

Introduction by the Chief Executive Officer



Heimo Scheuch, Chief Executive Officer
Wienerberger AG

Ladies and Gentlemen,

2017 was a successful year for the Wienerberger Group: We generated record revenues of over € 3.1 billion and a net profit of € 123 million, while our net debt was reduced by 10%. At the same time, we achieved substantial progress in the implementation of our Sustainability Roadmap 2020. This goes to show that a company committed to the principles of sustainability is able to improve its performance and enhance its enterprise value, not despite this commitment but because of it.

We are in the midst of implementing the Wienerberger Sustainability Roadmap 2020 in order to continuously improve our ecological, social and societal performance.

Wienerberger's 2017 Annual Report takes stock of our achievements in financial terms and offers an outlook on upcoming developments, always with a special focus

on our shareholders' interests. Non-financial aspects and indicators are presented in aggregated form. The Wienerberger Sustainability Report, published for 2017 as a Sustainability Update, is targeted at our many other stakeholders, above all our employees, customers and suppliers, and presents our financial and, in particular, our non-financial achievements as well as the impact of the Wienerberger Group's activities on society, as required by the Global Reporting Initiative (GRI). It is our intention to present a transparent and coherent view of how we pursue our mission, which is to improve people's quality of life by supplying sustainable building material and infrastructure solutions of outstanding quality. In order to come increasingly closer to our vision of being the most highly regarded producer of building material and infrastructure solutions and the preferred employer in our markets, we are striving for continuous self-improvement. By presenting our management approach, we provide clear insights into our high-quality corporate governance, our strategy and the future orientation of our company.

As the technology and innovation leader of our sector, the Wienerberger Group is aware of its heavy responsibility for the improvement of living conditions on Planet Earth. The Sustainable Development Goals of the United Nations (17 SDGs) are the yardstick against which policy-makers as well as global players like ourselves have to measure their performance. Wienerberger is directly concerned with several of these goals, be it promoting decent work (SDG 8), building resilient infrastructure and fostering innovation (SDG 9), making cities inclusive, safe, resilient and sustainable (SDG 11), ensuring sustainable consumption and production patterns (SDG 12) or taking action to combat climate change and its impacts (SDG 13).

In our two main product groups, we are aiming at a 20% reduction in specific energy consumption by 2020 compared to 2010.

We are well on track, as shown by our contributions to ensuring sustainable consumption and production patterns (SDG 12) and to combating climate change (SDG 13). In absolute terms, our consumption of energy increased in 2017 over the value reported in 2016, partly as a result of higher production volumes, but energy consumption by ton of products produced (specific energy consumption) decreased by another 0.8% Group-wide and by 1.7% in ceramic production. For our two main product groups (bricks and tiles, plastic pipes) we are aiming at a 20% reduction in specific energy consumption by 2020 compared to 2010. At the same time, we are accelerating our conversion to climate-friendlier energy sources. In 2017, for instance, our specific CO₂ emissions from ceramic production were reduced by a satisfactory 2.3% from the previous year's level. Our North America Division fully met its target of completely converting all main production sites from coal to natural gas.

With digitally assisted design processes and construction methods, including products with high thermal insulation properties, we make it easier for our customers to meet the requirements of energy efficiency in building construction (SDG 13). Another objective is to make cities safer, more resilient and more sustainable (SDG 11). Our second-generation Raineo Stormbox is ideally suited to solve the problems caused by heavy rainfall; it collects, cleans and stores rainwater for later reuse, which is an extremely efficient way of preventing flash flooding in urban areas.

Research and development (R&D) are among the priorities of Wienerberger's strategic planning. The most essential tasks of R&D include the optimization of production processes (SDG 12) and the development of innovative products and system solutions for a resilient infrastructure (SDG 9). In 2017, our R&D expenditure came to approx. € 11 million. At Group level, innovative products accounted for almost 30% of total revenues. We will continue working on future-oriented solutions by placing a special focus on the digitalization of processes in all business areas and the step-by-step introduction of Industry 4.0 in production. Our aim is to optimize all processes, ranging from production planning to sales and administration. With this in mind, we have set up an innovation lab within the company, which enables us to establish structured contacts with start-ups. At the end of 2017, we organized an open call for innovation, followed by an Innovation Day in January 2018, which provided a platform for lively exchanges with numerous representatives of start-ups.

Innovative solutions are also required in the context of continuing urbanization. According to a UN study, two thirds of the world population will be living in cities by 2050, but hardly any of these cities will have been designed on a drawing board or computer. A major effort will therefore be to redesign the inhumane suburbs of many European metropolises – not to mention cities outside Europe – to make these places attractive again for people to live in. In our role as technology and innovation leader, we will do our utmost to develop innovative

solutions, always bearing in mind that we have to cover the “luxury” segment and, at the same time, provide acceptable and affordable social housing.

This takes me to another issue of special importance to me: I cannot overemphasize the key role our employees play in the successful further development of our company. Therefore, it is important to us that our employees worldwide live our corporate values regardless of nation, gender, age, etc. It is our vision to be the preferred employer in every region in which we operate.

Compared to the previous year, the frequency of accidents within the Wienerberger Group was significantly reduced by another 16.8% in 2017.

In 2017, the Wienerberger Group employed a work-force of more than 16,000 people. By ensuring that our employees are fairly remunerated at all our production sites, we contribute to their social security. As an industrial producer, the occupational safety and health of all our employees is an absolute priority for us. It is our goal to reduce the number of occupational accidents throughout the Group to zero every year. We are happy to report that the frequency of accidents within the Wienerberger Group was reduced by another 16.8% in 2017, while the severity of accidents went down by 2.1% compared to 2016. To our deepest regret and despite all our efforts, two fatal occupational accidents occurred in 2017. We studied the circumstances of the accidents in great depth in order to derive targeted measures aimed at further improving occupational safety in our plants. We continue to pursue our “zero accident” target.

We regard our corporate values – expertise, passion, integrity and respect, customer orientation, entrepreneurship, quality and responsibility – as the driving forces that encourage our employees to develop their potential to the full. The fundamental prerequisites are employee motivation and satisfaction, as well as a culture of trust within the company. In the course of 2018, we will roll out the employee survey to all country organizations of

the Wienerberger Group and subsequently take the necessary measures to further improve the level of employee satisfaction.

In the near future, we will apply a Group-wide “Supplier Code of Conduct”.

Another challenge faced by Wienerberger is the growing globalization of supply chains. We are expected not only to guarantee the quality of our finished products, but also to guarantee compliance with social and ecological minimum standards of the raw materials, products and services we need to produce and market our products.

By signing the UN Global Compact in 2003, we committed ourselves to ensuring that its ten principles regarding human rights, occupational health and safety, environmental protection and the fight against corruption are observed not only within our own sphere of control, but also along our supply chains. We actively promote an ethical approach in all our entrepreneurial actions and therefore are increasingly adopting supplier guidelines that oblige our suppliers to comply with social and ethical minimum standards. In the near future, we will apply a Group-wide “Supplier Code of Conduct”. Please refer to pages 90 to 94 for our 2017 Communication on Progress on the UN Global Compact.

We intend to consistently pursue our course in the years to come and take all the measures necessary to attain our goals. I am confident that you, our esteemed readers, will accompany us on our way.

Yours
