

Wienerberger in H1 2023 with strong results in a weak market environment

Highlights

- › Construction markets decline in Europe; North America more resilient
- › Group revenues at € 2,203 million (H1 2022: € 2,572 million) remained robust despite the market deterioration
- › Strong operating EBITDA of € 454 million (H1 2022: € 545 million) despite declining markets, thanks to proactive cost management
- › The Group continues its transformation into a provider of innovative and sustainable solutions

2023 Outlook

- › Market environment expected to remain weak
- › Operating EBITDA guidance 2023 of € 800-820 million (excluding contributions to earnings from planned acquisition of Terreal)

Vienna, August 10, 2023 – In the first half of 2023, persistently high inflation, rising interest rates and significantly reduced affordability led to declining demand in all relevant end markets. Nevertheless, the Wienerberger Group was able to successfully maintain its position in this challenging macroeconomic environment, even compared to the record year of 2022 and generated consolidated revenues of € 2,203 million (H1 2022: € 2,572 million).

Commenting on this result, Heimo Scheuch, Chairman of the Managing Board of Wienerberger AG, says, “Although operating in a difficult market environment, Wienerberger successfully held its ground in the first half of 2023. With our clear focus on innovation and proactive cost management, we succeeded in delivering a strong set of results. Especially in view of the slowdown in renovation and infrastructure as well as a significant downward trend in new construction in Central-East Europe, led by Poland and Hungary with declines of more than 40%, followed by Germany. Our North American business also performed extremely well in a declining market environment.”

Compared to the record year 2022, the Wienerberger Group generated revenues of € 2,203 million in the first half of 2023 (H1 2022: € 2,572 million). Faced with weakening demand, the company responded proactively already in the second half of 2022 with strict cost management to quickly increase flexibility in fixed costs, which already generated € 29 million in savings in the first half of 2023 and is currently being further intensified due to the weaker market development. Thanks to the measures taken to date, such as shift reductions and mothballing of individual plants in combination with optimized capacity utilization at existing plants, Wienerberger is perfectly positioned to outperform its end markets even in this challenging environment. A forward-looking procurement policy in the areas of raw materials and energy and proactive price management have made it possible to successfully cover the continued high-cost inflation in all regions. Additionally, the continuation of the company’s time-tested self-help program aimed at earnings growth and efficiency enhancement significantly contributed to earnings. Based on these measures,

Wienerberger generated operating EBITDA of € 454 million in the first half of 2023 (H1 2022: € 545 million). Overall, Wienerberger thus succeeded in maintaining profitability at a high level due to a clear outperformance of the end markets and its strong solution business.

“In the second quarter we again succeeded in holding our ground in the face of declining end markets, generating impressive € 454 million in operating EBITDA. In a comparison with the sustainable operating EBITDA of € 490 million for the first half of 2022, Wienerberger’s strength and resilience in coping with such challenging conditions becomes all the more apparent. This strong performance is based on the continuing transformation of the company into a provider of innovative and sustainable system solutions for ecological new build, renovation, and energy and water management, as well as the increased resilience of our business model”, emphasizes CEO Heimo Scheuch.

Irrespective of the challenges to be faced in 2023, the company is adhering to its value-accretive growth strategy with a continuing focus on innovation and the enhancement of its competence in providing innovative system solutions. Following the acquisition of Komproment ApS in the first quarter and the Danish Strøjer Group in the second quarter of 2023, Wienerberger is further expanding its sustainable range of innovative façade solutions and increasing its market share in the Nordic countries. The acquisition of Wideco Sweden, which also was closed in the second quarter, has enlarged Wienerberger’s footprint in energy and water management solutions in Scandinavia, contributing smart mobile applications and expertise in developing innovative Internet of Things (IoT) solutions.

Performance of the Regions

External revenues reported by **Region Europe West** decreased to € 1,165.7 million compared to the previous year’s record result (H1 2022: € 1,300.3 million). Operating EBITDA remained stable at € 224.8 million (H1 2022: € 225.5 million). The decline in demand was most evident in new build, particularly in the UK, Belgium, Germany, the Netherlands, and France. The Nordic countries saw a decline in housing starts, but Wienerberger benefited from the company’s enlarged presence in multi-family residential, commercial, and public buildings. The in-house pipe business followed the trend in new build and was similarly affected by an overall decline in demand. Despite the current downward trend in new housing construction, the need for housing is higher now, than at any point in the past 15 years.

Energy-efficient renovation is continuously gaining in importance. This is reflected in a steadily growing volume of renovation, especially in the roofing business. Demand for Wienerberger’s roofing solutions therefore remained at a satisfactory level across all regions.

In infrastructure, high inflation and increased costs dampened the awarding of public procurement contracts. Accordingly, Wienerberger recorded declining demand for infrastructure solutions in its plastic pipe business. At the same time, however, with its solutions for gutters, rainwater, and drainage, Wienerberger was able to increase its share of the renovation market in the field of water management.

External revenues generated by **Region Europe East** in the first six months of the business year, compared to the record-breaking first half of 2022, dropped to € 614.1 million (H1 2022: € 800.2 million). Operating EBITDA amounted to € 118.1 million in the first half of 2023 (H1 2022: 210.1 million). Surging interest rates and double-digit inflation significantly depressed real purchasing power in the Eastern European core markets. This development was reflected in a steep decline in sales volumes in both private and public-sector business in all the company’s end markets. New residential construction, including Wienerberger’s in-house pipe business, was hit hardest by these developments, but the need for new housing remains high throughout the entire Eastern European region.

In the renovation segment, as well, reduced affordability and the absence of government support programs led to a steep drop in demand from both private and public-sector customers. By contrast, business in the infrastructure segment remained stable, with consistently high demand for innovative irrigation systems.

Confronted with weakening demand throughout the region, the company reacted swiftly through proactive cost management: In Hungary, which was the most severely affected market, two plants were temporarily closed down in the second quarter. In taking these steps, Wienerberger succeeded in maintaining profitability and keeping its market shares stable.

In the first half of the year, **Region North America** recorded external revenues of € 422.3 million (H1 2022: € 470.6 million). At the same time, operating EBITDA increased from € 109.8 million to € 111.2 million. The brick business developed very favorably during the first half of the year with an increase in external revenues compared to the previous year, although demand in North American new residential construction was dampened by the persistently high interest rate level and the resultant reduced affordability. The southeastern US recorded high

migration rates driving up the need for housing, while individual areas of Canada experienced seasonally warm weather and high demand.

The successful integration of Meridian Brick allowed for a quick realization of synergies, exceeding the company's expectations. Meridian Brick thus made a significant contribution to strong earnings growth in the North American façade business. Inflation-related cost increases in production were successfully mitigated by forward-looking cost management and price adjustments. Overall, Wienerberger succeeded in increasing profitability in the North American brick business over the previous year's level.

In the plastic pipe business, demand remained stable through the first half of the year. The stabilization of plastic granule prices continued after peaking in the summer months of 2022. Disciplined approaches to pricing and project selection led to strong margins and a highly satisfactory contribution to earnings.

2023 Outlook

At the beginning of the business year, Wienerberger published its assessment of developments to be expected in the end markets for new build, renovation, and infrastructure as a scenario for 2023. However, persistently high inflation and ever-increasing financing costs, as well as more restrictive mortgage lending, dampened market developments more strongly than originally anticipated, especially in Europe. In order to give these markets fresh impetus, initiatives on the part of local governments and the European Union, for example in the infrastructure sector or sustainable renovation would be urgently required. By contrast, the end markets in North America performed as expected. Assuming that the market environment will remain challenging in the second half of 2023, Wienerberger is adjusting its projections of end-market developments in 2023 as follows:

	Europe (previously)	Europe (adjusted)	North America
New build	-15%	-30%	-20%
Renovation	-3%	-15%	-3%
Infrastructure	-5%	-10%	-5%

In the record-breaking year of 2022, adjusted for extraordinary earnings contributions, Wienerberger generated sustainable operating EBITDA of €910 million. Reacting to the significantly diminished market activity in 2023, Wienerberger implemented strict cost and working capital management measures. These include the targeted reduction of production output and the optimization of capacity utilization. For this year, the company expects a contribution to earnings of €45 million from its ongoing self-help program aimed at earnings growth and efficiency enhancement. Wienerberger is continuing to implement its proven forward-buying strategy for energy procurement throughout the Group. For 2023 the company expects cost inflation in the range of <8% for the Group, which will be covered through corresponding price adjustments. Wienerberger is adhering to its value-accretive growth strategy, focusing on innovation and the further enhancement of its competence in providing innovative system solutions in new build, renovation, and infrastructure. Wienerberger is thus perfectly positioned to outperform its end markets even in this challenging environment.

In December 2022 the Wienerberger Group announced its intention to acquire significant parts of the Terreal Group. By taking over this successful European provider of innovative roof and solar solutions, Wienerberger will significantly expand its footprint in renovation and repair and evolve into Europe's leading pitched-roof expert. Overall, the transaction comprises almost 3,000 employees, 29 production sites, and estimated annual revenues of approximately €740 million. The transaction is to be closed in the course of the second half of 2023 and is subject to approval by the competition authorities and compliance with the remedies typically imposed on a transaction of this size.

Overall, Wienerberger's end markets developed significantly weaker than initially assumed. For the 2023 financial year, the company nevertheless continues to expect a strong performance and will generate operating EBITDA of €800-820 million. Earnings contributions of the Terreal Group are not included.

For the complete report on the first half of 2023, please visit <https://www.wienerberger.com/en.html>.

Wienerberger Group

The Wienerberger Group is a leading international provider of smart solutions for the entire building envelope and for infrastructure. Wienerberger is the world's largest producer of bricks (Porotherm, Terca) and the market leader in clay roof tiles (Koramic, Tondach) in Europe as well as concrete pavers (Sammelrock) in Eastern Europe. In pipe systems (Steinzeug-Keramo ceramic pipes and Pipelife plastic pipes), the company is one of the leading suppliers in Europe. By acquiring Meridian Brick, Wienerberger further strengthened its position as a leading supplier of facade products in North America. With its more than 200 production sites, the Wienerberger Group generated revenues of approx. € 5.0 billion and EBITDA of € 1 billion in 2022.

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