows from the repayment of short-term financial liabilities | -473,586 | -984,369 |
| (22) | Cash inflows from the increase in long-term financial liabilities | 248,851 | 210,929 |
| (22) | Cash outflows from the repayment of long-term financial liabilities | -646 | -6,939 |
| (29) | Dividends paid by Wienerberger AG | -34,812 | -31,578 |
| (29) | Hybrid coupon paid | -13,609 | -29,898 |
| (29) | Dividends paid to non-controlling interests | -120 | -79 |
| (29) | Buyback hybrid capital | -16 | 0 |
| (29) | Purchase of non-controlling interests | -30,100 | 0 |
| (29) | Purchase of treasury stock | -44,996 | 0 |
| | **Cash flow from financing activities** | **-113,711** | **-120,196** |
| | | | |
| | **Change in cash and cash equivalents** | **-5,953** | **-26,580** |
| | Effects of exchange rate fluctuations on cash held | -226 | -1,177 |
| | Cash and cash equivalents at the beginning of the year | 169,259 | 197,016 |
| | **Cash and cash equivalents at the end of the year** | **163,080** | **169,259** |

# Consolidated Balance Sheet

| Notes | | 31/12/2018 | 31/12/2017 [1] |
|---|---|---|---|
| | **Assets** | | |
| (23) | Intangible assets and goodwill | 712,719 | 690,897 |
| (23) | Property, plant and equipment | 1,575,709 | 1,521,572 |
| (23) | Investment property | 66,569 | 65,918 |
| (24) | Investments in associates and joint ventures | 22,100 | 11,371 |
| (24, 27) | Other financial investments and non-current receivables | 30,420 | 16,708 |
| (32) | Deferred tax assets | 54,076 | 44,049 |
| | **Non-current assets** | **2,461,593** | **2,350,515** |
| | | | |
| (25) | Inventories | 761,659 | 741,597 |
| (26) | Trade receivables | 215,838 | 214,277 |
| (27) | Receivables from current taxes | 4,144 | 2,297 |
| (27) | Other current receivables | 92,436 | 98,934 |
| (26, 36, 37) | Securities and other financial assets | 42,812 | 79,008 |
| | Cash and cash equivalents | 163,080 | 169,259 |
| | **Current assets** | **1,279,969** | **1,305,372** |
| (28) | **Non-current assets held for sale** | **1,348** | **3,977** |
| | **Total assets** | **3,742,910** | **3,659,864** |
| | | | |
| | **Equity and liabilities** | | |
| | Issued capital | 117,527 | 117,527 |
| | Share premium | 1,075,422 | 1,086,017 |
| | Hybrid capital | 265,969 | 265,985 |
| | Retained earnings [1] | 760,389 | 657,377 |
| | Other reserves [1] | -230,955 | -234,296 |
| | Treasury stock | -49,858 | -4,862 |
| | **Controlling interests** | **1,938,494** | **1,887,748** |
| | Non-controlling interests | 586 | 23,491 |
| (29) | **Equity** | **1,939,080** | **1,911,239** |
| | | | |
| (32) | Deferred taxes | 75,021 | 71,630 |
| (31) | Employee-related provisions | 136,432 | 154,992 |
| (30) | Other non-current provisions | 83,622 | 76,453 |
| (33, 35, 37) | Long-term financial liabilities | 710,590 | 493,948 |
| (33) | Other non-current liabilities | 2,793 | 6,023 |
| | **Non-current provisions and liabilities** | **1,008,458** | **803,046** |
| | | | |
| (30) | Current provisions | 51,924 | 39,114 |
| (33) | Payables for current taxes | 22,531 | 11,399 |
| (33, 35-37) | Short-term financial liabilities | 126,907 | 320,724 |
| (33) | Trade payables | 326,890 | 321,533 |
| (33) | Other current liabilities | 267,120 | 252,809 |
| | **Current provisions and liabilities** | **795,372** | **945,579** |
| | **Total equity and liabilities** | **3,742,910** | **3,659,864** |

1) As of 1/1/2017, other reserves were retroactively reclassified to retained earnings.

# Consolidated Statement of Changes in Equity

| Notes | *in TEUR* | Issued capital | Share premium | Hybrid capital | Retained earnings |
|---|---|---|---|---|---|
| | **Balance on 31/12/2016** | **117,527** | **1,086,017** | **265,985** | **586,961** |
| *(7)* | **Adjustments [1)]** | | | | **-17,546** |
| | **Balance on 1/1/2017 adjusted** | **117,527** | **1,086,017** | **265,985** | **569,415** |
| | Profit/loss after tax | | | | 137,232 |
| *(38)* | Foreign exchange adjustments | | | | |
| | Foreign exchange adjustments to investments in associates and joint ventures | | | | |
| | Changes in hedging reserves | | | | |
| | Changes in other reserves | | | | |
| | **Total comprehensive income** | | | | **137,232** |
| *(29)* | Dividend payment/hybrid coupon | | | | -49,270 |
| | **Balance on 31/12/2017** | **117,527** | **1,086,017** | **265,985** | **657,377** |
| *(8)* | **Adjustments [2)]** | | | | **4,326** |
| | **Balance on 1/1/2018 adjusted** | **117,527** | **1,086,017** | **265,985** | **661,703** |
| | Profit/loss after tax | | | | 147,107 |
| *(38)* | Foreign exchange adjustments | | | | |
| | Foreign exchange adjustments to investments in associates and joint ventures | | | | |
| | Changes in hedging reserves | | | | |
| | Changes in other reserves | | | | |
| | **Total comprehensive income** | | | | **147,107** |
| *(29)* | Dividend payment/hybrid coupon | | | | -48,421 |
| *(29)* | Change in hybrid capital | | | -16 | |
| *(29)* | Decrease in non-controlling interests | | -10,595 | | |
| *(29)* | Changes in treasury stock | | | | |
| | **Balance on 31/12/2018** | **117,527** | **1,075,422** | **265,969** | **760,389** |

1) As of 1/1/2017, other reserves were retroactively reclassified to retained earnings. // 2) The balance on January 1 was restated due to the initial application of IFRS 9 and IFRS 15. // 3) "Available-for-sale financial instruments" refers to the classification of financial instruments according to IAS 39, which no longer applies in the reporting year due to the initial application of IFRS 9.

| Other reserves | | | | | | | |
|---|---|---|---|---|---|---|---|
| Actuarial gains/losses | AfS reserve [3] | Hedging reserve | Translation reserve | Treasury stock | Controlling interests | Non-controlling interests | Total |
| -84,309 | -234 | 48,173 | -186,133 | -4,862 | 1,829,125 | 19,831 | 1,848,956 |
| | | | 17,546 | | 0 | | 0 |
| -84,309 | -234 | 48,173 | -168,587 | -4,862 | 1,829,125 | 19,831 | 1,848,956 |
| | | | | | 137,232 | 3,402 | 140,634 |
| | | | -48,727 | | -48,727 | 486 | -48,241 |
| | | | 64 | | 64 | | 64 |
| | | 14,776 | | | 14,776 | | 14,776 |
| 5,288 | -740 | | | | 4,548 | -149 | 4,399 |
| 5,288 | -740 | 14,776 | -48,663 | | 107,893 | 3,739 | 111,632 |
| | | | | | -49,270 | -79 | -49,349 |
| -79,021 | -974 | 62,949 | -217,250 | -4,862 | 1,887,748 | 23,491 | 1,911,239 |
| | 974 | | | | 5,300 | | 5,300 |
| -79,021 | 0 | 62,949 | -217,250 | -4,862 | 1,893,048 | 23,491 | 1,916,539 |
| | | | | | 147,107 | -237 | 146,870 |
| | | | -446 | | -446 | 74 | -372 |
| | | | -9 | | -9 | | -9 |
| | | -9,516 | | | -9,516 | | -9,516 |
| 12,338 | | | | | 12,338 | | 12,338 |
| 12,338 | 0 | -9,516 | -455 | | 149,474 | -163 | 149,311 |
| | | | | | -48,421 | -120 | -48,541 |
| | | | | | -16 | | -16 |
| | | | | | -10,595 | -22,622 | -33,217 |
| | | | | -44,996 | -44,996 | | -44,996 |
| -66,683 | 0 | 53,433 | -217,705 | -49,858 | 1,938,494 | 586 | 1,939,080 |

# Notes to the Consolidated Financial Statements

## *General Information*

### 1. Basis for the preparation of the consolidated financial statements

Wienerberger AG, which is headquartered in Vienna, Austria, is the parent company of an international building materials group whose business activities are classified into six segments according to management responsibilities: Clay Building Materials Eastern Europe, Clay Building Materials Western Europe, Pipes & Pavers Eastern Europe, Pipes & Pavers Western Europe, North America and Holding & Others. The address of Wienerberger AG is Wienerbergstrasse 11, 1100 Vienna, Austria.

The consolidated financial statements were prepared pursuant to § 245a of the Austrian Commercial Code and in accordance with the International Financial Reporting Standards (IFRS) and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) applicable as of the balance sheet date and adopted by the European Union (EU). Wienerberger applied all International Financial Reporting Standards published by the International Accounting Standard Board (IASB) for mandatory application in 2018. Independent auditors have examined the annual financial statements of all major Austrian and foreign companies to confirm their compliance with International Financial Reporting Standards.

In principle, the annual financial statements are based on amortized acquisition and production costs and were prepared as of the balance sheet date, the only exception being certain financial instruments, such as derivatives and equity instruments, which are accounted for at fair value. Deferred taxes are determined on the basis of temporary differences and re-evaluated at every balance sheet date. In addition, defined benefit pension and severance compensation plans are recognized and measured according to the projected unit credit method. The income statement is prepared in accordance with the cost of sales method; the reconciliation to the total cost method is provided in the Notes.

With a few exceptions as noted, the consolidated financial statements are presented in thousand euros.

### 2. Consolidated companies

The list of companies at the end of the Notes provides an overview of the fully consolidated subsidiaries, joint ventures included at equity, associates and investments that are not fully consolidated for materiality reasons. The following table shows the changes in the scope of consolidation of the Wienerberger Group during the reporting year and comprises subsidiaries as well as associates and joint ventures accounted for at equity:

| Consolidated companies | Full consolidation | Equity consolidation |
|---|---|---|
| **Balance on 31/12/2017** | **150** | **4** |
| Included during reporting year for the first time | 20 | 1 |
| Merged/liquidated during reporting year | -13 | 0 |
| **Balance on 31/12/2018** | **157** | **5** |
| Thereof foreign companies | 135 | 5 |
| Thereof domestic companies | 22 | 0 |

***Subsidiaries***

In addition to Wienerberger AG, the 2018 consolidated financial statements include 22 (2017: 22) Austrian and 135 (2017: 128) foreign subsidiaries over which Wienerberger AG exercises control. Subsidiaries are fully consolidated as of the date control is obtained and deconsolidated when control ceases to exist. In accordance with IFRS 10, control is considered to exist when Wienerberger has power over the subsidiary and can use this power to influence the company's financial and operating policies. Six subsidiaries were not consolidated in 2018 (2017: 7) because their influence on the Group's assets, liabilities, financial position and profit or loss is immaterial for a true and fair view.

***Investments in associates and joint ventures***

The 2018 consolidated financial statements of Wienerberger AG include four investments in joint ventures (2017: 3) and one investment (2017: 1) in an associate that are accounted for at equity. In accordance with the criteria of IFRS 11, Schlagmann Poroton GmbH & Co KG, Silike keramika, spol. s.r.o. and TV Vanheede-Wienerberger are to be classified as joint ventures, because these companies are managed jointly with a partner of equal rights. Wienerberger holds 50% in these joint ventures. Moreover, Wienerberger acquired a 30% stake in Interbran Baustoff GmbH, which is also classified as a joint venture on account of its joint management. Part of the purchase price is conditional on the achievement of defined research and development targets over a period of not more than five years and was therefore recognized as a contingent liability of TEUR 6,000. The following table shows the values (100%) from the date of acquisition resulting from the aggregation of the joint ventures:

| *in TEUR* | **2018** | **2017** |
|---|---|---|
| Revenues | **94,912** | 88,124 |
| EBITDA | **12,625** | 16,227 |
| Operating EBIT | **8,314** | 12,314 |
| Profit/loss after tax | **3,319** | 8,418 |
| Total comprehensive income after tax | **3,315** | 8,727 |

| **Assets** *in TEUR* | **31/12/2018** | **31/12/2017** | **Equity and liabilities** *in TEUR* | **31/12/2018** | **31/12/2017** |
|---|---|---|---|---|---|
| Non-current assets | **52,005** | 46,960 | Equity | **23,232** | 22,737 |
| Current assets | **37,977** | 31,701 | Non-current provisions and liabilities | **25,037** | 22,582 |
| | | | Current provisions and liabilities | **41,713** | 33,342 |
| | **89,982** | **78,661** | | **89,982** | **78,661** |

A detailed breakdown of the contributions to earnings and the total assets of the associate Fornaci Giuliane S.r.l. is not provided, as these amounts are immaterial for the Wienerberger Group.

## 3. Acquisitions and disposals of companies

In January 2018, Wienerberger acquired the Austrian clay block plant Brenner. In the course of the purchase price allocation, goodwill of TEUR 2,018 was identified and recognized in the Clay Building Materials Eastern Europe reporting segment.

Effective as of February 15, 2018, the option for the acquisition of the non-controlling interests in Tondach Gleinstätten AG was exercised. The purchase price for the remaining 17.81% of the shares amounted to TEUR 30,100 and was recognized in equity as the disposal of non-controlling interests in the amount of TEUR 22,622. The difference and the derecognition of the positively valued derivative for the option to buy the non-controlling interests in a total amount of TEUR 10,595 were booked against the capital reserve.

In mid-June 2018, Wienerberger acquired Daas Baksteen, a producer of facing bricks in the Netherlands. The badwill of TEUR 1,164 established in the course of the purchase price allocation was immediately recognized in other operating income in the Clay Building Materials Western Europe segment.

In July 2018, the acquisition of Isoterm AS, a Norwegian producer of frost-resistant and pre-insulated plastic pipes, was signed. In the course of the purchase price allocation, goodwill of TEUR 293 was identified and recognized in the Pipes & Pavers Western Europe reporting segment.

At the end of July 2018, a paver plant in Romania was acquired. Its goodwill, quantified at TEUR 920, is allocated to the Pipes & Pavers Eastern Europe reporting segment.

At the end of September 2018, Deko Beheer BV, a facing brick producer in the Netherlands, was acquired. The negative difference of TEUR 882 determined in the course of the purchase price allocation was immediately recognized in other operating income in the Clay Building Materials Western Europe segment.

The purchase of Watsontown Brick Company, a US producer of facing bricks in Pennsylvania, was concluded on December 31, 2018. The company's balance sheet was recognized on the basis of a preliminary purchase price allocation.

The 100% takeover of the companies involved net cash payments of TEUR 65,001. An amount of TEUR 3,150 was recognized under other liabilities for Brenner and Deko Beheer BV. Furthermore, the remaining purchase price for the clay block plant in Germany taken over in the previous year was paid.

The sale agreement for the operations of Semmelrock Stein + Design GmbH & CoKG, a company based in Austria, was concluded on May 2, 2018. The divestment of non-current assets of TEUR 17,528, comprising mainly production facilities and a plot of land, was recognized as of that date. The disposal of current assets of TEUR 9,115 primarily resulted from inventories at the sites concerned. Liabilities and provisions in a total amount of TEUR 8,174 were transferred as well. The transaction resulted in income of TEUR 2,440 recognized in other operating income.

From January 1, 2018 to December 31, 2018, the acquired companies contributed TEUR 69,591 to revenues and TEUR 11,330 to EBITDA. Since the date of the initial consolidation, they have contributed TEUR 36,612 to revenues and TEUR 5,412 to EBITDA. Transaction costs for the acquisitions, recognized under administrative expenses, amounted to a total of TEUR 1,231.

The reconciliation of the carrying amounts to Group amounts is shown in the following table:

| *in TEUR* | Carrying amounts | Adjustments | Total |
|---|---|---|---|
| Intangible assets | 2,475 | 6,504 | **8,979** |
| Property, plant and equipment and financial assets | 51,890 | 10,903 | **62,793** |
| Deferred taxes | 527 | -527 | **0** |
| **Non-current assets** | **54,892** | **16,880** | **71,772** |
| Inventories | 19,310 | -643 | **18,667** |
| Trade receivables | 8,823 | -2 | **8,821** |
| Other current receivables | 3,246 | 64 | **3,310** |
| **Current assets** | **31,379** | **-581** | **30,798** |
| Deferred taxes | 548 | 3,838 | **4,386** |
| Non-current provisions | 939 | 342 | **1,281** |
| Long-term financial liabilities | 744 | -744 | **0** |
| Other non-current liabilities | 0 | 179 | **179** |
| **Non-current provisions and liabilities** | **2,231** | **3,615** | **5,846** |
| Current provisions | 168 | 481 | **649** |
| Short-term financial liabilities | 16,754 | 743 | **17,497** |
| Trade payables | 5,083 | 0 | **5,083** |
| Other current liabilities | 4,844 | 154 | **4,998** |
| **Current provisions and liabilities** | **26,849** | **1,378** | **28,227** |
| **Net assets** | **57,191** | **11,306** | **68,497** |
| Goodwill | | | **3,231** |
| Badwill | | | **-2,046** |
| Cash and cash equivalents | | | **-1,531** |
| Purchase price liabilities | | | **-3,150** |
| Payments made for companies acquired in previous periods | | | **8,087** |
| **Net payments made for acquisitions** | | | **73,088** |

## 4. Methods of consolidation

The acquisition method of accounting is applied to all fully consolidated companies. According to this method, the compensation transferred in exchange for the investment is compared with the revalued net assets (shareholders' equity) of the acquired company on the date of purchase. All identifiable assets, liabilities and contingent liabilities are initially recognized at fair value in accordance with IFRS 3; any remaining positive difference between the purchase price and revalued pro-rata equity is recognized in local currency as goodwill in the relevant segment. Negative differences are recognized in the income statement under other operating income. Goodwill and intangible assets with an indefinite useful life are tested for impairment at least once each year together with the cash-generating unit to which they are allocated and reduced to the lower applicable recoverable amount in the event of impairment. Impairment tests are also performed more frequently if there are indications of a lasting decline in the value of a cash-generating unit during the financial year (see Note 5. Accounting and valuation principles and Note 23. Non-current assets).

Revenues, income and expenses as well as receivables and liabilities arising between consolidated companies are eliminated. Intercompany gains and losses from the sale of goods or services between Group companies that affect current or non-current assets are eliminated, unless they are immaterial.

The basic methodology of consolidation applies to associates and joint ventures consolidated at equity; local valuation methods are retained if the variances are immaterial.

## 5. Accounting and valuation principles

The accounting and valuation principles that form the basis for these consolidated financial statements remain unchanged in comparison with the previous year and were extended to include the new IFRSs to be applied on a mandatory basis as of the financial year (see Note 8. Effects of new and revised standards). A detailed description of the accounting and valuation principles can be found beginning on page 193.

## 6. Estimates and judgements

In preparing the consolidated financial statements, management must make estimates and judgements that influence the recognition and measurement of assets, liabilities and contingent liabilities, the disclosure of other obligations as of the balance sheet date, and the recognition of revenues and expenses during the reporting period. The actual figures may differ from management estimates.

For example, the valuation of pension plans and severance claims by actuaries include assumptions concerning the expected discount rate, increase in salaries and pensions, employee turnover rates and the development of the costs of medical care. Detailed information on the parameters used is provided in Note 31. Employee benefits. This Note also includes a sensitivity analysis of the defined benefit obligations.

The useful life of property, plant and equipment is also determined on the basis of estimates which, in this case, are derived from experience with the operation of comparable equipment. A table showing the ordinary useful lives of these assets can be found on page 194.

Provisions for site restorations are based on the best possible estimate of the expected costs of recultivating depleted clay pits as well as long-term discount rates, considering the respective national inflation rates.

The measurement of deferred tax assets requires assumptions regarding the future taxable income and the time of realization of the deferred tax assets. However, given the fact that the future development of business cannot be predicted with certainty and is not entirely within Wienerberger's control, the valuation of deferred taxes is uncertain.

The Wienerberger Group issues various types of product warranties, depending on the respective product segment and on market conditions. In principle, the recognition and measurement of provisions for warranties/guarantees relate to estimates of the frequency and amount of losses. These estimates are based on historical records of the occurrence and scope of guarantee cases as well as the best possible management estimates of payments to be made in guarantee cases. The provisions are adjusted regularly to reflect new information.

In particular, impairment testing of goodwill and other assets involves estimates and forward-looking assumptions by management concerning the expected cash surpluses and the cost of capital for the Wienerberger Group and its cash-generating units during the planning period. The estimates made during the preparation of these consolidated financial statements reflect the best knowledge and belief of management on a going-concern basis. They draw on past experience and take account of the remaining degree of uncertainty. A sensitivity analysis was performed to show the influence of changes in macroeconomic parameters on forecasts for the income statement. This analysis is explained in detail in Note 23. Non-current assets.

## 7. Restatements

In the reporting year, Wienerberger performed a retroactive reclassification in equity. This resulted from the ex-post settlement of foreign exchange differences of individual shareholder loans. In the opening balance sheet of the prior period (1/1/2017) the difference from currency translation was retroactively increased in equity by TEUR 17,546, while retained earnings were reduced by the same amount. The amount reflects the cumulative result of reclassification effects (recycling) from prior periods.

## 8. Effects of new and revised standards

The following table provides an overview of the new standards and interpretations published by the IASB as of the balance sheet date:

| Standards/Interpretations | | Published by IASB | Mandatory first-time adoption | |
|---|---|---|---|---|
| | Annual Improvements to IFRSs 2014 - 2016 Cycle | December 2016 | 1/1/2017 / 1/1/2018 | 1) |
| IFRS 9 | Financial Instruments | July 2014 | 1/1/2018 | 1) |
| IFRS 15 | Revenue from Contracts with Customers | May 2014/ September 2015 | 1/1/2018 | 1) |
| IFRS 15 | Revenue from Contracts with Customers – Clarification | April 2016 | 1/1/2018 | 1) |
| IFRS 2 | Share-based Payments – Amendments | June 2016 | 1/1/2018 | 1) |
| IFRS 4 | Insurance Contracts – Amendments | September 2016 | 1/1/2018 | 1) |
| IAS 40 | Investment Property: Amendments | December 2016 | 1/1/2018 | 1) |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration | December 2016 | 1/1/2018 | 1) |
| IFRS 16 | Leases | January 2016 | 1/1/2019 | 1) |
| IFRS 9 | Financial Instruments – Amendments | October 2017 | 1/1/2019 | 1) |
| IFRIC 23 | Uncertainty over Income Tax Treatments | June 2017 | 1/1/2019 | 1) |
| IAS 28 | Long-term Interests in Associates and Joint Ventures – Amendments | October 2017 | 1/1/2019 | |
| | Annual Improvements to IFRSs 2015 - 2017 Cycle | December 2017 | 1/1/2019 | |
| IAS 19 | Employee Benefits – Amendments | February 2018 | 1/1/2019 | |
| Framework | Framework – Amendments | March 2018 | 1/1/2020 | |
| IFRS 3 | Business Combinations – Amendments | October 2018 | 1/1/2020 | |
| IAS 1, IAS 8 | Definition of Materiality – Amendments | October 2018 | 1/1/2020 | |
| IFRS 17 | Insurance Contracts | May 2017 | 1/1/2021 | |

1) Mandatory effective date according to European Union directive.

***New and amended standards and interpretations published that were adopted by the EU***

The 2014 - 2016 improvements cycle comprises clarifications in connection with investments in other entities and in associates according to IFRS 12 and IAS 28. In addition, certain exemptions under IFRS 1 for first-time adopters, which are not relevant for Wienerberger, were deleted. The amendments to IFRS 12 are effective for annual periods beginning on or after January 1, 2017; amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018.

The new standards IFRS 15 Revenue from Contracts with Customers and the clarifications on IFRS 15 as well as IFRS 9 Financial Instruments have to be applied for the first time for reporting periods beginning on or after January 1, 2018. Details on the effects of these standards are contained in the chapters "First-time adoption of IFRS 15 Revenue from Contracts with Customers" and "First-time adoption of IFRS 9 Financial Instruments".

The amendments to IFRS 2 Share-based Payment concern the consideration of settlement conditions within the framework of the measurement of share-based payments with cash settlement. Share-based payments providing for net settlement of taxes to be withheld are classified as equity-settled share-based payments. Moreover, the amendments clarify the recognition of a change in conditions, if it changes the classification from cash-settled payment to equity-settled payment.

The amendments to IFRS 4 Insurance Contracts, addressing issues arising from the implementation of IFRS 9 Financial Instruments in insurance contracts, were published in September 2016. These amendments are of no relevance to Wienerberger.

In December 2016, amendments to IAS 40 were published, which clarify the requirements on transfers to, or from, investment property so that now an investment property under construction may also fall under the rules of IAS 40. These amendments are effective for periods beginning on or after January 1, 2018.

Moreover, IFRIC 22 Foreign Currency Transactions and Advance Consideration was issued in December 2016. This interpretation clarifies that the date of transaction, for the purpose of determining the exchange rate of a non-monetary asset, is the date of initial recognition. This interpretation is effective for annual reporting periods beginning on or after January 1, 2018.

IFRS 16 Leases was published in January 2016 and will replace IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. Wienerberger will adopt the new standard as of January 1, 2019 and elect to apply the modified retrospective approach as a transitional method. The cumulative impact of applying the new standard is recognized in retained earnings in the opening balance and a restatement of the comparative period 2018 is not required. The objective of the new standard is to ensure that all leases and the related contractual rights and obligations are recognized as right-of-use asset and lease liability on the lessee's balance sheet, which will eliminate the need to distinguish between operating leases and financing leases in the future. For most of the expenses for operating leases previously recognized in the consolidated income statement, Wienerberger will therefore book a depreciation for right-of-use assets and interest expenses from lease liabilities.

Upon first-time adoption, Wienerberger reviews all contracts to establish if they contain a lease according to IFRS 16. Therefore, Wienerberger does not elect to apply this standard to contracts previously classified as leases according to IAS 17 and IFRIC 4.

The exemptions regarding short-term leases for a term of not more than twelve months and leases of low-value assets will be applied by Wienerberger, which means that neither a right-of-use asset nor a lease liability will be recognized. Instead, payments made for such leases will continue to be recognized as expenses for rental and leasing charges.

Based on information currently available, lease liabilities will increase by MEUR 162.5 and the right-of-use asset by MEUR 156.1 as of January 1, 2019. For individual lease contracts, amortized book values will be determined for the right-of-use asset. This is based on the assumption that IFRS 16 is applied as of conclusion of the contract. The resulting difference of MEUR 6.4 (before deferred taxes) is recognized in equity as an adjustment of retained earnings in the opening balance sheet.

As a consequence of the adoption of IFRS 16, EBITDA will improve and depreciation and interest expense will increase. Cash flow from operating activities will increase as rental and lease expenses are no longer incurred. Cash flow from financing activities will decrease due to cash outflow for the repayment of lease liabilities. As liabilities for leases increase, Wienerberger's net debt and gearing will rise. The covenants agreed upon with financial institutions were re-negotiated accordingly.

Book values from existing finance lease contracts are carried forward unchanged. The Wienerberger Group's activities as a lessor are immaterial.

The amendments to IFRS 9 Financial Instruments were published in October 2017 and provide for adjustments to the assessment criteria for the classification of financial assets. Under certain conditions, financial assets with prepayment features with negative compensation may be accounted for at amortized cost or at fair value in other comprehensive income. Moreover, the amendment clarifies that the amortized cost of modified financial liabilities, which do not lead to derecognition, have to be adjusted directly in profit or loss. The amendments are to be applied retroactively as of January 1, 2019.

IFRIC 23 Uncertainty over Income Tax Treatments, containing additional provisions on IAS 12 Income Taxes, was published in June 2017. This interpretation clarifies uncertainties over the treatment of income taxes in financial statements prepared according to IFRS.

***New and amended standards and interpretations published, but not yet adopted by the EU***

The amendments to IAS 28 clarify that IFRS 9 has to be applied to long-term investments in associates or joint ventures not accounted for at equity. Subject to adoption by the EU, these amendments also have to be applied as of January 1, 2019.

The 2015 - 2017 improvements cycle contains clarifications regarding business combinations according to IFRS 3 and joint arrangements according to IFRS 11. In detail, the clarifications relate to the remeasurement of previously held interests upon transfer of control or joint management of a business in which an interest was previously held within the framework of a joint activity. Moreover, the improvements cycle contains clarifications on IAS 12 Income Taxes regarding the fiscal consequences of dividend payments and on IAS 23 Borrowing Costs regarding the determination of borrowing rates. Subject to adoption by the EU, these amendments will be effective as of January 1, 2019.

The amendments to IAS 19 Employee Benefits, published in February 2018, clarify that the current service cost and the net interest for the rest of the period are to be recognized on the basis of updated assumptions after plan amendments, curtailments or settlements. Subject to adoption by the EU, the amendments are to be applied as of January 1, 2019.

A revised Conceptual Framework for Financial Reporting was published in March 2018. It is intended to help preparers of financial statements to develop accounting methods for transactions not covered by IFRS standards and interpretations. Moreover, it is to assist the IASB in developing standards and interpretations that are based on consistent concepts.

The amendments to IFRS 3 Business Combinations, which were published in October 2018, are intended to clarify the standard through an adjusted definition of a business as well as additional requirements and examples. The amended definition is to be applied to business combinations, provided the time of acquisition is on or after January 1, 2020.

The amendments to IAS 1 and IAS 8 were also published in October 2018. These amendments specify and harmonize the definition of materiality of disclosures in the notes to financial statements. They enter into force as of January 1, 2020.

In May 2017 the IASB published IFRS 17 Insurance Contracts, a new standard which replaces IFRS 4 and clarifies the accounting treatment of insurance and reinsurance contracts. Given that Wienerberger holds neither insurance nor reinsurance contracts as an insurer, the new standard is of no relevance to the financial statements of the Group.

***First-time adoption of IFRS 15 Revenue from Contracts with Customers***

IFRS 15 Revenue from Contracts with Customers defines the timing and the amount of revenue recognition, regardless of different types of contracts and performance obligations. Revenue is determined on the basis of a five-step process, starting with the identification of the contract and the performance obligations contained therein. After the determination of the transaction price and its allocation to the separate performance obligations, the time of satisfaction of the performance obligation must be determined in order to recognize the revenue.

Wienerberger applied IFRS 15 Revenue from Contracts with Customers for the first time on the basis of the cumulative method. The cumulative effect of first-time adoption as of January 1, 2018 was recognized in retained earnings and concerned contracts not yet concluded at the balance sheet date of December 31, 2017. Therefore, the comparative period of 2017 was not restated. The equity-increasing effect recognized in retained earnings amounted to TEUR 315 after tax. It resulted entirely from earlier revenue recognition from products without alternative use according to IFRS 15.35 lit. c).

The following table shows the effects of first-time adoption of IFRS 15 Revenue from Contracts with Customers on the opening balance as at January 1, 2018.

| *in TEUR* | 31/12/2017 | Adjustments IFRS 15 | 1/1/2018 |
|---|---|---|---|
| **Assets** | | | |
| Inventories | 741,597 | -739 | **740,858** |
| Trade receivables | 214,277 | 1,161 | **215,438** |
| Deferred tax assets | 44,049 | -39 | **44,010** |
| **Equity and liabilities** | | | |
| Retained earnings | 674,923 | 315 | **675,238** |
| Deferred taxes | 71,630 | 68 | **71,698** |

According to the new standard, revenue is recognized at the time of transfer of control of the goods or services to the customer. For production contracts according to IFRS 15.35 lit. c), the transfer of control occurs upon production, as the customer acquires control of the unfinished goods already during the production process. According to IFRS 15, revenue from such contracts is recognized over a period of time, as the products manufactured are customer-specific and have no alternative use, and Wienerberger has an enforceable right to payment against the customer. In brick and ceramic pipe business as well as in concrete paver business, the production period of such construction contracts usually extends over a few days to several weeks.

In plastic pipe operations, revenue and costs resulting from contracts for the production of LLLD (long-length-large-diameter) pipes were recognized according to IAS 11 up to December 31, 2017, depending on the percentage of completion. According to IFRS 15 as well, revenue from such production contracts is to be recognized over a period of time, which means that the adoption of the new standard has not entailed a change in accounting.

Apart from the sale of products, Wienerberger also provides services for customers. Within the framework of Building Information Modelling, for instance, 3D models for building design are generated. Wienerberger receives an all-in service fee for services provided within the framework of Building Information Modelling projects, such as noise measurement or landscape valuation. According to IFRS 15, revenue from Building Information Modelling projects is to be recognized over a period of time, as Wienerberger has no alternative use for the asset produced and has an enforceable right to payment for services already provided.

Up to December 31, 2017, a provision was set up at the end of the year for returnable pallets in the amount of the profit contribution of the expected returns through a revenue adjustment. According to IFRS 15, variable consideration, such as expected returns, is allowed to be recognized in revenue only to the extent to which it is highly probable that no significant reversal of such revenue will occur in the future. Returns therefore have to be estimated and revenue has to be reduced by a refund liability in the amount of the expected payments to the customer. At the same time, a return asset is recognized from expected returns at the former book value less expected costs to recover the goods and potential impairments. Compared to the accounting logic previously applied, this results in a higher reduction in revenue, which is, however, offset by an adjustment of the cost of goods sold. Recognition in gross amounts results in an increase in total assets. The refund liability is shown under other current liabilities, whereas the asset for the right to recover products from customers is reported under other current receivables.

In contracts with wholesalers, above all, contributions to advertising costs were identified which, according to IFRS 15, have to be recognized as revenue reductions, unless they concern distinct goods or services. This results in a shift between selling expenses and revenues and therefore in a change in presentation in the consolidated income statement, as compared to the previously applied rules.

The following tables show the effects of these changes on the financial statements as at December 31, 2018. The effects on the consolidated statement of cash flows as at December 31, 2018, which concern shifts between changes in inventories, trade payables and receivables, and net current assets, are immaterial.

| **1-12/2018**<br>*in TEUR* | **As reported** | **Adjustments IFRS 15** | **Without adoption of IFRS 15** |
|---|---|---|---|
| Revenues | 3,305,079 | 7,228 | **3,312,307** |
| Cost of goods sold | -2,146,319 | -4,725 | **-2,151,044** |
| Gross profit | 1,158,760 | 2,503 | **1,161,263** |
| Selling expenses | -637,162 | -2,699 | **-639,861** |
| Operating profit/loss (EBIT) | 239,808 | -196 | **239,612** |
| Profit/loss before tax | 195,345 | -196 | **195,149** |
| Income taxes | -48,475 | -107 | **-48,582** |
| Profit/loss after tax | 146,870 | -303 | **146,567** |
| Total comprehensive income after tax | 149,311 | -303 | **149,008** |

| 31/12/2018 *in TEUR* | As reported | Adjustments IFRS 15 | Without adoption of IFRS 15 |
|---|---|---|---|
| Deferred tax assets | 54,076 | 0 | **54,076** |
| **Non-current assets** | **2,461,593** | **0** | **2,461,593** |
| Inventories | 761,659 | 2,031 | **763,690** |
| Trade receivables | 215,838 | -2,649 | **213,189** |
| Other current receivables | 92,436 | -10,215 | **82,221** |
| **Current assets** | **1,279,969** | **-10,833** | **1,269,136** |
| **Total assets** | **3,742,910** | **-10,833** | **3,732,077** |
| | | | |
| Retained earnings | 760,389 | -618 | **759,771** |
| **Equity** | **1,939,080** | **-618** | **1,938,462** |
| Deferred taxes | 75,021 | 0 | **75,021** |
| **Non-current provisions and liabilities** | **1,008,458** | **0** | **1,008,458** |
| Current provisions | 51,924 | 2,466 | **54,390** |
| Other current liabilities | 267,120 | -12,681 | **254,439** |
| **Current provisions and liabilities** | **795,372** | **-10,215** | **785,157** |
| **Total equity and liabilities** | **3,742,910** | **-10,833** | **3,732,077** |

***First-time adoption of IFRS 9 Financial Instruments***

In November 2009, the project of replacing IAS 39 Financial Instruments by IFRS 9 Financial instruments resulted in a first publication dealing with the recognition and measurement of financial instruments. Further IFRS 9 rules followed in 2010 and 2013, and the final version was published in July 2014. After the adoption of IFRS 9 by the EU at the end of 2016, the new standard is to be applied for the first time to reporting periods starting on or after January 1, 2018. Wienerberger applies the changes resulting from IFRS 9 prospectively, with changes in the value of financial assets recognized in retained earnings in the opening balance as at January 1, 2018.

The following table shows the effects of first-time adoption of IFRS 9 Financial Instruments on the opening balance as at January 1, 2018:

| *in TEUR* | 31/12/2017 | Adjustments IFRS 9 | 1/1/2018 |
|---|---|---|---|
| **Assets** | | | |
| Other financial investments and non-current receivables | 16,708 | 6,687 | **23,395** |
| Trade receivables | 214,277 | -1,724 | **212,553** |
| Securities and other financial assets | 79,008 | -108 | **78,900** |
| **Equity and liabilities** | | | |
| Retained earnings | 674,923 | 4,011 | **678,934** |
| Other reserves | -251,842 | 974 | **-250,868** |
| Deferred taxes | 71,630 | -130 | **71,500** |

The most important changes concern the classification and subsequent measurement of financial assets. According to the new allocation criteria, the characteristics of the financial instrument are of primary importance, as they determine the method of measurement of debt and equity instruments as well as derivatives. Another criterion is the business model underlying the financial instrument. It requires the company to define if the financial instrument is held for trading or to maturity or if a mixed model is used. The following methods of classification and measurement are applied, depending on the characteristics of the financial instrument: measurement at fair value through profit or loss (FVtPL), measurement at fair value through other comprehensive income (FVtOCI), and measurement at amortized cost (AC).

The classification and measurement of financial instruments according to IAS 39 and IFRS 9 are presented in the table below:

| Financial instrument<br>*in TEUR* | Classification and measurement according to IAS 39 | Classification and measurement according to IFRS 9 | Carrying amount IAS 39<br>31/12/2017 | Revaluation | Carrying amount IFRS 9<br>1/1/2018 |
|---|---|---|---|---|---|
| Investments in subsidiaries and other investments | Available-for-sale financial instruments at AC | FVtPL | 7,026 | 6,688 | **13,714** |
| Other non-current receivables | Loans and receivables at AC | AC | 3,250 | -1 | **3,249** |
| Loans granted | Loans and receivables at AC | AC | 25,328 | -108 | **25,220** |
| Trade receivables | Loans and receivables at AC | AC | 214,277 | -1,724 | **212,553** |
| Shares in funds | Available-for-sale financial instruments at FVtOCI | FVtPL | 28,370 | 0 | **28,370** |
| Stock | Available-for-sale financial instruments at FVtOCI | FVtPL | 13 | 0 | **13** |
| Other | Available-for-sale financial instruments at FVtOCI | FVtPL | 832 | 0 | **832** |

Non-current, non-consolidated investments as well as strategic investments are recognized in 'Investments in subsidiaries and other investments'. Under IAS 39, such financial instruments were allocated to the available-for-sale category and measured at cost. According to IFRS 9, equity instruments must be measured at fair value through profit or loss, which resulted in an upward adjustment by TEUR 6,688. According to IFRS 9 an entity may make an election to present in other comprehensive income the changes in the fair value of an investment in an equity instrument that is not held for trading. Wienerberger did not elect to make use of this option.

Securities and other financial assets recognized in current assets comprise shares in investment funds, stocks and other financial instruments held for short-term investment of liquidity and to cover pension and severance obligations. Under IAS 39, such financial instruments were classified at fair value as available for sale; changes in value, except for permanent impairments, were recognized in other comprehensive income. Under IFRS 9, shares in funds and other financial instruments which do not meet the SPPI criterion (solely payments of principal and interest) are measured at fair value through profit or loss and recognized in the financial result. As at December 31, 2017, no financial instrument held for trading was identified at Wienerberger.

Trade receivables and loans granted are measured at amortized cost and are subject to the new and extended IFRS 9 impairment rules, according to which current as well as future-oriented information on expected credit loss is to be taken into account for recognition and measurement. The adjustment of trade receivables by expected credit loss over the entire term of these financial instruments is performed through application of an impairment matrix, in which the expected defaults, depending on payment arrears, are weighted with the probability of occurrence of economic scenarios. Overall, the extended calculation led to an adjustment of trade receivables by TEUR -1,724. As regards loans granted, the general impairment rules apply, according to which an expected default initially has to be calculated for the coming 12 months. If the debtor's credit risk increases significantly, an expected default has to be determined over the entire term of the financial instrument. For the portfolio of loans granted and other non-current receivables as at December 31, 2017, an additional impairment charge of TEUR -109 was recognized, which mainly refers to the coming 12 months.

Another major change resulting from IFRS 9 concerns the revised hedge accounting rules. Proof of effectiveness is no longer subject to the range of 80% to 125% as specified by the standard setter according to IAS 39, but can be justified by the entity in qualitative terms. Wienerberger initially applied the hedge accounting rules according to IFRS 9 together with the rules on classification and measurement as well as the impairment rules of IFRS 9. The change had no impact on the opening balance as at January 1, 2018.

In the reporting year, the material impacts of first-time adoption of IFRS 9 were limited to the measurement of other non-current financial assets. These are financial assets previously measured at amortised cost in the IAS 39 category of "financial instruments available for sale", wich are now measured as equity instruments at fair value through profit or loss.

## 9. Operating segments

The definition of operating segments and the presentation of segment results are based on the management approach required by IFRS 8 and follow internal reports to the Managing Board of Wienerberger AG as the chief operating decision maker, i.e. the body that decides on the allocation of resources to the individual segments.

The business activities of the Wienerberger Group are managed on a regional basis; at the same time, their segmentation also reflects the different business areas. The Clay Building Materials Europe Division covers activities in the areas of clay blocks, facing bricks and roof tiles in two segments: Clay Building Materials Eastern Europe and Clay Building Materials Western Europe. The Pipes & Pavers Europe Division encompasses the activities of the plastic pipe producer Pipelife, the ceramic pipe producer Steinzeug-Keramo and the concrete paver producer Semmelrock; it is divided into the Pipes & Pavers Eastern Europe and Pipes & Pavers Western Europe segments. All activities in North America are grouped in the North America segment. The Holding & Others segment consists primarily of Wienerberger's brick business in India and activities at the corporate headquarters.

Reports to the responsible chief operating decision maker include EBITDA as the key indicator for the management of the operating segments as well as revenues, EBIT, operating EBIT, interest result and profit/loss after tax. Accordingly, these indicators are also presented in the segment report. The allocation of revenues, EBITDA, EBIT, operating EBIT, interest result, income taxes, profit/loss after tax, assets, liabilities, capital employed and capital expenditure is based on the headquarters of the individual companies.

The reconciliation of segment results to Group results only requires the elimination of revenues, income and expenses as well as receivables and liabilities arising between the operating segments. Wienerberger does not generate more than 10% of its revenues with any single external customer.

| Operating Segments<br>*in TEUR* | Clay Building Materials Eastern Europe 2018 | 2017 | Clay Building Materials Western Europe 2018 | 2017 | Pipes & Pavers Eastern Europe 2018 | 2017 |
|---|---|---|---|---|---|---|
| External revenues | **646,398** | 562,861 | **1,272,366** | 1,224,139 | **466,454** | 439,981 |
| Inter-company revenues [1] | **9,627** | 7,192 | **24,827** | 11,733 | **12,760** | 11,544 |
| Total revenues | **656,025** | 570,053 | **1,297,193** | 1,235,872 | **479,214** | 451,525 |
| EBITDA | **167,088** | 137,322 | **190,463** | 187,020 | **43,940** | 37,881 |
| Depreciation and amortization [2] | **-48,012** | -47,351 | **-69,094** | -91,984 | **-19,746** | -22,441 |
| Operating EBIT [3] | **119,076** | 89,971 | **121,369** | 95,036 | **24,194** | 15,440 |
| Impairment charges/ Reversal of impairment charges | **-7,973** | 0 | **-4,754** | -4,627 | **0** | -5,599 |
| Impairment charges to goodwill | **0** | 0 | **0** | 0 | **0** | 0 |
| EBIT | **111,103** | 89,971 | **116,615** | 90,409 | **24,194** | 9,841 |
| Income from investments in associates and joint ventures | **-37** | 111 | **1,799** | 4,098 | **0** | 0 |
| Investments in associates and joint ventures | **1,127** | 1,173 | **8,956** | 10,198 | **0** | 0 |
| Interest result | **-6,314** | -9,954 | **-14,195** | -23,831 | **-9,947** | -9,382 |
| Income taxes | **-14,570** | -12,443 | **-25,354** | -16,938 | **-2,975** | 1,640 |
| Profit/loss after tax | **88,105** | 66,188 | **74,642** | 50,648 | **10,189** | 1,019 |
| Liabilities | **472,609** | 318,063 | **961,261** | 870,459 | **224,030** | 224,644 |
| Capital employed | **454,426** | 471,681 | **1,101,302** | 1,051,748 | **251,145** | 262,411 |
| Assets | **1,064,593** | 817,184 | **1,735,611** | 1,632,386 | **366,747** | 373,741 |
| Non-current assets held for sale | **311** | 388 | **887** | 1,590 | **0** | 0 |
| Normal capex | **35,569** | 30,244 | **59,823** | 54,951 | **18,594** | 18,333 |
| Growth capex [4] | **41,463** | 8,177 | **53,857** | 2,742 | **15,002** | 2,819 |
| Ø Employees | **4,546** | 4,451 | **6,262** | 6,121 | **2,290** | 2,326 |

| Revenues<br>*in TEUR* | Clay Building Materials Eastern Europe 2018 | 2017 | Clay Building Materials Western Europe 2018 | 2017 | Pipes & Pavers Eastern Europe 2018 | 2017 |
|---|---|---|---|---|---|---|
| Austria | **99,123** | 86,149 | | | **128,496** | 140,585 |
| Czech Republic | **124,414** | 100,589 | | | **29,721** | 26,957 |
| Poland | **144,271** | 117,674 | | | **106,446** | 87,834 |
| Romania | **61,496** | 58,685 | | | **21,563** | 17,620 |
| Hungary | **61,799** | 51,404 | | | **52,464** | 41,427 |
| Germany | | | **234,871** | 233,709 | | |
| Great Britain | | | **322,731** | 310,246 | | |
| Belgium | | | **208,869** | 204,062 | | |
| Netherlands | | | **215,659** | 182,399 | | |
| France | | | **164,780** | 165,870 | | |
| Finland | | | **10,292** | 8,902 | | |
| Sweden | | | **9,176** | 8,292 | | |
| Norway | | | **11,109** | 11,874 | | |
| USA | | | | | | |
| Other countries | **155,617** | 148,899 | **95,407** | 99,243 | **127,764** | 125,564 |
| **Wienerberger Group** | **646,720** | **563,400** | **1,272,894** | **1,224,597** | **466,454** | **439,987** |

1) Inter-company revenues represent the revenues between fully consolidated, at-equity consolidated and unconsolidated Group companies. // 2) Including special write-downs // 3) Adjusted for impairment charges to assets and goodwill and reversal of impairment charges

| Pipes & Pavers Western Europe | | North America | | Holding & Others | | Reconciliation [5] | | Wienerberger Group | |
|---|---|---|---|---|---|---|---|---|---|
| 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| 603,639 | 574,175 | 306,808 | 308,738 | 8,326 | 8,582 | 0 | 0 | 3,303,991 | 3,118,476 |
| 3,673 | 7,331 | 12 | 315 | 16,862 | 14,734 | -66,673 | -51,618 | 1,088 | 1,231 |
| 607,312 | 581,506 | 306,820 | 309,053 | 25,188 | 23,316 | -66,673 | -51,618 | 3,305,079 | 3,119,707 |
| 34,211 | 31,813 | 43,206 | 32,043 | -36,282 | -11,060 | 0 | 0 | 442,626 | 415,019 |
| -29,019 | -27,159 | -25,142 | -29,020 | -3,375 | -2,882 | 0 | 0 | -194,388 | -220,837 |
| 5,192 | 4,654 | 18,064 | 3,023 | -39,657 | -13,942 | 0 | 0 | 248,238 | 194,182 |
| 740 | 0 | 0 | 0 | 3,557 | 1,055 | 0 | 0 | -8,430 | -9,171 |
| 0 | -6,339 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -6,339 |
| 5,932 | -1,685 | 18,064 | 3,023 | -36,100 | -12,887 | 0 | 0 | 239,808 | 178,672 |
| 0 | 0 | 0 | 0 | -61 | 0 | 0 | 0 | 1,701 | 4,209 |
| 0 | 0 | 0 | 0 | 12,017 | 0 | 0 | 0 | 22,100 | 11,371 |
| -6,198 | -7,972 | -5,651 | -6,054 | 3,043 | 21,042 | 0 | 0 | -39,262 | -36,151 |
| -3,035 | -7,041 | -363 | 31,980 | -2,178 | -1,442 | 0 | 0 | -48,475 | -4,244 |
| 6,025 | -5,980 | 10,750 | 27,716 | 64,802 | 106,008 | -107,643 | -104,965 | 146,870 | 140,634 |
| 432,460 | 405,693 | 178,674 | 164,703 | 1,295,643 | 1,075,109 | -1,760,847 | -1,310,046 | 1,803,830 | 1,748,625 |
| 317,474 | 301,023 | 411,761 | 364,928 | 587 | 7,456 | 0 | 0 | 2,536,695 | 2,459,247 |
| 723,319 | 725,698 | 471,054 | 434,076 | 4,463,258 | 4,262,402 | -5,081,672 | -4,585,623 | 3,742,910 | 3,659,864 |
| 150 | 1,994 | 0 | 0 | 0 | 5 | 0 | 0 | 1,348 | 3,977 |
| 25,633 | 23,900 | 14,254 | 11,692 | 12,384 | 8,347 | 0 | 0 | 166,257 | 147,467 |
| 14,315 | 12,858 | 28,140 | 32,251 | 6,078 | 0 | 0 | 0 | 158,855 | 58,847 |
| 1,892 | 1,884 | 1,380 | 1,305 | 226 | 210 | 0 | 0 | 16,596 | 16,297 |

| Pipes & Pavers Western Europe | | North America | | Holding & Others | | Wienerberger Group | |
|---|---|---|---|---|---|---|---|
| 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | | | | 290 | 375 | 227,909 | 227,109 |
| | | | | | | 154,135 | 127,546 |
| | | | | | | 250,717 | 205,508 |
| | | | | | | 83,059 | 76,305 |
| | | | | | | 114,263 | 92,831 |
| 43,792 | 43,050 | | | | | 278,663 | 276,759 |
| 10,399 | 10,368 | | | | | 333,130 | 320,614 |
| 94,340 | 73,444 | | | | | 303,209 | 277,506 |
| 89,131 | 86,538 | | | | | 304,790 | 268,937 |
| 32,318 | 49,483 | | | | | 197,098 | 215,353 |
| 69,104 | 65,762 | | | | | 79,396 | 74,664 |
| 89,746 | 91,110 | | | | | 98,922 | 99,402 |
| 120,146 | 105,302 | | | | | 131,255 | 117,176 |
| | | 277,942 | 277,338 | | | 277,942 | 277,338 |
| 54,663 | 49,118 | 28,865 | 31,400 | 8,275 | 8,435 | 470,591 | 462,659 |
| 603,639 | **574,175** | 306,807 | **308,738** | 8,565 | **8,810** | 3,305,079 | **3,119,707** |

4) Including investments in other financial assets // 5) The reconciliation column includes eliminations between Group companies.

| Products | EBITDA | | Total investments | |
|---|---|---|---|---|
| *in TEUR* | **2018** | 2017 | **2018** | 2017 |
| Wall | **153,883** | 120,376 | **80,807** | 41,693 |
| Facade | **132,031** | 109,984 | **102,272** | 66,145 |
| Roof | **103,950** | 121,587 | **45,366** | 29,356 |
| Pavers | **18,953** | 11,966 | **19,734** | 8,647 |
| Pipes | **72,673** | 64,007 | **58,925** | 52,706 |
| Other | **-38,864** | -12,901 | **18,008** | 7,767 |
| **Wienerberger Group** | **442,626** | **415,019** | **325,112** | **206,314** |

## *Notes to the Consolidated Income Statement*

### 10. Revenues

In the year under review, consolidated revenues increased by 6% to TEUR 3,305,079, including negative effects from currency translation in the amount of TEUR 49.201. Group revenues include revenues in the amount of TEUR 20.611 (2017: TEUR 14.240) from construction contracts. Detailed information on revenues by region is provided in the presentation of operating segments on pages 144 and 145.

The Wienerberger Group generates revenues from the sale of building material solutions for different fields of application. As a rule, revenue is recognized at the time of delivery and, consequently, the transfer of control of the product to the buyer, which usually corresponds to the time of delivery agreed upon in the delivery terms.

The goods are delivered to the customer by Wienerberger's own means of transport or by carriers contracted by Wienerberger. Transport revenues are recognized as part of external revenues, while transport-related expenses are recognized under cost of goods sold (in gross amounts).

Revenue is adjusted for expected returns and customer bonuses or discounts. Return obligations arise primarily from returnable packaging material, such as pallets. Expected returns are estimated mainly on the basis of historic data of recent years.

In international project business with LLLD (long-length large-diameter) pipes, revenue is recognized over a period of time. In the brick business as well, revenue from individual contracts is recognized over a period of time. This applies, for instance, to customer-specific production or so-called "heritage" products. However, the period of production for such contracts usually does not extend beyond a few days or weeks. Progress made in contract execution during the reporting period is calculated by means of output-oriented methods, for instance on the basis of the volume produced relative to the total volume ordered.

Apart from the sale of products, Wienerberger also provides services for customers within the framework of Building Information Modelling. The current contributions to revenues from such services are immaterial.

The period of time between the transfer of goods and/or services to the buyer and the due date of the receivable usually is less than one year. Wienerberger therefore makes use of the practical expedient not to adjust revenues by a significant financing component. The time of settlement of the receivables depends on the agreed payment terms.

External revenues, broken down by the most important product groups – after reconciliation to the reporting segments – are as follows:

| 1-12/2018 *in TEUR* | Clay Building Materials Eastern Europe | Clay Building Materials Western Europe | Pipes & Pavers Eastern Europe | Pipes & Pavers Western Europe | North America | Holding & Others [1] | Wienerberger Group |
|---|---|---|---|---|---|---|---|
| Wall | 444,646 | 333,952 | 1,611 | 0 | 18,363 | 7,567 | **806,139** |
| Facade | 18,499 | 578,667 | 676 | 0 | 215,183 | 281 | **813,306** |
| Roof | 183,046 | 359,747 | 0 | 0 | 0 | 426 | **543,219** |
| Pavers | 8 | 0 | 121,370 | 0 | 503 | 0 | **121,881** |
| Pipes | 199 | 0 | 342,797 | 603,639 | 72,759 | 0 | **1,019,394** |
| Other | 0 | 0 | 0 | 0 | 0 | 52 | **52** |
| **Total** | **646,398** | **1,272,366** | **466,454** | **603,639** | **306,808** | **8,326** | **3,303,991** |

| 1-12/2017 *in TEUR* | Clay Building Materials Eastern Europe | Clay Building Materials Western Europe | Pipes & Pavers Eastern Europe | Pipes & Pavers Western Europe | North America | Holding & Others [1] | Wienerberger Group |
|---|---|---|---|---|---|---|---|
| Wall | 368,105 | 326,954 | 2,995 | 0 | 18,649 | 7,431 | **724,134** |
| Facade | 20,289 | 526,110 | 745 | 0 | 212,736 | 694 | **760,574** |
| Roof | 174,304 | 371,075 | 0 | 0 | 0 | 311 | **545,690** |
| Pavers | 4 | 0 | 112,385 | 0 | 578 | 0 | **112,967** |
| Pipes | 159 | 0 | 323,856 | 574,175 | 76,775 | 0 | **974,965** |
| Other | 0 | 0 | 0 | 0 | 0 | 146 | **146** |
| **Total** | **562,861** | **1,224,139** | **439,981** | **574,175** | **308,738** | **8,582** | **3,118,476** |

1) The Holding & Others segment includes the business activities in India.

Information on future revenues from contractual performance obligations not yet fulfilled at the balance sheet date is not provided, as customer contracts, as a rule, are executed within one year. For the same reason, Wienerberger makes use of the practical expedient not to capitalize contract costs, but to recognize them in expenses. These are mainly commissions paid to sales staff upon conclusion of customer contracts.

## 11. Material expenses

The cost of goods sold, selling and administrative expenses and other operating income and expenses include expenses for materials, maintenance, merchandise and energy:

| *in TEUR* | 2018 | 2017 |
|---|---|---|
| Cost of materials | 610,722 | 596,978 |
| Maintenance expenses | 127,135 | 126,680 |
| Cost of merchandise | 388,169 | 373,279 |
| Cost of energy | 262,905 | 264,247 |
| **Total** | **1,388,931** | **1,361,184** |

The reported expenses were increased by a change of TEUR 52,533 (2017: TEUR 34,173) in inventories of semi-finished and finished goods. This includes adjustments to the cost of goods sold resulting from the recognition of assets for the right to recover products returned from customers. Income of TEUR 2,829 (2017: TEUR 1,742) resulted from the capitalization of own work and a proportional share of borrowing costs related to the construction of qualified plant and equipment.

The cost of materials consists mainly of expenses for clay, sand, plastics, sawdust and other additives, as well as expenses for pallets and other packaging materials. Maintenance expenses comprise the use of maintenance materials and other low-value spare parts as well as third party services.

## 12. Depreciation, amortization, impairment charges and reversal of impairment charges

The cost of goods sold, selling and administrative expenses and other operating expenses for the reporting year include TEUR 186,465 (2017: TEUR 189,605) of scheduled depreciation and amortization as well as special write-downs in accordance with IAS 36 of TEUR 7,923 (2017: TEUR 31,232) from the mothballing of plants and/or lines. The impairment tests carried out in December 2018 (see Note 23. Non-current assets) led to the recognition of impairment charges in the total amount of TEUR 12,727 (2017: TEUR 16,565) to property, plant and equipment and intangible assets (including goodwill). The reversal of impairment charges in the amount of TEUR 4,297 (2017: TEUR 1,055) resulted mainly from the valuation of emission certificates.

Depreciation, amortization, impairments and reversal of impairment charges to intangible assets and property, plant and equipment are as follows:

| *in TEUR* | 2018 | 2017 |
|---|---|---|
| **Depreciation** | **186,465** | **189,605** |
| Special write-downs | **7,923** | 31,232 |
| **Depreciation and special write-downs** | **194,388** | **220,837** |
| Impairment charges to property, plant and equipment and intangible assets | **12,727** | 10,226 |
| Impairment charges to goodwill | **0** | 6,339 |
| **Impairment charges** | **12,727** | **16,565** |
| **Reversal of impairment charges** | **-4,297** | **-1,055** |
| **Depreciation, amortization, impairment charges and reversal of impairment charges** | **202,818** | **236,347** |

## 13. Personnel expenses

The cost of goods sold, selling and administrative expenses include the following personnel expenses:

| *in TEUR* | 2018 | 2017 |
|---|---|---|
| Wages | **324,910** | 320,879 |
| Salaries | **299,274** | 277,726 |
| Temporary workers | **28,802** | 25,194 |
| Expenses for long-term incentive programs | **3,214** | 3,312 |
| Expenses for severance payments (incl. voluntary severance payments) | **20,362** | 5,167 |
| Expenses for pensions | **18,478** | 18,705 |
| Expenses for statutory social security and payroll-related taxes and contributions | **134,759** | 127,259 |
| Other employee benefits (incl. anniversary bonuses) | **23,702** | 16,278 |
| **Personnel expenses** | **853,501** | **794,520** |

The fixed remuneration components paid out to the members of the Managing Board totaled TEUR 1,401 in 2018 (2017: TEUR 1,290). Moreover, the Managing Board acquired entitlements in the amount of TEUR 2,474 (2017: TEUR 3,689) from variable components. The latter amount includes expenses of TEUR 1,160 (2017: TEUR 1,290) for a long-term remuneration component to be paid out in three equal instalments over two years if the defined targets are met. Moreover, an amount of TEUR 1,934 (2017: TEUR 0) was paid out for an additional medium-term remuneration component relating to the observation period from 2015 to 2017.

Expenses for the short-term variable remuneration component, which is conditional on the attainment of short-term financial corporate goals, amounted to TEUR 1,314 (2016: TEUR 1,290).

For the active members of the Managing Board, pension expenses in the form of contributions to pension funds (defined contribution plans) totaled TEUR 610 (2017: TEUR 596). In the financial year 2018, the provision for statutory severance compensation claims amounted to TEUR 406 (2017: TEUR 888). Payments of TEUR 861 (2017: TEUR 848) were made to former members of the Managing Board and their surviving dependents.

The members of the Supervisory Board received remuneration in the amount of TEUR 663 for their activities during the 2017 financial year (previous year: TEUR 603). Entitlements for the reporting year totaled TEUR 800.

The company has not provided any guarantees for loans, nor have any companies of the Wienerberger Group granted loans to members of the Managing Board or the Supervisory Board.

## 14. Employees

The average number of employees is shown in the following table:

| *in FTE* | 2018 | 2017 |
|---|---|---|
| Production | **10,992** | 10,962 |
| Administration | **1,499** | 1,507 |
| Sales | **4,105** | 3,828 |
| **Total** | **16,596** | **16,297** |
| Thereof apprentices | **101** | 119 |

## 15. Other operating expenses

The cost of goods sold, selling and administrative expenses include the following other operating expenses:

| *in TEUR* | 2018 | 2017 |
|---|---|---|
| Transportation costs for deliveries | **217,407** | 202,316 |
| Expenses for services | **125,769** | 113,565 |
| Internal transport expenses | **56,969** | 54,359 |
| Rental and leasing charges | **54,362** | 53,292 |
| Non-income based taxes | **27,513** | 26,608 |
| License and patent expenses | **15,875** | 10,166 |
| Expenses for environmental protection measures | **6,521** | 8,978 |
| Expenses for commissions | **6,209** | 5,446 |
| Losses on the disposal of fixed assets, excluding financial assets | **926** | 1,090 |
| Impairment charges on trade receivables | **305** | 1,474 |
| Miscellaneous | **120,590** | 103,537 |
| **Other operating expenses** | **632,446** | **580,831** |

The reconciliation of expenses under the total cost method to expenses under the cost of sales method is shown on page 152.

Expenses for services include, above all, expenses for business trips and travel, legal advisory and miscellaneous consulting services, advertising, insurance and telecommunications. Expenses for the external auditor and members of the auditor's network totaled TEUR 1,700 (2017: TEUR 1,636) for the audit of the consolidated financial statements in the year under review, TEUR 283 (2017: TEUR 47) for assurance services, TEUR 40 (2017: TEUR 111) for tax consulting services and TEUR 53 (2017: TEUR 2) for other services.

Miscellaneous other expenses consist mainly of expenses for customer complaints and research and development. In 2018, research and development expenses amounted to TEUR 15,882 (2017: TEUR 10,980).

## 16. Other operating income

The cost of goods sold, selling and administrative expenses include the following other operating income:

| *in TEUR* | 2018 | 2017 |
|---|---|---|
| Income from the disposal of tangible assets, excluding financial assets | 27,110 | 26,433 |
| Income from rental and leasing contracts | 5,348 | 5,359 |
| Subsidies | 1,693 | 1,796 |
| Income from insurance claims | 534 | 659 |
| Miscellaneous | 27,444 | 30,031 |
| **Other operating income** | **62,129** | **64,278** |

Miscellaneous other operating income represents sales-like revenues that are not part of the direct business activities of the Wienerberger Group.

## 17. Reconciliation of results according to the cost of sales and total cost method

In the income statement prepared according to the cost of sales method, expenses are classified by functional area. Under the total cost method, the amounts are shown for each individual category of expenses and adjusted to reflect the increase or decrease in finished and semi-finished goods, own work capitalized and the proportional share of construction-related borrowing costs. The relationship of these two methods is explained below; changes in inventories and the capitalization of costs relating to the construction of qualified fixed assets are included under the cost of materials:

| **2018** *in TEUR* | Cost of freight | Cost of materials | Cost of merchandise | Appreciation/ depreciation | Cost of energy | Personnel expenses | Other income | Other expenses | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cost of goods sold | 0 | 769,005 | 387,262 | 147,069 | 255,758 | 486,883 | -5,079 | 105,421 | **2,146,319** |
| Selling expenses | 217,407 | 17,462 | 907 | 10,136 | 4,858 | 223,949 | -3,452 | 165,895 | **637,162** |
| Administrative expenses | 0 | 1,094 | 0 | 9,925 | 856 | 142,669 | -3,886 | 66,901 | **217,559** |
| Other operating expenses | 0 | 0 | 0 | 39,985 | 1,433 | 0 | 0 | 81,274 | **122,692** |
| Other operating income | 0 | 0 | 0 | -4,297 | 0 | 0 | -49,712 | -4,452 | **-58,461** |
| | **217,407** | **787,561** | **388,169** | **202,818** | **262,905** | **853,501** | **-62,129** | **415,039** | **3,065,271** |

| **2017** *in TEUR* | Cost of freight | Cost of materials | Cost of merchandise | Appreciation/ depreciation | Cost of energy | Personnel expenses | Other income | Other expenses | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cost of goods sold | 0 | 734,183 | 372,217 | 149,752 | 257,171 | 452,815 | -1,785 | 129,355 | **2,093,708** |
| Selling expenses | 202,316 | 17,427 | 1,062 | 8,142 | 4,199 | 211,283 | -3,572 | 154,705 | **595,562** |
| Administrative expenses | 0 | 4,479 | 0 | 9,693 | 821 | 130,422 | -4,007 | 61,914 | **203,322** |
| Other operating expenses | 0 | 0 | 0 | 69,815 | 2,056 | 0 | 0 | 37,017 | **108,888** |
| Other operating income | 0 | 0 | 0 | -1,055 | 0 | 0 | -54,914 | -4,476 | **-60,445** |
| | **202,316** | **756,089** | **373,279** | **236,347** | **264,247** | **794,520** | **-64,278** | **378,515** | **2,941,035** |

## 18. Interest and other financial result

In accordance with the categories defined by IFRS 9, the following items are included in the interest and other financial result:

| 2018<br>*in TEUR* | Total | Loans and receivables AC [1] | FLAC [2] | FVtPL [3] | Derivatives |
|---|---|---|---|---|---|
| Interest and similar income | 4,409 | 2,974 | 0 | 8 | 1,427 |
| Interest and similar expenses | -40,525 | 0 | -32,694 | 0 | -7,831 |
| Net interest result from defined benefit pension and severance obligations as well as anniversary bonuses | -3,146 | | | | |
| **Interest result** | **-39,262** | **2,974** | **-32,694** | **8** | **-6,404** |
| Income from third parties (dividends) | 983 | | | 983 | |
| **Income from investments** | **983** | **0** | **0** | **983** | **0** |
| Result from the disposal of financial instruments | 130 | 0 | 0 | 130 | 0 |
| Valuation of derivative instruments | -1,157 | | | | -1,157 |
| Impairment of financial instruments | -2,285 | -31 | 0 | -2,254 | 0 |
| Appreciation of financial instruments | 84 | 0 | 0 | 84 | 0 |
| Foreign exchange differences | -2,051 | | | | |
| **Net result** | **-5,279** | **-31** | **0** | **-2,040** | **-1,157** |
| Bank charges | -2,618 | | | | |
| **Miscellaneous** | **12** | | | | |
| **Other financial result** | **-6,902** | **-31** | **0** | **-1,057** | **-1,157** |
| **Total** | **-46,164** | **2,943** | **-32,694** | **-1,049** | **-7,561** |

1) Loans and receivables at amortized cost // 2) Financial liabilities at amortized cost // 3) Financial assets at fair value through profit or loss

Impairments of loans in the amount of TEUR 31 are recognized in the financial result, whereas impairments of trade receivables of TEUR 305 reduce the operating result.

In accordance with the categories defined by IAS 39, the following items are included in the interest and other financial result for the year 2017:

| 2017<br>*in TEUR* | Total | Loans and receivables | FLAC [1] | AfS [2] | Derivatives |
|---|---|---|---|---|---|
| Interest and similar income | 5,952 | 2,919 | 0 | 307 | 2,726 |
| Interest and similar expenses | -38,714 | 0 | -32,234 | 0 | -6,480 |
| Net interest result from defined benefit pension and severance obligations as well as anniversary bonuses | -3,389 | | | | |
| **Interest result** | **-36,151** | **2,919** | **-32,234** | **307** | **-3,754** |
| Income from third parties (dividends) | 1,169 | 0 | 0 | 1,169 | 0 |
| **Income from investments** | **1,169** | **0** | **0** | **1,169** | **0** |
| Result from the disposal of financial instruments | 368 | 0 | 0 | 368 | 0 |
| Valuation of derivative instruments | 5,751 | | | | 5,751 |
| Impairment of financial instruments | -59 | -31 | 0 | -28 | 0 |
| Foreign exchange differences | -6,672 | | | | |
| **Net result** | **-612** | **-31** | **0** | **340** | **5,751** |
| Bank charges | -2,409 | | | | |
| **Other financial result** | **-1,852** | **-31** | **0** | **1,509** | **5,751** |
| **Total** | **-38,003** | **2,888** | **-32,234** | **1,816** | **1,997** |

1) financial liabilities at amortized cost // 2) available for sale

The market valuation of derivatives resulted in a negative contribution of TEUR 1,157 (2017: TEUR 5,751) to the result for the period.

## 19. Income taxes

This item includes income taxes paid and owed by Group companies as well as deferred tax assets and liabilities.

| *in TEUR* | 2018 | 2017 |
|---|---|---|
| Current tax expense | 58,120 | 45,038 |
| Deferred tax expense/ income | -9,645 | -40,794 |
| **Income taxes** | **48,475** | **4,244** |

The difference between the Austrian corporate tax rate of 25% applicable in 2018 (2017: 25%) and the Group tax rate shown in these statements is due to the following factors:

| *in TEUR* | 2018 | 2017 |
|---|---|---|
| **Profit/loss before tax** | **195,345** | **144,878** |
| Tax expense at tax rate of 25% | **-48,836** | -36,219 |
| Other foreign tax rates | **14,881** | 11,987 |
| Tax income and expense from prior periods | **622** | 972 |
| Effect of tax free income from investments in associates and joint ventures | **244** | 636 |
| Change in deferred tax assets not recognized | **-37,611** | 20,340 |
| Non-temporary differences | **21,662** | -6,729 |
| Changes in tax rates | **563** | 4,769 |
| **Effective tax expense** | **-48,475** | **-4,244** |
| Effective tax rate in % | **24.8%** | 2.9% |

Deferred taxes are calculated on the basis of the tax rates applied or announced to be applied in the individual countries. In Austria, the calculation is based on the corporate tax rate of 25%.

For foreign companies, deferred taxes are calculated on the basis of the respective country-specific tax rates. These tax rates ranged from 0% to 30% in 2018.

## 20. Earnings per share, proposal for profit distribution

The number of shares issued totaled 117,526,764 as of December 31, 2018. As of that date, Wienerberger held 2,785,628 shares as treasury stock (2017: 570,289), which were deducted for the calculation of earnings per share. This resulted in a weighted average number of 116,153,998 shares outstanding as a basis for the calculation of earnings per share for 2018. In 2018, 2,215,339 Wienerberger shares were bought back at a price of TEUR 44,996 within the framework of the authorization granted by the Annual General Meeting.

| *Number of shares* | 2018 | 2017 |
|---|---|---|
| Outstanding | **117,526,764** | 117,526,764 |
| Treasury stock | **2,785,628** | 570,289 |
| Weighted average | **116,153,998** | 116,956,475 |

Earnings per share of EUR 1.15 were calculated by dividing the profit/loss after tax attributable to equity holders of the parent company by the weighted average number of shares outstanding. The diluted earnings per share of EUR 1.15 represent the basic earnings per share for 2018.

In accordance with the provisions of the Austrian Stock Corporation Act, the separate financial statements of Wienerberger AG as of December 31, 2018, prepared on the basis of Austrian accounting rules, form the basis for dividend payment.

These financial statements show a net profit of EUR 64,047,147.80. The Managing Board proposes to the Annual General Meeting that a dividend of EUR 0.50 per share be paid out on the issued capital (as of March 13, 2019) of EUR 116,351,496.00 from the net profit of EUR 64,047,147.80 i.e. EUR 58,175,748.00 less a proportional amount of EUR 885,144.50 for treasury stock, i.e. EUR 57,290,603.50, and that the balance of EUR 6,756,544.30 be carried forward to new account.

## *Notes to the Consolidated Statement of Comprehensive Income*

The statement of comprehensive income provides a reconciliation of profit/loss after tax to total comprehensive income as defined in IAS 1. Total comprehensive income comprises, in particular, currency translation differences, actuarial gains and losses from the measurement of defined benefit pension plans and similar post-employment benefits and the change in the hedging reserve. The components of comprehensive income are shown after tax.

In the year under review, pre-tax currency translation differences of TEUR -31 (2017: TEUR -52,791) resulted primarily from the Polish zloty, the Turkish lira and the Hungarian forint, which were almost completely offset by positive changes of the US dollar. Differences of TEUR -9,226 (2017: TEUR 181) previously included in the translation reserve were reclassified to the income statement.

The market valuation of hedges reduced the hedging reserve by TEUR -12,147 (2017: TEUR 17,223). Of this total, TEUR -11,034 (2017: TEUR 15,337) was accounted for by hedges of investments in foreign operations, and TEUR -1,113 (2017: TEUR 1,886) by hedges for future transactions (cash flow hedges). In the year under review, market value changes of TEUR 4,906 (2017: TEUR 238) in net investment hedges were reclassified from other comprehensive income to the income statement.

Ineffective components in the amount of TEUR -258 (2017: TEUR 21) were recognized in the income statement in 2018.

Deferred taxes in the total amount of TEUR 373 (2017: TEUR 1,750) were recognized in other comprehensive income. The following table shows the allocation of deferred taxes to the components of other comprehensive income:

| *in TEUR* | 2018 | 2017 |
|---|---|---|
| Foreign exchange translation | -350 | 4,614 |
| Changes in the fair value of available-for-sale financial instruments | - | 285 |
| Changes in hedging reserves | 2,633 | -2,447 |
| Actuarial gains/losses | -1,910 | -702 |
| **Deferred taxes in other comprehensive income** | **373** | **1,750** |

In the reporting period, total comprehensive income after tax increased equity by TEUR 149,311 (2017: TEUR 111,632).

## *Notes to the Consolidated Statement of Cash Flows*

The consolidated statement of cash flows of the Wienerberger Group shows the changes in cash and cash equivalents resulting from the inflow and outflow of funds during the reporting year. Cash and cash equivalents (liquid funds) include cash on hand and balances with banks. Securities and current liabilities to banks do not count as cash and cash equivalents. The effects of company acquisitions are eliminated and shown separately under net payments made for the acquisition of companies. The amounts reported by foreign Group companies are generally translated at the average exchange rate for the year. In contrast to this practice, cash and cash equivalents are valued at the exchange rate in effect on the balance sheet date.

### 21. Cash flow from investing activities

The acquisition of property, plant and equipment and intangible assets resulted in an outflow of funds totaling TEUR 215,847 (2017: TEUR 163,186). This amount includes TEUR 166,257 (2017: TEUR 147,467) of normal capex, i.e. maintenance and investments in technological upgrades. A total of TEUR 122,678 (2017: TEUR 58,847) was spent on acquisitions and plant extensions (growth investments). Investments of TEUR 6,078 (2017: TEUR 0) were made in financial assets.

Additions to non-current assets (including financial assets) in the amount of TEUR 28,369 (2017: TEUR 8,646) were not recognized as cash items, as they mainly result from the capitalization of obligations to recultivate depleted clay pits.

Cash inflows from the disposal of non-current assets amounted to TEUR 43,847 (2017: TEUR 28,799) and include the disposal of property, plant and equipment and intangible assets. These disposals generated net gains of TEUR 26,314 (2017: TEUR 25,343), a large portion of which is attributable to the sale of non-core assets in the amount of TEUR 18,987 (2017: TEUR 22,840).

The reconciliation of total investments to normal capex and growth capex of the Wienerberger Group is as follows:

| *in TEUR* | 2018 | 2017 |
|---|---|---|
| Payments made for investments in tangible and intangible assets | 215,847 | 163,186 |
| Net payments made for the acquisition of companies | 73,088 | 43,128 |
| Payments made for investments in financial assets | 6,078 | 0 |
| **Total investments including financial assets** | **295,013** | **206,314** |
| | | |
| Maintenance and investments in technological upgrades | 166,257 | 147,467 |
| **Normal capex** | **166,257** | **147,467** |
| | | |
| Payments made for plant extensions | 49,590 | 15,719 |
| Net payments made for the acquisition of companies | 73,088 | 43,128 |
| **Growth capex** | **122,678** | **58,847** |
| Payments made for investments in financial assets | 6,078 | 0 |
| **Growth capex including financial assets** | **128,756** | **58,847** |

## 22. Cash flow from financing activities

The following table shows the changes in financial liabilities recognized cash flow from financing activities:

| *in TEUR* | Short-term financial liabilities | Long-term financial liabilities | Total financial liabilities |
|---|---|---|---|
| **Balance on 31/12/2017** | **320,724** | **493,948** | **814,672** |
| Cash inflows | 235,323 | 248,851 | 484,174 |
| Cash outflows | -473,586 | -646 | -474,232 |
| Change in scope of consolidation | 23,497 | -5,000 | 18,497 |
| Leasing | 0 | 577 | 577 |
| Accrued interest and cost of procuring money | 43 | -2,280 | -2,237 |
| Reclassification derivatives | -1,041 | 0 | -1,041 |
| Currency translation differences and other effects | -2,901 | -12 | -2,913 |
| Reclassifications | 24,848 | -24,848 | 0 |
| **Balance on 31/12/2018** | **126,907** | **710,590** | **837,497** |

| *in TEUR* | Short-term financial liabilities | Long-term financial liabilities | Total financial liabilities |
|---|---|---|---|
| **Balance on 31/12/2016** | **399,924** | **481,434** | **881,358** |
| Cash inflows | 721,738 | 210,929 | 932,667 |
| Cash outflows | -984,369 | -6,939 | -991,308 |
| Change in scope of consolidation | 510 | 6,836 | 7,346 |
| Interest hybrid capital | -12,206 | 0 | -12,206 |
| Accrued interest and cost of procuring money | -525 | 0 | -525 |
| Reclassification derivatives | -3,392 | 0 | -3,392 |
| Currency translation differences and other effects | 156 | 576 | 732 |
| Reclassifications | 198,888 | -198,888 | 0 |
| **Balance on 31/12/2017** | **320,724** | **493,948** | **814,672** |

The acquisition of non-controlling interests is also shown in cash flow from financing activities. The cash outflow of TEUR 30,100 resulted from the purchase of the remaining 17.81% shares in the Tondach Group (see Note 29. Group Equity).

# *Notes to the Consolidated Balance Sheet*

## 23. Non-current assets

The development of non-current assets is shown on pages 166 and 167. The figures shown for foreign exchange rate increases and decreases represent amounts arising from the use of different exchange rates to translate the assets of foreign companies at the beginning of the year and at year-end.

Wienerberger defines its cash-generating units (CGUs) as plants, which are then aggregated into groups of CGUs by division and region. Intangible assets with an indefinite useful life, such as goodwill and trademarks that are not amortized on a scheduled basis, are tested at least once each year for indications of impairment in accordance with IAS 36. These intangible assets are allocated to groups of CGUs for the purpose of impairment testing. The carrying amounts are as follows:

| | Goodwill | | Trademarks | |
|---|---|---|---|---|
| *in TEUR* | 2018 | 2017 | 2018 | 2017 |
| Clay Building Materials Eastern Europe | 53,395 | 51,958 | 12,402 | 11,622 |
| Clay Building Materials Western Europe | 284,296 | 284,923 | 3,620 | 3,650 |
| Pipes & Pavers Eastern Europe | 17,023 | 17,076 | 13,891 | 13,891 |
| Pipes & Pavers Western Europe | 43,805 | 43,988 | 28,123 | 28,123 |
| North America | 89,968 | 86,734 | 3,759 | 2,536 |
| **Wienerberger Group** | **488,487** | **484,679** | **61,795** | **59,822** |

Other intangible assets consist primarily of an acquired customer base totaling TEUR 86,861 (2017: TEUR 92,570), acquired trademarks with an indefinite useful life in the amount of TEUR 61,795 (2017: TEUR 59,822), and patents and concessions. Internally generated intangible assets of TEUR 1,093 (2017: TEUR 1,306) were capitalized during the reporting year.

Wienerberger monitors its goodwill on the basis of 12 CGU groups.

In the Clay Building Materials Western Europe segment, Wienerberger's brick business in Western Europe is characterized by plants serving entire regions instead of individual countries. In particular, the production and the product portfolio of roof tiles and facing bricks are optimized for an entire region. This also applies to the optimization of the network of clay block plants, although for reasons of efficiency deliveries of these products are generally made over shorter distances than in the roof tile and facing brick businesses. In any event, plants close to the German and French borders can also cover most of the Benelux region. Due to the interrelations in the Western European region, goodwill is managed in the CGU group of Bricks and Roof Western Europe West. The exceptions in this segment are Italy (in the CGU group of Bricks Italy), which has not yet been integrated in the optimization process, as well as Finland and the Baltic States (in the CGU group of Bricks and Roof Western Europe Finland and Baltics), which produce for export markets in Eastern Europe and Russia, but are part of the Western Europe organization. The entire goodwill of the Clay Building Materials Western Europe segment is allocated to the CGU group of Bricks and Roof Western Europe West.

The Clay Building Materials Eastern Europe segment comprises two CGU groups, Bricks and Roof Eastern Europe, and Bricks Russia. The CGU group of Bricks and Roof Eastern Europe is characterized by cross-border business in the region and by an increasing integration of the brick and roof businesses under a single management. The CGU group of Bricks Russia, however, is an independent unit with only limited delivery relationships with the other CGU groups in Central and Eastern Europe.

Pipes & Pavers Europe comprises the CGU groups of Pipes Pipelife West, Pipes Pipelife East, Pipes Steinzeug and Pavers Semmelrock. The European plastic pipe business is characterized by a high share of deliveries between the country organizations, above all for fittings, which are produced in the Netherlands for the West European market and in Poland for the East European market. Although the possibility of delivering concrete pavers over longer distances is limited, the molds used by Semmelrock in production are exchanged between the individual production sites as part of a supra-regional product development strategy.

In the North America segment, the CGU groups are distinguished by product group: Bricks North America comprises the North American brick business, to which the entire goodwill of the operating reporting segment is allocated, and Pipes Pipelife USA comprises the entire American plastic pipe business.

The carrying amounts of the goodwill and operating assets allocated to the CGU groups are compared with the recoverable amounts and, if necessary, written down to the lower value in use or the fair value less cost of disposal. The value in use of a CGU group is generally determined on the basis of an income approach by discounting the related cash flows at the weighted average cost of capital after tax (WACC) to develop the present value.

For the determination of the value in use, the after-tax weighted average cost of capital is derived from external sources on the basis of recognized financial methods. The conversion of the values in use is performed at the exchange rate on the day of the impairment test. An after-tax WACC of 7.36% (2017: 7.10%) was used for impairment testing in the Wienerberger Group, with different specific cost of capital rates applied to all markets outside the euro zone, except for Bosnia-Herzegovina. For the euro zone, a WACC after tax of 7.40% (2017: 6.96%) was calculated. In accordance with IAS 36 rules, all cost of capital rates were reconciled to WACC before tax.

For the purpose of impairment testing, the following pre-tax cost of capital rates and growth rates were used:

| | Pre-tax WACC | | Growth rate | |
|---|---|---|---|---|
| *in %* | 2018 | 2017 | 2018 | 2017 |
| Bricks and Roof Eastern Europe | 9.67 | 9.19 | 2.27 | 2.04 |
| Bricks Russia | 13.78 | 12.50 | 1.52 | 1.52 |
| **Clay Building Materials Eastern Europe** | | | | |
| Bricks and Roof Western Europe West | 9.81 | 9.23 | 1.68 | 1.68 |
| Bricks and Roof Western Europe Finland and Baltics | 6.86 | 7.52 | 1.36 | 2.99 |
| Bricks Italy | 9.46 | 8.96 | 0.80 | 0.96 |
| **Clay Building Materials Western Europe** | | | | |
| Pavers Semmelrock | 10.00 | 10.07 | 2.87 | 3.18 |
| Pipes Pipelife East | 12.68 | 10.52 | 2.18 | 2.22 |
| **Pipes & Pavers Eastern Europe** | | | | |
| Pipes Steinzeug | 11.54 | 10.19 | 1.54 | 1.73 |
| Pipes Pipelife West | 9.40 | 8.92 | 2.02 | 2.00 |
| **Pipes & Pavers Western Europe** | | | | |
| Bricks North America | 10.10 | 9.86 | 1.75 | 1.86 |
| Pipes Pipelife North America | 10.46 | 9.77 | 1.75 | 1.87 |
| **North America** | | | | |
| Bricks India | 14.62 | 14.90 | 7.68 | 7.87 |
| **Holding & Others** | | | | |
| **Wienerberger Group** | **9.75** | **9.38** | **1.96** | **1.90** |

The expected future cash surpluses are based on the latest internal plans prepared by the top management and approved by the Managing Board and the Supervisory Board for the period from 2019-2022. These forecasts do not include the earnings potential of future strategic growth investments, such as possible acquisitions. Planned expansion investments that concern individual production lines and the related contributions to income are eliminated for the determination of the value in use.

The quality of these forecasts is reviewed on a regular basis through a variance analysis comparing the projected data with actual results, which are then incorporated into the subsequent planning process in the form of corrections. The calculation is based on four detailed planning periods (2019 - 2022); based on the going-concern assumption, the surplus cash inflows in the following planning period are assumed to be sustainable over the long term and used as the basis for determining the present value of the perpetual yield. These perpetual cash flows are based on the assumption of country-specific growth rates derived from an external source (IMF, October 2018, World Economic Outlook Database). In the interest of long-term growth, profits are retained to be used in future for the provision of production capacities. Wienerberger tests its assets for impairment at least once each year in connection with the corporate planning process. If interim forecasts or analyses indicate a significant negative variance from the original plan, the cash-generating unit concerned is again tested for impairment. In such cases, the impairment tests are recalculated on the basis of updated planning data and extended to include stress tests. Similarly, impairment tests are updated in the event that any external factors change significantly.

Assumptions regarding the future development of local markets, sales and prices constitute the decisive factors for determining the value in use. Therefore, the value in use is determined on the basis of forecasts published by statistical agencies and international organizations as well as management's experience. The estimates for cost structures are based primarily on the extrapolation of empirical values and incorporate macroeconomic forecasts for the most important production factors, such as energy prices, plastic granulate prices, wage and salary trends, etc.

The impairment tests carried out in December on the basis of the latest approved medium-term planning for 2019 - 2022 led to the recognition of impairment charges to tangible assets at some sites in the total amount of TEUR 12,727. TEUR 952 of which was attributable to a plant site in Switzerland in the CGU group of Bricks and Roof Western Europe West in the Clay Building Materials Western Europe segment. The impairment resulted, in particular, from the increase in WACC after tax by 8 basis points at year end to 6.33%. The value in use of the plants concerned amounted to a total of MEUR 72.9. In addition, non-current assets in Estonia of the CGU Bricks and Roof Western Europe Finland an Baltics in the Clay Building Materials Western Europe segment were impaired by TEUR 3,802 to a fair value of MEUR 0.9.

For the impairment test of the GGU group Bricks Russia, the value in use based on discounted cash flows and the fair value were determined. As both values were not sufficient to cover the tested assets, a TEUR 7,973 impairment charge of production facilities to the fair value of MEUR 27.2 was recognized. The fair value was derived from the stock exchange price of the biggest competitor in Russia (LSR Group) by applying an EBITDA multiple of 5.2, which was multiplied by the average EBITDA of the CGU group Bricks Russia.

The impairment test calculations of the CGU group Bricks North America, accounting for a substantial share in the goodwill of the Wienerberger Group, which were based on a WACC after tax of 7.85% and a growth rate of 1.75%, resulted in a value in use that exceeded the carrying amount of the tested assets by MEUR 4.6. This difference was significantly below that of the previous year's impairment test of MEUR 36, which was due to changed parameters and more conservative budgeting. The WACC after tax came to 7.85%, which is 21 basis points above the previous year's value of 7.64%. At the same time, the growth forecast was lowered from 1.86% in 2017 to 1.75% in the reporting period. In the projection of cash flows, the local management assumed a slower recovery of the US market and a reduced use of bricks in individual markets. As the value in use, taking these external and internal factors into account, was only slightly above the carrying amount of the CGU group and reacts sensitively to changes in input factors, a fair value was determined in addition to the value in use. The fair value was based on data from a comparable external transaction in the US market in the reporting year, from which an EBITDA multiplier was derived.

Thus, a fair value less selling costs was determined, which exceeded the carrying amount of the CGU group by approx. MEUR 60.

An additional sensitivity analysis shows when the value in use would correspond to the carrying amounts of the tested assets, if individual elements are modified while all other parameters are kept constant. To this end, in addition to the WACC after tax, the contribution margins were also modified, as they constitute a central component of the cash flows relevant to the value in use. The sensitivity analysis of the contribution margin covers the main factors of influence, such as price and volume changes, with price changes having a significantly stronger influence on the development of the value in use of the CGU group than changes in the planned sales volume. The result of this analysis showed that at a WACC after tax of 7.93% the value in use would have corresponded to the carrying amount of the tested assets. If the WACC after tax were increased by 100 basis points to 8.85%, the value in use would be MEUR 46 million below the carrying amount of the CGU group. The absolute annual contribution margins, which range around MEUR 126 over the planning horizon, would have to be reduced by 0.4% for the value in use to correspond to the carrying amount.

Non-current assets include land with a value of TEUR 381,000 (2017: TEUR 368,266). As at the balance sheet date, commitments for the purchase of property, plant and equipment amounted to TEUR 23,546 (2017: TEUR 19,505).

The Wienerberger Group's operating leases are primarily for vehicles, office space, storage facilities and production sites. In addition, a few finance lease contracts have been concluded.

The carrying amounts totaled TEUR 1,550 as of December 31, 2018 (2017: TEUR 1,063) and are reported under fixtures, fittings, tools and equipment.

| *in TEUR* | 2018 | 2017 |
|---|---|---|
| Acquisition costs | 2,320 | 1,697 |
| Depreciation (accumulated) | 770 | 634 |
| Carrying amount | 1,550 | 1,063 |

Obligations arising from operating leases, license agreements and rental contracts for the use of property, plant and equipment not shown on the balance sheet represent the following liabilities:

| *in TEUR* | 2018 | 2017 |
|---|---|---|
| For the following year | 41,204 | 40,289 |
| For the following to five years | 66,297 | 80,694 |
| Over five years | 33,271 | 15,204 |

Payments arising from operating leases, license and rental agreements totaled TEUR 54,362 (2017: TEUR 53,292).

The balance sheet item investment property includes real estate and buildings with a carrying amount of TEUR 66,569 (2017: TEUR 65,918), which are not used in current business operations. These assets are scheduled for sale over the medium to long term and are therefore classified as investment property. The fair values of these assets derived from comparable transactions are allocated to level 2 in the fair value hierarchy according to IFRS 13 and estimated at TEUR 107,710 (2017: TEUR 100,770). The fair value was determined mainly on the basis of external purchase offers for the properties concerned or on the basis of prices available in the market for similar properties. In 2018, these properties generated rental and other income of TEUR 1,762 (2017: TEUR 2,163). Expenses for investment property that generated rental income in the year under review amounted to TEUR 595 (2017: TEUR 907); expenses in the amount of TEUR 1,611 (2017: TEUR 1,149) were incurred for investment property that did not generate rental income. Investment property with a carrying amount of TEUR 7,129 (2017: TEUR 9,879) was sold during the reporting year.

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**Asset table** — **Acquisition or production costs**

| in TEUR | Balance on 1/1/2018 | Change in scope of consolidation | Foreign exchange incr./decr. | Additions | Disposals | Transfers | Balance on 31/12/2018 |
|---|---|---|---|---|---|---|---|
| Goodwill | 817,116 | 2,319 | 7,714 | 0 | 7,834 | 0 | **819,315** |
| Other intangible assets | 344,616 | 8,620 | -2,217 | 24,200 | 6,525 | 2,043 | **370,737** |
| **Intangible assets and goodwill** | **1,161,732** | **10,939** | **5,497** | **24,200** | **14,359** | **2,043** | **1,190,052** |
| Land and buildings | 1,305,177 | 17,778 | -3,917 | 30,407 | 6,175 | -15,249 | **1,328,021** |
| Machinery and equipment | 2,677,255 | -721 | -4,296 | 73,721 | 76,566 | 40,087 | **2,709,480** |
| Fixtures, fittings, tools and equipment | 125,102 | -1,619 | -884 | 13,216 | 6,735 | -413 | **128,667** |
| Assets under construction | 72,986 | 0 | -627 | 93,527 | -34 | -49,392 | **116,528** |
| **Property, plant and equipment** | **4,180,520** | **15,438** | **-9,724** | **210,871** | **89,442** | **-24,967** | **4,282,696** |
| **Investment property** | **143,889** | **0** | **795** | **3,146** | **28,230** | **19,129** | **138,729** |
| **Intangible assets and property, plant and equipment** | **5,486,141** | **26,377** | **-3,432** | **238,217** | **132,031** | **-3,795** | **5,611,477** |

**Asset table** — **Acquisition or production costs**

| in TEUR | Balance on 1/1/2017 | Change in scope of consolidation | Foreign exchange incr./decr. | Additions | Disposals | Transfers | Balance on 31/12/2017 |
|---|---|---|---|---|---|---|---|
| Goodwill | 844,643 | 7,214 | -34,741 | 0 | 0 | 0 | **817,116** |
| Other intangible assets | 318,228 | 26,184 | -6,703 | 6,968 | 987 | 926 | **344,616** |
| **Intangible assets and goodwill** | **1,162,871** | **33,398** | **-41,444** | **6,968** | **987** | **926** | **1,161,732** |
| Land and buildings | 1,303,765 | 9,474 | -17,139 | 23,620 | 2,055 | -12,488 | **1,305,177** |
| Machinery and equipment | 2,652,069 | 24,431 | -47,327 | 62,149 | 62,074 | 48,007 | **2,677,255** |
| Fixtures, fittings, tools and equipment | 116,525 | 118 | -1,599 | 13,301 | 7,864 | 4,621 | **125,102** |
| Assets under construction | 74,178 | 28 | -1,328 | 62,101 | 688 | -61,305 | **72,986** |
| **Property, plant and equipment** | **4,146,537** | **34,051** | **-67,393** | **161,171** | **72,681** | **-21,165** | **4,180,520** |
| **Investment property** | **153,079** | **6** | **-2,299** | **3,693** | **23,291** | **12,701** | **143,889** |
| **Intangible assets and property, plant and equipment** | **5,462,487** | **67,455** | **-111,136** | **171,832** | **96,959** | **-7,538** | **5,486,141** |

1) including special write-downs

Depreciation and amortization

| Balance on 1/1/2018 | Change in scope of consolidation | Foreign exchange incr./decr. | Depreciation/ amortization | Impairments [1)] | Reversal of impairments | Disposals | Transfers | Balance on 31/12/2018 | Carrying amount 31/12/2018 |
|---|---|---|---|---|---|---|---|---|---|
| 332,437 | 0 | 6,225 | 0 | 0 | 0 | 7,834 | 0 | 330,828 | 488,487 |
| 138,398 | -333 | -1,129 | 19,112 | 20 | 3,557 | 6,516 | 510 | 146,505 | 224,232 |
| **470,835** | **-333** | **5,096** | **19,112** | **20** | **3,557** | **14,350** | **510** | **477,333** | **712,719** |
| | | | | | | | | | |
| 587,380 | -4,983 | -2,001 | 35,541 | 2,274 | 740 | 7,076 | -15,031 | 595,364 | 732,657 |
| 1,984,141 | -23,788 | -1,904 | 119,346 | 17,775 | 0 | 74,366 | 487 | 2,021,691 | 687,789 |
| 87,055 | -1,994 | -512 | 11,399 | 396 | 0 | 6,077 | -1,678 | 88,589 | 40,078 |
| 372 | 0 | -31 | -176 | 73 | 0 | 0 | 1,105 | 1,343 | 115,185 |
| **2,658,948** | **-30,765** | **-4,448** | **166,110** | **20,518** | **740** | **87,519** | **-15,117** | **2,706,987** | **1,575,709** |
| | | | | | | | | | |
| **77,971** | **0** | **550** | **1,243** | **112** | **0** | **21,101** | **13,385** | **72,160** | **66,569** |
| | | | | | | | | | |
| **3,207,754** | **-31,098** | **1,198** | **186,465** | **20,650** | **4,297** | **122,970** | **-1,222** | **3,256,480** | **2,354,997** |

Depreciation and amortization

| Balance on 1/1/2017 | Change in scope of consolidation | Foreign exchange incr./decr. | Depreciation/ amortization | Impairments [1)] | Reversal of impairments | Disposals | Transfers | Balance on 31/12/2017 | Carrying amount 31/12/2017 |
|---|---|---|---|---|---|---|---|---|---|
| 347,166 | 0 | -21,068 | 0 | 6,339 | 0 | 0 | 0 | 332,437 | 484,679 |
| 125,265 | 0 | -2,710 | 17,490 | 55 | 1,055 | 696 | 49 | 138,398 | 206,218 |
| **472,431** | **0** | **-23,778** | **17,490** | **6,394** | **1,055** | **696** | **49** | **470,835** | **690,897** |
| | | | | | | | | | |
| 562,545 | 0 | -4,316 | 33,698 | 19,760 | 0 | 1,799 | -22,508 | 587,380 | 717,797 |
| 1,937,364 | 0 | -32,439 | 121,337 | 20,283 | 0 | 61,136 | -1,268 | 1,984,141 | 693,114 |
| 81,805 | 0 | -1,115 | 11,589 | 201 | 0 | 7,057 | 1,632 | 87,055 | 38,047 |
| 96 | 0 | -10 | 556 | 192 | 0 | 398 | -64 | 372 | 72,614 |
| **2,581,810** | **0** | **-37,880** | **167,180** | **40,436** | **0** | **70,390** | **-22,208** | **2,658,948** | **1,521,572** |
| | | | | | | | | | |
| **67,346** | **0** | **-1,479** | **4,935** | **967** | **0** | **13,412** | **19,614** | **77,971** | **65,918** |
| | | | | | | | | | |
| **3,121,587** | **0** | **-63,137** | **189,605** | **47,797** | **1,055** | **84,498** | **-2,545** | **3,207,754** | **2,278,387** |

## 24. Investments

Investments in associates and joint ventures as well as other investments are as follows:

| *in TEUR* | 2018 | 2017 |
|---|---|---|
| **Investments in associates and joint ventures** | **22,100** | **11,371** |
| Investments in subsidiaries | 53 | 39 |
| Other investments | 11,837 | 6,987 |
| **Other investments** | **11,890** | **7,026** |
| **Investments** | **33,990** | **18,397** |

## 25. Inventories

| *in TEUR* | 2018 | 2017 |
|---|---|---|
| Raw materials and consumables | 153,968 | 142,626 |
| Semi-finished goods | 97,402 | 98,039 |
| Finished goods and merchandise | 508,515 | 498,559 |
| Prepayments | 1,774 | 2,373 |
| **Inventories** | **761,659** | **741,597** |

Pallets are included under raw materials and consumables. Clay purchased from third parties is shown together with clay extracted from the Group's own pits under semi-finished goods. Impairment charges of TEUR 8,428 (2017: TEUR 9,852) were booked for products with a net realizable value (selling price less selling and administrative expenses) lower than acquisition or production costs. As at December 31, 2018, the carrying amounts of inventories written down to their net realizable value totaled TEUR 55,734 (2017: TEUR 52,161).

## 26. Receivables, securities and other financial assets

### *Loans and receivables*

| *in TEUR* | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Total | Remaining term < 1 year | Remaining term > 1 year | Total | Remaining term < 1 year | Remaining term > 1 year |
| Trade receivables from third party | 215,618 | 215,618 | 0 | 213,498 | 213,498 | 0 |
| Trade receivables from subsidiaries | 220 | 220 | 0 | 779 | 779 | 0 |
| **Trade receivables** | **215,838** | **215,838** | **0** | **214,277** | **214,277** | **0** |
| Financial receivables from subsidiaries | 21,745 | 21,745 | 0 | 20,521 | 20,521 | 0 |
| Receivables arising from loans | 5,358 | 5,358 | 0 | 4,807 | 4,807 | 0 |
| **Loans granted** | **27,103** | **27,103** | **0** | **25,328** | **25,328** | **0** |
| **Loans and receivables AC [1)]** | **242,941** | **242,941** | **0** | **239,605** | **239,605** | **0** |

1) Loans and receivebles at amortized cost (AC)

Trade receivables include contract assets of TEUR 3,158 from customer-specific production orders. They represent a conditional right to consideration for complete performance of the contractual obligations by Wienerberger.

Loans and receivables are recognized at amortized cost and adjusted to reflect weighted expected credit loss. Specific valuation allowances are deducted directly from receivables and other assets. In accordance with the IFRS 9 rule, receivables sold (factoring) are derecognized. As at December 31, 2018, trade receivables in the amount of TEUR 89,453 (2017: TEUR 114,338) had been sold to third parties. Trade receivables in a total amount of TEUR 1,505 (2017: TEUR 2,216) are secured by notes payable.

Financial receivables from subsidiaries result from loans granted to companies consolidated at equity and other investments.

### *Financial assets at fair value through profit or loss*

| 2018 *in TEUR* | Carrying amount | Market value | Market value changes recog. in financial result | Ø Effective interest rate in % |
|---|---|---|---|---|
| Shares in funds | 5,432 | 5,432 | -346 | 0.15 |
| Stock | 1 | 1 | 0 | - |
| Other | 715 | 715 | -76 | - |
| **Securities** | **6,148** | **6,148** | **-422** | |

| 2017<br>*in TEUR* | Carrying amount | Market value | Market value changes recog. in equity | Ø Effective interest rate in % |
|---|---|---|---|---|
| Shares in funds | **28,370** | 28,370 | -25 | 0.23 |
| Corporate bonds | **42** | 42 | 0 | - |
| Stock | **13** | 13 | 0 | - |
| Other | **790** | 790 | 0 | - |
| **Available-for-sale financial instruments** | **29,215** | **29,215** | **-25** | |

Securities are held for short-term investment of liquidity and to cover pension and severance obligations; they primarily include shares in funds and stock, which are accounted for at fair value. Value fluctuations are recognized in the financial result. As of the balance sheet date, no debt instruments to be measured through other comprehensive income are held. In the previous year, such instruments were measured in equity through other comprehensive income according to IAS 39.

Financial assets measured at fair value through profit or loss in a total amount of TEUR 18,498 include securities of TEUR 6,148 recognized in current assets, derivatives of TEUR 460, and other investments of TEUR 11,890 recognized in non-current assets.

### *Derivatives*

| *in TEUR* | 2018 | | 2017 | |
|---|---|---|---|---|
| | Carrying amount | Market value | Carrying amount | Market value |
| Derivatives from cash flow hedges | **1,104** | **1,104** | 2,000 | 2,000 |
| Derivatives from net investment hedges | **7,997** | **7,997** | 18,354 | 18,354 |
| Other derivatives | **460** | **460** | 4,111 | 4,111 |
| **Derivatives with positive market value** | **9,561** | **9,561** | **24,465** | **24,465** |

The balance sheet item of securities and other financial assets can be broken down as follows:

| in TEUR | 2018 | 2017 |
|---|---|---|
| Loans granted | 27,103 | 25,328 |
| Securities | 6,148 | 29,215 |
| Derivatives hedge accounting | 9,101 | 24,054 |
| Other derivatives | 460 | 411 |
| **Securities and other financial assets** | **42,812** | **79,008** |

## 27. Other receivables

| in TEUR | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Total | Remaining term < 1 year | Remaining term > 1 year | Total | Remaining term < 1 year | Remaining term > 1 year |
| **Receivables from current taxes** | **4,144** | **4,144** | **0** | **2,297** | **2,297** | **0** |
| Return assets | 10,215 | 10,215 | 0 | 0 | 0 | 0 |
| Prepaid expenses and deferred charges | 18,771 | 17,839 | 932 | 18,781 | 18,371 | 410 |
| Miscellaneous receivables | 81,980 | 64,382 | 17,598 | 89,835 | 80,563 | 9,272 |
| **Other receivables** | **110,966** | **92,436** | **18,530** | **108,616** | **98,934** | **9,682** |

Assets for the right to recover products from customers (return assets) result from the accounting of rights of return, such as returnable pallets.

Miscellaneous receivables with a remaining term < 1 year consist primarily of receivables due from tax authorities and social security institutions. Miscellaneous non-current receivables include a receivable from the sale of extraction rights of a sand pit, which is due and payable over the medium term.

## 28. Non-current assets held for sale

Assets with carrying amounts of TEUR 1,348 (2017: TEUR 3,977) are designated as held for sale. The majority of these items are land and buildings at plant locations that have been permanently closed and that are expected by the management to be sold within the next 12 months.

## 29. Group equity

The development of Group equity in 2018 and 2017 is shown on pages 126 and 127.

The 149th Annual General Meeting of Wienerberger AG held on June 14, 2018 authorized the Managing Board to buy back own shares, up to the limit defined by law, during a period of 30 months from the day of adoption of this resolution at a price not higher than twice the stock exchange price of June 14, 2018 and not lower than the notional value of EUR 1.00 per share, and to either cancel or re-sell shares bought back and to sell treasury shares other than over the stock exchange or by public offering without further resolution by the Annual General Meeting. This authorization replaces the authorization to buy back own shares granted by the Annual General Meeting held on May 12, 2016.

The 148th Annual General Meeting of Wienerberger AG on May 19, 2017 authorized the Managing Board to acquire own shares in the amount of 2% of the share capital for an employee participation program during a period of 30 months. The price for the shares acquired on the basis of this resolution must not be lower than EUR 1.00 per share and must not exceed twice the stock market quotation on May 19, 2017. In addition, an amendment of the Articles of Association was adopted authorizing the Annual General Meeting to exclude the net profit in whole or in part from allocation.

The Annual General Meeting on May 16, 2014 approved authorized capital of EUR 17,629,014. This approval covers an ordinary capital increase in exchange for contributions in cash or in kind within a period of five years, contingent upon the consent of the Supervisory Board. Share capital can be increased by a maximum of EUR 17,629,014 through the issue of up to 17,629,014 new bearer shares, with the possibility of excluding subscription rights for fractional amounts. The capital increase can be carried out in several tranches, if necessary. The Managing Board is authorized to determine the type of shares, the issue price and the issue conditions, contingent upon the approval of the Supervisory Board. In principle, the shareholders have statutory subscription rights. However, the Managing Board is authorized to exclude these subscription rights in two special cases with the approval of the Supervisory Board: first, for a capital increase in case of a contribution in kind for the granting of shares to acquire companies, segments of companies or investments in companies; and second, for multiple allotments in connection with the placement of new shares by the company (greenshoe). However, the number of shares issued subject to the exclusion of subscription rights must not exceed 5,876,338. This authorization is valid until June 25, 2019.

Group equity totaled TEUR 1,939,080 as of December 31, 2018, compared to TEUR 1,911,239 in the previous year. Profit after tax increased equity by TEUR 146,870 (2017: TEUR 140,634). The other components of other comprehensive income led to an increase in equity by another TEUR 2,441 (2017: reduction of TEUR 29,002) after the deduction of deferred taxes. As at December 31, 2018, the share of equity in total assets amounted to 52% (2017: 52%), and net debt decreased from TEUR 566,405 in 2017 to TEUR 631,605.

At the end of the financial year, total non-controlling interests came to TEUR 586 (2017: TEUR 23,491). This reduction resulted primarily from the purchase of the remaining 17.81% of the shares in the Tondach Group in the first quarter of 2018. As a result of this transaction, a reduction in equity by a total amount of TEUR 33,217 was recognized, of which TEUR -22,622 attributable to the elimination of non-controlling interests and TEUR -10,595 recognized in the capital reserve. The purchase price amounted to TEUR 30,100; another TEUR 3,117 was accounted for by the value of the buy option on the day of its exercise.

The share capital of Wienerberger AG totaled EUR 117,526,764 as of December 31, 2018 and is divided into 117,526,764 no-par value shares that all carry the same rights. All shares are fully paid in. A dividend of EUR 0.30 per share was paid out in 2018, i.e. TEUR 35,258 less TEUR 446 for treasury shares (pro rata), or TEUR 34,812 in total.

A hybrid bond, which is a perpetual bond subordinate to all other creditors, is recognized as hybrid capital in equity. The hybrid bond carries interest at a fixed rate of 5% until 2021, when the issuer for the first time has the right to call the bond. In the reporting year, part of the hybrid bond was redeemed for an amount of TEUR 16 and recognized as a reduction in hybrid capital.

Effective February 9, 2018 Wienerberger AG paid the TEUR 13,609 coupon for the hybrid bond that was reported as hybrid capital.

The 2014 hybrid bond meets the criteria defined by IAS 32 for classification as an equity instrument, which is why the coupons payable are shown as part of the appropriation of net income in the statement of changes in equity. In 2018 the coupon reduced earnings per share by EUR 0.12.

In the reporting year, Wienerberger acquired 2,215,339 shares at a price of TEUR 44,996, recognizing the amount as a reduction in equity under treasury stock.

Retained earnings of TEUR 760,389 (2017: TEUR 657.377) include the retained earnings of Wienerberger AG and all retained earnings of subsidiaries not eliminated during the capital consolidation. Group results for 2018, excluding the share of profit or loss due to non-controlling interests, are shown under retained earnings.

Other reserves include the components of other comprehensive income. These include actuarial gains and losses from pension and severance pay plans, which are not reclassified to profit or loss. The remaining other reserves include those components of other comprehensive income which, as a matter of principle, must be reclassified to profit or loss. The currency translation reserve includes all differences from foreign currency translation after tax that are recognized under other comprehensive income, with the differences from companies reported at equity shown separately. The hedging reserve includes changes in the value of hedges that are recognized under other comprehensive income. These hedging transactions comprise hedges of net investments in foreign operations (net investment hedges) as well as hedges for foreign currency transactions (cash flow hedges).

Change of control clauses are included in the employment contracts with the members of the Managing Board, in the terms of the 2013 and 2018 corporate bonds, and the 2014 hybrid bond, and in various syndicated term loans and other loans.

## 30. Provisions

| *in TEUR* | 1/1/2018 | Foreign exchange incr./decr. | Change in scope of consolidation | Reversal | Use | Addition | 31/12/2018 |
|---|---|---|---|---|---|---|---|
| Provisions for warranties | 23,056 | -129 | 137 | 2,075 | 2,947 | 4,214 | **22,256** |
| Provisions for site restoration | 36,664 | -265 | 179 | 3,889 | 6,873 | 17,165 | **42,981** |
| Miscellaneous non-current provisions | 16,733 | -9 | 421 | 638 | 5,245 | 7,123 | **18,385** |
| **Other non-current provisions** | **76,453** | **-403** | **737** | **6,602** | **15,065** | **28,502** | **83,622** |
| Provisions for current taxes | 1,733 | -6 | 0 | 8 | 62 | 23 | **1,680** |
| Other current provisions | 37,381 | 27 | 375 | 2,367 | 37,612 | 52,440 | **50,244** |
| **Current provisions** | **39,114** | **21** | **375** | **2,375** | **37,674** | **52,463** | **51,924** |
| **Other provisions** | **115,567** | **-382** | **1,112** | **8,977** | **52,739** | **80,965** | **135,546** |

Miscellaneous non-current provisions primarily include other non-current employee-related provisions. Other current provisions mostly include restructuring provisions as well as other current employee-related provisions.

## 31. Employee benefits

The obligations for employee benefits are as follows:

| *in TEUR* | 1/1/2018 | Foreign exchange incr./decr. | Change in scope of consolidation | Reversal | Use | Addition | 31/12/2018 |
|---|---|---|---|---|---|---|---|
| Provisions for severance payments | 36,023 | -170 | -918 | 4,032 | 2,796 | 5,834 | **33,941** |
| Provisions for pensions | 109,087 | 1,089 | 0 | 14,803 | 11,498 | 8,492 | **92,367** |
| Provisions for jubilee bonuses | 9,882 | -43 | -58 | 1,421 | 1,409 | 3,173 | **10,124** |
| **Employee-related provisions** | **154,992** | **876** | **-976** | **20,256** | **15,703** | **17,499** | **136,432** |

The obligations for post-employment benefits total TEUR 126,308 (2017: TEUR 145,110) and comprise pension obligations of TEUR 92,367 (2017: TEUR 109,087) and severance compensation obligations of TEUR 33,941 (2017: TEUR 36,023). The relevant accounting and valuation principles are described on pages 196 and 197.

The company is exposed to various risks in connection with the plans for post-employment benefits. In addition to general actuarial risks, such as an increase in the life expectancy for retirement benefits and interest rate risks, the company is also exposed to foreign exchange risks or investment risks on the capital markets.

***Pension obligations***

Wienerberger has made pension commitments to employees in the Netherlands, Great Britain, Scandinavia, the USA, Canada, Germany, Belgium and Switzerland as well as to selected managers in Austria. Defined contribution plans represent the goal for future pension agreements. Defined benefit pension agreements have been regularly converted to defined contribution pension models through the transfer of previously earned claims to pension funds. Wienerberger has also made a number of defined pension commitments, mainly to former managers, based on unfunded pension plans; the length of service forms the basis for retirement benefits under these plans. The employees of General Shale Brick Inc. (USA) have a funded defined benefit pension plan as well as an unfunded (retirement) health insurance scheme.
ZZ Wancor AG (Switzerland) has a funded defined benefit pension scheme, which is outsourced to an external pension fund, with the company being de facto obligated to make additional contributions if the collective foundation were to become insolvent.
Entitlements earned by Dutch employees are satisfied through a defined contribution pension plan, primarily through contributions to an industry-wide pension fund in the Netherlands. In Great Britain, a defined contribution pension plan covers all employees. The companies of thebrickbusiness, acquired in 2004, as well as Baggeridge, acquired in 2007, had defined benefit models; a provision was created to reflect these obligations. There are also defined benefit pension plans for the employees of the Steinzeug-Keramo Group. The Pipelife Group has defined benefit pension plans for individual members of the management in the Netherlands, Belgium, Austria and Germany.

The calculations are based on the following weighted average parameters:

| Parameters | 2018 | 2017 |
|---|---|---|
| Discount rate | 2.5% | 2.2% |
| Expected salary increases | 0.3% | 0.2% |
| Expected pension increases | 1.2% | 1.2% |
| Average employee turnover | 0.0% | 0.0% |
| Mortality tables | | |
| Austria | AVÖ 2018-P | AVÖ 2008-P |
| Germany | Heubeck 2018 G | Heubeck 2005 G |
| Switzerland | BVG 2015 GT | BVG 2015 GT |
| USA | RP-2014 with scale MP-2017 | RP-2014 with scale MP-2016 |
| Great Britain | 105% of SAPS S2 Tables with allowance (CMI 2017) | 105% of SAPS Normal Tables with allowance (CMI 2014) |
| Belgium | MR-3/FR-3 | MR-3/FR-3 |
| Sweden | DUS14 | DUS14 |
| Canada | CIA Composite Sector Mortality Table | CIA Private Sector Mortality Table |
| Netherlands | AG Prognosetafel 2016 | AG Prognosetafel 2016 |

The country-specific discount rate is based on the average return on first-rate, fixed-interest industrial bonds with a term to maturity that reflects the average maturity of the obligations to employees.

Total pension expenses for 2018 cover both defined contribution and defined benefit pension plans. The current and past service cost and the effects of plan settlements are reported under operating result and the net interest effect under interest result.

| *in TEUR* | 2018 | 2017 |
|---|---|---|
| **Defined contribution plans** | **13,287** | **16,076** |
| **Defined benefit plans** | | |
| Service cost for defined benefit plans | 3,721 | 3,735 |
| Past service cost | 1,470 | -1,106 |
| Net interest cost | 2,519 | 2,951 |
| **Expenses for defined benefit plans** | **7,710** | **5,580** |
| **Total expenses for pensions** | **20,997** | **21,656** |

The gross pension obligations can be reconciled to net obligations as shown on the balance sheet by deducting the fair value of plan assets. Of the total net obligations, TEUR 9,141 (2017: TEUR 9,445) is related to the US (retirement) health insurance program. A change in the cost trend for medical services would not have any major impact on the interest cost or the defined benefit pension obligation.

The components of pension obligations and their coverage through plan assets are shown below:

| | Defined benefit pension obligations | | Fair value of plan assets | |
|---|---|---|---|---|
| *in TEUR* | 2018 | 2017 | 2018 | 2017 |
| **Value as of 1/1** | **393,112** | **423,050** | **284,025** | **295,160** |
| Reclassifications | **0** | 2,165 | **0** | 2,165 |
| Foreign exchange increase/decrease | **4,971** | -21,635 | **3,882** | -15,915 |
| Service cost for defined benefit pension plans | **3,721** | 3,735 | **0** | 0 |
| Interest cost | **8,577** | 8,907 | **0** | 0 |
| Expected income from plan assets | **0** | 0 | **6,058** | 5,956 |
| Effects of plan curtailments | **0** | 0 | **0** | 0 |
| Actuarial gains/losses | **-19,202** | -3,157 | **-5,181** | 5,023 |
| Past service cost | **1,470** | -1,106 | **0** | 0 |
| Payments to retirees | **-15,156** | -18,280 | **-14,847** | -17,953 |
| Payments received from employees | **1,137** | 1,354 | **1,137** | 1,354 |
| Settlements | **0** | -1,513 | **0** | -1,513 |
| Payments received from employers | **-479** | -408 | **10,710** | 9,748 |
| **Value as of 31/12** | **378,151** | **393,112** | **285,784** | **284,025** |
| Fair value of plan assets | **-285,784** | -284,025 | | |
| **Net pension obligations** | **92,367** | **109,087** | | |
| **Actuarial gains/losses resulting from pension plans** | | | | |
| Actuarial gains/losses from changes in demographic assumptions | **2,236** | -670 | | |
| Actuarial gains/losses from changes in financial assumptions | **-15,484** | 7,558 | | |
| Actuarial gains/losses from experience adjustments | **-5,954** | -10,045 | | |
| Deviation of return on plan assets | **5,181** | -5,023 | | |
| **Actuarial gains (-)/losses (+) in other comprehensive income** | **-14,021** | **-8,180** | | |

Pension plan assets consist mainly of the assets of funded defined benefit pension plans in the USA, Great Britain, Switzerland and Pipelife's plan in the Netherlands. The plan assets are invested in shares (44%; 2017: 46%), bonds (47%; 2017: 46%) and other assets (9%; 2017: 8%).

The sensitivity of the gross pension obligation was tested by modifying the major actuarial assumptions individually while holding all other conditions constant. A negative amount represents a reduction of the obligation, while a positive amount indicates an increase.

| Sensitivity of the gross pension obligation | Change of parameter *in basis points (bp)/years* | Increase of parameter *in TEUR* | Decrease of parameter *in TEUR* |
|---|---|---|---|
| Discount rate | +/-25 bp | -12,617 | 12,961 |
| Salary increases | +/-100 bp | 1,865 | -1,645 |
| Employee turnover | +/-100 bp | -801 | 647 |
| Life expectancy | +/-1 year | 13,134 | -13,130 |

The payments to defined benefit pension plans are expected to total TEUR 8,432 in 2019. As of December 31, 2018, the weighted average duration of the pension obligations was 15 years (2017: 13 years).

***Severance compensation obligations***

Legal regulations grant Austrian employees who joined the company before January 1, 2003, the right to a lump-sum payment at retirement or termination by the employer, the amount of the payment being dependent on the length of service. These future obligations are reflected in provisions for severance payments. There are similar obligations in France, Italy, Poland and Turkey.

The country-specific discount rate used to calculate the severance compensation obligations under the projected unit credit method was based on the same yield curve used to calculate the pension obligations. The calculations are based on the following weighted average parameters:

| Parameters | 2018 | 2017 |
|---|---|---|
| Discount rate | 1.4% | 1.2% |
| Expected salary increases | 2.2% | 1.8% |
| Average employee turnover | 1.3% | 1.1% |

The current and past service cost and the effects of settlement payments from defined benefit severance compensation plans are reported under operating results, while the net interest effect is included under interest result.

| *in TEUR* | 2018 | 2017 |
|---|---|---|
| **Defined contribution plans** | **1,106** | **1,052** |
| **Defined benefit plans** | | |
| Service cost for defined benefit plans | 1,324 | 1,343 |
| Past service cost | -10 | 87 |
| Effects of settlements | -329 | 10 |
| Net interest cost | 525 | 438 |
| **Expenses for defined benefit plans** | **1,510** | **1,878** |
| **Expenses for severance payments** | **2,616** | **2,930** |

The severance compensation obligations in France are covered by plan assets, which are held in shares (11%; 2017: 11%), bonds (76%; 2017: 77%) and other assets (13%; 2017: 12%).

The following table shows the composition of the severance compensation obligations and their coverage through plan assets:

| in TEUR | Defined benefit severance obligation 2018 | 2017 | Fair value of plan assets 2018 | 2017 |
|---|---|---|---|---|
| **Value as of 1/1** | **38,314** | **36,639** | **2,291** | **2,193** |
| Change in scope of consolidation | -918 | 0 | 0 | 0 |
| Reclassifications | 105 | -24 | 0 | 0 |
| Foreign exchange increase/decrease | -170 | -57 | 0 | 0 |
| Service cost for defined benefit severance obligations | 1,324 | 1,343 | 0 | 0 |
| Interest cost | 557 | 456 | 0 | 0 |
| Expected income from plan assets | 0 | 0 | 32 | 18 |
| Effects of settlements | -329 | 10 | 0 | 0 |
| Actuarial gains/losses | -157 | 2,640 | 71 | 80 |
| Past service cost | -10 | 87 | 0 | 0 |
| Payments | -2,381 | -2,780 | 0 | 0 |
| **Value as of 31/12** | **36,335** | **38,314** | **2,394** | **2,291** |
| Fair value of plan assets | -2,394 | -2,291 | | |
| **Net severance compensation obligations** | **33,941** | **36,023** | | |
| **Actuarial gains/losses resulting from severance payment plans** | | | | |
| Actuarial gains/losses from changes in demographic assumptions | -879 | 1,532 | | |
| Actuarial gains/losses from changes in financial assumptions | 69 | -326 | | |
| Actuarial gains/losses from experience adjustments | 653 | 1,434 | | |
| Deviation of return on plan assets | -71 | -80 | | |
| **Actuarial gains (-)/losses (+) in other comprehensive income** | **-228** | **2,560** | | |

The sensitivity of the gross severance obligation was tested by modifying the major actuarial assumptions individually while holding all other conditions constant. A negative amount represents a reduction of the obligation, while a positive amount indicates an increase.

| Sensitivity of the gross severance obligation | Change of parameter *in basis points (bp)* | Increase of parameter *in TEUR* | Decrease of parameter *in TEUR* |
|---|---|---|---|
| Discount rate | +/-25 bp | -741 | 1,226 |
| Salary increases | +/-100 bp | 4,141 | -3,225 |
| Employee turnover | +/-100 bp | -689 | 717 |

The payments to defined benefit severance compensation plans are expected to total TEUR 951 in 2019. As of December 31, 2018, the weighted average duration of the severance compensation obligations was 12 years (2017: 11 years).

## 32. Deferred taxes

The following deferred tax assets and deferred tax liabilities as of December 31, 2018 and December 31, 2017 are the result of temporary valuation and accounting differences between carrying amounts in the consolidated financial statements and the respective tax assessment bases:

| *in TEUR* | 2018 | | 2017 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Intangible assets | 3,602 | -40,209 | 1,922 | -35,098 |
| Property, plant and equipment | 13,091 | -93,258 | 18,329 | -94,474 |
| Inventories | 3,168 | -5,156 | 3,135 | -4,844 |
| Receivables | 10,591 | -13,877 | 9,067 | -9,315 |
| Miscellaneous receivables | 56,198 | -75 | 52,187 | -20 |
| | **86,650** | **-152,575** | **84,640** | **-143,751** |
| Provisions | 27,206 | -3,788 | 31,512 | -2,967 |
| Liabilities | 13,468 | -3,433 | 8,039 | -5,686 |
| Prepayments received | 342 | -212 | 437 | -1,047 |
| | **41,016** | **-7,433** | **39,988** | **-9,700** |
| Tax losses carried forward | 427,263 | | 387,572 | |
| **Deferred tax assets/liabilities** | **554,929** | **-160,008** | **512,200** | **-153,451** |
| Unrecognized deferred tax assets | -415,866 | | -386,330 | |
| Offset within legal tax units and jurisdictions | -84,987 | 84,987 | -81,821 | 81,821 |
| **Recognized tax assets/liabilities** | **54,076** | **-75,021** | **44,049** | **-71,630** |

At Group level there are deductible temporary differences and tax loss carryforwards (including pro-rata depreciation and amortization) in a total amount of TEUR 1,669,551 (2017: TEUR 1,521,427). Of this total, TEUR 250,824 (2017: 257,045) are accounted for by deductible temporary differences and TEUR 1,418,727 (2017: TEUR 1,264,382) by tax loss carryforwards (including pro-rata depreciation and amortization). No deferred taxes were recognized, as their effectiveness as a definitive tax relief is not secure enough within the framework of mid-term planning. This corresponds to deferred tax assets of TEUR 415,866 (2017: TEUR 386,330).

The following table shows when unused tax losses expire:

| *in TEUR* | 2018 | 2017 |
|---|---|---|
| Expiry date of unused tax losses ≤ 5 years | **39,106** | 31,193 |
| Expiry date of unused tax losses 6 - 10 years | **78,099** | 68,633 |
| Expiry date of unused tax losses > 10 years | **135,811** | 132,808 |
| Expiry date of unused tax losses unlimited | **1,165,711** | 1,031,748 |
| **Total of unused tax losses** | **1,418,727** | **1,264,382** |

Temporary pro-rata depreciation and amortization, which is tax-deductible under Austrian law, amounted to TEUR 281,857 (2017: TEUR 239,936) for Wienerberger AG. Deferred tax assets were not recognized for this amount in 2018 or 2017.

As at December 31, 2018, taxable temporary differences associated with investments in subsidiaries amounted to TEUR 199,085 (2017: TEUR 166,695), for which no deferred tax liabilities were recognized in accordance with IAS 12.39 (outside basis differences).

## 33. Liabilities

Liabilities are generally measured at amortized cost, except for derivatives with negative market values, which are measured at fair value.

The remaining terms of the various categories of liabilities are shown in the following tables:

| 2018<br>*in TEUR* | Total | Remaining term < 1 year | Remaining term 1-5 years | Remaining term > 5 years | Thereof secured by collateral |
|---|---|---|---|---|---|
| Interest-bearing loans | 836,519 | 126,684 | 419,212 | 290,623 | 0 |
| Finance leases | 978 | 223 | 755 | 0 | 0 |
| **Financial liabilities** | **837,497** | **126,907** | **419,967** | **290,623** | **0** |
| Trade payables owed to third parties | 326,186 | 326,186 | 0 | 0 | 0 |
| Trade payables owed to subsidiaries | 704 | 704 | 0 | 0 | 0 |
| **Trade payables** | **326,890** | **326,890** | **0** | **0** | **0** |
| **Payables for current taxes** | **22,531** | **22,531** | **0** | **0** | **0** |
| Contract liabilities | 4,348 | 4,311 | 25 | 12 | 0 |
| Amounts owed to tax authorities and social security institutions | 58,835 | 58,815 | 0 | 20 | 0 |
| Refund liabilities | 12,681 | 12,681 | 0 | 0 | 0 |
| Prepayments received | 6,864 | 4,139 | 388 | 2,337 | 0 |
| Miscellaneous liabilities | 187,185 | 187,174 | 5 | 6 | 0 |
| **Other liabilities** | **269,913** | **267,120** | **418** | **2,375** | **0** |
| **Total liabilities** | **1,456,831** | **743,448** | **420,385** | **292,998** | **0** |

| 2017<br>*in TEUR* | Total | Remaining term < 1 year | Remaining term 1-5 years | Remaining term > 5 years | Thereof secured by collateral |
|---|---|---|---|---|---|
| Interest-bearing loans | 813,603 | 320,406 | 424,197 | 69,000 | 690 |
| Finance leases | 1,053 | 302 | 751 | 0 | 0 |
| Financial liabilities owed to subsidiaries | 16 | 16 | 0 | 0 | 0 |
| **Financial liabilities** | **814,672** | **320,724** | **424,948** | **69,000** | **690** |
| Trade payables owed to third parties | 320,905 | 320,905 | 0 | 0 | 0 |
| Trade payables owed to subsidiaries | 628 | 628 | 0 | 0 | 0 |
| **Trade payables** | **321,533** | **321,533** | **0** | **0** | **0** |
| **Payables for current taxes** | **11,399** | **11,399** | **0** | **0** | **0** |
| Prepayments received on orders | 4,426 | 3,867 | 547 | 12 | 0 |
| Amounts owed to tax authorities and social security institutions | 63,593 | 63,573 | 0 | 20 | 0 |
| Prepayments received | 9,479 | 6,049 | 869 | 2,561 | 0 |
| Miscellaneous liabilities | 181,334 | 179,320 | 2,006 | 8 | 0 |
| **Other liabilities** | **258,832** | **252,809** | **3,422** | **2,601** | **0** |
| **Total liabilities** | **1,406,436** | **906,465** | **428,370** | **71,601** | **690** |

Refund liabilities primarily comprise rights of return recognized for returnable pallets.

Contract liabilities describe advance payments received from customers and are recognized on the balance sheet under other liabilities. As at the balance sheet date, they amounted to TEUR 4,348. Revenues generated from these orders are recognized at the time of transfer of the goods/services to the customer.

Miscellaneous liabilities include TEUR 68,890 (2017: TEUR 61,925) due to employees and TEUR 97,860 (2017: TEUR 95,416) from accruals for bonuses and other sales deductions due to customers. Prepayments received include TEUR 3,586 (2017: TEUR 4,123) of subsidies and investment grants from third parties, which are reversed to income over the useful life of the related items of property, plant and equipment. In addition to liabilities from current taxes, amounts owed to tax authorities and social security institutions also include tax liabilities of TEUR 34,142 (2017: TEUR 38,399).

Financial liabilities include the following derivatives with negative market values:

### *Derivatives*

| *in TEUR* | 2018 | 2017 |
|---|---|---|
| Derivatives from cash flow hedges | 569 | 354 |
| Derivatives from net investment hedges | 2,106 | 3,065 |
| Other derivatives | 4,888 | 5,184 |
| **Derivatives with negative market value** | **7,563** | **8,603** |

Total liabilities thus include TEUR 1,443,268 (2017: TEUR 1,397,833) in financial liabilities measured at amortized cost, TEUR 6,000 other liabilities measured at fair value, TEUR 2,675 (2017: TEUR 3,419) in derivatives in hedge accounting, and TEUR 4,888 (2017: TEUR 5,184) in other derivatives measured at fair value through profit or loss.

Financial liabilities are expected to result in the following cash flows:

### *Analysis of contractual cash flows*

| **2018** *in TEUR* | **Carrying amount as at 31/12/2018** | **Total** | **< 6 months** | **6-12 months** | **1-2 years** | **2-5 years** | **> 5 years** |
|---|---|---|---|---|---|---|---|
| Bonds | 558,449 | **-604,000** | -17,000 | 0 | -317,000 | -15,000 | -255,000 |
| Liabilities to banks | 263,722 | **-270,202** | -98,269 | -7,139 | -28,484 | -93,986 | -42,324 |
| Liabilities to non-banks | 7,763 | **-7,615** | -7 | -5,032 | -1,547 | -1,029 | 0 |
| **Primary financial instruments** | **829,934** | **-881,817** | **-115,276** | **-12,171** | **-347,031** | **-110,015** | **-297,324** |
| | | | | | | | |
| Interest rate derivatives | 4,623 | **-5,648** | -1,508 | -63 | -1,425 | -2,652 | 0 |
| Forward exchange contracts and swaps | 2,940 | **-6,496** | -2,024 | -857 | -2,043 | -1,572 | 0 |
| **Derivative financial instruments** | **7,563** | **-12,144** | **-3,532** | **-920** | **-3,468** | **-4,224** | **0** |
| **Carrying amounts/Contractual cash flows** | **837,497** | **-893,961** | **-118,808** | **-13,091** | **-350,499** | **-114,239** | **-297,324** |

| **2017** *in TEUR* | **Carrying amount as at 31/12/2017** | **Total** | **< 6 months** | **6-12 months** | **1-2 years** | **2-5 years** | **> 5 years** |
|---|---|---|---|---|---|---|---|
| Bonds | 409,657 | **-441,250** | -12,000 | -105,250 | -12,000 | -312,000 | 0 |
| Commercial paper | 10,962 | **-11,000** | -10,000 | -1,000 | 0 | 0 | 0 |
| Liabilities to banks | 384,370 | **-393,709** | -99,644 | -93,329 | -32,918 | -97,860 | -69,958 |
| Liabilities to non-banks | 1,080 | **-1,101** | -223 | -158 | -221 | -499 | 0 |
| **Primary financial instruments** | **806,069** | **-847,060** | **-121,867** | **-199,737** | **-45,139** | **-410,359** | **-69,958** |
| | | | | | | | |
| Interest rate derivatives | 4,789 | **-5,391** | -1,500 | -85 | -1,241 | -2,565 | 0 |
| Forward exchange contracts and swaps | 3,814 | **-4,304** | -788 | -367 | -1,556 | -1,593 | 0 |
| **Derivative financial instruments** | **8,603** | **-9,695** | **-2,288** | **-452** | **-2,797** | **-4,158** | **0** |
| **Carrying amounts/Contractual cash flows** | **814,672** | **-856,755** | **-124,155** | **-200,189** | **-47,936** | **-414,517** | **-69,958** |

The cash flows shown in the above tables include interest paid for both fixed-interest and floating-rate financial liabilities. They were determined on the basis of the interest rates established at the end of the reporting period.

## 34. Contingent liabilities and guarantees

Contingent liabilities result from obligations to third parties, and include the following:

| *in TEUR* | 31/12/2018 | 31/12/2017 |
|---|---|---|
| Guarantees | **21,926** | 16,882 |
| Other contractual obligations | **315** | 520 |
| **Contingent liabilities** | **22,241** | **17,402** |

All events reported under contingent liabilities reflect possible future obligations that are contingent upon the occurrence of a future event that is completely uncertain as of the balance sheet date.

## 35. Financial instruments

Interest-bearing financial liabilities comprise the following items:

| 2018 | Currency | Nominal value | Market value | Carrying amount as at 31/12/2018 | Effective interest rate |
|---|---|---|---|---|---|
| | | *in 1,000 local currency* | *in TEUR* | *in TEUR* | *in %* |
| Long-term loans | *EUR* | 160,000 | 164,014 | **160,000** | 1.02 |
| Roll-over | *TRY* | 776 | 127 | **128** | 19.80 |
| Short-term loans | *EUR* | 9,200 | 9,303 | **9,200** | 4.17 |
| **Fixed interest liabilities due to financial institutions** | | | **173,444** | **169,328** | |

| 2017 | Currency | Nominal value | Market value | Carrying amount as at 31/12/2017 | Effective interest rate |
|---|---|---|---|---|---|
| | | *in 1,000 local currency* | *in TEUR* | *in TEUR* | *in %* |
| Long-term loans | *EUR* | 174,200 | **179,072** | **174,200** | 1.18 |
| Roll-over | *EUR* | 493 | 495 | **493** | 7.59 |
| | *TRY* | 20,500 | 4,497 | **4,509** | 14.72 |
| | | | **4,992** | **5,002** | |
| Short-term loans | *EUR* | 64,600 | **64,491** | **64,434** | 0.93 |
| **Fixed interest liabilities due to financial institutions** | | | **248,555** | **243,636** | |

| 2018 | Currency | Nominal value | Market value | Carrying amount as at 31/12/2018 | Effective interest rate |
|---|---|---|---|---|---|
| | | *in 1,000 local currency* | *in TEUR* | *in TEUR* | *in %* |
| Long-term loans | *EUR* | 1,250 | **1,231** | **1,250** | 1.75 |
| Roll-over | *EUR* | 55,000 | 54,736 | **55,000** | 0.90 |
| | *TRY* | 65,810 | 10,786 | **10,862** | 24.87 |
| | | | **65,522** | **65,862** | |
| Short-term loans | *EUR* | 21,632 | 21,713 | **21,632** | 1.95 |
| | *TRY* | 23,798 | 3,928 | **3,928** | - |
| | *USD* | 1,457 | 1,272 | **1,272** | - |
| | *CAD* | 427 | 273 | **273** | - |
| | *HUF* | 55,904 | 174 | **174** | - |
| | *PLN* | 12 | 3 | **3** | - |
| | | | **27,363** | **27,282** | |
| Derivatives | *other in EUR* | 286,383 | **7,563** | **7,563** | - |
| **Variable interest liabilities due to financial institutions** | | | **101,679** | **101,957** | |

| 2017 | Currency | Nominal value | Market value | Carrying amount as at 31/12/2017 | Effective interest rate |
|---|---|---|---|---|---|
| | | *in 1,000 local currency* | *in TEUR* | *in TEUR* | *in %* |
| Long-term loans | *EUR* | 20,286 | **20,448** | **20,286** | 1.89 |
| Roll-over | *EUR* | 77,000 | 76,924 | **77,000** | 1.20 |
| | *TRY* | 6,580 | 1,444 | **1,447** | 15.50 |
| | | | **78,368** | **78,447** | |
| Short-term loans | *EUR* | 36,771 | 36,822 | **36,771** | 1.18 |
| | *TRY* | 18,364 | 4,039 | **4,039** | - |
| | *USD* | 1,143 | 954 | **954** | - |
| | *CAD* | 285 | 190 | **190** | - |
| | *GBP* | 41 | 46 | **46** | - |
| | *CZK* | 30 | 1 | **1** | - |
| | | | **42,052** | **42,001** | |
| Derivatives | *other in EUR* | 250,777 | **8,603** | **8,603** | - |
| **Variable interest liabilities due to financial institutions** | | | **149,471** | **149,337** | |

| 2018 | Currency | Nominal value | Market value | Carrying amount as at 31/12/2018 | Effective interest rate |
|---|---|---|---|---|---|
| | | *in 1,000 local currency* | *in TEUR* | *in TEUR* | *in %* |
| Bonds – fixed interest (long-term) | *EUR* | 550,000 | 587,207 | **546,638** | 3.29 |
| Bonds – fixed interest (accrued interest) | *EUR* | 11,811 | 11,811 | **11,811** | - |
| Long-term loans – fixed interest | *EUR* | 330 | 336 | **329** | 0.75 |
| | *TRY* | 716 | 118 | **118** | 30.76 |
| Long-term loans – variable interest | *EUR* | 1,500 | 1,500 | **1,500** | - |
| Short-term loans - fixed interest | *TRY* | 2,036 | 336 | **336** | 30.76 |
| | *EUR* | 2 | 1 | **2** | 3.80 |
| Short-term loans - variable interest | *EUR* | 4,500 | 4,500 | **4,500** | - |
| Finance leases (long-term) | *EUR* | 493 | 492 | **492** | 0.05 |
| | *NOK* | 1,343 | 144 | **135** | 4.84 |
| | *DKK* | 627 | 84 | **84** | - |
| | *BAM* | 85 | 44 | **44** | 6.66 |
| Finance leases (short-term) | *EUR* | 135 | 135 | **135** | 0.30 |
| | *BAM* | 66 | 34 | **34** | 6.66 |
| | *DKK* | 164 | 22 | **22** | - |
| | *NOK* | 134 | 14 | **14** | 1.16 |
| | *NOK* | 91 | 9 | **9** | 5.20 |
| | *HUF* | 3,022 | 9 | **9** | - |
| **Financial liabilities owed to non-banks** | | | **606,796** | **566,212** | |

| 2017 | Currency | Nominal value | Market value | Carrying amount as at 31/12/2017 | Effective interest rate |
|---|---|---|---|---|---|
| | | *in 1,000 local currency* | *in TEUR* | *in TEUR* | *in %* |
| Bonds – fixed interest (long-term) | *EUR* | 300,000 | 326,516 | **298,700** | 4.00 |
| Bonds – fixed interest (short-term) | *EUR* | 100,000 | 102,548 | **99,886** | 4.73 |
| Bonds – fixed interest (accrued interest) | *EUR* | 11,071 | 11,071 | **11,071** | - |
| Long-term loans – fixed interest | *EUR* | 11 | 10 | **11** | 3.80 |
| Commercial paper – fixed interest | *EUR* | 10,962 | 11,010 | **10,962** | 0.34 |
| Finance leases (long-term) | *EUR* | 751 | 751 | **751** | 0.18 |
| Finance leases (short-term) | *EUR* | 280 | 280 | **280** | 0.48 |
| Finance leases (short-term) | *HUF* | 6,696 | 22 | **22** | 1.39 |
| Financial liabilities owed to subsidiaries | *EUR* | 16 | 16 | **16** | - |
| **Financial liabilities owed to non-banks** | | | **452,224** | **421,699** | |

Interest rates (variable, fixed) can be exchanged through the conclusion of interest rate swaps. The structure of financial liabilities (variable and fixed interest rates), including the effects of interest rate swaps, is shown on page 205.

## 36. Derivative financial instruments and hedge accounting

The market value of derivative financial instruments represents the value the company would receive or be required to pay on settlement as of the balance sheet date. Current market conditions – above all current interest rates, foreign exchange rates and the credit standing of the counterparty – are taken into account. These valuation parameters can be monitored on the market and are available to all relevant market participants. The fair value of the respective derivative instrument reflects the market valuation by the bank with which Wienerberger contracted the derivative and is extended to include IFRS 13 factors (credit value and debit value adjustments – CVA/DVA).

As of December 31, 2018, Wienerberger held foreign exchange forward contracts that were concluded to hedge transaction risks for a period of up to 12 months. The risk positions covered by these hedges are documented in the Group's foreign-currency-based liquidity planning. These derivatives are classified as cash flow hedges of future transactions, and changes in their market value during the term are recognized in the hedging reserve. The effectiveness of the individual hedges is measured quarterly based on the hypothetical derivative method. The ineffective portion of the change in market value is recognized through profit or loss and consists primarily of the CVA/DVA as defined in IFRS 13. At the maturity date of the derivative, the cumulative market value differences are reclassified from other comprehensive income to profit or loss.

The Wienerberger Group also holds currency swaps that are used to hedge cash pool and bank account balances in foreign currencies. The foreign currency differences on the bank account balances that are hedged with these instruments are recognized through profit or loss and, consequently, the market value differences of the hedges are also recognized through profit or loss. As these are natural hedges, hedge accounting is not applied.

As of December 31, 2018, two interest rate swaps were in effect which were used to optimize the interest expense and are measured through profit or loss without the application of hedge accounting.

The cross currency swaps are derivatives that hedge the Group's net investments in various currencies (Swiss francs, US dollars, British pounds, Canadian dollars, Czech korunas and Polish zlotys) and are therefore classified as hedges of a net investment in a foreign operation. The effectiveness of these instruments is measured quarterly by comparing the cumulative market value changes with the cumulative currency differences of the hedged position. The effective portion of the hedge is recognized in the hedging reserve, and the ineffective portion is recognized through profit or loss.

| | 31/12/2018 | | | 31/12/2017 | | |
|---|---|---|---|---|---|---|
| | Currency | Nominal value *in 1,000 local currency* | Market value *in TEUR* | Currency | Nominal value *in 1,000 local currency* | Market value *in TEUR* |
| Forward exchange contracts | *NOK* | **295,282** | **769** | *GBP* | 51,731 | 802 |
| | *GBP* | **83,950** | **243** | *NOK* | 137,518 | 695 |
| | *USD* | **22,000** | **82** | *SEK* | 126,903 | 403 |
| | *DKK* | **14,000** | **1** | *USD* | 3,500 | 41 |
| | *CAD* | **1,500** | **1** | *HUF* | 1,701,933 | 14 |
| | *CZK* | **159,862** | **-15** | *DKK* | 0 | 0 |
| | *HUF* | **3,276,110** | **-35** | *CAD* | 3,000 | -21 |
| | *PLN* | **53,675** | **-58** | *CZK* | 120,910 | -56 |
| | *SEK* | **145,998** | **-76** | *EUR* | 128,197 | -117 |
| | *EUR* | **136,425** | **-182** | *PLN* | 36,945 | -171 |
| Interest rate swaps | *EUR* | **101,250** | **-4,623** | *EUR* | 150,000 | -3,955 |
| Cross currency swaps | *GBP/EUR* | **40,000** | **4,722** | *USD/EUR* | 153,000 | 12,320 |
| | *USD/EUR* | **78,000** | **1,453** | *GBP/EUR* | 73,000 | 4,837 |
| | *PLN/EUR* | **60,000** | **965** | *PLN/EUR* | 80,000 | 664 |
| | *CAD/EUR* | **10,500** | **286** | *CHF/EUR* | 8,000 | 492 |
| | *CHF/EUR* | **8,000** | **185** | *CAD/EUR* | 10,500 | 41 |
| | *CZK/EUR* | **780,000** | **-1,720** | *CZK/EUR* | 1,040,000 | -3,065 |
| Other derivatives | *EUR* | **0** | **0** | *EUR* | 2,938 | 2,938 |
| | | | **1,998** | | | **15,862** |

## 37. Disclosures on financial instruments

Financial instruments are classified in three levels that reflect the degree of valuation certainty. Wienerberger uses the following hierarchy to classify financial instruments measured at fair value according to the valuation method used:

- Level 1: Valuation based on the market price for a specific financial instrument
- Level 2: Valuation based on the market prices for similar instruments or on valuation models that only use parameters that can be monitored on the market
- Level 3: Valuation based on models with significant parameters that cannot be monitored on the market

The financial instruments regularly carried at fair value by the Wienerberger Group are generally classified under level 1 (shares in funds and stock; see Note 26. Receivables, securities and other financial assets) or level 2 (other financial assets and derivative financial instruments; see Note 36. Derivative financial instruments and hedge accounting). No items were reclassified between hierarchy levels during the reporting year.

Other securities recognized as financial instruments at fair value through profit or loss are classified mainly in level 3 of the valuation hierarchy. They serve as reinsurance for pension obligations and netting against the provision is not permitted.

In 2017, other derivatives with positive market values included a buy option for non-controlling interests in the Tondach Group in the amount of TEUR 3,089, which was classified as level 3 due to the input factors used in the valuation. The fair value was determined using the Black-Scholes formula on the basis of the budgeted EBITDA and the agreed multiplication factor. In the reporting period, a valuation gain of TEUR 28 was recognized in the other financial result and the option in the amount of

TEUR 3,117 was netted against the capital reserve (see also Note 29. Group Equity).

Other liabilities recognized at fair value represent a contingent purchase price liability in connection with the purchase of 30% of the shares in the joint venture Interbran Baustoff GmbH. The payment obligation is conditional on the achievement of defined research and development targets and is classified under level 3 of the valuation hierarchy.

The following table shows the financial assets and financial liabilities carried at fair value:

***Financial assets and financial liabilities carried at fair value***

| *in TEUR* | Level 1 | Level 2 | Level 3 | Carrying amount as at 31/12/2018 |
|---|---|---|---|---|
| **Assets** | | | | |
| Investments in subsidiaries and other investments | | | 11,890 | **11,890** |
| Stock | 1 | | | **1** |
| Shares in funds | 5,432 | | | **5,432** |
| Other | | 14 | 701 | **715** |
| **At fair value through profit or loss [1)]** | **5,433** | **14** | **12,591** | **18,038** |
| Derivatives from cash flow hedges | | 1,104 | | **1,104** |
| Derivatives from net investment hedges | | 7,997 | | **7,997** |
| Other derivatives | | 460 | | **460** |
| **Derivatives with positive market value** | | **9,561** | | **9,561** |
| | | | | |
| **Liabilities** | | | | |
| Derivatives from cash flow hedges | | 569 | | **569** |
| Derivatives from net investment hedges | | 2,106 | | **2,106** |
| Other derivatives | | 4,888 | | **4,888** |
| **Derivatives with negative market value** | | **7,563** | | **7,563** |
| **Other liabilities** | | | **6,000** | **6,000** |

1) Due to the initial application of IFRS 9, the classification of financial instruments was adapted.

| *in TEUR* | Level 1 | Level 2 | Level 3 | Carrying amount as at 31/12/2017 |
|---|---|---|---|---|
| **Assets** | | | | |
| Shares in funds | 28,370 | | | **28,370** |
| Corporate bonds | 42 | | | **42** |
| Stock | 13 | | | **13** |
| Other | | 13 | 777 | **790** |
| **Available-for-sale financial instruments** | **28,425** | **13** | **777** | **29,215** |
| Derivatives from cash flow hedges | | 2,000 | | **2,000** |
| Derivatives from net investment hedges | | 18,354 | | **18,354** |
| Other derivatives | | 1,022 | 3,089 | **4,111** |
| **Derivatives with positive market value** | | **21,376** | **3,089** | **24,465** |
| | | | | |
| **Liabilities** | | | | |
| Derivatives from cash flow hedges | | 354 | | **354** |
| Derivatives from net investment hedges | | 3,065 | | **3,065** |
| Other derivatives | | 5,184 | | **5,184** |
| **Derivatives with negative market value** | | **8,603** | | **8,603** |

The valuation of financial instruments classified under level 3 is shown in the following table:

| | Investments | | Other securities | | Derivatives with positive market value | |
|---|---|---|---|---|---|---|
| *in TEUR* | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| **Balance on 31/12** | **7,026** | **7,035** | **777** | **812** | **3,089** | **0** |
| IFRS 9 Adjustment | **6,687** | 0 | **0** | 0 | **0** | 0 |
| **Balance on 1/1** | **13,713** | **7,035** | **777** | **812** | **3,089** | **0** |
| Additions | **0** | 3 | **0** | 0 | **0** | 0 |
| Results from valuation in income statement | **-1,823** | -12 | **-76** | 0 | **28** | 3,089 |
| Results from valuation in other comprehensive income | **0** | 0 | **0** | -35 | **0** | 0 |
| Disposals | **0** | 0 | **0** | 0 | **-3,117** | 0 |
| **Balance on 31/12** | **11,890** | **7,026** | **701** | **777** | **0** | **3,089** |

Wienerberger generally carries loans and receivables as well as liabilities at amortized cost, with a mark-down on loans and receivables in the amount of the weighted expected defaults

The fair value of these liabilities can either be monitored on the market, which permits classification under level 1 (bonds), or can be derived by means of an income approach, which permits classification under level 2 (loans).

Trade receivables and trade payables, loans granted and other receivables and liabilities mostly have a term of less than one year. The respective carrying amounts generally correspond to fair values and are therefore not reported separately.

### *Financial assets and financial liabilities at amortized cost*

| | Fair Value | | | |
|---|---|---|---|---|
| *in TEUR* | Level 1 | Level 2 | Level 3 | Carrying amount as at 31/12/2018 |
| **Assets** | | | | |
| **Other receivables** | | **13,384** | | **13,384** |
| | | | | |
| **Liabilities** | | | | |
| Long-term loans | | 165,245 | | **161,250** |
| Roll-over | | 65,649 | | **65,990** |
| Short-term loans | | 36,666 | | **36,482** |
| **Financial liabilities owed to financial institutions** | | **267,560** | | **263,722** |
| Bonds | 599,018 | | | **558,449** |
| Long-term loans | | 1,954 | | **1,947** |
| Short-term loans | | 4,837 | | **4,838** |
| Finance leases | | 987 | | **978** |
| **Financial liabilities owed to non-banks** | **599,018** | **7,778** | | **566,212** |

| | Fair Value | | | |
|---|---|---|---|---|
| *in TEUR* | Level 1 | Level 2 | Level 3 | Carrying amount as at 31/12/2017 |
| **Assets** | | | | |
| **Other receivables** | | **4,948** | | **4,948** |
| | | | | |
| **Liabilities** | | | | |
| Long-term loans | | 199,520 | | **194,486** |
| Roll-over | | 83,360 | | **83,449** |
| Short-term loans | | 106,543 | | **106,435** |
| **Financial liabilities owed to financial institutions** | | **389,423** | | **384,370** |
| Bonds | 440,135 | | | **409,657** |
| Long-term loans | | 10 | | **11** |
| Commercial paper | | 11,010 | | **10,962** |
| Finance leases | | 1,053 | | **1,053** |
| Financial liabilities owed to subsidiaries | | 16 | | **16** |
| **Financial liabilities owed to non-banks** | **440,135** | **12,089** | | **421,699** |
| **Other liabilities** | | **1,966** | | **1,966** |

## *Accounting and Valuation Principles*

*Revenues*: Wienerberger applies the five-step model for revenue recognition according to IFRS 15. Initially, the contract and the performance obligations contained therein are identified. After the determination of the transaction price and its allocation to the individual performance obligations, the timing of revenue recognition is determined. Income from deliveries of goods and services is recognized when control of the goods delivered is transferred to the buyer. As a rule, this corresponds to the time of delivery to the customer.

In individual cases, revenue is already realized during production, if an asset produced is customer-specific and has no alternative use and Wienerberger has an enforceable right to payment against the customer. In the case of manufacturing contracts revenue is realized on the basis of production progress and, as a rule, calculated by means of output-oriented methods (e.g. based on the amount produced relative to the total amount). Revenue from services, however, is calculated by means of an input-oriented method on the basis of the costs incurred by the cut-off date relative to the expected total costs of the contract (cost-to-cost method). Such services include, for instance, 3D models for building design produced within the framework of Building Information Modelling. If the costs for a specific contract are expected to exceed the agreed revenues, a provision for impending losses is recognized.

In the prior period, revenues from the provision of goods and services were realized when all major opportunities and risks arising from the goods or services delivered were transferred to the buyer. In addition, a reliable measurement of the amount of revenues and the costs related to the sale was required. Revenue from construction contracts pursuant to IAS 11 was recognized in accordance with the percentage-of-completion method.

Variable considerations are recognized in revenue only up to the extent to which it is highly probable that there will be no significant revenue reversals in the future. Revenues are reported net of rebates, discounts, bonuses, penalties and rights of return. The recognition of variable considerations is based largely on historical data. Payments to customers are deducted from revenue, unless they represent payments for distinct goods and services.

*Costs of goods sold:* The cost of goods sold includes direct material and production costs as well as a proportional share of overhead expenses for production equipment. Other components of the cost of goods sold are fixed production costs that cannot be capitalized due to the underutilization of capacity, impairment charges to inventories and the procurement cost of sold merchandise.

*Government grants:* Wienerberger recognizes government grants at their fair value under liabilities. Their reversal is reported under other income during the relevant accounting period when there is reasonable assurance that all conditions attached to the grant have been met.

*Earnings per share:* The calculation of earnings per share is based on Group profit after tax less non-controlling interests and the planned component of earnings attributable to hybrid bondholders, divided by the weighted number of shares outstanding (less treasury shares).

*Intangible assets:* Identifiable intangible assets purchased by the Group are reported at acquisition cost less straight-line amortization and any necessary impairment charges. Capitalized brands which on the date of purchase have been established for a long time and continue in use, are counted as intangible assets with an indefinite period of use to be subjected to annual impairment tests.

*Goodwill:* In accordance with IFRS 3, goodwill arising through a business combination is allocated to cash-generating units and not reduced through scheduled amortization, but tested at least once each year for indications of impairment.

*Property, plant and equipment:* Items of property, plant and equipment are recognized at acquisition cost less straight-line depreciation or usage-based depletion (clay pits). The recognition of internally generated plant or equipment includes an appropriate component of material and production overheads, but excludes general administrative and selling expenses. In accordance with IAS 23, borrowing costs incurred during the production of qualified assets are capitalized as part of acquisition cost and depreciated over the applicable useful life. Research and development expenses at Wienerberger also include the costs for product development, process technology, the improvement of environmental standards and laboratory activities. The development costs for successful research programs are generally capitalized under the related asset category.

The Group-wide depreciation rates are based on the useful economic lives of the respective assets (component approach) as shown in the following table:

| | | | |
|---|---|---|---|
| Production plants (incl. warehouses) | 10 - 40 years | Other machinery | 4 - 30 years |
| Administrative and residential buildings | 40 years | Fittings, furniture and office equipment | 4 - 15 years |
| Building infrastructure | 4 - 40 years | Customer bases | 5 - 15 years |
| Kilns and dryers | 5 - 30 years | Other intangible assets | 4 - 10 years |

Repairs that do not increase the presumed useful life of assets are booked as incurred. In accordance with IFRS 5, scheduled depreciation is discontinued when assets are classified as held for sale.

When plant or equipment is sold or retired, the gain or loss arising from the difference between the net proceeds on sale and the remaining carrying amount or impairment charge is reported under other operating income or expenses.

In accordance with IAS 17 Leases, leased items of property, plant and equipment that represent purchases with long-term financing (finance leases) are recognized at the price that would have been paid if the asset had been purchased. Depreciation is calculated over the lesser of the useful life of the asset or the term of the lease.

*Impairment of non-financial assets:* In accordance with IAS 36, impairment tests are carried out on a regular basis and whenever there is any indication of lasting impairment. Assets are tested separately for impairment when it is possible to allocate distinct cash flows to the individual asset. Impairment testing involves comparing the carrying amount of an asset with its recoverable amount, which represents the higher of fair value less costs to sell and the value in use. An impairment loss is recognized when the recoverable amount is lower than the carrying amount. Fair value less costs to sell is the price that would be received on the sale of an asset, after the deduction of selling costs. The value in use is determined on the basis of an income approach and represents the present value of expected future cash flows to be derived from the asset or cash-generating unit.

Independent cash flows cannot be allocated to intangible assets with an indefinite useful life. These assets are tested for impairment as part of a cash-generating unit at least once each year in accordance with IAS 36.

Reversals are booked if the reasons for impairment cease to exist or a possible use is found for the item. In accordance with IAS 36, previously recognized impairment losses to goodwill are not reversed.

*Investment property* is carried at depreciated cost and, with the exception of land, is depreciated on a straight-line basis.

*Investments in associates and joint ventures:* Investments in associates over which Wienerberger exercises a significant influence (as a rule, between 20% and 50% of the shares) and joint ventures are carried at equity.

*Inventories:* Inventories are carried at the lower of cost or net realizable value, whereby valuation is based on the moving average method. Cost includes direct expenses as well as allocated overhead and depreciation based on normal capacity usage (between 85% and 100% of capacity). Interest charges as well as selling and administrative expenses are not included in the production cost of current assets. Risks resulting from the length of storage or other impairments in value are reflected through appropriate write-downs.

*Rights of return:* When Wienerberger is obliged to take back products returned by the customer, e.g. pallets, the payment expected is accounted for as a refund liability and revenue is reduced by the corresponding amount. At the same time, an asset is booked for the right to take the returned products back. The refund liability is recognized under other liabilities, while the return asset is reported under other receivables. The estimate of the return rate is based, among other factors, on historical return rates.

*Emission certificates:* In accordance with IAS 20 and IAS 38, Wienerberger uses the acquisition cost of zero to report the emission certificates allocated free of charge based on EU Emission Trading Directives 2003/87/EC and 2009/29/EC. If actual emissions exceed the free certificates, the additional certificates required are recognized at their market price on the balance sheet date. Purchased certificates are recognized at cost or the lower market price on the balance sheet date.

*Financial instruments:* A financial instrument is a contract that gives rise to a financial asset in one company and a financial liability or equity instrument in another company. IFRS 9 classifies financial instruments according to the method of accounting. Depending on the characteristics of the financial instrument, the following methods of recognition and subsequent measurement are applied: measurement at fair value through profit or loss – FVtPL, measurement at fair value through other comprehensive income – FVtOCI, and measurement at amortized cost – AC. The method of measurement to be applied depends on the character of the financial instrument (equity instrument or debt instrument) and the business model. The standard requires the company to define if there is an intention to trade or if the financial instrument is to be held to maturity or if a mixed model is applied.

Spot transactions in financial assets are recognized on the day of execution. A financial asset is derecognized when the contractual rights to cash flow from that asset expire.

*Loans and receivables* are carried at amortized cost, with recognizable individual risks reflected in appropriate valuation adjustments. Additionally, a discount is booked for expected credit losses, which in the case of trade receivables is calculated by applying a weighting factor for different economic scenarios. Long-term, interest-free or non-interest-bearing receivables with terms of more than one year are recognized at the discounted net present value and adjusted for expected impairments, depending on the credit rating of the counter party. Receivables in foreign currencies are measured at the mean exchange rate at the balance sheet date.

*Other investments* classified as non-current assets are treated as equity instruments and therefore measured at fair value through profit or loss, with gains and losses resulting from changes in fair values recognized in the financial result.

*Securities* held for short-term investment in investment funds, corporate debt instruments and equities and reported under short-term assets and measured at fair value, with changes in value being recognized in the income statement or in other comprehensive income, depending on their character (equity instrument or debt instrument). For listed securities the fair value is determined on the basis of stock exchange prices, whereas non-listed financial assets are measured on the basis of discounted cash flows in a DCF (discounted cash flow) model. Valuation gains and losses are recognized as carrying through profit or loss.

*Derivative financial instruments:* Derivative financial instruments are used exclusively to hedge risks arising from business operations. Foreign exchange futures are used to hedge transaction risks, and interest rate swaps serve to optimize the fixed and/or variable interest rate component of financial liabilities. Cross currency swaps are used to hedge net investments in foreign subsidiaries whose accounts are kept in a currency other than the euro. All derivative financial instruments are recognized at fair value upon conclusion of the contract and on the balance sheet date in accordance with IFRS 13, with the counterparty default risk being taken into account. Current stock exchange prices are used for listed financial instruments; for non-listed interst-related instruments, the fair values are determined by discounting future payments by using the current market interest rate. According to IFRS 9, derivative financial instruments not used for hedge accounting are measured at fair value through profit or loss.

*Hedge Accounting:* Wienerberger applies the IFRS 9 rules to hedge balance sheet items (translation risk) and future cash flows (transaction risk). A cash flow hedge is defined as an instrument that provides protection against fluctuations in future cash flows from recognized assets or liabilities. Changes in the market value of an effective hedge are recognized in other comprehensive income in the hedging reserve, while non-effective components are recognized in profit or loss and shown under the financial result. The hedge of a net investment in a foreign business operation is treated in the same way, with all changes in the value of the effective component of the hedging instrument used shown under the hedging reserve. The hedged risk, i.e. the result from currency translation of the hedged investment, is recognized in other comprehensive income.

*Non-current assets held for sale:* Wienerberger owns land and buildings that are not used in business operations and intends to realize the value of these assets through a sale. In accordance with IFRS 5, non-current assets must be reclassified as held for sale when they are available for immediate sale in their present condition and their sale is highly probable within one year. If these requirements are met, the items are reported separately in the balance sheet and measured at the lower of the carrying amount and fair value less costs to sell. Scheduled depreciation is not recognized on assets held for sale.

*Cash and cash equivalents* include cash on hand, checks received, demand deposits and short-term investments as well as deposits with financial institutions that have a fixed term of up to three months.

*Provisions for pensions:* The Wienerberger Group has both defined contribution and defined benefit pension plans. Defined contribution plans carry no further obligation for the employer after the payment of premiums. The employer's contributions to these pension plans are reported under expenses for pensions. If any additional contributions have to be made by Wienerberger, the provision will be recognized like the defined benefit commitments. Under defined benefit plans, the employee is promised a certain retirement benefit. The risk related to the actual retirement benefit is carried by the company up to the point of payment. The provisions for defined benefit pension plans are calculated according to the projected unit credit method. The valuation of pension commitments includes future increases in wages/salaries and pensions. The provisions for pensions are calculated by independent actuaries.

The provisions for pensions are netted with the pension plan assets that are held to cover commitments. In accordance with IAS 19, actuarial gains and losses are recognized under other comprehensive income as incurred after the deduction of deferred taxes. The interest component of post-employment benefits is reported separately in the financial result. Expenses for additions to the provisions for pensions are allocated to the various functional areas.

Commitments by US companies to cover medical costs for retired employees are recognized under provisions for pensions because of their pension-like character.

*Provisions for severance compensation:* Legal regulations grant Austrian employees the right to a lump-sum payment at retirement or termination by the employer, with the amount of the payment being dependent on the length of service. These future obligations are reflected in provisions for severance payments. There are similar obligations, among others, in France, Italy, Poland and Turkey. The provisions for severance compensation are calculated according to actuarial principles based on the projected unit credit method. For Austrian employees, whose employment started after December 31, 2002, the employer contributes 1.53% of the gross wage or salary each month to an employee severance compensation fund. This fund represents a defined contribution plan in accordance with IAS 19, and the related employer contributions are reported under severance expense.

*Provisions for jubilee bonuses:* A number of employees in the Wienerberger Group are entitled to long-service bonuses when they reach a specified number of years of employment with the company. Provisions are recognized for these obligations based on the projected unit credit method. Any actuarial gains or losses are recognized immediately through profit or loss.

*Provisions for site restoration:* In accordance with IAS 37, a provision for site restoration is created when a clay pit is purchased and is reported as an addition to non-current assets according to IAS 16. The underlying assumptions for these obligations are generally based on the regulations applicable in the respective countries. Non-current provisions that are expected to be used after 12 months are discounted and reported at their present value.

*Provisions for warranties:* Wienerberger provides manufacturer's warranties, especially for clay products, which assure the customer that the products concerned correspond to the contractually agreed specifications. As a rule, such warranties cannot be purchased separately. As in previous years, such "assurance-type warranties" are recognized in the balance sheet under provisions for warranties according to IAS 37. To calculate the provision for warranties, single risks are measured and a risk total is calculated on the basis of empirical values from the past. To this end, losses experienced in the past are evaluated and the extent of potential obligations is derived by means of stochastic methods. "Service-type warranties" representing a separate performance obligation are not concluded with customers within the Wienerberger Group.

*Other provisions:* Other current obligations which result from a past event and are expected to lead to an outflow of resources, but whose timing or amount are uncertain, are recognized at their full cost in accordance with IAS 37 and reported as provisions.

*Deferred taxes:* In accordance with IAS 12, the calculation of deferred taxes includes all temporary valuation and accounting differences arising between the financial statements prepared for tax purposes and the IFRS financial statements. Deferred tax assets also include tax credit entitlements which arise from the expected use of existing losses carried forward in future years and whose realization is probable. These entitlements are calculated on the basis of planned operating results and the earnings effects from the reversal of taxable temporary differences. Deferred taxes are calculated using the tax rate expected to be in effect when these differences reverse in the future, and are based on the local tax rate applicable to the individual Group company. Future changes in tax rates are included if the relevant legal amendment has been enacted as of the balance sheet date.

*Financial liabilities:* Liabilities are stated at the actual amount received, less transaction costs. Any premium, discount or other difference between the amount received and the repayment amount is distributed over the term of the liability according to the effective interest rate method and recognized in the financial result. Therefore, the measurement of these items reflects amortized cost. Foreign currency liabilities are translated at the exchange rate in effect on the balance sheet date. Wienerberger has not elected to use the option provided by IFRS 9, which permits the initial recognition of a financial liability at fair value through profit or loss.

*Transfer prices:* There are several regional supply and delivery relationships between the individual operating segments. Prices for the sale of goods between Group companies are established at arm's length based on the resale price method. Prices for the provision of services between Group companies are established at arm's length based on the cost-plus method.

## 38. Foreign exchange translation

The accounts of foreign companies are translated to euros based on the functional currency method. The relevant local currency is the functional currency in all cases, as these companies operate independently in financial, economic, and organizational terms. All balance sheet items, with the exception of equity, are translated at the closing rate at the end of the reporting year (i.e. December 31, 2018). Goodwill is recognized as an asset in local currency and is also translated at the closing rate on the balance sheet date for the consolidated financial statements. Expense and income items are translated at the average exchange rate for the year.

Unrealized currency translation differences arising from non-current Group loans are offset against the translation reserve without recognition in profit or loss. Currency translation differences arising from the use of the closing rate for the balance sheet and the average exchange rate for the income statement are also reported under other comprehensive income.

Cross currency swaps are used to limit the translation risk arising from the Group's business activities in the USA, Canada, Switzerland, Great Britain and certain countries in Eastern Europe. These transactions involve the conclusion of a cross currency swap equal to the value of the foreign currency assets to be hedged.

The major exchange rates used for foreign currency translation developed as follows during the reporting year:

| | Closing rate on | | Average rate for the year | |
|---|---|---|---|---|
| | 31/12/2018 | 31/12/2017 | 2018 | 2017 |
| British pound | 0.89453 | 0.88723 | 0.88471 | 0.87667 |
| Bulgarian lev | 1.95583 | 1.95583 | 1.95583 | 1.95583 |
| Danish krone | 7.46730 | 7.44490 | 7.45317 | 7.43863 |
| Canadian dollar | 1.56050 | 1.50390 | 1.52936 | 1.46472 |
| Croatian kuna | 7.41250 | 7.44000 | 7.41816 | 7.46370 |
| Norwegian krone | 9.94830 | 9.84030 | 9.59749 | 9.32704 |
| Polish zloty | 4.30140 | 4.17700 | 4.26149 | 4.25701 |
| Romanian lei | 4.66350 | 4.65850 | 4.65401 | 4.56879 |
| Russian ruble | 79.71530 | 69.39200 | 74.04160 | 65.93825 |
| Swedish krone | 10.25480 | 9.84380 | 10.25826 | 9.63509 |
| Swiss franc | 1.12690 | 1.17020 | 1.15496 | 1.11167 |
| Czech koruna | 25.72400 | 25.53500 | 25.64700 | 26.32578 |
| Turkish lira | 6.05880 | 4.54640 | 5.70767 | 4.12063 |
| Hungarian forint | 320.98000 | 310.33000 | 318.88969 | 309.19325 |
| US dollar | 1.14500 | 1.19930 | 1.18095 | 1.12968 |

## *Risk Report*

### Principles of risk management

The conduct of global operations exposes the Wienerberger Group to a variety of risks that are inseparable from entrepreneurial activities. These risks have an effect on the business segments of the Group and on its assets, liabilities and planned commercial decisions.

Throughout the Group, Wienerberger focuses on the early identification and active management of risks in its operating environment. To this end, regular surveys are being performed among the Managing Board as well as the Business Unit managers and Corporate Function heads in charge in order to update the existing risk catalogue and to identify new risks. In this process, strategic and operational risks along the entire value chain are being identified and their impact on cash flow is differentiated based on a medium-term (up to five years) and a long-term (six to ten years) time horizon.

### Risk situation and operating risks relating to the Group's markets

As a producer of building materials, Wienerberger operates in a cyclical industry and belongs to the group of late cyclical companies that usually follow general economic cycles with a delay. These companies are dependent on developments in the economies that form the backdrop for their activities, in particular macro-economic developments, construction activity in both the residential and public (infrastructure) sectors and renovation. The development of business is also influenced by consumer confidence, the unemployment rate, long-term interest rates, the availability of financing, tax policies, building regulations and subsidies for housing construction, availablity of labor for construction sites as well as other factors outside the Group's control. The economic cycles in the construction industry that influence Wienerberger's business are considerably longer than in other areas, with timing delays that also differ by market.

The unfavorable development of any or all of these factors can have a negative influence on the demand for Wienerberger products, both in terms of the volumes sold and the price levels. Cyclical fluctuations in demand lead to a risk of excess capacity, which may result in increased pressure on prices as well as a decline in margins and/or revenues that fail to cover production costs. The building materials industry – and, as a part of this industry, also Wienerberger – is characterized by a high share of fixed costs as a percentage of total costs due to its capital-intensive nature, and active capacity management therefore represents a central instrument for corporate management. Production capacity is analyzed on a continuous basis, and adjusted to reflect market demand through measures that include temporary or permanent plant closings as well as the relocation of production to more efficient facilities.

Wienerberger views the markets in Central and Eastern Europe as long-term growth markets due to the high pent-up demand for new residential construction and infrastructure. Weaker demand and increased pressure on prices in these growth markets can lead to increased risk for the Wienerberger Group.

Furthermore, Wienerberger competes with other building materials such as concrete, wood, limestone, glass, steel or aluminum, which exposes the Group to a risk of substitution. Our strong position as a quality leader and investments in the development of premium products should allow us to minimize substitution risks. In particular, these developments involve improvements in the physical properties as well as the economy of our products.

The building materials industry is subject to seasonal fluctuations, whereby substantially higher volumes are sold during the months from April to October than in the rest of the year. Similar to the building materials industry, the earnings of the Wienerberger Group are in part dependent on the weather, since long frost and rain periods have a negative influence on demand through a decline in construction activity.

In order to avoid earnings fluctuations wherever possible, Wienerberger pursues a strategy of geographical diversification with parallel concentration on the core business. This core business covers clay blocks, roof tiles and facing bricks as well as pavers and pipe systems, and positions Wienerberger as a supplier of building material solutions for residential construction and infrastructure projects. Our activities are subjects to the usual risks inherent in local markets, where positions must be repeatedly defended against competitors and substitute products. The Group's most important customer group is the building materials sector, and further market adjustments in this sector are expected to increase pressure and prices in the future. Specific market situations can also have a negative impact on price levels, and Wienerberger therefore monitors its price strategy on a continuous basis.

As a multinational corporation, Wienerberger operates in countries that are in different stages of economic and social development. Unfavorable changes in political or economic conditions therefore represent additional sources of risk. The activities of the Wienerberger Group could also be materially affected by the following factors: changes in tax laws on individual markets, in the taxation of energy sources or in labor law; the effect of language and cultural differences on the coordination of international activities; the limitation of opportunities for the repatriation of profits; an increase in legal requirements for the utilization of raw materials; product standards and product liability law; and environmental and safety standards. The growth markets of Russia and India also carry a risk that production equipment may be expropriated without proper compensation. Especially in these markets, Wienerberger is additionally exposed to tax risks that could arise from a change in tax laws or the interpretation of existing tax laws. However, the company is not able to quantify the probability of occurrence or the extent of these potential risks at the present time.

The plastic pipe business is substantially influenced by the development of raw material prices, which usually correlates closely with the price of crude oil. Synthetic polymers comprise a major part of the production cost for plastic pipes. The volatility of raw material prices has increased considerably in recent years. Strong fluctuations within individual months require flexible pricing to limit the effects of these price changes and/or pass them on to the market. Fast price management is also a decisive factor for the sustainable protection of earnings. In addition to price risk, this business is exposed to a raw material supply risk. Any interruption in supplies would invariably disrupt production. This risk is met, with few exceptions, by developing alternative suppliers for raw materials.

### Procurement, production, investment and acquisition risks

Wienerberger has a modern and efficient plant network. Therefore, the risk of operating breakdowns or a longer loss of production due to technical problems is low. Supplies of clay raw materials for our plants are guaranteed on a lasting basis by sufficient deposits and long-term supply contracts.

The cost of energy for the firing of bricks represents a significant percentage of the Group's cost structure. In 2018 energy costs for the Wienerberger Group totaled TEUR 262,905 (2017: TEUR 264,247) or 8.0% (2017: 8.5%) of revenues. These expenses consist of 60% for natural gas, 33% for electricity and 7% for other materials. Energy prices are dependent on international and local market developments, and are subject to fluctuations.

Wienerberger minimizes the risk connected with rising energy prices in liberalized markets (in total, roughly 90% of energy costs) by concluding futures contracts or fixed-price agreements with national and international suppliers. These prices are in part established for longer periods of time. In a limited number of East European countries (in total, roughly 10% of energy costs) the prices for natural gas are regulated by the federal government and contracts with local suppliers are negotiated each year.

In 2014, Wienerberger was granted carbon leakage status for its European brick operations. Based on a further qualitative evaluation performed in 2018, the brick industry has been included in the new carbon leakage list for the fourth trading period. This means that Wienerberger will enjoy carbon leakage status until 2030 and therefore be allocated the major part of the $CO_2$ certificates required free of charge.

In addition to price risk Wienerberger is also exposed to an energy supply risk, in particular with respect to natural gas and electricity. Any disruption of energy supplies would invariably lead to the standstill of production, and could therefore have a negative effect on operating profit if demand cannot be met from inventories.

Continuing optimization (operational excellence) and product innovations as well as internal and external growth projects are implemented to increase the value of Wienerberger. The future profitability of these projects is dependent to a large degree on the investment volume and/or acquisition price as well as the development of the market. For this reason, all growth projects must meet the defined return on investment criteria for the Group's bolt-on and strategic projects. The entry into new markets is also connected with risks involving competition, planning accuracy and the evaluation of the political situation as well as the successful, profitable development of business. New projects are therefore analyzed extensively in advance, both from a qualitative and quantitative standpoint.

### Financial risks

In addition to financing risk, operating activities expose Wienerberger to interest rate and exchange rate risks. Derivative financial instruments, in particular forward exchange contracts and interest rates swaps, as well as operational measures are used to limit and manage this risk. All cash flow hedges and hedges of investments in foreign operations are classified as highly effective as a means of offsetting the hedged risks in keeping with risk management objectives. No derivatives are held for speculative purposes.

The refinancing sources open to Wienerberger are determined by numerous financial, macroeconomic and other factors beyond the control of management. These factors include covenants in the existing and future debt arrangements as well as the maintenance of the current rating. According to these covenants, the ratio of net debt to EBITDA may not exceed 3.5 years; this indicator equaled 1.4 years as of December 31, 2018. Moreover, EBITDA/net interest result equaled 11.3 for the reporting year and substantially exceeded the threshold of 3.75. Part of earnings is used for interest and is therefore not available for other purposes. If the Group's rating should deteriorate or covenants are not met, interest expense could rise due to an increase in the credit risk premium and lead to higher financing costs and lower cash flow. The failure to comply with covenants could also result in a loan becoming due immediately.

***Exchange rate risks***

A significant portion of the revenues and earnings of the Wienerberger Group is generated by subsidiaries whose headquarters are not located in the euro zone. Wienerberger recorded 52% of its revenues for the reporting year in currencies other than the euro, predominately East European currencies (23%), the British pound (10%) and the US dollar (8%). The exchange rate risk connected with cash flows is immaterial due to the local nature of the building materials business. Cash flows into or out of the euro region are primarily related to Group dividends or loans, the sale of goods and services. The foreign exchange risk on these intragroup cash flows is managed by the holding company.

Credit financing for the purchase of current assets is concluded in the local currency of the individual companies because of the decentralized structure of the Wienerberger Group. Foreign exchange risk in the financing area is therefore reduced to a minimum, since the Group companies generally issue their invoices in local currency and these transactions form a natural hedge. The exposure of financial liabilities to foreign exchange risk is discussed in Note 35. Financial instruments.

However, the translation of foreign company financial statements into the euro results in currency translation differences (translation risk), which are recognized in other comprehensive income under foreign exchange adjustments. The revenues, earnings, and balance sheet items of companies not headquartered in the euro region are therefore dependent on the relevant euro exchange rate.

The Wienerberger risk strategy calls for minimizing the translation risk arising from net investments in foreign subsidiaries to a certain extent through hedging. The following table shows Group revenues and capital employed by currency, whereby the calculation of capital employed includes the effects of forward exchange contracts and foreign currency swaps:

| Revenues | 2018 | | 2017 | |
|---|---|---|---|---|
| | *in MEUR* | *Share in %* | *in MEUR* | *Share in %* |
| Euro | **1,565.8** | **48** | 1,496.6 | 48 |
| East European currencies | **761.7** | **23** | 659.5 | 21 |
| British pound | **333.1** | **10** | 320.6 | 10 |
| US dollar | **277.9** | **8** | 277.3 | 9 |
| Other | **366.6** | **11** | 365.7 | 12 |
| **Group revenues** | **3,305.1** | **100** | **3,119.7** | **100** |

| Capital employed | 2018 | | 2017 | |
|---|---|---|---|---|
| | *in MEUR* | *Share in %* | *in MEUR* | *Share in %* |
| Euro | **1,570.7** | **62** | 1,591.1 | 65 |
| East European currencies | **435.3** | **17** | 448.2 | 18 |
| US dollar | **288.5** | **11** | 201.4 | 8 |
| British pound | **53.2** | **2** | 38.0 | 2 |
| Other | **189.0** | **7** | 180.6 | 7 |
| **Capital employed after hedging effect** | **2,536.7** | **100** | **2,459.3** | **100** |

The effects of a hypothetical change in foreign exchange rates on the consolidated income statement and the consolidated statement of comprehensive income are shown through sensitivity analyses. For the purpose of this presentation, an annual volatility is assumed as of the balance sheet date. This volatility is calculated on the basis of the daily change in the relevant exchange rate against the euro. In accordance with IFRS 7, foreign exchange risks result from monetary financial instruments not denominated in the functional currency of the reporting entity. Consequently, receivables, liabilities, cash and cash equivalents as well as derivative foreign-currency financial instruments form the basis of the calculation of the sensitivity of the consolidated income statement. The sensitivity of the consolidated statement of comprehensive income reflects the differences of long-term loans to subsidiaries as well as valuation effects of cash flow hedges for currency risks reported in other comprehensive income. Translation differences arising from the translation of financial statements prepared in another currency than the euro were not included in the calculation.

A change in the annual volatility of the euro against the most relevant exchange rates as at the reporting date would affect the consolidated income statement and the consolidated statement of comprehensive income as follows:

**Sensitivity of the consolidated income statement**

| *in TEUR* | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Annual volatility | if the euro depreciates | if the euro appreciates | Annual volatility | if the euro depreciates | if the euro appreciates |
| EUR/GBP | 5.99 % | 2,534 | -2,534 | 8.15 % | -65 | 65 |
| EUR/USD | 7.14 % | 727 | -727 | 7.14 % | 278 | -278 |
| EUR/CHF | 4.99 % | 234 | -234 | 4.90 % | 107 | -107 |
| EUR/RUB | 13.24 % | 220 | -220 | 11.95 % | 41 | -41 |
| EUR/RON | 2.48 % | 169 | -169 | 3.10 % | 114 | -114 |
| EUR/NOK | 5.49 % | 168 | -168 | 6.40 % | 735 | -735 |

**Sensitivity of the consolidated statement of comprehensive income**

| *in TEUR* | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Annual volatility | if the euro depreciates | if the euro appreciates | Annual volatility | if the euro depreciates | if the euro appreciates |
| EUR/GBP | 5.99 % | -5,893 | 5,893 | 8.15 % | -4,282 | 4,282 |
| EUR/RUB | 13.24 % | 2,648 | -2,648 | 11.95 % | 3,359 | -3,359 |
| EUR/USD | 7.14 % | 1,708 | -1,708 | 7.14 % | 1,403 | -1,403 |
| EUR/HUF | 4.31 % | 1,266 | -1,266 | 3.65 % | 1,095 | -1,095 |
| EUR/RON | 2.48 % | 701 | -701 | 3.10 % | 866 | -866 |
| EUR/HRK | 1.67 % | 348 | -348 | 1.98 % | 448 | -448 |

### *Interest rate risks*

Interest rate risk is comprised of two components: the relevant value of the average term for the Group's financing and the separation into fixed and variable interest rates. The risk associated with fixed interest rates lies in a possible decline in interest rate levels, while the risk associated with variable interest rates arises from the possibility of an increase in interest rates. A parallel upward shift of 100 basis points in interest rates would have increased profit after tax by MEUR 1,33 (2017: increase of MEUR 0.7) and, through this change in the income statement, also changed equity by the same amount. A decrease of 100 basis points in interest rates would have decreased (2017: decreased) profit after tax and equity by the same amount.

The risk position of Wienerberger AG with respect to the interest rate risks arising from liabilities with fixed and variable interest rates is explained below.

In order to analyze interest rate risk (fixed and variable interest rates), financial liabilities (see pages 185 to 187) are adjusted for the effects of derivative instruments (hedging) and short-term fixed-interest financial liabilities are treated as variable interest items. Sensitivity analyses were carried out on fixed interest and variable interest financial liabilities to estimate the impact on earnings and equity.

| in TEUR | 2018 | | 2017 | |
|---|---|---|---|---|
| | Fixed interest rate | Variable interest rate | Fixed interest rate | Variable interest rate |
| Interest-bearing loans | 729,540 | 107,957 | 665,319 | 149,353 |
| Reclassification of short-term fixed interest rate loans | -21,477 | 21,477 | -175,391 | 175,391 |
| Effects of derivative instruments (hedging) | 101,250 | -101,250 | 50,000 | -50,000 |
| **Financial liabilities after hedging effects** | **809,313** | **28,184** | **539,928** | **274,744** |

### *Credit risks*

Wienerberger has established strict requirements for the credit standing of its financial partners, which are defined in internal financial and treasury guidelines. The credit risk connected with the investment of liquid funds and securities is limited because Wienerberger works only with financing partners whose credit rating leads to expectations of a sound financial standing and sets counterparty limits based on this credit rating. However, financial partners with an excellent rating can also pose a credit risk and Wienerberger therefore continuously monitors developments on financial markets and adjusts credit limits accordingly. The following table shows the maximum exposure of trade receivables and miscellaneous receivables (including receivables from current taxes) to credit risks as of December 31, 2018, classified by region:

| Credit risk | 2018 | | 2017 | |
|---|---|---|---|---|
| | in MEUR | Share in % | in MEUR | Share in % |
| Western Europe | 180.5 | 58 | 162.5 | 54 |
| Central-Eastern Europe | 86.3 | 28 | 96.0 | 31 |
| North America | 29.5 | 9 | 32.0 | 10 |
| Other | 16.0 | 5 | 15.9 | 5 |
| **Total trade receivables and miscellaneous receivables** | **312.3** | **100** | **306.4** | **100** |
| thereof insured against default | 179.9 | | 177.8 | |

Trade receivables consist primarily of receivables due from building material retailers and large customers. If an amount is overdue for more than 360 days, default is assumed and the receivable is written off in its entirety. Receivables are derecognized when there is a legal basis for the assumptions that no more payments will be received.

The following table shows the age structure of trade receivables and impairment charges to trade receivables:

| | 2018 | | |
|---|---|---|---|
| *in MEUR* | Gross receivable | Loss - allowance | Carrying amount |
| Not due | 177.1 | -0.3 | 176.8 |
| Up to 30 days overdue | 23.2 | -0.2 | 23.0 |
| 31 to 60 days overdue | 8.0 | 0.0 | 8.0 |
| 61 to 90 days overdue | 2.4 | -0.1 | 2.3 |
| More than 90 days overdue | 22.4 | -16.7 | 5.7 |
| **Trade receivables** | 233.1 | -17.3 | 215.8 |

Loans granted and other long-term receivables primarily comprise receivables from financing activities in respect of companies included at equity and non-consolidated Group companies as well as receivables from the sale of extraction rights. In the reporting year, impairments were calculated mainly for defaults expected in the following 12 months, as the assessment of the counterparties' solvency has not changed materially. As a matter of principle, default is defined on the basis of generally recognized rating classes as well as externally available or internally calculated ratings. Additional information available internally is also used to assess the risk of default. At the balance sheet date, there was a single receivable for which an expected credit loss was assumed over the residual term.

Loans granted and other long-term receivables can be classified by rating class as follows:

| Rating categories | 2018 | | |
|---|---|---|---|
| *in MEUR* | Gross receivable | Loss - allowance | Carrying amount |
| Grade 1: Low risk | 32.6 | 0.0 | 32.6 |
| Grade 2: Fair risk | 7.0 | -0.1 | 6.9 |
| (Partial) Default | 1.1 | -0.8 | 0.3 |
| **Loans granted and other non-current receivables** | 40.7 | -0.9 | 39.8 |

Loss allowances of trade receivables and loans granted can be reconciled as follows:

| Loss allowance | 2018 | |
|---|---|---|
| in MEUR | Trade receivables | Loans granted and other non-current receivables |
| **Balance on 31/12/2017** | 17.5 | 0.8 |
| IFRS 9 Adjustment | 1.7 | 0.1 |
| **Balance on 1/1/2018** | 19.2 | 0.9 |
| Foreign exchange translation | -0.1 | 0.0 |
| Net impairment loss | 0.3 | 0.0 |
| Disposals | -2.0 | 0.0 |
| **Balance on 31/12/2018** | 17.3 | 0.9 |

### *Liquidity risks*

The protection of liquidity and the preservation of a healthy financial base represent the focal points of the Wienerberger strategy. The most important instruments in this respect are the maximization of free cash flow through cost reduction, active working capital management and a cutback in investments to the necessary minimum.

Liquidity risks arise, above all, when cash flows from revenues fall below expectations because of weaker demand and the measures to reduce working capital and cash outflows for fixed costs (active capacity management) are not sufficient or can only be implemented with a delay.

Liquidity is managed on a regular basis, among others, on the basis of rolling quarterly liquidity planning as well as a regular analysis of the cash conversion cycle, which is based on average accounts payable turnover, inventory turnover and receivables conversion. The receivables conversion period averaged 23 days (2017: 23 days), the inventory turnover period averaged 92 days (2017: 94 days) and the payable turnover period averaged 37 days (2017: 39 days). This resulted like in the previous year in a cash conversion cycle of 78 days in 2018

An analysis of the liquidity risks arising from liabilities is provided on page 184 (Analysis of contractual cash flows).

### Legal risks

Business combinations may be subject to the approval of antitrust authorities, depending on the market position in individual countries and/or the size of the planned acquisition. These approval procedures could lead to delays or, in individual cases, to the prohibition of specific acquisitions or mergers. Wienerberger evaluates the antitrust risk associated with an acquisition together with national and international legal and business experts during the early stages of work on a project in order to minimize this risk. No acquisitions planned by the Group have ever been prohibited.

In connection with real estate transactions carried out in earlier years, Wienerberger AG is liable for possible contamination and the resulting damage during its ownership.

## Other risks

Wienerberger is subject to extensive and increasingly strict environmental, health and safety laws in many countries, which can lead to investments for compliance with these regulations. The failure to comply with these regulations could result in administrative fines, the assessment of damages or the suspension of operating permits.

Wienerberger plants exceed current legal requirements for the prevention of environmental damage, but the intensification of environmental standards presents the Group with a continuous range of new challenges. Legal commitments are identified and met through knowledge of current legal and contractual requirements as well as cooperation with experts and external consultants. Risks arising from the restoration of clay pits are part of the company's operating risk and are monitored continuously.

The risks associated with a breakdown of our centralized Group data processing system as the result of natural disasters have been minimized through the installation of redundant systems at facilities in different locations.

A number of building materials companies with operations in the USA are subject of class action suits from patients with asbestos-related diseases. After an examination of our US activities, we have classified this risk as minimal because none of our American subsidiaries has ever produced or sold asbestos products.

A number of older buildings of the Wienerberger Group contain a certain percentage of asbestos products. The company takes utmost care to ensure that such products do not constitute a direct threat to its staff and utilizes specialized services when removing such asbestos products.

The Wienerberger Group also competes with other firms on the labor market. In order to train future managers and prepare these persons for management positions, Wienerberger has developed curricula that include the Sales Academy, the Plant Manager Program and the Ready4Excellence Program. Wienerberger uses these programs and personalized training measures to optimally train its employees and to also strengthen their ties to the company (see the Wienerberger Sustainability Report for additional information).

In respect of the ongoing discussions in relation to Brexit, all reasonable measures have been taken by the company to accommodate the possible consequences of this departure.

## *Other disclosures*

### 39. Related party transactions

The following companies and persons are considered to be related parties of Wienerberger: the members of the Supervisory and Managing Boards, associated companies, joint ventures and non-consolidated subsidiaries of Wienerberger AG as well as the ANC Private Foundation and its subsidiaries. Transactions with companies in which members of the Supervisory Board of Wienerberger AG are active are conducted on arm's length conditions. Business relationships between the company and related parties, in particular members of the Managing and Supervisory Boards of Wienerberger AG, are disclosed in Note 13. Personnel expenses if any payments to these persons are involved.

The ANC Private Foundation operates landfill activities in Austria that were transferred by Wienerberger AG in 2001 and owns a limited amount of assets (in particular real estate and securities). The managing board of the ANC Private Foundation consists of two members of Wienerberger top management, which allows Wienerberger to exercise control over the foundation. In accordance with IFRS 10, the ANC Private Foundation cannot be consolidated because the shareholders of Wienerberger AG, and not the company itself, are entitled to the variable cash flows from the foundation. The total assets of ANC Private Foundation amounted to TEUR 24,759 as of December 31, 2018 (2017: TEUR 36,878) and consist primarily of land and buildings totaling TEUR 8,731 (2017: TEUR 8,346) and securities and liquid funds of TEUR 13,600 (2017: TEUR 25,943). The foundation had provisions of TEUR 8,348 (2017: TEUR 8,009) and no financial liabilities as of December 31, 2018. On 20 June 2018, the dividend resolved by the managing board of ANC Private Foundation of EUR 0.10 per share of Wienerberger AG, i.e. EUR 11,752,676.40, was distributed.

Wienerberger AG and its subsidiaries finance associates, joint ventures and non-consolidated subsidiaries through loans granted at ordinary market conditions. The outstanding loan receivables due from joint ventures amounted to TEUR 15,179 as of December 31, 2018 (2017: TEUR 13,236), while the comparable amount for non-consolidated subsidiaries was TEUR 6,535 (2017: TEUR 7,249). In addition, trade receivables due from joint ventures amounted to TEUR 96 (2017: EUR 638), while the comparable amount for non-consolidated subsidiaries was TEUR 30 (2017: TEUR 138) as of the balance sheet date. Revenues of TEUR 1,088 were recognized with joint ventures in 2018 (2017: TEUR 1,233).

Other related party transactions relate to clay supplies in the amount of TEUR 735 (2017: TEUR 436) as well as rental services of TEUR 304 (2017: TEUR 465) received by non-consolidated subsidiaries. In addition, products in the amount of TEUR 696 (2017: TEUR 578) were sold to a related party in the financial year 2018.

## 40. Significant events after the balance sheet date

Prior to the release of the consolidated financial statements for publication on March 13, 2019, 159,929 Wienerberger shares were bought back at a price of TEUR 2,918 within the framework of the authorization granted by the Annual General Meeting. The 1,175,268 Wienerberger shares bought back between November 2018 and January 3, 2019 will be cancelled. The procedure has already been approved by the Managing Board and the Supervisory Board and the cancellation of the shares has been applied for. Moreover, the hybrid bond was partially redeemed in the amount of TEUR 5,043.

The consolidated financial statements were approved by the Managing Board of Wienerberger AG on March 13, 2019 and submitted to the Supervisory Board on March 26, 2019 for publication.

Vienna, March 13, 2019

The Managing Board of Wienerberger AG

Heimo Scheuch
*Chief Executive Officer*

Willy Van Riet
*Chief Financial Officer*

# Statement by the Managing Board

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, March 13, 2019

The Managing Board of Wienerberger AG

Heimo Scheuch
*Chief Executive Officer*

Willy Van Riet
*Chief Financial Officer*

# Group Companies

| Company | Headquarters | Share capital | Currency | Interest | Type of consolidation | Notes |
|---|---|---|---|---|---|---|
| **Wienerberger International N.V.** | **Zaltbommel** | **50,001** | **EUR** | **100.00%** | **VK** | |
| Wienerberger Roof Asset Management GmbH | Wien | 35,000 | EUR | 100.00% | VK | |
| Wienerberger Österreich GmbH | Hennersdorf | 5,000,000 | EUR | 100.00% | VK | |
| Wienerberger zRt. | Budapest | 2,140,000,000 | HUF | 100.00% | VK | |
| Wienerberger s.r.o. | České Budějovice 1 | 50,000,000 | CZK | 100.00% | VK | |
| Cihelna Kinský, spol. s r. o. | Kostelec nad Orlicí | 2,000,000 | CZK | 68.80% | VK | |
| Wienerberger eurostroj, spol. s r. o. | České Budějovice 1 | 32,100,000 | CZK | 100.00% | VK | |
| Silike keramika, spol. s r.o | České Budějovice 1 | 100,000 | CZK | 50.00% | EQ | |
| Wienerberger slovenské tehelne, spol. s r. o. | Zlaté Moravce | 3,319,392 | EUR | 100.00% | VK | |
| Wienerberger Ceramika Budowlana Sp. z o.o. | Warszawa | 374,324,808 | PLN | 100.00% | VK | |
| Handel Ceramika Budowlana Sp. z o.o. | Warszawa | 50,000 | PLN | 100.00% | OK | 1) |
| Wienerberger Ilovac d.o.o. | Karlovac | 8,988,000 | HRK | 100.00% | VK | |
| Wienerberger Cetera d.d. | Karlovac | 359,240 | HRK | 99.72% | VK | |
| IGM Ciglana d.o.o. u likvidaciji | Petrinja | 12,756,900 | HRK | 100.00% | VK | |
| WIENERBERGER Industrija opeke d.o.o. | Sarajevo | 2,000 | BAM | 100.00% | VK | |
| Wienerberger Opekarna Ormož d.o.o. | Ormož | 951,986 | EUR | 100.00% | VK | |
| Opekarna Pragersko d.o.o. | Pragersko | 1,022,743 | EUR | 100.00% | VK | |
| Wienerberger Backa d.o.o | Kanjiza | 651,652 | EUR | 100.00% | VK | |
| WIENERBERGER Sisteme de Caramizi S.R.L. | Bucuresti | 39,147,100 | RON | 100.00% | VK | |
| WZI FINANZ-S.à.r.l. | Luxembourg | 73,963,917 | USD | 100.00% | VK | |
| Wienerberger TOV | Kyiv | 3,000,000 | UAH | 100.00% | VK | |
| | | | | | | |
| **Semmelrock International GmbH** | **Wien** | **3,000,000** | **EUR** | **100.00%** | **VK** | |
| Semmelrock Baustoffindustrie GmbH | Wien | 1,000,000 | EUR | 100.00% | VK | |
| Semmelrock Stein + Design GmbH | Wien | 35,000 | EUR | 100.00% | VK | |
| Semmelrock Stein + Design GmbH & Co KG | Wien | 100,000 | EUR | 100.00% | VK | |
| Semmelrock Industriebeteiligungsverwaltung GmbH | Wien | 35,000 | EUR | 100.00% | VK | |
| Semmelrock Stein & Design Kft. | Ócsa | 983,100,000 | HUF | 100.00% | VK | |
| SEMMELROCK STEIN + DESIGN Dlazby s.r.o. | Sered | 3,027,286 | EUR | 100.00% | VK | |
| Semmelrock Stein & Design d.o.o. | Ogulin | 22,870,000 | HRK | 100.00% | VK | |
| Semmelrock Stein & Design Sp. z o.o. | Kolbiel | 46,000,000 | PLN | 100.00% | VK | |
| Semmelrock Stein + Design S.R.L. | Bolintin-Vale | 55,151,300 | RON | 100.00% | VK | |
| Semmelrock Tlakovci d.o.o. | Ormož | 8,763 | EUR | 100.00% | OK | 1) |
| Semmelrock Stein + Design Dlazby a.s. | Ledcice | 2,000,000 | CZK | 100.00% | VK | |
| Semmelrock Stein und Design EOOD | Sofia | 13,785,500 | BGN | 100.00% | VK | |
| | | | | | | |
| **Wienerberger GmbH** | **Hannover** | **9,500,000** | **EUR** | **100.00%** | **VK** | |
| Schlagmann Beteiligungs GmbH | Zeilarn | 26,000 | EUR | 50.00% | OK | 1) |
| Schlagmann Poroton GmbH & Co KG | Zeilarn | 10,300,000 | EUR | 50.00% | EQ | |
| Schlagmann Poroton Vertriebs GmbH | Zeilarn | 25,000 | EUR | 50.00% | | 2) |
| Tongruben Verwaltungs GmbH | Hannover | 26,000 | EUR | 100.00% | OK | 1) |
| Argeton GmbH | Hannover | 100,000 | EUR | 100.00% | VK | |
| Wienerberger Deutschland Service GmbH | Hannover | 1,000,000 | EUR | 100.00% | VK | |
| RM 2964 Vermögensverwaltungs GmbH | Zeilarn | 25,000 | EUR | 50.00% | | 2) |
| MR Erwerbs GmbH & Co. KG | Zeilarn | 50,000 | EUR | 50.00% | | 2) |
| Redbloc Elemente GmbH | Plattling | 25,000 | EUR | 15.00% | | 2) |
| Redbloc Systems Deutschland GmbH | Plattling | 25,000 | EUR | 12.50% | | 2) |
| | | | | | | |
| **ZZ Wancor AG** | **Regensdorf** | **1,000,000** | **CHF** | **100.00%** | **VK** | |
| | | | | | | |
| **Wienerberger S.p.A.** | **Mordano** | **10,000,000** | **EUR** | **100.00%** | **VK** | |
| Fornaci Giuliane S.r.l. | Cormons | 100,000 | EUR | 30.00% | EQ | |

| Company | Headquarters | Share capital | Currency | Interest | Type of consolidation | Notes |
|---|---|---|---|---|---|---|
| **Wienerberger NV** | **Kortrijk** | **47,557,745** | **EUR** | **100.00%** | **VK** | |
| Wienerberger Asset Management NV | Zonnebeke | 5,240,053 | EUR | 100.00% | VK | |
| Deva-Kort NV | Kortemark | 247,894 | EUR | 100.00% | VK | |
| TV Vanheede-Wienerberger | Kortrijk | 0 | EUR | 50.00% | EQ | |
| **Wienerberger B.V.** | **Zaltbommel** | **36,778,680** | **EUR** | **100.00%** | **VK** | |
| Van Hesteren & Janssens B.V. | Zaltbommel | 363,024 | EUR | 100.00% | VK | |
| Daas Baksteen BV | Zaltbommel | 22,650 | EUR | 100.00% | VKE | |
| Daas Baksteen Zeddam BV | Zaltbommel | 18,000 | EUR | 100.00% | VKE | |
| Daas Clickbrick BV | Zaltbommel | 18,000 | EUR | 100.00% | VKE | |
| Daas ID Wall BV | Zaltbommel | 1,000 | EUR | 100.00% | VKE | |
| Steenfabriek De Nijverheid BV | Zaltbommel | 163,361 | EUR | 100.00% | VKE | |
| Steenfabriek De Vlijt | Zaltbommel | 1,277,391 | EUR | 100.00% | VKE | |
| Steenfabriek De Volharding BV | Zaltbommel | 18,000 | EUR | 100.00% | VKE | |
| KDB Baukeramik Vertriebs-GMBH | Rhede | 76,694 | EUR | 33.33% | VKE | |
| BrickTrading Holland B.V. | Zaltbommel | 18,000 | EUR | 100.00% | VK | |
| German Brick Trading B.V. | Zaltbommel | 249,700 | EUR | 100.00% | VK | |
| Aberson B.V. | Zwolle | 60,000 | EUR | 100.00% | VK | |
| Aberson SmartBuild BV | Zwolle | 1 | EUR | 100.00% | VK | |
| DEKO Beheer BV | Elst | 18,000 | EUR | 100.00% | VKE | |
| Bricks BV | Elst | 15,750 | EUR | 100.00% | VKE | |
| Bricks GMBH | Rhede | 25,000 | EUR | 100.00% | VKE | |
| Deko Industrieel BV | Elst | 1,000 | EUR | 100.00% | VKE | |
| Deko Mobiele Steenzagerij BV | Elst | 10,000 | EUR | 100.00% | VKE | |
| Deko Produkten BV | Elst | 18,000 | EUR | 100.00% | VKE | |
| Deko Solutions BV | Elst | 1,000 | EUR | 100.00% | VKE | |
| Deko Steenzagerij BV | Elst | 18,000 | EUR | 100.00% | VKE | |
| Steinzentrale Nord Leeuwis GmbH | Rellingen | 52,500 | EUR | 100.00% | VK | |
| **Wienerberger Limited** | **Cheshire** | **81,120,552** | **GBP** | **100.00%** | **VK** | |
| Galileo Brick Limited (in Liquidation) | Cheshire | 2,000,000 | GBP | 100.00% | VK | |
| Chelwood Group Unlimited (in Liquidation) | Cheshire | 1 | GBP | 100.00% | VK | |
| The Brick Business Limited (in Liquidation) | Cheshire | 900,002 | GBP | 100.00% | VK | |
| Sandtoft Roof Tiles Limited | Cheshire | 11,029 | GBP | 100.00% | VK | |
| **WIENERBERGER PARTICIPATIONS SAS** | **Achenheim** | **36,000,000** | **EUR** | **100.00%** | **VK** | |
| WIENERBERGER SAS | Achenheim | 75,000,000 | EUR | 100.00% | VK | |
| Briqueterie de Rouffach SAS | Rouffach | 336,120 | EUR | 100.00% | VK | |
| **Wienerberger A/S** | **Helsinge** | **10,001,000** | **DKK** | **100.00%** | **VK** | |
| Wienerberger AS | Oslo | 43,546,575 | NOK | 100.00% | VK | |
| Wienerberger AB | Malmö | 17,550,000 | SEK | 100.00% | VK | |
| **General Shale Brick Inc.** | **Johnson City** | **1,000** | **USD** | **100.00%** | **VK** | |
| General Shale Building Materials, Inc. | Johnson City | 1,000 | USD | 100.00% | VK | |
| Columbus Brick Inc. | Columbus | 20,950 | USD | 100.00% | VK | |
| Watsontown Brick Company | Watsontown | 72,050 | USD | 100.00% | VKE | |
| Pipelife Jet Stream, Inc. | Siloam Springs | 0 | USD | 100.00% | VK | |
| **Arriscraft Canada Inc.** | **Halifax** | **18,500,000** | **CAD** | **100,00%** | **VK** | |

| Company | Headquarters | Share capital | Currency | Interest | Type of consolidation | Notes |
|---|---|---|---|---|---|---|
| **Wienerberger EOOD** | **Sofia** | **12,500,000** | **BGN** | **100.00%** | **VK** | |
| Uspeh AD | Sofia | 2,141,220 | BGN | 99.66% | VK | |
| **OOO "Wienerberger Kirpitsch"** | **Kiprevo** | **612,694,577** | **RUB** | **100.00%** | **VK** | |
| OOO "Wienerberger Kurkachi" | Kurkachi | 650,036,080 | RUB | 100.00% | VK | |
| **Wienerberger OY AB** | **Helsinki** | **1,000,000** | **EUR** | **100.00%** | **VK** | |
| **Wienerberger AS** | **Aseri** | **1,540,736** | **EUR** | **100.00%** | **VK** | |
| **UAB Wienerberger Statybine Keramika** | **Vilnius** | **10,100** | **LTL** | **100.00%** | **VK** | |
| **Wienerberger India Private Limited** | **Bangalore** | **990,000,000** | **INR** | **100.00%** | **VK** | |
| WBI Industries Private Limited | Chennai | 1,000,000 | INR | 100.00% | VK | |
| **PIPELIFE International GmbH** | **Wien** | **29,000,000** | **EUR** | **100.00%** | **VK** | **3)** |
| PIPELIFE Austria GmbH & Co KG | Wiener Neudorf | 4,360,370 | EUR | 100.00% | VK | |
| PIPELIFE Austria GmbH | Wiener Neudorf | 36,337 | EUR | 100.00% | VK | |
| Pipelife Belgium NV | Kalmthout | 10,890,000 | EUR | 100.00% | VK | |
| Pipelife Bulgaria EOOD | Botevgrad | 30,000 | BGN | 100.00% | VK | |
| Pipelife Czech s r.o. | Otrokovice | 202,971,000 | CZK | 100.00% | VK | |
| PIPELIFE Deutschland Asset Management GmbH | Bad Zwischenahn | 26,000 | EUR | 100.00% | VK | |
| PIPELIFE Deutschland GmbH & Co. KG Bad Zwischenahn | Bad Zwischenahn | 5,000 | EUR | 100.00% | VK | |
| PIPELIFE Deutschland Verwaltungs-GmbH Bad Zwischenahn | Bad Zwischenahn | 5,726,469 | EUR | 100.00% | VK | |
| Pipelife Eesti AS | Harjumaa | 25,024 | EUR | 100.00% | VK | |
| Pipelife Finland OY | Oulu | 33,637 | EUR | 100.00% | VK | |
| Talokaivo Oy | Kerava | 2,000,000 | EUR | 100.00% | VK | |
| Pipelife France SNC | Aubevoye | 35,605,800 | EUR | 100.00% | VK | |
| Pipelife Hellas S.A. | Thiva | 24,089,735 | EUR | 100.00% | VK | |
| PIPELIFE-HRVATSKA cijevni sustavi d.o.o. | Sveta Nedelja | 47,171,500 | HRK | 100.00% | VK | |
| Pipelife Hungaria Kft. | Debrecen | 3,123,520,000 | HUF | 100.00% | VK | |
| QUALITY PLASTICS HOLDINGS LTD | Cork | 635,000 | EUR | 100.00% | VK | |
| PIPELIFE IRELAND LTD | Cork | 254 | EUR | 100.00% | VK | |
| Kenfern Investments Ltd (in Liquidation) | Cork | 447 | EUR | 100.00% | OK | 1) |
| Pipelife UK Ltd | Corby | 244,001 | GBP | 100.00% | VK | |
| Pipelife Latvia SIA | Riga | 426,600 | EUR | 100.00% | VK | |
| Pipelife Nederland B.V. | Enkhuizen | 11,344,505 | EUR | 100.00% | VK | |
| Pipelife Finance B.V. | Enkhuizen | 18,000 | EUR | 100.00% | VK | |
| Pipelife Norge AS | Surnadal | 50,000,000 | NOK | 100.00% | VK | |
| Isoterm AS | Ringebu | 20,000,000 | NOK | 100.00% | VKE | |
| Pipelife Polska S.A. | Krokowa | 112,243,963 | PLN | 100.00% | VK | |
| Pipelife Romania S.R.L. | Bucuresti | 7,323,115 | RON | 100.00% | VK | |
| Pipelife Serbia d.o.o. | Beograd | 168,493,895 | RSD | 100.00% | VK | |
| Pipelife RUS LLC | Zhukov | 104,458,072 | RUB | 100.00% | VK | |
| Pipelife Hafab AB | Haparanda | 3,000,000 | SEK | 100.00% | VK | |
| Pipelife Nordic AB | Ölsremma | 167,000,000 | SEK | 100.00% | VK | |
| Pipelife Sverige AB | Ljung | 3,600,000 | SEK | 100.00% | VK | |
| Isoterm AB | Stenkullen | 200,000 | SEK | 100.00% | VKE | |
| Pipelife Slovenija d.o.o. | Trzin | 843,258 | EUR | 100.00% | VK | |
| Pipelife Slovakia s r.o. | Piestany | 6,700 | EUR | 100.00% | VK | |

| Company | Headquarters | Share capital | Currency | Interest | Type of consolidation | Notes |
|---|---|---|---|---|---|---|
| Arili Plastik Sanayii A.S. | Pendik/Istanbul | 30,590,000 | TRY | 100.00% | VK | |
| PJSC Pipelife Ukraine (in Liquidation) | Kyiv | 30,000 | USD | 100.00% | OK | 1) |
| Preflexibel Invest NV | Ninove | 1,200,000 | EUR | 100.00% | VK | |
| Preflexibel NV | Ninove | 250,000 | EUR | 100.00% | VK | |
| Preflexibel France SAS | Salindres | 370,000 | EUR | 100.00% | VK | |
| Preflex France SAS | Salindres | 46,500 | EUR | 100.00% | VK | |
| **Wienerberger Dach Beteiligungs GmbH** | **Wien** | **500,000** | **ATS** | **100.00%** | **VK** | |
| WIBRA Tondachziegel Beteiligungs-GmbH | Wien | 500,000 | ATS | 100.00% | VK | |
| **Tondach Beteiligungs GmbH** | **Wien** | **200,000** | **EUR** | **100.00%** | **VK** | |
| TONDACH GLEINSTÄTTEN AG | Gleinstätten | 500,000 | EUR | 100.00% | VK | |
| TONDACH SLOVENSKO, s.r.o. | Stupava | 14,937,264 | EUR | 100.00% | VK | |
| Wienerberger doo Kanjiza | Kanjiza | 605,394,000 | RSD | 100.00% | VK | |
| TONDACH Makedonija AD | Vinica | 349,460,010 | MKD | 100.00% | VK | |
| TONDACH BULGARIA EOOD | Sofia | 798,400 | BGN | 100.00% | VK | |
| TONDACH Česká republika s.r.o. | Hranice | 250,100,000 | CZK | 100.00% | VK | |
| TONDACH MAGYARORSZÁG ZRT. | Csorna | 5,000,000 | HUF | 100.00% | VK | |
| TONDACH ROMANIA SRL | Sibiu | 36,137,155 | RON | 100.00% | VK | |
| TONDACH BOSNA I HERCEGOVINA d.o.o. | Sarajevo | 200,000 | BAM | 80.00% | VK | |
| TONDACH HRVATSKA d.d. | Bedekovcina | 116,715,500 | HRK | 82.19% | VK | |
| TONDACH BOSNA I HERCEGOVINA d.o.o. | Sarajevo | 200,000 | BAM | 65.75% | VK | |
| **Wienerberger Anteilsverwaltung GmbH** | **Wien** | **35,000** | **EUR** | **100.00%** | **VK** | |
| Tondach Holding GmbH | Wien | 35,000 | EUR | 100.00% | VK | |
| Wienerberger Industriebeteiligungsverwaltung GmbH | Wien | 35,000 | EUR | 100.00% | VK | |
| Wienerberger Finance Service B.V. | Zaltbommel | 18,151 | EUR | 100.00% | VK | |
| Wienerberger Finanz Service GmbH | Wien | 25,435,492 | EUR | 100.00% | VK | |
| Wienerberger West European Holding GmbH | Wien | 35,000 | EUR | 100.00% | VK | |
| WK Services NV | Kortrijk | 32,226,158 | EUR | 100.00% | VK | |
| Dryfix GmbH | Hennersdorf | 35,000 | EUR | 100.00% | VK | |
| Interbran Baustoff GmbH | Weinheim | 25,000 | EUR | 30.00% | EQE | |
| Wienerberger Gamma Asset Management GmbH | Wien | 35,000 | EUR | 100.00% | VK | |
| **Steinzeug-Keramo GmbH** | **Frechen** | **18,408,000** | **EUR** | **100.00%** | **VK** | |
| Steinzeug - Keramo NV | Hasselt | 9,400,000 | EUR | 100.00% | VK | |
| Keramo-Wienerberger Immo NV | Hasselt | 14,068,558 | EUR | 100.00% | VK | |
| SOCIETA DEL GRES S.p.A. | Sorisole | 2,000,000 | EUR | 100.00% | VK | |
| Steinzeug Keramo s.r.o. | České Budějovice | 40,000,000 | CZK | 100.00% | VK | |
| Steinzeug - Keramo B.V. | NB Tegelen | 2,722,680 | EUR | 100.00% | VK | |
| Steinzeug - Keramo SARL | Angervilliers | 38,125 | EUR | 100.00% | VK | |
| Steinzeug-Keramo Sp. z.o.o. | Piekary Slaskie | 2,000,000 | PLN | 100.00% | VK | |

*VK ............... Full consolidation*
*VKE ............ First time full consolidation*
*EQ ............... At Equity consolidation*
*EQE ............ First time at equity consolidation*
*OK............... No consolidation*
*OKE............ No consolidation (first time)*

*1) Immaterial*
*2) Subsidiary of Schlagmann Poroton GmbH & Co KG*
*3) Holding company of the Pipelife Group*

# Auditor’s report [1)]

## Report on the Audit of the Consolidated Financial Statements

***Opinion***

We have audited the consolidated financial statements of

**Wienerberger AG,**
**Vienna,**

and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements under section 245a UGB.

***Basis for Opinion***

We conducted our audit in accordance with Regulation (EU) No. 537/2014 and with the Austrian Generally Accepted Auditing Standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with laws and regulations applicable in Austria, and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Assessment of the carrying value of goodwill**

*Description and Issue*

Goodwill represents a significant amount on the balance sheet (EUR 488 million). The carrying amounts of assets of the respective cash generating units are compared to their recoverable amount, which represents the higher of fair value less costs of disposal and the value in use. An impairment loss is recognized when the recoverable amount is lower than the carrying amount.

Management describes the approach to assess the carrying value of goodwill in the Section „Accounting and Valuation Principles“ under “Impairment of non-financial assets” as well as in the section “General information” in Note 6 “Estimates and Judgements”. The allocation of the goodwill to the respective cash generating units and the assumptions and valuation results are described in Note 23 “Non current assets”.

The valuation models based on net present value calculations used for the impairment test involve significant estimates and forward looking assumptions by management concerning the expected cash surpluses and the cost of capital. Small changes in the assumptions used in determining the value in use can result in materially different outcomes. This is particularly true for the goodwill allocated to the CGU Bricks North America. Because of the impairment incurred in the recent years the value in use for this CGU is sensitive to any adverse change in assumptions. The result of the valuation is therefore subject to a significant uncertainty. Due to the complexity of the valuation model this matter was of particular importance for our audit.

*Our Response*

We have challenged the parameters used for the impairment testing with entity and industry specific information as well as market expectations from internal and external sources and have assessed the appropriateness of the valuation model. Furthermore we gained an overview of the planning process and have critically reviewed the back testing performed by the management. We have assessed the consistency of the future cash flows used in the calculation by comparing them to the budgets approved by the supervisory board. For the verification of the capital costs by the means of a comparative analysis we have used internal experts.

**Assessment of the carrying value of property, plant and equipment**

*Description and Issue*

The carrying value of property, plant and equipment amounts to EUR 1.576 million, representing 42% of the total assets shown on the consolidated balance sheet of Wienerberger AG. Management assesses on an annual basis, or whenever triggering events are identified, whether the carrying value of property, plant and equipment is impaired. For purposes of the impairment testing cash generating units are defined as plants, which are aggregated by division and region. Management investigates also whether a reversal of impairment charges incurred in prior periods needs to be considered.

The approach to assess the carrying value of property, plant and equipment is described in the section “Accounting and Valuation Principles” under “Impairment of non financial assets” as well as in the Section “General Information” in Note 6 “Estimates and judgements”. The assumptions and valuation results are described in Note 23 “Non-Current Assets”.

The carrying amount of an asset is compared with the recoverable amount, which represents the higher of the value in use or fair value less costs of disposal. Similar to the testing of goodwill these tests involve complex calculations and the assumptions include a degree of uncertainty regarding the future development of discount rates. A change in the assumptions can have a significant effect on the outcome of the impairment tests. Therefore this matter was of particular importance for our audit.

1) Complimentary translation, German original prevails

*Our Response*

We performed similar procedures to those described above in relation to goodwill impairment testing in respect of the key assumptions used in the impairment model. Therefore we refer to the section above for further details.

If fair value less costs of disposal exceeded the value in use of assets subject to impairment, we agreed such fair values to external appraisal documentation or have verified estimates made by the management.

We critically challenged management's assessment of potential impairment reversals for individual cash generating units.

**Other Information**

Management is responsible for the other information. The other information comprises all information in the consolidated non-financial report, which we obtained prior to the date of this auditor's report, and the annual report (but does not include the consolidated financial statements, the consolidated management report and our auditor's report thereon), which is expected to be made available to us in the final version after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. With respect to the information in the consolidated management report beyond the consolidated non-financial statement we refer to the section "Report on the Audit of the Consolidated Management Report".

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Responsibilities of Management and Audit Committee for the Consolidated Financial Statements***

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the additional requirements under section 245a UGB and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Regulation (EU) No 537/2014 and with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

The scope of the audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which the management has conducted or will conduct the affairs of the Group.

As part of an audit in accordance with Regulation (EU) No 537/2014 and with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

› Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

› Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

› Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

› Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

› Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that give a true and fair view.

› We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Audit of the Consolidated Management Report

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the consolidated management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with laws and regulations applicable with respect to the consolidated management report.

*Opinion*

In our opinion, the consolidated management report is prepared in accordance with the applicable legal requirements, includes appropriate disclosures according to section 243a UGB and is consistent with the consolidated financial statements.

*Statement*

In the light of the knowledge and understanding of the Group and its environment obtained in the course of our audit of the consolidated financial statements, we have not identified material misstatements in the consolidated management report.

## Other Matters which we are required to address according to Article 10 of Regulation (EU) No 537/2014

We were appointed by the annual general meeting on June 14, 2018 and commissioned by the supervisory board on June 26, 2018 to audit the consolidated financial statements for the financial year ending December 31, 2018. We have been auditing the Group since the financial year ending December 31, 2017.

We confirm that our opinion expressed in the section "Report on the Audit of the Consolidated Financial Statements" is consistent with the additional report to the audit committee referred to in Article 11 of Regulation (EU) No 537/2014.

We declare that we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 and that we remained independent of the Group in conducting the audit.

***Engagement Partner***

The engagement partner responsible for the audit is Gerhard Marterbauer.

Vienna, March 15, 2019

Deloitte Audit Wirtschaftsprüfungs GmbH

*Mag. Gerhard Marterbauer*
*Certified Public Accountants*

*Mag. Christof Wolf*
*Certified Public Accountants*

# Glossary

**Acquisition** Expenditure for the purchase of a company or share in a company

**ADR** American Depository Receipt: deposit certificates that confirm ownership of a foreign stock and are traded on US stock exchanges or over-the-counter as shares; US banks buy stock and issue ADR's in order to give foreign companies access to the US capital market

**Asset coverage** Equity divided by non-current assets; indicates the percentage to which land, buildings, machinery etc. are covered by equity

**ATX** Abbreviation for the "Austrian Traded Index" of the Vienna Stock Exchange

**Bearer shares** Shares that are not issued to a specific person; the rights to these securities accrue to the person holding them

**Capital Employed (CE)** Equity plus interest-bearing debt (incl. net inter-company balance) less liquid funds and financial assets; the sum of capital engaged in a company

**Clay block** Brick made of burned clay, used for load-bearing exterior monolithic or cavity walls as well as for interior walls

**Clay roof tile** Roof tile made of burned clay in various shapes and colors

**Common shares** Shares that carry full rights in a stock corporation (including participation in the Annual General Meetings, voting rights and dividend rights)

**Corporate governance** Rules for the responsible management and control of companies that are set forth in the Austrian Corporate Governance Code

**Covenant (financial)** A clause in a credit agreement that obliges the borrower not to exceed or fall below a specific indicator

**Cross currency swap** Agreement between contract partners to exchange cash flows in two different currencies over a certain period of time; a hedge against foreign currency fluctuations

**Deferred taxes** The result of temporary differences in income recognition between tax law and the individual and consolidated financial statements prepared accounting to IFRS

**Depreciation ratio** Depreciation (excluding impairment charges to goodwill and assets) as a percentage of revenues

**Dividend yield:** Ratio of the dividend per share paid out to the share price

**EBIT** Earnings before interest and taxes, or operating profit

**EBIT, operating** EBIT adjusted for impairment charges to goodwill and assets as well as the reversal of impairment charges to assets

**EBITDA** Earnings before interest, taxes, depreciation and amortization, or operating profit before depreciation and amortization = gross cash flow

**EBITDA margin** EBITDA divided by revenues

**Equity method** Valuation method used for the consolidation of investments of between 20% and 50% in other companies

**Equity ratio** Equity divided by total assets

**Facing brick** Brick made of burned clay, used for external, non-load-bearing walls of buildings

**Fast Forward 2020:** Group-wide optimization program covering six specific work streams: manufacturing excellence, commercial excellence, procurement, supply chain management, general administration and turnaround cases

**Forward exchange contract** Foreign exchange transaction that is not realized at conclusion of the relevant contract, but at a later point in time; a hedge against exchange rate fluctuations

**Free cash flow** Cash flow from operating activities less cash flow from investing activities plus growth capex; the amount of cash earned in the current year that is available for growth projects, dividends and the repayment of debt or share buy-backs

**Free float company** Publicly traded corporation with a majority share of free float

**GARP investor** Growth at a reasonable price; investor who aims to identify those growth stocks that meet his/her criteria for buying at reasonable prices

**Gearing** net debt divided by equity including non-controlling interests; an indicator of financial security

**Goodwill** Surplus of the price paid for a company over the net assets acquired

**Hedging** Measures used in the management of financial risk to limit or avoid negative market changes in the areas of interest rates, foreign currency, market values or raw materials

**Hybrid capital** Subordinated perpetual corporate bond, which is ranked between equity and debt as mezzanine capital

**IFRS** International Financial Reporting Standards

**Interest cover** EBITDA divided by interest result; indicates the number of times operating income covers the interest result

**Interest rate swap** Agreement to exchange cash flows with different terms over a specific period of time; these cash flows are based on fixed and variable interest rates; provides security against interest rate fluctuations

**Investments** Additions to plant, property and equipment and intangible assets

**Joint venture** Agreement by two or more companies to jointly operate a business enterprise

**LLLD (Long Length Large Diameter Pipes)** Pipes for industrial facilities with a diameter of up to 2.5 meters and a length of up to 600 meters

**Long-term incentive (LTI) program** A long-term variable remuneration program for the Managing Board and key Group managers to synchronize management goals with shareholders' interests

**Net debt** Net sum of financial liabilities - cash and cash at bank - securities and other financial assets - intercompany receivables and payables from financing

**Net result** Profit after tax attributable to equity holders of the parent company

**NF** Abbreviation for "Normalformat", the standard size of clay blocks (250 x 120 x 65 mm)

**NOPAT** Net operating profit after tax, or operating profit less taxes and adjusted taxes (tax effects from financial results)

**Paver** Product made of clay or concrete, used in the design of gardens and public spaces

**PE** Polyethylene, a synthetic material

**PP** Polypropylene, a synthetic material

**PVC** Polyvinyl chloride, a synthetic material

**P/E ratio** Price/earnings ratio; an indicator for the market valuation of a stock

**Rating** Standardized evaluation of the credit standing of a company, which indicates the probability of insolvency or delayed payments

**Return on equity** Profit after tax divided by equity, or the rate of return on shareholders' investments

**ROCE after tax** Return on capital employed after tax, or NOPAT divided by average capital employed = net yield on capital employed

**Translation risk** Arises from the conversion of foreign currency items on the balance sheet; these foreign exchange fluctuations are not offset by balance sheet items in the same currency

**Treasury** Staff function to safeguard the financing, cash management and financial risk management of a company

**UGB** "Unternehmensgesetzbuch" (the Austrian Company Code)

**WACC** Weighted average cost of capital, or the average price a company must pay on financial markets for equity and debt

**WF** Abbreviation for "Waalformat"; the standard size of a facing brick (210 x 100 x 50 mm)

## *Explanatory notes to non-financial indicator*

**Average number of sick-leave days / employee**
Excluding North America (figures not fully comparable due to special local legislation)

**Average training hours / employee**
Internal and external initial and further training measures per employee.

**$CO_2$ emissions from primary energy sources**
$CO_2$ emissions refer to fuel emissions from ceramic production.

**Employee turnover**
Excluding North America (figures not fully comparable due to special local legislation). Ratio of persons leaving the Wienerberger Group (termination by employee or employer as well as termination by mutual consent) to average number of employees in permanent employment; excluding temporary and agency workers as well as workers under term contracts; persons retiring or on leave do not count as persons leaving the company.

**Payments to public bodies**
Excluding deferred taxes

**Percentage of women**
Calculation based on headcount.

**Specific $CO_2$ emissions**
Specific $CO_2$ emissions refer to fuel emissions from ceramic production per production unit. Specific $CO_2$ emissions are expressed as an index in %. The index is based on the reference year 2013.

**Specific energy consumption**
Specific energy consumption refers to the energy consumption per production unit and is expressed as an index in %. The index is based on the reference year 2013.

**Total energy consumption**
Total energy consumption comprises energy consumed in production, excluding administration.

# Addresses of Major Companies

**Wienerberger AG**
A-1100 Vienna, Wienerberg City
Wienerbergstrasse 11
T +43 1 60 192 0
info@wienerberger.com
www.wienerberger.com

**Semmelrock International GmbH**
A-1100 Vienna, Wienerberg City
Wienerbergstrasse 11
T +43 1 60 192 10901
international@semmelrock.com
www.semmelrockgroup.com

**Steinzeug-Keramo GmbH**
D-50226 Frechen
Alfred-Nobel-Strasse 17
T +49 2234 5070
info@steinzeug-keramo.com
www.steinzeug-keramo.com

**Pipelife International GmbH**
A-1100 Vienna, Wienerberg City
Wienerbergstrasse 11
T +43 1 602 2030 0
info@pipelife.com
www.pipelife.com

**Tondach Gleinstätten AG**
A-8443 Gleinstätten
Graschach 38
T +43 3457 2218 0
office@tondach.com
www.tondach.com

**General Shale Brick, Inc.**
USA-Johnson City TN 37601
3015 Bristol Highway
T +1 423 282 4661
office@generalshale.com
www.generalshale.com

# Financial Calendar

| | |
|---|---|
| *January 28, 2019* | *Start of the quiet period* |
| February 27, 2019 | Results of 2018:<br>Presentation of the Results in Vienna |
| March 28, 2019 | Publication of the 2018 Annual Report on the Wienerberger website |
| *April 23, 2019* | *Start of the quiet period* |
| April 26, 2019 | Record date for participation in the 150th Annual General Meeting |
| May 6, 2019 | 150th Annual General Meeting |
| May 8, 2019 | Deduction of dividends for 2018 (ex-day) |
| May 9, 2019 | Record date for 2018 dividends |
| May 10 ,2019 | Payment day for 2018 dividends |
| May 16, 2019 | Results for the First Quarter of 2019 |
| June 2019 | Publication of the Sustainability Report 2018 |
| *July 22, 2019* | *Start of the quiet period* |
| August 13, 2019 | Results for the First Half-Year of 2019:<br>Presentation of the Results in Vienna |
| *October 21, 2019* | *Start of the quiet period* |
| November 7, 2019 | Results for the First Three Quarters of 2019 |

### Information on the Company and the Wienerberger Share

| | |
|---|---|
| Head of Investor Relations | Klaus Ofner |
| Shareholders' Telephone | +43 1 601 92 10221 |
| E-Mail | investor@wienerberger.com |
| Internet | www.wienerberger.com |
| Vienna Stock Exchange | WIE |
| Thomson Reuters | WBSV.VI; WIE-VI |
| Bloomberg | WIE AV |
| Datastream | O: WNBA |
| ADR Level 1 | WBRBY |
| ISIN | AT0000831706 |

**Wienerberger Online Annual Report 2018:**
http://annualreport.wienerberger.com

# Ten Year-Review

| Corporate Data | | 2009 | 2010 2) | 2011 2) | 2012 |
|---|---|---|---|---|---|
| Revenues | in MEUR | 1,816.9 | 1,663.6 | 1,915.4 | 2,355.5 |
| EBITDA | in MEUR | 157.5 | 198.3 | 240.4 | 216.7 |
| EBITDA margin | in % | 8.7 | 11.9 | 12.6 | 9.2 |
| EBIT | in MEUR | -258.1 | 4.6 | 37.5 | -21.7 |
| Operating EBIT | in MEUR | 19.0 | 4.6 | 40.0 | 31.0 |
| Profit before tax | in MEUR | -295.6 | -42.5 | 47.4 | -36.2 |
| Profit after tax | in MEUR | -258.7 | -35.4 | 39.4 | -40.5 |
| Free cash flow | in MEUR | 250.8 | 170.5 | 135.0 | 163.6 |
| Total investments | in MEUR | 134.2 | 143.5 | 151.7 | 268.7 |
| Net debt | in MEUR | 408.0 | 362.3 | 358.8 | 602.0 |
| Capital employed | in MEUR | 2,816.8 | 2,718.4 | 2,652.1 | 2,931.3 |
| Gearing | in % | 16.0 | 14.5 | 14.8 | 25.5 |
| Return on equity 3) | in % | -10.2 | -1.4 | 1.6 | -1.7 |
| ROCE after tax 4) | in % | 0.2 | 0.0 | 0.9 | 0.4 |
| Ø Employees | in FTE | 12,676 | 11,296 | 11,893 | 13,060 |

| Stock Exchange Data | | 2009 | 2010 2) | 2011 2) | 2012 |
|---|---|---|---|---|---|
| Earnings per share | in EUR | -3.17 | -0.58 | 0.07 | -0.61 |
| Adjusted earnings per share | in EUR | -0.34 | -0.58 | 0.09 | -0.25 |
| Dividend per share | in EUR | 0.00 | 0.10 | 0.12 | 0.12 |
| Dividend | in MEUR | 0.0 | 11.7 | 13.8 | 13.8 |
| Equity per share 5) | in EUR | 22.5 | 17.3 | 16.6 | 16.3 |
| Share price at year-end | in EUR | 12.78 | 14.29 | 6.97 | 6.93 |
| Shares outstanding (weighted) 6) | in Tsd. | 91,297 | 116,528 | 116,762 | 115,063 |
| Market capitalization at year-end | in MEUR | 1,502.0 | 1,679.5 | 819.2 | 814.3 |

| Condensed Balance Sheet | | 2009 | 2010 2) | 2011 2) | 2012 |
|---|---|---|---|---|---|
| Non-current assets | in MEUR | 2,726.0 | 2,708.1 | 2,611.4 | 2,800.8 |
| Inventories | in MEUR | 552.4 | 555.9 | 576.6 | 700.9 |
| Other assets | in MEUR | 809.0 | 737.3 | 803.4 | 638.0 |
| Total assets | in MEUR | 4,087.4 | 4,001.3 | 3,991.4 | 4,139.7 |
| Equity 7) | in MEUR | 2,547.0 | 2,503.3 | 2,430.8 | 2,363.7 |
| Provisions | in MEUR | 187.9 | 205.3 | 197.2 | 265.9 |
| Liabilities | in MEUR | 1,352.5 | 1,292.7 | 1,363.4 | 1,510.1 |

1) The figures for the year 2014 were restated in accordance with IAS 8. // 2) The data were adjusted to reflect a change in accounting policy // 3) Profit after tax / Equity // 4) 2014 and 2012 calculated on pro-forma 12-month basis // 5) Equity including non-controlling interests; excluding hybrid capital // 6) Adjusted for treasury stock // 7) Equity including non-controlling interest and hybrid capital

| 2013 | 2014 [1)] | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| 2,662.9 | 2,834.5 | 2,972.4 | 2,973.8 | 3,119.7 | **3,305.1** |
| 275.9 | 317.2 | 369.7 | 404.3 | 415.0 | **442.6** |
| 10.4 | 11.2 | 12.4 | 13.6 | 13.3 | **13.4** |
| 64.7 | -165.1 | 163.1 | 190.6 | 178.7 | **239.8** |
| 55.3 | 100.2 | 167.6 | 197.7 | 194.2 | **248.2** |
| -3.1 | -215.3 | 107.0 | 158.5 | 144.9 | **195.3** |
| -7.8 | -229.7 | 69.8 | 115.3 | 140.6 | **146.9** |
| 92.9 | 134.0 | 135.1 | 246.5 | 152.5 | **236.5** |
| 106.7 | 163.1 | 147.8 | 181.1 | 206.3 | **325.1** |
| 538.9 | 621.5 | 534.1 | 631.6 | 566.4 | **631.6** |
| 2,767.6 | 2,591.9 | 2,569.9 | 2,460.0 | 2,459.2 | **2,536.7** |
| 23.9 | 31.3 | 26.0 | 34.2 | 29.6 | **32.6** |
| -0.3 | -11.6 | 3.4 | 6.2 | 7.4 | **7.6** |
| 1.3 | 2.7 | 4.5 | 5.8 | 7.3 | **7.5** |
| 13,787 | 14,836 | 15,813 | 15,990 | 16,297 | **16,596** |

| 2013 | 2014 [1)] | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| -0.34 | -2.26 | 0.31 | 0.70 | 1.05 | **1.15** |
| -0.40 | 0.03 | 0.35 | 0.76 | 1.19 | **1.23** |
| 0.12 | 0.15 | 0.20 | 0.27 | 0.30 | **0.50** |
| 13.8 | 17.5 | 23.4 | 31.6 | 35.1 | **57.4** |
| 15.3 | 12.9 | 13.4 | 13.5 | 14.1 | **14.4** |
| 11.53 | 11.45 | 17.09 | 16.50 | 20.17 | **18.00** |
| 115,063 | 116,017 | 116,956 | 116,956 | 116,956 | **116,154** |
| 1,354.5 | 1,345.1 | 2,008.5 | 1,938.6 | 2,370.5 | **2,115.5** |

| 2013 | 2014 [1)] | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| 2,610.0 | 2,433.8 | 2,426.3 | 2,361.4 | 2,296.8 | **2,389.0** |
| 666.0 | 701.4 | 753.3 | 718.4 | 741.6 | **761.7** |
| 935.4 | 695.8 | 512.0 | 557.4 | 621.5 | **592.3** |
| 4,211.4 | 3,831.0 | 3,691.6 | 3,637.2 | 3,659.9 | **3,742.9** |
| 2,254.2 | 1,986.5 | 2,054.2 | 1,849.0 | 1,911.2 | **1,939.1** |
| 224.5 | 253.5 | 290.3 | 278.0 | 270.6 | **272.0** |
| 1,732.7 | 1,591.0 | 1,347.1 | 1,510.2 | 1,478.1 | **1,531.9** |

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