PETRUSADVISERS

Regina Prehofer, Chairwoman, Wienerberger AG
Wienerbergerstraße 11, A-1100 Wien
cc: David Davies, Peter Steiner, Peter Johnson, Heimo Scheuch, Willy Van Riet

London, 24 October 2018

Dear Ms Prehofer,

At the company´s AGM on 14 June 2018 you approved Petrus Advisers´ plan to analyse improvement potentials at Wienerberger with the assistance of external advisers. On 16 August 2018, Wienerberger increased the goals for its operational excellence optimisation programme by €75m to €120m. During the company´s Capital Markets Day ("CMD") on 2 October 2018, the target 2018 EBITDA was increased to €460-470m and the target 2020 EBITDA was increased to €635m[1]. If we apply a one-year forward EBITDA multiple of 8x for valuation purposes, the calculated enterprise value as of 2019 is €5.08bn. Such enterprise value - depending on the cash flow assumptions - implies a share price range of €37 to €39[2].

However, the reality of Wienerberger in the public markets offers a strongly diverging view from this scenario: the company´s stock has repeatedly seen price increases evaporate quickly following the release of good corporate news flow. Analysts and investors alike simply have no trust in your ability to achieve the stated goals. This is evidenced by the current stock price of €19.41. Furthermore, not a single equity analyst has increased their target price nor upgraded the recommendation to buy since the CMD - further evidence that Wienerberger suffers from a substantial lack of trust[3].

We recommend the following measures to finally rid yourselves from these shortcomings:

**(1) Transparency**
The improved savings target of €120m needs to be communicated more transparently. All current explanations are purely generic. Faced with a lack of level of detail, investors and analysts alike are left guessing. In particular, the planned increase in the number of employees, the high capex requirements to implement the programme as well as the back-end loaded schedule of the programme's benefits (only €20m of savings in 2018 and only €40m in 2019, making only 2020 the make-or-break decision year on the programme´s full potential). Furthermore, you appear to not at all or not sufficiently plan for conventional savings in SG&A. Management needs to communicate more precisely to convince investors. It would also be desirable to front-load a larger part of your savings and that management looks at personnel cost cuts in what appears to be a chubby SG&A function.

**(2) Extension of profit guidance**
We welcome Wienerberger´s decision to communicate financial targets until 2020. For a public company we would, however, expect you to include net income targets and for you not to base your target solely on future EBITDA levels.

**(3) Improve your dividend yield**
In light of your intended improvement potentials, we suggest that you revise your dividend policy. Your current yield of approximately 2.1% is very low. Capital intensive growth is not in the interest of shareholders. As such, an increase of your payout ratio to 40% would be adequate.

**(4) Share buybacks**
If you believe in the plan you have approved for the management team, you will concur that a share buyback programme is an intelligent use of capital and a very compelling investment for Wienerberger. We recommend that you buy 5% of the company´s shares outstanding.

The market´s reaction to Wienerberger´s announcements thus far teaches you that harder and more focussed work is needed for you to regain the trust of the investment community.

Yours sincerely,

Klaus Umek
Managing Partner

Till Hufnagel
Partner

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[1] *Excludes the estimated €43m positive effects of IFRS 16.*
[2] *Assuming net debt, inclusive of hybrid notes, per yearend 2019 of €626m and net cash flow for the period 2018-2019 of €250m.*
[3] *Based on the recommendations by UBS, Kepler, Exane, Citi and Berenberg following the CMD.*