Financing Strategy

Leverage Policy and Impact of IFRS 16

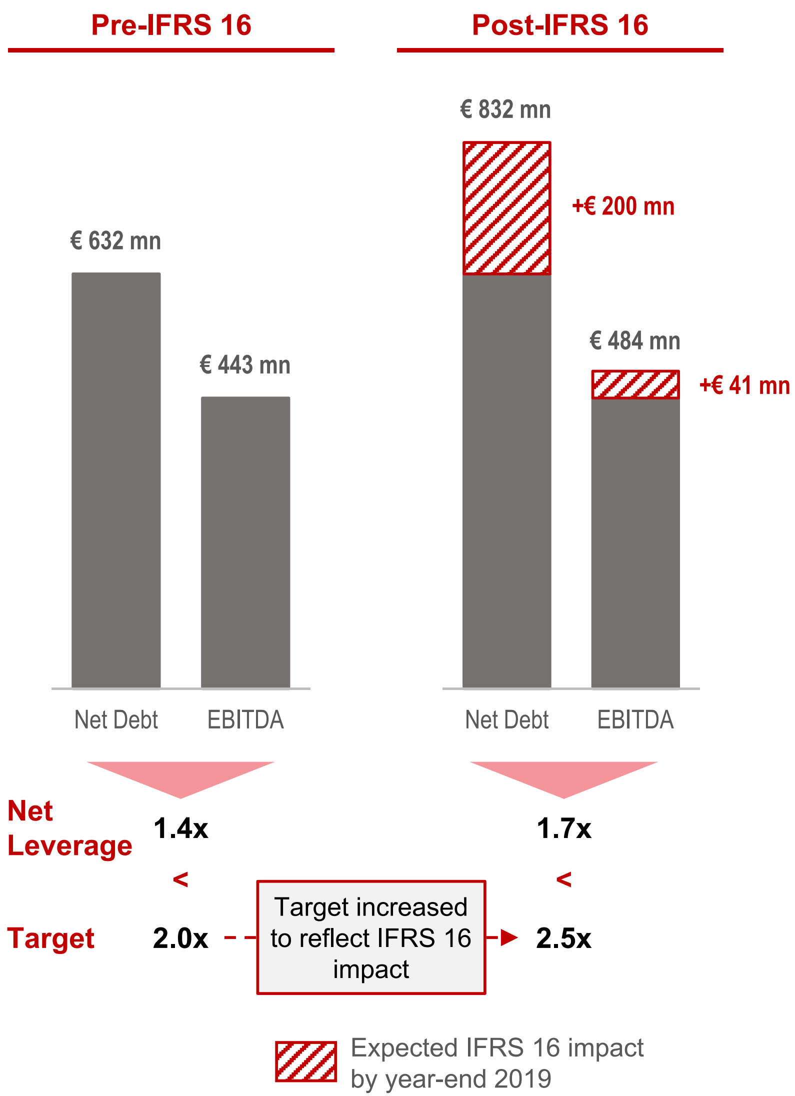
Strict Leverage Policy with Clear Leverage Definition

- **Wienerberger seeks to maintain net leverage (incl. IFRS 16) ≤ 2.5x[1] at year-end, with flexibility to increase up to 3.0x at year-end for value-enhancing projects**
  - Ensures prudent headroom under Wienerberger's net leverage covenant (≤ 3.9x, incl. IFRS 16[1])
  - Consistent with our target credit rating in the high Ba space
- **Net leverage is calculated according to a clear definition**
  - Net leverage = net debt (incl. IFRS 16) ÷ reported EBITDA (incl. IFRS 16)
  - Net debt is defined as follows:

Short-term & long-term financial liabilities	*(+)*
Lease liabilities under IFRS 16	*(+)*
Cash & cash equivalents	*(-)*
Securities & other short-term (liquid) financial assets	*(-)*

- **Hybrid bond is recognised as equity under IFRS and is not part of the net debt definition**

Impact of IFRS 16 (as at 31-Dec-18)



1) Internal net leverage target increased to ≤2.5x from ≤2.0x and net leverage covenant amended to ≤3.9x from <3.5x to reflect impact of IFRS 16 leases

Financing Strategy

Seasonal Working Capital Needs

Sufficient Leverage Headroom Required for Seasonal Working Capital Needs

Seasonal Working Capital Requirements

- **Wienerberger's working capital requirements follow a seasonal cycle, consistent with the wider building materials industry**
  - Peak working capital is typically c. € 250 mn higher than the year end position

Sufficient Headroom

- **Wienerberger manages its leverage position to ensure there is sufficient headroom to allow for these seasonal working capital needs (and other capital needs) within the current leverage targets**

Sufficient Liquidity

- **Wienerberger has multiple funding sources to ensure it has sufficient liquidity for both working capital and other needs on attractive terms: cash and committed credit facilities further bolstered by uncommitted facilities and / or non-recourse factoring**
  - Our working capital build-up is typically financed through revolving credit lines and / or commercial paper, which are highly cost effective sources of funding

Hybrid Bond

Key Features

> **Description:**	▪ Perpetual subordinated bond (junior to debt and senior to equity) with fixed interest and a unilateral call option
> **Coupon:**	▪ Feb-17 to Feb-21: 5.0% p.a. fixed ▪ After Feb-21: reset every 5 years based on the then prevailing 5-year swap rate and a margin of 5.95%
> **Principal:**	▪ € 272,188,000
> **Call option:**	▪ Unilateral option for Wienerberger to call the hybrid bond as of 9-Feb-21 (coupon date), and then on each coupon date thereafter
> **Accounting treatment:**	▪ Equity under IFRS ▪ Therefore excluded from net debt for net leverage purposes
> **Tax treatment**	▪ Follows Austrian GAAP ▪ Coupon is fully tax deductible

What are the Advantages of the Hybrid Bond?

> **Originally raised to fund growth**

> **Interest is fully tax-deductible, driven by tax treatment under Austrian GAAP**

> **Supports balance sheet strength given equity treatment under IFRS**

> > Offers leverage headroom to accommodate seasonal working capital requirements and provide strategic flexibility

Clear Policy Framework for Liability Management

> **We regularly and rigorously explore opportunities with the potential to optimise our balance sheet, taking into account both the potential financial benefits and corporate strength / flexibility implications of each potential transaction**

> > In reviewing the financial benefits of any such transaction, we assess both the potential **earnings impact** and the expected **NPV / IRR**

Historical Context

2007
› *Wienerberger issues the **first Hybrid Bond** (€ 500 mn @6.5% coupon, 2017 call) alongside equity raise to **fund growth** initiatives*

2014
› ***Exchange offer: € 272 mn** of original hybrid **exchanged for current instrument***

2017
› ***Call** of the **remaining € 228 mn of 2007 Hybrid Bond***
› ***Step down** of the **coupon** for the **hybrid bond 2014** to **5.0% fixed from 6.5% fixed***

Present

2021
› ***Feb-2021:** current Hybrid Bond becomes **callable at Wienerberger's option** at each coupon date*

Financing Strategy

Capital Efficiency and Optimisation of our Funding Costs

Capital Efficiency Is At The Heart Of Our Well-Defined Financing Strategy

Capital Efficiency

Optimised cost of funding

Tax efficiency

Risk Mitigation

Relentless Focus on Optimisation of our Funding Costs and Tax Efficiency, With Hedging to Mitigate our Risks

Optimised Cost of Funding

- Target **lowest funding costs** whilst ensuring financing strength
- Financing sourced on the **best available terms**
  - Optimise outcome via **competitive review of markets and providers**
- **Regularly explore refinancing** and/or liability management opportunities

+

Tax Efficiency

- **Full tax deductibility for all debt** financing instruments of the group
- **Hybrid coupon fully tax deductible**

+

Risk Mitigation

- **Minimise FX transaction & translation risk**: decentralised structure of the group, natural hedge in local markets and limited use of financial derivatives under strict risk policy
- **Minimise interest rate risk**: through adequate mix of fixed and floating rate financing

Financing Strategy

Credit Rating Strategy

We aim to maintain a solid 'Ba' credit rating (or above), as it provides an optimal balance allowing for an efficient capital structure with low cost of capital and strategic headroom for growth projects

Advantages of Wienerberger's Credit Rating Strategy

> **Maintaining Ba1 or above corporate rating offers the following advantages:**

1. Attractive weighted average cost of capital
2. Flexibility and financial headroom to pursue value-accretive organic and inorganic growth opportunities
3. Resilience and balance sheet strength through the cycle
4. Access to diverse funding sources, including unrestricted access to debt markets
5. Able to maintain comfortable liquidity headroom to cover seasonal working capital needs and other liquidity requirements

Aim to Maintain Ba1+ Rating