# WIENERBERGER AG

(incorporated under the laws of the Republic of Austria)

## € 400,000,000 Subordinated Perpetual Fixed to Floating Rate Callable Bonds
## Issue Price: •%

Wienerberger AG (the "**Issuer**") will issue € 400,000,000 principal amount of Subordinated Perpetual Fixed to Floating Rate Callable Bonds (the "**Bonds**") on • 2007 at an issue price of •% of the principal amount of such Bonds. The Bonds have no final maturity.

The Bonds will entitle to remuneration from and including • 2007 to but excluding • 2017 at a rate of •% per annum, payable annually in arrears on • of each year, commencing • 2008. Thereafter, unless previously redeemed, the Bonds will entitle to remuneration at a rate of •% per annum above the Euro-zone inter-bank offered rate for three-month euro deposits, payable quarterly in arrears on •, •, • and • in each year (each a "Floating Remuneration Payment Date" as defined in "Conditions of Issue" – "Definitions and Interpretations"). The Bonds will be issued in bearer form in denominations of € 1,000.

The Issuer shall not have any obligation to pay remuneration on any Remuneration Payment Date (as defined in "Conditions of Issue" – "Definitions and Interpretations") if it does not elect to do so and any such failure to pay remuneration shall not constitute a default of the Issuer or any other breach of obligations under the Bonds or for any other purpose. Any remuneration not paid due to such an election by the Issuer shall constitute Arrears of Remuneration (as defined in "Conditions of Issue" – "Remuneration"). Arrears of Remuneration will not bear interest themselves. The Issuer undertakes to make payment (in full and not in part) of any Arrears of Remuneration under certain conditions (as defined in "Conditions of Issue" – "Payment of Arrears of Remuneration").

The Issuer may pay outstanding Arrears of Remuneration at any time at its own discretion in full or in part under certain conditions (as defined in "Conditions of Issue" – "Payment of Arrears of Remuneration").

The Bonds are redeemable in full but not in part at the option of the Issuer (i) on • 2017 and on any Floating Remuneration Payment Date thereafter (ii) at any time before • 2017 following a Gross-up Event, a Capital Event, a Tax Event or an Accounting Event (in each case, as defined in "Conditions of Issue" – "Definitions and Interpretations"), (iii) if the outstanding principal amount of the Bonds has fallen at any time below 25% or less of the aggregate principal amount of the Bonds; or (iv) if a Change of Control (as defined in "Conditions of Issue" – "Definitions and Interpretations") has occurred.

The obligations of the Issuer under the Bonds constitute direct, unsecured and subordinated obligations of the Issuer ranking *pari passu* among themselves and in the event of the liquidation, dissolution, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of the Issuer rank junior to all other present and future obligations of the Issuer, whether subordinated or unsubordinated, except as otherwise required by mandatory provisions of law. In the event of the liquidation, dissolution, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of the Issuer, the obligations of the Issuer under the Bonds will be subordinated to the claims of all unsubordinated and subordinated creditors of the Issuer so that in any such event no amounts shall be payable in respect of the Bonds until the claims of all unsubordinated and subordinated creditors of the Issuer shall have first been satisfied in full.

**Investing in the Bonds involves risk. See "Risk Factors" beginning on page 20.**

This Prospectus has been approved by the Austrian Financial Market Authority ("**FMA**"), has been filed with said authority and will be published on or about 12 January 2007. It will also be available upon request at the specified office of the Paying Agent in Vienna and Frankfurt.

Application has been made to list the Bonds on the official market *(amtlicher Handel)* (as defined below) of the Vienna Stock Exchange and on the official market *(amtlicher Markt)* (as defined below) of the Frankfurt Stock Exchange.

The Issuer has requested FMA to provide the competent authorities in the Federal Republic of Germany, United Kingdom, Ireland, The Netherlands, and Luxembourg with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Commission Regulation (EC) No 809/2004 of 29 April 2004 ("**Notification**"). The Issuer may request FMA to provide competent authorities in additional host Member States within the European Economic Area with a Notification.

**Joint Lead Managers**

**Deutsche Bank**
Structuring Advisor

**Dresdner Kleinwort**

**Erste Bank**

**Co-Lead Managers**

**ABN AMRO**

**UniCredit Group (BA-CA)**

**Fortis Bank**

**RZB-Austria**

**The Royal Bank of Scotland**

Date of this Prospectus is 12 January 2007.

# RESPONSIBILITY STATEMENT

The Issuer with its registered office in Vienna, Austria accepts responsibility for the information contained in this Prospectus (the "**Prospectus**") and hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus for which it is responsible is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Issuer further confirms that (i) this Prospectus contains all information with respect to the Issuer and its subsidiaries and affiliates taken as a whole (the "**Group**" or "**Wienerberger**") and to the Bonds which is material in the context of the issue and offering of the Bonds, including all information which, according to the particular nature of the Issuer and of the Bonds is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and of the rights attached to the Bonds; (ii) the statements contained in this Prospectus relating to the Issuer and the Bonds are in every material particular true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer or the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in the Prospectus misleading in any material respect and (iv) reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

## NOTICE

No person is authorised to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer or the managers set forth on the cover page (each a "**Manager**" and together, the "**Managers**"). Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or any of its affiliates since the date of this Prospectus, or that the information herein is correct at any time since the date of this Prospectus.

Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. This Prospectus does not constitute an offer of Bonds or an invitation by or on behalf of the Issuer or the Managers to purchase any Bonds. Neither this Prospectus nor any other information supplied in connection with the Bonds should be considered as a recommendation by the Issuer or the Managers to a recipient hereof and thereof that such recipient should purchase any Bonds.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The offer, sale and delivery of the Bonds and the distribution of this Prospectus in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. In particular, the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and are subject to U.S. tax law requirements. Subject to certain limited exceptions, the Bonds may not be offered, sold or delivered within the United States or to U.S. persons. The legally binding language of this Prospectus is the English language; except for the Conditions of Issue where the legally binding language is the German language.

Application will be made that the Bonds be listed on the official market *(amtlicher Handel)* of the Vienna Stock Exchange and on the official market *(amtlicher Markt)* of the Frankfurt Stock Exchange. Both markets are a regulated market for the purposes of Directive 2004/ 39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC.

As of 9 January 2007 (ECB Fixing), the exchange rate of the euro ("EUR" or "€") to the British pound ("GBP") was 0.67025 GBP for one EUR and the exchange rate of the EUR to the US dollar ("USD") was 1.3018 USD for one EUR.

## STABILISATION

IN CONNECTION WITH THE ISSUE OF THE BONDS, DEUTSCHE BANK AG, LONDON BRANCH (THE STABILISING MANAGER) (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT BONDS (PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF BONDS ALLOTTED DOES NOT EXCEED 105% OF THE AGGREGATE PRINCIPAL AMOUNT OF THE BONDS) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT DEUTSCHE BANK AG, LONDON BRANCH (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL LAWS, REGULATIONS AND RULES OF ANY RELEVANT JURISIDICTION.

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# SUMMARY

The following constitutes the summary of the essential characteristics of, and risks associated with, the Issuer and the Bonds. This summary should be read as an introduction to this Prospectus. It does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus. Any decision by an investor to invest in the Bonds should be based on consideration of this Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of such court, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled this summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Words and expressions defined in Conditions of Issue shall have the same meanings in this section.

**Summary regarding the Bonds**

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|---|---|
| **Issue Size** | € 400,000,000 |
| **Denomination** | The Bonds will be issued in bearer form in denominations of € 1,000. |
| **Issue Date** | on or about 9 February 2007 |
| **Settlement Date** | on or about 9 February 2007 |
| **Maturity** | The Bonds have no final maturity and shall not be redeemed. |
| **Remuneration** | The Bonds will entitle to remuneration from and including • 2007 to but excluding • 2017 at a rate of •% per annum, payable annually in arrears on • of each year, commencing • 2008. |
| **Remuneration after Year 10** | From and including • 2017, unless previously redeemed, the Bonds will entitle to remuneration at a rate of •% per annum (including a step-up of 1.00% p.a.) above the Euro-zone inter-bank offered rate for three-month euro deposits, payable quarterly in arrears on •, •, •, and • in each year. |
| **Optional Remuneration Deferral** | The Issuer shall not have any obligation to pay remuneration on any Remuneration Payment Date (as defined in "Conditions of Issue" – "Definitions and Interpretations") if it does not elect to do so and any such failure to pay remuneration shall not constitute a default of the Issuer or any other breach of obligations under the Bonds or for any other purpose. Any remuneration not paid due to such an election by the Issuer shall constitute Arrears of Remuneration (as defined in "Conditions of Issue" – "Remuneration"). Arrears of Remuneration will not bear interest. |
| **Undertaking to Pay Outstanding Arrears of Remuneration** | The Issuer undertakes to make payment (in full and not in part) of any Arrears of Remuneration which have been deferred within one year at the earlier of:<br><br>(i) the day on which the Issuer resolves on or pays a dividend, other distribution or payment in respect of any class of shares of the Issuer;<br><br>(ii) the day on which the Issuer or a Group Entity (as defined in "Conditions of Issue" – "Definitions and Interpretations") resolves on or pays a dividend, other distribution or payment in respect of any Junior as Equity treated Security (as defined in "Conditions of Issue" – "Definitions and Interpretations") or a Parity as Equity treated Security (as defined in "Conditions of Issue" – "Definitions and Interpretations"); |

(iii) the day on which the Issuer itself repurchases or otherwise acquires, or causes another Group Entity to repurchase or otherwise acquire, any Parity Security (as defined in "Conditions of Issue" – "Definitions and Interpretations"), Junior Security (as defined in "Conditions of Issue" – "Definitions and Interpretations") or any shares of any class of shares for any consideration except by conversion into or exchange for shares, except this occurs in connection with any present or future stock option plan, convertible bonds or warrants;

(iv) the Remuneration Payment Date in relation to which the Issuer does not elect to defer remuneration payments (in whole or in part).

*If none of the events (i) to (iv) took place prior to the calendar day which is the fifth anniversary of the Remuneration Payment Date on which the relevant remuneration payment could have fallen due for the first time, it is the intention of the Issuer to pay outstanding Arrears or Remuneration (in whole but not in part) on that calendar day (as defined in "Conditions of Issue" – "Payment of Arrears of Remuneration").*

The Issuer may at any time make payment in full or in part of any outstanding Arrears of Remuneration.

**Payments of Arrears of Remuneration**

The Issuer will make payments in respect of Arrears of Remuneration through funds that the Issuer has raised by either (i) the issuance of new shares or sale of treasury shares of the Issuer (except for treasury shares which have been acquired against cash within a period of six months before the relevant Remuneration Payment Date), whereas the issuance or sale of shares for the purpose of such payment of Arrears of Remuneration must not, for each period of continuing deferral of Arrears of Remuneration, exceed 2.00% of the issued share capital *(Grundkapital)* of the Issuer and are subject to the existence of the appropriate necessary corporate powers applicable to the Issuer at the time of the issuance or the disposal of the shares; or (ii) up to 25% of the principal amounts of the Bonds, by issuance of Eligible Securities (as defined in "Conditions of Issue" – "Definitions and Interpretations"), subject to the existence of appropriate necessary corporate powers applicable to the Issuer at the time of the issuance of Eligible Securities.

If the Issuer is unable to issue or sell new shares, treasury shares and/or Eligible Securities, its obligation to make up for any Arrears of Remuneration shall lapse.

**Bondholders are notified that compulsory provisions of Austrian stock corporation law may prevent the Issuer from selling or issuing shares.**

**Make-up Payment Obligation in case of Bankruptcy**

In the event of the liquidation, dissolution, winding-up, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of the Issuer, any Bondholder shall, for each Bond, have a direct claim against the Issuer to receive a pro rata payment on account of Arrears of Remuneration (to the extent not previously cancelled because the Issuer was not able to issue or sell new shares, treasury shares and/or Eligible Securities in due time) per Bond up to an amount corresponding to 25% of the Principal Amount less the sum of payments raised through the issuance of Eligible Securities. The remaining claim for settlement of Arrears of Remuneration shall be cancelled.

**Early Redemption**

The Issuer may call and redeem the Bonds (in whole but not in part) on • 2017 or on any Floating Remuneration Payment Date (as defined in "Conditions of Issue" – "Definitions and Interpretations") thereafter at their principal amount, plus any remuneration accrued until the redemption date (exclusive). The Issuer shall not be entitled to call and redeem the Bonds, if any Arrears of

Remuneration are outstanding for which no make-up payment has been made.

**Early Redemption upon Certain Events** Prior to • 2017, the Issuer may call and redeem the Bonds (in whole but not in part) (i) in case of a Gross-up Event (as defined in "Conditions of Issue" – "Definitions and Interpretations") at their principal amount, plus any remuneration accrued until the redemption date (exclusive) and (ii) in case of a Capital Event, an Accounting or a Tax Event (as defined in "Conditions of Issue" – "Definitions and Interpretations") at their Early Redemption Amount (as defined in "Conditions of Issue" – "Redemption and Purchase") at any time. The Issuer shall not be entitled to call and redeem the Bonds, if any Arrears of Remuneration are outstanding for which no make-up payment has been made.

**Intention of the Issuer for a Call Right** It is the intention of the Issuer that the Bonds will constitute permanent funding of the Issuer's group. In case of call and early redemption of the Bonds on or after • 2017 or because of a Gross-up Event, a Capital Event, an Accounting or a Tax Event, the Issuer intends to raise proceeds for the purposes of redemption of the Bonds through the issuance of new shares and/or the sale of treasury shares (save for treasury shares which have been acquired against cash within a period of six months before the relevant payment date) and/or through the issuance of Replacement Securities (as defined in "Conditions of Issue" – "Definitions and Interpretations"), within a period of 6 months prior to the redemption date of the Bonds.

**Early Redemption in Case of Small Outstanding Principal Amount** If the outstanding principal amount of the Bonds has fallen at any time below 25% or less of the aggregate principal amount of the Bonds, the Issuer may call and redeem the Bonds (in whole but not in part) at their Early Redemption Amount. The Issuer shall not be entitled to call and redeem the Bonds, if any Arrears of Remuneration are outstanding for which no make-up payment has been made.

**Change of Control, Step-Up, Call Right** The remuneration will be increased by 5.00% p.a. from the day (inclusive) falling 61 days after the day, on which a Change of Control (as defined in "Conditions of Issue" – "Definitions and Interpretations") has occurred.

If a Change of Control has occurred, the Issuer may call and redeem the Bonds (in whole but not in part) at their principal amount, plus any remuneration accrued until the redemption date (exclusive). The Issuer shall not be entitled to call and redeem the Bonds if any Arrears of Remuneration are outstanding for which no make-up payment has been made.

**Applicable Law** The Bonds shall be governed by Austrian law.

**Jurisdiction** Non-exclusive place of jurisdiction for any legal proceedings arising under the Bonds is Vienna, Austria.

**Ranking** The obligations of the Issuer under the Bonds constitute direct, unsecured and subordinated obligations of the Issuer ranking *pari passu* among themselves and in the event of the liquidation, dissolution, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of the Issuer rank junior to all other present and future obligations of the Issuer, whether subordinated or unsubordinated, except as otherwise required by mandatory provisions of law. In the event of the liquidation, dissolution, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of the Issuer, the obligations of the Issuer under the Bonds will be subordinated to the claims of all unsubordinated and subordinated creditors of the Issuer so that in any such event no amounts shall be payable in respect of the Bonds until the claims of all unsubordinated and subordinated creditors of the Issuer shall have first been satisfied in full.

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| **Selling Restrictions** | There will be specific restrictions on the offer and sale of Bonds and the distribution of offering materials in the European Economic Area, the United States of America and the United Kingdom of Great Britain and Northern Ireland. |
| **Listing** | Application has been made to list the Bonds on the official market (*amtlicher Handel*) of the Vienna Stock Exchange and on the official market (*amtlicher Markt*) of the Frankfurt Stock Exchange. |
| **Clearing and Settlement** | The Bonds will be accepted for clearing through Clearstream Banking AG, Frankfurt am Main, Germany. |

**Summary regarding the Issuer**

In this Prospectus, unless the context otherwise requires, "**Wienerberger**" refers to Wienerberger AG, a company incorporated under the laws of the Republic of Austria, and "**Group**" refers to Wienerberger, its subsidiaries and joint ventures.

**Wienerberger**

Wienerberger's principal executive offices are located at Wienerberg City, Wienerbergstraße 11, A-1100 Vienna, Austria and its telephone number is +43(1) 60192-0.

Management estimates that Wienerberger is the largest producer of bricks in the world and the second largest manufacturer of clay roof tiles in Europe as to annual turnover. The Group is present in the hollow and facing brick markets, the two largest segments of the brick industry, and in the clay and concrete roof tile markets. Management estimates that in hollow bricks, the Group is the number one producer worldwide and in facing bricks maintains the number one position in Continental Europe and shares the number one position in the United States. Management estimates that the Group is also Europe's second largest producer of clay roof tiles. In addition, the Group manufactures clay and concrete pavers. For the year ended 31 December 2005, the Group had revenues of € 1,954.6 million, EBITDA of € 428.4 million and operating profit of € 270.3 million.

The primary geographic markets for the Group's core brick and roof tile businesses are Eastern and Western Europe, and the United States. The Group views its Eastern European markets as its most important growth markets. The Group believes that residential construction growth rates in Eastern Europe will, on average, exceed GDP growth rates over the next years, driven by pent-up demand for quality housing and rising incomes. The mature markets in Western Europe have stable expected growth rates, with housing starts in most markets expected to remain at a more or less constant level. The United States represents an important long-term growth market for the Group, driven by continuing population growth as a result of immigration and other demographic factors which are expected to fuel residential construction. The United States experienced a strong down-turn in residential construction in 2006 which led to a deterioration of the Group's results. However, Wienerberger still views the favourable long-term prospects unchanged. As at 31 December 2005, the Group operated 232 plants in 24 countries and had sales operations in two additional countries.

Bricks and clay roof tiles are complementary products that share similar sales and production-related characteristics. Both products are used in housing construction and necessitate a combination of technical requirements and aesthetic qualities. The products are manufactured from the same primary raw material, clay, and their production employs similar technologies. They are targeted at the same groups of customers and sold through similar distribution channels. The Group's core brick and clay roof tile businesses form a strategic combination and the Group expects to achieve significant synergies from further integration of its activities in these areas.

The main drivers in both the brick and roof tile industries are economic development and residential construction. Wienerberger estimates that more than 50 % of the roof tiles sold are used in the renovation market, which is less dependent on economic cycles than the new construction market. This adds stability to the Group's operations which have traditionally been focused on the more cyclical brick industry.

## Key strengths

### *Focus on clay building products as an attractive segment in the building materials sector*

Bricks and clay roof tiles have a centuries old tradition in many regions around the world. In some of these markets both bricks and clay roof tiles represent the preferred material for residential housing construction. Clay roof tiles have become increasingly popular in recent years and, as with bricks in certain markets, have been able to gain market share. The combination of very stable market shares in established brick and clay roof tile markets with the potential for increases in market share in some new markets makes the brick and clay roof tile industries very attractive.

### *Competitive advantage as a global player in the brick industry*

The Group believes that as a global player it has a competitive advantage over its competitors who tend to be smaller and operate locally, primarily for reasons of economies of scale and the ability to share know-how regarding engineering, sales, procurement, management and financing among Group companies. The Group also has a broad network of plants, which makes it less dependent on the development of individual markets and enables it to invest cash flows generated in one region in other markets.

### *Leading market positions*

The Group has the leading market position in hollow bricks, facing bricks and roof tiles in most of the markets in which it operates. The brick business is primarily a local business, and the strength of Wienerberger in all of the markets in which it operates is a key to its success. Further, the Group's ownership of a large number of plants gives it a greater flexibility to adjust production capacity to market developments in order to ensure highest possible capacity utilization.

### *Experienced management team with a successful acquisition track record*

The Group's management team has an extensive knowledge base and integration experience developed over the past 20 years. As a result, Wienerberger is able to identify and execute new acquisitions and greenfield projects and integrate them within existing operations quickly and efficiently. Management has repeatedly proven that it is capable of implementing cost saving measures to generate additional value from newly acquired operations.

## Strategy

Wienerberger's strategic focus is directed toward the growth of its core products (primarily bricks and clay roof tiles) through greenfield projects and acquisitions of new businesses, as well as by enhancing profits in its existing operations. Wienerberger's growth strategy is aimed at strengthening its market position in its existing markets through consolidation and at expanding into new markets with superior profit and cash flow potential.

The Group's strategy in its operations is to achieve profit growth through constant improvement of products, customer service and the efficiency of its processes. In a number of its existing markets, the Group sees potential to grow revenues through the continued promotion of clay as the material of choice in residential housing construction and through gains in market shares. The constant optimization of operations via internal improvements increases cash flow generation for reinvestment.

### *Greenfield projects and bolt-on acquisitions*

Wienerberger delivers its earnings growth primarily through a large number of smaller bolt-on acquisitions and greenfield projects. Wienerberger is the logical consolidator in the brick industry and is able to use this position to convert growth opportunities into profitable projects, in particular because acquired competitors or new plants can be integrated into the Group's local organizations without expanding administration or sales functions.

### *Strategic acquisitions*

Wienerberger is prepared to make major acquisitions if they create value. The acquisitions of the brickbusiness (2004) and Robinson Brick Company (2006) are recent examples. These acquisitions also provided Wienerberger with a platform for further growth via smaller projects.

Wienerberger has extensive experience integrating both bolt-on acquisitions and large acquisitions, having successfully completed numerous bolt-on and larger acquisitions in the last five years. The diversification of the Group through a large number of acquisitions reduces the Group's overall exposure to specific local risks and optimizes the synergies with existing activities.

## Recent developments

In 2006, Wienerberger has continued to acquire businesses and invest in greenfield operations. In the United States, Robinson Brick Company was acquired through the Issuer's US subsidiary General Shale. In Europe, the Group realized different bolt-on acquisitions in Germany, Austria and France both in the brick as in the roof-tile segment. In addition, the Group announced its intention to take-over the listed British brick producer Baggeridge Brick plc. This deal is currently under investigations by the competition authorities. On 11 December 2006, the Office for Fair Trading (OFT) in Great Britain has decided to refer the case to the UK Competition Commission. The Competition Commission must prepare and publish its report within 24 weeks of the reference decision unless there are special reasons why it cannot do so. Furthermore, different greenfield projects in Eastern Europe have been initiated and completed respectively (e. g. Bulgaria and Russia) to expand the Groups foot-print.

## Summary of Risk Factors

### *Summary of Risk Factors regarding the Bonds*

An investment in the Bonds involves certain risks associated with the characteristics of the Bonds which could lead to substantial losses the Bondholders would have to bear in the case of selling their Bonds or with regard to receiving remuneration payments. Risks especially arise due to the following facts:

- The Bonds are securities without final maturity and Bondholders may only declare the Bonds due and payable in very limited circumstances.
- The Issuer may redeem the Bonds under certain circumstances. If Bonds are redeemed, a holder of a Bond is exposed to the risk that due to early redemption his investment will have a lower than expected yield.
- The Issuer may defer payments of Remuneration under the Bonds.
- Bondholders may not receive payment of Arrears of Remuneration if (i) the Issuer is unable to sell new shares or treasury shares or (ii) compulsory provisions of Austrian stock corporation law prevent the Issuer from selling or issuing new shares.
- Bondholders' right to receive payments on the Bonds is subordinated to the rights of all existing and future creditors.
- The Issuer is not limited to incur additional indebtedness ranking senior or pari passu with the Bonds.

- An active trading market may not develop for the Bonds.
- Fixed rate bonds have a market risk. Floating rate bonds may suffer a decline in remuneration rate.

*Summary of Risk Factors regarding the Issuer*

The Group is exposed to a number of risks, the most important of which are listed below:

- The Group is subject to the cyclicality of the building materials industry, which is driven by a number of macroeconomic factors.
- Economic, political, regulatory and local business risks associated with international sales and operations could adversely affect the Group's business, particularly in Eastern Europe.
- Within its brick activities, the Group competes with producers of brick substitute products and with other brick manufacturers.
- Within its roof tile activities, the Group competes with producers of substitute products and with other clay and concrete roof tile manufacturers.
- The Group's results depend to a certain extent on continued growth in Eastern European markets.
- The Group is subject to antitrust regulations and to the risk of enforcement actions in each of the countries in which it operates, which might result in monetary fines and/or other sanctions that may severely limit the Group's ability to grow in certain markets and/or its ability to continue its ongoing operations in such markets at current levels.
- The Group is subject to stringent environmental and health and safety laws, regulations and standards which result in costs related to compliance and remediation efforts that may adversely affect the Group's result of operations and financial condition.
- The Group pursues a strategy of growth through acquisitions and investments, which it may not be able to pursue as contemplated in its business plan if it is unable to identify attractive targets, complete the acquisition transactions and integrate the operations of the acquired businesses.
- The Group's growth strategy and the capital intensive nature of the Group's business require significant amounts of financing. In addition, the Group must comply with financial covenants contained in its credit agreements which limit flexibility to grow. Failure to obtain required financing and the necessity of compliance with financial covenants could impair the Group's operations and growth strategy.
- The Group operates in a seasonal industry.
- Because many of the Group's subsidiaries operate in currencies other than euro, adverse changes in foreign exchange rates relative to euro could materially adversely affect the Group's reported earnings and cash flow.
- Increased costs of energy or energy supply disruptions could have a material impact on the Group's results of operations.

## GERMAN TRANSLATION OF THE SUMMARY

## DEUTSCHSPRACHIGE VERSION DER ZUSAMMENFASSUNG

**The following translation of the original summary is a separate document attached to the prospectus. It does not form part of the prospectus itself and has not been approved by the FMA. Further, the FMA did not review its consistency with the original summary.**

**Die folgende Übersetzung der Originalzusammenfassung ist ein separates Dokument und bildet einen Anhang zu diesem Prospekt. Sie ist selbst kein Teil dieses Prospekts und wurde nicht von der FMA genehmigt. Auch die Übereinstimmung mit der Originalzusammenfassung wurde nicht durch die FMA geprüft.**

Der nachfolgende Text ist eine Zusammenfassung der wesentlichen Merkmale der Emittentin und der Schuldverschreibungen und der damit verbundenen Risiken. Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt verstanden werden. Sie erhebt keinen Anspruch auf Vollständigkeit, ist dem übrigen Teil dieses Prospektes entnommen und erfährt ihre Berechtigung in ihrer Gesamtheit durch den übrigen Teil des Prospektes. Die Entscheidung eines Anlegers, ob er in die Schuldverschreibungen investiert, sollte in Anbetracht des gesamten Prospektes erfolgen. Falls ein auf die in diesem Prospekt enthaltenen Informationen gestützter Anspruch gerichtlich geltend gemacht wird, so hat der klagende Anleger gemäß dem von dem Gericht anzuwendenden Recht möglicherweise die Kosten einer Übersetzung des Prospektes zu tragen, bevor das Verfahren beginnen kann. Eine zivilrechtliche Haftung trifft jene Personen, die diese Zusammenfassung samt einer Übersetzung derselben vorlegen und deren Bekanntgabe beantragt haben, jedoch nur, wenn die Zusammenfassung im Kontext mit den anderen Teilen des Prospektes irreführend, unrichtig oder widersprüchlich ist.

Wörter und Ausdrücke, die in den Anleihebedingungen definiert sind, haben im vorliegenden Abschnitt dieselbe Bedeutung.

**Zusammenfassung bezüglich der Schuldverschreibungen**

| | |
|---|---|
| **Emissionsvolumen** | € 400.000.000,– |
| **Stückelung** | Die Schuldverschreibungen lauten auf den Inhaber und haben einen Nennbetrag von jeweils EUR 1.000. |
| **Ausgabetag** | Um den 9. Feber 2007 |
| **Abrechnungsdatum** | Um den 9. Feber 2007 |
| **Fälligkeit** | Die Schuldverschreibungen haben keine Endfälligkeit und werden nicht getilgt. |
| **Vergütung** | Die Schuldverschreibungen berechtigen zu einer Vergütung ab • 2007 (einschließlich) bis zum • 2017 (ausschließlich) zu einem Festvergütungssatz von • % pro Jahr, nachträglich jährlich zahlbar am • eines jeden Jahres, erstmals am • 2008. |
| **Vergütung nach dem zehnten Jahr** | Ab dem • 2017 (einschließlich) berechtigen die Schuldverschreibungen, sofern sie nicht bereits vorher getilgt wurden, zu einer Vergütung zu einem Satz von •% pro Jahr (einschließlich eines Aufschlags von 1,00% pro Jahr) über dem 3-Monats-EURIBOR, zahlbar vierteljährlich nachträglich am •, •, • und • jedes Jahres. |
| **Vergütungsaufschub** | Die Emittentin ist nicht verpflichtet, an einem Vergütungszahlungstag (wie in „Anleihebedingungen" – „Definitionen und Auslegung" definiert) Vergütungen zu zahlen, wenn sie sich gegen eine solche Zahlung entschieden hat; eine Nichtzahlung aus diesem Grunde begründet keinen Verzug der Emittentin und |

keine sonstige Verletzung ihrer Verpflichtungen aufgrund dieser Schuldverschreibungen oder für sonstige Zwecke. Jedwede aufgrund einer derartigen Entscheidung der Emittentin nicht gezahlten Vergütungen stellen Vergütungsrückstände dar. Vergütungsrückstände werden nicht verzinst.

**Verpflichtung zur Tilgung von Vergütungsrückständen**

Die Emittentin verpflichtet sich, sämtliche aufgeschobene Vergütungsrückstände (ganz, jedoch nicht teilweise) innerhalb eines Jahres ab jenem Tag nachzuzahlen (maßgebend ist das früheste Ereignis),

(i) an dem die Emittentin auf irgendeine Aktiengattung der Emittentin eine Dividende, andere Ausschüttung oder Zahlung beschließt oder zahlt;

(ii) an dem die Emittentin oder eine Konzerngesellschaft (wie in „Anleihebedingungen" – „Definitionen und Auslegung" definiert) auf ein Nachrangiges als Eigenkapital qualifiziertes Wertpapier (wie in „Anleihebedingungen" – „Definitionen und Auslegung" definiert) oder ein Gleichrangiges als Eigenkapital qualifiziertes Wertpapier (wie in „Anleihebedingungen" – „Definitionen und Auslegung" definiert) eine Dividende, andere Ausschüttung oder Zahlung beschließt oder zahlt;

(iii) an dem die Emittentin selbst Gleichrangige Wertpapiere (wie in „Anleihebedingungen" – „Definitionen und Auslegung" definiert), Nachrangige Wertpapiere (wie in „Anleihebedingungen" – „Definitionen und Auslegung" definiert) oder Aktien irgendeiner Aktiengattung gegen Gewährung einer Gegenleistung (mit Ausnahme einer in der Wandlung oder im Umtausch in Aktien bestehenden Gegenleistung) zurückkauft oder sonst wie erwirbt oder eine Konzerngesellschaft veranlasst, dies zu tun, außer dies geschieht im Zusammenhang mit derzeit bestehenden oder zukünftig geschaffenen Aktienoptionsplänen, Wandelschuldverschreibungen oder Optionsschuldverschreibungen; oder

(iv) der einen Vergütungszahlungstag darstellt, an dem die Emittentin von ihrem Wahlrecht die Vergütungszahlung (ganz oder teilweise) aufzuschieben, keinen Gebrauch macht.

*Wenn keines der in (i) bis (iv) beschriebenen Ereignisse vor dem Kalendertag, der fünf Jahre nach jenem Vergütungszahlungstag liegt, an dem die betreffende Vergütungszahlung erstmals hätte fällig werden können, eingetreten ist, ist es die Absicht der Emittentin, ausstehende Vergütungsrückstände (ganz, jedoch nicht teilweise) an diesem Kalendertag nachzuzahlen (wie in „Anleihebedingungen" – „Tilgung von Vergütungsrückständen" definiert).*

Die Emittentin kann ausstehende Vergütungsrückstände jederzeit ganz oder teilweise zahlen.

**Tilgung von Vergütungsrückständen**

Die Emittentin wird Vergütungsrückstände aus Barmitteln nachzahlen, die sich die Emittentin entweder (i) durch die Ausgabe neuer Aktien oder den Verkauf von eigenen Aktien der Emittentin (ausgenommen eigene Aktien, die innerhalb eines Zeitraumes von sechs Monaten vor dem betreffenden Vergütungszahlungstag gegen Barzahlung erworben wurden) beschafft hat, wobei die Anzahl der für die Zwecke einer solchen Nachzahlung von Vergütungsrückständen ausgegebenen oder verkauften Aktien in jedem Zeitraum eines fortdauernden Vergütungsaufschubs 2,00 % des Grundkapitals der Emittentin nicht überschreiten darf und die Ausgabe oder der Verkauf von Aktien unter dem Vorbehalt der zur Zeit der Ausgabe oder dem Verkauf der Aktien der Emittentin zur Verfügung stehenden Beschlüssen der Hauptversammlung steht; oder (ii) durch die Ausgabe von Geeigneten Wertpapieren (wie in „Anleihebedingungen" – „Definitionen und Auslegung" definiert) nach Maßgabe der zur Zeit der Ausgabe von Geeigneten Wertpapieren der Emittentin zur Verfügung stehenden Beschlüssen der Hauptversammlung, soweit der Nennbetrag aller Geeigneter Wertpapiere 25% des Gesamtnennbetrags der Schuldverschreibungen nicht übersteigt.

Wenn die Emittentin nicht in der Lage ist, neue Aktien, eigene Aktien und/oder Geeignete Wertpapiere zu begeben oder zu verkaufen, erlischt ihre Verpflichtung zur Nachzahlung der Vergütungsrückstände.

**Anleihegläubiger werden darauf hingewiesen, dass die Emittentin durch zwingende Bestimmungen des österreichischen Aktienrechts an der Ausgabe oder dem Verkauf von Aktien gehindert sein kann.**

**Nachzahlungsverpflichtung bei Insolvenz**

Im Fall der Liquidation, der Auflösung, der Abwicklung oder des Konkurses der Emittentin oder eines Ausgleichs oder eines anderen, der Abwendung des Konkurses der Emittentin dienenden Verfahrens, steht jedem Anleihegläubiger je Schuldverschreibung ein direkter Anspruch gegen die Emittentin auf Erhalt der auf eine Schuldverschreibung entfallenden anteiligen ausstehende Vergütungsrückstände (soweit der Anspruch hierauf nicht zuvor erloschen ist, weil die Emittentin nicht in der Lage war, neue Aktien, eigene Aktien und/oder Geeignete Wertpapiere zu begeben oder zu verkaufen) in Höhe von bis zu 25% des Nennbetrags abzüglich der Summe aus allen bis zu diesem Zeitpunkt geleisteten Zahlungen mit aus der Begebung Geeigneter Wertpapiere beschafften Mitteln zu. Der über diesen Betrag hinausgehende Anspruch auf Zahlung von Vergütungsrückständen erlischt.

**Vorzeitige Rückzahlung**

Die Emittentin kann die Schuldverschreibungen am • 2017 oder an jedem danach folgenden Variablen Vergütungszahlungstag (wie in „Anleihebedingungen" – „Definitionen und Auslegung" definiert) vollständig, aber nicht in Teilbeträgen zum Nennbetrag zuzüglich sämtlicher bis zum Rückzahlungstag (ausschließlich) aufgelaufener Vergütungen kündigen und zurückzahlen. Der Emittentin steht ein Kündigungsrecht nicht zu, soweit Vergütungsrückstände ausstehen und nicht nachgezahlt wurden.

**Vorzeitige Rückzahlung bei bestimmten Ereignissen**

Bei Eintritt eines Gross-up-Ereignisses, eines Kapitalereignisses, Rechnungslegungsereignisses oder eines Steuerereignisses (jeweils wie in „Anleihebedingungen" – „Definitionen und Auslegung" definiert) vor dem • 2017, ist die Emittentin berechtigt, die Schuldverschreibungen jederzeit (insgesamt, jedoch nicht teilweise) zu kündigen und (i) bei Eintritt eines Gross-up-Ereignisses zum Nennbetrag zuzüglich sämtlicher bis zum Rückzahlungstag (ausschließlich) aufgelaufener Vergütungen und (ii) bei Eintritt eines Kapitalereignisses, Rechnungslegungsereignisses oder eines Steuerereignisses zum Vorzeitigen Rückzahlungsbetrag zurückzuzahlen. Der Emittentin steht ein Kündigungsrecht nicht zu, soweit Vergütungsrückstände ausstehen und nicht nachgezahlt wurden.

**Absicht der Emittentin im Fall einer vorzeitigen Kündigung**

Nach Absicht der Emittentin sollen die Schuldverschreibungen dauerhafter Bestandteil der Konzernfinanzierung der Emittentin sein. Für den Fall der Kündigung und der Rückzahlung am oder nach dem • 2017 oder wegen Eintritt eines Gross-up-Ereignisses, eines Kapitalereignisses, Rechnungslegungsereignisses oder eines Steuerereignisses beabsichtigt die Emittentin, die Mittel zur Rückzahlung der Schuldverschreibungen durch die aus Ausgabe neuer Aktien und/oder dem Verkauf eigener Aktien (mit Ausnahme eigener Aktien, welche innerhalb eines Zeitraums von sechs Monaten vor dem betreffenden Zahlungstag gegen Barzahlung erworben wurden) und/oder aus der Begebung von Ersatz-Wertpapieren innerhalb von sechs Monaten vor dem Rückzahlungstag der Schuldverschreibungen zu beschaffen, mit der Maßgabe, dass Änderungen der Bedingungen vorgenommen werden können, damit die zu begebenden Ersatz-Wertpapiere (wie in „Anleihebedingungen" – „Definitionen und Auslegung" definiert) ohne Vorliegen eines Gross-up-Ereignisses, eines Kapitalereignisses, eines Rechnungslegungsereignisses bzw. eines Steuerereignisses hinsichtlich dieser Ersatz-Wertpapiere begeben werden können, wobei derartige Änderungen zur gleichen oder zu einer verbesserten Eigenkapitalanrechnung der so begebenen Ersatz-Wertpapiere führen müssen.

Kündigung und vorzeitige Rückzahlung bei geringfügigem ausstehenden Nennbetrag

Wenn durch Rückkäufe zu irgendeinem Zeitpunkt der auf die Schuldverschreibungen ausstehende Nennbetrag 25 % oder weniger des Gesamtnennbetrags der Schuldverschreibungen beträgt, kann die Emittentin die Schuldverschreibungen vollständig, aber nicht in Teilbeträgen zum Vorzeitigen Rückzahlungsbetrag (wie in „Anleihebedingungen" – „Definitionen und Auslegung" definiert) kündigen und zurückzahlen. Der Emittentin steht ein Kündigungsrecht nicht zu, soweit Vergütungsrückstände ausstehen und nicht nachgezahlt wurden.

**Kündigung und vorzeitige Rückzahlung bei Kontrollwechsel**

Der Festvergütungssatz erhöht sich um 5,00 % pro Jahr ab (einschließlich) dem Tag, der 61 Tage nach dem Tag liegt, an dem ein Kontrollwechsel (wie in „Anleihebedingungen" – „Definitionen und Auslegung" definiert) eingetreten ist, erhöht.

Bei Eintritt eines Kontrollwechsels kann die Emittentin die Schuldverschreibungen vollständig, aber nicht in Teilbeträgen zum Nennbetrag der Schuldverschreibungen zuzüglich bis zum Rückzahlungstag (ausschließlich) aufgelaufener Vergütungen kündigen und zurückzahlen. Der Emittentin steht ein Kündigungsrecht nicht zu soweit Vergütungsrückstände ausstehen und nicht nachgezahlt wurden.

**Anwendbares Recht**

Die Schuldverschreibungen unterliegen österreichischem Recht.

**Gerichtsstand**

Nichtausschließlicher Gerichtsstand im Zusammenhang mit den Schuldverschreibungen ist Wien.

**Rangordnung**

Die Schuldverschreibungen begründen direkte, nicht besicherte, nachrangige Verbindlichkeiten der Emittentin, die untereinander im Rang gleich stehen und im Fall der Liquidation, der Auflösung oder des Konkurses der Emittentin oder eines Ausgleichs oder eines anderen der Abwendung des Konkurses der Emittentin dienenden Verfahrens allen anderen bestehenden und zukünftigen Verbindlichkeiten der Emittentin, ob nachrangig oder nicht nachrangig, im Rang nachgehen, soweit zwingende gesetzliche Bestimmungen nichts anderes vorschreiben. Im Fall der Liquidation, der Auflösung oder des Konkurses der Emittentin oder eines Ausgleichs oder eines anderen der Abwendung des Konkurses der Emittentin dienenden Verfahrens gehen die Verbindlichkeiten der Emittentin aus den Schuldverschreibungen im Rang den Ansprüchen aller nicht nachrangigen und nachrangigen Gläubiger nach, so dass Zahlungen auf die Schuldverschreibungen solange nicht erfolgen, wie die Ansprüche aller nicht nachrangigen und nachrangigen Gläubiger gegen die Emittentin nicht zuerst vollständig erfüllt sind.

**Verkaufsbeschränkungen**

Es wird Beschränkungen für das Angebot und den Verkauf der Schuldverschreibungen und die Verteilung der Angebotsunterlagen im europäischen Wirtschaftsraum, in den Vereinigten Staaten von Amerika und im Vereinigten Königreich geben.

**Börsezulassung**

Die Zulassung der Schuldverschreibungen zum amtlichen Handel an der Wiener Börse sowie zum amtlichen Handel an der Frankfurter Wertpapierbörse wurde beantragt.

| | |
|---|---|
| **Clearing und Settlement** | Die Schuldverschreibungen sind für das Clearing durch Clearstream Banking AG, Frankfurt am Main, akzeptiert. |

**Zusammenfassung in Bezug auf den Emittenten**

Sofern nicht im Zusammenhang anderweitig verwendet, steht der Begriff „**Wienerberger**" in diesem Prospekt für Wienerberger AG, einer Gesellschaft nach österreichischem Recht und „**Gruppe**" referenziert auf Wienerberger, ihre Töchter und Joint Ventures.

**Wienerberger**

Wienerberger hat seinen Haupsitz in der Wienerberg City, Wienerbergstraße 11, A-1100 Wien und ist telefonisch unter +43(1) 60192-0 erreichbar.

Nach Ansicht des Vorstands ist Wienerberger der größte Hersteller von Ziegeln weltweit und der zweitgrößte Produzent von Tondachziegeln in Europa nach jährlichem Umsatz. Die Gruppe ist in den Segmenten für Hintermauer- und Vormauerziegel aktiv, den zwei größten Segmenten der Ziegelindustrie sowie darüber hinaus auch im Markt für Ton- und Betondachziegel. Nach Ansicht des Vorstands hält die Gruppe im Hintermauerbereich die Nummer eins Position weltweit und im Vormauerbereich die Führungsposition in Kontinentaleuropa. In den USA teilt sich die Gruppe den ersten Platz im Vormauersegment. Nach Ansicht des Vorstands ist die Gruppe in Europa die Nummer zwei in der Produktion von Tondachziegeln. Zusätzlich produziert die Gruppe Pflastersteine aus Ton und Beton. Wienerberger erwirtschaftete im Jahr 2005 einen Umsatz von € 1.954,6 Millionen, ein EBITDA von € 428,4 Millionen sowie ein Betriebsergebnis von € 270,3 Millionen.

Geographisch betrachtet ist die Gruppe in ihren Kernbereichen Ziegel und Dachziegel primär in West- und Osteuropa sowie den USA tätig. Wienerberger betrachtet die osteuropäischen Märkte als ihre wichtigste Wachstumsregion. Die Gruppe geht davon aus, dass, getrieben vom Nachholbadarf an qualitativ hochwertigem Wohnbau und steigenden Einkommen, in den nächsten Jahren die Wachstumsraten für den privaten Wohnbau in Osteuropa durchschnittlich über dem BIP Wachstum liegen werden. Für die reifen westeuropäischen Märkte erwartet man stabile Wachstumsraten. Die Gruppe geht von einer stabilen Entwicklung des Wohnbaus in diesen Ländern aus. Die USA stellen für Wienerberger einen wichtigen langfristigen Wachstumsmarkt dar, der getrieben von nachhaltigem Bevölkerungswachstum durch Immigration und andere demographische Faktoren starken privaten Wohnbau zeigen sollte. Die USA mussten in 2006 einen starken Rückgang des privaten Wohnbaus hinnehmen, der auch negativen Einfluss auf die Ergebnisse der Gruppe hatte. Wienerberger ändert dadurch jedoch ihren langfristig positiven Wachstumsausblick nicht. Ende 2005 war die Gruppe mit 232 Werksstandorten in 24 Ländern vertreten und hatte in zwei weiteren Ländern Vertriebsstandorte.

Ziegel und Tondachziegel stellen komplementäre Produkte dar, die ähnliche Verkaufs- und Produktionscharakteristika beinhalten. Beide Produkte werden im Wohnbau verwendet und benötigen eine Kombination aus technischen und ästethischen Eigenschaften. Die Produkte werden aus dem gleichen Rohmaterial Ton hergestellt und benötigen in der Produktion ähnliche Technologien. Die Produkte sprechen die gleichen Endkunden an und werden über ähnliche Vertriebskanäle vertrieben. Die Kernaktivitäten der Gruppe stellen eine strategische Kombination aus Ziegeln und Tondachziegeln dar und die Gruppe erwartet sich aus diesem Titel signifikante Synergien durch stärkere Integration ihrer Aktivitäten.

Die wirtschaftliche Entwicklung und der private Wohnbau sind die treibenden Kräfte sowohl hinter der Ziegel- und Dachziegelindustrie. Wienerberger nimmt an, dass mehr als 50% der verkauften Dachziegel zur Renovierung verwendet werden, die weniger abhängig von wirtschaftlichen Zyklen als der Neubau ist. Dies gibt der Gruppe mehr Stabilität, die traditionell stärker auf die zyklische Mauerziegelindustrie konzentriert war.

## Stärken

### *Fokus auf Tonprodukte als attraktivem Segment im Baustoffsektor*

Ziegel und Tondachziegel haben in vielen Teilen der Welt eine jahrhundertelange Tradition. In manchen dieser Märkte sind Ziegel und Tondachziegel das präferierte Baumaterial für den privaten Wohnbau. Tondachziegel sind in den letzten Jahren immer beliebter geworden und haben ähnlich dem Ziegel Marktanteilsgewinne verbuchen können. Die Kombination aus stabilen Marktanteilen in etablierten Ziegel- und Dachziegelmärkten mit dem Potential für Marktanteilsgewinne in manchen neuen Märkten macht die Ziegel- und Tondachziegelindustrie attraktiv.

### *Wettbewerbsvorteil als Global Player in der Ziegelindustrie*

Die Gruppe glaubt als Global Player einen Wettbewerbsvorteil gegenüber ihren Mitbewerbern zu haben, die tendenziell kleiner sind und lokal operieren. Dies gilt vor allem für Skaleneffekte und die Möglichkeit, Know-How in den Bereichen Engineering, Vertrieb, Einkauf, Management und Finanzierung zwischen den Konzerngesellschaften zu teilen. Die Gruppe hat darüber hinaus ein weites Netzwerk von Produktionsstätten, wodurch sie weniger abhängig von der Entwicklung einzelner Märkte wird sowie die Möglichkeit entsteht, Cash Flows einer Region in andere Märkte zu investieren.

### *Führende Marktpositionen*

Die Gruppe hat in den meisten ihrer Märkte die Marktführerschaft in den Bereichen Hintermauer-, Vormauer- und Dachziegel. Die Ziegelindustrie ist primär lokal ausgerichtet und die Stärke Wienerbergers in all ihren Märkten ist ein sehr wichtiger Schlüssel zu ihrem Erfolg. Die Gruppe hat durch ihre große Anzahl an Werken die Möglichkeit, ihre Kapazitäten flexibel an Marktentwicklungen anzupassen, um eine möglichst hohe Auslastung zu erreichen.

### *Erfahrenes Management Team mit einer erfolgreichen Akquisitionshistorie*

Das Management Team der Gruppe hat über die letzten 20 Jahre weitreichende Kompetenz und Integrationserfahrung aufgebaut. Daher ist Wienerberger in der Lage, neue Akquisitionen und Greenfield-Projekte schnell und effizient zu identifizieren, abzuwickeln und in die bestehende Organisation zu integrieren. Das Management hat wiederholt bewiesen, dass es in der Lage ist, Einsparungsmaßnahmen durchzuführen, um durch Kosteneinsparungen zusätzlichen Wert aus Neuübernahmen zu generieren.

## Strategie

Wienerberger fokussiert sich in der Strategie auf die Entwicklung des Kerngeschäfts (primär Ziegel- und Tondachziegel) über Werksneubauten und Akquisitionen neuer Unternehmen sowie durch die Optimierung der Ergebnisse in ihren existierenden Aktivitäten. Wienerbergers Wachstumsstrategie zielt darauf ab, existierende Märkte zu konsolidieren und in neue Märkte mit höherem Profit- und Cash Flow-Potential zu investieren.

Die Strategie der Gruppe ist es, mit ihren Aktivitäten ein kontinuierliches Gewinnwachstum durch permanente Verbesserung der Produkte, Kundenservice sowie Prozesseffizienz zu erzielen. In einer Reihe bestehender Märkte sieht die Gruppe die Möglichkeit für Umsatzsteigerungen durch die dauerhafte Bewerbung von Ton als dem Baumaterial der Wahl im privaten Wohnbau sowie durch die Steigerung von Marktanteilen. Die permanente Optimierung des laufenden Geschäfts durch interne Verbesserungen erhöht den Cash Flow, der wiederum zur Reinvestition zur Verfügung steht.

### *Werksneubauten und kleinere Akquisitionen*

Wienerberger erreicht ihr Gewinnwachstum primär durch eine große Zahl von kleineren Akquisitionen und Werksneubauten. Wienerberger ist der logische Konsolidierer der Ziegelindustrie und in der Lage, diese Position für profitables Wachstum zu nutzen. Dies insbesondere, da übernommene Mitbewerber oder neue Werke in die bestehende Organisation der Gruppe integriert werden können ohne die Verwaltung oder Vertriebsfunktionen auszuweiten.

***Strategische Akquisitionen***

Wienerberger ist bereit, strategische Akquisitionen durchzuführen wenn diese Wert schaffen. Wienerbergers Ziel ist es, durch diese Akquisitionen führende Marktpositionen zu erreichen. Die Akquisitionen von thebrickbusiness (2004) und Robinson Brick Company (2006) stellen Beispiele der letzten Jahre dar. Diese Akquisitionen bieten Wienerberger auch eine Plattform für weiteres Wachstum über kleinere Projekte.

Wienerberger hat weitreichende Erfahrung mit der Integration kleiner und größerer Akquisitionen. In den letzten fünf Jahren wurden zahlreiche kleinere und größere Akquisitionen getätigt. Die große Anzahl an Akquisitionen wirkt dabei diversifizierend und reduziert das Risiko der Gruppe in Bezug auf spezifische lokale Risiken und gleichzeitig können Synergien mit bestehenden Aktivitäten optimiert werden.

**Kürzliche Entwicklungen**

2006 hat Wienerberger erneut zahlreiche Akquisitionen und Werksbauten durchgeführt. In den USA wurde die Übernahme von Robinson Brick Company durch die US Tochter General Shale getätigt. In Europa wurden diverse kleinere Akquisitionen im Ziegel- und Dachziegelsegment in Deutschland, Österreich und Frankreich realisiert. Darüber hinaus hat die Gruppe ihre Intention bekanntgegeben, den britischen Produzenten Baggeridge Brick plc zu übernehmen. Diese Übernahme wird derzeit von den Wettbewerbsbehörden geprüft. Am 11. Dezember 2006 beschloss das Office for Fair Trading (OFT) in Großbritannien, den Fall an die UK Competition Commission zu verweisen. Die UK Competition Commission muss innerhalb von 24 Wochen ab dem Zeitpunkt der Verweisungsentscheidung ihren Bericht erstellen und veröffentlichen, außer es liegen Umstände vor, die dies verhindern. Weiters wurden in Osteuropa verschiedene Werksneubauten begonnen beziehungsweise abgeschlossen (z. B. Bulgarien und Russland), um die geographische Präsenz der Gruppe auszudehnen.

**Zusammenfassung der Risikofaktoren**

*Zusammenfassung der Risikofaktoren bezüglich der Schuldverschreibungen*

Eine Investition in Schuldverschreibungen birgt gewisse Risiken, die mit den Charakteristika der Schuldverschreibungen zu tun haben und zu massiven Verlusten führen könnten, die die Anleihezeichner bei Verkauf ihrer Schuldverschreibungen oder im Zusammenhang mit dem Erhalt von Vergütungszahlungen zu tragen hätten. Risiken entstehen dabei speziell aufgrund der folgenden Tatsachen:

- Die Schuldverschreibungen haben keinen Endfälligkeitstag und die Anleihegläubiger können die Schuldverschreibungen nur in Ausnahmefällen kündigen.
- Der Emittent darf in bestimmten Fällen die Schuldverschreibungen zurückzahlen. Wenn Schuldverschreibungen zurückzahlt werden, ist der Gläubiger solcher Schuldverschreibungen dem Risiko ausgesetzt, dass infolge der vorzeitigen Rückzahlung seine Kapitalanlage eine geringere Rendite als erwartet aufweisen wird.
- Der Emittent ist berechtigt, Vergütungszahlungen unter den Schuldverschreibungen aufzuschieben.
- Anleihegläubiger könnten keine Nachzahlung der Vergütungsrückstände erhalten, wenn (i) der Emittent keine neuen oder eigenen Aktien ausgeben kann oder (ii) zwingende Bestimmungen des österreichischen Aktienrechts den Emittenten am Verkauf oder der Ausgabe neuer Aktien hindert.
- Das Recht der Anleihegläubiger auf Zahlungen auf die Schuldverschreibungen ist gegenüber den Rechten aller jetzigen und zukünftigen Gläubiger nachrangig.

- Der Emittent ist nicht beschränkt, zusätzliche Verpflichtungen einzugehen, die vorrangig oder gleichrangig zu den Schuldverschreibungen stehen.
- Ein aktiver Wertpapierhandel in den Schuldverschreibungen könnte sich nicht entwickeln.
- Für festverzinsliche Schuldverschreibungen besteht ein Marktrisiko. Der Vergütungssatz bei variabel verzinslichen Schuldverschreibungen kann sich verringern.

*Zusammenfassung der Risikofaktoren des Emittenten*

Die Gruppe ist einer Reihe von Risiken ausgesetzt. Die wichtigsten dieser Risiken werden nachfolgend angeführt:

- Die Gruppe ist von der Zyklizität der Baustoffbranche betroffen, die von einer Reihe makroökonomischer Faktoren beeinflusst wird.
- Speziell in Osteuropa könnte die Geschäftstätigkeit der Gruppe von ökonomischen, politischen, regulatorischen und lokalen Geschäftsrisiken, die mit internationalem Vertrieb und Geschäftsrisiken zusammenhängen negativ beeinflusst werden.
- Die Gruppe konkurriert in ihren Ziegelaktivitäten mit Produzenten von Substitutionsprodukten und mit anderen Ziegelherstellern.
- Die Gruppe konkurriert in ihren Dachziegelaktivitäten mit Produzenten von Substitutionsprodukten und mit anderen Tondachziegel- und Betondachsteinherstellern.
- Die Ergebnisse der Gruppe hängen zu einem gewissen Grad vom langfristigen Wachstum der osteuropäischen Märkte ab.
- Die Gruppe agiert im Umfeld von Kartellgesetzen und ist dem Risiko von deren Vollstreckung in allen Ländern, in denen sie tätig ist, ausgesetzt. Die Folgen könnten Geldstrafen und/oder Sanktionen sein, die die Möglichkeit der Gruppe, in bestimmten Märkten zu wachsen, stark beeinflussen und/oder ihr die Möglichkeit nehmen könnten, ihre Geschäftstätigkeit in diesen Ländern auf aktuellem Niveau fortzusetzen.
- Die Gruppe sieht sich strengen Umweltauflagen sowie Gesundheits- und Sicherheitsgesetzen, Regeln und Standards ausgesetzt, deren Erfüllung und Vermeidung in Kosten münden könnte, die das operative Ergebnis und die finanzielle Situation der Gruppe negativ beeinflussen könnten.
- Die Gruppe verfolgt eine Strategie des Wachstums durch Akquisitionen und Investitionen, die sie unter Umständen nicht wie im Business Plan vorgesehen umsetzen wird können, wenn sie keine attraktiven Investitionsmöglichkeiten vorfindet oder die Akquisitionen nicht abschließen oder die akquirierten Unternehmen nicht integrieren kann.
- Die Wachstumsstrategie der Gruppe und die Kapitalintensität der Geschäftstätigkeit der Gruppe haben einen signifikanten Finanzierungsbedarf. Zusätzlich muss die Gruppe finanzielle Auflagen in ihren Kreditverträgen einhalten, was die Flexibilität für Wachstum einschränkt. Die Nichtverfügbarkeit von notwendiger Finanzierung sowie die Notwendigkeit der Einhaltung von finanziellen Auflagen könnten die Tätigkeit der Gruppe und ihre Wachstumsstrategie negativ beeinflussen.
- Die Gruppe agiert in einer saisonalen Industrie.
- Da die Töchter der Gruppe in Fremdwährungen tätig sind, könnte eine negative Entwicklung der Fremdwährungskurse gegenüber Euro deutliche Verschlechterungen der Ergebnisse und des Cash Flow der Gruppe nach sich ziehen.
- Erhöhte Energiekosten oder Unterbrechungen der Energieversorgung könnten einen deutlich negativen Einfluss auf das operative Ergebnis der Gruppe haben.

# RISK FACTORS

*In addition to the other information set forth in this Prospectus, prospective investors should consider carefully the information set forth below before making an investment in the Bonds. If these risks materialise, individually or together with other circumstances, they may materially impair Wienerberger's business and may have a material adverse effect on Wienerberger's financial condition and results of operations. The risks described below do not purport to be exhaustive and these risks do not constitute the only risks to which Wienerberger is exposed. The order in which the individual risks are presented does not provide an indication of the likelihood of their occurrence nor of the severity or significance of the individual risks. Furthermore, other risks and aspects may be of significance of which the Issuer is currently unaware or which it does not currently consider to be material but which may also have a material adverse effect on Wienerberger's business and business prospects and on its financial condition and results of operations.*

## Risk Factors Regarding the Bonds

***The Bonds are securities without final maturity and Bondholders may only declare the Bonds due and payable in very limited circumstances.***

The Bonds have no final maturity and the Bondholders have no right to call for their redemption. Any Bondholder may, by written notice addressed to the Issuer or the Principal Paying Agent (as defined in "Conditions of Issue" – "Paying Agents and Calculation Agent"), declare its Bonds due and payable, whereupon such Bonds shall become immediately due and payable at their principal amount together with accrued remuneration thereon including all outstanding Arrears of Remuneration without further action or formality, if the Issuer enters into a liquidation and winding up or dissolution (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer). Therefore, Bondholders should be aware that they may be required to bear the financial risks of an investment in the Bonds for an indefinite time.

***The Issuer may redeem the Bonds under certain circumstances.***

Bondholders should be aware that the Bonds may be redeemed at the option of the Issuer on • 2017 or on any Floating Remuneration Payment Date thereafter at their principal amount, plus any remuneration accrued until the redemption date (exclusive). The Bonds are also subject to redemption (in whole but not in part) (i) at their principal amount, plus any remuneration accrued until the redemption date (exclusive) in case of a Gross-Up Event and Change of Control, and (ii) at the Early Redemption Amount in case of a Capital Event, an Accounting, a Tax Event, or if the outstanding principal amount of the Bonds has fallen at any time below 25% or less of the aggregate principal amount of the Bonds. If Bonds are redeemed prior to maturity, a holder of a Bond is exposed to the risk that due to early redemption his investment will have a lower than expected yield.

***The Issuer may defer payments of Remuneration under the Bonds.***

The Issuer shall not have any obligation to pay remuneration on any Remuneration Payment Date if it does not elect to do so and any such failure to pay remuneration shall not constitute a default of the Issuer or any other breach of obligations under the Bonds or for any other purpose. Remuneration deferred will constitute Arrears of Remuneration. Arrears of Remuneration will not bear interest. The Issuer may pay such Arrears of Remuneration in full or in part at any time upon due notice to the Bondholders.

***Bondholders may not receive payment of Arrears of Remuneration if (i) the Issuer is unable to sell new shares or treasury shares or (ii) compulsory provisions of Austrian stock corporation law prevent the Issuer from selling or issuing new shares.***

Any obligation to pay Arrears of Remuneration is subject to the condition that for such payment the Issuer has raised cash funds from the issuance or sale of shares of the Issuer or from the issuance of Eligible Securities. Funds from the sale of shares cannot come from treasury shares acquired against cash within a period of six months before the relevant Remuneration Payment Date and the issuance or sale of shares for the purpose of such payment of Arrears of Remuneration must not, for each period of continuing deferral of Arrears of Remuneration, exceed 2.00% of the issued share capital *(Grundkapital)* of the Issuer. The Issuer may only issue Eligible Securities up to an amount of 25% of the principal amount of the Bonds. Any obligation to pay Arrears of Remuneration is further subject to the condition that no compulsory provisions of Austrian corporate law prevent the Issuer from raising capital in the manner just described. In the event of the liquidation, dissolution, winding-up, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of the Issuer, the claims of the Bondholders for payment of Arrears of Remuneration constitute direct, unsecured and subordinated obligations of the Issuer ranking *pari passu* among themselves and with the Bonds up to an amount corresponding to 25% of the principal amount of the Bonds less the sum of payments raised through the issuance of Eligible Securities within the 25% limit referred to above.

Bondholders should be aware that compulsory provisions of Austrian stock corporation law may prevent the Issuer from selling treasury shares or issuing new shares. Such provisions include, among others that shares can only be issued in a capital increase or from authorised capital. A capital increase requires a shareholder resolution passed by 75% of the votes represented at the general meeting voting on such measure, and the creation of authorised capital requires a shareholder resolution passed by 75% of the votes represented at the general meeting voting on such measure. In addition, authorised capital must not exceed 50% of the nominal capital of the Issuer at the time of such authorization, and if not utilised, expires after 5 years of its creation. If the Issuer is unable to issue or sell shares within the 2% limit referred to above, or to issue Eligible Securities within the 25% limit referred to above, the Issuer will not pay any Arrears of Remuneration even if it is, save for the above condition, obliged to make such payment.

***Bondholders' right to receive payments on the Bonds is subordinated to the rights of all existing and future creditors.***

The obligations of the Issuer under the Bonds constitute direct, unsecured and subordinated obligations of the Issuer ranking *pari passu* among themselves and in the event of the liquidation, dissolution, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of the Issuer rank junior to all other present and future obligations of the Issuer, whether subordinated or unsubordinated, except as otherwise required by mandatory provisions of the law. In the event of the liquidation, dissolution, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of the Issuer, the obligations of the Issuer under the Bonds will be subordinated to the claims of all unsubordinated and subordinated creditors of the Issuer so that in any such event no amounts shall be payable in respect of the Bonds until the claims of all unsubordinated and subordinated creditors of the Issuer shall have first been satisfied in full.

Unsubordinated liabilities of the Issuer may also arise from events that are not reflected on the balance sheet of the Issuer, including, without limitation, the issuance of guarantees or the incurrence of other contingent liabilities on an unsubordinated basis. Claims made under such guarantees or such other contingent liabilities will become unsubordinated liabilities of the Issuer that in a winding-up or bankruptcy proceeding of the Issuer, will need to be paid in full before the obligations under the Bonds may be satisfied.

***The Issuer is not limited to incur additional indebtedness ranking senior or pari passu with the Bonds.***

There is no restriction on the amount of debt which the Issuer may issue which ranks senior to the obligations under or in connection with the Bonds or on the amount of debt which the Issuer may issue which ranks equal to the obligations under or in connection with the Bonds. Such issuance of further debt may reduce the amount recoverable by the Bondholders upon bankruptcy or winding-up of the Issuer or may increase the likelihood that the Issuer may defer payments of remuneration under the Bonds.

***An active trading market may not develop for the Bonds.***

There is currently no secondary market for the Bonds. Application has been made to list the Bonds on the official market *(amtlicher Handel)* (as defined below) of the Vienna Stock Exchange and on the official market *(amtlicher Markt)* (as defined below) of the Frankfurt Stock Exchange. However, there can be no assurance that a secondary market for the Bonds will develop or, if it develops, that it will continue. In an illiquid market, an investor might not be able to sell the Bonds at any time at fair market prices. The possibility to sell the Bonds might additionally be restricted by country specific reasons.

***Fixed rate bonds have a market risk.***

The Bonds will carry fixed remuneration until • 2017. A holder of a fixed remuneration rate bond is exposed to the risk that the price of such bond falls as a result of changes in the market remuneration rate. While the nominal remuneration rate of a fixed remuneration rate bond is fixed during the life of such bond or during a certain period of time, the current remuneration rate on the capital market (market remuneration rate) typically changes on a daily basis. As the market remuneration rate changes, the price of such bond changes in the opposite direction. If the market remuneration rate increases, the price of such bond typically falls, until the yield of such bond is approximately equal to the market remuneration rate. If the market remuneration rate falls, the price of a fixed remuneration rate bond typically increases, until the yield of such bond is approximately equal to the market remuneration rate. Bondholders should be aware that movements of the market remuneration rate can adversely affect the price of the Bonds and can lead to losses for the Bondholders if they sell Bonds during the period in which the remuneration rate of the Bonds is fixed. The issue price and the remuneration of the Bonds is dependent on the rating and the solvency of the Issuer.

***Floating rate bonds may suffer a decline in remuneration rate.***

If not redeemed by • 2017, until their redemption, the Bonds will carry variable remuneration. Floating rate bonds tend to be volatile investments. A holder of a bond with a floating remuneration rate is exposed to the risk of fluctuating remuneration rate levels and uncertain remuneration income. Fluctuating remuneration rate levels make it impossible to determine the yield of such bonds in advance.

**Risk Factors Regarding the Issuer**

***The Group is subject to the cyclicality of the building materials industry, which is driven by a number of macroeconomic factors.***

The Group operates in the cyclical building materials industry, which is affected by the level of construction activity, including residential housing construction and renovation, as well as other trends, which in turn are influenced by a number of factors beyond the Group's control, including:

- performance of national economies in the 24 countries in which the Group operates 232 plants as well as the markets, the Group exports its products to;
- policies of trans-national institutions, such as the European Commission or the European Central Bank, that influence the performance of national economies in many of the countries in which the Group operates;
- monetary and other government policies in each of the 24 countries in which the Group operates that have the effect of encouraging or discouraging residential housing construction, such as long-term interest rates, tax policies, policies encouraging labour mobility and migration, availability of financing, subsidies, and safety regulations that encourage and/or discourage use of certain materials and products; and
- the level of demand in residential construction activity, which in turn is influenced by macroeconomic factors, demographic trends and consumer confidence.

Unfavourable developments with respect to any or all of these factors can have a significant impact on the demand for the Group's products, both in terms of decreased volumes and price levels.

Because the building materials industry is cyclical, periods of high demand are typically followed by recessions. As the building materials industry is characterised by a high share of fixed costs as a percentage of total costs, a decrease in volumes and resulting overcapacities and/or a decrease in prices can have a highly negative impact on the Group's operating margins and earnings. For example, in Germany, a reduction in the construction activity over the last few years, mainly due to a slowdown in the economy and substantial overcapacity, created during the high growth period of the early 1990s, had an adverse effect on the Group's operations due to low sales volumes with resulting overcapacities and, until recently, low price levels. The Polish and Hungarian markets have experienced a slowdown in residential construction activity in 2005 resulting in declining sales volumes and overcapacities which have negatively affected the Group's operations. Although all three markets have performed better in 2006, historic levels of sales volumes and prices might never be achieved again.

Markets that currently experience positive levels of economic growth and high demand for the Group's products may experience downturns in the future. The more important any such market is to the Group's operating results, the greater the adverse effect on the Group's results any such downturn will have. For example, a possible deterioration of macroeconomic conditions in the United States could have a material negative impact on the Group's operating results due to the significant contribution of the U.S. operations to the Group's earnings (17% of the Group's revenues and 15% of the Group's EBITDA in 2005). Moreover, a U.S. economic slowdown may have material negative implications for the economies of other markets in which the Group operates.

Even though the Group's overall exposure to economic downturns in the markets in which it operates and their negative effects on the Group's overall results is somewhat reduced by its geographical diversification, there can be no assurance that additional and/or continuing economic slow-downs in markets important to the Group's operations will not have an increasing negative impact on the Group's results of operations or financial condition.

***Economic, political, regulatory and local business risks associated with international sales and operations could adversely affect the Group's business, particularly in Eastern Europe.***

The Group operates mainly in the European Union, countries in Eastern Europe and the United States. The economies of these countries are in different stages of socio-economic development. As a result, the Group's future results could be materially harmed by a variety of factors, including:

- changes in a specific country's or region's political or economic conditions, particularly in the Eastern European markets in which the Group operates;
- potentially negative consequences from changes in tax laws affecting the Group's revenues;
- differing labour regulations;
- difficulty in managing international operations because of geographic distances as well as language and cultural differences;
- changes in regulatory requirements (including those affecting the use of raw materials, product requirements, environmental or safety and health standards or regulations regarding taxation of energy); and
- State-imposed restrictions on repatriation of profits, whether through tax policies or otherwise, particularly in the Eastern European markets in which the Group operates.

The Group's overall success as a global business depends, in part, upon its ability to succeed in these differing and sometimes fast-changing economic, regulatory, social and political environments.

***Within its brick activities, the Group competes with producers of brick substitute products and with other brick manufacturers.***

Bricks compete with other forms of building products that the Group does not produce. Facing bricks compete with other materials that can be used for the cladding of a house, such as vinyl, plasters, renders, wood, stucco, natural stone, aluminium siding, glass and other materials, depending on local traditions, available raw materials, local taste and the price of substitute products. Furthermore, the Group's success in the facing brick markets depends in part on its ability to anticipate and respond to changing fashion trends and consumer preferences in a timely manner. Accordingly, any failure by the Group to identify and respond to emerging trends could materially adversely affect consumer acceptance of the Group's facing brick products.

Hollow bricks compete with other products in a broader market for materials used in the construction of load bearing walls and non load bearing inner walls. Possible substitute products include aerated concrete blocks, prefabricated concrete panels, cast concrete, calcium silicate and timber, depending on local traditions, available raw materials, the price of substitute products and, significantly, technical characteristics such as thermal and sound insulation, load bearing capacity, frost protection and water proofing capacity, the specifications for which are often mandated by local, national and EU regulations. More generally, buildings constructed with bricks also compete with prefabricated houses.

Another important factor for choosing a particular building material is the total cost involved in handling such material ("*Verlegungskosten*" – brick laying costs), consisting of the cost of transporting the material to the construction site, the cost of additional products required to build with such material, the cost of any specialised equipment required to handle such material and the labour cost involved in handling such material.

Any significant replacement of the Group's building products in key markets by substitutes which the Group does not produce could materially adversely impact the Group's market share and results of operations in these markets and have a material adverse effect on the Group's business, financial condition and results of operations.

In addition to competition from producers of brick substitute products, the Group continually faces competition by other brick manufacturers in the markets in which it operates. Most of the brick manufacturers that compete with the Group are local in nature. The primary competitive factors for bricks are price, quality, manufacturing flexibility, availability, delivery time, logistics and customer service. The relative importance of these factors depends on the characteristics of particular products and particular markets. Competitive pressures, including industry overcapacity, could lead to pricing pressures in the Group's markets which in turn could materially adversely affect the Group's business, financial condition and results of operations.

***Within its roof tile activities, the Group competes with producers of substitute products and with other clay and concrete roof tile manufacturers.***

In its roofing operations, the Group faces competition from manufacturers of substitute products as well as other clay and concrete roof tile producers. Roof tiles are used only for pitched roofs and are not suited for flat roofs. Therefore, to the extent flat roofs become more popular in any of the Group's markets, the demand for roof tiles would likely also decrease. With respect to pitched roofs, clay and concrete roof tiles compete with substitute products such as fibre cement slates, natural slates, metal coverings and other products.

In Belgium, the Netherlands, France, Germany, Poland, Estonia and Switzerland, the Group produces only clay roof tiles. In these markets, the trend is generally in favour of clay products. However, there is always a risk that other products will be substituted for clay roof tiles. In Austria and Eastern Europe, the Group manufactures clay and concrete roof tiles. Although market shares are generally stable in this region, substitute products could gain significant market shares from clay or concrete roof products, which would materially adversely affect the Group's business, financial condition and results of operations.

In addition to competition from producers of substitute products, the Group also faces competition by other roof tile manufacturers in all markets in which it operates. The primary competitive factors are quality, price, product range (colours, shapes, sizes and accessories), delivery time, logistics and customer service. The relative importance of these factors depends on the characteristics of particular products and particular markets. Competitive pressures, including industry overcapacity, could lead to pricing pressures in the Group's markets which in turn could materially adversely affect the Group's business, financial condition and results of operations.

***The Group's results depend to a certain extent on continued growth in Eastern European markets*.**

The Group defines some of the Eastern European markets in which it operates, including Hungary, Czech Republic, Poland, Slovakia, Slovenia, Croatia and Romania, as growth markets, meaning that it expects generally favourable conditions in these markets over the coming years with substantial potential for further growth in terms of total sales volumes. Although many of these markets have experienced a period of substantial growth to some extent over the last few years, it is difficult to predict future developments, both in terms of overall economic changes and particularly with respect to the building materials markets in those countries. Therefore, the Group may be exposed to periods of weaker demand for its products in some or all of these countries. Most recently, the Group experienced a difficult market environment in Hungary, Croatia and Poland. Currently, a high proportion of the Group's sales and earnings are generated in Eastern Europe and a temporary or prolonged slow-down in any of these markets could have a material adverse affect on the Group's results of operations.

***The Group is subject to antitrust regulations and to the risk of enforcement actions in each of the countries in which it operates, which might result in monetary fines and/or other sanctions that may severely limit the Group's ability to grow in certain markets and/or its ability to continue its ongoing operations in such markets at current levels*.**

A key element of the Group's growth strategy is to continue acquisitions in selected markets. The Group regularly evaluates and enters into negotiations with respect to potential acquisitions. In some of its current markets, including certain Eastern European markets, limitations imposed by antitrust laws might prevent the Group from achieving significant growth through acquisitions. With respect to its brick products, the Group operates in the market for wall building and wall cladding materials, which encompasses all substitute products for hollow and facing bricks, and not in a more narrow brick market. With respect to its roofing products, the Group operates in the market for roofing elements which includes all products suited to cover roofs (clay and concrete roof tiles as well as all substitute products) and not in the more narrow clay and/or concrete roof tile markets. The European Commission did not oppose this view when it approved the Group's acquisition of Koramic Roofing in 2003. However, there can be no assurance that competent antitrust authorities in any of the countries in which the Group operates including the European Commission will support a broad relevant market definition in the future. Inability to grow through acquisitions due to antitrust law limitations may have a material adverse effect on the Group's prospects and results of operations.

The Group has the leading competitive position in almost all of the brick and roof tile markets where it operates. The Group's operations are under constant scrutiny by antitrust authorities. The Issuer believes that it employs sound business practices and complies with all applicable antitrust laws and regulations. However, there can be no assurance that relevant antitrust authorities will not qualify the Group's leading competitive position in some of its markets as the dominant market position with the result of restricting certain business practices. Consequently, competition proceedings could be brought by one or more antitrust authorities in one or more countries in which the Group operates. Such proceedings, if brought, may result in an order that levies a substantial fine against the Group and/or requires the Group to dispose of profitable operations. As a result, an enforcement action by antitrust authorities in one of the countries that contribute a relatively high percentage of the Group's earnings may have a material adverse effect on the Group's results of operations and its financial condition.

***The Group is subject to stringent environmental and health and safety laws, regulations and standards which result in costs related to compliance and remediation efforts that may adversely affect the Group's result of operations and financial condition*.**

The Group is subject to a broad and increasingly stringent range of environmental and health and safety laws, regulations and standards in the jurisdictions in which it operates. This results in significant compliance costs and exposes the Group to legal liability. Although the Group has not incurred material liabilities in respect of environmental claims in the past, environmental claims or the failure to comply with any present or future regulations could result in the assessment of damages or imposition of fines against the Group, suspension of production or a cessation of operations. New regulations could require the Group to acquire costly equipment, refit existing plants or redesign products or to incur other significant expenses. The laws, regulations and standards relate to, among other things, air noise emissions, carbon dioxide ("*$CO_2$*") emissions, sulphur flue gas emissions, waste water discharges, avoidance of soil and groundwater contamination, regulations on silica, the use and handling of hazardous materials, waste disposal practices and standards relating to construction materials.

Environmental and health and safety laws, regulations and standards also expose the Group to the risk of substantial costs and liabilities, including liabilities associated with assets that have been sold and activities that have been discontinued.

Generally, many of the Group's manufacturing sites have a history of industrial use and, although the Group applies very strict environmental operating standards and evaluates environmental risks in relation to acquisitions, soil and groundwater contamination has occurred in the past at a limited number of sites. To date, the remediation costs have not been material to the Group. Such contamination might occur or be discovered at other sites in the future. Despite the Group's policy and efforts to comply with all applicable environmental laws, the Group may face remediation liabilities and legal proceedings concerning environmental matters.

Traditionally, exhausted clay pits were – and sometimes still are – used as garbage disposal, also called "landfills". The Group is aware of a limited number of landfills at its sites and at present does not see any material risks related to those landfills. The Group believes that it currently does not actively operate any landfills which might contain hazardous waste. The Group's landfills in Austria, which were viewed as potentially presenting a risk, were transferred to the ANC Foundation ("*ANC Privatstiftung*"), a private foundation (see "General Information about the Issuer" – "Relationships and Related Party Transactions"). However, because laws and regulations may hold prior owners of property liable for discovered environmental damage, there can be no assurance that the Group will not be liable for remediation costs or potential future claims related to the real estate transferred to the ANC Foundation.

As the Group has expanded into the Eastern European countries, it both acquired existing operating plants and built new plants on existing industrial sites. In many cases, very limited information, if any, was available with regard to environmental pollution on those sites. Although the Group is not aware of any material environmental exposure related to those plants, it cannot be excluded that the Group will incur substantial costs in the future for solving surfacing environmental problems and for complying with ever more stringent environmental laws and regulations, especially with regard to former landfills. Following the accession of several Eastern European countries to the European Union, more stringent environmental regulations and stricter enforcement can be expected which might expose the Group to environmental liabilities in those countries. Increased environmental compliance costs and any remediation cost might have a material adverse effect on the Group's financial condition and results of operations.

The Group's kilns produce substantial amounts of $CO_2$, a gas that may be responsible for the greenhouse effect. In some countries where the Group operates, regulations taxing or limiting $CO_2$ emissions have been enacted. The European Union has set up an emissions trading scheme which has come into effect on 1 January 2005. Such regulations could increase the Group's production costs as a result of a need to purchase emissions allowances or implement emissions reduction measures or due to increased energy prices. Therefore, the regulations on $CO_2$ could negatively impact the production capacity of the Group's plants, adversely affecting the Group's business and results of operations. For the first phase of the emissions trading scheme until 2007, sufficient quantities have been allocated to the Group's plants to continue existing operations and allow some increase in production capacity. However, the allocation of quantities for the second phase starting in 2008 is unclear and the total amount of emissions will be reduced over time.

Based on information presently available, the Group has budgeted capital expenditures for environmental improvement projects and has established reserves for known environmental remediation liabilities that are probable and reasonably capable of estimation. However, the Group cannot predict environmental matters with certainty, and the Group's budgeted amounts and established reserves may not be adequate for all purposes. In addition, the development or discovery of new facts, events, circumstances or conditions, including future decisions to close plants, which may trigger remediation liabilities, and other developments such as changes in law or increasingly strict enforcement by governmental authorities, could result in increased costs and liabilities or prevent or restrict some of the Group's operations.

***The Group pursues a strategy of growth through acquisitions and investments, which it may not be able to pursue as contemplated in its business plan if it is unable to identify attractive targets, complete the acquisition transactions and integrate the operations of the acquired businesses*.**

The Group's growth strategy depends on its ability to identify and acquire suitable assets at desirable prices. Apart from the limitations imposed by antitrust laws, joint venture agreements and covenants contained in its credit agreements, the Group may not be able to identify suitable assets and, even if identified, may not be able to acquire them on acceptable terms. At the same time, the Group's competitors also strive to expand through acquisitions and may bid for assets that the Group views as potential acquisition targets. Furthermore, new geographic markets which the Group targets for growth and expansion, such as Russia, Ukraine, Bulgaria or India, present significant political and economic risks and are in many respects more challenging than markets in which the Group already operates.

Acquisitions may require the integration of new operations, products, services and personnel and may cause dissipation of the Group's management resources, as management may have to divert their attention from day-to-day business operations to focus on solving such challenges. The Group's ability to realise the expected benefits from future acquisitions depends, in large part, on its ability to integrate the new operations with existing operations in a timely and effective manner. Delays or difficulties in the incorporation of acquired operations into the Group's business or inability to realise synergies from the Group's acquisitions may deprive the Group of the expected benefits of the acquisitions.

***The Group's growth strategy and the capital intensive nature of the Group's business require significant amounts of financing. In addition, the Group must comply with financial covenants contained in its credit agreements which limit flexibility to grow. Failure to obtain required financing and the necessity of compliance with financial covenants could impair the Group's operations and growth strategy.***

The building materials industry in which the Group operates is capital intensive. In order to continue to be competitive, the Group needs modern plants and equipment, which involves substantial capital investment in acquisitions and in capital expenditure for maintenance and greenfield operations. The Group has made capital expenditures of € 2,060 million during the period from 1 January 2000 through 31 December 2005.

The Group has historically funded capital expenditures and acquisitions with internally generated cash flows, bank loans, proceeds from the sale of non-operating assets and, in a few instances, has financed acquisitions through the issuance of new shares. In the future, the Group intends to use these sources of financing as well as access the capital markets through the issuance of debt and equity, as necessary. The Group's ability to raise necessary funds will depend on financial, economic and other factors, many of which are beyond management's control. Should the Group be unable to finance its capital expenditures and acquisitions in the contemplated manner, the Group's operations and results could be materially adversely affected and it might not be able to pursue its growth strategy.

The Group has incurred and will continue to incur debt in order to finance its capital expenditures and its ongoing acquisition program. For example, in 2005, the Issuer entered into a € 190 million syndicated term loan. Under the syndicated term loan, the Group may make further acquisitions and investments as long as certain financial covenants continue to be met. The syndicated term loan requires the Group to maintain certain financial ratios, including a ratio of net debt to EBITDA, and EBIT to net interest. There is a risk that such covenants in the future could limit the Group's flexibility in planning for, and reacting to, competitive pressures and changes in its business, industry and general economic conditions and limit its ability to make strategic acquisitions and capitalise on business opportunities.

A portion of the Group's cash flow from operations is dedicated to the payment of interest on its indebtedness and will not be available for other purposes. If the Group's credit metrics decline, the interest it pays under the syndicated term loan would increase and it could lead to an increase in the cost of additional financing that the Group may need, thereby materially negatively impacting the Group's financial position and results of operations.

The Group has a number of real estate holdings and other non-operating assets which it intends to sell over the coming years, subject to market conditions, in order to finance its growth strategy. Failure to dispose of these assets as planned could impair the financing of the Group's growth strategy.

***The Group operates in a seasonal industry.***

The building materials industry in general and the brick and roof tile industries in particular, are subject to seasonal fluctuations in sales, with greater sales volume occurring during the main construction season from May through October. The Group's revenues tend to correspond to such seasonal variation, with higher revenues in the second and third quarters and with inventory build-up and increased working capital in the first and fourth quarters. In addition, severe adverse weather conditions such as rain, extreme cold or snow can reduce demand by disrupting or curtailing outdoor construction activity or render transport or delivery of the Group's products to its customers impossible, thus materially affecting the Group's sales volumes.

In order to counter the effect of seasonality, the Group typically reduces production in the winter period. However, the remaining production still leads to an inventory build-up and decrease in working capital. Although brick and roof tile inventory is generally not subject to spoilage, it remains subject to price risk were the Group to misjudge local market conditions in any given period, which could have a material adverse effect on the Group's business, financial condition and results of operations.

***Because many of the Group's subsidiaries operate in currencies other than euro, adverse changes in foreign exchange rates relative to euro could materially adversely affect the Group's reported earnings and cash flow.***

A significant portion of the Group's revenues and expenses from subsidiaries originate in currencies other than the euro from countries outside the euro zone, including the United States, Poland, Hungary, Czech Republic, Slovakia, Croatia, Slovenia, Romania, Estonia, Denmark, Sweden, Norway, the United Kingdom and Switzerland. For the year ended 31 December 2005, approximately 51 % of the Group's revenues were denominated in currencies other than the euro, predominantly the U.S. dollar 17 %. As a result, from year to year, adverse changes in the exchange rates used to translate foreign currencies into euro, the Group's reporting currency, may impact the Group's results of operations or financial position as reported in euro. In particular, weakness of the U.S. dollar against the euro has adversely impacted the Group's results of operations in 2005 and continues to have a material negative impact in the current year. To some extent, the Group hedges its exposure to foreign currency fluctuations.

***The Group is dependent on its key personnel.***

The Group's future success depends to a significant extent upon the leadership and performance of Wolfgang Reithofer, the Chief Executive Officer, Hans Tschuden, the Chief Financial Officer, Willy Van Riet, the Chief Financial Officer as of 1 April 2007, Heimo Scheuch, the Chief Operating Officer, and Johann Windisch, the Chief Operating Officer, as well as certain other key employees. The loss of the services of the members of the Management Board could have a material adverse effect on the Group's business, financial condition and results of operations. As the Group continues to grow, it will continue to hire, appoint or otherwise change senior managers and other key executives. There can be no assurance that the Issuer will be able to retain its executive officers and key personnel or attract additional qualified members to its management team in the future.

***Increased costs of energy or energy supply disruptions would have a material impact on the Group's results of operations.***

The cost of energy used in the production of bricks and roof tiles represents a high percentage of the Group's cost structure. For example, in 2005, energy costs for the Group totalled € 250 million, or 12.8%, of the Group's revenues, and comprised primarily costs of natural gas and electricity. Any significant increase in the market prices for these sources of energy would increase the Group's operating costs and may negatively impact the Group's results of operations, as the Group may not be in a position to pass the increased costs to customers through price increases. The Group can only partly hedge its exposure to energy price risk as some markets are still regulated. Since 2000, the Group's results of operations have been negatively impacted by significant increases in the price of natural gas. In addition, as electricity prices are expected to be liberalised in certain markets in which the Group operates, such as Eastern Europe, higher energy costs may continue to affect negatively the Group's results of operations. In addition, energy supplies are subject to disruption in connection with blackouts and similar occurrence which could have a material adverse effect on the Group's results of operations.

***Litigation***

The Issuer and its subsidiaries are party to certain lawsuits and administrative proceedings before various courts and governmental agencies arising from the ordinary course of business involving various contractual, labour and other matters. The Issuer believes that the ultimate effect of these proceedings will not have a material adverse impact on the Group's financial position or results of operations.

***Insurance***

The Group maintains insurance in such amounts and with such coverage and deductibles as management believes are reasonable and prudent. As principal risks, the Group is insured against claims resulting from general liability, including product liability and professional liability, directors' and officers' liability as well as against property damage, business interruption and environmental risks due to damage to premises or buildings.

# CONDITIONS OF ISSUE

THE GERMAN TEXT OF THE CONDITIONS OF ISSUE IS LEGALLY BINDING.
THE ENGLISH TRANSLATION IS FOR CONVENIENCE ONLY.

## ANLEIHEBEDINGUNGEN

**der € 400.000.000 nachrangigen fest bzw. variabel verzinslichen Schuldverschreibungen ohne Fälligkeitstag der Wienerberger AG, Wien, Republik Österreich**

### § 1
### DEFINITIONEN UND AUSLEGUNG

Soweit aus dem Zusammenhang nicht etwas anderes hervorgeht, haben die nachfolgenden Begriffe in diesen Anleihebedingungen die folgende Bedeutung:

***Abgezinster Marktpreis*** hat die in § 5(4) festgelegte Bedeutung.

***Abgezinste Werte*** hat die in § 5(4) festgelegte Bedeutung.

***Angepasste Vergleichbare Rendite*** hat die in § 5(4) festgelegte Bedeutung.

***Anleihebedingungen*** bezeichnet diese Bedingungen der Schuldverschreibungen.

***Anleihegläubiger*** bezeichnet jeden Inhaber eines Miteigentumsanteils oder -rechts an der Globalurkunde.

***Anwendbare Rechnungslegungsvorschriften*** bezeichnet die International Financial Reporting Standards (IFRS) oder diejenigen Rechnungslegungsvorschriften, die IFRS aufgrund zwingenden Rechts als auf den Konzernabschluss der Emittentin anwendbare Rechnungslegungsvorschriften nachfolgen.

***Ausgabetag*** bezeichnet den • 2007.

***Berechnungsstelle*** hat die in § 10(3) festgelegte Bedeutung.

***Bildschirmseite*** bezeichnet Reuters Seite EURIBOR 01 (oder eine andere Bildschirmseite von Reuters oder einem anderen Informationsanbieter als Nachfolger, welche Reuters Seite EURIBOR 01 zur Anzeige solcher Sätze ersetzt).

***Clearingsystem*** bezeichnet Clearstream Banking AG, Frankfurt am Main.

***Credit Rating*** bezeichnet ein Rating von Moody's Investors Service Limited oder Standard & Poor's Rating Services, eine Abteilung von The McGraw-Hill Companies Inc. (oder einer jeweiligen Nachfolgegesellschaft).

***Dauerglobalurkunde*** hat die in § 2(2)(a) festgelegte Bedeutung.

***Emittentin*** hat die in § 2(1) festgelegte Bedeutung.

***Ersatz-Wertpapiere*** können von der Emittentin oder einer direkten oder indirekten 100%igen Finanzierungsgesellschaft der Emittentin mit einer Garantie der Emittentin, begeben werden und müssen (a) eine Laufzeit von mindestens 60 Jahren haben, (b) im Rang gleich oder nachrangig zu den Schuldverschreibungen stehen, (c) eine gleiche oder größere Eigenkapitalanrechnung als die Schuldverschreibungen aufweisen, (d) nicht vor Ablauf von fünf Jahren (wenn sie keinen Mechanismus zur Erhöhung des Vergütungssatzes enthalten) oder nicht vor Ablauf von zehn Jahren (wenn sie einen Mechanismus zur Erhöhung des Vergütungssatzes enthalten) nach Begebung kündbar sein, es sei denn, die Kündigung erfolgt auf Grund eines dem Gross-up-Ereignis, Kapitalereignis, Rechnungslegungs-

## CONDITIONS OF ISSUE

**of the € 400,000,000 Perpetual subordinated fixed to floating rate bonds issued by Wienerberger AG, Vienna, Republic of Austria**

### § 1
### DEFINITIONS AND INTERPRETATION

Unless the context otherwise requires, the following terms will have the following meanings in these Conditions of Issue:

***Make-Whole Amount*** has the meaning specified in § 5(4).

***Present Values*** has the meaning specified in § 5(4).

***Adjusted Comparable Yield*** has the meaning specified in § 5(4).

***Conditions of Issue*** means these conditions of issue of the Bonds.

***Bondholder*** means any holder of a proportional co-ownership participation or right in the Global Bond.

***Applicable Accounting Standards*** means the International Financial Reporting Standards (IFRS) or such accounting standards which succeed IFRS as mandatorily applicable to the consolidated financial statements of the Issuer.

***Issue Date*** means • 2007.

***Calculation Agent*** has the meaning specified in § 10(3).

***Screen Page*** means Reuters Page EURIBOR 01 (or such other screen page of Reuters or such other information service, which is the successor to Reuters Page EURIBOR 01 for the purpose of displaying such rates).

***Clearing System*** means Clearstream Banking AG, Frankfurt am Main.

***Credit Rating*** means a credit rating by Moody's Investors Service Limited or Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. (or any successor entity).

***Permanent Global Bond*** has the meaning specified in § 2(2)(a).

***Issuer*** has the meaning specified in § 2(1).

***Replacement Securities*** may be issued by the Issuer or any wholly-owned direct or indirect finance subsidiary of the Issuer, with the benefit of a guarantee from the Issuer, and must (a) have a maturity of at least 60 years, (b) rank *pari passu* with or junior to the Bonds, (c) have equal or greater equity credit than the Bonds, (d) not be redeemable prior to the expiration of five years (if the Replacement Securities do not contain a provision for a step-up of the Remuneration Rate) or expiration of ten years of their issue date (if the Replacement Securities contain a provision for a step-up of the Remuneration Rate), other than for reasons of a special event identical to a Gross-up Event, or Capital Event or an Accounting Event or a Tax Event as specified in these Conditions of Issue, in which ereignis oder Steuerereignis, jeweils wie in diesen Anleihebedingungen definiert, entsprechendem Ereignis, wobei der jeweils frühere eintretende Zeitpunkt gelten soll, und (e) es der Emittentin der Ersatz-Wertpapiere nach Maßgabe ihrer Bedingungen ermöglichen, Vergütungszahlungen in der gleichen oder einer ähnlichen Weise wie unter den Schuldverschreibungen aufzuschieben.

case it may occur earlier to such date, and (e) permit the Issuer in their terms to defer remuneration payments in the same or a similar manner as under the Bonds.

***Festvergütungssatz*** hat die in § 4(1)(a) festgelegte Bedeutung.

***Fixed Remuneration Rate*** has the meaning specified in § 4(1)(a).

***Festvergütungs-Zahlungstag*** hat die in § 4(1)(a) festgelegte Bedeutung.

***Fixed Remuneration Payment Date*** has the meaning specified in § 4(1)(a).

***Geeignete Wertpapiere*** sind Gleichrangige oder Nachrangige Wertpapiere, die (a) eine Laufzeit von mindestens 99 Jahren haben; und (b) nicht vor Ablauf von fünf Jahren nach ihrem Ausgabetag (wenn sie keinen Mechanismus zur Erhöhung des Vergütungssatzes enthalten) oder nicht vor Ablauf von zehn Jahren nach ihrem Ausgabetag (wenn sie einen Mechanismus zur Erhöhung des Vergütungssatzes enthalten) kündbar sind, es sei denn die Kündigung erfolgt auf Grund eines dem Gross-up-Ereignis, Kapitalereignis, Rechnungslegungsereignis oder Steuerereignis, jeweils wie in diesen Anleihebedingungen definiert, entsprechendem Ereignis, wobei der jeweils frühere eintretende Zeitpunkt gelten soll; und (c) für den Fall, dass bestimmte Ereignisse oder Umstände eintreten, eine Verpflichtung zum Wegfall von Vergütungszahlungen durch Barmittel enthalten; und (d) eine Absichtserklärung der Emittentin zur Ersetzung der Geeigneten Wertpapiere im Fall deren Rückzahlung oder Kündigung enthalten, vergleichbar mit der Regelung in § 5 (6) dieser Anleihebedingungen.

***Eligible Securities*** must be Parity or Junior Securities which (a) have a maturity of 99 years or greater; (b) are not be redeemable prior to the fifth anniversary (if the new securities do not contain a provision for a step-up of the Remuneration Rate) or, otherwise, the tenth anniversary (if the new securities do contain a provision for a step-up of the Remuneration Rate) of their issue date other than for reasons of a special event identical to a Gross-up Event, or Capital Event or an Accounting Event or a Tax Event as specified in these Conditions of Issue, in which case it may occur earlier to such date; and (c) provide for mandatory cancellation of cash remuneration payments if certain events or circumstances occur; and (d) contain a provision to intend to replace the Eligible Securities in case of their redemption or purchase, comparable to § 5 (6) of these Conditions of Issue.

***Geschäftstag*** bezeichnet jeden Tag (außer einen Samstag oder einen Sonntag), an dem TARGET (das Trans-European Automated Real Time Gross Settlement Express Transfer System) Buchungen oder Zahlungsanweisungen im Hinblick auf Zahlungen in Euro abwickelt

***Business Day*** means a day (other than a Saturday or a Sunday) on which TARGET (the Trans-European Automated Real Time Gross Settlement Express Transfer System) is effecting credit or transfer instructions in respects of payments in euro

***Gleichrangiges Wertpapier*** bezeichnet jede von der Emittentin begebene oder garantierte nachrangige Schuldverschreibung, die gleichrangig im Verhältnis zu den Schuldverschreibungen ist.

***Parity Security*** means any subordinated debt security issued or guaranteed by the Issuer which ranks *pari passu* with the Bonds.

***Gleichrangiges als Eigenkapital qualifiziertes Wertpapier*** bezeichnet jedes Gleichrangige Wertpapier, das nach Maßgabe der Anwendbaren Rechnungslegungsvorschriften in der konsolidierten Bilanz der Emittentin als „Eigenkapital" qualifiziert wird.

***Parity as Equity treated Security*** means any Parity Security which pursuant to the Applicable Accounting Standards qualifies, in its entirety, as "equity" in the consolidated balance sheet of the Issuer.

***Globalurkunden*** bezeichnet die Vorläufige Globalurkunde und die Dauerglobalurkunde.

***Global Bonds*** means the Temporary Global Bond and the Permanent Global Bond.

***Gross-up-Ereignis*** bezeichnet den Fall, dass die Emittentin (i) verpflichtet ist, oder verpflichtet sein wird, zusätzliche Beträge (wie in § 7 beschrieben) als Folge einer Änderung oder Ergänzung von Gesetzen der Republik Österreich oder einer ihrer Gebietskörperschaften oder Behörden (oder der Änderung oder Ergänzung von Bestimmungen und Vorschriften auf Grundlage dieser Gesetze), oder als Folge einer Änderung der offiziellen Auslegung oder Anwendung dieser Gesetze, Bestimmungen oder Vorschriften zu zahlen, soweit diese Änderung oder Durchführung an oder nach dem Ausgabetag wirksam wird; und (ii) diese Verpflichtung nicht durch das Ergreifen zumutbarer Maßnahmen vermieden werden kann.

***Gross-up Event*** means that (i) the Issuer has or will become obliged to pay Additional Amounts (as defined in § 7) as a result of any change in, or amendment to, the laws (or any rules or regulations thereunder) of the Republic of Austria or any political subdivision or any authority of or in the Republic of Austria, or any change in or amendment to any official interpretation or application of those laws or rules or regulations which amendment, change or execution becomes effective on or after the Issue Date and (ii) that obligation cannot be avoided by the Issuer taking reasonable measures available to it.

***Hauptbörse*** bezeichnet jede Börse, an der die Aktien der Emittentin an einem geregelten Markt zugelassen sind.

***Primary Exchange*** means each exchange on which the shares of the Issuer are admitted to the regulated market.

***Hauptzahlstelle*** hat die in § 10(1) festgelegte Bedeutung.

***Principal Paying Agent*** has the meaning specified in § 10(1).

***Jahreshauptversammlung*** ist die Hauptversammlung der Emittentin, welche über die Zahlung einer Dividende für

***Annual General Meeting*** is the shareholder meeting of the Issuer which resolves on the payment of a dividend das jeweils vorangegangene Geschäftsjahr der Emittentin entscheidet.

Ein ***Kapitalereignis*** liegt vor, wenn die Emittentin von einer Rating Agentur, von der die Emittentin sogenannte „sponsored ratings“ erhält, die Nachricht erhalten hat, dass die Schuldverschreibungen nicht mehr derselben oder einer höheren Eigenkapitalan-rechnungskategorie (wie von den Rating-Agenturen definiert) zuzuordnen sind, der sie bei ihrer Begebung ausweislich entsprechender Veröffentlichungen zugeordnet waren.

Ein ***Kontrollwechsel*** gilt als eingetreten, wenn (i) eine Person oder mehrere Personen, die abgestimmt handeln, oder einer oder mehrere Dritte, die im Auftrag einer solchen Person oder Personen handeln, zu irgendeinem Zeitpunkt mittelbar oder unmittelbar eine kontrollierende Beteiligung im Sinne des österreichischen Übernahmegesetzes (Beteiligung von mehr 30 % der stimmberechtigten Aktien), die ein Pflichtangebot auslöst, erworben hat oder haben und (ii) diese Akquisition zu einem Entzug oder einer Herabsetzung des Ratings für nicht- nachrangige unbesicherte Verbindlichkeiten der Emittentin auf oder unter Ba1 durch Moody's Services Inc. oder BB+ durch Standard & Poor's Rating Services, a division of the McGraw-Hill Companies Inc. (oder jeweils die entsprechenden dann geltenden Stufen), führt.

***Konzerngesellschaft*** bezeichnet jedwede verbundenen Unternehmen der Emittentin i. S. d. § 15 österreichischen Aktiengesetzes.

***Marge*** bezeichnet • % p. a. (einschließlich eines Aufschlags in der Höhe von 1,00 % p. a.). Die Marge erhöht sich ab dem Tag, der 61 Tage nach dem Eintritt eines Kontrollwechsels liegt (einschließlich) um 5,00 % p. a.

***Marktstörung*** bezeichnet (i) das Eintreten oder Bestehen einer Aussetzung oder Einschränkung des Handels an einer der Hauptbörsen der Emittentin (aufgrund von Preisschwankungen über die bei der jeweiligen Hauptbörse (bzw. deren elektronischer Handelsplattform) zugelassenen Grenzen hinaus oder aus sonstigen Gründen) oder von Abwicklungsprozessen für Transaktionen in Aktien der Emittentin an der jeweiligen Hauptbörse (bzw. deren elektronischer Handelsplattform); oder (ii) Änderungen der österreichischen oder internationalen politischen oder wirtschaftlichen Rahmenbedingungen oder der Finanzmärkte, aufgrund derer davon auszugehen ist, dass ein Angebot und eine erfolgreiche Ausgabe von neuen Aktien der Emittentin bzw. ein Verkauf eigener Aktien der Emittentin, bzw. ein Verkauf von Geeigneten Wertpapiere wesentlich beeinträchtigt sein wird.

***Nachrangiges Wertpapier*** bezeichnet jedes von der Emittentin begebene oder garantierte nachrangige Wertpapier, das im Verhältnis zu den Schuldverschreibungen oder einem Gleichrangigen Wertpapier nachrangig ist.

***Nachrangiges als Eigenkapital qualifiziertes Wertpapier*** bezeichnet jedes Nachrangige Wertpapier, das nach Maßgabe der Anwendbaren Rechnungslegungsvorschriften in der konsolidierten Bilanz der Emittentin als „Eigenkapital„ qualifiziert wird.

***Neue Anleiheschuldnerin*** hat die in § 13(1) festgelegte Bedeutung.

***Rating Agenturen*** bezeichnet Moody's Investors Service Limited oder Standard & Poor's Rating Services, eine Abteilung von The McGraw-Hill Companies Inc. (oder eine jeweilige Nachfolgegesellschaft).

Ein ***Rechnungslegungsereignis*** liegt vor, wenn der Hauptzahlstelle ein Gutachten einer anerkannten Wirtschaftsprüfungsgesellschaft übergeben worden ist, aus dem hervorgeht, dass die Emittentin die durch die Ausgabe der

for the respective preceding business year of the Issuer.

A ***Capital Event*** shall occur if the Issuer has received confirmation from any Rating Agency from whom the Issuer is assigned "sponsored ratings" that the Bonds will no longer be eligible for the same or higher category of equity credit (as defined by the Rating Agencies) attributed to the Bonds as published at the date of their issuance.

A ***Change of Control*** will be deemed to have occurred if (i) any person or persons acting in concert or any third person or persons acting on behalf of such person(s) at any time acquire(s) directly or indirectly a controlling participation pursuant to the Austrian Takeover Act (participation exceeding 30 % of the voting shares) which triggers a mandatory take over bid, and (ii) such acquisition results in any withdrawal or downgrade to a rating of or below Ba1 by Moody's Investors Services, Inc. or BB+ by Standard & Poor's Rating Services, a division of the Investors McGraw-Hill Companies Inc. (or their respective equivalents at such time) of the Issuer's senior unsecured credit rating.

***Group Entity*** means any of the Issuer's affiliated enterprises within the meaning of Section 15 of the Austrian Stock Corporation Act.

***Margin*** means • % p. a. (including a step-up of 1.00 % p. a.) The Margin will be increased by 5.00 % p. a. from the day (inclusive) falling 61 days after the day on which a Change of Control has occurred.

***Market Disruption Event*** means (i) the occurrence or existence of any suspension or limitation imposed on trading at one of the Primary Exchanges of the Issuer (by reason of movements in price exceeding limits permitted by such exchange (and/or its electronic trading platform) or otherwise) or on settlement procedures for transactions in the shares of the Issuer on a Primary Exchange (and/or its electronic trading platform); or (ii) a change in Austrian or international political or economic conditions or financial markets as are reasonably likely to prejudice materially the success of the issuance of new shares of the Issuer and/or sale of treasury shares and/or sale of Eligible Securities.

***Junior Security*** means any security issued or guaranteed by the Issuer which ranks junior to the Bonds or any Parity Security.

***Junior as Equity treated Security*** means any Junior Security which pursuant to the Applicable Accounting Standards qualifies, in its entirety, as "equity" in the consolidated balance sheet of the Issuer.

***New Issuer*** has the meaning specified in § 13(1).

***Rating Agencies*** means Moody's Investors Service Limited or Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. (or any successor entity).

***Accounting Event*** means that an opinion of a recognised accountancy firm has been delivered to the Principal Paying Agent, stating that the funds raised through the issuance of the Bonds must not or must no longer be recorded

Schuldverschreibungen aufgenommenen Mittel nicht oder nicht mehr als „Eigenkapital" im Sinne der Anwendbaren Rechnungslegungsvorschriften in einem Konzernjahresabschluss der Emittentin auszuweisen berechtigt ist.

as ‚equity' pursuant to the Applicable Accounting Standards for the purposes of the annual consolidated financial statements of the Issuer.

***Referenzbanken*** hat die in § 4(2)(c) festgelegte Bedeutung.

***Reference Banks*** has the meaning specified in § 4(2)(c).

***Rückzahlungs-Berechnungstag*** hat die in § 5(4) festgelegte Bedeutung.

***Redemption Calculation Date*** has the meaning specified in § 5(4).

***Schuldverschreibungen*** hat die in § 2(1) festgelegte Bedeutung.

***Bonds*** has the meaning specified in § 2(1).

Ein ***Steuerereignis*** liegt vor, wenn:

(i) der Hauptzahlstelle ein Gutachten eines anerkannten unabhängigen Steuerberaters übergeben worden ist, aus dem hervorgeht, dass an oder nach dem Ausgabetag als Folge

(aa) einer Änderung oder Ergänzung der Gesetze (oder von aufgrund dieser Gesetze erlassener Bestimmungen oder Vorschriften) der Republik Österreich oder einer ihrer Gebietskörperschaften oder Steuerbehörden, die an oder nach dem Ausgabetag erlassen, verkündet oder wirksam wird; oder

(bb) einer Änderung oder Ergänzung der offiziellen Auslegung solcher Gesetze oder Vorschriften durch eine gesetzgebende Körperschaft, ein Gericht, eine Regierungsstelle oder eine Aufsichtsbehörde (einschließlich des Erlasses von Gesetzen sowie der Bekanntmachung gerichtlicher oder aufsichtsrechtlicher Entscheidungen), die an oder nach dem Ausgabetag erlassen, verkündet oder wirksam wird, oder

(cc) einer allgemein anwendbaren offiziellen Auslegung oder Verkündung, die an oder nach dem Ausgabetag erlassen oder verkündet wird, und nach der die Rechtslage im Hinblick auf diese Gesetze oder Vorschriften von der früheren allgemein anerkannten Rechtslage abweicht, Vergütungen, die von der Emittentin in Bezug auf die Schuldverschreibungen zahlbar sind, von der Emittentin für die Zwecke der österreichischen Ertragssteuern (insbesondere für Zwecke der Körperschaftssteuer) nicht mehr in mindestens demselben Umfang wie bei der Begebung der Schuldverschreibungen abzugsfähig sind, bzw. innerhalb von 90 Tagen nach dem Datum dieses Gutachtens nicht mehr abzugsfähig sein werden; und

(ii) die Emittentin dieses Risiko nicht durch das Ergreifen zumutbarer Maßnahmen vermeiden kann.

***Tax Event*** means

(i) an opinion of a recognised independent tax counsel has been delivered to the Principal Paying Agent, stating that on or after the Issue Date, as a result of:

(aa) any amendment to, or change in, the laws (or any rules or regulations thereunder) of the Republic of Austria or any political subdivision or any taxing authority thereof or therein which is enacted, promulgated, issued or effective on or after the Issue Date; or

(bb) any amendment to, or change in, an official interpretation of any such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is enacted, promulgated, issued or effective on or after the Issue Date; or

(cc) any generally applicable official interpretation or pronouncement that provides for a position with respect to such laws or regulations that differs from the previous generally accepted position which is issued or announced on or after the Issue Date, remuneration payable by the Issuer on the Bonds is no longer, or within 90 days of the date of that opinion will no longer be, deductible by the Issuer for Austrian taxes on earnings (including corporate income tax) to at least the same degree as upon issue of the Bonds; and

(ii) such risk cannot be avoided by the Issuer taking reasonable measures available to it.

***Streitigkeiten*** hat die in § 14(3) festgelegte Bedeutung.

***Disputes*** has the meaning specified in § 14(3).

***Variabler Vergütungszahlungstag*** ist, vorbehaltlich § 4(2)(b), der •, •, •, und • eines jeden Jahres beginnend mit dem • 2017 (einschließlich).

***Floating Remuneration Payment Date*** means, subject to § 4(2)(b), •, •, •, and • in each year, commencing and including • 2017.

***Variabler Vergütungszeitraum*** bezeichnet jeweils den Zeitraum vom • 2017 (einschließlich) bis zum ersten Variablen Vergütungszahlungstag (ausschließlich) und danach von jedem Variablen Vergütungszahlungstag (einschließlich) bis zum jeweils darauffolgenden Variablen Vergütungszahlungstag (ausschließlich).

***Floating Remuneration Period*** means each period from and including • 2017 to but excluding the first Floating Remuneration Payment Date and, thereafter, from and including each Floating Remuneration Payment Date to but excluding the immediately following Floating Remuneration Payment Date.

***Vereinigte Staaten*** bezeichnet die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des Districts of Columbia) sowie deren Territorien (einschließlich Puerto Rico, der U.S. Virgin Islands, Guam, American Samoa, Wake Island und der Northern Mariana Islands).

***United States*** means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

***Verfahren*** hat die in § 14(3) festgelegte Bedeutung.

***Proceedings*** has the meaning specified in § 14(3).

***Vergütungsberechnungszeitraum*** hat die in § 4(2)(d) festgelegte Bedeutung.

***Vergütungsbetrag*** hat die in § 4(2)(d) festgelegte Bedeutung.

***Vergütungsfestlegungstag*** ist der zweite Geschäftstag vor Beginn des jeweiligen Variablen Vergütungszeitraums.

***Vergütungsrückstände*** hat die in § 4(3) festgelegte Bedeutung.

***Vergütungssatz*** hat die in § 4(2)(c) festgelegte Bedeutung.

***Vergütungstagequotient*** hat die in § 4(2)(d) festgelegte Bedeutung.

***Vergütungszahlungstag*** bezeichnet jeden Festvergütungs-Zahlungstag und jeden Variablen Vergütungszahlungstag.

***Vorläufige Globalurkunde*** hat die in § 2(2)(a) festgelegte Bedeutung.

***Vorzeitiger Rückzahlungsbetrag*** hat die in § 5(4) festgelegte Bedeutung.

***Zahlstelle*** hat die in § 10(2) festgelegte Bedeutung.

***Zusätzlichen Beträge*** hat die in § 7(1) festgelegte Bedeutung.

## § 2
## NENNBETRAG UND STÜCKELUNG; VERBRIEFUNG; ÜBERTRAGBARKEIT

*(1) Nennbetrag und Stückelung.*

Die Anleihe bestehend aus nachrangigen Schuldverschreibungen ohne Fälligkeitstag der Wienerberger AG (die ***Emittentin)*** im Gesamtnennbetrag von € 400.000.000 (in Worten: Euro vierhundert Millionen) ist eingeteilt in 400.000 an den Inhaber zahlbare und untereinander gleichrangige Schuldverschreibungen mit einem Nennbetrag von jeweils € 1.000 (die ***Schuldverschreibungen***; dieser Begriff umfasst sämtliche weiteren Schuldverschreibungen, die gemäß § 11 begeben werden und eine einheitliche Serie mit den Schuldverschreibungen bilden).

*(2) Vorläufige Globalurkunde – Austausch.*

(a) Die Schuldverschreibungen sind anfänglich durch eine vorläufige Globalurkunde (die **Vorläufige Globalurkunde)** ohne Vergütungsscheine verbrieft. Die vorläufige Globalurkunde wird gegen eine Dauerglobalurkunde (die ***Dauerglobalurkunde)*** ohne Vergütungsscheine ausgetauscht. Die Vorläufige Globalurkunde und die Dauerglobalurkunde tragen jeweils die eigenhändigen Unterschriften zweier ordnungsgemäß bevollmächtigter Vertreter der Emittentin und sind jeweils von der Hauptzahlstelle oder in deren Namen mit einer Kontrollunterschrift versehen. Einzelurkunden und Vergütungsscheine werden nicht ausgegeben.

(b) Die Vorläufige Globalurkunde wird an einem Tag (der ***Austauschtag)*** gegen die Dauerglobalurkunde ausgetauscht, der nicht mehr als 180 Tage nach dem Ausgabetag liegt. Der Austauschtag darf nicht weniger als 40 Tage nach dem Ausgabetag liegen. Ein solcher Austausch darf nur nach Vorlage von Bescheinigungen erfolgen, wonach der oder die wirtschaftlichen Eigentümer der Schuldverschreibungen keine U.S.-Personen sind (ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Schuldverschreibungen über solche Finanzinstitute halten). Solange die Schuldverschreibungen durch die Vorläufige Globalurkunde verbrieft sind, werden Vergütungszahlungen erst nach

***Calculation Period*** has the meaning specified in § 4(2)(d).

***Remuneration Amount*** has the meaning specified in § 4(2)(d).

***Remuneration Determination Date*** means the second Business Day prior to the commencement of the relevant Floating Remuneration Period.

***Arrears of Remuneration*** has the meaning specified in § 4(3).

***Rate of Remuneration*** has the meaning specified in § 4(2)(c).

***Day Count Fraction*** has the meaning specified in § 4(2)(d).

***Remuneration Payment Date*** means any Fixed Remuneration Payment Date and any Floating Remuneration Payment Date.

***Temporary Global Bond*** has the meaning specified in § 2(2)(a).

***Early Redemption Amount*** has the meaning specified in § 5(4).

***Paying Agent*** has the meaning specified in § 10(2).

***Additional Amount*** has the meaning specified in § 7(1).

## § 2
## PRINCIPAL AMOUNT AND DENOMINATION; FORM; TRANSFERABILITY

*(1) Principal Amount and Denomination.*

The issue of the subordinated Bonds without maturity by Wienerberger AG (the ***Issuer)*** in the aggregate principal amount of € 400,000,000 (in words: Euro four hundred million) is divided into 400,000 bonds payable to bearer and ranking *pari passu* among themselves, with a principal amount of € 1,000 each (the ***Bonds***; this term includes any further Bonds issued pursuant to § 11 that form a single series with the Bonds).

*(2) Temporary Global Bond – Exchange.*

(a) The Bonds are initially represented by a temporary global bond (the ***Temporary Global Bond)*** without remuneration coupons. The Temporary Global Bond will be exchangeable for a permanent global bond (the ***Permanent Global Bond)*** without coupons. The Temporary Global Bond and the Permanent Global Bond shall each be signed manually by two authorised signatories of the Issuer and shall each be authenticated by or on behalf of the Principal Paying Agent. Definitive Bonds and remuneration coupons shall not be issued.

(b) The Temporary Global Bond shall be exchanged for the Permanent Global Bond on a date (the ***Exchange Date)*** not later than 180 days after the Issue Date. The Exchange Date will not be earlier than 40 days after the Issue Date. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Bonds is not a U.S. person (other than certain financial institutions or certain persons holding Bonds through such financial institutions). Payment of remuneration on Bonds represented by a Temporary Global Bond shall be made only after delivery of such certifications. A separate certification shall be required in respect of each such

Vorlage solcher Bescheinigungen vorgenommen. Eine gesonderte Bescheinigung ist für jede solche Vergütungszahlung erforderlich. Jede Bescheinigung, die am oder nach dem 40. Tag nach dem Ausgabetag eingeht, wird als ein Ersuchen behandelt werden, die Vorläufige Globalurkunde gemäß diesem § 2(2)(b) auszutauschen. Schuldverschreibungen, die im Austausch für die Vorläufige Globalurkunde geliefert werden, dürfen nur außerhalb der Vereinigten Staaten geliefert werden.

*(3) Clearingsystem.*

Die Globalurkunden werden bei dem Clearingsystem verwahrt, bis sämtliche Verbindlichkeiten der Emittentin aus den Schuldverschreibungen erfüllt sind.

*(4) Übertragbarkeit.*

Den Anleihegläubigern stehen Miteigentums-anteile oder -rechte an den Globalurkunden zu, die nach Maßgabe des anwendbaren Rechts und der jeweils geltenden Regelwerke des Clearingsystems übertragen werden.

**§ 3**
**STATUS DER SCHULDVERSCHREIBUNGEN**

Die Schuldverschreibungen begründen direkte, nicht besicherte, nachrangige Verbindlichkeiten der Emittentin, die *untereinander im Rang gleich stehen* und im Fall der Liquidation, der Auflösung oder des Konkurses der Emittentin oder eines Ausgleichs oder eines anderen der Abwendung des Konkurses der Emittentin dienenden Verfahrens allen anderen bestehenden und zukünftigen Verbindlichkeiten der Emittentin, ob nachrangig oder nicht nachrangig, im Rang nachgehen, soweit zwingende gesetzliche Bestimmungen nichts anderes vorschreiben. Im Fall der Liquidation, der Auflösung oder des Konkurses der Emittentin oder eines Ausgleichs oder eines anderen der Abwendung des Konkurses der Emittentin dienenden Verfahrens gehen die Verbindlichkeiten der Emittentin aus den Schuldverschreibungen im Rang den Ansprüchen aller nicht nachrangigen und nachrangigen Gläubiger nach, so dass Zahlungen auf die Schuldverschreibungen solange nicht erfolgen, wie die Ansprüche aller nicht nachrangigen und nachrangigen Gläubiger gegen die Emittentin nicht zuerst vollständig erfüllt sind.

Die Anleihegläubiger sind nicht berechtigt, Forderungen aus den Schuldverschreibungen gegen mögliche Forderungen der Emittentin gegen sie aufzurechnen. Die Emittentin ist nicht berechtigt, Forderungen gegenüber Anleihegläubigern gegen Verpflichtungen aus den Schuldverschreibungen aufzurechnen.

Für die Rechte der Anleihegläubiger aus den Schuldverschreibungen ist diesen keine Sicherheit durch die Emittentin oder durch Dritte gestellt; eine solche Sicherheit wird auch zu keinem Zeitpunkt gestellt werden.

**§ 4**
**VERGÜTUNGEN**

*(1) Fester Vergütungszeitraum.*

Vorbehaltlich der nachstehenden Ausnahmen werden Vergütungen auf die Schuldverschreibungen vom Ausgabetag (einschließlich) bis zum • 2017 (ausschließlich) wie folgt gezahlt:

(a) Die Schuldverschreibungen werden mit jährlich •% auf ihren Nennbetrag (der ***Festvergütungssatz)*** verzinst und diese Vergütungen sind, vorbehaltlich der Regelung in § 4(3), nachträglich jährlich am • eines jeden Jahres, erstmals am • 2008 fällig (jeweils ein ***Festvergütungs-Zahlungstag)***.

payment of remuneration. Any such certification received on or after the 40th day after the Issue Date shall be treated as a request to exchange the Temporary Global Bond pursuant to this § 2(2)(b). Any Bonds delivered in exchange for the Temporary Global Bond shall be delivered only outside of the United States.

*(3) Clearing System.*

The Global Bonds will be deposited with the Clearing System until all obligations of the Issuer under the Bonds have been satisfied.

*(4) Transferability*

The Bondholders will receive proportional co-ownership participations or rights in the Global Bonds that are transferable in accordance with applicable law and applicable rules of the Clearing System.

**§ 3**
**STATUS OF THE BONDS**

The obligations of the Issuer under the Bonds constitute direct, unsecured and subordinated obligations of the Issuer ranking *pari passu* among themselves and in the event of the liquidation, dissolution, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of the Issuer rank junior to all other present and future obligations of the Issuer, whether subordinated or unsubordinated, except as otherwise required by mandatory provisions of law. In the event of the liquidation, dissolution, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of the Issuer, the obligations of the Issuer under the Bonds will be subordinated to the claims of all unsubordinated and subordinated creditors of the Issuer so that in any such event no amounts shall be payable in respect of the Bonds until the claims of all unsubordinated and subordinated creditors of the Issuer shall have first been satisfied in full.

No Bondholder may set-off any claims arising under the Bonds against any claims that the Issuer may have against it. The Issuer may not set-off any claims it may have against the Bondholders against any of its obligations under the Bonds.

No security is, or shall at any time be, provided by the Issuer or any other person securing rights of the Bondholders under the Bonds.

**§ 4**
**REMUNERATION**

*(1) Fixed Remuneration Period*

Subject to certain exceptions described below, remuneration on the Bonds from and including the Issue Date to, but excluding, • 2017 will be paid as follows:

(a) The Bonds bear remuneration at the rate of •% per annum on their principal amount (the ***Fixed Remuneration Rate***) and, subject to § 4(3), remuneration shall be payable annually in arrears on • of each year commencing on • 2008 (each a ***Fixed Remuneration Payment Date***).

(b) Der Festvergütungssatz erhöht sich ab dem Tag, der 61 Tage nach dem Eintritt eines Kontrollwechsels liegt (einschließlich) um 5,00 % p. a.

(c) Vergütungen, die auf einen festen Vergütungszeitraum von weniger als einem Jahr zu berechnen sind, werden auf Grundlage der Anzahl der tatsächlich vergangenen Tage des Vergütungszeitraums geteilt durch 365 oder 366 (tatsächliche Anzahl der Tage im betreffenden Zinsjahr) berechnet.

*(2) Variabler Vergütungszeitraum.*

Vorbehaltlich § 4(3) werden Vergütungen auf die Schuldverschreibungen vom • 2017 (einschließlich) bis zum Tag der Rückzahlung der Schuldverschreibungen (ausschließlich) wie folgt gezahlt:

(a) Vorbehaltlich einer vorzeitigen Rückzahlung gemäß diesen Anleihebedingungen werden die Schuldverschreibungen in Höhe des von der Berechnungsstelle gemäß § 4(2)(d) festgesetzten Vergütungssatzes verzinst, wobei die Vergütungen, vorbehaltlich der Regelung in § 4(3), vierteljährlich nachträglich an jedem Variablen Vergütungszahlungstag gezahlt werden.

(b) Falls ein Variabler Vergütungszahlungstag auf einen Tag fallen würde, der kein Geschäftstag ist, wird der Variable Vergütungszahlungstag auf den nächstfolgenden Geschäftstag verschoben, es sei denn, jener würde dadurch in den nächsten Kalendermonat fallen; in diesem Fall fällt der Variable Vergütungszahlungstag auf den unmittelbar vorausgehenden Geschäftstag.

(c) Der Vergütungssatz für jeden Variablen Vergütungszeitraum (der ***Vergütungssatz)*** ist, sofern nachstehend nichts Abweichendes bestimmt wird, der angezeigte Angebotssatz (ausgedrückt als Prozentsatz per annum) für Dreimonats-Einlagen in Euro für den jeweiligen Variablen Vergütungszeitraum, der auf der Bildschirmseite am Vergütungsfestlegungstag um 11:00 Uhr (Brüsseler Ortszeit) angezeigt wird, zuzüglich der Marge, wobei alle Festlegungen durch die Berechnungsstelle erfolgen.

Sollte die Bildschirmseite nicht zur Verfügung stehen, oder wird kein Angebotssatz angezeigt (in jedem dieser Fälle zu der genannten Zeit), wird die Berechnungsstelle von fünf von ihr ausgewählten Referenzbanken (wie nachstehend definiert) deren jeweilige Angebotssätze (jeweils als Prozentsatz per annum ausgedrückt) für Dreimonats-Einlagen in Euro für den betreffenden Variablen Vergütungszeitraum gegenüber führenden Banken im Interbanken-Markt in den Teilnehmerstaaten der dritten Stufe der Wirtschafts- und Währungsunion im Sinne des Vertrages über die Europäische Union anfordern. Maßgeblich sind die Sätze um ca. 11:00 Uhr (Brüsseler Ortszeit) am Vergütungsfestlegungstag. Sofern zwei oder mehr der ausgewählten Referenzbanken der Berechnungsstelle solche Angebotssätze nennen, ist der Vergütungssatz für den betreffenden Variablen Vergütungszeitraum das arithmetische Mittel dieser Angebotssätze (falls erforderlich, auf- oder abgerundet auf das nächste ein tausendstel Prozent, wobei 0,0005 aufgerundet wird), zuzüglich der Marge.

Für den Fall, dass der Vergütungssatz nicht gemäß den vorstehenden Bestimmungen ermittelt werden kann, ist der Vergütungssatz der Angebotssatz oder das arithmetische Mittel der Angebotssätze auf der Bildschirmseite, wie vorstehend beschrieben, an dem letzten Tag vor dem Vergütungsfestlegungstag, an

(b) The Fixed Remuneration Rate will be increased by 5.00 % p. a. from the day (inclusive) falling 61 days after the day on which a Change of Control has occurred.

(c) If remuneration is to be calculated for a fixed remuneration period of less than one year, it shall be calculated on the basis of the actual number of days elapsed in the remuneration calculation period, divided by 365 or 366 (the actual number of days in the relevant interest year).

*(2) Floating Remuneration Period.*

Subject to § 4(3), remuneration on the Bonds from and including • 2017 to, but excluding, the day of redemption of the Bonds will be paid as follows:

(a) Unless previously redeemed in accordance with the Conditions of Issue, the Bonds shall bear remuneration at a rate determined by the Calculation Agent pursuant to § 4(2)(d) below, payable, subject to § 4(3), quarterly in arrears on each Floating Remuneration Payment Date.

(b) If any Floating Remuneration Payment Date would otherwise fall on a day which is not a Business Day, the Floating Remuneration Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which case the Floating Remuneration Payment Date shall be the immediately preceding Business Day.

(c) The rate of remuneration for each Floating Remuneration Period (the ***Rate of Remuneration***) will, except as provided below, be the offered quotation displayed (expressed as a percentage rate per annum) for three-month deposits in euro for that Floating Remuneration Period which appears on the Screen Page as of 11:00 a. m. (Brussels time) on the Remuneration Determination Date, plus the Margin, all as determined by the Calculation Agent.

If the Screen Page is not available or if no such quotation is available, in each case and at such time, the Calculation Agent shall request five Reference Banks (as defined below) selected by it to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for three-month deposits in euro for the relevant Floating Remuneration Period to leading banks in the interbank market of the participating Member States in the third stage of the Economic and Monetary Union, as contemplated by the Treaty on European Union. The relevant offered quotations shall be those offered at approximately 11:00 a. m. (Brussels time) on the Remuneration Determination Date. As long as two or more of the selected Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Remuneration for such Floating Remuneration Period shall be the arithmetic mean of such offered quotations (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards), plus the Margin.

If the Rate of Remuneration cannot be determined in accordance with the foregoing provisions, the Rate of Remuneration shall be the offered quotation or the arithmetic mean of the offered quotations on the Screen Page, as described above, on the last day preceding the Remuneration Determination Date on dem ein solcher Angebotssatz bzw. solche Angebotssätze angezeigt wurde(n) zuzüglich der Marge.

***Referenzbanken*** sind diejenigen Banken, deren Angebotssätze zur Ermittlung des angezeigten Angebotssatzes zu dem Zeitpunkt benutzt wurden, als solch ein Angebot letztmals auf der Bildschirmseite angezeigt wurde.

(d) Die Berechnungsstelle wird zu oder baldmöglichst nach jedem Vergütungsfestlegungstag den Vergütungssatz bestimmen und den auf den Nennbetrag der Schuldverschreibungen zahlbaren Vergütungsbetrag (der ***Vergütungsbetrag)*** für den entsprechenden Variablen Vergütungszeitraum berechnen. Der Vergütungsbetrag ergibt sich aus der Multiplikation des Vergütungssatzes mit dem Vergütungstagequotienten (wie nachstehend definiert) und dem Nennbetrag je Schuldverschreibung, wobei der daraus resultierende Betrag auf den nächsten Eurocent auf- oder abgerundet wird, und 0,5 oder mehr eines Eurocents aufgerundet werden.

***Vergütungstagequotient*** bezeichnet im Hinblick auf die Berechnung des Vergütungsbetrages auf jede Schuldverschreibung für einen Variablen Vergütungszeitraum oder einen Teil davon (der ***Vergütungsberechnungszeitraum)*** die tatsächliche Anzahl von Tagen im Vergütungsberechnungszeitraum dividiert durch 360.

(e) Die Berechnungsstelle wird veranlassen, dass der Vergütungssatz, der Vergütungsbetrag für den jeweiligen Variablen Vergütungszeitraum, jeder Variable Vergütungszeitraum und der betreffende Variable Vergütungszahlungstag der Emittentin und jeder Börse, an der die Schuldverschreibungen zu diesem Zeitpunkt notiert sind und deren Regeln eine Mitteilung an die Börse verlangen, sowie den Anleihegläubigern gemäß § 12, unverzüglich, aber keinesfalls später als am vierten auf die Festlegung folgenden Geschäftstag mitgeteilt werden.

(f) Sämtliche Bescheinigungen, Mitteilungen, Gutachten, Festsetzungen, Berechnungen, Quotierungen und Entscheidungen, die von der Berechnungsstelle für die Zwecke dieser Anleihebedingungen gemacht, abgegeben, getroffen oder eingeholt werden, sind (sofern nicht vorsätzliches Fehlverhalten oder ein offensichtlicher Irrtum vorliegt) für die Emittentin und die Anleihegläubiger bindend.

*(3) Vergütungsaufschub.*

Die Emittentin ist nicht verpflichtet, an einem Vergütungszahlungstag Vergütungen zu zahlen, wenn sie sich gegen eine solche Zahlung entschieden hat; eine Nichtzahlung aus diesem Grunde begründet keinen Verzug der Emittentin und keine sonstige Verletzung ihrer Verpflichtungen aufgrund dieser Schuldverschreibungen oder für sonstige Zwecke. Soweit sich die Emittentin entscheidet, an einem Vergütungszahlungstag nicht den gesamten Vergütungsbetrag zu zahlen, hat sie dies den Anleihegläubigern gemäß § 12 unter Einhaltung einer Frist von mindestens 10 und höchstens 15 Geschäftstagen vor diesem Vergütungszahlungstag bekannt zu machen. Jedwede aufgrund einer derartigen Entscheidung der Emittentin nicht gezahlten Vergütungen stellen ***Vergütungsrückstände*** dar. Vergütungsrückstände werden nicht verzinst. Die Emittentin kann, unter Einhaltung der in § 4(4) genannten Bedingungen, ausstehende Vergütungsrückstände jederzeit ganz oder teilweise nach Benachrichtigung der Anleihegläubiger gemäß § 12, in der das Rückzahlungsdatum und der Betrag der zurückzuzahlenden Vergütungsrückstände anzugeben ist, unter Einhaltung einer Frist von nicht weniger als 10 und nicht mehr als 15 Geschäftstagen zahlen

which such quotation or, as the case may be, quotations were offered, plus the Margin.

***Reference Banks*** means those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Screen Page.

(d) The Calculation Agent shall, on or as soon as practicable after each Remuneration Determination Date, determine the Rate of Remuneration and calculate the amount of remuneration (the ***Remuneration Amount***) payable on the principal amount of the Bonds for the relevant Floating Remuneration Period. Each Remuneration Amount shall be calculated by multiplying the Rate of Remuneration with the Day Count Fraction (as defined below) and the principal amount of each Bond and rounding the resulting figure to the nearest Eurocent, with 0.5 or more of a Eurocent being rounded upwards.

***Day Count Fraction*** means, in respect of the calculation of an amount of remuneration on each Bond for any Floating Remuneration Period or part thereof (the ***Calculation Period***), the actual number of days in the Calculation Period divided by 360.

(e) The Calculation Agent will cause the Rate of Remuneration, each Remuneration Amount for each Floating Remuneration Period, each Floating Remuneration Period and the relevant Floating Remuneration Payment Date to be notified to the Issuer and, if required by the rules of any stock exchange on which the Bonds are listed from time to time, to such stock exchange, and to the Bondholders in accordance with § 12 without undue delay, but, in any case, not later than on the fourth Business Day after their determination.

(f) All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of these Conditions of Issue by the Calculation Agent shall (in the absence of wilful default or manifest error) be binding upon the Issuer and the Bondholders.

*(3) Remuneration Deferral.*

The Issuer shall not have any obligation to pay remuneration on any Remuneration Payment Date if it does not elect to do so and any such failure to pay remuneration shall not constitute a default of the Issuer or any other breach of obligations under the Bonds or for any other purpose. If the Issuer decides not to pay the full amount of remuneration on an Remuneration Payment Date, the Issuer shall notify the Bondholders in accordance with § 12 not less than 10 and not more than 15 Business Days prior to such Remuneration Payment Date. Any Remuneration not paid due to such an election by the Issuer shall constitute ***Arrears of Remuneration***. Arrears of Remuneration will not bear interest. The Issuer may at any time, subject to the conditions set forth in § 4(4), make payment in full or in part of any outstanding Arrears of Remuneration upon giving notice to the Bondholders in accordance with § 12 not less than 10 and not more than 15 Business Days prior to the date on which such payment will be made. Such notice shall state the date and the amount of the voluntary make-up payment. Such notice shall be irrevocable and shall oblige the Issuer to make the relevant payment on the date specified in such notice.

(wobei eine solche Mitteilung unwiderruflich ist und die Emittentin verpflichtet ist, die jeweiligen Vergütungsrückstände an dem in dieser Mitteilung genannten Zahlungstag zu zahlen).

*(4) Tilgung von Vergütungsrückständen*

(a) Jede Zahlung von Vergütungsrückständen nach Maßgabe der folgenden Bestimmungen erfolgt vorbehaltlich der Bedingungen gemäß § 4(4)(c) und § 4(4)(d).

(b) Die Emittentin verpflichtet sich, sämtliche gemäß § 4(3) aufgeschobene Vergütungsrückstände (ganz, jedoch nicht teilweise) innerhalb eines Jahres ab jenem Tag nachzuzahlen (maßgebend ist das früheste Ereignis),

(i) an dem die Emittentin auf irgendeine Aktiengattung der Emittentin eine Dividende, andere Ausschüttung oder Zahlung beschließt oder zahlt;

(ii) an dem die Emittentin oder eine Konzerngesellschaft auf ein Nachrangiges als Eigenkapital qualifiziertes Wertpapier oder ein Gleichrangiges als Eigenkapital qualifiziertes Wertpapier eine Dividende, andere Ausschüttung oder Zahlung beschließt oder zahlt;

(iii) an dem die Emittentin selbst Gleichrangige Wertpapiere, Nachrangige Wertpapiere oder Aktien irgendeiner Aktiengattung gegen Gewährung einer Gegenleistung (mit Ausnahme einer in der Wandlung oder im Umtausch in Aktien bestehenden Gegenleistung) zurückkauft oder sonst wie erwirbt oder eine Konzerngesellschaft veranlasst dies zu tun, außer dies geschieht im Zusammenhang mit derzeit bestehenden oder zukünftig geschaffenen Aktienoptionsplänen, Wandelschuldverschreibungen oder Optionsschuldverschreibungen; oder

(iv) der einen Vergütungszahltag darstellt, an dem die Emittentin von ihrem Wahlrecht, die Vergütungszahlung (ganz oder teilweise) aufzuschieben, keinen Gebrauch macht.

*Wenn keines der in (i) bis (iv) beschriebenen Ereignisse vor dem Kalendertag, der fünf Jahre nach jenem Vergütungszahlungstag liegt, an dem die betreffende Vergütungszahlung erstmals hätte fällig werden können, eingetreten ist, ist es die Absicht der Emittentin, ausstehende Vergütungsrückstände (ganz, jedoch nicht teilweise) nach Maßgabe von § 4(4)(c) an diesem Kalendertag nachzuzahlen.*

(c) Die Verpflichtung der Emittentin zur Nachzahlung der Vergütungsrückstände steht, ausgenommen im Fall von § 4(5) (Konkurs), unter den aufschiebenden Bedingungen, dass sich die Emittentin die für die Nachzahlung erforderlichen Barmittel entweder

(i) durch die Ausgabe neuer Aktien oder den Verkauf von eigenen Aktien der Emittentin (mit Ausnahme von eigenen Aktien, welche innerhalb eines Zeitraums von sechs Monaten vor dem betreffenden Vergütungszahltag gegen Barzahlung erworben wurden) beschafft hat, wobei die Anzahl der für die Zwecke einer solchen Nachzahlung von Vergütungsrückständen ausgegebenen oder verkauften Aktien in jedem Zeitraum eines fortdauernden Vergütungsaufschubs 2,00% des Grundkapitals der Emittentin nicht überschreiten darf und die Ausgabe oder der Verkauf von Aktien unter dem Vorbehalt der zur Zeit der Ausgabe oder dem Verkauf der Aktien der Emittentin zur Verfügung stehenden Beschlüssen der Hauptversammlung steht; oder

(ii) durch Ausgabe von Geeigneten Wertpapieren, die unter dem Vorbehalt der zur Zeit der Ausgabe von

(4) Payment of Arrears of Remuneration

(a) Any payment of Arrears of Remuneration in accordance with the following provisions shall be subject to the conditions set forth in § 4(4)(c) and § 4(4)(d).

(b) The Issuer undertakes to make payment (in full and not in part) of any Arrears of Remuneration which have been deferred in accordance with § 4(3) within one year at the earlier of

(i) the day on which the Issuer resolves on or pays a dividend, other distribution or payment in respect of any class of shares of the Issuer;

(ii) the day on which the Issuer or a Group Entity resolves on or pays a dividend, other distribution or payment in respect of any Junior as Equity treated Security or a Parity as Equity treated Security;

(iii) the day on which the Issuer itself repurchases or otherwise acquires, or causes another Group Entity to repurchase or otherwise acquire, any Parity Security, Junior Security or any shares of any class of shares for any consideration except by conversion into or exchange for shares, except this occurs in connection with any present or future stock option plan, convertible bonds or warrants; or

(iv) the Remuneration Payment Date in relation to which the Issuer does not elect to defer remuneration payments (in whole or in part).

*If none of the events (i) to (iv) took place prior to the calendar day which is the fifth anniversary of the Remuneration Payment Date on which the relevant remuneration payment could have fallen due for the first time, it is the intention of the Issuer to pay outstanding Arrears or Remuneration (in whole but not in part) as provided in § 4(4)(c) on that calendar day.*

(c) The Issuer's obligation to make such payment of Arrears of Remuneration is, except for § 4(5) (bankruptcy), however, subject to the condition precedent that the Issuer is using the cash proceeds from either

(i) the issuance of new shares or sale of treasury shares of the Issuer (except for treasury shares which have been acquired against cash within a period of six months before the relevant Remuneration Payment Date), whereas the issuance or sale of shares for the purpose of such payment of Arrears of Remuneration must not, for each period of continuing deferral of Arrears of Remuneration, exceed 2.00% of the issued share capital (*Grundkapital*) of the Issuer and are subject to the existence of the appropriate necessary corporate powers applicable to the Issuer at the time of the issuance or the disposal of the shares; or

(ii) by issuance of Eligible Securities, subject to the existence of the appropriate necessary corporate

Geeigneten Wertpapieren der Emittentin zur Verfügung stehenden Beschlüssen der Hauptversammlung steht.

Die Emittentin kann zur Nachzahlung von Vergütungsrückständen Geeignete Wertpapiere lediglich insoweit ausgeben, als der Nennbetrag aller Geeigneter Wertpapiere, die von der Emittentin zur Bezahlung von Vergütungsrückständen während der Laufzeit der Schuldverschreibungen ausgegeben wurden und noch ausstehen, 25 % des Gesamtnennbetrags gemäß § 2(1) der Schuldverschreibungen nicht übersteigt.

(d) Wenn die Emittentin aufgrund der vorstehenden Bedingungen nicht in der Lage ist, innerhalb der in § 4(4)(b) genannten Frist neue Aktien, eigene Aktien und/oder Geeignete Wertpapiere nach Maßgabe von § 4(4)(c) zu begeben oder zu verkaufen, erlischt die Verpflichtung der Emittentin zur Nachzahlung der Vergütungsrückstände.

**Anleihegläubiger werden darauf hingewiesen, dass die Emittentin durch zwingende Bestimmungen des österreichischen Aktienrechts an der Ausgabe oder dem Verkauf von Aktien gehindert sein kann.**

(e) Falls eine Marktstörung vorliegt, verlängert sich die in § 4(4)(b) genannte Frist um den Zeitraum der Marktstörung zuzüglich 60 Geschäftstage. Die Emittentin wird sowohl den Eintritt einer Marktstörung als auch den Zeitpunkt, an dem keine Marktstörung mehr vorliegt, gemäß § 12 bekannt machen. Das Vorliegen einer Marktstörung führt nicht zu einer zusätzlichen Vergütung.

(f) Soweit die Emittentin Vergütungsrückstände gemäß dieses § 4(4) nachzahlt, hat sie dies den Anleihegläubigern gemäß § 12 unter Einhaltung einer Frist von mindestens 10 und höchstens 15 Geschäftstagen vor dem Tag der Nachzahlung unter Angabe des Tags der Nachzahlung und des auf jede Schuldverschreibung nachzuzahlenden Betrages mitzuteilen. Eine solche Mitteilung ist unwiderruflich und verpflichtet die Emittentin, die jeweiligen Zahlungen an dem in der Mitteilung genannten Tag zu bewirken.

*(5) Nachzahlungsverpflichtung bei Insolvenz.*

Im Fall der Liquidation, der Auflösung, der Abwicklung oder des Konkurses der Emittentin (sofern dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht, bei dem bzw. der die Emittentin noch zahlungsfähig ist und bei dem bzw. der die fortführende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin übernimmt) oder eines Ausgleichs oder eines anderen, der Abwendung des Konkurses der Emittentin dienenden Verfahrens, steht jedem Anleihegläubiger je Schuldverschreibung ein direkter Anspruch gegen die Emittentin auf Erhalt der auf eine Schuldverschreibung entfallenden anteiligen ausstehende Vergütungsrückstände (soweit der Anspruch hierauf nicht zuvor nach Maßgabe von § 4(4)(d) erloschen ist) in Höhe von bis zu 25 % des Nennbetrags abzüglich der Summe aus allen bis zu diesem Zeitpunkt geleisteten Zahlungen mit aus der Begebung Geeigneter Wertpapiere beschafften Mitteln zu.

Der über diesen Betrag hinausgehende Anspruch auf Zahlung von Vergütungsrückständen erlischt.

Die im vorstehenden Satz genannten Ansprüche der Anleihegläubiger auf Zahlung von Vergütungsrückständen begründen direkte, nicht besicherte, nachrangige Verbind-

powers applicable to the Issuer at the time of the issuance of Eligible Securities.

The Issuer can only issue Eligible Securities to finance the payment of Arrears of Remuneration to the extent that the aggregate principal amount of all Eligible Securities issued by the Issuer during the term of the Bonds for the payment of Arrears of Remuneration and still outstanding does not exceed 25 % of the principal amount of the Bonds pursuant to § 2(1).

(d) If, due to the preceding conditions, the Issuer will not be able to issue or sell new shares, treasury shares and/or Eligible Securities in accordance with this § 4(4)(c) and within the period stipulated by § 4(4)(b), its obligation to make up for any Arrears of Remuneration shall lapse.

**Bondholders are notified that compulsory provisions of Austrian stock corporation law may prevent the Issuer from selling or issuing shares.**

(e) If there exists a Market Disruption Event, then the period pursuant to § 4(4)(b) shall be extended by a period equal to the time during which the Market Disruption Event exists, plus 60 Business Days. The Issuer shall give notice pursuant to § 12 of both the occurrence of a Market Disruption Event and the date on which the Market Disruption Event no longer exists. No amount will be payable by way of remuneration due to the occurrence of a Market Disruption Event.

(f) If the Issuer repays Arrears of Remuneration pursuant to this § 4(4), it shall notify the Bondholders in accordance with § 12 not less than 10 and not more than 15 Business Days prior to the date on which such payment will be made; such notice shall state the date of payment and the payment per Bond. Such notice shall be irrevocable and shall oblige the Issuer to make the relevant payment on the date specified in such notice.

*(5) Make-up Payment Obligation in case of Bankruptcy.*

In the event of the liquidation, dissolution, winding-up, bankruptcy, composition (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer) or other proceedings for the avoidance of bankruptcy of the Issuer, any Bondholder shall, for each Bond, have a direct claim against the Issuer to receive a pro rata payment on account of Arrears of Remuneration (to the extent not previously cancelled in accordance with § 4(4)(d)) per Bond up to an amount corresponding to 25 % of the Principal Amount less the sum of payments raised through the issuance of Eligible Securities.

The remaining claim for settlement of Arrears of Remuneration shall be cancelled.

The claims of the Bondholders for payment of Arrears of Remuneration described in the foregoing sentence constitute direct, unsecured and subordinated obligations of lichkeiten der Emittentin, die untereinander und mit den Schuldverschreibungen im Rang gleich stehen.

*(6) Ende des Vergütungszeitraums.*

Der Vergütungslauf der Schuldverschreibungen endet mit Beginn des Tages, an dem sie zur Rückzahlung fällig werden. Sollte die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlösen, endet die Verpflichtung zu Zahlung von Vergütungen auf den ausstehenden Nennbetrag zu dem dann maßgeblichen Vergütungssatz nicht am Fälligkeitstag, sondern erst mit dem Tag der tatsächlichen Rückzahlung der Schuldverschreibungen (ausschließlich).

**§ 5**
**RÜCKZAHLUNG UND RÜCKKAUF**

*(1) Keine Endfälligkeit.*

Die Schuldverschreibungen haben keinen Endfälligkeitstag und werden, außer nach Maßgabe dieses § 5, nicht zurückgezahlt.

*(2) Kündigungsrecht der Emittentin und vorzeitige Rückzahlung aus einem Gross-Up-Ereignis, Kapital-, Steuer- oder Rechnungslegungsgründen.*

Bei Eintritt eines Gross-up-Ereignisses, eines Kapitalereignisses, Rechnungslegungs-ereignisses oder eines Steuerereignisses vor dem • 2017, ist die Emittentin vorbehaltlich § 5(3) berechtigt, die Schuldverschreibungen jederzeit (insgesamt, jedoch nicht teilweise) durch eine unwiderrufliche Benachrichtigung der Anleihegläubiger gemäß § 12 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen zu kündigen und (i) bei Eintritt eines Gross-up-Ereignisses zum Nennbetrag zuzüglich sämtlicher bis zum Rückzahlungstag (ausschließlich) aufgelaufener Vergütungen und (ii) bei Eintritt eines Kapitalereignisses, Rechnungslegungsereignisses oder eines Steuerereignisses zum Vorzeitigen Rückzahlungsbetrag zurückzuzahlen. Der Emittentin steht ein Kündigungsrecht gemäß diesem § 5(2) nicht zu, soweit Vergütungsrückstände ausstehen und nicht nachgezahlt wurden.

Dabei gilt für den Fall eines Gross-up-Ereignisses, dass:

(a) eine solche Kündigungsmitteilung nicht früher als 90 Tage vor dem ersten Tag gemacht werden darf, an dem die Emittentin erstmals verpflichtet wäre, die jeweiligen zusätzlichen Beträge in Ansehung fälliger Beträge auf die Schuldverschreibungen zu zahlen; und

(b) die Emittentin der Hauptzahlstelle vor Abgabe einer solchen Kündigungsmitteilung folgende Dokumente übermittelt bzw. deren Übermittlung veranlasst:

   (i) eine von zwei ordnungsgemäß bevollmächtigten Vertretern der Emittentin unterzeichnete Bescheinigung, die bestätigt, dass die Emittentin berechtigt ist, die maßgebliche Rückzahlung vorzunehmen, und aus der die Tatsachen hervorgehen, auf deren Grundlage die Voraussetzungen für das Rückzahlungsrecht der Emittentin eingetreten sind; sowie

   (ii) ein Gutachten eines angesehenen unabhängigen Rechtsberaters, aus dem hervorgeht, dass die Emittentin verpflichtet ist oder verpflichtet sein wird, die betreffenden zusätzlichen Beträge als Folge eines Gross-up-Ereignisses zu zahlen.

*(3) Absicht der Emittentin im Fall der Kündigung gem. § 5 (2).*

Nach Absicht der Emittentin sollen die Schuldverschreibungen dauerhafter Bestandteil der Konzernfinanzierung der Emittentin sein. Für den Fall der Kündigung und der Rückzahlung gemäß § 5(2) beabsichtigt die Emittentin, die

the Issuer ranking pari passu among themselves and with the Bonds

(6) Cessation of Remuneration Payments.

The Bonds shall cease to bear remuneration from the beginning of the day on which they are due for redemption. If the Issuer shall fail to redeem the Bonds when due, the obligation to pay remuneration shall continue to accrue at the then applicable rate on the outstanding principal amount of the Bonds beyond the due date until (and excluding) actual redemption of the Bonds.

**§ 5**
**REDEMPTION AND PURCHASE**

*(1) No Scheduled Maturity.*

The Bonds have no final maturity date and shall not be redeemed except in accordance with the provisions set out in this § 5.

*(2) Issuer Call Right and Early Redemption due to Gross-Up-Event, Capital Event, Tax or Accounting Reasons.*

If prior to • 2017, either a Gross-up Event or a Capital Event, a Tax Event or an Accounting Event occurs, the Issuer may subject to § 5(3) call and redeem the Bonds (in whole but not in part) (i) in case of a Gross-up Event at their principal amount, plus any remuneration accrued until the redemption date (exclusive) and (ii) in case of a Capital Event, an Accounting or a Tax Event at their Early Redemption Amount at any time on the giving of not less than 30 and not more than 60 days' irrevocable notice to the Bondholders in accordance with § 12. The Issuer shall not be entitled to call and redeem the Bonds in accordance with this § 5(2) if any Arrears of Remuneration are outstanding for which no make-up payment has been made.

In the case of a Gross-up Event:

(a) no such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer would be for the first time obliged to pay the Additional Amounts in question on payments due in respect of the Bonds; and

(b) prior to the giving of any such notice of redemption, the Issuer will deliver or procure that there is delivered to the Principal Paying Agent:

   (i) a certificate signed by any two duly authorised representatives of the Issuer stating that the Issuer is entitled to effect such redemption and setting out a statement of facts showing that the conditions precedent to the exercise of the right of the Issuer to redeem have been satisfied; and

   (ii) an opinion of an independent legal adviser of recognised standing to the effect that the Issuer has or will become obliged to pay the Additional Amounts in question as a result of a Gross-up Event.

*(3) Intention of the Issuer for a Call Right in accordance with § 5 (2).*

It is the intention of the Issuer that the Bonds will constitute permanent funding of the Issuer's group. In case of call and early redemption of the Bonds pursuant to § (5)(2), the Issuer intends to raise proceeds for the pur-

Mittel zur Rückzahlung der Schuldverschreibungen durch die aus Ausgabe neuer Aktien und/oder dem Verkauf eigener Aktien (mit Ausnahme eigener Aktien, welche innerhalb eines Zeitraums von sechs Monaten vor dem betreffenden Zahlungstag gegen Barzahlung erworben wurden) und/oder aus der Begebung von Ersatz-Wertpapieren innerhalb von sechs Monaten vor dem Rückzahlungstag der Schuldverschreibungen zu beschaffen, mit der Maßgabe, dass Änderungen der Bedingungen vorgenommen werden können, damit die zu begebenden Ersatz-Wertpapiere ohne Vorliegen eines Gross-up-Ereignisses, eines Kapitalereignisses, eines Rechnungslegungsereignisses bzw. eines Steuerereignisses hinsichtlich dieser Ersatz-Wertpapiere begeben werden können, wobei derartige Änderungen zur gleichen oder zu einer verbesserten Eigenkapitalanrechnung der so begebenen Ersatz-Wertpapiere führen müssen.

poses of redemption of the Bonds through the issuance of new shares and/or the sale of treasury shares (save for treasury shares which have been acquired against cash within a period of six months before the relevant payment date) and/or through the issuance of Replacement Securities, within a period of 6 months prior to the redemption date of the Bonds, provided that modifications may be made to the terms and conditions so that the Replacement Securities to be issued may be issued without there being a Gross-up Event or a Capital Event or an Accounting Event or a Tax Event with regard to such Replacement Securities, as the case may be, and further provided that such modifications shall result in the same or a more equity-like treatment of the Replacement Securities so issued.

(4) Der ***Vorzeitige Rückzahlungsbetrag*** entspricht (i) im Falle eines Gross-up Ereignisses dem Nennbetrag der Schuldverschreibungen zuzüglich bis zum Rückzahlungstag (ausschließlich) aufgelaufener Vergütungen bzw. (ii) im Falle eines Kapitalereignisses, eines Steuerereignisses, eines Rechnungslegungsereignisses oder einer Kündigung nach § 5(8) dem Nennbetrag der Schuldverschreibungen oder, falls höher, dem Abgezinsten Marktpreis (wie nachstehend definiert) der Schuldverschreibungen, in jedem dieser Fälle zuzüglich bis zum Rückzahlungstag (ausschließlich) aufgelaufener Vergütungen.

(4) The ***Early Redemption Amount*** will (i) upon the occurrence of a Gross-up Event, equal the principal amount of the Bonds, plus accrued remuneration until the date of redemption (exclusive) or (ii) upon the occurrence of a Capital Event, Tax Event, an Accounting Event or a redemption pursuant to § 5 (8), be calculated as the greater of the principal amount of the Bonds and the Make-Whole Amount (as defined below) of the Bonds, in each case, plus accrued remuneration until the date of redemption (exclusive).

Der ***Abgezinste Marktpreis*** wird von der Berechnungsstelle errechnet und entspricht der Summe(i) der auf den Rückzahlungstag Abgezinsten Werte (wie nachstehend definiert) des Nennbetrages der Schuldverschreibungen und (ii) der bis zum • 2017 (ausschließlich) verbleibenden vorgesehenen Vergütungszahlungen auf die Schuldverschreibungen.

The ***Make-Whole Amount*** will be calculated by the Calculation Agent, and will equal the sum of (i) the Present Values (as defined below) on the date of redemption of the principal amount of the Bonds and (ii) the remaining scheduled payments of remuneration on the Bonds to but excluding • 2017.

Die ***Abgezinsten Werte*** werden von der Berechnungsstelle errechnet, indem der Nennbetrag der Schuldverschreibungen und bis zum • 2017 verbleibende Vergütungszahlungen auf die Schuldverschreibungen auf jährlicher Basis, unter Zugrundelegung eines Jahres mit 365 bzw. 366 Tagen und der Zahl der tatsächlich in dem Jahr verstrichenen Tage und der Angepassten Vergleichbaren Rendite (wie nachstehend definiert) zuzüglich • %, abgezinst werden.

The ***Present Values*** will be calculated by the Calculation Agent by discounting the principal amount of the Bonds and the remaining remuneration payments to • 2017 on an annual basis, assuming a 365-day year or a 366-day year, as the case may be, and the actual number of days elapsed in such year and using the Adjusted Comparable Yield (as defined below) plus •%.

Die ***Angepasste Vergleichbare Rendite*** entspricht der am Rückzahlungs-Berechnungstag (wie nachstehend definiert) bestehenden Rendite einer von der Berechnungsstelle, im Einvernehmen mit der Emittentin, ausgewählten Euro-Referenz-Anleihe mit einer mit der verbleibenden Laufzeit der Schuldverschreibungen bis zum • 2017 vergleichbaren Laufzeit. Dabei handelt es sich um die Rendite einer solchen Euro-Referenz-Anleihe, die im Zeitpunkt der Auswahlentscheidung und entsprechend der üblichen Finanzmarktpraxis zur Preisbestimmung bei Neuemissionen von Unternehmensanleihen mit einer mit dem Zeitraum bis zum • 2017 vergleichbaren Laufzeit verwendet würde.

The ***Adjusted Comparable Yield*** will be the yield at the Redemption Calculation Date (as defined below) on the euro benchmark security selected by the Calculation Agent, after consultation with the Issuer, as having a maturity comparable to the remaining term of the Bonds to • 2017 that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to • 2017.

***Rückzahlungs-Berechnungstag*** ist der dritte Geschäftstag vor dem Tag, an dem die Schuldverschreibungen nach Wahl der Emittentin infolge eines Kapitalereignisses, Steuerereignisses oder Rechnungslegungsereignisses zurückgezahlt werden.

***Redemption Calculation Date*** means the third Business Day prior to the date on which the Bonds are redeemed at the option of the Issuer as a result of a Capital Event or a Tax Event or an Accounting Event.

*(5) Kündigung und vorzeitige Rückzahlung nach Wahl der Emittentin.*

*(5) Issuer Call Right and Early Redemption at the option of the Issuer.*

Die Emittentin kann die Schuldverschreibungen vorbehaltlich § 5(6) am • 2017 oder an jedem danach folgenden Variablen Vergütungszahlungstag vollständig, aber nicht in Teilbeträgen nach unwiderruflicher Kündigungsmitteilung an die Anleihegläubiger gemäß § 12 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr

Subject to § 5(6), the Issuer may call and redeem the Bonds (in whole but not in part) on • 2017 or on any Floating Remuneration Payment Date thereafter at their principal amount, plus any remuneration accrued until the redemption date (exclusive) on the giving of not less than 30 and not more than 60 days' irrevocable notice of reals 60 Tagen zum Nennbetrag zuzüglich sämtlicher bis zum Rückzahlungstag (ausschließlich) aufgelaufener Vergütungen kündigen und zurückzahlen. Der Emittentin steht ein Kündigungsrecht gemäß diesem § 5(5) nicht zu, soweit Vergütungsrückstände ausstehen und nicht nachgezahlt wurden. Eine solche Kündigungsmitteilung verpflichtet die Emittentin, die Schuldverschreibungen am • 2017 oder an dem in dieser Kündigungsmitteilung angegebenen Variablen Vergütungszahlungstag zu ihrem Nennbetrag, nebst Vergütungen, die bis zu diesem Tag aufgelaufen sind, zurückzuzahlen.

(6) *Absicht der Emittentin im Fall der Kündigung gem. § 5 (5).*

Nach Absicht der Emittentin sollen die Schuldverschreibungen dauerhafter Bestandteil der Konzernfinanzierung der Emittentin sein. Für den Fall der Kündigung und der Rückzahlung gemäß § 5(5) beabsichtigt die Emittentin, die Mittel zur Rückzahlung der Schuldverschreibungen durch die aus Ausgabe neuer Aktien und/oder dem Verkauf eigener Aktien (mit Ausnahme eigener Aktien, welche innerhalb eines Zeitraums von sechs Monaten vor dem betreffenden Zahlungstag gegen Barzahlung erworben wurden) und/oder aus der Begebung von Ersatz-Wertpapieren innerhalb von sechs Monaten vor dem Rückzahlungstag der Schuldverschreibungen zu beschaffen.

*(7) Rückkauf.*

Die Emittentin oder Konzerngesellschaften können jederzeit Schuldverschreibungen zu jedem beliebigen Preis kaufen. Derartig erworbene Schuldverschreibungen können eingezogen, gehalten oder wieder veräußert werden.

*(8) Kündigung und vorzeitige Rückzahlung bei geringfügigem ausstehenden Nennbetrag.*

Wenn durch Rückkäufe der Emittentin oder Konzerngesellschaften zu irgendeinem Zeitpunkt der auf die Schuldverschreibungen ausstehende Nennbetrag 25 % oder weniger des in § 2(1) genannten Gesamtnennbetrags der Schuldverschreibungen beträgt, kann die Emittentin die Schuldverschreibungen vollständig, aber nicht in Teilbeträgen nach unwiderruflicher Kündigungsmitteilung an die Anleihegläubiger gemäß § 12 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen zum Vorzeitigen Rückzahlungsbetrag kündigen und zurückzahlen. Der Emittentin steht ein Kündigungsrecht gemäß diesem § 5(8) nicht zu, soweit Vergütungsrückstände ausstehen und nicht nachgezahlt wurden.

*(9) Kündigung und vorzeitige Rückzahlung bei Kontrollwechsel.*

Bei Eintritt eines Kontrollwechsels kann die Emittentin die Schuldverschreibungen vollständig, aber nicht in Teilbeträgen nach unwiderruflicher Kündigungsmitteilung an die Anleihegläubiger gemäß § 12 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen zum Nennbetrag der Schuldverschreibungen zuzüglich bis zum Rückzahlungstag (ausschließlich) aufgelaufener Vergütungen mit Wirkung bis spätestens 60 Tage nach Eintritt eines Kontrollwechsels kündigen und zurückzahlen. Der Emittentin steht ein Kündigungsrecht gemäß diesem § 5(9) nicht zu, soweit Vergütungsrückstände ausstehen und nicht nachgezahlt wurden. Die Emittentin hat den Anleihegläubigern den Eintritt eines Kontrollwechsels unverzüglich gemäß § 12 anzuzeigen.

## § 6
## ZAHLUNGEN

*(1) Zahlung von Kapital und Vergütungen.*

Die Emittentin verpflichtet sich, Kapital und Vergütungen auf die Schuldverschreibungen sowie alle sonstigen auf

demption to the Bondholders in accordance with § 12. The Issuer shall not be entitled to call and redeem the Bonds in accordance with this § 5(5) if any Arrears of Remuneration are outstanding for which no make-up payment has been made. Such notice of redemption shall oblige the Issuer to redeem the Bonds on • 2017 or the Floating Remuneration Payment Date specified in that notice at the principal amount, plus accrued remuneration to that date.

*(6) Intention of the Issuer for a Call Right in accordance with § 5 (5).*

It is the intention of the Issuer that the Bonds will constitute permanent funding of the Issuer's group. In case of call and early redemption of the Bonds pursuant to § (5)(5), the Issuer intends to raise proceeds for the purposes of redemption of the Bonds through the issuance of new shares and/or the sale of treasury shares (save for treasury shares which have been acquired against cash within a period of six months before the relevant payment date) and/or through the issuance of Replacement Securities, within a period of 6 months prior to the redemption date of the Bonds.

*(7) Purchase.*

The Issuer or any Group Entity may at any time purchase Bonds at any price. Such acquired Bonds may be cancelled, held or resold.

(8) Issuer Call Right and Early Redemption in case of small outstanding principal amount.

If, by reason of purchases made by the Issuer or Group Entities, the outstanding principal amount of the Bonds has fallen at any time below 25 % or less of the aggregate principal amount of the Bonds set forth in § 2(1), the Issuer may call and redeem the Bonds (in whole but not in part) at their Early Redemption Amount on the giving of not less than 30 and not more than 60 days' irrevocable notice to the Bondholders in accordance with § 12. The Issuer shall not be entitled to call and redeem the Bonds in accordance with this § 5(8) if any Arrears of Remuneration are outstanding for which no make-up payment has been made.

*(9) Issuer Call Right and Early Redemption in case of Change of Control.*

If a Change of Control has occurred, the Issuer may call and redeem the Bonds (in whole but not in part) at their principal amount, plus any remuneration accrued until the redemption date (exclusive) on the giving of not less than 30 and not more than 60 days' irrevocable notice to the Bondholders in accordance with § 12 with the redemption becoming effective no later than 60 days following the occurrence of a Change of Control. The Issuer shall not be entitled to call and redeem the Bonds in accordance with this § 5(9) if any Arrears of Remuneration are outstanding for which no make-up payment has been made. Immediately after the occurrence of a Change of Control the Issuer has to publish a notice to the Bondholders in accordance with § 12.

## § 6
## PAYMENTS

*(1) Payment of Principal and Remuneration.*

The Issuer undertakes to pay, as and when due, principal and remuneration as well as all other amounts payable die Schuldverschreibungen zahlbaren Beträge bei Fälligkeit in Euro zu zahlen. Die Zahlung von Kapital und Vergütungen erfolgt an die Hauptzahlstelle zur Weiterleitung an das Clearingsystem oder an dessen Order zur Gutschrift für die jeweiligen Kontoinhaber gegen Vorlage und (sofern es sich um die Kapitalrückzahlung handelt) Einreichung der Globalurkunden. Die Zahlung an das Clearingsystem oder an dessen Order, vorausgesetzt, die Schuldverschreibungen werden noch durch das Clearingsystem gehalten, befreit die Emittentin in Höhe der geleisteten Zahlung von ihren entsprechenden Verbindlichkeiten aus den Schuldverschreibungen.

*(2) Fälligkeitstag kein Geschäftstag.*

Falls ein Fälligkeitstag für die Zahlung von Kapital und/oder Vergütungen kein Geschäftstag ist, erfolgt die Zahlung, außer im Fall des § 4(2)(b), erst am nächstfolgenden Geschäftstag; Anleihegläubiger sind nicht berechtigt, Zinsen oder eine andere Entschädigung wegen eines solchen Zahlungsaufschubs zu verlangen.

**§ 7**
**STEUERN**

*(1)* Sämtliche Zahlungen von Kapital und Vergütungen in Bezug auf die Schuldverschreibungen werden ohne Einbehalt oder Abzug von Steuern, Abgaben, Festsetzungen oder behördlichen Gebühren jedweder Art geleistet, die von der Republik Österreich oder einer ihrer Gebietskörperschaften oder Behörden mit der Befugnis zur Erhebung von Steuern auferlegt, erhoben, eingezogen, einbehalten oder festgesetzt werden, es sei denn, ein solcher Einbehalt oder Abzug ist gesetzlich vorgeschrieben. In einem solchen Falle wird die Emittentin, vorbehaltlich der Bestimmungen dieses Absatzes (1) und des nachfolgenden Absatzes (2) solche zusätzlichen Beträge (die ***Zusätzlichen Beträge)*** zahlen, so dass die Anleihegläubiger die Beträge erhalten, die sie ohne Einbehalt oder Abzug erhalten hätten. Zusätzliche Beträge sind jedoch nicht in Bezug auf Schuldverschreibungen zahlbar,

(a) die von einem Anleihegläubiger oder in dessen Namen zur Zahlung vorgelegt werden, der solchen Steuern, Abgaben, Festsetzungen oder behördlichen Gebühren in Bezug auf diese Schuldverschreibungen deshalb unterliegt, weil er eine Verbindung zu der Republik Österreich hat, die nicht nur aus der bloßen Inhaberschaft der Schuldverschreibungen besteht; oder

(b) die von einem Anleihegläubiger oder in dessen Namen zur Zahlung vorgelegt werden, der einen solchen Einbehalt oder Abzug nach rechtzeitiger Aufforderung durch die Emittentin durch Vorlage eines Formulars oder einer Urkunde und/oder durch Abgabe einer Nichtansässigkeits-Erklärung oder Inanspruchnahme einer vergleichbaren Ausnahme oder Geltendmachung eines Erstattungsanspruches hätte vermeiden können; oder

(c) die später als 30 Tage nach dem Tag vorgelegt werden an dem die betreffende Zahlung erstmals fällig wird, oder, falls nicht der gesamte an diesem Fälligkeitstag zahlbare Betrag an oder vor diesem Fälligkeitstag bei der Hauptzahlstelle eingegangen ist, dem Tag, an dem den Anleihegläubigern der Erhalt des Gesamtbetrags nach Maßgabe des § 12 bekannt gemacht wurde; oder

(d) im Hinblick auf Abzüge oder Einbehalte aufgrund (i) der Richtlinie des Rates 2003/48/EC oder einer anderen Richtlinie der Europäischen Union, welche die Beschlüsse der Versammlung des Rates der Wirtschafts- und Finanzminister der Europäischen Union (ECOFIN) vom 26. bis 27. November 2000 betreffend die Besteu-

on the Bonds in euro. Payment of principal and remuneration on the Bonds shall be made to the Principal Paying Agent for on-payment to the Clearing System or to its order for credit to the respective account holders upon presentation and (in the case of the payment in respect of principal) surrender of the Global Bonds. Payments to the Clearing System or to its order shall, to the extent of amounts so paid and provided the Bonds are still held on behalf of the Clearing System, constitute the discharge of the Issuer from its corresponding obligations under the Bonds.

*(2) Due Date not a Business Day.*

Except as otherwise provided in § 4(2)(b), if the due date for any payment of principal and/or remuneration is not a Business Day, payment shall be effected only on the next Business Day; a Bondholder shall have no right to claim payment of any additional interest or other indemnity in respect of such delay in payment.

**§ 7**
**TAXATION**

*(1)* All payments of principal and remuneration in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Austria or any political subdivision or any authority of or in the Republic of Austria that has power to tax, unless such withholding or deduction is required by law. In such event, the Issuer will pay, subject to the provisions of this paragraph (1) and of paragraph (2) below, such additional amounts (the ***Additional Amounts***) as will result in receipt by the Bondholders of the same amounts as they would have received if no such withholding or deduction had been required, except that no Additional Amounts will be payable in respect of any Bond which:

(a) is presented for payment by or on behalf of a Bondholder who is liable to pay such taxes, duties, assessments or governmental charges in respect of such Bond by reason of it having some connection with the Republic of Austria other than the mere holding of that Bond; or

(b) is presented for payment by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting any form or certificate and/or making a declaration of non-residence or similar claim for exemption or refund upon timely request by the Issuer; or

(c) is presented for payment more than 30 days after the date on which the payment in question first becomes due or, if the full amount payable on such due date has not been received by the Principal Paying Agent on or prior to such due date, the date on which notice of receipt of the full amount has been given to the Bondholders in accordance with § 12; or

(d) with respect to deduction or withholdings made pursuant to (i) European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26- 27 November 2000 on the taxation of savings income, (ii) any international treaty or understanding relating to such taxaerung von Zinserträgen umsetzt oder (ii) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der die Republik Österreich oder die Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die eine solche Richtlinie, Verordnung oder Vereinbarung umsetzt oder befolgt; oder

(e) die von einem Anleihegläubiger oder in dessen Namen zur Zahlung vorgelegt werden, der diesen Einbehalt oder Abzug durch Vorlage der Schuldverschreibung bei einer Zahlstelle in einem anderen Mitgliedstaat der Europäischen Union hätte vermeiden können.

Die österreichische Kapitalertragssteuer ist keine Steuer, für die seitens der Emittentin Zusätzliche Beträge zu zahlen sind.

*(2)* Eine Bezugnahme in diesen Anleihebedingungen auf Kapital oder Vergütungen schließt jegliche zusätzlichen Beträge im Hinblick auf Kapital bzw. Vergütungen ein, die gemäß diesem § 7 zahlbar sind.

**§ 8**
**KÜNDIGUNGSGRÜNDE**

Ein Anleihegläubiger kann seine Schuldverschreibungen durch schriftliche Mitteilung an die Emittentin, die bei der Emittentin oder bei der Hauptzahlstelle abzugeben ist, kündigen, woraufhin seine Schuldverschreibungen sofort zu ihrem Nennbetrag, zusammen mit aufgelaufenen Vergütungen und allen ausstehenden Vergütungsrückständen, ohne weitere Handlungen oder Formalitäten fällig und zahlbar werden, wenn die Emittentin in die Liquidation geht und abgewickelt oder aufgelöst wird (sofern dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht, bei dem bzw. der die Emittentin noch zahlungsfähig ist und bei dem bzw. der die fortführende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin übernimmt).

**§ 9**
**VERJÄHRUNG**

Die Verjährungsfrist aus Ansprüchen auf das Kapital beträgt zehn Jahre. Die Verjährungsfrist aus Ansprüchen auf Vergütungen beträgt drei Jahre.

**§ 10**
**ZAHLSTELLEN UND BERECHNUNGSSTELLE**

*(1) Hauptzahlstelle.*

Die Deutsche Bank Aktiengesellschaft ist die anfängliche Hauptzahlstelle ***(Hauptzahlstelle)***.

*(2) Österreichische Zahlstelle.*

Die Erste Bank der oesterreichischen Sparkassen AG ist als weitere Zahlstelle (gemeinsam mit der Hauptzahlstelle, die ***Zahlstellen,*** und jede eine ***Zahlstelle)*** bestellt.

*(3) Berechnungsstelle.*

Die Deutsche Bank Aktiengesellschaft ist die anfängliche Berechnungsstelle ***(Berechnungsstelle)***.

*(4) Rechtsverhältnisse der Zahlstellen und der Berechnungsstelle.*

Die Hauptzahlstelle bzw. gegebenenfalls weitere Zahlstellen und die Berechnungsstelle handeln ausschließlich als Beauftragte der Emittentin und übernehmen keine Verpflichtungen gegenüber den Anleihegläubigern; es wird kein Vertrags-, Auftrags- oder Treuhandverhältnis zwischen ihnen und den Anleihegläubigern begründet.

tion and to which the Republic of Austria or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding; or

(e) by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the Bond to a Paying Agent in another Member State of the European Union.

Austrian withholding tax (*Kapitalertragssteuer*) does not constitute tax for which the Issuer is obliged to pay Additional Amounts.

*(2)* Any reference in these Conditions of Issue to principal or remuneration will be deemed to include any Additional Amounts in respect of principal or remuneration (as the case may be) which may be payable under this § 7 .

**§ 8**
**EVENTS OF DEFAULT**

Any Bondholder may, by written notice addressed to the Issuer and delivered to the Issuer or the Principal Paying Agent, declare its Bonds due and payable, whereupon such Bonds shall become immediately due and payable at their principal amount together with accrued remuneration thereon including all outstanding Arrears of Remuneration without further action or formality, if the Issuer enters into a liquidation and winding up or dissolution (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer).

**§ 9**
**LIMITATION**

The limitation period shall be ten years in respect of principal and three years in respect of remuneration on the Bonds.

**§ 10**
**PAYING AGENTS AND CALCULATION AGENT**

*(1) Principal Paying Agent.*

Deutsche Bank Aktiengesellschaft shall be the initial principal paying agent (***Principal Paying Agent***).

*(2) Austrian Paying Agent.*

Erste Bank der oesterreichischen Sparkassen AG shall be appointed as additional paying agent (together with the Principal Paying Agent, the ***Paying Agents***, and each a ***Paying Agent***).

*(3) Calculation Agent.*

Deutsche Bank Aktiengesellschaft shall be the initial calculation agent (***Calculation Agent***).

*(4) Paying Agents and Calculation Agent Legal Matters.*

The Principal Paying Agent, any additional Paying Agents, if any, and the Calculation Agent act solely as agents of the Issuer and do not assume any obligations towards or relationship of contract, agency or trust for or with any of the Bondholders.

*(5) Ersetzung von Zahlstellen und Berechnungsstelle.*

Die Emittentin behält sich das Recht vor, jederzeit eine andere Zahlstelle oder Berechnungsstelle zu beauftragen oder eine solche Beauftragung zu beenden und zusätzliche oder Nachfolge-Zahlstellen bzw. Berechnungsstellen zu ernennen. Die Emittentin wird jedoch gewährleisten, dass, solange die Schuldverschreibungen an einer Börse notiert sind, jederzeit eine Zahlstelle in dem Staat beauftragt ist, in dem die Börse ihren Sitz hat. Die Emittentin wird auch sicherstellen, dass für den Fall, dass im Hinblick auf die Richtlinie der Europäischen Union zur Besteuerung privater Zinserträge vom 3. Juni 2003, ein Gesetz, das diese Richtlinie umsetzt oder eingeführt wird, um dieser Richtlinie nachzukommen, erlassen wird, eine Zahlstelle in einem Mitgliedstaat der Europäischen Union unterhalten wird (sofern es eine derartige gibt), die nicht dazu verpflichtet ist, Steuern aufgrund dieser Richtlinie oder eines solchen Gesetzes an der Quelle einzubehalten oder abzuziehen. Den Anleihegläubigern werden Änderungen in Bezug auf die Zahlstellen oder die Berechnungsstelle oder ihre jeweils angegebenen Geschäftsstellen umgehend gemäß § 12 mitgeteilt.

*(5) Replacement of Paying Agents and Calculation Agent.*

The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent or the Calculation Agent and to appoint successor or additional Paying Agents or a successor Calculation Agent, provided that, for as long as the Bonds are listed on any stock exchange, the Issuer will at all times maintain a Paying Agent in the jurisdiction in which such stock exchange is located; and provided further that if, in light of the European Union Directive on the taxation of savings of 3 June 2003, any law implementing or introduced in order to conform to such Directive is introduced, the Issuer will ensure that (to the extent that such a Paying Agent exists) it maintains a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to this Directive or any such law. Notice of any change in the Paying Agents or Calculation Agent or in the specified office of any Paying Agent or the Calculation Agent will be given without undue delay to the Bondholders in accordance with § 12.

## § 11
## AUFSTOCKUNG

Die Emittentin kann ohne Zustimmung der Anleihegläubiger weitere Schuldverschreibungen begeben, die in jeder Hinsicht (oder in jeder Hinsicht mit Ausnahme der ersten Vergütungszahlung) die gleichen Bedingungen wie die Schuldverschreibungen dieser Anleihe haben und die zusammen mit den Schuldverschreibungen dieser Anleihe eine einzige Serie bilden.

## § 11
## INCREASE

The Issuer may, from time to time and without the consent of the Bondholders create and issue further bonds having the same Conditions of Issue as the Bonds in all respects (or in all respects, except for the first payment of remuneration) so as to form a single series with the Bonds.

## § 12
## MITTEILUNGEN

(1) Falls die Schuldverschreibungen zum Handel an einer oder mehreren Börsen zugelassen werden, gelten sämtliche Mitteilungen an die Anleihegläubiger als ordnungsgemäß bekannt gemacht, wenn sie in dem Staat einer jeden Wertpapierbörse, an der die Schuldverschreibungen notiert werden, in einer Tageszeitung mit landesweiter Verbreitung veröffentlicht werden, solange diese Notierung fortdauert und die Regeln der jeweiligen Börse dies erfordern. Jede Mitteilung gilt mit dem Tag der ersten Veröffentlichung als bekannt gemacht; falls eine Veröffentlichung in mehr als einer Tageszeitung vorgeschrieben ist, ist der Tag maßgeblich, an dem die Bekanntmachung erstmals in allen erforderlichen Tageszeitungen erfolgt ist.

(2) Mitteilungen an die Anleihegläubiger können anstelle der Veröffentlichung in einer Zeitung nach Maßgabe des § 12(1), (vorbehaltlich anwendbarer Börsenvorschriften bzw. -regeln) solange *eine die Schuldverschreibungen verbriefende* Globalurkunde für das Clearingsystem gehalten wird, durch Abgabe der entsprechenden Mitteilung an das Clearingsystem zur Weiterleitung an die Anleihegläubiger ersetzt werden.

## § 12
## NOTICES

(1) If the Bonds are admitted for trading on any stock exchange, notices to the Bondholders will be valid if published in a leading daily newspaper having general circulation in the jurisdiction of any stock exchange on which the Bonds may be listed from time to time, for so long as the Bonds are listed on the respective exchange and the rules of any such exchange so require. Any such notice shall be deemed to have been given on the date of the first publication or, when required to be published in more than one newspaper, on the date on which the notice has first been published in all required newspapers.

(2) Notices to Bondholders may (subject to applicable stock exchange rules and requirements), so long as any Global Bond representing the Bonds is held on behalf of the Clearing System, be given *in lieu* of publication in a newspaper pursuant to § 12(1) by delivery of the relevant notice to the Clearing System for communication to the Bondholders.

## § 13
## ERSETZUNG

*(1) Ersetzung.*

Die Emittentin ist jederzeit berechtigt, ohne Zustimmung der Anleihegläubiger, eine andere Gesellschaft, die direkt oder indirekt von der Emittentin kontrolliert wird, als neue Anleiheschuldnerin für alle sich aus oder im Zusammenhang mit den Schuldverschreibungen ergebenden Verpflichtungen mit schuldbefreiender Wirkung für die Emittentin an die Stelle der Emittentin zu setzen (die ***Neue Anleiheschuldnerin***), sofern

## § 13
## SUBSTITUTION

*(1) Substitution.*

The Issuer may at any time, without the consent of the Bondholders, substitute for the Issuer any other company which is directly or indirectly controlled by the Issuer, as new issuer (the ***New Issuer***) in respect of all obligations arising under or in connection with the Bonds, with the effect of releasing the Issuer of all such obligations, if:

(a) die Emittentin sich nicht mit einer fälligen Zahlung auf die Schuldverschreibungen in Verzug befindet;

(b) die Neue Anleiheschuldnerin sämtliche Verpflichtungen der Emittentin aus oder im Zusammenhang mit den Schuldverschreibungen übernimmt;

(c) die Neue Anleiheschuldnerin sämtliche für die Schuldnerersetzung und die Erfüllung der Verpflichtungen aus oder im Zusammenhang mit den Schuldverschreibungen erforderlichen Genehmigungen erhalten hat;

(d) die Neue Anleiheschuldnerin in der Lage ist, sämtliche zur Erfüllung der aufgrund der Schuldverschreibungen bestehenden Zahlungsverpflichtungen erforderlichen Beträge in Euro an das Clearingsystem zu zahlen, und zwar ohne Abzug oder Einbehalt von Steuern oder sonstigen Abgaben jedweder Art, die von dem Land (oder den Ländern), in dem (in denen) die Neue Anleiheschuldnerin ihren Sitz oder Steuersitz hat, auferlegt, erhoben oder eingezogen werden;

(e) die Neue Anleiheschuldnerin oder die Emittentin sich verpflichtet haben, die Anleihegläubiger hinsichtlich solcher Steuern, Abgaben oder behördlicher Gebühren freizustellen, die den Anleihegläubigern bezüglich der Ersetzung auferlegt werden;

(f) die Emittentin unbedingt und unwiderruflich die Verpflichtungen der Neuen Anleiheschuldnerin garantiert oder einen Ergebnisübernahmevertrag mit der Neuen Anleiheschuldnerin abgeschlossen oder die ordnungsgemäße Erfüllung der Verpflichtungen sonst in vollem Umfang wirtschaftlich sichergestellt hat; und

(g) der Hauptzahlstelle ein oder mehrere Rechtsgutachten von anerkannten Rechtsanwälten vorgelegt werden, die bestätigen, dass die Voraussetzungen in den vorstehenden Unterabsätzen (b) bis (f) erfüllt wurden.

*(2) Bezugnahmen.*

Im Fall einer Schuldnerersetzung nach Maßgabe von § 13(1) gilt jede Bezugnahme in diesen Anleihebedingungen auf die Emittentin als eine solche auf die Neue Anleiheschuldnerin und jede Bezugnahme auf die Republik Österreich als eine solche auf den Staat, in welchem die Neue Anleiheschuldnerin steuerlich ansässig ist.

*(3) Bekanntmachung und Wirksamwerden der Ersetzung.*

Die Ersetzung der Emittentin ist gemäß § 12 bekannt zu machen. Mit der Bekanntmachung der Ersetzung wird die Ersetzung wirksam und die Emittentin (und im Falle einer wiederholten Anwendung dieses § 13 jede frühere Neue Anleiheschuldnerin) von ihren sämtlichen Verpflichtungen aus oder im Zusammenhang mit den Schuldverschreibungen frei. Im Falle einer solchen Ersetzung werden die Wertpapierbörsen informiert, an denen die Schuldverschreibungen notiert sind.

(a) the Issuer is not in default of any payment due under the Bonds;

(b) the New Issuer assumes any and all obligations of the Issuer arising under or in connection with the Bonds;

(c) the New Issuer has obtained all authorisations and approvals necessary for the substitution and the fulfillment of the obligations arising under or in connection with the Bonds;

(d) the New Issuer is in the position to pay to the Clearing System in euro and without deducting or withholding any taxes or other duties of whatever nature imposed, levied or deducted by the country (or countries) in which the New Issuer has its domicile or tax residence all amounts required for the performance of the payment obligations arising from or in connection with the Bonds;

(e) the New Issuer or the Issuer has agreed to indemnify the Bondholders against such taxes, duties or governmental charges as may be imposed on the Bondholders in connection with the substitution;

(f) the Issuer has unconditionally and irrevocably guaranteed the obligations of the New Issuer or has entered into a profit and loss assumption agreement with the New Issuer or has ensured proper and full performance of the obligations by other economic means; and

(g) there shall have been delivered to the Principal Paying Agent an opinion or opinion of lawyers of recognised standing to the effect that subparagraphs (b) to (f) above have been satisfied.

*(2) References*

In the event of a substitution pursuant to § 13(1), any reference in these Conditions of Issue to the Issuer shall be a reference to the New Issuer and any reference to the Republic of Austria shall be a reference to the New Issuer's country of domicile for tax purposes.

*(3) Notice and Effectiveness of Substitution.*

Notice of any substitution of the Issuer shall be given by publication in accordance with § 12. Upon such publication, the substitution shall become effective, and the Issuer and in the event of a repeated application of this § 13, any previous New Issuer shall be discharged from any and all obligations under or in connection with the Bonds. In case of such substitution, the stock exchange(s), if any, on which the Bonds are then listed will be notified.

## § 14
## ANWENDBARES RECHT UND GERICHTSSTAND

*(1) Anwendbares Recht.*

Form und Inhalt der Schuldverschreibungen sowie die Rechte und Pflichten der Anleihegläubiger und der Emittentin bestimmen sich ausschließlich nach österreichischem Recht.

*(2) Erfüllungsort.*

Erfüllungsort ist Wien, Republik Österreich.

*(3) Gerichtsstand.*

Die Emittentin vereinbart zugunsten der Anleihegläubiger, dass Wien der Gerichtsstand für alle Klagen, Verfahren oder Rechtsstreitigkeiten gegen die Emittentin, die aus

## § 14
## GOVERNING LAW AND JURISDICTION

*(1) Governing law.*

The form and contents of the Bonds and the rights and obligations of the Bondholders and the Issuer shall be governed exclusively by, and construed in accordance with, Austrian law.

*(2) Place of Performance.*

Place of performance is Vienna, Republic of Austria.

*(3) Jurisdiction.*

The Issuer agrees for the benefit of the Bondholders that the courts of Vienna shall have jurisdiction to hear and determine any suit, action or proceedings and to settle oder im Zusammenhang mit den Schuldverschreibungen entstehen (jeweils ***Verfahren*** bzw. ***Streitigkeiten)***, ist. Die Emittentin erkennt diesen Gerichtsstand zu diesem Zweck unwiderruflich an.

*(4) Nichtausschließlichkeit.*

Die Gerichtsstandsvereinbarung beschränkt nicht das Recht eines Anleihegläubigers (und wird auch nicht dahingehend ausgelegt), Verfahren vor einem anderen zuständigen Gericht anzustrengen. Ebenso wenig schließt die Einleitung von Verfahren an einem oder mehreren Gerichtsständen die Einleitung von Verfahren an einem anderen Gerichtsstand aus (gleichgültig, ob diese gleichzeitig geführt werden oder nicht), falls und soweit dies rechtlich zulässig ist.

**§ 15**
**SPRACHE**

Diese Anleihebedingungen sind in deutscher Sprache abgefasst und mit einer Übersetzung in die englische Sprache versehen. Der deutsche Wortlaut ist allein rechtsverbindlich. Die englische Übersetzung ist unverbindlich.

any disputes which may arise out of or in connection with the Bonds (respectively, ***Proceedings*** and ***Disputes***) and, for that purpose, the Issuer irrevocably submits to the jurisdiction of the courts of Vienna.

*(4) Non-exclusivity.*

The submission to the jurisdiction of the courts of Vienna shall not (and shall not be construed so as to) limit the right of any Bondholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

**§ 15**
**LANGUAGE**

These Conditions of Issue are drawn up in the German language and provided with an English language translation. The German version shall be the only legally binding version. The English translation is for convenience only.

# GENERAL INFORMATION ABOUT THE ISSUER

## General

The Issuer's legal name is Wienerberger AG. The Issuer's commercial name is "Wienerberger". The Issuer is registered at the Commercial Court in Vienna (Handelsgericht Wien) under the registration number FN 77676 f. The Issuer was first registered on 9 April 1869. The Issuer is a stock corporation (Aktiengesellschaft) incorporated under the laws of Austria with its registered seat in Vienna, Austria and its business address at A-1100 Vienna, Wienerberg City, Wienerbergstrasse 11. The telephone number of the Issuer is + 43 (1) 60192-0.

## History and Development

In 1819 Alois Miesbach founded the business which today is Wienerberger in Vienna, Austria. Following rapid expansion during the nineteenth century, Wienerberger had gained leadership in brick production within the Austo-Hungarian Empire. After World War II, Wienerberger was forced to confine its operations to Austria due to the geopolitical situation. In 1986, Wienerberger expanded beyond the Austrian borders through the acquisition of the Oltmanns group, a brick manufacturer in Germany with one hollow brick plant and three facing brick plants. In 1990, the Group entered the Eastern European markets through an acquisition in Hungary which was followed by acquisitions in the Czech Republic, Slovakia and Poland. Within 20 years, the Group has grown from a small local Austrian building material player to the world's largest brick producer with brick production facilities in 24 countries, sales operations in two additional countries and a leadership position in most of the brick markets in which it operates.

In mid-1990s, the Group started to focus on its core brick activities, as well as related building products such as its pipes and roofing investments. This new strategy was implemented through disposition of non-core assets and acquisition of additional core assets. For example, in 1997 the Group sold Treibacher Abrasives, a producer of abrasives, and in 2000 the Group sold Treibacher Industrie AG, a producer of metallurgy powders. In 2003, the Group disposed of its clay pipe business, Steinzeug Abwassersysteme GmbH.

By late 1990s, the Group's strategy became to focus on its core brick and roof tile businesses by achieving leading positions in important markets through acquisitions and greenfield projects. In furtherance of this strategy, the Group made the following acquisitions:

- In 1995, the Group acquired the Sturm group in Eastern France consisting of 16 plants producing hollow bricks, roof tiles and concrete products. The acquisition enabled the Group to enter the French market.
- In 1996, the Group acquired the operations of Terca Bricks, N.V. ("Terca") in Belgium, the Netherlands, France and Germany from Koramic. At the time, Terca was the largest producer of facing bricks in Continental Europe with 29 plants.
- In 1996, the Group made a 51 % majority investment (later increased to 75 %) in Semmelrock SB Baustoff Industrie GmbH ("Semmelrock"), a producer of concrete pavers with operations in Austria, Hungary, Slovakia, Poland and Croatia.
- In 1999, the Group entered the U. S. market through the acquisition of General Shale, the second largest U. S. facing brick producer based on volumes, with 25 factories in the Southeast and Midwest of the United States, for USD 260 million.
- In 2000, the Group expanded its presence in the United States by acquiring Cherokee Sanford, the sixth largest facing bricks producer in the United States at that time with five plants for USD 81 million. In addition, the Group acquired one brick plant in Pennsylvania through the acquisition of Darlington.
- In 2001, the Group acquired eight hollow brick plants from Megalith in Germany for € 47 million. The Group also acquired the brick business of Optiroc for € 54 million, consisting of eight facing

brick plants in Denmark, Estonia, Finland, Norway and Sweden and sales-only operations in the United Kingdom.

- In 2002, the Group acquired Hanson Bricks' Continental European operations for € 65.4 million, consisting of 23 brick plants, primarily producing facing bricks in the Netherlands, Belgium, Germany, Poland and France.
- In 2003, the Group acquired a 50% percent interest in Koramic Roofing for € 211.5 million, with 13 roof tile plants in Belgium, the Netherlands, France, Germany, Poland and Estonia.
- In 2004, the Group exercised its option to acquire the remaining 50% interest in Koramic Roofing for a total consideration of € 223.9 million. Contemporeaneously, Wienerberger placed a capital increase to finance this acquisition. In addition, the Group acquired thebrickbusiness in the United Kingdom for € 128.1 million (including debt).
- In 2005, Wienerberger invested in 30 bolt-on projects totalling € 250.4 million.
- In 2006, Wienerberger acquired Robinson Brick Company, headquartered in Denver, Colorado, the leading brick producer in the western part of the USA.

**Corporate Purpose**

Section 2 of the Articles of Association provide for the corporate purpose. Wienerberger's objects of business are:

- production, acquisition and sale of building materials of all kinds, in particular ceramic products, especially bricks, stoneware and other clay products, fat lime and hydraulic lime, cement, cement products and porcelain products and plaster products;
- production, acquisition and sale of products made of concrete, in particular building blocks, floor elements and other building elements made of lightweight concrete and heavyweight concrete;
- production, acquisition and distribution of paints, lacquers and chemical products for construction, in particular emulsions, impregnation substances and the like;
- extraction and sale of stones, crushed stone, sand, clay and other types of soil, of fuels of all kinds as well as the exploitation of water power and water surfaces;
- acquisition, parcellation, lease and sale of real properties and immovable goods of all kinds;
- carrying on of the building trade, in particular construction of new buildings, extensions and carrying out of alterations of any kind as well as carrying out asphaltation work; paving and relocation of plates, stoves, pipes and carrying out of stove-fitter's work;
- trade in goods of all kinds, including the operation of petrol stations as well as retail and wholesale trading in fuels and building materials; carrying on the trade of a commercial agent;
- transportation of goods of all kinds, in particular of the products and materials listed under items above as well as production, acquisition and operation of the means of transport required for that purpose;
- the work of an advertising consultant, advertising agent as well as that of an insurance broker;
- services in automatic data processing and information technology;
- operation and management of an office engaged in mechanical engineering, electronic engineering, chemistry, mining and metallurgy as well as cultural technology, including consultancy services, the drawing of plans, technical equipment and communications;
- acquisition of interests in other companies of the same or of a related type in Austria and abroad as well as the establishment of branches and subsidiaries in Austria and abroad.

Moreover, the Company shall be entitled to engage in any and all transactions and take any and all measures that are deemed necessary or expedient for attaining the Company's objectives.

## Share Capital

As at 31 December 2005, the Issuer's share capital amounted to € 74,167,796 and was divided into 74,167,796 common shares. Of these shares, 73,232,791 were outstanding with equal voting rights. The remaining shares are held by the Issuer as treasury shares.

In accordance with section 4 paragraph 3 of the Articles of Association, the Management Board is authorised, with the approval of the Supervisory Board, to approve a conditional capital increase-in multiple segments if necessary-up to a maximum of € 1,000,000 through the issue of up to 1,000,000 new bearer shares in exchange for cash payment (authorised conditional capital) for the purpose of granting stock options to the members of the Management Board of the Company, members of the management boards of the subsidiaries and other key managers of the Company and its subsidiaries within five years beginning on the date this amendment to the Articles of Association is recorded in the Company Register. Furthermore the Management Board is authorised, with the approval of the Supervisory Board, to determine the issue price and conditions. The Supervisory Board is hereby empowered to resolve amendments to the Articles of Association that result from the issue of shares from authorised conditional capital.

In accordance with section 4 paragraph 4 of the Articles of Association, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the Company-in multiple segments if necessary-in exchange for cash payment or contribution in kind within five years beginning on the date this amendment to the Articles of Association is recorded in the Company Register by up to € 22,750,663 through the issue of up to 22,750,663 new bearer or registered shares. Furthermore the Management Board is authorised, with the approval of the Supervisory Board, to determine the type of shares, issue price and conditions and to exclude subscription rights only in those cases listed in the report of the Management Board. The Supervisory Board shall be authorised to amend the Articles of Association to reflect the issue of shares from authorised capital.

## Major Shareholders

The following table sets forth for each of the Issuer's shareholders who the Issuer believes are beneficial owners of 5% or more of the Issuer's voting securities, the name of the shareholder, the number of shares and the percentage of outstanding shares owned by such shareholders, as of 31 December 2006.

Shareholder and percentages of Shares

| | |
|---|---|
| AIM Trimark Investments | between 5 and 10% |
| Capital Research and Management Company | between 5 and 10% |
| Lansdowne Partners | between 5 and 10% |
| Total | between 15 and 30% |

The remaining shares are held by different investment funds and individuals holding below 5% each. Until 23 February 2005 Bank Austria Creditanstalt AG held 15.00% of the Issuer's shares which are linked to a € 270,000,000 1.25% exchangeable bond due 2007 issued by Bank Austria Creditanstalt AG and exchangeable into common shares of the Issuer. The bondholders have the right to exchange their bonds for common shares of the Issuer at any time after 25 February 2004. On 23 February 2005 the Issuer received an announcement in accordance with section 91 paragraph 1 of the Austrian Stock Exchange Act concerning a change in the number of shares of the Issuer owned by the Bank Austria Creditanstalt AG. Bank Austria Creditanstalt AG's stake in the Issuer is now below 5.00%. The above-mentioned announcement indicated that the conversion of bonds has reduced the stake held by Bank Austria Creditanstalt AG in voting rights of the Issuer to below 5.00%.

## Relationships and Related Party Transactions

To management's best knowledge, there are no agreements among the Issuer's shareholders relating to the ownership or voting of the Issuer's shares.

The Issuer has, from time to time, entered into business relationships with its shareholders and affiliates. The principal transactions entered into since 2001 are described below. Additional transactions with related parties are described in the notes to the Consolidated Financial Statements contained elsewhere in this Offering Circular.

### *Relationship with the ANC Privatstiftung*

In 2001, the Issuer decided to substantially reduce the holdings and assets of its real estate and other businesses which were not considered part of the Issuer's core business, and to better manage potential exposure to environmental law related claims. The decision was made to gradually dispose of certain non-core assets by transferring these assets to a private foundation and its subsidiaries.

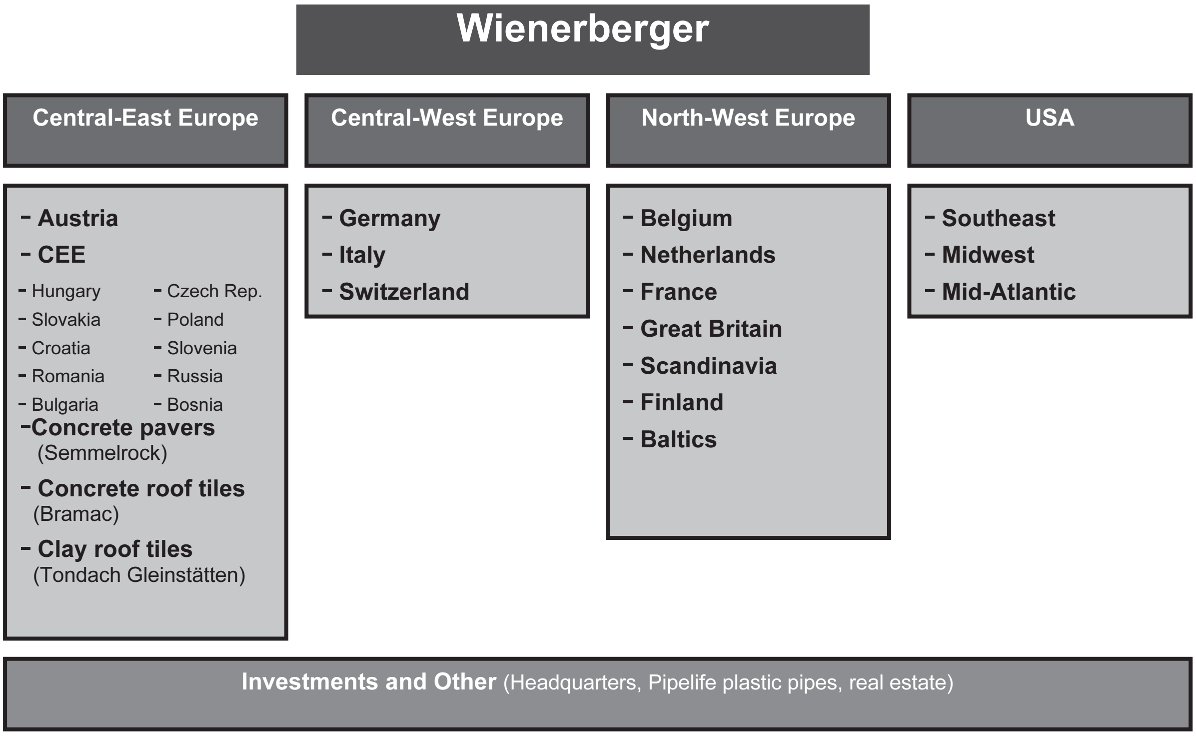
In 2001, the Issuer founded a private foundation, ANC Privatstiftung (the "**ANC Foundation**"), and transferred certain of its real estate, including three landfills operated by the Group in Austria, to ANC Beteiligungs GmbH, one of two holding companies wholly owned by the ANC Foundation.

In October 2003, the Issuer sold its 50% stake in Steinzeug Abwassersysteme GmbH to ANC Foundation at book value. In addition, the Issuer transferred holding in Immofinanz (3%) to a subsidiary of the ANC Foundation in exchange for participation rights to 90% of the future earnings in this company.

The ANC Foundation is self-owned and is administered by a three-member board of directors. No executive of Wienerberger is director of the foundation.

## Organisational Structure

The brick and roof tile production business is a highly localised business and requires a decentralised operational structure. The Group's organisation reflects this. The chart below shows the organisational structure of the Group, at the top of which is the Issuer as the Group's holding company.




Notwithstanding the decentralised organisation of the Group, certain services are provided or coordinated centrally at the Issuer by "Corporate Services" in order to assure know-how transfer and synergies in related areas. These services include financial and management control systems, treasury, Group-wide marketing, engineering and project management, administration of intellectual property, human resources and information technologies, corporate communications, corporate development and lobbying. Know-how transfers to local operations are achieved through intensive training of local management and constant communication and information exchange between the Issuer's head office and the local operations.

With regard to the strategic and organisational development of the Group, the Management Board of the Group is supported by the Management Committee consisting of the members of the Management Board, seven top executives from the Group's regional operations and six executives from Corporate Services.

**Management and Supervisory Bodies**

The Issuer has a two-tier management structure, consisting of a Management Board *(Vorstand)* and a Supervisory Board *(Aufsichtsrat)*. Strategy and day-to-day management of the Group rests with the Management Board, which represents the Issuer externally. The Supervisory Board is responsible for appointing and removing the members of the Management Board, the general affairs of the Group and supervising the business conducted by the Management Board. Although the Supervisory Board does not actively manage the Group, both the Austrian Stock Corporation Act *(Aktiengesetz)* and the Issuer's articles of association (the "Articles of Association"), together with the Management Board's rules of procedure, require the consent of the Supervisory Board or one of its committees before the Management Board takes certain actions such as for instance the nomination or revocation of a board member or the definition of the Group's strategic direction. The failure of the Management Board to obtain such approval does not affect the validity of transactions with respect to third parties, but may render the Management Board liable for any damages resulting there from.

The business address for the members of the Issuer's Management Board and Supervisory Board is Wienerberg City, Wienerbergstrasse 11, 1100 Vienna, Republic of Austria.

***Management Board***

The Management Board consists of up to four members appointed by the Supervisory Board for a term of up to five years each. Under certain circumstances, such as a serious breach of duty or a vote of no confidence at a shareholders' meeting, a member of the Management Board may be removed by the Supervisory Board prior to the expiration of his or her term. The Supervisory Board may appoint a Chairman of the Management Board. Decisions of the Management Board are made by a simple majority of the votes cast. In the case of a tie, the Chairman or Deputy Chairman casts the deciding vote.

Under the Articles of Association, (i) any two members of the Management Board, (ii) any one member of the Management Board jointly with one authorised signatory holding a general power-of-attorney *(Prokurist)* or (iii) any two authorised signatories holding a general power-of-attorney may, to the extent permitted by law, legally bind the Issuer. If the Management Board consists of only one member, the Issuer shall be represented by such member. The current members of the Management Board are:

| Name | Area of responsibility | Outside activities |
|---|---|---|
| Wolfgang Reithofer | Chief Executive Officer, responsible for strategy, investors relations and communications | Chairman of OeBB (Austrian railways corporation)<br><br>Member of Supervisory Board of Immoeast Immobilien Anlagen AG |
| Heimo Scheuch | Chief Operating Officer, responsible for building materials North-West Europe (excluding Estonia) and Germany, corporate marketing including product management and Euro-lobbying | Board member of the Belgian and French Bricks Association<br><br>Member of the executive committee of the European Brick Association |
| Hans Tschuden (1)<br>(up to 31 March 31 2007) | Chief Financial Officer, responsible for Pipelife, controlling, treasury, corporate development, human resources, risk management and IT | – |
| Johann Windisch | Chief Operating Officer, responsible for the U. S. operations, building materials Central-West Europe (excluding Germany) and Central-East Europe, Bramac, Tondach, technology, engineering and procurement | Chairman of the Hollow Brick Product Group and member of the Executive Committee of the European Brick Association<br><br>President of the Austrian Association of Brick Producers<br>Member of the board of the Croatian-Austrian Chamber of Commerce<br><br>Member of the executive committee of the European Brick Association |
| Willy van Riet<br>(as of 1 April 2007) | Chief Financial Officer, responsible for controlling, treasury, risk management and IT | – |

(1) On 23 October 2006 Wienerberger announced that with effect 1 April 2007 Hans Tschuden will be appointed Chief Financial Officer of Telekom Austria AG. Hence, Hans Tschuden will cease to serve as Chief Financial Officer of Wienerberger AG as of 31 March 2007. On 6 December 2006, Willy Van Riet has been appointed new CFO of Wienerberger AG by the Supervisory Board as of 1 April 2007.

The Management Board is supported by the Management Committee with regard to strategic and organisational development of the Group. The following table shows the members of the Management Committee and their positions as at 31 December 2005:

| | |
|---|---|
| Dick Green | General Shale Bricks Inc., USA |
| Klaus Hoppe | Wienerberger Ziegelindustrie GmbH, Germany |
| Martin Kasa | Corporate Marketing |
| Bert Jan Koekoek | Wienerberger B.V., The Netherlands |
| Walter Linke | Corporate Engineering |
| Thomas Melzer | Corporate Communications (incl. Investor Relations) |
| Christian Schügerl | Wienerberger International N.V., Central-East Europe |
| Brigitta Schwarzer | General Secretary |
| Hannes Taubinger | Corporate Controlling |
| Karl Thaller | Wienerberger International N.V., Central-East Europe |
| Anton Ulmer | Corporate Development |
| Johann van der Biest | Wienerberger N.V., Belgium |
| Willy van Riet | Wienerberger Ltd., UK |

***Supervisory Board***

The Articles of Association require that the Supervisory Board consist of at least three members elected at the shareholders' meeting, as well as members delegated by the Group's works councils under mandatory provisions of the Austrian Labour Constitutional Act *(Arbeitsverfassungsgesetz)*. Up to two former members of the Management Board or senior executives *(leitende Angestellte)* may serve as members of the Supervisory Board at a given time. Only persons that have not reached their 70th birthday on their date of election or re-election may be elected to the Supervisory Board. Currently, the supervisory board consists of the following 12 members:

| Name | Principal Occupation |
|---|---|
| Friedrich Kadrnoska, Chairman | Chairman of the Supervisory Board of Wiener Börse AG, Österreichisches Verkehrsbüro AG, RUEFA AG and Adria Bank AG, member of the Supervisory Board of VISA Service Kreditkarten AG and Wiener Privatbank Immobilieninvest AG, member of the Management Board of "Privatstiftung zur Verwaltung von Anteilsrechten", Director of the VISA Europe Limited Board and of UniCredito Italiano |
| Christian Y. Dumolin, Vice-Chairman | Chairman of the Supervisory Board of Koramic Investment Group NV, member of the Regents Board of the Belgian National Bank |
| Karl Fink (as of April 2006) | Deputy CEO and member of the Management Board of Wiener Städtische Versicherung, Vienna Insurance Group |
| Rupert Hatschek (up to April 2006) | Managing Director of Rupertus Vermögensverwaltungs- und Beteil igungsges. m. b. H., member of the Supervisory Boards of AIBC Anglo Irish Bank (Austria) Kapitalanlagegesellschaft m. b. H., Vienna (Vice-Chairman), König & Bauer AG and Maschinenfabrik KBA-Mödling AG |
| Franz Lauer (up to April 2006) | Member of the Supervisory Boards of Voestalpine AG, Flughafen Wien AG and Teerag Asdag AG |
| Harald Nograsek | Chief Financial Officer of Österreichisches Verkehrsbüro AG |

| Name | Principal Occupation |
| --- | --- |
| Franz Rauch | Managing partner of Rauch Fruchtsäfte Gesellschaft mbH, member of the Supervisory Boards of ÖBB Holding AG, Bank Austria Creditanstalt AG, Generali Holding AG, OTAG Oberflächentechnologie AG, Hohenems, Vorarlberger Kraftwerke AG and Vorarlberger Illwerke AG |
| Claus Raidl | Chief Executive Officer of Böhler-Uddeholm AG, Chairman of the Supervisory Board of EK Mittelstandsfinanzierungs AG, member of the Supervisory Boards of Wiener Börse AG, Donau Allgemeine Versicherungs-Aktiengesellschaft und Voestalpine Bahnsysteme GmbH |
| Wilhelm Rasinger (as of April 2006) | Chairman of IVA investor interest association |
| Rupert Bellina | Foreman at Semmelrock Baustoffindustrie GmbH, Austria |
| Claudia Krenn | Appointed by the Works Council; Office Management of the Issuer in Austria |
| Karl Sauer | Chairman of the Employees' Council and speaker of the European Employees' Council |
| Gerhard Seeban (as of February 2006) | Appointed by the Employees' Council, Salesman at the Hennersdorf plant, Austria |
| Helmut Urban (up to February 2006) | Appointed by the Employees' Council; mechanic at the Hennersdorf plant, Austria |

The Supervisory Board has established an Audit Committee, the members of which are Harald Nograsek, Wilhelm Rasinger and Karl Sauer. The Audit Committee is responsible for accounting issues and for supervising the auditing of the Group. It analyses the audit reports of the auditors, reports on them to the Supervisory Board and prepares the resolution on the adoption of the financial statements.

**Austrian Corporate Governance Rules**

Wienerberger was one of the first companies to declare its support for the Austrian Corporate Governance Code and commit to observance of its rules. Code's objectives are consistent with Wienerberger strategy.

***Guidelines to prevent insider trading***

Wienerberger gives the highest priority to the equal treatment of and provision of comprehensive information to all shareholders. To prevent insider trading, the Wienerberger Compliance Code was issued. This guideline implements the provisions of the Issuer Compliance Regulations published by the Austrian Financial Market Authority, and also covers the members of the Supervisory Board. Compliance with these regulations is monitored on a continuous basis.

***Implementation of Austrian Corporate Governance Code***

The Austrian Corporate Governance Code took effect in October 2002. The basis for this code is formed by Austrian stock corporation, stock exchange and capital market law as well as the OECD guidelines for corporate governance. The code provides a framework for corporate management and control. Key principles such as

– Equal treatment of all shareholders

– Transparency

– Open communications between the Management Board and Supervisory Board

– Avoidance of conflicts of interest by bodies of the corporation
– Efficient control by the Supervisory Board and auditor

are designed to strengthen the confidence of investors in companies and in Austria as a financial market. The code exceeds legal requirements, and compliance is voluntary. Observance of the code also means that the failure to meet C-Rules ("comply or explain") must be explained and disclosed.

***Evaluation of compliance with code by KPMG***

The implementation and correctness of the Group's public announcements was evaluated by KPMG Alpen-Treuhand GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in accordance with the standards issued by the International Federation of Accountants for audits. Their report can be reviewed on our website under www.wienerberger.com. The auditor's evaluation of Wienerberger's adherence to the rules of the code and the correctness of the Group's announcements confirmed that this public declaration of compliance with the code is correct.

***Extensive risk management does not require new department***

A management letter prepared by the auditor as well as a report by this firm on the efficiency of risk management in the Wienerberger Group was presented to the Chairman of the Supervisory Board and discussed by this body. The risk analysis prepared together with an external consultant indicated that the specific circumstances associated with the risk situation of the Wienerberger Group could not be optimized in a reasonable manner through the establishment of a traditional internal audit function. Therefore, internal controlling and audit functions are carried out by Group controlling to avoid additional costs, and evaluated by the auditor based on a questionnaire with a focus that varies each year. The Management Board reports to the Supervisory Board once each year on planning as part of this control system and the most important results of control measures.

***Full implementation of the Code***

Under consideration of the above-mentioned modification to Article IV, 18 (internal audit), Wienerberger meets all rules of the Austrian Corporate Governance Code, even those that have only recommendation character.

**Employees**

As at 31 December 2005, the Group employed a workforce of 13,327 worldwide. The table below shows the allocation of the Group's employees among segments and geographic regions as at 31 December 2005.

| | As at 31 December 2005 | |
|---|---|---|
| | Number of employees | % of total employees |
| **Employees by segment** | | |
| Central-East-Europe | 4,767 | 36% |
| Central-West-Europe | 2,002 | 15% |
| North-West-Europe | 4,203 | 32% |
| USA | 2,194 | 16% |
| Investments and Other | 161 | 1% |
| **Total** | 13,327 | 100% |

**Intellectual Property and Brand Names**

*Patents*

The Group places high priority on the patents protecting the Group's innovations. The Group owns a large number of patents relating to production technology developed internally which are valid for the European Union.

A particularly important patent relates to the use of the Issuer's fast firing technology, which allows for the drying and firing of bricks in one layer in the production process. This leads to a more efficient production, increasing a plant's capacity. An increase in capacity reduces energy consumption and firing time and therefore generates time and costs savings. The Issuer holds patents for this technology in 23 countries. The Issuer also owns key patents for seismic-resistant clay bricks and sound-insulating bricks, which have been developed by the Group. Other patents relate to the kiln and various technical parts of the automation of production processes.

*Trademarks*

The Issuer has registered trademarks for its master brand "Wienerberger" and core product brands in over 40 countries in the European Union, Eastern Europe and the United States. The trademark "Terca" is owned by the Issuer for bricks and pavers and used under a licence agreement with Koramic Building Products for other building materials, is registered in the Benelux countries, Germany, France, Switzerland and an additional 19 European countries. The Group uses the trademark "Poroton" for the marketing of hollow bricks in Germany. In the remaining hollow brick markets, the Issuer uses its trademark "Porotherm", registered as a European Community trademark and in 9 additional countries, mainly for its hollow bricks business.

Pursuant to a license agreement, Wienerberger has the right to use the "Koramic" brand in connection with roof tiles and related products in 38 countries where the products are marketed. Pursuant to another license agreement, the Issuer has the right to use the "Koramic" brand in connection with all building materials except roof tiles and related products between the years 2006 and 2015. Under this agreement, the Issuer has the option to acquire the entire interest in the "Koramic" trademark. In addition, the "Terca" brand for facing bricks may be used in 25 countries.

In the United States, General Shale owns 13 registered U. S. trademarks.

**Statutory Auditors**

The Issuer's annual financial statements (consisting in each case of a balance sheet, an income statement and the notes), prepared in accordance with Austrian generally accepted accounting principles as at the reporting dates 31 December 2004 and 31 December 2005 were audited by KPMG Alpen-Treuhand GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft of Kolingasse 19, 1090 Vienna ("**KPMG Alpen-Treuhand**") and KPMG Wirtschaftsprüfungs- und Steuerberatungs GmbH of Porzellangasse 51, 1090 Vienna respectively ("**KPMG**") in accordance with the legal regulations and usual professional principles prevailing in Austria. KPMG Alpen-Treuhand and KPMG have also audited the Issuer's consolidated annual financial statements (consisting of consolidated balance sheet, consolidated income statement, consolidated development of capital and reserves, consolidated statement of cash flows and notes) prepared in accordance with International Financial Reporting Standards, as at the reporting dates 31 December 2004 and 31 December 2005. The Issuer's annual financial statements as at the reporting dates 31 December 2004 and 31 December 2005 have been audited by KPMG Alpen-Treuhand and KPMG and both have rendered unqualified opinions dated 28 February 2005 and 22 February 2006 respectively. The Issuer's consolidated annual financial statements as at the reporting dates 31 December 2004 and 31 December 2005 have been audited by KPMG Alpen-Treuhand and KPMG respectively and both have rendered unqualified opinions dated 8 March 2005 and 8 March 2006 respectively. The auditors and their responsible employees are members of the Austrian Chamber of Chartered Accountants, Schönbrunner Strasse 222–228/1/6, 1120 Vienna.

During the period covered by the financial information, auditors have neither been relieved from their duties nor have they resigned or not been reappointed.

# BUSINESS OF THE ISSUER

**Principal Activities**

The Issuer is the holding company of the Group which directly or indirectly holds all participations of the Group as shown in the consolidated financial statements. The Issuer does not have any operating activities.

Management estimates that the Group is the largest producer of bricks in the world and the second largest manufacturer of clay roof tiles in Europe. The Group is present in the hollow and facing brick markets, the two largest segments of the brick industry, and in the clay and concrete roof tile markets. Management estimates that in hollow bricks, the Group is the leading global producerand in facing bricks the Group is the leading producer in Continental Europe and the United States. In addition, the Group manufactures clay and concrete pavers. The Issuer views the brick and roof tile industries as its core businesses.

As of 31 December 2005 the Group operated 232 plants in 24 countries with 13,327 employees.

The Issuer is focused on delivering a profitable growth strategy aimed at strengthening its market position in its existing markets and expanding in new markets with superior profit and cash flow potential. The expansion plans foresee both acquisitions as well as greenfield investments in existing and new markets. The Issuer typically expands into markets adjacent to existing operations and has built-up new markets via exports. When demand for the Group's products reaches a sufficient level, either an acquisition target is looked for or a suitable production site is sought to build a greenfield plant. Target markets of expansion currently are Russia, where the Group expects to startoperations in a greenfield plant in Q3/2006, Bulgaria, where a local brick plant has been acquired which is being refurbished, Ukraine and Serbia. Other markets such as India are investigated and are potential areas of investment in the medium-term.

The Group's core brick and clay roof tile businesses form a strategic combination and the Group expects to achieve synergies from further integration of its activities in these areas. Bricks and roof tiles are complementary products that share similar sales and production-related characteristics. Both products are used in housing construction and necessitate a combination of technical requirements and aesthetic qualities. The products are manufactured from the same primary raw material, clay, and their production employs similar technologies. They are targeted to the same group of customers and sold through similar distribution channels.

The Group produces four groups of products which are dealt with in more detail in the following sections: hollow bricks, facing bricks, roof tiles and clay and concrete pavers. In addition, the Group controls a portfolio of non-core assets and participates in a pipe joint venture.

*Brick activities*

The Group focuses on the production of facing bricks in Western and Northern Europe, Poland and in the United States and on the production of hollow bricks in France, Switzerland, Italy, Southern Germany, Belgium and Central-East Europe, including Austria. In 2005, brick activities accounted for 74% of Group revenues and 78% of Group Earnings before Interest, Tax, Depreciation and Appreciation ("EBITDA").

The primary geographic markets for the Group's brick business are Central-East Europe, Western Europe and the United States. Central-East Europe and the United States are seen as the Issuer's growth markets. In Central-East Europe the construction growth rates are forecast to exceed GDP growth over the next three years (Source: Euroconstruct June 2006). The United States operations cover the facing brick markets of the Southeast, Midwest as well as six markets west of Mississippi (Colorado, Wyoming, Montana, Nebraska, Illinois and Oklahoma) entered into with the Robinson Brick Company acquisition in 2006. Management estimates that the Group is the largest facing brick producer in the country. The United States represent a growth market for the Group's activities driven by continuing population growth as a result of immigration and other demographic factors which are expected to fuel residential construction. Western European markets can generally be seen as mature markets where the Group focuses on the expansion of its strong market positions and on continuous optimisation.

*Roof tile activities*

The Group's roof tile activities cover Eastern Europe, Austria, Switzerland, Belgium, the Netherlands, France, Germany and Estonia. The roof tile business has become the Group's second core business and was strengthened by the acquisition of control of Koramic Roofing in two phases in 2003 and 2004.

The Issuer, under the brand name Koramic, operates 23 clay roof tile production sites in Germany, France, Belgium, the Netherlands, Poland and Estonia with a total output of 19 million square metres in 2005. In addition, through its subsidiary, ZZ Wancor, the Group operates two plants in Switzerland which produce clay roof tiles (output 2005: 2 million square metres). The Group also owns a 25% interest in Tondach Gleinstätten ("*Tondach*"), a leading clay roof tile producer in Central-East Europe, with 19 production facilities throughout Eastern Europe and Austria, and a 50% interest in Bramac Dachsysteme International GmbH ("*Bramac*"), which Management estimates is the leading producer of concrete roof tiles in Central-East Europe with a total of 12 plants in 8 countries (output 2005: 15 million square metres). In 2005, roof tile activities accounted for 21% of Group revenues and 22% of Group EBITDA.

*Clay and concrete pavers*

The Group produces concrete pavers at nine plants in Austria, Croatia, Hungary, Poland and Slovakia through its 75% owned subsidiary Semmelrock (with a tenth plant under construction in Romania) and clay pavers at three plants in the Netherlands.

*Other activities*

The Group also owns a 50% interest in Pipelife International GmbH ("Pipelife"), a joint venture which Management estimates is the fourth largest European manufacturer of plastic pipes based on revenues, operating 29 plants in 27 countries. As of 2004, Pipelife is consolidated at equity and classified as financial investment. In addition, the Group has a portfolio of other non-core assets, including investments in real estate and non-operating assets which are scheduled to be sold over time.

**Key Strengths**

*Focus on clay building products as an attractive segment in the building materials sector*

Bricks have a centuries old tradition in many regions around the world and in most of these markets bricks represent the preferred material for residential housing construction. In a few other markets, bricks have become increasingly popular in recent years and have been able to gain market share from substitute products. The combination of very stable market shares in established brick markets with the potential for increases in market share in some new markets makes the brick industry very attractive and characterised by stable cash flows.

In addition, bricks and clay roof tiles are complementary products and their combination generates significant synergies. Clay roof tiles have gained significant market shares from substitute products in many markets in recent years. In view of the Group's well established reputation for excellence in bricks and roof tile products and service quality, the Issuer expects to benefit from this attractive building materials segment.

*Leading market positions*

Management estimates that the Group is the largest producer of hollow bricks worldwide and holds the number one position in Continental Europe and the number two position in the United States in facing bricks. Management estimates that the Group is also Europe's second largest producer of clay roof tiles. Through its own operations and joint ventures, the Group has the leading market position in hollow bricks, facing bricks and/or roof tiles in most of the markets in which it operates.

*Diversified revenue base with growth potential*

With activities in all major markets in Europe (except for Iberia) and the United States, the Group believes that it is broadly protected against regional variances in economic conditions, which should reduce the cyclicality of its earnings. While demand for bricks is predominantly driven by new residential construction, demand for roof tiles is driven by both new residential construction and renovation. The Group's presence in the roof tile business hence makes its results much less dependent on macro-economic cycles. The Group expects that improvements in its earnings will be primarily driven by growth markets such as countries in Eastern Europe.

*Competitive advantage as a global player in the brick industry*

The Group believes that as a global player it has a competitive advantage over smaller local competitors for the following reasons:

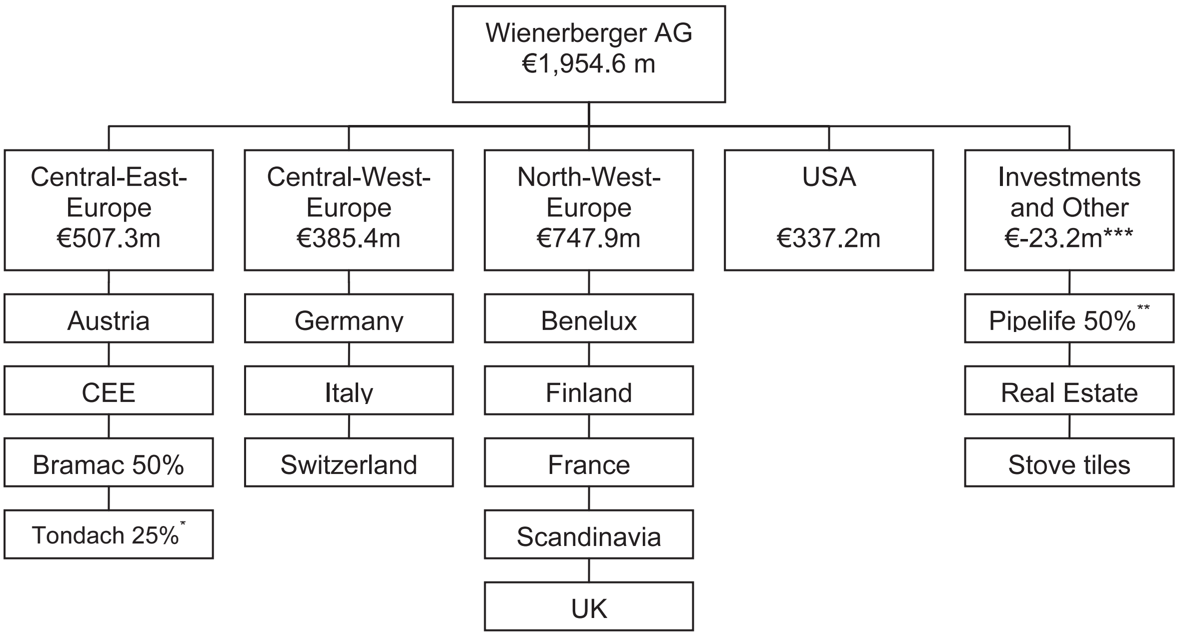
- the Group benefits from economies of scale in many areas; for example, it employs more sophisticated management control systems and its centralised and larger engineering department drives the production improvement and innovation process; the Group also benefits from synergies in procurement;
- the Group has the ability to better counter-balance regional market downturns and to capitalise on a downturn through an increase in market share, primarily through acquisitions, due to the earnings stream from regions which continue to grow at the time;
- the Group has a greater flexibility to adjust production capacity to market developments in order to achieve the highest possible capacity utilisation;
- the Group maintains premium relationships with large building materials distributors and developers for whom the Group is a more reliable source of supply due to its ability to smoothen disruptions in production through its broad plant network;
- due to stronger market power, the Group enjoys better market recognition for branded products;
- the Group offers a broader product range;
- the Group has better access to capital and greater financial flexibility; and
- the Group can transfer and implement know-how across its operations worldwide.

*Experienced management team with a successful acquisition track record*

The Group's management team has an extensive knowledge base and integration experience developed over the past 20 years. As a result, the Issuer is able to identify and execute new acquisitions and greenfield projects and integrate them within existing operations quickly and efficiently. Management has repeatedly proven that it is capable of implementing cost saving measures to generate additional value from newly acquired operations.

**Business segments**

The Issuer has set-up a regional segmentation in order to reflect the Group's regional focus which gives responsibility to local operating management for all core products manufactured within a country and the integration of Koramic Roofing within the Group's operations. The Group operates in the following five segments: Central-East Europe, Central-West Europe, North-West Europe and USA, each including all or part of the Group's core operations (bricks, clay roof tiles and pavers) in the respective geographic areas, and Investments and Other which includes the Group's non-core activities, that is its portfolio of real estate and non-operating assets, Austrian stove tile operations and holding company costs. Pipelife's results are consolidated at equity. The diagram below sets forth the segments of the Group in operation as of January 2005, and revenues per segment for financial year 2005.




* Tondach's revenues are not included in segment revenues. Tondach is consolidated at equity. This consolidation method is used for participations of 50% or less at the Issuer.

** Pipelife's revenues are not included in segment revenues. Pipelife is consolidated at equity.

*** Including group eliminations, without eliminations the turnover amounted to € 7.3 million

**Bricks**

*Central-East Europe*

Central-East Europe covers the mature home market of Austria and the growth markets in Poland, Hungary, the Czech Republic, Slovakia, Croatia, Slovenia, Romania, Bulgaria and Russia where the Group has or currently builds production facilities. In Bosnia-Herzegovina, the Group has sales-only operations. Central-East Europe accounted for 57% of the Group's hollow brick and 3% of facing brick production in 2005. In Central and Eastern Europe, the Group primarily manufactures hollow bricks and lintels as well as girders and bricks for ceilings. Hollow bricks are mainly sold under the trademark name Porotherm. The Group also manufactures facing bricks in Austria and Hungary and roof tiles in Poland. In addition, the Group has a majority interest (75%) in Semmelrock which produces concrete pavers and slabs used in garden and outdoor construction in Austria, Croatia, Hungary, Slovakia, Poland and Romania. Furthermore, the Group has two roof-tile joint ventures, which produce and market concrete (Bramac) and clay roof tiles (Tondach Gleinstätten) in Central and Eastern Europe. Since the early 1990s, countries in Central and Eastern Europe have undergone political and economic reforms which boosted income levels and created a middle class wanting to improve their standard of accommodation. This has fuelled the growth in the residential construction market. The Group's Central-East European operations have been characterised by higher profit margins than the rest of the Group due to a combination of lower costs and strong market positions.

Bricks are a well known and widely used building product in Central and Eastern Europe. The extent of bricks being used for load bearing walls is similar throughout the region, with hollow bricks being the leading material for wall construction in all markets, followed by aerated concrete blocks. A significant portion of the region's residential construction market utilises the do-it-yourself ("*DIY*") method of construction. Because the DIY method involves low labour costs, which can comprise a significant portion of the total cost of handling bricks, the use of hollow bricks compared to substitute products is widespread in this geographic area. Facing bricks have a small share of the total cladding market in Central and Eastern Europe except for Northern Poland.

The Issuer entered the Central and Eastern European region in 1990 by purchasing four plants from the Hungarian government. Since then, the Group has expanded its operations through acquisitions and greenfield projects to become the undisputed leader in the Central and Eastern European brick market. Apart from local brick producers who usually operate one to three brick plants, in Central and Eastern Europe the Group competes with major Western European aerated concrete product manufacturers such as YTONG and Fels/Hebel, both part of the Haniel group.

Distribution in Central and Eastern Europe is usually done through wholesalers or sales to retail dealers. The clay required for the brick production is usually quarried in clay pits owned by the plants. Energy, in the form of natural gas, coal or saw dust, is generally procured on a local level.

*Outlook and strategy*

Management believes that demand for bricks will grow in 2007 in all countries except for Austria and Hungary. In Eastern Europe Wienerberger holds excellent positions on building material markets. These markets are characterised by above-average growth in new housing construction, which is shifting further to the ease since the EU accession of the Czech Republic, Hungary and Slovakia. Euroconstruct also forecasts significantly higher mid-term growth for the East European EU countries than in Western Europe, although temporary regional declines like 2005 cannot be excluded. The Group therefore sees substantial long-term opportunities throughout this entire region, which has become a home market for it. Wienerberger will use its competitive advantages with respect to costs and products, and gradually increase its activities in Eastern Europe through acquisitions and the expansion of production capacity. In particular, the Group wants to use short-term declines in demand and the resulting market pressure to further strengthen its positions. Currently, the Group is starting up a Greenfield plant in Russia and refurbishes a plant taken over in Bulgaria. In addition, the Issuer will continue to explore opportunities to expand into new markets with growth potential, such as Serbia, Bosnia-Herzegovina and Ukraine.

In the mature Austrian market, the Issuer is focused on strengthening its market position and defending bricks' market share by further developing its competence in low-energy buildings. Optimisation of cost structure and improvements in capacity utilisation are also important goals.

**Western Europe**

Western European activities are split into two segments: Central-West and North-West Europe. Central-West Europe covers the mature markets of Germany, Switzerland and Italy. North-West Europe contains operations in France, the Netherlands, Belgium, Scandinavia, Finland, Estonia and the United Kingdom. The Group operates plants in each of those markets. The split of Western Europe into two segments reflects the fact that these segments differ in terms of construction methods and materials used in wall construction. With regard to cladding materials, facing bricks are predominant in the Netherlands, Belgium, Northern France, Northern Germany, Scandinavia, United Kingdom and the Baltics. Hollow bricks for load bearing walls are mainly used in Germany, Switzerland, France, Belgium and Italy.

The segments together accounted for 43% of hollow brick and 57% of facing brick production in 2005. Germany is the dominant country in the Group's Western European operations not only due to the size of the Group's German operations, but also due to sizable imports of facing bricks from Belgium and Holland and hollow bricks from France. In Western Europe the Group manufactures moulded and extruded facing bricks, hollow bricks, ceilings, clay pavers and chimney systems. Facing bricks are sold under the trademarks Terca and Desimpel and hollow bricks are sold under the trademarks Porotherm, Poroton and certain other trademarks.

The Group entered the Western European brick markets in 1986 through the acquisition of the German Oltmanns Group with three hollow and one facing brick plants. In order to expand its business in Western Europe, in 1996 the Group acquired Terca, a leading manufacturer of facing as well as hollow bricks in Belgium and the Netherlands, from Koramic. At the time, Terca operated seven facing and four hollow brick plants in Belgium, eight facing brick plants and one windowsills plant in the Netherlands, three facing brick plants in France and three facing brick plants in Germany. To further expand its market reach to Northern Europe, the Group acquired the brick manufacturing operations of Optiroc in January 2001, with a total of eight facing brick plants in Demark, Norway, Sweden, Finland and Estonia, and sales-only operations in the United Kingdom. In order to optimise its operations during the economic downturn, the Group closed five plants in Germany, one plant in Switzerland and one plant in the Netherlands in 2001.

In February 2002, the Group acquired the Continental European operations of Hanson Bricks to strengthen its market position in Western Europe through the addition of 23 brick plants of which 21 were located in Western Europe. The acquisition of the Continental European operations of Hanson Bricks added significant capacity to the Group's facing brick production facilities.

Management estimates that the Group is a market leader in Western Europe, holding the European leadership position in hollow bricks as well as facing bricks in Continental Europe. Competition in Western Europe has generally been stable. In the cladding market, most competition comes from other facing brick producers, such as CRH, Hanson, Röben and smaller local companies. In the masonry market, the Issuer competes with a number of small local brick producers as well as international companies, including the Haniel group (YTONG and Hebel).

Distribution in Western Europe is usually done through sales to wholesalers and retail dealers. The clay required for brick production is usually quarried in clay pits owned by plants, in the case of facing bricks part of the clay is bought on the market in order to produce different colours. Energy, in the form of natural gas, saw dust or oil, is generally procured at a local level.

*Outlook and strategy*

Management views the Western European brick market as a market with overall stable demand and price levels and slow growth in residential construction. Neither the total size of the residential market nor the share of bricks in the total masonry market is expected to grow significantly in the short to medium term. Some markets, such as the United Kingdom are expected to decline. Management's focus in the mature Western European market is to maximise generation of free cash flows which can be utilised to pursue the Group's strategy of bolt-on acquisitions. Further acquisitions and organic growth are relied upon to reinforce the Group's market position. As a driver for organic sales growth, the Group will carry on its efforts to promote bricks as the building material of choice for residential construction. Continuous optimisation of costs and capacity utilisation are an additional focal point of the Group's activities in Western Europe.

**United States**

The United States is the largest market for facing bricks worldwide. In the United States, production of facing bricks is, to a large extent, concentrated in the Southeast, Southwest and Midwest due to the limited availability of clay in other regions. According to the Brick Industry Association ("BIA"), facing bricks accounted for 20% of the total U.S. residential fa¢ade market in 2002, with vinyl having the largest market share (39%).

The Group entered the U.S. market in 1999 through the acquisition of General Shale, the second largest U.S. facing brick manufacturer based on volumes at the time. In 2000, it expanded its presence in the U.S. facing brick market through the acquisition of Cherokee Sanford and Darlington. The segment accounted for 39% of the Group's facing brick production in 2005.

*Operations*

In the United States, the Group manufactures facing bricks, concrete blocks for walls, pavers and Arkalite, a lightweight aggregate used in concrete block production and the asphalt paving industry.

In 2005, the Group operated 16 plants (14 for facing bricks, one for concrete blocks, one for Arkalite) in the United States with a production volume of 1,280 million WF of facing bricks. The U.S. operations are managed on a day-to-day basis by an independent management team that reports directly to Johann Windisch, the Group's Chief Operating Officer.

In the United States, the top five brick producers account for an estimated 65% of the total market capacity. The Group competes mainly with four major producers of facing bricks: Boral, ACME Bricks, Hanson and Glen Gery (CRH). Of the five producers of facing bricks in the United States, the Group is the largest.

The Group distributes its products in the United States both through sales to retailers and through direct distribution to end users. The Group continues to increase its direct distribution network by investing in distributors because direct distribution allows the Group to be closer to the market and increase its margin. The clay required for the brick production is usually quarried in clay pits owned by the plants. In the United States, the Group uses coal dust and saw dust in addition to natural gas as energy sources for its kilns. The lower cost for these materials compared to natural gas gives the Group a certain cost advantage.

*Outlook and strategy*

The United States is considered to be a growth market for the Group due to expected positive demographic developments in the Group's main U.S. markets caused by immigration, domestic migration and other demographic factors. In the United States, the rate at which housing is replaced is higher than in Europe. The correlation between housing starts and brick shipments has been very strong over the last decade whereas housing starts usually correlate to the GDP growth rate. January 2006 data published by the U.S. Census Bureau for housing starts and permits in the United States showed housing starts increasing by 5.7% and permits by 4.1% from 2004 to 2005. However, the later forecasts foresee a decline in housing starts of 7% and 6% for 2006 and 2007 respectively. The downturn in 2006 has been stronger than forecast at approximately 10%.

In terms of pricing, over the past 10 years brick prices in the United States have increased on average by 3% annually. General Shale was able to raise prices by around 6% both in 2005 and 2006. Natural gas is the main fuel used by most manufacturers to fire the brick kilns and represents a substantial portion of the costs related to the production of bricks. The Group, which in some of its U.S. operations uses coal dust and woodchip, was not affected by this cost increase as much as the competition.

Management intends to further expand business activities in the United States through regional growth and bolt-on acquisitions, taking advantage of the currently weak U.S. dollar. Key focal points are also a further increase of direct distribution and growth of distribution partnerships in key markets, improvements in capacity utilisation and an increase in sales of Arkalite and concrete blocks. Product development and innovation, such as promotion of premium product mix, are an additional area of focus.

**Roofing Systems**

The Group's 2005 roofing activities comprised the Group's wholly owned subsidiary in Switzerland engaged in clay roof tile production (besides hollow bricks), Koramic producing clay roof tiles, a 50% interest in Bramac which produces concrete roof tiles and a 25% interest in Tondach which produces clay roof tiles. The Group produces roof tiles in Eastern Europe, Austria, Switzerland, Germany, Belgium, the Netherlands, France, Poland and Estonia.

The Group now manages the brick and roof tile operations of Koramic as a single business on a country-by-country basis, thereby increasingly benefiting from synergies mainly in the areas of administration, sales and distribution.

According to management estimates, the European market (Western and Eastern Europe) for pitched roofing (total of 600 million square metres) is divided into two main products – clay roof tiles and concrete roof tiles – with market shares of approximately 33 % and 20 %, respectively. Other products such as slate, fibre, asphalt and metal account for the remaining 47 %. Residential construction is a good indicator of demand in the roof tile industry. However, management estimates that approximately one half of total roof tiles sold is used for renovations, which are less dependent on economic cycles and demographic developments than the new construction market.

Management estimates that the Group is the second largest producer of clay roof tiles in Europe. In this market, it competes with several producers who have substantial presence in a number of countries, such as Lafarge (including Bramac), which Management estimates is Europe's leading producer of roof tiles, Etex, primarily a producer of concrete and fibre cement tiles, and Imerys, Terreal, and Creaton (taken over by Etex in 2005), manufacturers of clay tiles.

Throughout most of Europe, clay roof tiles are the preferred and traditional product used for the covering of pitched roofs. The primary substitute product for clay roof tiles is concrete roof tiles and, to a lesser extent, natural slate, fibre cement and metal.

Koramic Roofing has a long track record in the clay roof tile business, spanning over 120 years. It offers a broad range of flat and moulded tiles in various sizes, shapes and colours, and roofing accessories. In each market, the products are adapted to the local tastes of customers and architects. The products are of high quality which ensures a high degree of resistance to weather and consequently a long lifetime. Koramic Roofing operated 23 plants in Belgium, the Netherlands, France, Germany, Poland and Estonia producing 19 million square metres of clay roof tiles in 2005. From these sites, tiles are exported to other countries, including the United Kingdom and Scandinavia.

The Group entered the Swiss market in 1999 through the acquisition of ZZ Wancor from Mr. Schmidheiny. In 2000, the Group acquired Laufen, a producer of hollow bricks and concrete roof tiles, from the Wiekor Group. The Group estimates that hollow bricks have a 60 % share of the total masonry market in residential construction in Switzerland and clay roof tiles have a 65 % share in the pitched roofing market. In Switzerland, 2 plants are operated by the Group which produced approximately 2.0 million square metres of clay roof tiles in 2005.

In 1972, the Group entered into the Bramac joint venture with Braas (now Lafarge Roofing), an international building materials producer. Day to day business is conducted by independent management, whereas strategic decisions are made by the supervisory board, consisting of four members, two from the Group and two from Lafarge. The Group and Lafarge Roofing each hold 50 % in Bramac. Bramac is the leading producer of concrete roof tiles in Austria and Eastern Europe with 12 plants and an annual production of 15 million square metres of concrete roof tiles (2005, figures represent 100 % ownership).

Tondach is a clay roof tile producer in Central and Eastern Europe holding a leading market position. The Group has a 25 % interest in Tondach which is consolidated at equity. The remaining percentage is owned by the Olbrich and Garside families (50 %) and Lafarge (25 %). Tondach operates 19 production facilities, two located in Croatia, one in Macedonia, three in Austria, one each in Romania, Serbia, Slovakia and Slovenia, five in the Czech Republic and four in Hungary. Tondach's strategy is to strengthen its market position in Austria and Eastern Europe.

*Outlook and Strategy*

The Group's roofing activities Koramic (fully integrated into brick organisations), Switzerland, Bramac and Tondach, are viewed as core business of the Group and it intends to develop its business further in this area. If suitable opportunities arise in the clay roof tile business in the medium to long term, the Group will consider future acquisitions in this segment, while honouring its obligations vis-à-vis joint venture partners.

*Investments and Other*

Investments and Other consists of the Group's joint venture Pipelife, consolidated at equity, real estate and non-operating assets, stove tile operations, and holding company costs.

When land belonging to the Group is exploited and clay can no longer be excavated profitably to be used in brick production, the Group attempts to sell it. The fair market value of the Group's non-operating real estate and land portfolio is estimated to be approximately € 43.5 million as at 31 December 2005. Non-operating assets consist primarily of land in Switzerland, Germany and Austria. The Issuer's short to medium term goal is to sell all real estate and non-operating assets.

The Group presently maintains two landfills in Switzerland, none of which, to management's belief, contain hazardous waste. The Group's landfills in Austria were transferred to the ANC Foundation. (See "General Information about the Issuer" – "Relationships and Related Party Transactions").

Wienerberger Ofenkachel GmbH & Co. KG is a wholly-owned subsidiary of the Issuer that produces and distributes ceramic stove tiles as well as all components necessary for the assembly of stove tiles. It has one plant with two production lines in Walbersdorf, Austria. Although its markets are primarily Austria, Germany, Italy and Switzerland, Austria represents more than 80% of its revenues. In January 2007, Wienerberger Ofenkachel GmbH & Co. KG was sold and closing is expected to take place at the end of January 2007 subject to usual conditions (*see "Business of the Issuer – Recent Developments and Outlook for 2007"*).

**Suppliers and Raw Materials**

Although the brick business is characterised by highly decentralised procurement, the Group attempts to realise synergies through Group-wide purchasing arrangements. In this regard, the Issuer's strategic procurement department works closely with local units to identify areas with synergy potential and realise cost savings through coordinated procurement activities. In the United States, procurement is largely done independently, with Group cooperation limited to knowledge exchange.

Energy is a major component of the Group's production costs. In 2005, the cost of energy for the Group totalled € 250 million, or approximately 13% of revenues, compared to € 199 million in 2004, or approximately 11% of revenues. In 2005, these expenses were divided as follows: 62% for natural gas, 25% for electricity, 7% for oil and 6% for coal and other. European electricity markets relevant for the Group have been characterised by substantial price increases in recent years. The Group tries to protect itself against price increases by concluding fixed-price contracts with electricity suppliers, typically with duration of one year. The development in the prices of natural gas is, with exception to the U.S. and British markets, chiefly dependent on the prices for crude oil and fuel oil and on the U.S. dollar exchange rate. For natural gas purchases, the Group typically uses several gas suppliers in each country where it conducts operations due to the relatively lower level of consolidation in the gas supply market compared to the electricity market. Most of the Group's gas contracts, particularly in Western Europe, include formula-based prices.

In the production of bricks and clay roof tiles, the Group is dependent on a reliable supply of clay. Approximately € 32 million is purchased from third party suppliers, primarily for the production of facing bricks. The Group has contracts with various local suppliers which are usually concluded for periods of one to two years. These generally fixed-price contracts do not oblige the Group to purchase minimum amounts, but provide for favourable price adjustments in the event of higher consumption. For its remaining requirements of clay, the Group relies on its own clay reserves located at or in the proximity of production sites. While no official measurements are available, internal Group experts estimate that each factory has on average from 10 to 15 years of exploitable clay reserves.

The Group does not own a significant fleet of trucks and uses contractors for transportation, spending approximately € 110 million annually for transportation of finished goods. In addition, approximately € 27.4 million is spent annually on pallets and € 17.6 million on shrink film. These materials are bought from a number of suppliers.

### Marketing and Distribution

The Group's marketing function is split according to the three main product lines: hollow bricks, facing bricks and roof tiles. Continuous product development is the Group's primary marketing priority. For hollow bricks, the Group focuses on the improvement of technological characteristics and maintenance of competitive prices. For facing bricks, the Group targets product range and customer service. The Group strives to establish trends and fashion with respect to bricks as well as provide strong pre and after sales support to purchasers. With regard to roof tiles, the Group's focus is on extension of its product offering to a broad range of colours, shapes and sizes.

The Issuer works together with brick associations and other brick producers to promote the use of bricks in both residential and commercial construction. In addition, the Issuer targets its marketing at various groups including resellers (wholesalers and retailers), professionals (architects, designers, builders and roofers) and individuals. The Group has made significant investment in sales networks and pre-sales activities (show rooms, marketing campaigns) which are key to marketing bricks and roofing products. The Issuer has recently initiated a new marketing campaign "Bricks. Designed for Living." to promote its Poroton, Porotherm, Terca and Koramic brands more aggressively in its European markets in a coordinated manner.

Distribution of the Group's products is done primarily through wholesalers and retailers of building materials and is supported by the Group's own strong sales organisation.

### Research and Development

The Group's products must meet the demands of modern building technology and architecture, combining economy with aesthetics. The Group's research and development expenditure amounted to more than € 4 million, or under 1% of revenues. The Issuer believes that its research and development expenditures, as a percentage of revenues, fall within the building materials industry average.

The Group's research and development activities are concentrated in two general areas: products and technology. A permanent focus of the Group's development efforts is the search to improve manufacturing performance and quality, such as new methods for optimisation of the air stream in the drying process. Another example of innovation is the development of new equipment for the direct firing of tunnel kilns, which allows for the use of less expensive energy sources while at the same time increasing capacity. Improvements in product quality have recently focused on the use of highly wear-resistant materials, such as ceramics or carbides. The Group also strives to meet rising customer demands on the physical properties and workability of the Group's products by increasing their technical and aesthetic differentiation. For hollow bricks, the key differentiating factors are the insulation properties, both thermal and sound, and load bearing qualities, areas where the Issuer meets the highest technical standards. For facing bricks and clay roof tiles, new colours, shapes and structures, which are subject to shifting fashion trends, are regularly introduced. At present, the Issuer's product offering includes more than 1,500 different facing bricks, the widest product range in the market.

Although the Issuer has a decentralised structure, engineering is a key central function within the Group. It provides technical support for the entire Group, including development of production technology and know-how exchange. The Issuer recognises that knowledge transfer is key to continuous improvement. Therefore, innovations in one plant are "exported" to other production sites. The Group maintains two laboratories in Austria and in Belgium, which serve as the Group's centres for raw materials research.

### Strategy

The Issuer's strategic focus is directed towards the expansion of its four product groups: hollow bricks, facing bricks, roof tiles and products for surface paving, through organic sales and profit growth in its existing businesses, greenfield projects and profitable acquisitions of new businesses.

The Group's strategy for its existing businesses is to achieve continuous optimisation and profitable growth through constant improvement of products, customer service and the efficiency of all processes. In the production area, the Group concentrates on cost efficiency, primarily through the reduction in the use of energy, as well as through continuous improvement in its manufacturing operations. The Group undertakes research and development into optimising processes and developing and implementing new technologies for the manufacturing process. In addition, the Group works to maximise the flexibility of its manufacturing operations.

In customer service, the Issuer has undertaken a number of initiatives in order to drive organic growth. Through its extensive network of plants, the Issuer maintains the broadest product range in the industry, including approximately 1,500 different types of facing brick. The Group ensures that it is in line with trends in housing construction, and offers customers the formats, colours and texture of bricks, roof tiles and paving products in high demand, while also meeting the highest possible standards required by the market. In order to capitalise on its market position, the Issuer coordinates its national advertising campaigns throughout Europe to build on the Issuer's pan-European sales profile. The brands advertised across Europe are the Issuer's brand and the brands Porotherm and Poroton (Germany only) for hollow bricks, Terca for facing bricks and clay pavers and Koramic for clay roof tiles.

The Group's strategy encompasses not only organic growth, but also bolt-on acquisitions as well as selected substantial acquisitions. The diversification of the Group's growth through a large number of smaller projects minimises risk and optimises the opportunity for the synergies with existing activities. Additionally, the Issuer is prepared to make major acquisitions if they create value. These projects are expected by management to enable the Issuer to gain leading market positions. The acquisitions of Koramic Roofing and the brick business are recent examples of such acquisitions in 2004.

In analysing its existing core brick and roof tiles businesses, the Group distinguishes between two types of markets – growth markets and mature markets – and employs a different strategic focus in each of the markets, reflecting each market's individual dynamics.

**Principal Markets**

*Growth Markets*

Eastern Europe has become a home market for the Issuer. The Group therefore expects to benefit from substantial long-term growth opportunities, with the brick and roof tile market driven by the upgrading and expansion of the region's housing stock and the expected accelerated growth as a result of the transition of Eastern European economies.

The United States is the world's largest facing brick market and is characterised by above-average population growth, making it a strategic market for the Issuer. In the United States, the Group's strategy is to maintain or achieve the leading position in the regions in which it operates and to increase margins through the development of the Group's own distribution capabilities by way of strategic investments in local brick distributors.

In both Eastern Europe and the United States, the Group intends to grow its operations further by both acquiring existing producers and building new plants.

*New markets*

The Issuer targets new markets in countries in which bricks hold a high market share and where there are attractive growth prospects. The potential to gain a leading position in such a new market over the medium term is also an important consideration. The Issuer is currently building a greenfield plant in Russia, restructuring one in Bulgaria and is evaluating market entry possibilities in the Ukraine, Serbia and India. In addition, management continuously investigates other markets for future expansion.

*Mature markets*

The Group views all its other markets as mature markets and expects low market growth in these markets in the medium term. In some of these markets, however, the Group sees potential for growth through the continued promotion of clay as the material of choice in residential housing construction. The strategy in mature markets is for constant optimisation of operations via internal improvements in order to maximise free cash flow generation for reinvestment. The Issuer plans further acquisitions in mature markets in order to participate actively in the market consolidation to expand the Group's positions and to capitalise on integration synergies

**Competition**

An analysis of the Group's competitive position needs to reflect the product segments in which the Group operates.

In the European facing brick market, the Issuer faces competition from large international groups, such as CRH, Hanson and Röben, and from smaller local companies. In addition, substitute products such as glass, render, stone and aluminium compete with facing bricks. The US facing brick market is relatively consolidated with the Issuer estimating to be holding the number one position after Boral. The other major players in the market are ACME Bricks, Hanson and Glen Gery (CRH) which together with Boral and General Shale account for approximately 60% of production capacity in the United States.

In the hollow brick markets competition is largely from numerous, mostly local producers of hollow bricks as well as from producers of substitute products such as aerated concrete (Ytong and Fels/Hebel, both part of the Haniel group) and producers of calcium-silicate (Haniel, Heidelberger Cement and local companies).

Management estimates that the Group is the second largest producer of clay roof tiles in Europe. In this market, it competes with several producers who have a substantial presence in a number of countries, such as Lafarge (including Bramac), which Management estimates is Europe's leading producer of clay and concrete tiles, Etex, a producer of concrete and fibre cement tiles, and Imerys, Terreal, and Creaton (taken over by Etex in 2005), manufacturers of clay tiles.

**Environmental Matters**

Wienerberger is not aware of any material environmental claims that would have the ability to adversely impact the Group's ability to fulfil its obligations. However, the risk factor section on environmental risks should be considered.

**Material Contracts**

In the usual course of its business, Wienerberger enters into numerous contracts with various other entities. Wienerberger has not, however, entered into any material contracts outside the ordinary course of its business within the past two years.

**Legal Proceedings**

The Issuer and its subsidiaries are party to certain lawsuits and administrative proceedings before various courts and governmental agencies arising from the ordinary course of business involving various contractual, labour and other matters. The Issuer believes that the ultimate effect of these proceedings will not have a material adverse impact on the Group's financial position or results of operations.

**Material Changes / Trend Information**

There has been no material adverse change in the prospects of the Issuer since the date or its last published audited financial statements.

The Issuer is not aware of any information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year.

**Recent Developments and Outlook for 2007**

The Group views its Eastern European markets as its most important growth markets. In addition to revenue growth, average operating costs, in particular energy costs are expected to increase at a higher rate than in Western Europe. To date, the Group has been able to increase productivity and price levels in line with increased costs although there can be no guarantee that this will continue to be the case. The Group intends to carry on its expansion strategy in Eastern Europe and is currently building a greenfield plant in Russia.

In Western Europe, the Group expects stable markets with limited opportunities for organical growth in the near term. In Germany, housing starts are seen to increase in 2006. Within its roof tile operations, the Group has recently experienced a stable development. In the United Kingdom, the Group has announced its intention to take over the listed company Baggeridge Brick plc ("Baggeridge") in order to strengthen its number 3 position in a consolidated market. Baggeridge operates five plants in the United Kingdom and is viewed perfectly compatible with the Issuer's existing plant network. In addition, the Group believes to be able to realise £ 5 million of yearly synergies from the integration of Baggeridge. Western European markets offer growth opportunities to the Group in terms of market consolidation.

In the U.S. segment, the Issuer announced the take-over of Robinson Brick Company (RBC) through its subsidiary General Shale for a total consideration of USD 88 million plus net working capital of approx. USD 32 million. RBC runs one facing brick and three concrete block plants. In addition, RBC has seventeen distribution outlets in six states (Colorado, Wyoming, Montana, Nebraska, Illinois and Oklahoma). This acquisition is a strategic development for the Group as it is expanding its U.S. activities west of Mississippi. The Issuer expects to realise USD 5 million in synergies per year.

While the United States is expected by the Group to continue to experience economic growth, rising interest rates have slowed down new residential construction. Housing starts are expected to decline 7% and 6% in 2006 and 2007 respectively. The Group's has expanded its direct sales through acquisition of further holdings in distribution partners. At the same time, the Group ran optimisation programmes and developed its product range with a view to protecting its competitive position.

In April 2006 Bayerische Dachziegelwerke Bogen GmbH, a family-owned company with headquarters and production in Straubing (approx. 130 km northeast of Munich) was taken over increasing the Group's footprint in the German roof-tile market.

In the same month, a bolt-on acquisition was done in Austria with the take-over of the Eichhorn brick plant with an annual capacity of 60 million brick units. This consolidation step is part of the Group's bolt-on programme in 2006 and will enhance profitability in the Austrian market.

In June 2006 the Issuer has reached agreement with Friedrich Knabe Kirchkimmen Ziegelei GmbH & Co. KG to acquire its plants in Hude, Germany via an asset deal. Knabe is a well established brand in the facing brick segment and allows the Issuer to strengthen its position in this market segment.

In July 2006 the Group has taken over German clay roof tile producer Jungmeier GmbH & Co. KG by way of an asset deal. The company is situated in Straubing and operates four plants at this location. In 2005 Jungmeier generated revenues of € 21 million with roughly 200 employees, a balanced product portfolio and a successful regional brand. Wienerberger expects to realise synergies with the

Bogen plant taken over in April 2006. Following this acquisition, the Group believes to be one of the leading producers of the clay roof tiles industry in Germany.

In August 2006 the Group announced its intention to take-over of Baggeridge Brick plc, a British company listed on the London stock exchange. The proposed cash acquisition is pre-conditional on UK anti-trust approval. Wienerberger will offer Baggeridge's shareholders 216 pence per share equal to GBP 89.2 million for the entire issued share capital. Baggeridge's Board of Directors has recommended that Baggeridge shareholders accept the cash acquisition. All members of the Board of Directors, the trustees of the P.A. Ward family trusts and P.A. Ward, who together control 26.5% of the shares in Baggeridge, have committed to vote in favour of the transaction; in addition, a shareholder currently holding 7.1% has provided a letter of intent to vote in favour of the transaction if the anti-trust pre-condition is satisfied. The transaction will be effected by means of a scheme of arrangement under the English Companies Act 1985. It will therefore require approval by a majority in number of the Baggeridge shareholders representing at least 75% in value of the share capital voted at the meeting of Baggeridge shareholders to be called to agree on the acquisition.

Baggeridge, with headquarters in Sedgley near the city of Birmingham, operates a total of four production plants in the Midlands and one in the South of England, manufacturing facing bricks, pavers and products for the facade. In addition, Baggeridge has significant excess raw material reserves and one undeveloped site near Birmingham with planning permission for production. These assets are of strategic value to Wienerberger for future growth projects in the United Kingdom and have been reflected in the valuation of the company. In the preceding financial year, ending 30 September 2005, Baggeridge generated revenues of GBP 54.95 million, and an EBITDA of GBP 7.7 million, employing a work force of 575 people.

Baggeridge is an excellent complement to Wienerberger. For Wienerberger, the optimal enhancement of its production facilities, the expansion of its product portfolio as well as the capability to significantly increase its presence in the Irish market, open up attractive opportunities to improve earnings in the United Kingdom and ensure ongoing profitable growth. The Group expects to realise synergies of approximately GBP 5 million per annum.

Approval of the transaction by British anti-trust bodies is expected to be received mid 2007.

In October, majority-owned concrete paver subsidiary Semmelrock acquired Czech concrete paver producer Colorbeton a.s., the No. 3 on the Czech concrete paver market. In 2005 Colorbeton generated revenues of € 12.6 million with 115 employees. The parties have agreed not to disclose any information on the purchase price for this transaction.

In November 2006, Wienerberger announced the take-over more than 50% of the shares in French Briqueterie Bar Frères, a facing brick company with one plant close to the Belgian border. The company is an ideal compliment to Wienerberger's footprint in the region. Bar generated revenues of roughly € 5 million in 2005 with 40 employees. The parties have agreed not to disclose any information on the purchase price for this transaction.

Also in November 2006, Wienerberger announced a strengthening of its French activities through the start-up of a hollow brick plant in the greater Paris area. Production at the Angervilliers plant was converted from facing bricks to hollow bricks in order to more efficiently meet the steadily growing demand for hollow bricks in the regions with high residential construction activities surrounding Paris, which include Ile de France, Normandy, Pays de la Loire and Picardy. The investment amounted to € 15 million.

On 28 November 2006 Wienerberger announced the take-over of German based Penter Klinker Klostermeyer KG in Lower Saxony. The acquisition of the number 2 on the clay paver market allows the Group to achieve a leading position in the German clay paver market.

Hans Tschuden has been appointed CFO of Telekom Austria, and will therefore resign from the Wienerberger Management Board on 31 March 2007. On 6 December 2006, the Supervisory Board has decided on the succession of Hans Tschuden, appointing Willy Van Riet, Managing Director of Wienerberger Ltd., UK as new CFO of Wienerberger AG as of 1 April 2007. Mr. Van Riet has more than

13 years of experience within the building industry working for Terca, Koramic Building Products and for Wienerberger since the take-over of Koramic by the Group.

In December 2006, the German cartel authorities carried out searches at the offices of all major clay roof tile producers. These investigations were conducted in connection with suspected agreements in restraint of competition, and also involved Wienerberger's subsidiary Koramic. In order to support the quick resolution of this matter, the Group has provided the authorities with all requested documents and answered all questions. The Group would like to underscore the fact that price-fixing agreements do not comply with its business practices.

With effect 1 January 2007 Wienerberger has strengthened its focus on bricks and roof tiles by selling its stake in stove tile specialist Wienerberger Ofenkachel GmbH & Co. KG to German HAGOS Verbund deutscher Kachelofen- und Luftheizungsbauerbetriebe eG.

In 2007, Wienerberger plans to invest at least € 250 million to continue its international growth strategy and further develop its positions on brick and clay roof tile markets.

# INDUSTRY OVERVIEW

The following discussion provides an overview of the brick and roof tile industries.

Bricks are used for structural, load bearing, and non-load bearing purposes. So-called "facing bricks" are used to clad load bearing walls (cavity wall system) whereas so-called "hollow bricks" are used to build load bearing walls and structures as well as non-load bearing inner walls (monolithic wall system), which are then usually clad with other cladding materials such as renders and plasters and sometimes facing bricks. The roofing market comprises two main segments: pitched roofs (which is the predominant segment) and flat roofs. Roof tiles are used exclusively to cover pitched roofs. Clay tiles and concrete tiles are the two main roof tile products.

The brick and roof tile industries share a number of similarities, including:

- local production serving primarily regional markets;
- seasonality, with low levels of sales occurring during the winter months;
- similar production processes, technologies and principal raw materials;
- high initial investment and some subsequent capital requirements;
- similar customers and parallel distribution channels; and
- primary usage of final products in the residential housing construction markets typically dependent on building traditions which have developed historically based on the availability of raw materials and the climate.

However, while the brick industry is principally driven by new housing starts which are dependent on economic cycles and long-term interest rates, the demand for roof tiles is driven to a similar extent by new housing starts and renovations, making the roof tile industry less cyclical.

Both bricks and roof tiles are subject to different national and international norms which the Group needs to adhere to. Changes of these norms make it necessary to adapt to the new regulations.

**Global Brick Industry**

*Key industry characteristics*

The global brick industry is characterised by a large number of regional manufacturers and only a small number of major manufacturers with an international presence. The fragmented structure reflects the local nature of demand and a manufacturing process which favours a regional approach. In the past, small and medium sized, privately owned companies that operated between one and three brick plants dominated the industry. Since the beginning of the 1980s, large corporate groups began to improve the production process and to consolidate the industry. Today, several international companies serve the facing brick market, including Boral (United States and Australia), CRH (United States, United Kingdom and Continental Europe) and Hanson (United States and United Kingdom), the Issuer (Continental Europe, United Kingdom and United States). In hollow brick production, the Issuer is the only globally-operating company.

The brick industry is in general highly regional, since transportation costs are an important component of the overall costs of the products and the value of bricks is low in relation to their weight and volume, resulting in high transportation costs. Currently, transporting hollow bricks for more than 200 to 300 km is generally uneconomical, whereas facing bricks can generally be economically transported 500 to 600 km via road, rail and ship. Imports between regional markets are not frequent in the case of hollow bricks as hollow bricks produced outside one region may not meet the needs of local end users in terms of standard specifications and other technical features. If at all, hollow bricks are usually exported from regions with production overcapacities in order to optimise capacity utilization in such regions or if a producer intends to test the characteristics of a local market before acquiring production facilities or establishing a greenfield operation in such market. Due to the inefficiency of brick transportation over long distances, the ability to maintain a dense network of production plants that serve local markets gives large companies a competitive advantage over smaller manufacturers.

In the case of facing bricks, imports between regional markets are more common, such as within the Benelux countries and from the Benelux countries to the United Kingdom. The principal reasons for more frequent imports of facing bricks compared to hollow bricks are the following:

- facing bricks are subject to fewer technical requirements compared to hollow bricks, where local technical specifications can constitute market barriers;
- facing bricks are chosen for their aesthetic qualities and not their technical specifications, leading to an increased willingness of consumers to pay the higher prices;
- the colour of facing bricks is largely determined by the regional provenience of clay. Therefore, if there is demand for a specific colour in a market, consumers are willing to pay higher prices; and
- the total production cost of facing bricks is higher than for hollow bricks. Therefore, for facing bricks transportation costs constitute a smaller portion of the total cost at construction site than for hollow bricks.

The brick industry is very capital intensive, with an initial investment in most cases of between two and 2.5 times the annual revenues, and is characterised by high fixed costs (approximately 55 % of total costs). The high level of initial capital investment constitutes a barrier to entry for new competitors, especially for minor local players, and creates an advantage for larger, established producers. An important component of costs is energy. Natural gas is the most frequently used energy source in the bricks industry, although other fuels, such as fuel oil and coal, are also used. For this reason, the brick industry has been affected by the increase of natural gas prices in the past years. Raw material deposits are available in most parts of the world. Regulations for their use vary by country. Clay is mainly collected in open clay pits which are usually part of the plants. Therefore, clay is typically obtained from third parties only where a particular quality of clay is required to achieve a desired facing brick colour.

*Demand trends*

The best indicator of demand trends (i. e. volumes) for brick markets is the residential construction sector which the Group believes to account for approximately 85 % of hollow brick and 70 % of facing brick demand worldwide, the remainder representing commercial and public building demand. Brick sales are mainly driven by single and two-family housing starts. Due to its exposure to the residential construction sector the brick industry is subject to typical macroeconomic drivers such as GDP growth rate, consumer spending, confidence levels and, to a lesser extent, long-term interest rates (i. e. mortgage rates). In addition, weather is an important external factor determining demand because severe weather negatively impacts house builders' ability to work.

*Brick use and competition*

Bricks compete with other building materials. Competition from substitute products of facing bricks is more limited compared to hollow bricks because of facing bricks' unique product characteristics. However, facing bricks can be substituted with other cladding materials such as plasters, renders, stucco and natural stone and other materials including vinyl, wood, aluminium siding or glass. On the other hand, hollow bricks experience competition from substitute products in various regional markets, because hollow bricks' product characteristics are more comparable to those of substitute products. Hollow bricks substitute products include aerated concrete blocks, prefabricated concrete panels, cast concrete, calcium silicate and timber. More generally, buildings constructed with bricks also compete with prefabricated houses.

The determining factors for the choice of a particular building material include price and brick laying costs, consisting of the cost of transporting the material to the construction site, the cost of additional products required to build with such material, the cost of any specialised equipment required to handle such material and the labour cost involved in handling such material. In addition, local building traditions, availability of clay and the fact that bricks are a natural product play an important role in customer demand.

In certain Eastern European countries where residential housing is often built through the do it yourself (DIY) method of construction, labour cost is not as important a factor, thus lowering the Verlegungskosten (brick laying costs) of hollow bricks compared to higher priced substitute products, which in turn may require special equipment (such as cranes) that is often expensive or unavailable in those countries. Facing bricks, in turn, have relatively high Verlegungskosten compared to substitute products because they require qualified brick layers which are hard to find and expensive in some more economically developed countries, and are generally not suitable for DIY construction. Therefore facing bricks are often chosen for high-end prefabricated residential houses in more economically developed countries.

An important factor in choosing a particular material for load bearing walls is the technical aspects of the material such as thermal and sound insulation, load bearing capacity, frost resistance and water proofing capability, the specifications for which are often mandated by local, national or EU regulations. The primary geographic markets for hollow bricks are Continental Europe, Russia, most parts of Asia (including China), North and Central Africa and Latin America.

Facing bricks are typically viewed as a brand product, since they are in plain view and define the outward appearance of a building. Consequently, the customers' taste and current fashion trends play an important role in the facing brick market. The main geographic markets for facing bricks are North America, the United Kingdom and Northwestern Europe, Australia and South Africa.

**The European Roof Tile Industry**

The roof tile industry shares many similarities with the brick industry. However, while the brick industry is primarily driven by new housing starts which in turn are driven by economic growth and low long-term interest rates, roof tile demand is driven by both housing starts and housing renovations. Severe weather can increase levels of renovations from time to time. The Issuer estimates that more than one half of total roof tiles sold is used for renovations. Demand for roof tiles is therefore more stable and less cyclical than demand for bricks, as the renovation business is much less sensitive to economic cycles.

The roofing market comprises two main segments: pitched roofs (the predominant segment) and flat roofs. Roof tiles are used exclusively to cover pitched roofs and are considered as small elements for covering pitched roofs. Clay tiles and concrete tiles are the two main roof tile products, competing with substitution products such as natural slates, fiber cement slates and metal coverings. In addition, concrete roof tiles are a direct substitution product for clay roof tiles. The relative shares of the different products in the total roofing market vary from country to country and sometimes among regions. In most European countries, clay roof tiles are either the traditional product or have replaced concrete tiles as the lead product. Concrete roof tiles, which have a competitive price advantage compared to clay roof tiles because of cheaper production costs, have substantial market shares in many European countries and are the predominant product in a limited number of European countries, such as the Czech Republic and United Kingdom. In the 1960s, clay tiles lost a significant market share to concrete tiles due to development of new technological equipment and processes in the concrete tile industry that have substantially improved quality of the products and production efficiency. Since then, clay tiles have been able to regain market share by improving quality and aesthetics and are at present the leading product in most European countries.

The choice of a particular roofing material is determined by consumer taste, current trends, price and the total cost involved in handling the material. In the case of renovations, the type of existing roof construction also plays a role. Similar to facing bricks, roof tiles are used for the outer leaf of houses, which emphasises aesthetic qualities and brand. The market for clay roof tiles in Europe can be viewed as a growing market, as the trend toward clay roof tiles is expected to continue. While clay roof tiles are relatively more expensive than substitute products, their principal advantages are the following:

- clay roof tiles are the highest quality product which is preferred by customers and enjoys long tradition in most European countries;
- clay roof tiles can be produced in a large range of shapes, sizes, colours and surface finishes, including glazing and engobes;
- clay roof tiles have good technical qualities, such as frost resistance, are long-lasting and require minimal maintenance;
- compared to some substitute products, clay roof tiles are comparatively light, making roof support construction cheaper; and
- due to improvements in the production process during the past decades, clay roof tiles can be produced in large format, reducing the time and cost of covering a roof.

Within the clay roof tile market, there are two main product categories: moulded tiles and traditional flat (so-called "biber") tiles. Moulded tiles are manufactured in large formats, with sizes ranging from nine pieces to a maximum of 25 pieces per square meter, whereas for flat tiles between 40 and 80 pieces are customarily used to cover one square meter. Using large tiles reduces the time required for covering a roof.

Within the roof tile industry, usually 6% to 8% of all pieces sold are accessories as opposed to regular roof tiles. The Issuer estimates that accessories, which are priced at a premium compared to regular roof tiles to reflect higher production and storage costs, typically represent 25% to 30% of total revenues. One of the factors contributing to a successful roof tile business is offering a broad range of high quality accessories which match the quality of the roof tiles.

In general, roof tiles have a higher value-to-weight ratio than bricks. As a result, for roof tiles, transportation costs constitute a smaller percentage of the total cost than for bricks. Roof tiles can be transported economically for 600 to 800 km.

Throughout Europe, with the exception of Germany, the roof tile industry is relatively consolidated compared to the brick industry. Large producers benefit from economies of scale and full product range. The largest producers of roof tiles include Lafarge (including Bramac and Tondach joint ventures), the world's largest producer of roof tiles (clay and concrete), followed by the Issuer (including Koramic, Bramac and Tondach joint ventures), Imerys and Terreal (producers of clay roof tiles focused on the French market), Etex (concrete roof tiles and fibre cement slates) including German clay tile manufacturer Creaton.

**Brick and Roof Tile Production**

The basic principles of brick and tile making are fairly uniform and individual plants apply these basic principles to their particular raw materials and methods of operation, as well as the relevant end-use specifications. Both bricks and tiles are generally produced by mixing ground clay with water, forming them into desired shapes, then drying and firing them.

The two major manufacturing processes used in making facing bricks are extruded brick and soft mud bricks.

- Extruded facing brick: The clay is ground, rolled, mixed, extruded and normally dried in separate driers and fired in tunnel kilns. A tunnel kiln is a continuous kiln in which the bricks are set on a moving kiln car, which passes through a stationary firing zone near the centre of the kiln.
- Soft mud facing brick: These bricks fall into two categories: thrown and pressed. Thrown bricks are made from clay thrown from vertical conveyors into brick moulds. A scraper then takes off the excess clay from the rim of the mould having the effect of simulating a handmade brick. Pressed bricks follow the same process, except that the brick in the mould is then pressed to create a more uniform plain brick.

Hollow bricks are in most cases made from shale, the rock-like form of clay. The shale is finely ground, tempered with water into a mass of very stiff consistency then forced through a rectangular die by means of pressure exerted by an auger. This extrusion process produces a continuous “ribbon” of clay that is cut into hollow bricks which are then stacked on small railway cars, passed through a drying chamber, and finally through a tunnel kiln for burning.

Roof tiles are usually shaped by pressing clay into a mould. A specific colour is achieved either by using different mixtures of clay, by applying glazing or engobes to the product after drying and before burning it in the kiln, or by employing specific burning techniques.

Due to their thin but often large size, roof tiles are more fragile than bricks and therefore must be handled with great care during the production process. In order to avoid deformation and to guarantee an optimal and uniform burning process, the latest production technology allows for each roof tile to be laid onto a separate cassette. These cassettes are then stacked on a kiln car, whereas bricks are usually piled up directly on the kiln car. Customers usually have high expectations with respect to the appearance of roof tiles and the consistency within a purchased lot, making continuous quality control necessary.

Although the basic principles are the same as for the production of bricks, the production of roof tiles tends to be more complex, due to the elaborate handling process and high quality standards required in the market with respect to surfaces, durability and frost resistance. In addition, producers typically offer a wide variety of accessories to match the roof tiles in terms of colour and quality. These accessories are usually manufactured in separate production lines on the same production site. Due to the great variety of shapes offered, production usually involves a high degree of manual labour.

## SELECTED FINANCIAL INFORMATION OF THE ISSUER

**Excerpt from the Annual Report 2004, 2005**

The tables below set out the audited financial data for financial years 2004 and 2005. The data for financial year 2003 is restated taking into account the consolidation of Pipelife at equity as of 1 January 2004. This enables prospective investors to compare the financial performance. Wienerberger prepares its consolidated financial statements on the basis of International Financial Reporting Standards ("**IFRS**").

**Income Statement**

| | 2005 | 2004 | 2003 (2) |
|---|---|---|---|
| | in TEUR (1) | in TEUR | in TEUR |
| Revenues | 1,954,571 | 1,758,846 | 1,544,019 |
| Cost of goods sold | – 1,210,986 | – 1,074,544 | – 984,680 |
| **Gross profit** | 743,585 | 684,302 | 559,339 |
| Selling expenses | – 369,778 | – 312,779 | – 274,288 |
| Administrative expenses | – 109,524 | – 108,406 | – 96,569 |
| Other operating expenses | – 25,554 | – 48,457 | – 34,430 |
| Other operating income | 31,556 | 42,790 | 51,354 |
| Amortization of goodwill | 0 | 0 | – 19,257 |
| **Operating profit before non-recurring items** | 270,285 | 257,450 | 186,149 |
| Non-recurring write-offs and provisions related to restructuring | – 11,365 | 0 | 0 |
| Non-recurring income | 10,637 | 0 | 0 |
| **Operating profit after non-recurring items** | 269,557 | 257,450 | 186,149 |
| Income from investments in associates | 29,513 | 8,586 | 3,464 |
| Other financial results | – 47,803 | – 34,667 | – 33,568 |
| **Financial results** | – 18,290 | – 26,080 | – 30,104 |
| **Profit before tax** | 251,267 | 231,370 | 156,045 |
| Income taxes | – 54,834 | – 49,538 | – 43,117 |
| **Profit after tax** | 196,433 | 181,832 | 112,928 |
| Minority interest | 2,080 | 4,729 | 2,511 |
| **Net profit for the profit** | 194,353 | 177,104 | 110,417 |

(1) "TEUR" means Euros in units of thousands
(2) Restated taking into account the at-equity consolidation of Pipelife as of 1 January 2004

**Statement of Cash Flows**

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| | in TEUR | in TEUR | in TEUR |
| Profit after tax | 196,433 | 181,832 | 112,928 |
| Depreciation and amortization | 158,124 | 148,739 | 148,778 |
| Non-recurring write-off related to restructuring | 1,591 | 0 | 0 |
| Write-up of fixed and financial assets | – 598 | 0 | – 2,488 |
| Increase/decrease in long-term provisions | 12,994 | – 10,415 | – 9,787 |
| Income from associates | – 29,513 | – 8,586 | – 3,660 |
| Income/loss from the disposal of fixed and financial assets | – 17,691 | – 14,542 | – 12,218 |
| **Gross cash flow** | 321,340 | 297,028 | 233,553 |
| Increase/decrease in inventories | – 45,672 | – 37,005 | 37,648 |
| Increase/decrease in trade receivables | – 9,580 | – 14,944 | – 4,349 |
| Increase/decrease in trade payables | 2,643 | 36,103 | – 27,462 |
| Increase/decrease in other net current assets | – 29,992 | 30,787 | 8,481 |
| Changes in non-cash items resulting from foreign exchange translation | 206 | – 1,362 | 32,423 |
| **Cash flows from operating activities** | 238,945 | 310,607 | 280,294 |
| Proceeds from the sale of assets | 61,398 | 74,349 | 58,191 |
| Purchase of property, plant and equipment and intangible assets | – 278,628 | – 238,034 | – 145,383 |
| Payments made for investments in financial assets | – 233 | – 921 | – 10,604 |
| Increase/decrease in marketable securities | 438 | 7,123 | – 17,606 |
| Net payments made for the acquisition of companies | – 60,035 | – 394,584 | – 210,661 |
| Net proceeds from the sale of companies | 157 | 0 | 0 |
| **Cash flow from investing activities** | – 276,903 | – 552,067 | – 326,063 |
| Increase/decrease in long-term borrowings | 437,047 | – 12,692 | 56,153 |
| Increase/decrease in short-term borrowings | – 178,896 | 40,763 | 73,670 |
| Dividends paid by the Issuer | – 78,040 | – 49,777 | – 42,665 |
| Dividends paid to minority shareholders and other changes in minority capital | 2,464 | – 2,690 | – 2,189 |
| Dividend payments from associates | 2,004 | 1,975 | 660 |
| Capital increase of the Issuer | 0 | 221,782 | 0 |
| Cash inflows from the exercise of stock options | 5,364 | 0 | 0 |
| Purchase of treasury stock | – 21,326 | 0 | 0 |
| **Cash flows from financing activities** | 168,617 | 199,361 | 85,629 |
| **Change in cash and cash at bank** | 130,659 | – 42,099 | 39,860 |
| Effect of exchange rate fluctuations on cash held | 2,725 | 1,887 | – 2,085 |
| Cash and cash at bank at the beginning of the year | 86,492 | 126,704 | 88,929 |
| **Cash and cash at bank at the end of the year** | 219,876 | 86,492 | 126,704 |
| Thereof cash | 219,876 | 86,492 | 126,704 |

**Balance Sheet**

| | 31.12.2005 | 31.12.2004 | 31.12.2003 |
|---|---|---|---|
| | in TEUR | in TEUR | in TEUR |
| **ASSETS** | | | |
| Intangible assets | 563,906 | 522,064 | 333,905 |
| Property, plant and equipment | 1,507,125 | 1,337,568 | 1.046,967 |
| Investment property | 32,984 | 54,872 | 65,974 |
| Investment in associates | 106,503 | 76,329 | 83,152 |
| Other financial assets | 21,566 | 21,835 | 48,668 |
| Deferred tax assets | 61,355 | 42,737 | 32,048 |
| **Non-current assets** | 2,293,439 | 2,055,404 | 1,610,714 |
| Inventories | 445,879 | 391,435 | 302,452 |
| Trade receivables | 184,407 | 172,753 | 132,959 |
| Other current receivables | 103,567 | 89,301 | 184,166 |
| Securities | 22,402 | 70,517 | 50,101 |
| Cash and cash at bank | 219,876 | 86,492 | 126,704 |
| **Current assets** | 976,131 | 810,497 | 796,382 |
| **Total Assets** | 3,269,570 | 2,865,901 | 2,407,096 |
| **EQUITY AND LIABILITIES** | | | |
| Issued capital | 74,168 | 74,168 | 65,279 |
| Share premium | 415,052 | 415,052 | 192,831 |
| Retained earnings | 1,031,209 | 962,644 | 820,103 |
| Treasury stock | – 28,133 | – 13,327 | – 13,327 |
| Translation reserve | – 38,909 | – 105,502 | – 108,206 |
| Minority interest | 29,717 | 34,178 | 23,753 |
| **Equity** | 1,483,104 | 1,367,214 | 980,433 |
| Employee-related provisions | 75,671 | 70,810 | 46,010 |
| Provisions for deferred taxes | 105,318 | 92,130 | 90,344 |
| Other non-current provisions | 53,463 | 51,050 | 48,002 |
| Long-term financial liabilities | 1,091,366 | 654,711 | 722,520 |
| Other non-current liabilities | 51,102 | 25,028 | 21,459 |
| **Non-current provisions and liabilities** | 1,376,920 | 893,729 | 928,335 |
| Other current provisions | 39,234 | 56,994 | 100,500 |
| Short-term financial liabilities | 97,873 | 278,171 | 237,225 |
| Trade payables | 150,712 | 145,349 | 91,842 |
| Other current liabilities | 121,727 | 124,444 | 68,761 |
| **Current provisions and liabilities** | 409,546 | 604,958 | 498,328 |
| **Total Equity and Liabilities** | 3,269,570 | 2,865,901 | 2,407,096 |

**Excerpt from the 3Q Results 2006 compared to 2005**

During the third quarter Wienerberger successfully implemented its programs to improve earnings. Both revenues and EBITDA rose by 18% from July to September. For the first nine months, the Group increased revenues by 13% to € 1,655.9 million and EBITDA by 6% to € 351.6 million. This sizeable increase in revenues was supported by an 8% higher sales volume and an average price increase of 5%.

From a regional perspective, European markets in general showed sound residential construction, in contrast, the US market saw a noticeable decline in the third quarter 2006. Sales volumes in Central-East Europe and Germany rose by a substantial amount. The Group's plants in Poland are operating at full capacity and prices were also adjusted in other countries to offset higher energy costs. These factors led to an improvement of operating EBITDA for the third quarter, with a 20% increase in Central-East Europe to € 53.9 million and 26% growth in Central-West Europe to€ 35.7 million. Wienerberger also recorded higher sales volumes in Belgium, France and the Netherlands, and was able to adjust prices in certain areas. EBITDA in North-West Europe rose by 16% over the comparable prior year period to € 50.1 million for the third quarter. On the US market the decline in new residential construction was stronger than generally expected and had a negative impact on the Group's earnings, and even the acquisition of Robinson Brick in June was unable to completely offset this effect. From July to September EBITDA in this region fell 10% to € 17.3 million. For the remainder of the year Wienerberger expects continued strength on most European markets, while the National Association of Home Builders (NAHB) forecasts a drop of more than 10% in US housing starts.

Developments during the third quarter confirm the Group's mid-year estimates, and show that earnings will follow the growth in revenues with a certain delay. Wienerberger will record another improvement in earnings for the 2006 Business Year. The goal to increase EBITDA by 10% is unchanged, but depends on continued favorable operating conditions in Europe and on the extent of the downturn in the USA which was significant in the fourth quarter of 2006.

**Financial Information First Nine Months 2006**

**Income Statement**

| | 30.09.2006<br>in TEUR (1) | 30.09.2005<br>in TEUR (2) |
|---|---|---|
| Revenues | 1,655,906 | 1,468,567 |
| Cost of goods sold | – 1,036,163 | – 901,424 |
| **Gross profit** | 619,743 | 567,143 |
| Selling expenses | – 308,786 | – 273,171 |
| Administrative expenses | – 96,457 | – 83,228 |
| Other operating expenses | – 13,453 | – 13,593 |
| Other operating income | 27,077 | 21,135 |
| Amortization of goodwill | 0 | 0 |
| **Operating profit before non-recurring items** | 228,124 | 218,286 |
| Non-recurring write-offs and provisions related to restructuring | – 7,191 | – 4,977 |
| Non-recurring income | 0 | 0 |
| **Operating profit after non-recurring items** | 220,933 | 213,309 |
| Income from investments in associates | 18,694 | 20,793 |
| Net financing costs | – 37,699 | – 35,071 |
| Other financial results | – 1,018 | – 2,087 |
| **Financial results** | – 20,023 | – 16,365 |
| **Profit before tax** | 200,910 | 196,944 |
| Income taxes | – 43,516 | – 43,441 |
| **Profit after tax** | 157,394 | 153,503 |
| Minority interest | 2,947 | 3,705 |
| **Net profit for the profit** | 154,447 | 149,798 |

(1) "TEUR" means Euros in units of thousands

**Statement of Cash Flows**

| | 30.09.2006 | 30.09.2005 |
|---|---|---|
| | in TEUR | in TEUR |
| Profit before tax | 200,910 | 196,944 |
| Depreciation and amortization | 123,461 | 114,134 |
| Non-recurring write-off related to restructuring | 6,732 | 1,585 |
| Write-up of fixed and financial assets | – 1,728 | – 657 |
| Increase/decrease in long-term provisions | 10,341 | 13,520 |
| Income from associates | – 18,694 | – 20,793 |
| Income/loss from the disposal of fixed and financial assets | – 1,766 | – 2,662 |
| Net financing costs | 37,699 | 35,071 |
| Interest paid | – 63,994 | – 53,504 |
| Interest received | 24,336 | 26,073 |
| Income taxes paid | – 28,989 | – 32,260 |
| **Gross cash flow** | 288,308 | 277,451 |
| Increase/decrease in inventories | – 3,739 | – 43,643 |
| Increase/decrease in trade receivables | – 114,062 | – 94,806 |
| Increase/decrease in trade payables | 27,930 | 3,872 |
| Increase/decrease in other net current assets | 32,030 | – 1,402 |
| Changes in non-cash items resulting from foreign exchange translation | – 3,636 | – 198 |
| **Cash flows from operating activities** | 226,831 | 141,274 |
| Proceeds from the sale of assets | 13,833 | 40,360 |
| Purchase of property, plant and equipment and intangible assets | – 263,086 | – 193,032 |
| Payments made for investments in financial assets | – 9,108 | – 209 |
| Increase/decrease in marketable securities | 19 | – 1,184 |
| Cash flow from changes in the consolidation range | – 155,733 | – 45,664 |
| Net proceeds from the sale of companies | 0 | 61 |
| **Cash flow from investing activities** | – 414,075 | – 199,668 |
| Increase/decrease in long-term borrowings | – 275,895 | 291,472 |
| Increase/decrease in short-term borrowings | 550,161 | – 152,726 |
| Dividends paid by the Issuer | – 86,415 | – 78,040 |
| Dividends paid to minority shareholders as well as capital decrease | – 38 | – 2,411 |
| Dividend payments from associates | 2,500 | 0 |
| Capital increase of the Issuer | 0 | 0 |
| Cash inflows from the exercise of stock options | 4,697 | 4,536 |
| Purchase of treasury stock | – 8,892 | – 21,325 |
| **Cash flows from financing activities** | 186,118 | 41,506 |
| **Change in cash and cash at bank** | – 1,126 | – 16,888 |
| Effect of exchange rate fluctuations on cash held | 700 | 2,077 |
| Cash and cash at bank at the beginning of the year | 219,876 | 86,492 |
| **Cash and cash at bank at the end of the year** | 219,450 | 71,681 |
| Thereof cash | 219,450 | 71,681 |

**Balance Sheet**

| | 30.09.2006 in TEUR | 30.09.2005 in TEUR |
|---|---|---|
| **ASSETS** | | |
| Intangible assets | 640,856 | 563,906 |
| Property, plant and equipment | 1,646,895 | 1,507,125 |
| Investment property | 32,323 | 32,984 |
| Investment in associates | 123,037 | 106,503 |
| Other financial assets | 28,705 | 21,566 |
| Deferred tax assets | 66,318 | 61,355 |
| Non-current assets | 2,538,134 | 2,293,439 |
| Inventories | 477,515 | 445,879 |
| Trade receivables | 313,399 | 184,407 |
| Other current receivables | 109,199 | 103,567 |
| Securities | 32,735 | 22,402 |
| Cash and cash at bank | 219,450 | 219,876 |
| Current assets | 1,152,298 | 976,131 |
| **Total Assets** | 3,690,432 | 3,269,570 |
| **EQUITY AND LIABILITIES** | | |
| Issued capital | 74,168 | 74,168 |
| Share premium | 415,052 | 415,052 |
| Retained earnings | 1,109,410 | 1,031,209 |
| Treasury stock | – 30,978 | – 28,133 |
| Translation reserve | – 75,535 | – 38,909 |
| Minority interest | 31,660 | 29,717 |
| **Equity** | 1,523,777 | 1,483,104 |
| Employee-related provisions | 71,889 | 75,671 |
| Provisions for deferred taxes | 121,812 | 105,318 |
| Other non-current provisions | 54,905 | 53,463 |
| Long-term financial liabilities | 815,471 | 1,091,366 |
| Other non-current liabilities | 49,759 | 51,102 |
| **Non-current provisions and liabilities** | 1,113,836 | 1,376,920 |
| Other current provisions | 41,320 | 39,234 |
| Short-term financial liabilities | 646,075 | 97,873 |
| Trade payables | 186,999 | 150,712 |
| Other current liabilities | 178,425 | 121,727 |
| **Current provisions and liabilities** | 1,052,819 | 409,546 |
| **Total Equity and Liabilities** | 3,690,432 | 3,269,570 |

# TAXATION

**General Disclaimer**

The following is a general description of certain tax considerations relating to the Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Bonds. Prospective purchasers of Bonds should consult their tax advisers as to the consequences, under the tax laws of the country in which they are resident for tax purposes and under the tax laws of the Republic of Austria, of acquiring, holding and disposing of Bonds and receiving payments of principal, interest and other amounts under the Bonds. This summary is based upon the laws in force and their interpretation on the date of this Prospectus and is subject to any change in law or interpretation that may take effect after such date.

**Austria**

*General*

Generally, income arising from the Bonds will qualify as investment income from debt securities. Within the meaning of the law investment income from the Bonds includes annual interest payments as well as capital gains realised upon redemption (being the difference between the issue price and the redemption price). According to Austrian tax law a 2% tax-exempt threshold applies to notes bearing interest paid out on an ongoing basis. If there is a coupon paying agent located in Austria *(kouponauszahlende Stelle)*, interest payments as well as capital gains realised on redemption are subject to an Austrian withholding tax on investment income at the rate of 25%. The deduction of withholding tax is independent from the tax status of the investor (subject to limited/unlimited liability to tax).

*Tax residents*

If the investor (physical person or corporation) is subject to unlimited liability to tax in Austria (this means that the physical person has its tax residence/domicile and/or its habitual place of abode in Austria or the registered office or effective place of management of a corporation is located in Austria) the interest income as well as capital gains on redemption are taxable in Austria according to Income Tax Act *(EStG)* or the Corporate Income Tax Act *(KStG)*.

*Where the investor is a physical person*

In case that the investor is a physical person who is subject to unlimited liability to tax it has to be differentiated, whether the Bonds have been offered to the public within the meaning of section 97 of the Austrian Income Tax Act or not. According to section 7806 of the Austrian Income Tax Guidelines (issued by the Federal Ministry of Finance) securities are deemed to be publicly offered, if the securities are subscribed by an underwriting syndicate of domestic and foreign banks. According to section 7809 of Austrian Income Tax Guidelines an offer of securities is deemed to be public, if the securities are issued abroad.

If the Bonds have been offered publicly, the interest income as well as the capital gain on redemption may be subject to Austrian final taxation *(Endbesteuerung)*. Final taxation means that after deduction of 25% withholding tax at source (if coupon paying agent is located in Austria) or the inclusion of such income in the income tax statement and application of a 25% special tax rate (if coupon paying agent is not located in Austria) no further income tax will be assessed.

If the coupon paying agent is located in Austria, he has to deduct 25% tax at source. The remainder is remitted to the investor and does not need to be included in the investor's income tax return.

If the coupon paying agent is located abroad, the investor has to include the investment income in his tax return in order to benefit from the Austrian final taxation-the investment income recorded in the tax return will be subjected to a special tax rate of 25% (equal to Austrian withholding tax on investment income) and by this benefit from Austrian final taxation.

If the individual's tax rate of income tax is lower than 25%, the withholding tax/special tax rate will be credited against the income tax liability and the excess amount will be refunded. As a consequence of the final taxation expenses in connection with the Bonds are not tax deductible (e.g. interest expense for debt-financing the Bonds).

*Where the investor is a corporation*

For corporate investors holding the Bonds as business property, the 25% withholding tax is not treated as final taxation, but the investment income is subject to 25% corporate income tax and withholding tax is credited against actual tax burden. However, such corporate investors may avoid the application of withholding tax by filing a declaration of exemption (section 94 paragraph 5 of Austrian Income Tax Act)

Specific tax rates (12.5%) apply to interest income earned by Austrian private-law foundations *(Privatstiftung)*. That interim corporate income tax may be credited against tax due on distributions of the private-law foundation.

**Non-residents**

Interest income derived from the Bonds by non-resident tax payers which is not attributable to a domestic permanent establishment is not taxable in Austria. Therefore, if Austrian withholding tax on investment income has been deducted by the coupon paying agent, the taxpayer may claim for refund of the withholding tax within five calendar years following the date of the imposition of the withholding tax.

According to section 8018 of the Austrian Income Tax Guidelines non-resident investors may avoid the deduction of the Austrian withholding tax, if the Bonds are deposited with an Austrian bank and evidence in writing is given to the bank, confirming that the investor neither has his tax residence or his habitual place of abode in Austria.

**Inheritance and gift tax**

Inheritance and gift tax is levied on inheritances, gifts and special purpose donation. The tax rate varies from 2% to 60%, depending on the value of the Bonds transferred and on the relationship of the beneficiary to the deceased or the donor.

Bonds held by private investors are exempt from inheritance tax (not from gift tax), if they qualify for final income taxation or for the special 25% rate (Section 37 paragraph 8 of the Austrian Income Tax Act). This means that the exemption is applicable only, if the Bonds have verifiably been offered publicly.

Neither inheritance nor gift tax applies, if the Bonds have been transferred from one non-resident to another non-resident. A non-resident does neither have a tax residence/domicile or a habitual place of abode in Austria (citizenship is irrelevant).

**Germany**

This section "Taxation in the Federal Republic of Germany" contains a summary of some important German fiscal provisions that are relevant in connection with the acquisition, the holding and the sale or redemption of the Bonds. This summary is not intended to be a comprehensive and complete representation of all aspects that could be relevant to investors under German tax law. It is based on the German tax law in force at the time of preparing this Prospectus, which may change at short notice, even with retroactive effect. In particular taxation of investment income is presently subject to the planning of the implementation of changes in the German tax system. However, it is presently uncertain if and in how these plans will be implemented. Wienerberger therefore strongly recommends that potential investors seek advice from their professional tax advisors with respect to the tax implications of the acquisition, the holding and the sale or redemption of Bonds.

### *Investors tax resident in Germany*

All interest payments made by the bond debtor to investors tax resident in Germany (persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany) are subject to income or corporate tax plus solidarity surcharge in the amount of 5.5% of the relevant income or corporate tax liability. If Bonds are held as assets of a German commercial business, these interest payments are subject to trade tax *(Gewerbesteuer)* also. If Bonds are held in a custodial account maintained with a bank or financial services provider in Germany, including branches of foreign banks or financial services providers in Germany (the ***Disbursing Agent*** – *inländische Zahlstelle)*, withholding tax on interest income *(Zinsabschlagsteuer)* in the amount of 30% (plus 5.5% solidarity surcharge thereon, i.e. a total of 31.65%) will be withheld from the gross amount of the interest payments. Tax withheld by the Disbursing Agent will be credited against the final German income or corporate tax burden of the Noteholder. Profits from the sale or redemption of the Bonds, including the profits achieved by a second or subsequent purchaser, are deemed to be interest income and are subject to personal income or corporate tax plus solidarity surcharge thereon under German tax law. If Bonds are held as part of a German commercial business, such profits are subject to trade tax also. For Bonds held in a custodial account maintained with a Disbursing Agent since the acquisition of the Bonds, the Disbursing Agent will be required to withhold tax in the amount of 30% (plus a 5.5% solidarity surcharge) of the difference between the sale or redemption proceeds and the purchase price paid for the Bonds. If the Disbursing Agent has changed since the acquisition of the Bonds, tax is withheld in the amount of 30% of the sale or redemption proceeds. The tax withheld will be credited against the final German income or corporate tax burden of the Noteholder.

### *Non-resident investors*

Interest paid to a Noteholder and profits from the sale or redemption realised by a Noteholder not resident in Germany will generally not be taxable in Germany and no tax will be withheld (even if the Bonds are kept with a Disbursing Agent) neither due to German withholding tax nor for or on account of any tax of Austria, Luxembourg, The Netherlands and the United Kingdom (save in the circumstances discussed in the section below concerning the European Union directive on the taxation of savings income). Exemptions apply, for example, if (i) the Bonds are held as a business asset of a German permanent establishment or by a permanent representative of the non-resident Noteholder, if (ii) the interest income of such Bonds does otherwise constitute German source income and if (iii) the non-resident Noteholder does not comply with the procedural rules to prove his status as a non-tax resident. In these cases, the Noteholder not resident in Germany will be subject to a tax regime similar to that described above under "Investors tax resident in Germany".

### *Inheritance and Gift Tax*

The transfer of Bonds in case of succession upon death, or by way of a gift among living persons is subject to German inheritance and/or gift tax, if the deceased, donor and/or the recipient is a German resident. German inheritance and gift tax is also triggered, if neither the deceased, the donor nor the recipient of the Bonds are German residents, if the Bonds are attributable to German business activities and if for such business activities a German permanent establishment is maintained or a permanent representative is appointed in Germany. In specific situations, also German expatriates that have been tax resident in Germany may be subject to inheritance and gift tax. Double taxation treaties may provide for exceptions to the German inheritance and gift tax regulations.

**European Union Directive on the Taxation of Savings Income**

Under the EU Council Directive 2003/48/EU on the taxation of savings income (the ***Savings Directive)***, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system (at a rate of 15 % for the first three years from application of the provisions of such directive, of 20 % for the subsequent three years, and of 35 % from the seventh year after application of the provisions of such directive) in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories have (agreed to) adopt(ed) similar measures. Germany has implemented EU Council Directive 2003/48/EU effective 1 July 2005. Germany has implemented the Savings Directive through the Interest Information Regulation *(Zinsinformationsverordnung – ZIV)* of 26 January 2004.

# SUBSCRIPTION AND SALE

Pursuant to a subscription agreement to be entered into on or about 7 February 2007 (the "**Subscription Agreement**") between the Issuer and the Managers, the Managers will agree, subject to certain conditions, to subscribe and pay for the Bonds the issue price, less certain management and underwriting commissions. The conditions as referred to in the first sentence of this paragraph will be customary closing conditions as set out in the Subscription Agreement. The Issuer has furthermore agreed to reimburse the Managers for certain expenses incurred in connection with the issue of the Bonds. The expenses of the issue of the Bonds will be approximately € •.

In the Subscription Agreement, the Issuer has made certain representations and warranties in respect of its legal and financial matters. The Subscription Agreement entitles the Managers to terminate its obligations thereunder in certain circumstances prior to the payment of the purchase price of the Bonds. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement is governed by Austrian law.

The Managers (or their affiliates) have provided from time to time, and expect to provide in the future, investment services to the Issuer (or its affiliates), for which the Managers (or their affiliates) have received or will receive customary fees and commissions.

There are no interests of natural and legal persons involved in the issue, including conflicting ones, that are material to the issue.

The public offer of the Bonds (as defined in the Prospectus Directive and the relevant implementing measures) will end on the later of (i) the issue date of the Bonds and (ii) the date on which the Bonds begin trading on the regulated market of the Vienna Stock Exchange.

The subscription period for non-institutional investors is expected to be in the period from 29 January 2007 to 31 January 2007. The Issuer and the offering banks have reserved the right to shorten the subscription period. The Bonds will be offered to institutional investors during a bookbuilding procedure after a road show in Vienna and other European cities. Advertisements to be published in newspapers are planned. Settlement date for the Bonds is on or about 9 February 2007.

The minimum amount for the subscription corresponds to the minimum denomination of the Bonds which is € 1000. For the Bonds no maximum subscription amount has been set.

The issue price is expected to be between 97% and 103% of the principal amount. The Bonds will entitle investors to remuneration at a rate which is expected between 6.80% and 7.80% per annum. Following a book building procedure the issue price and the remuneration will be fixed on or about 26 January 2007.

The book building procedure serves the purposed of recording the demand of insititutional investors, like credit institutions, insurance companies and funds, by the banks of the syndicate. In the course of a book building procedure, the Joint Lead Managers will accept within a limited period of time binding subscription orders from institutional investors, including orders within a predetermined credit spread range. Subsequently, the Joint Lead Managers determine in consultation with the Issuer the interest rate (coupon) and issue price at which the Bonds are issued. The issue price at which retail investors may buy the Bonds during the subscription period is calculated on the basis of the issue price for institutional investors (re-offer price) plus an extra charge of 2%. The issue price will be published prior to the subscription period in accordance with applicable laws in Austria.

## Selling Restrictions

### *European Economic Area*

In relation to each Member State of the European Economic Area([1]) which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Manager has represented and agreed

([1]) The EU plus Iceland, Norway and Liechtenstein.

that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Bonds to the public in that Relevant Member state prior to the publication of a prospectus in relation to the Bonds which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Bonds to the public in that Relevant Member State at any time:

(a) to legal entities which are authorised or regulated to operate in the financial markets, or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last fiscal year; (2) a total balance sheet of more than € 43,000,000 and (3) an annual turnover of more than € 50,000,000, as shown in its last annual or consolidated accounts;

(c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe to the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2004/809/EC and includes any relevant implementing measure in each Relevant Member State.

***United States of America and its Territories***

The Bonds have not been and will not be registered under the Securities Act and may not be offered, or sold within the United States or to, or for the account and benefit of, U.S. persons except in accordance with Regulation S under the Securities Act. Each Manager has represented and agreed that it has offered and sold the Bonds, and will offer and sell the Bonds (i) as part of its distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all the Bonds only in accordance with Rule 903 of the Regulation S under the Securities Act. Neither the Managers, their affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds, and it and they have complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act. Each Manager has also agreed that at or prior to confirmation of sale of Bonds, it will have sent to each distributor, dealer, or person receiving a selling concession, fee or other remuneration that purchases Bonds from it during the restricted period a confirmation or notice to substantially the following effect:

"The Bonds covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Bonds as determined and certified by each Manager, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them in Regulation S under the Securities Act."

Terms used in the preceding paragraphs have the meaning given to them in Regulation S under the Securities Act.

In addition, each Manager has represented and agreed that:

(a) except to the extent permitted under U.S Treas. Reg. Section 1.163-5 (c)(2)(i)(D) (the "TEFRA D Rules"), (i) it has not offered or sold, and during the restricted period will not offer or sell, directly or indirectly, Bonds in bearer form to a person who is within the United States or its possessions to a United States persons, and (ii) it has not delivered and will not deliver, directly or indirectly, within the United States or its possessions definitive Bonds in bearer form that are sold during the restriction period;

(b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bonds in bearer form are aware that such Bonds may not be offered or sold during the restricted period to a person who is within the United States or its possessions to a United States person, except as permitted by a TEFRA D Rules;

(c) if it was considered a United States person, that is acquiring the Bonds for purposes of resale in connection with their original issuance and agrees that if it retains Bonds in bearer form for its own account, it will only do so in accordance with the requirements of TEFRA D Rules; and

(d) with respect to each affiliate that acquires from its Bonds in bearer form for the purposes of offering or selling such Bonds during the restricted period that it will either (i) repeat and confirm the representations and agreements contained in sub-clauses (a), (b) and (c); or (ii) obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in sub-clauses (a), (b) and (c).

Terms used in the preceding paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the TEFRA D Rules.

***United Kingdom of Great Britain and Northern Ireland***

Each Manager has represented and agreed that:

(a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Bonds other than to persons whose ordinary activities involve them acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer:

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 (1) of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21 (1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

***General***

In addition to the specific restrictions set out above, the Managers agree that they will observe all applicable provisions of law in each jurisdiction in or from which it may offer Bonds or distribute any offering material.

# GENERAL INFORMATION

**Authorisation**

The creation and issue of the Bonds has been authorised by resolutions of the Management Board of the Issuer dated 18 August 2006 and the Supervisory Board of the Issuer dated 6 December 2006.

**Issue Date**

On or about 9 February 2007.

**Use of Proceeds**

The issue price per Bonds multiplied by the number of issued Bonds results in the maximum possible total proceeds (gross) of the issue. The net proceeds will be made available to the Issuer on a bank account to be nominated by the Issuer after deductions of costs. The net proceeds of the issue of the Bonds will be used for the refinancing of short-term debt taken on for a number of growth projects in 2006 and 2007 and strengthening of the Issuer's capital base as well as general corporate purposes.

**Increase**

The Issuer may, from time to time and without the consent of the Bondholders create and issue further bonds having the same Conditions of Issue as the Bonds in all respects (or in all respects, except for the first payment of remuneration) so as to form a single series with the Bonds, up to the maximum principal amount of € 500,000,000.

**Accounting of the Issuer**

*Annual financial statements and interim report*

The Issuer's consolidated annual financial statements as at 31 December 2005 are annexed to this Offering Circular.

*Form of the annual financial statements and the interim report*

The Issuer's consolidated annual financial statements as at 31 December 2005 conform to the terms of the prevailing regulations on consolidated annual financial statements and provide a true and fair view of the asset, financial and earnings situation.

*Total amount of bonds to be redeemed and other loans taken and liabilities as well as contingent liabilities*

As at the reporting date 30 September 2006 the Issuer had liabilities arising from bonds amounting to € 400,000,000.

As at the reporting date 30 September 2006 the Issuer had bank liabilities amounting to € 1,025,426,808 thereof guaranteed (by pledge of assets) an amount of € 41,469,726.

As at the reporting date 30 September 2006, the Issuer had contingent liabilities amounting to € 50,194,000.

There are no other long-term repayable liabilities.

**Availability of Documents**

Copies of the following documents will be available at the Company's registered office in Vienna, Austria (Tel: + 43-60192-0), set out on the last page of this Prospectus and at the offices of the Company's paying agent in Austria, being Erste Bank, whose registered office is also set out on the last page of this Prospectus, during usual business hours for so long as the Bonds are listed on the Vienna Stock Exchange: Until the end of the Offering Period the following documents (or copies thereof), where applicable, may be inspected:

- the Company's articles of association (the "Articles of Association") and memorandum
- all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request any part of which is included or referred to in this Prospectus;
- the consolidated and unconsolidated annual and interim financial statements for each of the two financial years preceding the publication of this Prospectus.
- the annual and interim reports for each of the two financial years preceding the publication of this Prospectus.

Copies of this Prospectus will be available at the following addresses during usual business hours from the date of publication of this Prospectus:

- at the Company's registered office in Vienna, Austria, set out on the last page of this Prospectus; and
- at Deutsche Bank Aktiengesellschaft, Große Gallusstrasse 10–14, 60272 Frankfurt am Main

**Clearing and Settlement**

The Bonds have been accepted for clearance by Clearstream Banking AG, Frankfurt am Main.

**Listing and Admission to Trading**

Application has been made to list the Bonds on the official market (*amtlicher Handel*) of the Vienna Stock Exchange and on the official market (*amtlicher Markt*) of the Frankfurt Stock Exchange.

**Paying Agent**

Principal Paying Agent is Deutsche Bank Aktiengesellschaft. Erste Bank shall be appointed as additional paying agent in Austria.

**Legend on the Global Bonds**

The Temporary Global Bond and the Permanent Global Bond will each bear the following legend:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Section 165(j) and 1287(a) of the Internal Revenue Code".

**Security Codes**

ISIN DE000A0G4X39

WKN A0G4X3

**Yield of the Bonds**

-

**Rating**

Moody's Investor Services ("**Moody's**") is expected to rate the Bonds Ba1.

Standard & Poor's Rating Services, a division ofThe McGraw-Hill Companies, Inc. ("**S&P**") is expected to rate the Bonds BB+.

Moody's defines Ba1 as follows: Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

S&P defines BB+ as follows: An obligation rated BB is less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

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# INDEX TO FINANCIAL STATEMENTS

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## Unaudited Condensed Interim Consolidated Financial Statements for the Nine Months Ended 30 September 2006

# Interim Financial Statements (IFRS) Wienerberger Group

## Income Statement

| *in TEUR* | 7-9/2006 | 7-9/2005 | 1-9/2006 | 1-9/2005 |
|---|---|---|---|---|
| Revenues | 644,007 | 545,771 | 1,655,906 | 1,468,567 |
| Cost of goods sold | -393,610 | -325,733 | -1,036,163 | -901,424 |
| **Gross profit** | **250,397** | **220,038** | **619,743** | **567,143** |
| Selling expenses | -111,016 | -96,438 | -308,786 | -273,171 |
| Administrative expenses | -32,279 | -28,801 | -96,457 | -83,228 |
| Other operating expenses | -451 | -4,776 | -13,453 | -13,593 |
| Other operating income | 4,637 | 4,859 | 27,077 | 21,135 |
| Amortization of goodwill | 0 | 0 | 0 | 0 |
| **Operating profit before non-recurring items** | **111,288** | **94,882** | **228,124** | **218,286** |
| Non-recurring write-offs and provisions related to restructuring | -7,191 | -4,977 | -7,191 | -4,977 |
| Non-recurring income | 0 | 0 | 0 | 0 |
| **Operating profit after non-recurring items** | **104,097** | **89,905** | **220,933** | **213,309** |
| Income from investments in associates | 9,302 | 9,157 | 18,694 | 20,793 |
| Net financing costs | -15,160 | -12,395 | -37,699 | -35,071 |
| Other financial results | -1,252 | -1,466 | -1,018 | -2,087 |
| **Financial results** | **-7,110** | **-4,704** | **-20,023** | **-16,365** |
| **Profit before tax** | **96,987** | **85,201** | **200,910** | **196,944** |
| Income taxes | -20,721 | -20,638 | -43,516 | -43,441 |
| **Profit after tax** | **76,266** | **64,563** | **157,394** | **153,503** |
| Thereof attributable to minority interest | 1,960 | 2,631 | 2,947 | 3,705 |
| **Thereof attributable to equity holders** | **74,306** | **61,932** | **154,447** | **149,798** |
| | | | | |
| **Adjusted earnings per share before non-recurring items (in EUR)** | **1.11** | **0.91** | **2.20** | **2.11** |
| **Earnings per share (in EUR)** | **1.02** | **0.85** | **2.11** | **2.05** |
| **Diluted earnings per share (in EUR)** | **1.01** | **0.85** | **2.10** | **2.04** |

## Segment Reporting

| **1-9/2006** *in TEUR* | Central-East Europe | Central-West Europe | North-West Europe | USA | Investments and Other [3] | Group Eliminations | Wienerberger Group |
|---|---|---|---|---|---|---|---|
| Revenues | 452,109 | 342,973 | 615,895 | 271,903 | 15,703 | -42,677 | 1,655,906 |
| EBITDA [1] | 108,153 | 72,791 | 132,541 | 49,140 | -11,040 | | 351,585 |
| EBIT [1] | 68,269 | 46,302 | 89,813 | 37,645 | -13,905 | | 228,124 |
| Total investments | 84,375 | 79,194 | 122,517 | 131,849 | 1,443 | -559 | 418,819 |
| Capital employed | 574,623 | 464,194 | 1,068,625 | 442,866 | 18,110 | | 2,568,418 |
| Employees [2] | 4,578 | 2,076 | 4,202 | 2,422 | 176 | | 13,454 |
| | | | | | | | |
| **1-9/2005** | | | | | | | |
| Revenues | 379,750 | 292,642 | 562,107 | 251,450 | 12,487 | -29,869 | 1,468,567 |
| EBITDA [1] | 103,308 | 63,934 | 126,516 | 49,590 | -10,928 | | 332,420 |
| EBIT [1] | 67,279 | 39,250 | 85,588 | 39,390 | -13,221 | | 218,286 |
| Total investments | 75,285 | 44,925 | 80,986 | 35,743 | 1,757 | | 238,696 |
| Capital employed | 550,363 | 405,450 | 956,418 | 337,997 | 30,913 | | 2,281,141 |
| Employees [2] | 4,830 | 1,894 | 4,213 | 2,194 | 159 | | 13,290 |

*1) Adjusted for non-recurring income and expenses.*
*2) Average number of employees for the period*
*3) The Investments and Other segment includes holding company costs.*

## Balance Sheet

| *in TEUR* | 30.9.2006 | 31.12.2005 |
|---|---|---|
| **ASSETS** | | |
| Intangible assets | 640,856 | 563,906 |
| Property, plant and equipment | 1,646,895 | 1,507,125 |
| Investment property | 32,323 | 32,984 |
| Investments in associates | 123,037 | 106,503 |
| Other financial assets | 28,705 | 21,566 |
| Deferred tax assets | 66,318 | 61,355 |
| **Non-current assets** | **2,538,134** | **2,293,439** |
| Inventories | 477,515 | 445,879 |
| Trade receivables | 313,399 | 184,407 |
| Other current receivables | 109,199 | 103,567 |
| Securities | 32,735 | 22,402 |
| Cash and cash at bank | 219,450 | 219,876 |
| **Current assets** | **1,152,298** | **976,131** |
| **Total Assets** | **3,690,432** | **3,269,570** |
| | | |
| **EQUITY AND LIABILITIES** | | |
| Issued capital | 74,168 | 74,168 |
| Share premium | 415,052 | 415,052 |
| Retained earnings | 1,109,410 | 1,031,209 |
| Treasury stock | -30,978 | -28,133 |
| Translation reserve | -75,535 | -38,909 |
| Minority interest | 31,660 | 29,717 |
| **Equity** | **1,523,777** | **1,483,104** |
| Employee-related provisions | 71,889 | 75,671 |
| Provisions for deferred taxes | 121,812 | 105,318 |
| Other non-current provisions | 54,905 | 53,463 |
| Long-term financial liabilities | 815,471 | 1,091,366 |
| Other non-current liabilities | 49,759 | 51,102 |
| **Non-current provisions and liabilities** | **1,113,836** | **1,376,920** |
| Other current provisions | 41,320 | 39,234 |
| Short-term financial liabilities | 646,075 | 97,873 |
| Trade payables | 186,999 | 150,712 |
| Other current liabilities | 178,425 | 121,727 |
| **Current provisions and liabilities** | **1,052,819** | **409,546** |
| **Total Equity and Liabilities** | **3,690,432** | **3,269,570** |

## Changes in Equity Statement

| *in TEUR* | Group | Minority interest | Total |
|---|---|---|---|
| **Balance on 1.1. 2006** | **1,453,387** | **29,717** | **1,483,104** |
| Net profit/minority interest | 154,447 | 2,947 | 157,394 |
| Dividend payments | -86,415 | -538 | -86,953 |
| Currency translation adjustment | -35,648 | -96 | -35,744 |
| Currency translation adjustment to investments in associates | -978 | 0 | -978 |
| Hedging reserves | 10,313 | 38 | 10,351 |
| Capital increase/decrease | 0 | 500 | 500 |
| Increase/decrease in minority interest | 0 | -908 | -908 |
| Increase/decrease in treasury stock | -2,845 | 0 | -2,845 |
| Expenses from stock option plans | 1,223 | 0 | 1,223 |
| Other changes | -1,367 | 0 | -1,367 |
| **Balance on 30.9.2006** | **1,492,117** | **31,660** | **1,523,777** |

## Cash Flow Statement

| *in TEUR* | 1-9/2006 | 1-9/2005 |
|---|---|---|
| Profit before tax | 200,910 | 196,944 |
| Depreciation and amortization | 123,461 | 114,134 |
| Non-recurring write-offs related to restructuring | 6,732 | 1,585 |
| Write-ups of fixed and financial assets | -1,728 | -657 |
| Increase/decrease in long-term provisions | 10,341 | 13,520 |
| Income from associates | -18,694 | -20,793 |
| Income/loss from the disposal of fixed and financial assets | -1,766 | -2,662 |
| Net financing costs | 37,699 | 35,071 |
| Interest paid | -63,994 | -53,504 |
| Interest received | 24,336 | 26,073 |
| Income taxes paid | -28,989 | -32,260 |
| **Gross cash flow** | **288,308** | **277,451** |
| | | |
| Increase/decrease in inventories | -3,739 | -43,643 |
| Increase/decrease in trade receivables | -114,062 | -94,806 |
| Increase/decrease in trade payables | 27,930 | 3,872 |
| Increase/decrease in other net current assets | 32,030 | -1,402 |
| Changes in non-cash items resulting from foreign exchange translation | -3,636 | -198 |
| **Cash flow from operating activities** | **226,831** | **141,274** |
| | | |
| Proceeds from the sale of assets | 13,833 | 40,360 |
| Purchase of property, plant and equipment and intangible assets | -263,086 | -193,032 |
| Payments made for investments in financial assets | -9,108 | -209 |
| Increase/decrease in securities | 19 | -1,184 |
| Net payments made for the acquisition of companies | -155,733 | -45,664 |
| Net proceeds from the sale of companies | 0 | 61 |
| **Cash flow from investing activities** | **-414,075** | **-199,668** |
| | | |
| Increase/decrease in long-term financial liabilities | -275,895 | 291,472 |
| Increase/decrease in short-term financial liabilities | 550,161 | -152,726 |
| Dividends paid by Wienerberger AG | -86,415 | -78,040 |
| Dividends paid to minority shareholders and other changes in minority capital | -38 | -2,411 |
| Dividend payments from associates | 2,500 | 0 |
| Capital increase Wienerberger AG | 0 | 0 |
| Cash inflows from the exercise of stock options | 4,697 | 4,536 |
| Purchase of treasury stock | -8,892 | -21,325 |
| **Cash flow from financing activities** | **186,118** | **41,506** |
| | | |
| **Change in cash and cash at bank** | **-1,126** | **-16,888** |
| Effects of exchange rate fluctuations on cash held | 700 | 2,077 |
| Cash and cash at bank at the beginning of the period | 219,876 | 86,492 |
| **Cash and cash at bank at the end of the period** | **219,450** | **71,681** |
| Thereof cash | 219,450 | 71,681 |

# Notes to the Interim Financial Statements

## Basis of Preparation

The interim report as of September 30, 2006 was prepared in accordance with the principles set forth in International Financial Reporting Standards, Guidelines for Interim Reporting (IAS 34).

The accounting and valuation methods in effect on December 31, 2005 remain unchanged. Wienerberger records emission rights at an acquisition cost of zero in accordance with the policy used in 2005, which is based on IAS 20 and IAS 38. In keeping with this accounting treatment, the income statement only includes expenses for the required purchase of additional certificates due to insufficient allocation or income from the sale of unused emission rights.

Wienerberger manages its business on a regional basis, which gives local operating management responsibility for all core products within a country. The segment reporting reflects the regional focus of the Wienerberger Group, and remains unchanged since December 31, 2005.

IFRS differ from Austrian accounting regulations (Austrian Commercial Code) in the calculation of deferred taxes, the treatment of goodwill arising on acquisitions, the determination of provisions (including employee-related provisions), the valuation of marketable securities, the reporting of extraordinary income and expense, and the reporting of personnel expenses related to the stock option plans. For additional information on the accounting and valuation principles, see the financial statements as of December 31, 2005, which form the basis for these interim financial statements.

## Consolidation Range

The consolidated financial statements include all major Austrian and foreign companies in which Wienerberger AG has management control or directly or indirectly owns the majority of shares. Joint venture companies of the Schlagmann and Bramac Groups are consolidated on a proportional basis at 50%. The companies in the Biegonice Group in Poland, which were acquired as of February 1, 2006, were included through full consolidation for the first time. Two other plants were included in the consolidated financial statements as of May 1, 2006: a clay roof tile plant in Germany and a hollow brick plant near Ghent, Belgium. As of June 13, 2006 Wienerberger acquired the Robinson Brick Company in Denver, Colorado, USA, with one brick plant and three concrete block factories as well as numerous distribution outlets in the western regions of the USA. In addition, one brick plant in Austria, one facing brick plant in Germany and the Jungmeier clay roof tile company in Straubing were acquired through asset deals.

The comparable prior year period from January 1, 2005 to September 30, 2005 included von Müller Dachprodukte GmbH & Co. KG with two clay roof tile plants in Germany (consolidated as of April 1, 2005) for only part of the reporting period. The Danish Petersminde Teglvaerk A/S as well as a number of brick plants acquired through asset deals and brick activities in Ukraine were not included at all in the comparable prior year period.

Changes in the consolidation range increased revenues by TEUR 49,010 and EBITDA by TEUR 4,352 for the period from January 1, 2006 to September 30, 2006.

On August 17, 2006 Wienerberger announced that it will make a public offer to acquire shares in Baggeridge Brick PLC; however, the offer will only become effective after the cartel authorities have granted their approval. This planned offer has no effect on the interim financial statements for the first three quarters of 2006.

## Seasonality

The sales volumes recorded by Wienerberger during the first and last months are lower than at mid-year due to the negative impact of the weather on construction activity. These seasonal fluctuations are demonstrated by data from the first or fourth quarters of the year, which generally lie below results for the second and third quarters.

## Notes to the Income Statement

Group revenues rose by 13% over the first three quarters of 2005 to TEUR 1,655,906. Operating profit before depreciation and amortization (operating EBITDA) reached TEUR 351,585, which represents an increase of 6% over the prior year value of TEUR 332,420. Plant shutdowns in the Czech Republic and USA led to non-recurring expenses of TEUR 7,191 during the third quarter. These expenses are reported on the income statement under non-recurring write-offs and provisions related to restructuring.

The number of shares outstanding totaled 74,167,796 as of September 30, 2006. Treasury stock totaled 886,005 shares as of the balance sheet date, and was deducted in the calculation of earnings per share. The weighted number of shares outstanding from January 1, 2006 to September 30, 2006 was 73,320,143.

## Notes to the Cash Flow Statement

The Cash Flow Statement was expanded to better meet the requirements of IAS 7, and profit before tax now forms the starting point. Interest expense and tax payments are shown separately as components of gross cash flow. The necessary adjustments are included under cash flow from operating activities and cash flow from financing activities. Prior year data was adjusted accordingly in the relevant positions.

The change in the hedging reserve through foreign currency swaps during the first three quarters of 2005 was reported as part of cash flow from operating activities under changes in non-cash items resulting from foreign exchange translation. The contra item to the hedging reserve was reported as part of cash flow from investing activities under changes in securities, which therefore showed a higher inflow. In accordance with IAS 7, these two effects are treated as non-cash transactions in this interim financial report and are not included in the Cash Flow Statement. This reflects the treatment applied in the consolidated financial statements as of December 31, 2005. The cash flow statement for the first three quarters of 2005 was adjusted accordingly.

Gross cash flow of TEUR 288,308 for the first three quarters exceeded the prior year level by 4%. Cash outflows of TEUR 418,819 for total investments include TEUR 69,271 of maintenance, replacement and rationalization investments (maintenance capex) and TEUR 349,548 of acquisitions and the construction or expansion of plants (growth investments).

## Notes to the Balance Sheet

Maintenance capex and growth investments for the first three quarters of 2006 increased fixed and financial assets by TEUR 418,819. Net debt rose by TEUR 261,978, primarily due to investments, the seasonal increase in receivables and the dividend payment. Negative, non-recognized currency translation adjustments of TEUR 36,722 for the first nine months were generated above all in Hungary, Poland and the USA. During the period from July 10, 2006 to July 25, 2006 Wienerberger repurchased 250,000 shares of its stock for TEUR 8,892 to service the stock option plan. This reduction in equity is contrasted with an increase of TEUR 10,351 in the hedging reserve and cash inflows of TEUR 4,697 from the exercise of stock options by eligible managers. The difference between the purchase cost of treasury stock and the exercise price of the options led to a decrease of TEUR 1,349 in retained earnings. Profit after tax led to an increase of TEUR 157,394 in equity.

The Managing Board of Wienerberger AG

Vienna, November 2006

W. Reithofer H. Scheuch H. Tschuden J. Windisch

**Unaudited Condensed Interim Consolidated Financial Statements for the Six Months Ended 30 June 2006**

# Interim Financial Statements (IFRS) Wienerberger Group

## Income Statement

| *in TEUR* | 4-6/2006 | 4-6/2005 | 1-6/2006 | 1-6/2005 |
|---|---|---|---|---|
| Revenues | 627,953 | 589,008 | 1,011,899 | 922,796 |
| Cost of goods sold | -384,527 | -352,762 | -642,553 | -575,691 |
| **Gross profit** | **243,426** | **236,246** | **369,346** | **347,105** |
| Selling expenses | -110,857 | -102,091 | -197,770 | -176,733 |
| Administrative expenses | -34,474 | -28,197 | -64,178 | -54,427 |
| Other operating expenses | -8,017 | -5,422 | -13,002 | -8,817 |
| Other operating income | 10,698 | 6,733 | 22,440 | 16,276 |
| Amortization of goodwill | 0 | 0 | 0 | 0 |
| **Operating profit before non-recurring items** | **100,776** | **107,269** | **116,836** | **123,404** |
| Non-recurring write-offs and provisions related to restructuring | 0 | 0 | 0 | 0 |
| Non-recurring income | 0 | 0 | 0 | 0 |
| **Operating profit after non-recurring items** | **100,776** | **107,269** | **116,836** | **123,404** |
| Income from investments in associates | 7,447 | 9,080 | 9,392 | 11,636 |
| Net financing costs | -10,693 | -12,409 | -22,539 | -22,676 |
| Other financial results | -146 | -2,485 | 234 | -621 |
| **Financial results** | **-3,392** | **-5,814** | **-12,913** | **-11,661** |
| **Profit before tax** | **97,384** | **101,455** | **103,923** | **111,743** |
| Income taxes | -21,183 | -21,789 | -22,795 | -22,803 |
| **Profit after tax** | **76,201** | **79,666** | **81,128** | **88,940** |
| Thereof attributable to minority interest | 1,711 | 1,118 | 987 | 1,074 |
| **Thereof attributable to equity holders** | **74,490** | **78,548** | **80,141** | **87,866** |
| | | | | |
| **Adjusted earnings per share before non-recurring items (in EUR)** | **1.01** | **1.07** | **1.09** | **1.20** |
| **Earnings per share (in EUR)** | **1.01** | **1.07** | **1.09** | **1.20** |
| **Diluted earnings per share (in EUR)** | **1.01** | **1.06** | **1.09** | **1.19** |

## Segment Reporting

| **1-6/2006** *in TEUR* | Central-East Europe | Central-West Europe | North-West Europe | USA | Investments and Other [1] | Group Eliminations | Wienerberger Group |
|---|---|---|---|---|---|---|---|
| Revenues | 258,033 | 193,782 | 403,523 | 171,552 | 9,745 | -24,736 | 1,011,899 |
| EBITDA | 54,268 | 37,076 | 82,431 | 31,814 | -8,641 | | 196,948 |
| EBIT | 28,726 | 20,411 | 54,078 | 24,183 | -10,562 | | 116,836 |
| Total investments | 62,853 | 29,914 | 92,356 | 116,098 | 1,176 | -295 | 302,102 |
| Capital employed | 591,917 | 428,519 | 1,063,986 | 434,343 | 21,919 | | 2,540,684 |
| Employees | 4,554 | 1,968 | 4,188 | 2,224 | 173 | | 13,107 |
| | | | | | | | |
| **1-6/2005** | | | | | | | |
| Revenues | 223,314 | 180,833 | 370,135 | 158,556 | 8,343 | -18,385 | 922,796 |
| EBITDA | 58,234 | 35,635 | 83,422 | 30,306 | -5,921 | | 201,676 |
| EBIT | 32,523 | 18,544 | 56,128 | 23,697 | -7,488 | | 123,404 |
| Total investments | 61,711 | 37,933 | 43,072 | 17,363 | 753 | | 160,832 |
| Capital Employed | 558,650 | 411,936 | 958,638 | 328,918 | 47,739 | | 2,305,881 |
| Employees | 4,833 | 1,788 | 4,217 | 2,172 | 150 | | 13,160 |

*1) The Investments and Other segment includes holding company costs.*

## Balance Sheet

| *in TEUR* | 30.6.2006 | 31.12.2005 |
|---|---|---|
| **ASSETS** | | |
| Intangible assets | 629,454 | 563,906 |
| Property, plant and equipment | 1,583,889 | 1,507,125 |
| Investment property | 32,179 | 32,984 |
| Investments in associates | 114,809 | 106,503 |
| Other financial assets | 24,224 | 21,566 |
| Deferred tax assets | 69,283 | 61,355 |
| **Non-current assets** | **2,453,838** | **2,293,439** |
| Inventories | 473,539 | 445,879 |
| Trade receivables | 314,269 | 184,407 |
| Other current receivables | 111,648 | 103,567 |
| Securities | 46,128 | 22,402 |
| Cash and cash at bank | 246,227 | 219,876 |
| **Current assets** | **1,191,811** | **976,131** |
| **Total Assets** | **3,645,649** | **3,269,570** |
| | | |
| **EQUITY AND LIABILITIES** | | |
| Issued capital | 74,168 | 74,168 |
| Share premium | 415,052 | 415,052 |
| Retained earnings | 1,048,151 | 1,031,209 |
| Treasury stock | -22,252 | -28,133 |
| Translation reserve | -88,932 | -38,909 |
| Minority interest | 29,233 | 29,717 |
| **Equity** | **1,455,420** | **1,483,104** |
| Employee-related provisions | 75,547 | 75,671 |
| Provisions for deferred taxes | 112,273 | 105,318 |
| Other non-current provisions | 53,782 | 53,463 |
| Long-term financial liabilities | 967,548 | 1,091,366 |
| Other non-current liabilities | 49,759 | 51,102 |
| **Non-current provisions and liabilities** | **1,258,909** | **1,376,920** |
| Other current provisions | 38,152 | 39,234 |
| Short-term financial liabilities | 561,604 | 97,873 |
| Trade payables | 169,536 | 150,712 |
| Other current liabilities | 162,028 | 121,727 |
| **Current provisions and liabilities** | **931,320** | **409,546** |
| **Total Equity and Liabilities** | **3,645,649** | **3,269,570** |

## Changes in Equity Statement

| *in TEUR* | Group | Minority interest | Total |
|---|---|---|---|
| **Balance on 1.1.2006** | **1,453,387** | **29,717** | **1,483,104** |
| Net profit/minority interest | 80,141 | 987 | 81,128 |
| Dividend payments | -86,415 | -538 | -86,953 |
| Currency translation adjustment | -49,045 | -567 | -49,612 |
| Currency translation adjustment to investments in associates | -978 | 0 | -978 |
| Hedging reserves | 23,907 | 38 | 23,945 |
| Capital increase/decrease | 0 | 0 | 0 |
| Increase/decrease in minority interest | 0 | -404 | -404 |
| Increase/decrease in treasury stock | 5,881 | 0 | 5881 |
| Expenses from stock option plans | 636 | 0 | 636 |
| Other changes | -1,327 | 0 | -1,327 |
| **Balance on 30.6.2006** | **1,426,187** | **29,233** | **1,455,420** |

## Cash Flow Statement

| *in TEUR* | **1-6/2006** | **1-6/2005** |
|---|---|---|
| Profit before tax | 103,923 | 111,743 |
| Depreciation and amortization | 80,112 | 78,273 |
| Non-recurring write-offs related to restructuring | 0 | 0 |
| Write-up of fixed and financial assets | -1,800 | -591 |
| Increase/decrease in long-term provisions | 3,834 | 10,642 |
| Income from associates | -9,369 | -11,636 |
| Income/loss from the disposal of fixed and financial assets | -2,940 | -2,749 |
| Net financing costs | 22,539 | 22,676 |
| Interest expense | -44,926 | -42,358 |
| Interest income | 14,240 | 22,954 |
| Income taxes paid | -18,804 | -16,438 |
| **Gross cash flow** | **146,809** | **172,516** |
| | | |
| Increase/decrease in inventories | -1,643 | -48,722 |
| Increase/decrease in trade receivables | -114,666 | -118,191 |
| Increase/decrease in trade payables | 10,493 | 3,646 |
| Increase/decrease in other net current assets | 19,522 | -7,751 |
| Changes in non-cash items resulting from foreign exchange translation | -7,185 | -3,239 |
| **Cash flow from operating activities** | **53,330** | **-1,741** |
| | | |
| Proceeds from the sale of assets | 10,616 | 13,613 |
| Purchase of property, plant and equipment and intangible assets | -148,983 | -125,621 |
| Payments made for investments in financial assets | -2,838 | -334 |
| Increase/decrease in securities | 219 | -1,339 |
| Net payments made for the acquisition of companies | -153,119 | -35,211 |
| Net proceeds from the sale of companies | 0 | 61 |
| **Cash flow from investing activities** | **-294,105** | **-148,831** |
| | | |
| Increase/decrease in long-term financial liabilities | -123,818 | 117,781 |
| Increase/decrease in short-term financial liabilities | 472,248 | 105,586 |
| Dividends paid by Wienerberger AG | -86,415 | -78,040 |
| Dividends paid to minority shareholders and other changes in minority capital | -522 | 0 |
| Dividend payments from associates | 0 | 0 |
| Capital increase Wienerberger AG | 0 | 0 |
| Cash inflows from the exercise of stock options | 4,561 | 0 |
| Purchase of treasury stock | 0 | -21,325 |
| **Cash flow from financing activities** | **266,054** | **124,002** |
| | | |
| **Change in cash and cash at bank** | **25,279** | **-26,570** |
| Effects of exchange rate fluctuations on cash held | 1,072 | 2,331 |
| Cash and cash at bank at the beginning of the period | 219,876 | 86,492 |
| **Cash and cash at bank at the end of the period** | **246,227** | **62,253** |
| Thereof cash | 246,227 | 62,253 |

# Notes to the Interim Financial Statements

## Basis of Preparation

The interim report as of June 30, 2006 was prepared in accordance with the principles set forth in International Financial Reporting Standards, Guidelines for Interim Reporting (IAS 34).

The accounting and valuation methods in effect on December 31, 2005 remain unchanged. Wienerberger records emission rights at an acquisition cost of zero in accordance with the policy used in 2005, which is based on IAS 20 and IAS 38. In keeping with this accounting treatment, the income statement only includes expenses for the required purchase of additional certificates due to insufficient allocation or income from the sale of unused emission rights.

Wienerberger manages its business on a regional basis, which gives local operating management responsibility for all core products within a country. The segment reporting reflects the regional focus of the Wienerberger Group, and remains unchanged since December 31, 2005.

IFRS (IAS) differ from Austrian accounting regulations (Austrian Commercial Code) in the calculation of deferred taxes, the treatment of goodwill arising on acquisitions, the determination of provisions (including employee-related provisions), the valuation of marketable securities, the reporting of extraordinary income and expense, and the reporting of personnel expenses related to the stock option plans. For additional information on the accounting and valuation principles, see the financial statements as of December 31, 2005, which form the basis for these interim financial statements.

## Consolidation Range

The consolidated financial statements include all major Austrian and foreign companies in which Wienerberger AG has management control or directly or indirectly owns the majority of shares. Joint venture companies of the Schlagmann and Bramac Groups are consolidated on a proportional basis at 50%. The companies of the Biegonice Group in Poland, which were acquired as of February 1, 2006, were included through full consolidation for the first time. Two other plants were included in the consolidated financial statements as of May 1, 2006: a clay roof tile plant in Germany and a hollow brick plant near Ghent, Belgium. As of June 13, 2006 Wienerberger acquired the Robinson Brick Company in Denver, Colorado, USA, with one brick plant and three concrete block factories as well as numerous distribution outlets in the western regions of the USA. In addition, one hollow brick plant in Austria and one facing brick plant in Germany were acquired through asset deals.

The comparable prior year period from January 1, 2005 to June 30, 2005 included von Müller Dachprodukte GmbH & Co. KG with two clay roof tile plants in Germany (consolidated as of April 1, 2005) for only three months. The Danish Petersminde Teglvaerk A/S and a number of brick plants acquired through assets deals as well as brick activities in Russia, Ukraine and Bulgaria were not included at all in the comparable prior year period.

Changes in the consolidation range increased revenues by TEUR 14,931 and EBITDA by TEUR 508 for the period from January 1, 2006 to June 30, 2006.

## Seasonality

The sales volumes recorded by Wienerberger during the first and last months are lower than at mid-year due to the negative impact of the weather on construction activity. These seasonal fluctuations are demonstrated by data from the first or fourth quarters of the year, which generally lie below results for the second and third quarters.

## Notes to the Income Statement

Group revenues rose by 10% over the first six months of 2005 to TEUR 1,011,899. Operating profit before depreciation and amortization (EBITDA) reached TEUR 196,948, which represents a decline of 2% to the prior year value of TEUR 201,676.

The number of shares outstanding totaled 74,167,796 as of June 30, 2006. Treasury stock totaled 644,005 shares as of the balance sheet date, and was deducted in the calculation of earnings per share. The weighted number of shares outstanding from January 1, 2006 to June 30, 2006 was 73,310,509.

## Notes to the Cash Flow Statement

The Cash Flow Statement was expanded to better meet the requirements of IAS 7, and profit before tax now forms the starting point. Interest expense and tax payments are shown separately as components of gross cash flow. The necessary adjustments are included under cash flow from operating activities and cash flow from financing activities. Prior year data was adjusted accordingly in the relevant positions.

The change in the hedging reserve through foreign currency swaps during the first half of 2005 was reported as part of cash flow from operating activities under "changes in non-cash items resulting from foreign exchange translation". The contra item to the hedging reserve was reported as part of cash flow from investing activities under changes in securities, which therefore showed a higher inflow. In accordance with IAS 7, these two effects are treated as non-cash transactions for this quarterly report and are not included in the Cash Flow Statement. This reflects the treatment applied in the consolidated financial statements as of December 31, 2005. The Cash Flow Statement for the first two quarters of 2005 was adjusted accordingly.

Gross cash flow of TEUR 146,809 for the first half of 2006 was 15% below the prior year level. Cash outflows of TEUR 302,102 for total investments include TEUR 46,326 of maintenance, replacement and rationalization investments (maintenance capex) and TEUR 255,776 of acquisitions and the construction or expansion of plants (growth investments).

## Notes to the Balance Sheet

Maintenance capex and growth investments for the first two quarters of 2006 increased fixed and financial assets by TEUR 302,102. Net debt rose by TEUR 289,889, primarily due to investments, the seasonal increase in inventories and the dividend payment. Negative, non-recognized currency translation adjustments of TEUR 50,590 for the first half-year were generated primarily in Hungary, Poland and the USA. This decline in equity is contrasted with an increase of TEUR 23,945 in the hedging reserve and cash inflows of TEUR 5,881 from the exercise of stock options by eligible managers. Profit after tax led to an increase of TEUR 81,128 in equity.

The Managing Board of Wienerberger AG

Vienna, August 2006

W. Reithofer H. Scheuch H. Tschuden J. Windisch

# Unaudited Condensed Interim Consolidated Financial Statements for the Three Months Ended 31 March 2006

# Interim Financial Statements (IFRS) Wienerberger Group

## Income Statement

| *in TEUR* | 1-3/2006 | 1-3/2005 |
|---|---|---|
| Revenues | 383,946 | 333,788 |
| Cost of goods sold | -258,026 | -222,929 |
| **Gross profit** | **125,920** | **110,859** |
| Selling expenses | -86,913 | -74,642 |
| Administrative expenses | -29,704 | -26,230 |
| Other operating expenses | -4,985 | -3,395 |
| Other operating income | 11,742 | 9,543 |
| Amortization of goodwill | 0 | 0 |
| **Operating profit before non-recurring items** | **16,060** | **16,135** |
| Non-recurring write-offs and provisions related to restructuring | 0 | 0 |
| Non-recurring income | 0 | 0 |
| **Operating profit after non-recurring items** | **16,060** | **16,135** |
| Income from investments in associates | 1,945 | 2,556 |
| Net financing costs | -11,846 | -10,267 |
| Other financial results | 380 | 1,864 |
| **Financial results** | **-9,521** | **-5,847** |
| **Profit before tax** | **6,539** | **10,288** |
| Income taxes | -1,612 | -1,014 |
| **Profit after tax** | **4,927** | **9,273** |
| Thereof attributable to minority interest | -724 | -44 |
| **Thereof attributable to equity holders** | **5,651** | **9,317** |
| | | |
| **Adjusted earnings per share before non-recurring items (in EUR)** | **0.08** | **0.13** |
| **Earnings per share (in EUR)** | **0.08** | **0.13** |
| **Diluted earnings per share (in EUR)** | **0.08** | **0.13** |

## Segment Reporting

| **1-3/2006**<br>*in TEUR* | Central-East Europe | Central-West Europe | North-West Europe | USA | Investments and Other [1] | Group Eliminations | Wienerberger Group |
|---|---|---|---|---|---|---|---|
| Revenues | 69,956 | 62,122 | 176,741 | 79,955 | 3,867 | -8,695 | 383,946 |
| EBITDA | 9,670 | 3,948 | 32,623 | 14,300 | -4,936 | | 55,605 |
| EBIT | -2,975 | -4,256 | 18,798 | 10,379 | -5,886 | | 16,060 |
| Total investments | 43,087 | 10,791 | 34,713 | 7,521 | 105 | -295 | 95,922 |
| Capital employed | 633,895 | 420,419 | 1,004,876 | 344,442 | 22,282 | | 2,425,914 |
| Employees | 4,549 | 1,956 | 4,172 | 2,125 | 169 | | 12,971 |
| | | | | | | | |
| **1-3/2005** | | | | | | | |
| Revenues | 63,763 | 53,961 | 150,940 | 68,308 | 3,472 | -6,656 | 333,788 |
| EBITDA | 14,143 | 2,508 | 29,295 | 11,841 | -3,467 | | 54,320 |
| EBIT | 1,211 | -5,012 | 15,597 | 8,582 | -4,243 | | 16,135 |
| Total investments | 25,357 | 5,996 | 13,458 | 6,915 | 264 | | 51,990 |
| Capital employed | 537,074 | 379,599 | 928,453 | 298,934 | 43,947 | | 2,188,007 |
| Employees | 4,779 | 1,732 | 4,233 | 2,144 | 144 | | 13,032 |

*1) The Investments and Other segment includes holding company costs*

## Balance Sheet

| *in TEUR* | 31.3.2006 | 31.12.2005 |
|---|---|---|
| **ASSETS** | | |
| Intangible assets | 564,238 | 563,906 |
| Property, plant and equipment | 1,539,095 | 1,507,125 |
| Investment property | 32,649 | 32,984 |
| Investments in associates | 108,249 | 106,503 |
| Other financial assets | 24,605 | 21,566 |
| Deferred tax assets | 69,028 | 61,355 |
| **Non-current assets** | **2,337,864** | **2,293,439** |
| Inventories | 482,370 | 445,879 |
| Trade receivables | 229,980 | 184,407 |
| Other current receivables | 108,129 | 103,567 |
| Securities | 25,539 | 22,402 |
| Cash and cash at bank | 185,832 | 219,876 |
| **Current assets** | **1,031,850** | **976,131** |
| **Total Assets** | **3,369,714** | **3,269,570** |
| | | |
| **EQUITY AND LIABILITIES** | | |
| Issued capital | 74,168 | 74,168 |
| Share premium | 415,052 | 415,052 |
| Retained earnings | 1,041,340 | 1,031,209 |
| Treasury stock | -28,133 | -28,133 |
| Translation reserve | -58,843 | -38,909 |
| Minority interest | 28,703 | 29,717 |
| **Equity** | **1,472,287** | **1,483,104** |
| Employee-related provisions | 74,895 | 75,671 |
| Provisions for deferred taxes | 107,067 | 105,318 |
| Other non-current provisions | 52,192 | 53,463 |
| Long-term financial liabilities | 1,043,447 | 1,091,366 |
| Other non-current liabilities | 49,759 | 51,102 |
| **Non-current provisions and liabilities** | **1,327,360** | **1,376,920** |
| Other current provisions | 32,817 | 39,234 |
| Short-term financial liabilities | 268,431 | 97,873 |
| Trade payables | 149,152 | 150,712 |
| Other current liabilities | 119,667 | 121,727 |
| **Current provisions and liabilities** | **570,067** | **409,546** |
| **Total Equity and Liabilities** | **3,369,714** | **3,269,570** |

## Changes in Equity Statement

| *in TEUR* | Group | Minority interest | Total |
|---|---|---|---|
| **Balance on 1.1.2006** | **1,453,387** | **29,717** | **1,483,104** |
| Net profit/minority interest | 5,651 | -724 | 4,927 |
| Dividend payments | 0 | 0 | 0 |
| Currency translation adjustment | -19,752 | 144 | -19,608 |
| Currency translation adjustment to investments in associates | -182 | 0 | -182 |
| Hedging reserves | 4,142 | 0 | 4,142 |
| Capital increase/decrease | 0 | 0 | 0 |
| Increase/decrease in minority interest | 0 | -434 | -434 |
| Increase/decrease in treasury stock | 0 | 0 | 0 |
| Expenses from stock option plans | 338 | 0 | 338 |
| Other changes | 0 | 0 | 0 |
| **Balance on 31.3.2006** | **1,443,584** | **28,703** | **1,472,287** |

## Cash Flow Statement

| *in TEUR* | 1-3/2006 | 1-3/2005 |
|---|---|---|
| Profit before tax | 6,539 | 10,288 |
| Depreciation | 39,548 | 38,184 |
| Non-recurring write-offs related to restructuring | 0 | 0 |
| Write-up of fixed and financial assets | -202 | 0 |
| Increase/decrease in long-term provisions | -888 | 1,283 |
| Income from associates | -1,945 | -2,556 |
| Income/loss from the disposal of fixed and financial assets | -2,018 | -1,799 |
| Net financing costs | 11,846 | 10,267 |
| Interest paid | -14,142 | -21,386 |
| Interest received | 6,701 | 11,119 |
| Income taxes paid | -4,787 | -3,150 |
| **Gross cash flow** | **40,652** | **42,250** |
| | | |
| Increase/decrease in inventories | -35,363 | -60,394 |
| Increase/decrease in trade receivables | -44,199 | -36,729 |
| Increase/decrease in trade payables | -2,107 | -4,716 |
| Increase/decrease in other net current assets | -19,560 | -24,049 |
| Changes in non-cash items resulting from foreign exchange translation | -2,085 | -2,691 |
| **Cash flow from operating activities** | **-62,662** | **-86,329** |
| | | |
| Proceeds from the sale of assets | 7,083 | 5,579 |
| Purchase of property, plant and equipment and intangible assets | -74,934 | -51,990 |
| Payments made for investments in financial assets | -3,056 | -10,355 |
| Increase/decrease in securities | 1,005 | -2,140 |
| Net payments made for the acquisition of companies | -20,988 | 0 |
| Net proceeds from the sale of companies | 0 | 61 |
| **Cash flow from investing activities** | **-90,890** | **-58,845** |
| | | |
| Increase/decrease in long-term financial liabilities | -61,563 | -3,895 |
| Increase/decrease in short-term financial liabilities | 180,167 | 138,992 |
| Dividends paid by Wienerberger AG | 0 | 0 |
| Dividends paid to minority shareholders and other changes in minority capital | 625 | 0 |
| Dividend payments from associates | 0 | 0 |
| Capital increase Wienerberger AG | 0 | 0 |
| Cash inflows from the exercise of stock options | 0 | 0 |
| Purchase of treasury stock | 0 | -2,274 |
| **Cash flow from financing activities** | **119,229** | **132,823** |
| | | |
| **Change in cash and cash at bank** | **-34,323** | **-12,351** |
| Effect of exchange rate fluctuations on cash held | 279 | 1,126 |
| Cash and cash at bank at the beginning of the period | 219,876 | 86,492 |
| **Cash and cash at bank at the end of the period** | **185,832** | **75,267** |
| Thereof cash | 185,832 | 75,267 |

# Notes to the Interim Financial Statements

## Basis of Preparation

The interim report as of March 31, 2006 was prepared in accordance with the principles set forth in International Financial Reporting Standards, Guidelines for Interim Reporting (IAS 34).

The accounting and valuation methods in effect on December 31, 2005 remain unchanged. Wienerberger records emission rights at an acquisition cost of zero in accordance with the policy used in 2005, which is based on IAS 20 and IAS 38. In keeping with this accounting treatment, the income statement only includes expenses for the required purchase of additional certificates due to insufficient allocation or income from the sale of unused emission rights.

Wienerberger manages its business on a regional basis, which gives local operating management responsibility for all core products within a country. The segment reporting reflects the regional focus of the Wienerberger Group, and remains unchanged since December 31, 2005.

IFRS (IAS) differ from Austrian accounting regulations (Austrian Commercial Code) in the calculation of deferred taxes, the treatment of goodwill arising on acquisitions, the determination of provisions (including employee-related provisions), the valuation of marketable securities, the reporting of extraordinary income and expense, and the reporting of personnel expenses related to stock option plans. For additional information on the accounting and valuation principles, see the financial statements as of December 31, 2005, which form the basis for these interim financial statements.

## Consolidation Range

The consolidated financial statements include all major Austrian and foreign companies in which Wienerberger AG has management control or directly or indirectly owns the majority of shares. Joint venture companies of the Schlagmann and Bramac Groups are consolidated on a proportional basis at 50%. The companies in the Biegonice Group in Poland, which were acquired as of February 1, 2006, were included through full consolidation for the first time.

The comparable prior year period from January 1, 2005 to March 31, 2005 did not include von Müller Dachprodukte GmbH & Co. KG with two clay roof tile plants in Germany, the Danish Petersminde Teglvaerk A/S and a number of brick plants that were acquired through assets deals as well as the brick activities in Russia and Bulgaria.

Changes in the consolidation range increased revenues by TEUR 3,048 and reduced EBITDA by 1,345 for the period from January 1, 2006 to March 31, 2006.

## Seasonality

The sales volumes recorded by Wienerberger are lower during the first and last months than at mid-year due to the negative impact of the weather on construction activity. These seasonal fluctuations are demonstrated by data from the first or fourth quarters of the year, which generally lie below results for the second and third quarters.

## Notes to the Income Statement

Group revenues rose by 15% over the first quarter of 2005 to TEUR 383,946. Operating profit before depreciation and amortization (EBITDA) reached TEUR 55,605, which represents an increase of 2% over the prior year value of TEUR 54,320.

The number of shares outstanding totaled 74,167,796 as of March 31, 2006. Treasury stock totaled 935,005 shares as of the balance sheet date, and was deducted in the calculation of earnings per share. The weighted number of shares outstanding from January 1, 2006 to March 31, 2006 was 73,232,791.

## Notes to the Cash Flow Statement

The Cash Flow Statement was expanded to better meet the requirements of IAS 7, and profit before tax now forms the starting point. Interest expense and tax payments are shown separately as components of gross cash flow. The necessary adjustments are included under cash flow from operating activities and cash flow from financing activities. Prior year data was adjusted accordingly in the relevant positions.

The change in the hedging reserve through foreign currency swaps during the first quarter of 2005 was reported as part of cash flow from operating activities under changes in non-cash items resulting from foreign exchange translation. The contra item to the hedging reserve was reported as part of cash flow from investing activities under changes in securities, which therefore showed a higher inflow. In accordance with IAS 7, these two effects are treated as non-cash transactions for this quarterly report and are not included in the Cash Flow Statement. This reflects the treatment used in the consolidated financial statements as of December 31, 2005. The Cash Flow Statement for the comparable first quarter of 2005 was adjusted accordingly.

Gross cash flow of TEUR 40,652 for the first quarter of 2006 was approximately 4% below the prior year level. Cash outflows of TEUR 95,922 for investments and acquisitions reflect TEUR 23,748 of maintenance, replacement and rationalization investments (maintenance capex) and TEUR 72,174 of acquisitions and the construction or expansion of plants (growth investments).

## Notes to the Balance Sheet

Maintenance capex and growth investments made during the first quarter increased fixed and financial assets by TEUR 95,922. Net debt rose by TEUR 152,076, primarily due to investments and the seasonal rise in inventories. Negative, non-recognized currency translation adjustments of TEUR 19,790 for the first quarter of 2006 were generated chiefly in the Czech Republic, Poland and the USA. The decrease in equity is contrasted with an increase of TEUR 4,142 in the hedging reserve. Profit after tax led to an increase of TEUR 4,927 in equity.

The Managing Board of Wienerberger AG

Vienna, May 2006

W. Reithofer    H. Scheuch    H. Tschuden    J. Windisch

## Audited Consolidated Financial Statements for Fiscal Year Ended 31 December 2005

# Income Statement

| Notes | | 2005<br>*in TEUR* | 2004<br>*in TEUR* |
|---|---|---|---|
| (7) | Revenues | 1,954,571 | 1,758,846 |
| (8, 9, 13) | Cost of goods sold | -1,210,986 | -1,074,544 |
| | **Gross profit** | **743,585** | **684,302** |
| (8, 9, 13) | Selling expenses | -369,778 | -312,779 |
| (8, 9, 13) | Administrative expenses | -109,524 | -108,406 |
| (11) | Other operating expenses | -25,554 | -48,457 |
| (12) | Other operating income | 31,556 | 42,790 |
| (8) | Amortization of goodwill | 0 | 0 |
| | **Operating profit before non-recurring items** | **270,285** | **257,450** |
| (14) | Non-recurring write-offs and provisions related to restructuring | -11,365 | 0 |
| (14) | Non-recurring income | 10,637 | 0 |
| | **Operating profit after non-recurring items** | **269,557** | **257,450** |
| | Income from investments in associates | 29,513 | 8,586 |
| (15) | Other financial results | -47,803 | -34,667 |
| | **Financial results** | **-18,290** | **-26,080** |
| | **Profit before tax** | **251,267** | **231,370** |
| (16) | Income taxes | -54,834 | -49,538 |
| | **Profit after tax** | **196,433** | **181,832** |
| | Thereof attributable to minority interest | 2,080 | 4,729 |
| | **Thereof attributable to equity holders** | **194,353** | **177,104** |
| (17) | **Adjusted earnings per share before non-recurring items (in EUR)** | **2.67** | **2.54** |
| (17) | **Earnings per share (in EUR)** | **2.66** | **2.54** |
| (17) | **Diluted earnings per share (in EUR)** | **2.64** | **2.53** |
| (17) | **Recommended or paid dividend per share (in EUR)** | **1.18** | **1.07** |

*The following notes to the financial statements form an integral part of this income statement.*

# Cash Flow Statement

| Notes | | 2005 in TEUR | 2004 in TEUR |
|---|---|---|---|
| | Profit after tax | 196,433 | 181,832 |
| | Depreciation and amortization | 158,124 | 148,739 |
| | Non-recurring write-off related to restructuring | 1,591 | 0 |
| | Write-up of fixed and financial assets | -598 | 0 |
| | Increase/decrease in long-term provisions | 12,994 | -10,415 |
| | Income from associates | -29,513 | -8,586 |
| | Income/loss from the disposal of fixed and financial assets | -17,691 | -14,542 |
| | **Gross cash flow** | **321,340** | **297,028** |
| | Increase/decrease in inventories | -45,672 | -37,005 |
| | Increase/decrease in trade receivables | -9,580 | -14,944 |
| | Increase/decrease in trade payables | 2,643 | 36,103 |
| | Increase/decrease in other net current assets | -29,992 | 30,787 |
| | Changes in non-cash items resulting from foreign exchange translation | 206 | -1,362 |
| (18) | **Cash flow from operating activities** | **238,945** | **310,607** |
| | Proceeds from the sale of assets | 61,398 | 74,349 |
| | Purchase of property, plant and equipment and intangible assets | -278,628 | -238,034 |
| | Payments made for investments in financial assets | -233 | -921 |
| | Increase/decrease in marketable securities | 438 | 7,123 |
| | Net payments made for the acquisition of companies | -60,035 | -394,584 |
| | Net proceeds from the sale of companies | 157 | 0 |
| (19) | **Cash flow from investing activities** | **-276,903** | **-552,067** |
| | Increase/decrease in long-term borrowings | 437,047 | -12,692 |
| | Increase/decrease in short-term borrowings | -178,896 | 40,763 |
| | Dividends paid by Wienerberger AG | -78,040 | -49,777 |
| | Dividends paid to minority shareholders and other changes in minority capital | 2,464 | -2,690 |
| | Dividend payments from associates | 2,004 | 1,975 |
| | Capital increase Wienerberger AG | 0 | 221,782 |
| | Cash inflows from exercise of stock options | 5,364 | 0 |
| | Purchase of treasury stock | -21,326 | 0 |
| | **Cash flow from financing activities** | **168,617** | **199,361** |
| | **Change in cash and cash at bank** | **130,659** | **-42,099** |
| | Effect of exchange rate fluctuations on cash held | 2,725 | 1,887 |
| | Cash and cash at bank at the beginning of the year | 86,492 | 126,704 |
| | **Cash and cash at bank at the end of the year** | **219,876** | **86,492** |
| | Thereof cash | 219,876 | 86,492 |

*The following notes to the financial statements form an integral part of this cash flow statement.*

# Balance Sheet

| Notes | | 31.12.2005 in TEUR | 31.12.2004 in TEUR |
|---|---|---|---|
| | **Assets** | | |
| (20) | Intangible assets | 563,906 | 522,064 |
| (20) | Property, plant and equipment | 1,507,125 | 1,337,568 |
| (20) | Investment property | 32,984 | 54,872 |
| (2, 20) | Investments in associates | 106,503 | 76,329 |
| (20) | Other financial assets | 21,566 | 21,835 |
| (26) | Deferred tax assets | 61,355 | 42,737 |
| | **Non-current assets** | **2,293,439** | **2,055,404** |
| (21) | Inventories | 445,879 | 391,435 |
| (22) | Trade receivables | 184,407 | 172,753 |
| (22) | Other current receivables | 103,567 | 89,301 |
| (29, 30) | Securities | 22,402 | 70,517 |
| | Cash and cash at bank | 219,876 | 86,492 |
| | **Current assets** | **976,131** | **810,497** |
| | **Total Assets** | **3,269,570** | **2,865,901** |
| | **Equity and Liabilities** | | |
| | Issued capital | 74,168 | 74,168 |
| | Share premium | 415,052 | 415,052 |
| | Retained earnings | 1,031,209 | 962,644 |
| | Treasury stock | -28,133 | -13,327 |
| | Translation reserve | -38,909 | -105,502 |
| | Minority interest | 29,717 | 34,178 |
| (23) | **Equity** | **1,483,104** | **1,367,214** |
| (24, 25) | Employee-related provisions | 75,671 | 70,810 |
| (24, 26) | Provisions for deferred taxes | 105,318 | 92,130 |
| (24) | Other non-current provisions | 53,463 | 51,050 |
| (27, 29) | Long-term financial liabilities | 1,091,366 | 654,711 |
| (27) | Other non-current liabilities | 51,102 | 25,028 |
| | **Non-current provisions and liabilities** | **1,376,920** | **893,729** |
| (24) | Other current provisions | 39,234 | 56,994 |
| (27, 29) | Short-term financial liabilities | 97,873 | 278,171 |
| (27) | Trade payables | 150,712 | 145,349 |
| (27) | Other current liabilities | 121,727 | 124,444 |
| | **Current provisions and liabilities** | **409,546** | **604,958** |
| | **Total Equity and Liabilities** | **3,269,570** | **2,865,901** |

*The following notes to the financial statements form an integral part of this balance sheet.*

# Changes in Equity Statement

| *in TEUR* | Issued capital | Share premium | Retained earnings | Treasury stock | Translation reserve | Minority interest | Total |
|---|---|---|---|---|---|---|---|
| **Balance on 31.12.2003** | **65,279** | **192,831** | **820,103** | **-13,327** | **-108,206** | **23,753** | **980,433** |
| Net profit/minority interest | | | 177,104 | | | 4,729 | 181,832 |
| Dividend payments | | | -49,777 | | | -1,682 | -51,459 |
| Currency translation adjustment | | | | | 2,760 | 1,785 | 4,545 |
| Currency translation adjustment to investments in associates | | | | | -55 | | -55 |
| Hedging reserves | | | 25,750 | | | -92 | 25,658 |
| Capital increase/decrease | 8,888 | 222,221 | -9,327 | | | 366 | 222,148 |
| Increase/decrease in minority interest | | | | | | 3,286 | 3,286 |
| Increase/decrease in treasury stock | | | | | | | 0 |
| Expenses from stock option plans | | | 688 | | | | 688 |
| Other changes | | | -1,897 | | | 2,034 | 137 |
| **Balance on 31.12.2004** | **74,168** | **415,052** | **962,644** | **-13,327** | **-105,502** | **34,178** | **1,367,214** |
| Net profit/minority interest | | | 194,353 | | | 2,080 | 196,433 |
| Dividend payments | | | -78,040 | | | -2,467 | -80,507 |
| Currency translation adjustment | | | | | 63,790 | 1,147 | 64,937 |
| Currency translation adjustment to investments in associates | | | | | 2,803 | | 2,803 |
| Hedging reserves | | | -47,635 | | | 15 | -47,620 |
| Capital increase/decrease | | | | | | 2,356 | 2,356 |
| Increase/decrease in minority interest | | | | | | -7,562 | -7,562 |
| Increase/decrease in treasury stock | | | -1,156 | -14,806 | | | -15,962 |
| Expenses from stock option plans | | | 1,250 | | | | 1,250 |
| Other changes | | | -208 | | | -30 | -238 |
| **Balance on 31.12.2005** | **74,168** | **415,052** | **1,031,209** | **-28,133** | **-38,909** | **29,717** | **1,483,104** |

*The following notes to the financial statements form an integral part of this changes in equity statement.*

# Table of Fixed and Financial Assets

| in TEUR | Acquisition or Production Costs<br>Balance on 1.1.2005 | Change in consoli-dation range | Foreign exchange incr./decr. | Additions | Disposals | Transfers | Balance on 31.12.2005 |
|---|---|---|---|---|---|---|---|
| Goodwill | **490,568** | 9,726 | 23,334 | 8,428 | 16 | 0 | **532,040** |
| Other intangible assets | **43,980** | -375 | 226 | 2,578 | 998 | 5,141 | **50,552** |
| **Intangible assets** | **534,548** | 9,351 | 23,560 | 11,006 | 1,014 | 5,141 | **582,592** |
| Land and buildings | **783,907** | 13,767 | 15,759 | 24,109 | 13,975 | 38,042 | **861,609** |
| Machinery and equipment | **1,455,455** | 25,341 | 43,280 | 54,669 | 48,511 | 117,407 | **1,647,641** |
| Fixtures, fittings, tools and equipment | **87,480** | 317 | 1,605 | 8,286 | 8,680 | 2,036 | **91,044** |
| Prepayments and assets under construction | **82,797** | 808 | 3,370 | 180,558 | 320 | -170,606 | **96,607** |
| **Property, plant and equipment** | **2,409,639** | 40,233 | 64,014 | 267,622 | 71,486 | -13,121 | **2,696,901** |
| **Investment property** | **79,637** | 0 | 259 | 0 | 32,167 | 7,980 | **55,709** |
| **Investments in associates** | **62,938** | -77 | 2,745 | 25 | 0 | 0 | **65,631** |
| Investments in subsidiaries | **6,195** | -610 | 0 | 201 | 229 | 0 | **5,557** |
| Other investments | **19,561** | 817 | 261 | 7 | 596 | 0 | **20,050** |
| **Other financial assets** | **25,756** | 207 | 261 | 208 | 825 | 0 | **25,607** |
| | **3,112,517** | **49,714** | **90,839** | **278,861** | **105,492** | **0** | **3,426,440** |

| in TEUR | Acquisition or Production Costs<br>Balance on 1.1.2004 | Change in consoli-dation range | Foreign exchange incr./decr. | Additions | Disposals | Transfers | Balance on 31.12.2004 |
|---|---|---|---|---|---|---|---|
| Goodwill | **307,176** | 187,817 | -12,538 | 5,984 | 21 | 2,150 | **490,568** |
| Other intangible assets | **42,936** | 828 | 1,845 | 7,986 | 4,262 | -5,353 | **43,980** |
| **Intangible assets** | **350,112** | 188,645 | -10,693 | 13,970 | 4,283 | -3,203 | **534,548** |
| Land and buildings | **651,995** | 72,675 | 8,225 | 35,965 | 5,180 | 20,227 | **783,907** |
| Machinery and equipment | **1,264,541** | 141,902 | 11,957 | 56,469 | 88,837 | 69,423 | **1,455,455** |
| Fixtures, fittings, tools and equipment | **75,751** | 5,089 | -464 | 12,384 | 11,644 | 6,364 | **87,480** |
| Prepayments and assets under construction | **45,209** | 7,178 | 1,311 | 119,211 | 824 | -89,288 | **82,797** |
| **Property, plant and equipment** | **2,037,496** | 226,844 | 21,029 | 224,029 | 106,485 | 6,726 | **2,409,639** |
| **Investment property** | **100,335** | 400 | 348 | 35 | 23,370 | 1,889 | **79,637** |
| **Investments in associates** | **78,230** | -1,779 | -27 | 18 | 8,056 | -5,448 | **62,938** |
| Investments in subsidiaries | **12,125** | -6,799 | 3 | 903 | 37 | 0 | **6,195** |
| Other investments | **39,720** | 150 | 120 | 0 | 20,429 | 0 | **19,561** |
| **Other financial assets** | **51,845** | -6,649 | 123 | 903 | 20,466 | 0 | **25,756** |
| | **2,618,018** | **407,461** | **10,780** | **238,955** | **162,660** | **-36** | **3,112,517** |

*Note: Rounding differences may arise from the automatic processing of data.*
*The following notes to the financial statements form an integral part of this table of fixed and financial assets.*

**Depreciation**

| Balance on 1.1.2005 | Change in consoli-dation range | Foreign exchange incr./decr. | Current year | Write-up | Disposals | Transfers | Balance on 31.12.2005 | Carrying amount 31.12.2005 | Carrying amount 31.12.2004 |
|---|---|---|---|---|---|---|---|---|---|
| **0** | 0 | 0 | 0 | 0 | 0 | 0 | **0** | **532,040** | **490,568** |
| **12,484** | -218 | 122 | 3,571 | 1 | 244 | 2,972 | **18,686** | **31,866** | **31,496** |
| **12,484** | -218 | 122 | 3,571 | 1 | 244 | 2,972 | **18,686** | **563,906** | **522,064** |
| | | | | | | | | | |
| **225,825** | 9 | 3,854 | 32,450 | 598 | 10,575 | 6,101 | **257,066** | **604,543** | **558,082** |
| **791,383** | -205 | 20,246 | 113,293 | 0 | 41,165 | -10,139 | **873,413** | **774,228** | **664,072** |
| **54,658** | -210 | 834 | 10,113 | 0 | 7,372 | 1,069 | **59,092** | **31,952** | **32,822** |
| **205** | 0 | 0 | 5 | 0 | 2 | -3 | **205** | **96,402** | **82,592** |
| **1,072,071** | -406 | 24,934 | 155,861 | 598 | 59,114 | -2,972 | **1,189,776** | **1,507,125** | **1,337,568** |
| | | | | | | | | | |
| **24,766** | 0 | 18 | 272 | 0 | 2,331 | 0 | **22,725** | **32,984** | **54,872** |
| | | | | | | | | | |
| **-13,390** | 85 | -58 | 0 | 29,513 | -2,004 | 0 | **-40,872** | **106,503** | **76,329** |
| | | | | | | | | | |
| **3,921** | -744 | -1 | 12 | 0 | 0 | 0 | **3,188** | **2,369** | **2,274** |
| **0** | 853 | 0 | 0 | 0 | 0 | 0 | **853** | **19,197** | **19,561** |
| **3,921** | 109 | -1 | 12 | 0 | 0 | 0 | **4,041** | **21,566** | **21,835** |
| **1,099,851** | **-430** | **25,015** | **159,716** | **30,112** | **59,685** | **0** | **1,194,356** | **2,232,084** | **2,012,668** |

**Depreciation**

| Balance on 1.1.2004 | Change in consoli-dation range | Foreign exchange incr./decr. | Current year | Write-up | Disposals | Transfers | Balance on 31.12.2004 | Carrying amount 31.12.2004 | Carrying amount 31.12.2003 |
|---|---|---|---|---|---|---|---|---|---|
| **0** | 0 | 0 | 0 | 0 | 0 | 0 | **0** | **490,568** | **307,176** |
| **16,207** | 96 | 311 | 3,558 | 0 | 3,427 | -4,261 | **12,484** | **31,496** | **26,729** |
| **16,207** | 96 | 311 | 3,558 | 0 | 3,427 | -4,261 | **12,484** | **522,064** | **333,905** |
| | | | | | | | | | |
| **196,753** | 2,433 | 1,143 | 27,217 | 0 | 4,484 | 2,763 | **225,825** | **558,082** | **455,242** |
| **741,236** | 11,640 | 3,744 | 106,087 | 0 | 71,854 | 530 | **791,383** | **664,072** | **523,305** |
| **52,360** | 1,098 | 526 | 10,573 | 0 | 10,878 | 979 | **54,658** | **32,822** | **23,391** |
| **179** | 34 | 0 | 3 | 0 | 0 | -11 | **205** | **82,592** | **45,030** |
| **990,528** | 15,205 | 5,413 | 143,880 | 0 | 87,216 | 4,261 | **1,072,071** | **1,337,568** | **1,046,967** |
| | | | | | | | | | |
| **34,361** | 0 | 236 | 557 | 0 | 10,388 | 0 | **24,766** | **54,872** | **65,974** |
| | | | | | | | | | |
| **-4,923** | -27 | 28 | 0 | 8,586 | -154 | -36 | **-13,390** | **76,329** | **83,152** |
| | | | | | | | | | |
| **3,177** | 0 | 0 | 744 | 0 | 0 | 0 | **3,921** | **2,274** | **8,948** |
| **0** | 0 | 0 | 0 | 0 | 0 | 0 | **0** | **19,561** | **39,720** |
| **3,177** | 0 | 0 | 744 | 0 | 0 | 0 | **3,921** | **21,835** | **48,668** |
| **1,039,350** | **15,274** | **5,988** | **148,739** | **8,586** | **100,877** | **-36** | **1,099,851** | **2,012,666** | **1,578,666** |

# Segment Reporting

| **Segments** | Central-East Europe | | Central-West Europe | | North-West Europe | |
|---|---|---|---|---|---|---|
| *in TEUR* | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Third party revenues | 502,958 | 487,979 | 378,211 | 364,916 | 727,555 | 614,465 |
| Inter-company revenues | 4,320 | 1,752 | 7,198 | 8,249 | 20,377 | 18,816 |
| Total revenues | 507,278 | 489,731 | 385,409 | 373,165 | 747,932 | 633,281 |
| Operating EBITDA | 136,666 | 142,231 | 78,033 | 87,163 | 165,345 | 134,473 |
| Depreciation and amortization | 49,632 | 40,642 | 34,778 | 35,772 | 56,114 | 51,237 |
| Operating EBIT | 87,033 | 101,589 | 43,255 | 51,391 | 109,231 | 83,236 |
| Income from investments in associates | 5,028 | 2,404 | 364 | 0 | 0 | 0 |
| Investments in associates | 20,077 | 16,893 | 1,823 | 1,459 | 90 | 90 |
| Liabilities | 525,967 | 630,266 | 327,378 | 269,252 | 1,021,731 | 697,769 |
| Capital Employed | 569,505 | 468,075 | 396,293 | 359,078 | 952,855 | 885,379 |
| Assets | 872,918 | 1,025,855 | 552,466 | 498,780 | 1,517,959 | 1,164,907 |
| Maintenance capex | 22,799 | 24,240 | 15,047 | 13,310 | 36,161 | 37,309 |
| Growth investments | 99,570 | 105,625 | 46,883 | 43,081 | 77,392 | 362,487 |
| Employees | 4,767 | 4,558 | 2,002 | 1,768 | 4,203 | 3,539 |

| **Products** | Revenues | | Operating EBITDA | | Assets | |
|---|---|---|---|---|---|---|
| *in TEUR* | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Hollow bricks | 630,719 | 647,498 | 181,616 | 195,052 | 930,319 | 911,225 |
| Facing bricks | 807,519 | 711,574 | 154,082 | 131,997 | 1,072,765 | 931,867 |
| Roofing systems | 407,224 | 314,598 | 94,043 | 84,285 | 714,964 | 670,752 |
| Pavers | 101,734 | 78,747 | 16,726 | 11,596 | 136,301 | 115,104 |
| Other | 7,375 | 6,429 | -18,070 | -17,484 | 415,221 | 236,953 |
| **Wienerberger Group** | **1,954,571** | **1,758,846** | **428,397** | **405,445** | **3,269,570** | **2,865,901** |

| **Revenues** | Central-East Europe | | Central-West Europe | | North-West Europe | |
|---|---|---|---|---|---|---|
| *in TEUR* | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Austria | 80,458 | 84,793 | | | | |
| Czech Republic | 103,109 | 100,771 | | | | |
| Hungary | 91,587 | 106,043 | | | | |
| Poland | 109,688 | 101,876 | | | | |
| Other Eastern Europe | 118,133 | 94,555 | | | 9,082 | 7,015 |
| Germany | | | 234,963 | 233,816 | | |
| Switzerland | | | 70,878 | 65,928 | | |
| Italy | | | 72,827 | 65,437 | | |
| Belgium | | | | | 198,819 | 182,056 |
| Holland | | | | | 202,615 | 196,143 |
| France | | | | | 148,204 | 132,737 |
| Great Britain | | | | | 114,571 | 59,075 |
| Scandinavia and Finland | | | | | 55,083 | 37,630 |
| USA | | | | | | |
| **Wienerberger Group** | **502,975** | **488,038** | **378,668** | **365,181** | **728,374** | **614,656** |

| USA | | Investments and Other | | Group Eliminations | | Wienerberger Group | |
|---|---|---|---|---|---|---|---|
| 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| 337,179 | 284,425 | 7,306 | 6,429 | 0 | 0 | **1,953,209** | **1,758,214** |
| 0 | 0 | 12,909 | 9,830 | -43,442 | -38,015 | **1,362** | **632** |
| 337,179 | 284,425 | 20,215 | 16,259 | -43,442 | -38,015 | **1,954,571** | **1,758,846** |
| 66,423 | 59,072 | -18,070 | -17,494 | 0 | 0 | **428,397** | **405,445** |
| 14,591 | 17,106 | 2,997 | 3,238 | 0 | 0 | **158,112** | **147,995** |
| 51,833 | 41,966 | -21,067 | -20,732 | 0 | 0 | **270,285** | **257,450** |
| 715 | 454 | 23,406 | 5,729 | 0 | 0 | **29,513** | **8,586** |
| 4,112 | 3,490 | 80,401 | 54,396 | 0 | 0 | **106,503** | **76,329** |
| 307,201 | 269,365 | 1,457,693 | 814,023 | -1,853,504 | -1,181,988 | **1,786,466** | **1,498,688** |
| 345,006 | 277,253 | 25,782 | 41,711 | 0 | 0 | **2,289,441** | **2,031,495** |
| 436,419 | 359,032 | 3,010,223 | 2,250,649 | -3,120,415 | -2,433,322 | **3,269,570** | **2,865,901** |
| 12,872 | 12,832 | 1,333 | 2,724 | 0 | 0 | **88,212** | **90,415** |
| 26,606 | 30,984 | 0 | 0 | 0 | 0 | **250,451** | **542,177** |
| 2,194 | 2,117 | 161 | 172 | 0 | 0 | **13,327** | **12,154** |

| Capital Employed | | Total Investments | |
|---|---|---|---|
| 2005 | 2004 | 2005 | 2004 |
| 717,746 | 658,187 | 125,841 | 108,105 |
| 902,179 | 715,543 | 106,276 | 252,119 |
| 538,539 | 535,314 | 88,182 | 253,947 |
| 105,195 | 80,741 | 17,030 | 15,696 |
| 25,782 | 41,710 | 1,333 | 2,725 |
| **2,289,441** | **2,031,495** | **338,663** | **632,592** |

| USA | | Investments and Other | | Wienerberger Group | |
|---|---|---|---|---|---|
| 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| | | 7,375 | 6,546 | **87,833** | **91,339** |
| | | | | **103,109** | **100,771** |
| | | | | **91,587** | **106,043** |
| | | | | **109,688** | **101,876** |
| | | | | **127,215** | **101,570** |
| | | | | **234,963** | **233,816** |
| | | | | **70,878** | **65,928** |
| | | | | **72,827** | **65,437** |
| | | | | **198,819** | **182,056** |
| | | | | **202,615** | **196,143** |
| | | | | **148,204** | **132,737** |
| | | | | **114,571** | **59,075** |
| | | | | **55,083** | **37,630** |
| 337,179 | 284,425 | | | **337,179** | **284,425** |
| **337,179** | **284,425** | **7,375** | **6,546** | **1,954,571** | **1,758,846** |

# Notes to the Financial Statements

### Reporting in accordance with International Financial Reporting Standards (IFRS)

These financial statements were prepared in keeping with § 245a of the Austrian Commercial Code and in accordance with the guidelines as of the balance sheet date set forth in International Financial Reporting Standards (IFRS) and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union (EU).

## General Information

### 1. Basis of Preparation

Wienerberger is an international building materials group; the headquarters of the parent company are located in Vienna, Austria. The business activities of the Group can be classified in five segments: Central-East Europe, Central-West Europe, North-West Europe and the USA as well as Investments and Other. The consolidated financial statements of Wienerberger AG and its subsidiaries reflect International Financial Reporting Standards (IFRS) valid for the 2005 business year. In comparison to the prior year, the provisions of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations were applied for the first time. The new provisions of IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IAS 36 and IAS 38 as well as amendments from the Improvement Project were applied in 2004, at an earlier date in agreement with the new standards. The new standards IFRS 6 Exploration for and Evaluation of Mineral Resources (valid as of 2006) and IFRS 7 Financial Instruments Disclosures (valid as of 2007) were not applied in advance.

Independent auditors have examined the annual financial statements of all national and international companies which require a statutory audit or have submitted to a voluntary audit; all such audited financial statements were awarded unqualified opinions. The financial statements of all consolidated companies are based on historical acquisition and production costs, and were prepared as of the balance sheet date. To simplify presentation, certain items on the balance sheet and income statement were grouped together. The notes provide detailed information on all such items.

### 2. Consolidation Range

An overview of fully or proportionally consolidated companies and companies valued at equity is provided in the List of Companies at the end of the notes.

In addition to Wienerberger AG, the 2005 financial statements include 14 (2004: 13) Austrian and 105 (2004: 107) foreign subsidiaries in which Wienerberger AG has management control or directly or indirectly owns the majority of shares. Thirty-three (2004: 32) affiliates, whose influence on the asset, financial and earnings position of the Group is immaterial, were not included in the consolidation. The combined revenues, income, liabilities and assets of these unconsolidated companies equal less than 2% of the relevant figures for the Group.

Twelve (2004: 13) joint venture companies in the Schlagmann and Bramac Groups, which are under common management, were consolidated using the proportional method.

The equity method is used for consolidation in cases where the Wienerberger Group holds between 20 and 50% of the shares (associates), if these entities are considered significant for the preparation of a true and fair view of the Group's assets, financial and earnings position. The carrying value of the 7 companies consolidated at equity totals TEUR 106,503, and TEUR 77,751 of this amount is attributable to the Pipelife Group.

The consolidation range developed as follows during the 2005 reporting year:

| **Consolidation Range** | **Fully consolidated** | **Proportionally consolidated** | **Equity accounting** |
|---|---|---|---|
| **Balance on 31.12.2004** | **120** | **13** | **8** |
| Change in consolidation method | 4 | 0 | 0 |
| Included during reporting year for first time | 7 | 0 | 0 |
| Merged/liquidated during reporting year | -11 | -1 | -1 |
| Divested during reporting year | -1 | 0 | 0 |
| **Balance on 31.12.2005** | **119** | **12** | **7** |
| Thereof foreign companies | 105 | 10 | 5 |

The following table shows the pro rata values for joint ventures included in the financial statements at their proportional share:

| *in TEUR* | **2005** | **2004** |
|---|---|---|
| Revenues | 89,144 | 90,583 |
| EBITDA | 20,826 | 20,621 |
| EBIT | 15,817 | 15,369 |

| **Assets** *in TEUR* | **31.12.2005** | **31.12.2004** | **Equity and Liabilities** | **31.12.2005** | **31.12.2004** |
|---|---|---|---|---|---|
| A. Non-current assets | 61,813 | 58,350 | A. Equity | 47,582 | 43,336 |
| B. Current assets | 28,707 | 28,012 | B. Non-current provisions and liabilities | 16,041 | 16,232 |
| | | | C. Current provisions and liabilities | 26,897 | 26,793 |
| | **90,520** | **86,361** | | **90,520** | **86,361** |

Following are the proportional values from companies valued at equity (Pipelife Group and Tondach Gleinstätten Group):

| *in TEUR* | **2005** | **2004** |
|---|---|---|
| Revenues | 404,457 | 345,404 |
| EBITDA | 49,548 | 33,466 |
| EBIT | 31,374 | 16,706 |

| **Assets** *in TEUR* | **31.12.2005** | **31.12.2004** | **Equity and Liabilities** | **31.12.2005** | **31.12.2004** |
|---|---|---|---|---|---|
| A. Non-current assets | 130,863 | 122,517 | A. Equity | 102,306 | 71,401 |
| B. Current assets | 162,527 | 154,064 | B. Non-current provisions and liabilities | 67,148 | 91,696 |
| | | | C. Current provisions and liabilities | 123,936 | 113,484 |
| | **293,390** | **276,581** | | **293,390** | **276,581** |

## 3. Acquisitions and Disposals

The following acquisitions made during 2005 are included in the consolidation for the first time:

| Name of Company | Share in % | Name of Company | Share in % |
|---|---|---|---|
| von Müller Dachprodukte GmbH & Co. KG | 80.00 | Petersminde Teglvaerk A/S | 100.00 |

The changes in the consolidation range since December 31, 2004 involved the following initial consolidations and deconsolidations:

At the end of March 2005 a majority stake was acquired in von Müller Dachprodukte GmbH & Co. KG, which owns two clay roof tile plants in Germany. During the third quarter Wienerberger acquired 100% of the shares in Petersminde Teglvaerk A/S with one facing brick plant in Denmark.

During the reporting year the Wienerberger Group not only completed acquisitions (share deals), but also purchased a number of brick plants (asset deals). These asset deals are shown as additions to assets and not reported as changes in the consolidation range. During the second quarter Wienerberger purchased two brick plants in Slovakia; one of these plants was shutdown permanently after the takeover.

The brick activities of Wienerberger in Russia and Bulgaria, which were not consolidated in previous years, were included in the consolidation range for the first time as of January 1, 2005. A plant is currently under construction in Russia, and bricks imported from neighboring countries are sold in Bulgaria.

Companies included in the consolidation for the first time generated TEUR 25,087 of revenues and reduced EBITDA by TEUR 3,475 for the period from January 1, 2005 to December 31, 2005.

On September 24, 2004 Wienerberger acquired 100% of the shares in thebrickbusiness, the third largest producer of bricks in Great Britain with nine plants. During the period from January 1, 2005 to September 23, 2005 thebrickbusiness contributed TEUR 62,627 to Group revenues and TEUR 14,750 to EBITDA; these figures were not included in the calculation of organic growth.

Changes to the consolidation range in 2005 also include the positive effect on revenues and earnings of the first full-year consolidation of Koramic Roofing (included at only 50% for the first quarter of 2004) and the full-year consolidation of three brick plants and one concrete paver plant in Poland (initial consolidation during the second quarter of 2004).

As of January 1, 2005 100% of the shares in Wienerberger Alpha Umwelttechnik were sold at carrying value. The deconsolidation had an impact of significantly less than 1% on Group revenues.

All changes in the consolidation range had a net impact of TEUR 106,082 on revenues and TEUR 15,076 on EBITDA.

Companies included for the first time were consolidated at the point of acquisition or at the next balance sheet date, unless this led to a material impact compared to inclusion at the point of acquisition.

The effect of changes in the consolidation range on the income statement and balance sheet is as follows for 2005 (from/as of the date of initial consolidation or deconsolidation):

| *in TEUR* | **2005** |
|---|---|
| Revenues | 106,082 |
| EBITDA | 15,076 |
| EBIT | 5,191 |

| **Assets** | | **Equity and Liabilities** | |
|---|---|---|---|
| *in TEUR* | **31.12.2005** | | **31.12.2005** |
| A. Non-current assets | 50,144 | A. Non-current provisions and liabilities | 7,076 |
| B. Current assets | -38,264 | B. Current provisions and liabilities | 4,805 |
| | **11,881** | | **11,881** |

## 4. Basis of Consolidation

For included subsidiaries, the book value method is used to eliminate the investment and equity. Under this method, the acquisition value of the investment is compared with the revalued shareholders' equity on the date of initial consolidation (purchase accounting). Any identifiable difference between the purchase price and revalued equity is added to fixed assets; any remaining goodwill, which represents compensation to the seller for market and development opportunities that are not specifically identified, is recognized as an asset in local currency under the relevant segment (TEUR 9,726 for the reporting year). In accordance with IFRS 3 Business Combinations, goodwill from acquisitions is no longer amortized on a regular basis but subject to an annual impairment test and only written down if the asset has been impaired. No impairment charges were recorded in 2005.

Initial consolidations in 2005 resulted in negative differences (badwill) of TEUR 630, which were recognized to the income statement.

Joint ventures are included at their proportional share in keeping with the general principles described above.

For associates consolidated at equity, the same basic methodology applied to subsidiaries and joint ventures is used to consolidate shareholders' equity. For companies consolidated using equity accounting, local valuation methods are maintained if the relevant amounts are immaterial.

All receivables and liabilities, revenues, and other income and expenses arising between companies consolidated at 100% or their proportional share are eliminated. Discounts and other unilateral transactions affecting profit and loss are eliminated and charged to the income statement. Deferred taxes are recorded to reflect the income tax effects of consolidation entries charged to the income statement.

Inter-company gains and losses, which arise from the sale of goods or services between Group companies and which affect fixed or current assets, are eliminated unless they are immaterial.

## 5. Foreign Currency Translation

The accounts of foreign companies are translated into euro based on the functional currency method. The relevant local currency is the functional currency in all cases since these companies operate independently from a financial, economic, and organizational standpoint. With the exception of the component parts of shareholders' equity, all balance sheet items are translated using the closing rate on December 31, 2005. Goodwill is recorded as an asset in local currency and also translated at the closing rate on the balance sheet date for the financial statements. Expense and revenue 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 with no impact on the income statement.

Translation risk arising from the Group's brick activities in the USA is limited by foreign currency swaps. These transactions involve the conclusion of a US dollar-euro foreign currency swap equal to the value of assets held in US dollars. The translation risk associated with brick activities in Poland and Great Britain is covered to roughly 55% and 95%, respectively, by foreign currency swaps and foreign currency futures.

During the reporting year, translation gains of TEUR 66,593 (2004: TEUR 2,705) were charged to equity with no effect on the income statement. The recording of foreign currency transactions (hedging transactions) that were not recognized to the income statement led to a decrease of TEUR 49,111 in retained earnings. Translation gains and losses arising from the use of different exchange rates for the balance sheet (exchange rate on the balance sheet date) and income statement (average exchange rate for the year) are charged or credited to equity.

The major exchange rates used for foreign currency translation showed the following development during the reporting year:

| | Closing rate on | | Average rate for the year | |
|---|---|---|---|---|
| *in EUR* | **31.12.2005** | **31.12.2004** | **2005** | **2004** |
| 100 British Pound | 145.92149 | 141.83391 | 146.22527 | 147.35857 |
| 100 Croatian Kuna | 13.56677 | 13.05969 | 13.51375 | 13.33875 |
| 100 Czech Koruna | 3.44828 | 3.28256 | 3.35783 | 3.13496 |
| 100 Danish Krone | 13.40393 | 13.44303 | 13.41948 | 13.44098 |
| 100 Hungarian Forint | 0.39546 | 0.40655 | 0.40313 | 0.39734 |
| 100 Norwegian Krone | 12.52348 | 12.14108 | 12.48323 | 11.94765 |
| 100 Polish Zloty | 25.90674 | 24.48280 | 24.85658 | 22.07991 |
| 100 Romanian Lei | 27.17244 | 25.38715 | 27.61400 | 24.68250 |
| 100 Slovakian Krone | 2.63992 | 2.58098 | 2.59075 | 2.49800 |
| 100 Slovenian Tolar | 0.41753 | 0.41708 | 0.41742 | 0.41828 |
| 100 Swedish Krone | 10.65133 | 11.08574 | 10.77407 | 10.95952 |
| 100 Swiss Franc | 64.30455 | 64.81301 | 64.58462 | 64.76940 |
| 100 US Dollar | 84.76731 | 73.41605 | 80.36759 | 80.40438 |

## 6. Significant Accounting Policies

The accounting and valuation methods used by the Group remain unchanged from December 31, 2004, with the exception of the valuation of non-current assets held for sale (IFRS 5 Non-current Assets Held for Sale).

The new provisions of IFRS 2 Share-based Payments, IFRS 3 Business Combinations, IAS 36 and IAS 38 as well as the amendments from the Improvement Project were applied in 2004, at an earlier date in agreement with the new standards.

Emission trading guideline RL 2003/87/EG took effect in the European Union on January 1, 2005, and requires the Wienerberger Group to redeem certificates for the discharge of the greenhouse gas $CO_2$, which is created as part of the process used to manufacture bricks. This guideline also directs public authorities to issue a specific number of free certificates to companies that emit $CO_2$ and thereby permit the fulfilment of these requirements. Depending on actual emissions, companies can either purchase extra certificates or sell unused certificates on the market. The Wienerberger Group was allocated approximately 2.7 million tons of free $CO_2$ emission rights per year for the period from 2005 to 2007. Following the withdrawal of IASB regulation IFRIC 3 after rejection by the EU Commission, Wienerberger continues to follow the method used in previous quarters and records emission rights at a purchase price of zero in accordance with IAS 20 and IAS 38. Under this method, the income statement only includes expenses for the purchase of additional certificates or income from the sale of unused certificates.

In the quarterly reports for 2005, the reduction in the hedging reserve as a result of the dollar-euro swap was included under cash flow from operating activities in the position "changes in non-cash items resulting from foreign exchange translation". The contra item to the hedging reserve was reported as part of cash flow from investing activities under changes in marketable securities, which were therefore shown as a higher figure. In accordance with IAS 7, these effects are considered to represent non-cash transactions in the financial statements for 2005 and are therefore no longer included on the Cash Flow Statement. The Cash Flow Statement for 2004 was adjusted accordingly.

Following the harmonization of reporting schedules, results from the Tondach Gleinstätten Group were included in the equity valuation for the same reporting period; results recorded for the entire year 2004 were therefore recognized in the first quarter. The share of results for 2005 were recognized in the relevant quarters.

As part of the 2005 tax reform, the Austrian Parliament reduced the corporate tax rate from 34 to 25%. This tax rate will take effect with the assessment for 2005. In accordance with IAS 12.47, all provisions for deferred taxes in Austria have been calculated at this new lower rate since December 31, 2004.

The consolidated financial statements were prepared in accordance with the following principles:

***Realization of revenue and expenses:*** Revenue arising from the provision of goods or services is realized when all major risks and opportunities arising from the delivered object have been transferred to the buyer. Operating expenses are recognized when a service is rendered or a delivery is received, or at the point such liability is incurred.

***Order backlog:*** Information on the order backlog is irrelevant for an analysis of the business activities of Wienerberger AG. Therefore, this information is not provided.

***Intangible and tangible assets:*** Fixed assets and purchased intangible assets are recorded at production or acquisition cost, less straight-line depreciation or usage-based depletion (clay pits). Production costs include direct expenses plus allocated material and production overhead. General selling and administrative expenses are not capitalized. The cost of debt incurred during the construction period of major new plants is capitalized. Depreciation is based on the useful economic lives of the various assets (component approach).

For the majority of assets, ordinary straight-line depreciation is calculated as follows:

| | | | |
|---|---|---|---|
| Production plants (incl. warehouses) | 25 years | Kilns and dryers (facing bricks) | 10 – 20 years |
| Administrative buildings | 40 – 50 years | Other machinery | 5 – 15 years |
| Residential buildings | 40 – 50 years | Fittings, furniture and office equipment | 3 – 10 years |
| Kilns and dryers (roof tiles and hollow bricks) | 8 – 15 years | Other intangible assets | 3 – 10 years |

An impairment loss is recognized where necessary to reflect any significant and lasting decrease in value above and beyond ordinary depreciation. Repairs that do not increase the presumed useful life of assets are charged to current expenses. In accordance with IFRS 5, scheduled depreciation is discontinued when assets are classified as held for sale.

When plant or equipment is shutdown, sold or retired, the gain or loss arising from the difference between the proceeds on sale and remaining book value is recorded under other operating income or expenses if the amount of the transactions reflects similar annually recurring events.

In accordance with IFRS 3.62, the balance sheet values may be adjusted within one year if they were considered preliminary as of the acquisition date. In 2005 the final values for the acquisition of thebrickbusiness, and thereby also goodwill, was adjusted by TEUR 3,349.

In accordance with IAS 17 (Leases) leased fixed assets, which economically represent purchases financed with non-current funds (finance leases), are recorded at that price which would have been paid if the asset had been purchased. Amortization is calculated over the lesser of the useful life of the asset or the term of the lease. Obligations arising from future lease payments are recorded as liabilities.

Subsidies and investment incentives are recorded as liabilities and released in keeping with the useful life of the relevant asset.

In accordance with IAS 36 (Impairment of Assets), assets are written down to the value in use or a possible sale price or liquidation value if there is evidence of impairment and the present value (discounted at a WACC rate of 7.5%) of future payment surplus is less than book value. In the Wienerberger Group, cash-generating units generally represent groupings of plants. Future payment surpluses are based on internal forecasts, which are prepared in detail for 2006 and with minor simplifications for the following three years (2007, 2008 and 2009). The quality of these forecasts is evaluated on a regular basis through a variance analysis that compares this data with actual figures. The results of this analysis are reflected in the forecast for the following year. Future payment surpluses for the years 2010 to 2020 are based on the estimated payment surplus for 2009. Therefore, the calculation of the present value of payment surpluses is based on 15 reporting years.

The major factor for determining the value in use is formed by assumptions for the future development of the local market and sales volumes. The value in use is therefore determined on the basis of assumptions that are checked with economic researchers in the various regional markets, estimates published by Euroconstruct and values from past experience. Market growth rates may vary from –5 to +5% in a single year during the short-term planning period of four years; after this time, average market growth is generally assumed to range from 0 to +2%. Cost structure forecasts generally use past experience in the Wienerberger Group as a base for extrapolation.

If the reasons for impairment cease to exist, the carrying value of the relevant fixed asset is increased to its recoverable amount. In accordance with IFRS 3, no write-up is made to goodwill that was subject to an impairment write-down in the past.

***Investment property*** is stated at carrying value.

***Financial investments:*** Investments in associates and non-consolidated subsidiaries are generally stated at equity, unless these investments are immaterial. Investments in other companies are valued at acquisition cost. A write-down is made if there are signs of lasting impairment. Write-downs and write-ups are shown under financial results.

***Inventories:*** Inventories are stated at the lower of cost or net realizable value, whereby valuation is based on the moving average method. Cost includes direct expenses, allocated overhead, and depreciation based on normal capacity usage. Interest charges as well as selling and administrative expenses are not included in the production cost of current assets. Risks resulting from length of storage or other impairments in value are reflected in appropriate write-downs.

***Receivables:*** Receivables and other current assets are stated at nominal value. Individually identifiable risks are reflected in specific provisions. Non-interest bearing receivables with a remaining term in excess of one year are recorded at discounted present value. Foreign exchange receivables in individual company accounts are translated at the exchange rate on the balance sheet date.

***Securities*** are recorded at purchase price as of the date of acquisition, and stated at fair value in subsequent periods, based on stock exchange quotations as of the balance sheet date. Fluctuations in fair value are recognized to the income statement and included under financial results. Financial assets are recorded as of the trade date, which is the date the company becomes a party to the buy or sell contract.

***Provisions:*** Provisions for severance payments – primarily for employees of Austrian companies – are calculated according to financial principles based on a retirement age of 65 (men) and 60 (women), using a discount rate of 4%. The Austrian method "Teilwertverfahren" is used.

The Wienerberger Group has both defined contribution and defined benefit pension plans. Defined contribution plans carry no further obligation after the payment of premiums. 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 wage/salary increases as well as increases in defined benefit commitments. In general these calculations are based on a discount rate of 5% (Europe) and 6% (USA), an expected increase of 3-5% in income, expected growth of 3-5% in pensions, average employee turnover of 2-5% and expected return of 5-7.7% on pension fund assets. The provisions for pensions are calculated by actuaries.

Commitments by US companies to cover medical costs for retired employees are recorded under provisions for pensions because of their pension-like character.

The provisions for pensions were netted out with pension plan assets that are held to cover commitments. The market values of fund assets that exceed pension obligations are shown under other receivables.

Significant actuarial gains and losses are not recognized to income in the year they arise, but are amortized over the remaining service time of active employees (corridor rule).

In agreement with IAS 12 (revised) the provision for deferred taxes includes all temporary valuation and accounting differences arising between financial statements prepared for tax purposes and IFRS financial statements. The provision for deferred taxes is calculated at the tax rate expected when these differences reverse in the future, based on the local tax rate of the relevant Group company. Future changes in tax rates are included if the relevant legal amendment has been passed as of the balance sheet date.

In accordance with IAS 16 (applicable as of January 1, 2005), provisions for site restoration are created when the clay pit is purchased. The provisions for site restoration on clay pits purchased before 2005 are based on depletion, in accordance with the transition rule to IAS 16. Other liabilities whose due dates or amounts are uncertain are recorded as liabilities in accordance with IAS 37.

***Liabilities:*** Liabilities are stated at the actual amount received, less transaction costs. Any premium, discount or other difference between the amount received and repayment amount is distributed over the term of the liability according to the effective interest rate method and recorded under financial results. Foreign currency liabilities are translated at the exchange rate on the balance sheet date.

***Derivative financial instruments:*** Interest rate and foreign exchange swaps as well as foreign exchange contracts are recorded at purchase price as of the trade date, and shown at fair value in subsequent periods. The fair value of securities traded on a stock exchange is based on the actual market price. The fair value of interest rate swaps that are not traded on a stock exchange is based on the discounted value of future payments, which is calculated using a current market interest rate. The fair value of derivative instruments, which must be classified as hedging instruments under IAS 39 (above all, foreign currency swaps), are recorded with no impact to the income statement. The ineffectiveness on cash flow hedges is immaterial. For fair value hedges (above all, interest rate swaps) the valuation of the base transaction is adjusted by the fair value of the hedged risk, and this amount is recognized to the income statement.

***Earnings per share:*** The calculation of earnings per share is based on Group profit after tax less minority interest, divided by the weighted number of shares outstanding (less treasury stock). As part of the stock option plan, Wienerberger managers were granted option rights.

***Estimates:*** In preparing the Group financial statements, it is necessary to estimate certain figures and make assumptions that influence the recording of assets and liabilities, the declaration of other obligations as of the balance sheet date, and the recording of revenues and expenses during the reporting period. The actual figures, which become known at a later date, may differ from these estimates.

***Segment reporting:*** In accordance with the “management approach”, the definition of business units for primary segment reporting should reflect the internal reporting structure. Therefore, Wienerberger structures its segments of business according to regions. EBITDA, EBIT, assets and capital employed as well as maintenance capital expenditure and growth investments are classified according to company headquarters. Secondary segment reporting provides information on the following product groups: hollow bricks, facing bricks, roofing systems, pavers and other.

***Intercompany prices:*** The regional exchange of goods and services between the individual strategic segments is immaterial. 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.

## Notes to the Income Statement

### 7. Revenues

Consolidated revenues rose 11% to TEUR 1,954,571. After an adjustment for changes in the consolidation range and excluding currency translation effects, organic growth totaled 4% (2004: 8%). In the Central-East Europe segment, higher revenues in the Czech Republic, Slovakia and Romania offset declines in Hungary. Revenues in Germany remained largely unchanged, whereby lower brick revenues were offset by the initial consolidation of two clay roof tile plants acquired from von Müller Dachziegelprodukte GmbH & Co. KG. Revenues in Italy and Switzerland exceeded the prior year level. The North-West Europe segment reported a significant improvement in revenues following the first full-year consolidation of thebrickbusiness as well as organic growth in France and Belgium. Higher revenues were recorded on brick activities in the USA because of an increase in prices and additional purchased goods. Foreign exchange effects, primarily due to the revaluation of the Polish zloty and Czech koruna, had a positive impact of TEUR 24,747 on Group revenues. Detailed information on revenues by segment and region is provided under segment reporting on pages 96 and 97.

### 8. Cost of Materials and Depreciation

The cost of goods sold, selling and administrative expenses include expenses for materials, merchandise, services and energy totaling:

| *in TEUR* | 2005 | 2004 |
|---|---|---|
| Cost of materials | 350,788 | 348,933 |
| Cost of merchandise | 105,650 | 99,220 |
| Cost of energy | 250,364 | 198,569 |
| Cost of services | 73,780 | 50,080 |
| **Total** | **780,582** | **696,802** |

The cost of materials includes expenses for clay, sand, sawdust and other additives, pallets and other packaging materials. Maintenance expenses involve the use of low-value spare parts (cost of materials) as well as third party services (cost of services). The cost of goods sold, selling expenses, administrative expenses, and other operating expenses include the following depreciation and amortization:

| *in TEUR* | **2005** | **2004** |
|---|---|---|
| Ordinary depreciation | 154,082 | 140,694 |
| Extraordinary depreciation | 4,030 | 7,301 |
| | **158,112** | **147,995** |
| Amortization of goodwill | 0 | 0 |
| Depreciation of plant, property and equipment and amortization of intangible assets | **158,112** | **147,995** |

In accordance with IFRS 3 Business Combinations, goodwill is not amortized on a regular basis but subject to an annual impairment test (see 6. Significant Accounting Policies).

## 9. Personnel Expenses

The cost of goods sold, selling and administrative expenses include the following personnel expenses:

| *in TEUR* | **2005** | **2004** |
|---|---|---|
| Wages | 201,051 | 171,355 |
| Salaries | 166,315 | 147,020 |
| Expenses for stock option plans | 1,250 | 688 |
| Expenses for severance payments | 5,415 | 6,878 |
| Expenses for pensions | 11,584 | 9,242 |
| Expenses for mandatory social security and payroll-related taxes and contributions | 82,323 | 80,554 |
| Other employee benefits | 18,545 | 16,447 |
| **Personnel expenses** | **486,483** | **432,184** |

Compensation paid to the members of the Managing Board totaled TEUR 3,618 for the reporting year (2004: TEUR 3,430). Of this amount, TEUR 1,991 represents a variable component and TEUR 1,627 a fixed component. For active members of the Managing Board, pension expenses in the form of contributions to pension funds (defined contribution plans) and the service costs for defined benefit plans totaled TEUR 1,075 in 2005 (2004: TEUR 627).

Payments of TEUR 589 (2004: TEUR 501) were made to former members of the Managing Board or their surviving dependents.

The members of the Supervisory Board received cash payments totaling TEUR 273 for their activities during the reporting year (2004: TEUR 170). Compensation paid to the Supervisory Board is calculated as a percentage of profit after tax before minorities. These funds are distributed among the members of the Supervisory Board (shareholder representatives) in accordance with the scope of their duties.

The company has not provided any guarantees for credits and no companies in the Wienerberger Group have granted credits to the members of the Managing Board or Supervisory Board.

The members of the Managing Board and Supervisory Board are listed on pages 18 and 27. The number of shares owned by the members of the Managing Board and Supervisory Board is listed on page 33. Detailed information on compensation paid to the members of the Managing Board and Supervisory Board is provided in the compensation report on pages 31 to 33. Expenses arising from the stock option plans are shown above and on page 128.

## 10. Employees

The average number of employees was as follows:

| | 2005 | | 2004 | |
|---|---|---|---|---|
| | **Total** | **Thereof joint ventures** | **Total** | **Thereof joint ventures** |
| Production | 10,051 | 440 | 8,877 | 475 |
| Administration | 1,111 | 73 | 1,043 | 77 |
| Sales | 2,165 | 166 | 2,234 | 161 |
| **Total** | **13,327** | **679** | **12,154** | **713** |
| Thereof apprentices | 39 | 3 | 31 | 1 |

Changes in the consolidation range led to an increase of 1,047 in the number of employees. Employees of companies included at their proportional share are reflected in this calculation in proportion to the holdings in these companies.

## 11. Other Operating Expenses

Other operating expenses are classified as follows:

| *in TEUR* | 2005 | 2004 |
|---|---|---|
| Loss on the disposal of fixed assets, excluding financial assets | 3,102 | 5,030 |
| Miscellaneous | 22,452 | 43,427 |
| **Other operating expenses** | **25,554** | **48,457** |

Research and development expenses at Wienerberger are related to the cost of product and process development, the improvement of environmental standards and laboratory activities. The development costs for successful research programs are generally capitalized under the related asset. In 2005 research activities totaled TEUR 3,595. Miscellaneous other operating expenses represent costs that cannot be allocated to the functional areas.

## 12. Other Operating Income

| *in TEUR* | 2005 | 2004 |
|---|---|---|
| Income from the disposal and write-up of tangible assets, excluding financial assets | 12,261 | 19,572 |
| Insurance compensation | 3,906 | 5,415 |
| Miscellaneous | 15,389 | 17,803 |
| **Other operating income** | **31,556** | **42,790** |

Miscellaneous other operating income represents sales-like revenues, such as rental and commission income, which are not part of the direct business activities of the Wienerberger Group.

## 13. Transition of Results according to Cost of Sales and Total Cost Methods

In an income statement prepared according to the cost of sales method, expenses are classified by functional area. Under the total cost method, the amounts for each individual category of expenses are shown and then adjusted to reflect the increase or decrease in finished and semi-finished goods in order to present the expenses related to the actual volume of goods sold. The relationship of these two methods is explained below:

| *in TEUR* | Cost of freight | Cost of materials | Cost of merchandise | Depreciation | Cost of energy | Cost of services | Personnel expenses | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| Production costs | 0 | 342,253 | 105,650 | 136,234 | 244,946 | 56,043 | 295,163 | 30,697 | **1,210,986** |
| Selling expenses | 109,794 | 7,681 | 0 | 7,068 | 4,303 | 11,242 | 120,922 | 108,768 | **369,778** |
| Administrative expenses | 0 | 854 | 0 | 7,495 | 679 | 2,633 | 68,789 | 29,074 | **109,524** |
| Other operating expenses | 0 | 0 | 0 | 7,315 | 436 | 3,862 | 3,182 | 10,759 | **25,554** |
| Other operating income | 0 | 0 | 0 | 0 | 0 | 0 | -1,573 | -29,983 | **-31,556** |
| | **109,794** | **350,788** | **105,650** | **158,112** | **250,364** | **73,780** | **486,483** | **149,315** | **1,684,286** |

## 14. Non-recurring Income and Expenses

As a reaction to the changed market conditions, the Wienerberger Group incurred TEUR 11,365 of restructuring expenses (thereof TEUR 1,591 in extraordinary write-off) for the temporary or partial closing of 17 plants during the reporting year. These restructuring activities were concentrated in Germany, Poland and Hungary. In order to improve comparability, these non-recurring expenses are shown separately under "non-recurring write-offs and provisions for restructuring", and are therefore not included under ordinary operating expenses.

A property in the south of Vienna was sold during the fourth quarter of 2005 at a book gain of TEUR 10,637 (proceeds on sale TEUR 15,670). The book gain exceeded the normal scope for a transaction of this type by a substantial amount. For this reason, the gain is shown separately under "non-recurring income".

## 15. Other Financial Results

Other financial results are classified as follows:

| *in TEUR* | 2005 | 2004 |
|---|---|---|
| Income from subsidiaries | -633 | -710 |
| Income from other companies | 534 | 91 |
| **Total income from investments** | **-99** | **-619** |
| | | |
| Interest and similar income | 25,435 | 27,596 |
| Interest and similar expenses | -68,861 | -60,923 |
| **Net financing costs** | **-43,426** | **-33,327** |
| | | |
| Market valuation of securities | 2,713 | 308 |
| Foreign exchange gains/losses | 378 | 3,620 |
| Bank charges and commitment fees | -7,369 | -4,649 |
| **Securities and other** | **-4,278** | **-721** |
| **Other financial results** | **-47,803** | **-34,667** |

Income from investments includes a loss of TEUR 289 on the sale of stakes in subsidiaries.

The position "bank charges and commitment fees" includes current expenses as well as the allocation of capitalized transaction costs that are related to the conclusion of credits or issue of bonds (above all, bank fees) over the term of the financing. The reversal of discounts and premiums is included under net financing costs.

## 16. Income Taxes

This item includes income taxes paid and owed by Group companies as well as provisions for deferred taxes.

| *in TEUR* | **2005** | **2004** |
|---|---|---|
| Current tax expense | 35,572 | 47,782 |
| Deferred tax expense | 19,262 | 1,756 |
| **Income taxes** | **54,834** | **49,538** |

The effective tax rate for the reporting year was 21.8% (2004: 21.4%). This rate is a weighted average of the effective local income tax rates of all companies included in the consolidation.

As part of the 2005 tax reform, the Austrian parliament approved a reduction in the corporate tax rate from 34 to 25% beginning with the assessment for 2005. In accordance with IAS 12.47, provisions for deferred taxes in Austria were calculated at this new rate in the annual financial statements for 2004.

The difference between the current Austrian corporate tax rate of 25% (2004: 34%) and the Group tax rate shown in these statements is due to the following factors:

| *in TEUR* | **2005** | **2004** |
|---|---|---|
| **Profit before tax** | **251,267** | **231,370** |
| **Tax expense at tax rate of 25% (2004: 34%)** | **-62,817** | **-78,666** |
| Other foreign tax rates | -9,398 | 11,822 |
| Non-temporary differences and tax income and expense from prior periods | 17,320 | 10,606 |
| Change in valuation allowances for deferred tax assets and tax-loss carry-forwards | -807 | 6,406 |
| Changes in tax rates | 868 | 295 |
| **Effective tax expense** | **-54,834** | **-49,538** |
| Effective tax rate in % | 21.8 | 21.4 |

## 17. Earnings per Share, Recommendation for the Distribution of Profits

The current number of shares outstanding is 74,167,796. Wienerberger carried out a share buyback program from March 24 to May 6, 2005, primarily to service the stock option plans; this program resulted in the purchase of 600,000 shares. During the reporting year Wienerberger management exercised 298,000 options for Wienerberger shares at a price of EUR 18.00 per share (first exercise window). These shares were drawn from treasury stock. As of December 31, 2005, 935,005 shares were held as treasury stock (2004: 633,005) and were deducted prior to the calculation of earnings per share. The resulting weighted average number of shares for the calculation of earnings per share in 2005 equaled 73,195,978.

| *Number of shares* | **2005** | **2004** |
|---|---|---|
| Outstanding | 74,167,796 | 74,167,796 |
| Treasury stock | 935,005 | 633,005 |
| Weighted average | 73,195,978 | 69,598,155 |

Based on consolidated net profit of TEUR 194,353 (2004: TEUR 177,104), earnings per share equal EUR 2.66 (2004: EUR 2.54). After an adjustment for non-recurring income and expenses of TEUR -728 (2004: TEUR 0), earnings per share total EUR 2.67 (2004: EUR 2.54). Options from 2002, 2003, 2004 and 2005 lead to a dilution of earnings per share as defined in IAS 33 because the option price was lower than the market price on the balance sheet date. The dilution totaled 399,152 shares and led to a minimal reduction in earnings per share to EUR 2.64 (2004: EUR 2.53).

In accordance with the provisions of the Austrian Stock Corporation Act, the financial statements of Wienerberger AG as of December 31, 2005 form the basis for the dividend payment. These financial statements show a net profit of EUR 86,682,874.51. The Managing Board recommends the Annual General Meeting approve a dividend of EUR 1.18 per share, for a total payment of EUR 87,517,999.28 on issued capital of EUR 74,167,796, less a proportional share of EUR 1,103,305.90 for treasury stock, resulting in an amount of EUR 86,414,693.38. The Managing Board also recommends that the Annual General Meeting approve the carry forward of the remaining EUR 268,181.13.

## Notes to the Cash Flow Statement

The Cash Flow Statement for 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 deposits with banks. Securities and current liabilities owed to financial institutions are not part of cash and cash equivalents. The effects of company acquisitions and disposals are eliminated and shown separately under net payments made for the acquisition of companies. Data from 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.

In the quarterly reports for 2005, the reduction in the hedging reserve as a result of the dollar-euro swap was included under cash flow from operating activities in the position “changes in non-cash items resulting from foreign exchange translation”. The contra item to the hedging reserve was reported as part of cash flow from investing activities under changes in securities, which therefore showed a higher inflow. In accordance with IAS 7, these effects are considered to represent non-cash transactions in the financial statements for 2005 and are therefore not included on the Cash Flow Statement. The Cash Flow Statement for 2004 was adjusted accordingly.

## 18. Cash Flow from Operating Activities

Cash flow from operating activities shows the flows of funds arising from the provision and receipt of goods and services during the reporting year.

Cash flow from operating activities includes the following interest and tax payments:

| *in TEUR* | 2005 | 2004 |
|---|---|---|
| Interest income | 23,751 | 20,247 |
| Interest payment | 55,878 | 58,508 |
| Tax payments | 44,352 | 34,702 |

## 19. Cash Flow from Investing Activities

The acquisition of plant, property and equipment and intangible assets resulted in an outflow of funds totaling TEUR 278,628 (2004: TEUR 238,034). This amount includes TEUR 88,212 for maintenance, replacement rationalization and environmental protection investments (maintenance capex) as well as TEUR 190,416 for the construction or expansion of new plants and acquisitions (growth investments). Investments of TEUR 233 (2004: TEUR 921) were made in financial assets.

Cash inflows from the disposal of fixed and financial assets totaled TEUR 61,398 (2004: TEUR 74,349). These disposals generated gains of TEUR 17,691 (2004: TEUR 14,542). The TEUR 10,637 gain on a property in the south of Vienna was reclassified from operating results to non-recurring results in order to improve comparability.

Net payment made for the acquisition of companies totaled:

| *in TEUR* | **2005** | **2004** |
|---|---|---|
| Payments made for companies acquired | 44,652 | 400,294 |
| Cash from companies consolidated for the first time | -496 | -1,104 |
| Acquisition of minority stakes | 15,879 | 90 |
| Cash outflows from deconsolidated companies | 0 | 26 |
| Cash flow from the recognition of new minority interest | 0 | -4,722 |
| **Net payments made for the acquisition of companies** | **60,035** | **394,584** |

In the prior year, the minority shares of capital increases (2004: TEUR 4,722) were reported under cash flow from investing activities. As of January 1, 2005 these items are reported under cash flow from financing activities. Prior year figures were not adjusted.

Net payments of TEUR 60,035 (2004: TEUR 394,584) made for companies acquired include the purchase price for the proportional share of equity as well as any debt assumed in connection with the transaction (debt-free company).

The transition from total investments to maintenance capex and growth investments is as follows:

| *in TEUR* | **2005** | **2004** |
|---|---|---|
| Payments made for investments in tangible and intangible assets | 278,628 | 238,034 |
| Net payments made for the acquisition of companies | 60,035 | 394,558 |
| **Total investments** | **338,663** | **632,592** |
| | | |
| Maintenance, replacement, rationalization and environmental investments | 88,212 | 90,415 |
| **Maintenance capex** | **88,212** | **90,415** |
| | | |
| Payments made for new plant construction and renovation | 190,416 | 147,619 |
| Net payments made for the acquisition of companies | 60,035 | 394,558 |
| **Growth investments** | **250,451** | **542,177** |

## Notes to the Balance Sheet

### 20. Fixed and Financial Assets

The development of fixed and financial assets is shown on pages 94 and 95. The effect of changes in the consolidation range is shown in a separate column. 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 year-end.

Goodwill is distributed among the individual segments of business as follows:

| *in TEUR* | **2005** | **2004** |
|---|---|---|
| Central-East Europe | 30,792 | 21,895 |
| Central-West Europe | 59,434 | 54,938 |
| North-West Europe | 289,252 | 281,900 |
| USA | 152,421 | 131,835 |
| Investments and Other | 141 | 0 |
| **Goodwill** | **532,040** | **490,568** |

Goodwill in the North-West Europe segment resulted primarily from the acquisition of business activities in Great Britain (TEUR 71,975) as well as the roof tile business in Belgium, Holland and France (total: TEUR 187,776). Non-current assets include land with a value of TEUR 267,571 (2004: TEUR 277,835). Capitalized interest expense and foreign currency differences on new plant construction totaled TEUR 1,005 in 2005 (2004: TEUR 250). Of total non-current assets, TEUR 4,932 (mainly land) meet the criteria defined in IFRS 5 Non-current Assets Held for Sale, whereby the sale of these assets within one year is highly probable.

In addition to operating leases, the Wienerberger Group also uses ***finance leases*** to a limited extent. Fixed assets include the following plant and equipment from finance leases:

| *in TEUR* | **2005** | **2004** |
|---|---|---|
| Acquisition costs | 29,350 | 24,872 |
| Depreciation (accumulated) | 10,715 | 5,385 |
| Book value | 18,635 | 19,486 |

Obligations arising from operating leases, license agreements, and rental contracts for the use of fixed assets not shown on the balance sheet represent liabilities of:

| *in TEUR* | **2005** | **2004** |
|---|---|---|
| For the following year | 14,550 | 11,927 |
| For the next five years | 46,660 | 43,687 |
| Over five years | 19,399 | 10,859 |

Payments arising from operating leases, license and rental agreements totaled TEUR 29,089 (2004: TEUR 28,135).

The balance sheet item "investment property" includes real estate and buildings with a book value of TEUR 32,984 (2004: TEUR 54,872), which are not used in current business operations. These assets are scheduled for sale over the middle to long-term, and are therefore classified as investment property. Based on comparable transactions, the present value of these assets is estimated at TEUR 43,456 (2004: TEUR 86,299). This property generated rental and other income of TEUR 261 in 2005 (2004: TEUR 186). During the 2005 business year, real estate classified as investment property with a book value of TEUR 29,836 was sold.

Other investments also include participation rights, which do not carry voting rights, to less than 40% of the profits earned by ANC Industriebeteiligungverwaltung GmbH, a subsidiary of the ANC private foundation.

## 21. Inventories

| *in TEUR* | 2005 | 2004 |
|---|---|---|
| Raw materials and consumables | 69,007 | 74,369 |
| Semi-finished goods | 46,851 | 30,696 |
| Finished goods and merchandise | 328,859 | 285,824 |
| Prepayments | 1,162 | 546 |
| **Inventories** | **445,879** | **391,435** |

Valuation adjustments totaling TEUR 5,252 (2004: TEUR 4,611) were recorded to products where the net realizable value (selling price less selling and administrative expenses) was less than the acquisition or production cost.

## 22. Receivables and Other Assets

All necessary individual valuation adjustments were made to receivables and other assets. In 2005 valuation adjustments totaled TEUR 942 (2004: TEUR 2,128). Individual valuation adjustments made to receivables during the reporting year represent less than 1% of total receivables and are therefore not shown separately.

| **Receivables** | | 2005 | | | 2004 | |
|---|---|---|---|---|---|---|
| *in TEUR* | Total | Remaining term <1 year | Remaining term >1 year | Total | Remaining term <1 year | Remaining term >1 year |
| Trade receivables from third parties | 183,179 | 183,007 | 172 | 171,814 | 170,250 | 1,564 |
| Trade receivables from subsidiaries | 1,228 | 1,228 | 0 | 939 | 939 | 0 |
| **Trade receivables** | **184,407** | **184,235** | **172** | **172,753** | **171,189** | **1,564** |
| Financial receivables from subsidiaries | 12,556 | 8,042 | 4,514 | 13,429 | 7,456 | 5,973 |
| Receivables arising from loans | 12,469 | 3,044 | 9,425 | 14,008 | 13,714 | 294 |
| Fair value of pension plan assets in excess of pension obligations | 9,054 | 9,054 | 0 | 8,997 | 8,997 | 0 |
| Other prepaid expenses | 6,286 | 6,286 | 0 | 6,701 | 6,701 | 0 |
| Miscellaneous and deferred charges | 63,202 | 47,280 | 15,922 | 46,167 | 42,304 | 3,863 |
| **Other current receivables** | **103,567** | **73,706** | **29,861** | **89,301** | **79,171** | **10,130** |
| **Receivables** | **287,974** | **257,941** | **30,033** | **262,054** | **250,360** | **11,694** |

Receivables due from subsidiaries and affiliates are related primarily to loans. Trade receivables totaling TEUR 9,936 (2004: TEUR 8,265) are secured by notes payable.

## 23. Capital and Reserves

The development of capital and reserves during 2005 and 2004 is shown on page 93.

Wienerberger carried out a share buyback program from March 24 to May 6, 2005, which resulted in the purchase of 600,000 shares for TEUR 21,326. As part of the stock option plan for 2002, Wienerberger management exercised 298,000 options for Wienerberger shares at a price of EUR 18.00 per share. These shares were drawn from treasury stock, whereby equity increased by TEUR 5,364. The difference between the purchase cost of this treasury stock and the exercise price of the options led to a decrease of TEUR 1,156 in retained earnings.

The issued capital of Wienerberger AG equals EUR 74,167,796 and is divided into 74,167,796 shares with zero par value. The Annual General Meeting on May 12, 2005 empowered the Managing Board to repurchase up to 10% of authorized share capital within a period of 18 months.

Moreover, the Annual General Meeting on May 11, 2004 passed a resolution that gives the Managing Board of Wienerberger AG the option to carry out a capital increase through the issue of up to 31,639,486 new shares. Every capital increase carried out within the framework of this authorization (valid for five years) must be approved by the Supervisory Board. In 2004 a total of 8,888,823 new shares were issued to finance the acquisition of Koramic Roofing and other growth projects. The Annual General Meeting on May 11, 2004 also authorized the Managing Board to issue up to 1,000,000 shares to serve the stock option plans over the next five years. This authorization has not been used to date.

Bank Austria Creditanstalt AG owned less than 5% of the share capital of Wienerberger AG as of December 31, 2005. AIM Trimark Investments, a subsidiary of the Canadian investment company AMVESCAP PLC, reported in November 2005 that it holds slightly more than 5% of the share capital of Wienerberger AG through 16 funds that are managed by AIM Trimark Investments. Free float is distributed among Austrian and international investors (also see page 36). The Wienerberger share is traded in the "Prime Market" Segment of the Vienna Stock Exchange. In the USA, the share is traded in a "Level 1 ADR Program" of the Bank of New York on the OTC market.

Retained earnings of TEUR 1,031,209 (2004: TEUR 962,644) include the retained earnings of Wienerberger AG plus the retained earnings of subsidiaries not eliminated during the capital consolidation. Group profit for 2005, excluding the share of profit attributable to minority interest, is shown under retained earnings.

## 24. Provisions

| *in TEUR* | 1.1.2005 | Reclassification | 1.1.2005 | Foreign exchange incr./decr. | Chg. in consolidation range | Reversal | Use | Addition | 31.12.2005 |
|---|---|---|---|---|---|---|---|---|---|
| Provisions for severance payments | 11,380 | 0 | 11,380 | 27 | -122 | 65 | 1,306 | 3,528 | 13,442 |
| Provisions for pensions | 55,404 | 0 | 55,404 | 2,692 | 1,710 | 3,094 | 19,137 | 20,261 | 57,836 |
| Provisions for service anniversary bonuses | 4,026 | 0 | 4,026 | 63 | -11 | 265 | 117 | 697 | 4,393 |
| **Employee-related provisions** | **70,810** | **0** | **70,810** | **2,782** | **1,577** | **3,424** | **20,560** | **24,486** | **75,671** |
| **Provisions for deferred taxes** | **92,130** | **0** | **92,130** | **4,643** | **712** | **8,423** | **4,931** | **21,187** | **105,318** |
| Provision for warranties | 20,974 | 0 | 20,974 | 39 | 3,772 | 1,156 | 2,230 | 948 | 22,347 |
| Provision for site restoration | 25,693 | 0 | 25,693 | 546 | 1,407 | 1,140 | 1,814 | 3,768 | 28,460 |
| Provision for environmental measures | 4,383 | 0 | 4,383 | 11 | 0 | 1,181 | 788 | 231 | 2,656 |
| **Other non-current provisions** | **51,050** | **0** | **51,050** | **596** | **5,179** | **3,477** | **4,832** | **4,947** | **53,463** |
| **Non-current provisions** | **213,990** | **0** | **213,990** | **8,021** | **7,468** | **15,324** | **30,323** | **50,620** | **234,452** |
| Provisions for current taxes | 563 | 0 | 563 | 27 | 6 | 25 | 0 | 132 | 703 |
| Provision for vacations | 7,720 | -7,720 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other current provisions | 48,711 | 0 | 48,711 | 892 | 412 | 9,225 | 23,679 | 21,420 | 38,531 |
| **Current provisions** | **56,994** | **-7,720** | **49,274** | **919** | **418** | **9,250** | **23,679** | **21,552** | **39,234** |
| **Provisions** | **270,984** | **-7,720** | **263,264** | **8,940** | **7,886** | **24,574** | **54,002** | **72,172** | **273,686** |

Provisions in the 2004 financial statements include obligations arising from unused vacation days. These provisions were reclassified to current liabilities as of January 1, 2005 (TEUR 7,720).

### 25. Provisions for Pensions

Wienerberger has made pension commitments to selected managers as well as all employees in Holland, Great Britain, the USA and Switzerland. Defined contribution plans represent the goal for future pension agreements. In 2004 a number of defined benefit pension agreements with active managers were converted to defined contribution pension models through the transfer of previously earned claims to a pension plan. Wienerberger has also made a number of defined benefit pension commitments mainly to former managers, which are not tied to plan assets. The length of service forms the basis for retirement benefits. General Shale employees have a funded defined benefit pension plan as well as non-funded health insurance. The amount by which the fair value of pension plan assets exceeds pension obligations is shown under other receivables. ZZ Wancor (Switzerland) has a defined contribution pension plan through an external pension fund. Claims earned by Dutch employees are satisfied primarily through contributions to an industry-wide pension fund in Holland. In Great Britain there is a defined contribution pension plan covering all employees. The member companies of thebrickbusiness, which was acquired during 2004, had a defined benefit model up to the end of 2003; a provision was created to reflect these obligations.

The most important actuarial parameters and relevant accounting principles are described on pages 105 and 106.

Total pension expenses for 2005 cover both defined contribution and defined benefit pension plans, and include the following components:

| *in TEUR* | 2005 | 2004 |
|---|---|---|
| **Defined contribution plans** | | |
| **Expenses for defined contribution pension plans** | **6,048** | **4,453** |
| **Defined benefit plans** | | |
| Service costs for defined benefit pension plans | 3,962 | 1,842 |
| Interest costs | 9,787 | 9,288 |
| Expected income from plan assets | -7,830 | -7,879 |
| Actuarial gain/loss | 1,410 | 1,536 |
| Past service cost | 46 | 1 |
| Effect of plan curtailments and settlements | -1,839 | 0 |
| **Expenses for defined benefit plans** | **5,536** | **4,788** |
| **Total expenses for pensions** | **11,584** | **9,242** |

Gross pension obligations represent the present value of pension commitments as calculated by actuaries. Total pension obligations of TEUR 196,765 (2004: TEUR 182,240) include TEUR 175,861 (2004: TEUR 165,289) that are covered in part or in full by investments in funds (plan assets). The transition from gross pension obligations (defined benefit obligation) to net obligations as shown on the balance sheet is made by deducting non-recorded subsequent service cost and non-recorded actuarial gains and losses as well as the fair value of pension plan assets. Of total net obligations, TEUR 15,220 are related to the US (retirement) health insurance program. The component parts of pension obligations and their coverage through fund assets is shown on the next page:

| *in TEUR* | Defined benefit obligation 2005 | 2004 | Fair value of plan assets 2005 | 2004 |
|---|---|---|---|---|
| **Value as of 1.1.** | **182,240** | **108,654** | **112,769** | **65,179** |
| Changes in consolidation range | 1,710 | 72,773 | 0 | 44,999 |
| Foreign exchange increase/decrease | 11,787 | -7,891 | 7,428 | -4,482 |
| Service costs for defined benefit plans | 3,962 | 1,842 | 0 | 0 |
| Interest costs | 9,787 | 9,288 | 0 | 0 |
| Expected income from plan assets | 0 | 0 | 7,830 | 7,879 |
| Effects of plan curtailments and settlements | -2,682 | -3,320 | -188 | -3,320 |
| Actuarial gain/loss | -3,708 | 4,021 | 6,760 | -655 |
| Past service cost | 95 | 1 | 0 | 0 |
| Payments to retirees | -7,411 | -4,173 | -7,411 | -4,173 |
| Payments received from employees | 985 | 1,045 | 985 | 1,045 |
| Payments received from employers | 0 | 0 | 6,733 | 6,297 |
| **Value as of 31.12.** | **196,765** | **182,240** | **134,906** | **112,769** |
| Fair value of plan assets | -134,906 | -112,769 | | |
| **Funded status as of 31.12.** | **61,859** | **69,471** | | |
| Non-recorded past service cost | 0 | 0 | | |
| Non-recorded actuarial gains/losses | -13,077 | -23,064 | | |
| **Net pension obligations recorded as of 31.12** | **48,782** | **46,407** | | |
| Thereof provision for pensions (page 116) | 57,836 | 55,404 | | |
| Thereof fair value of plan assets in excess of pension obligations (page 115) | 9,054 | 8,997 | | |

Pension plan assets are comprised of assets in the defined contribution pension plans in the USA and Holland as well as from the former defined benefit pension plan in Great Britain. The expected return on plan assets in 2005 was TEUR 7,830 and the actual return was TEUR 14,590. The plan assets are invested in stocks (77%), bonds (11%) and other assets (12%).

Legal regulations grant Austrian employees the right to a lump-sum payment at retirement or termination by the employer, depending on the length of service. These future obligations are reflected in provisions for severance payments. There are similar obligations in France and Italy.

## 26. Provisions for Deferred Taxes

Deferred tax assets and provisions for deferred taxes as of December 31, 2005 and December 31, 2004 are the result of the following temporary valuation and accounting differences between book values in the IFRS financial statements and the relevant tax bases:

| *in TEUR* | 2005 | | 2004 | |
|---|---|---|---|---|
| | Assets | Equity and liabilities | Assets | Equity and liabilities |
| Intangible assets | 547 | -16,211 | 225 | -9,480 |
| Property, plant and equipment | 7,379 | -104,522 | 9,140 | -102,853 |
| Financial assets | 0 | -412 | 0 | -1,380 |
| Inventories | 2,518 | -7,990 | 2,118 | -6,473 |
| Receivables | 6,300 | -4,430 | 3,898 | -3,210 |
| Securities | 150 | -206 | 140 | -183 |
| Cash and cash at bank | 1 | 0 | 1 | -2 |
| Deferred charges | 1,643 | -4,321 | 505 | -2,074 |
| | **18,538** | **-138,093** | **16,027** | **-125,655** |
| Untaxed reserves | 0 | -10,165 | 0 | -10,617 |
| Provisions | 26,900 | -873 | 24,869 | -872 |
| Liabilities | 5,536 | -3,613 | 10,457 | -1,300 |
| Deferred income | 26,894 | -2,092 | 1,302 | -2,493 |
| | **59,329** | **-16,744** | **36,628** | **-15,282** |
| Tax loss carry-forwards | 83,643 | | 91,555 | |
| **Deferred tax assets/provisions** | **161,510** | **-154,836** | **144,210** | **-140,937** |
| Valuation allowance for deferred tax assets | -50,637 | | -52,666 | |
| Offset within legal tax units and jurisdictions | -49,518 | 49,518 | -48,807 | 48,807 |
| **Net deferred tax assets and provisions** | **61,355** | **-105,318** | **42,737** | **-92,130** |

In the Group financial statements, temporary differences and tax loss carry-forwards totaling TEUR 50,637 (2004: TEUR 52,666) are not reflected in deferred tax assets because their use as tax relief is not yet sufficiently certain.

In accordance with IAS 12.39, no provisions for deferred taxes were recorded on temporary differences related to shares owned in subsidiaries. The cumulative value of shares in subsidiaries is TEUR 33,225 less than the pro rata share of equity owned in subsidiaries (2004: TEUR -10,871).

## 27. Liabilities

The remaining terms of the various categories of liabilities are shown in the following table:

| **2005**<br>*in TEUR* | **Total** | **Remaining term <1 year** | **Remaining term 1-5 years** | **Remaining term >5 years** | **Thereof secured by collateral** |
|---|---|---|---|---|---|
| Interest-bearing loans | 1,163,439 | 88,963 | 617,010 | 457,466 | 5,102 |
| Finance leases | 23,181 | 6,291 | 16,334 | 556 | 0 |
| Financial liabilities owed to subsidiaries | 2,619 | 2,619 | 0 | 0 | 0 |
| **Financial liabilities** | **1,189,239** | **97,873** | **633,344** | **458,022** | **5,102** |
| Trade payables owed to third parties | 149,506 | 149,476 | 30 | 0 | 0 |
| Trade payables owed to subsidiaries | 1,206 | 1,206 | 0 | 0 | 0 |
| **Trade payables** | **150,712** | **150,682** | **30** | **0** | **0** |
| Prepayments received on orders | 1,330 | 1,330 | 0 | 0 | 10 |
| Amounts owed to tax authorities and social security carriers | 36,825 | 36,624 | 8 | 193 | 9 |
| Deferred income | 37,896 | 11,653 | 12,879 | 13,364 | 7 |
| Miscellaneous liabilities | 96,778 | 72,120 | 10,664 | 13,994 | 1 |
| **Other liabilities** | **172,829** | **121,727** | **23,551** | **27,551** | **27** |
| **Liabilities as per balance sheet** | **1,512,780** | **370,282** | **656,925** | **485,573** | **5,129** |

| **2004**<br>*in TEUR* | **Total** | **Remaining term <1 year** | **Remaining term 1-5 years** | **Remaining term >5 years** | **Thereof secured by collateral** |
|---|---|---|---|---|---|
| Interest-bearing loans | 901,936 | 267,534 | 454,733 | 179,669 | 84 |
| Finance leases | 28,698 | 8,388 | 20,310 | 0 | 867 |
| Financial liabilities owed to subsidiaries | 2,249 | 2,249 | 0 | 0 | 0 |
| **Financial liabilities** | **932,883** | **278,171** | **475,043** | **179,669** | **951** |
| Trade payables owed to third parties | 143,988 | 143,988 | 0 | 0 | 0 |
| Trade payables owed to subsidiaries | 1,361 | 1,361 | 0 | 0 | 0 |
| **Trade payables** | **145,349** | **145,349** | **0** | **0** | **0** |
| Prepayments received on orders | 1,443 | 1,443 | 0 | 0 | 0 |
| Amounts owed to tax authorities and social security carriers | 49,140 | 48,167 | 780 | 193 | 0 |
| Deferred income | 10,656 | 10,656 | 0 | 0 | 0 |
| Miscellaneous liabilities | 88,233 | 64,179 | 10,833 | 13,221 | 0 |
| **Other liabilities** | **149,472** | **124,445** | **11,613** | **13,414** | **0** |
| **Liabilities as per balance sheet** | **1,227,704** | **547,965** | **486,656** | **193,083** | **951** |

Collateral primarily represents mortgages on land and guarantee agreements.

Other liabilities include TEUR 39,634 (2004: TEUR 26,073) due to employees and TEUR 19,051 (2004: TEUR 17,509) of accruals for bonuses due to customers. As of January 1, 2005 obligations to employees arising from unused vacation days are included under amounts due to employees; in the prior year, these liabilities were reported under provisions (2004: TEUR 7,720). Deferred income also includes TEUR 34,308 (2004: TEUR 7,032) of subsidies and investment allowances granted by third parties, which are released to the income statement over the useful life of the related assets.

## 28. Contingent Liabilities

Contingent liabilities result from obligations to third parties, and are comprised of:

| *in TEUR* | 31.12.2005 | 31.12.2004 |
|---|---|---|
| Sureties | 16 | 0 |
| Contingent liabilities | 2,025 | 6,372 |
| Obligations from bills of exchange | 10 | 0 |
| Other contractual obligations | 410 | 1,617 |
| **Contingent liabilities** | **2,461** | **7,989** |

All contingent liabilities reflect possible future obligations whose existence can only be confirmed by the occurrence of a future event that is completely uncertain as of the balance sheet date. In some cases the minority shareholders of group companies hold put options, which allow them to sell their holdings to Wienerberger within a specified period of time at a predefined price. These put-options are not recorded as financial instruments because there is no market value and another reliable estimate is not possible. There are no financial obligations ***(off balance sheet risks)*** above and beyond the contingent liabilities and guarantees stated above.

# Financial Instruments

## 29. Financial Instruments

| **Securities** | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|
| | **Book value** *in TEUR* | **Market value** *in TEUR* | **Ø Effective interest rate** *in %* | **Book value** *in TEUR* | **Market value** *in TEUR* | **Ø Effective interest rate** *in %* |
| Shares in funds | 15,942 | 15,942 | 4.21 | 4,566 | 4,566 | 1.30 |
| Debt issued by corporations | 30 | 30 | | 11,271 | 11,271 | 5.48 |
| Debt issued by local Austrian authorities | 0 | 0 | | 37 | 37 | 5.75 |
| Stock | 13 | 13 | | 125 | 125 | |
| Derivatives | 4,390 | 4,390 | | 52,794 | 52,794 | |
| Other | 2,027 | 2,027 | | 1,724 | 1,724 | 1.28 |
| | **22,402** | **22,402** | | **70,517** | **70,517** | |

Financial liabilities are comprised of the following items:

| | Currency | Nominal value *in 1,000 local currency* | Market value *in TEUR* | Book value *in TEUR* | Effective interest rate *in %* |
|---|---|---|---|---|---|
| Loans | *EUR* | 538,838 | 519,771 | 524,771 | 3.30 |
| | *HUF* | 876,842 | 2,080 | 2,083 | 6.40 |
| | *SKK* | 95,000 | 1,004 | 943 | 3.65 |
| | | | **522,855** | **527,797** | |
| Roll-over | *DKK* | 8,034 | 1,078 | 1,077 | 2.34 |
| | *SKK* | 13,516 | 409 | 357 | 7.45 |
| | | | **1,487** | **1,434** | |
| Current loans | *EUR* | 8,360 | 4,259 | 4,249 | 2.84 |
| | *CHF* | 30,000 | 19,320 | 19,231 | 1.48 |
| | *PLN* | 22,515 | 5,837 | 5,775 | 4.86 |
| | | | **29,416** | **29,255** | |
| **Fixed interest loans due to financial institutions** | | | **553,758** | **558,486** | |

| | Currency | Nominal value *in 1,000 local currency* | Market value *in TEUR* | Book value *in TEUR* | Effective interest rate *in %* |
|---|---|---|---|---|---|
| Loans | *EUR* | 166,454 | 157,379 | 156,002 | 3.91 |
| | *SIT* | 1,626,240 | 5,252 | 5,252 | 2.80 |
| | | | **162,631** | **161,254** | |
| **Roll-over** | *EUR* | 13,756 | **13,756** | **13,756** | 2.59 |
| Current loans | *EUR* | 39,839 | 34,934 | 34,863 | 2.26 |
| | *CZK* | 35 | 1 | 1 | |
| | *GBP* | 9 | 13 | 13 | |
| | *PLN* | 4 | 1 | 1 | |
| | *SIT* | 576 | 2 | 2 | |
| | *SKK* | 677 | 18 | 18 | |
| | *HRK* | 73 | 10 | 10 | |
| **Current loans** | | | **34,979** | **34,908** | |
| **Variable interest loans due to financial institutions** | | | **211,366** | **209,918** | |

| | Currency | Nominal value *in 1,000 local currency* | Market value *in TEUR* | Book value *in TEUR* | Effective interest rate *in %* |
|---|---|---|---|---|---|
| Bonds - fixed interest | *EUR* | 400,000 | 402,479 | 390,948 | 4.05 |
| Roll-over - fixed interest | *EUR* | 324 | 331 | 324 | 5.00 |
| Loans – fixed interest | *EUR* | 2,790 | 3,214 | 2,787 | 6.30 |
| Current loans - fixed interest | *EUR* | 464 | 466 | 464 | 2.71 |
| | | | **406,490** | **394,523** | |
| Loans - variable interest | *PLN* | 2,320 | 521 | 512 | 5.40 |
| **Loans due to non-banks** | | | **407,011** | **395,035** | |

In April 2005 Wienerberger issued a seven-year, fixed-interest, bullet repayment bond with a volume of TEUR 400,000, which is recorded under long-term borrowings. The related expenses of TEUR 10,139 (bank charges and interest rate hedges) were recorded together with the bond and not recognized to the income statement. The difference will be recognized as interest expense or bank charges over the term of the bond in accordance with the effective interest rate method.

The conclusion of interest rate swaps can distort the calculation of interest rates (variable, fixed). The structure of financial liabilities (variable and fixed interest rates) including the effects of interest rate swaps is shown on page 74.

## 30. Derivative Financial Instruments

The fair value of forward exchange contracts is based on the market price as of the balance sheet date. The prices for comparable transactions are used to value certain OTC contracts. The fair value for interest rate swaps represents the value that the company would receive or be required to pay on termination as of the balance sheet date. Current market conditions, above all current interest rates and the credit standing of the swap partner are taken into account in the determination of value.

The interpretation of market information necessary for the estimation of fair values also requires a certain degree of subjective judgement. This can result in a difference between the figures shown here and values subsequently realized on the marketplace.

| | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|
| | **Currency** | **Nominal value** *31.12.2005 in 1,000 local currency* | **Market value** *31.12.2005 in TEUR* | **Currency** | **Nominal value** *31.12.2004 in 1,000 local currency* | **Market value** *31.12.2004 in TEUR* |
| Forward exchange contracts | *EUR* | 12,961 | 87 | *CZK* | 83,700 | 98 |
| | *DKK* | 54,300 | 8 | *USD* | 1,300 | 0 |
| | *GBP* | 24,961 | 152 | | | |
| | *NOK* | 5,662 | 1 | | | |
| | *SEK* | 5,300 | -3 | | | |
| Interest rate swaps | *EUR* | 383,805 | -2,542 | *EUR* | 434,940 | -3,248 |
| Cross currency swaps | *USD/EUR* | 380,870 | 20,863 | *USD/EUR* | 380,870 | 59,710 |
| | *GBP/EUR* | 85,000 | 493 | *GBP/EUR* | 85,000 | 3,973 |
| | *PLN/EUR* | 417,270 | -13,612 | *PLN/EUR* | 417,270 | -7,739 |
| | *CZK/EUR* | 800,000 | -907 | | | |
| | *CHF/EUR* | 25,000 | -150 | | | |
| | | | **4,390** | | | **52,794** |

## Risk Report

The conduct of global operations exposes the business segments of the Wienerberger Group to a variety of risks that are inseparable from entrepreneurial activities. These risks and their potential impact on the Group are identified and analyzed by Wienerberger risk management, and suitable actions are taken based on the Group's defined risk policy. From the current standpoint, there are no risks that could endanger the continued existence of the Group.

## Market Risks

Risks arise from developments in the major economies in which Wienerberger operates across Europe and the USA. The most important market segments for the Wienerberger Group are construction, in general, and new housing starts and renovation, in particular. Key parameters for the development of residential construction are consumer confidence and the level of mortgage interest rates. In addition to this dependency on construction activity, bricks are subject to continuous competition from other wall and roofing materials. This competition on the building materials market requires specialized research and development of our primary products, bricks and clay roof tiles. In addition, the building materials industry is subject to seasonal fluctuations. As is the case with the entire building materials industry, the earnings of the Wienerberger Group are in part dependent on the weather. In order to avoid earnings fluctuations wherever possible, Wienerberger pursues a strategy of geographical diversification with parallel concentration on the core business. The Group's activities are subject to the usual risks inherent in local markets, where positions must be continually defended against competitors and substitute products. The Group's most important customer group is the building materials sector, and further market adjustments in this branch are expected to increase pressure on 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.

## Procurement, Production, Investment and Acquisition Risks

The majority of the Wienerberger plants were constructed or modernized in recent years, and the risk of operating breakdowns or longer loss of production is therefore low. Supplies of clay raw materials for the production of bricks and clay roof tiles are guaranteed on a lasting basis by sufficient deposits and long-term supply contracts.

Energy prices are dependent on international market developments. In 2005 energy costs for the Wienerberger Group totaled TEUR 250,364 (2004: TEUR 198,569), or 12.8% (2004: 11.3%) of revenues. These expenses are divided into 62% for natural gas, 25% for electricity, 7% for oil and 6% for coal and other materials. Sharp increases in the price of natural gas during the reporting year triggered an above-average rise in energy costs in relation to revenues because our selling prices are determined at the start of the year and normally cannot be changed by a large amount during this twelve-month period. Wienerberger works to minimize the risk connected with rising energy prices on liberalized markets in Great Britain and the USA (in total, 19% of energy costs) by concluding futures contracts. In all East European countries except Slovakia and Slovenia (in total, 23% of energy costs), the prices for natural gas are regulated by the federal government and contracts with local suppliers are negotiated each year. In most West European countries (in total, 58% of energy costs) Wienerberger concludes agreements with national and international suppliers, in which prices are determined using formulas that are tied to substitute products (such as light heating oil and diesel oil). These prices are in part established for longer period of time. Therefore, futures can be concluded as a hedge against risk using a link to these substitute products.

Excess capacity in specific markets can lead to increased pressure on prices which, in turn, can result in selling prices that fail to cover production and capital costs. Wienerberger therefore monitors production capacity on a continual basis, and adjusts this capacity by closing plants on a temporary or permanent basis or shifting production to more efficient facilities. Continuous optimization and both internal and external growth projects are required 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. For this reason, all growth projects must meet strict return on investment criteria for our bolt-on and external projects (also see the chapter Strategy and Business Model on page 38).

## Financial Risks

Operating activities expose Wienerberger to interest rate and exchange rate risks. Derivative financing instruments, in particular forward exchange contracts and swaps, are used to limit and control this risk. No derivative contracts are concluded for trading or speculative purposes.

The exposure of the Wienerberger Group to exchange rate risk is limited because of the local nature of the building materials business, which rarely involves exports or imports. Therefore, cash flows into or out of the euro region are almost entirely related to Group dividends or loans. The foreign exchange risk of these inter-Group cash flows is managed by the holding company. Risks may also arise from the translation of foreign company financial statements into the euro, which is the Group currency. Revenues, earnings, and balance sheet items of companies not headquartered in the euro region are therefore dependent on the relevant euro exchange rate. Group Treasury is responsible for the central management of capital employed. These activities include the conclusion of financing by Wienerberger AG, and the distribution of these funds to the operating companies.

The following table shows Group revenues and capital employed by currency. For the first time, the calculation of capital employed includes the effects of forward exchange contracts and foreign currency swaps:

| | 2005 | | 2004 | |
|---|---|---|---|---|
| **Revenues** | *in € mill.* | *Share in %* | *in € mill.* | *Share in %* |
| Euro | 958.8 | 49 | 916.2 | 52 |
| East European currencies | 431.6 | 22 | 410.2 | 23 |
| US dollar | 337.2 | 17 | 284.4 | 16 |
| Other | 227.0 | 12 | 148.0 | 9 |
| **Revenues** | **1,954.6** | **100** | **1,758.8** | **100** |

| | 2005 | | 2004 | |
|---|---|---|---|---|
| **Capital employed** | *in € mill.* | *Share in %* | *in € mill.* | *Share in %* |
| Euro | 1,762.0 | 77 | 1,573.1 | 78 |
| East European currencies | 409.7 | 18 | 333.8 | 16 |
| US dollar | 22.2 | 1 | -3.3 | 0 |
| Other | 95.5 | 4 | 127.9 | 6 |
| **Capital employed after hedging effect** | **2,289.4** | **100** | **2,031.5** | **100** |

Interest rate risk is comprised of two components: the optimal average term of all 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 concern the possibility of an interest rates rise.

For the analysis of interest rate risk (fixed and variable interest rates), financial liabilities (page 122) must be adjusted for the effects of derivative instruments (hedging) and short-term fixed-interest financial liabilities are treated as variable-interest items.

| *in TEUR* | 2005<br>Fixed interest rate | 2005<br>Variable interest rate | 2004<br>Fixed interest rate | 2004<br>Variable interest rate |
|---|---|---|---|---|
| Interest-bearing loans | 953,009 | 210,430 | 676,273 | 225,663 |
| Reclassification of short-term loans with fixed interest rate | -29,254 | 29,254 | -231,687 | 231,687 |
| Effect from derivative instruments (hedging) | -68,800 | 68,800 | 134,710 | -134,710 |
| **Interest-bearing loans after hedging effect** | **854,955** | **308,484** | **579,296** | **322,640** |

The credit risk associated with financing activities is immaterial because of the strict requirements of Wienerberger's internal financial and treasury guidelines. The credit risk connected with the investment of liquid funds and securities is limited by the fact that virtually all securities held by the Group were issued by Austrian corporations and Wienerberger works only with financing partners who can demonstrate an excellent credit rating.

The assets held by defined benefit pension plan assets (TEUR 134,906) are invested in stocks (77%), bonds (11%) and other assets (12%) and are subject to normal market risk.

The credit risk on trade receivables can be classified as low because the credit standing of new and existing customers is monitored on a continual basis. No trade receivables due from individual customers comprise more than 5% of total Group receivables. The liquidity of the operating companies is managed by Group Treasury.

Liquidity risk is relatively low because the brick and roofing systems businesses generate high cash flows. Gearing and the equity base form a limit for the possible expansive growth of the Wienerberger Group.

## Other Risks

Wienerberger plants exceed current legal requirements for the prevention of environmental damage, but the intensification of environmental standards presents our engineering department with a continuous range of new challenges. The landfill business was transferred to a foundation in 2001, which considerably reduced the risk for Wienerberger AG from these activities. Legal commitments are identified and met through internal knowledge of the current legal and contractual situation as well as cooperation with experts and external consultants.

The risks associated with a breakdown of our centralized Group data processing system as the result of natural disasters have been minimized through the parallel installation of systems at facilities in different locations. In recent years, a number of building materials companies with operations in the USA became the 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.

## Other Information

### 31. Significant Events occurring after the Balance Sheet Date (Supplementary Report)

The Wienerberger Group acquired three Polish companies with two brick plants in the southern region of Poland as of February 1, 2006 following the approval of the transaction by cartel authorities. The purchase contract was concluded during 2005 under the suspensive condition that this approval would be received.

### 32. Related Party Transactions

Some real estate in Poland is held on a trust basis by management for legal reasons associated with the purchase of land.

### 33. Stock Option Plan

On May 8, 2002 the Annual General Meeting of Wienerberger AG authorized the use of Wienerberger AG treasury stock for a stock option plan. Based on this authorization, an option program was implemented for key managers who have a direct influence on the development of the company. After 2002, 2003 and 2004, options were granted for the fourth time during the 2005 business year. The number of options granted is dependent on the fulfillment of annual performance goals, with budgeted net income for the Group again forming the target for 2005. In order for the 2005 options to become valid, Group net profit must equal at least 95% of budget. If results fall between 95 and 100%, the options will be allocated on a proportional basis.

With the exception of the members of the Managing Board (see individual list), 12 key managers were each granted 3,432 options and 50 key managers were each granted 2,059 options in 2005. These options can not be transferred or traded, and each option represents the right to purchase one share. The options have a five-year term and can be exercised three years after they are granted. After expiration of this three-year period, the options may be exercised within certain windows one month after the announcement of quarterly results, the first time eighth calendar days after the annual general meeting. If the employee resigns within this three-year period, the options expire. The exercise price equals the average of all daily closing prices over a period of four weeks beginning with the announcement of preliminary results for the past reporting year, and totals EUR 37.50 for 2005. One-third of the shares that are purchased through the exercise of these options are subject to a 12-month retention period beginning on the date of exercise; the remaining shares are not subject to a retention period.

In order to serve the options granted in 2004 and 2005 as well as any options granted in subsequent years, the Annual General Meeting on May 12, 2005 approved the issue of authorized conditional capital as well as the purchase of treasury stock. Wienerberger carried out a share buyback program from March 24 to May 6, 2005, which resulted in the purchase of 600,000 shares. During the reporting year 298,000 options for Wienerberger shares from the 2002 stock option plan were exercised at a price of EUR 18.00 each. These shares were drawn from treasury stock.

The development of issued stock options is as follows:

| | 2005 | | 2004 | |
|---|---|---|---|---|
| | Number of options | Average exercise price per option | Number of options | Average exercise price per option |
| **Total at the beginning of the year** | **934,000** | **19.49** | **736,000** | **16.73** |
| Options granted | 187,373 | 37.50 | 328,000 | 25.00 |
| Options exercised | -298,000 | 18.00 | 0 | 0 |
| Options forfeited | 0 | 0 | -130,000 | 17.94 |
| Options subsequently accepted by employees | 75,000 | 20.77 | 0 | 0 |
| **Total at the end of the year** | **898,373** | **23.85** | **934,000** | **19.49** |
| Eligible for exercise at year-end | 30,000 | 18.00 | 0 | 0 |

| **Number of options granted** | From 2005 | From 2004 | From 2003 | From 2002 |
|---|---|---|---|---|
| **Members of the Managing Board** | | | | |
| Wolfgang Reithofer | 12,354 | 18,000 | 18,000 | 18,000 |
| Heimo Scheuch | 10,295 | 15,000 | 15,000 | 15,000 |
| Hans Tschuden | 10,295 | 15,000 | 15,000 | 15,000 |
| Johann Windisch | 10,295 | 15,000 | 15,000 | 15,000 |
| **Total for the Managing Board** | **43,239** | **63,000** | **63,000** | **63,000** |
| Other key employees | 144,134 | 265,000 | 310,000 | 310,000 |
| **Total number of options granted** | **187,373** | **328,000** | **373,000** | **373,000** |
| Forfeited due to the end of employment | 0 | -15,000 | -55,000 | -70,000 |
| Options subsequently accepted by employees | 0 | 35,000 | 15,000 | 25,000 |
| Exercised options | 0 | 0 | 0 | -298,000 |
| **Existing options** | **187,373** | **348,000** | **333,000** | **30,000** |
| Eligible for exercise at year-end | 0 | 0 | 0 | 30,000 |

Some managers subsequently accepted the options offered for the years 2002 to 2004 following changes in the tax laws of their countries. The relevant correction to the number of exercisable options is shown on the line “Options subsequently accepted by employees”.

The options were valued based on the Black-Scholes option-pricing model. The interpretation of market information necessary for the estimation of market values also requires a certain degree of subjective judgment. The expected volatility was extrapolated based on the historical development of the price of the Wienerberger share. Therefore, the figures shown here may differ from the values subsequently realized on the marketplace.

| Valuation of options | | From 2005 | From 2004 | From 2003 | From 2002 |
|---|---|---|---|---|---|
| **Major parameters for options granted** | | | | | |
| Market price at granting | *in EUR* | 33.86 | 27.53 | 17.32 | 18.97 |
| Exercise price | *in EUR* | 37.50 | 25.00 | 15.50 | 18.00 |
| Term of options | | 5 years | 5 years | 5 years | 5 years |
| Risk-free interest rate | *in %* | 3.15 | 3.90 | 3.17 | 3.74 |
| Expected volatility | *in %* | 28 | 30 | 17 | 15 |
| Present value of options | *in EUR* | 5.91 | 7.44 | 2.23 | 2.65 |
| **Fair value of stock options at grant date** | *in TEUR* | **962** | **2,029** | **710** | **802** |
| Included in personnel expenses for 2005 | *in TEUR* | 240 | 773 | 237 | 0 |

All members of the Managing Board exercised the options granted in 2002 during the reporting year. The resulting number of shares owned by these persons is presented in the Remuneration Report on page 33.

The Managing Board of Wienerberger AG released the consolidated financial statements on March 3, 2006 for distribution to the Supervisory Board. The Supervisory Board has the responsibility to examine the consolidated financial statements, and decide whether it will approve these consolidated financial statements.

Vienna, March 3, 2006

The Managing Board of Wienerberger AG

Wolfgang Reithofer
CEO

Heimo Scheuch

Hans Tschuden

Johann Windisch

## Major differences between Austrian and IFRS accounting principles

The primary objective of IFRS accounting is to provide investors with suitable information for decision-making. Therefore IFRS make a strict distinction between accounting for commercial purposes and accounting for tax purposes, provisions for expenses are not permitted, the realization of income is defined differently in certain cases, accounting and valuation options are more restrictive, and information and explanations in the notes to the financial statements are more extensive.

***Goodwill arising on acquisitions:*** In accordance with IFRS 3 goodwill is capitalized and subject to an impairment test each year, but is not amortized on a regular basis. The Austrian Commercial Code allows either a credit to reserves with no effect on the income statement or capitalization and straight-line amortization.

***Deferred taxes:*** The Austrian Commercial Code requires the creation of deferred tax provisions for temporary differences if a tax liability is expected to arise when these differences are reversed. IFRS require the creation of deferred taxes on all temporary differences which arise between financial statements prepared for tax purposes and IFRS financial statements. Under IFRS, deferred tax assets must also be recorded for tax loss carry-forwards that are expected to be offset against taxable profits in the future.

***Other provisions:*** In contrast to the Austrian Commercial Code, IFRS interpret the principle of conservatism differently with respect to provisions. IFRS tend to place stricter requirements on the probability of an event occurring and on estimating the amount of the provision.

***Securities:*** Austrian accounting principles require securities to be recorded at the lower of acquisition cost or market value. Under IFRS, securities are valued at market price, whereby changes in market price are recognized directly to the income statement or recorded under equity without recognition to the income statement.

***Foreign currency valuation:*** These two accounting systems require different treatments for unrealized profits arising from the valuation of foreign exchange items as of the balance sheet date. According to Austrian law the principle of realizable value requires only unrealized losses to be recorded, where IFRS also require the recognition of unrealized profits. In keeping with IFRS, unrealized exchange rate gains or losses arising from long-term inter-company loans are recorded under equity without recognition to the income statement.

***Extraordinary results:*** In contrast to Austrian accounting, IFRS do not permit the recognition of extraordinary income or expense.

***Stock options:*** IFRS 2 requires stock options to be reported under personnel expenses at the value on the day they were granted, whereby this value must be distributed over the years up to the earliest exercise date. Under the Austrian Commercial Code, the recording method depends on how the options will be serviced.

# Unqualified Opinion

To the members of the Managing Board and Supervisory Board of Wienerberger AG, Vienna

We have audited the ***consolidated financial statements of Wienerberger AG, Vienna, for the fiscal year from January 1 to December 31, 2005***. The Company's management is responsible for the preparation and the content of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and for the preparation of the management report for the group in accordance with Austrian regulations. Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to state whether the management report for the group is in accordance with the consolidated financial statements.

We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing and International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement and whether we can state that the management report for the group is in accordance with the consolidated financial statements. In determining the audit procedures we considered our knowledge of the business, the economic and legal environment of the group as well as the expected occurrence of errors. An audit involves procedures to obtain evidence about amounts and other disclosures in the consolidated financial statements on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements are in accordance with legal requirements and present fairly, in all material respects, the financial position of the group as of December 31, 2005 and of the results of its operations and its cash flows for the fiscal year from January 1 to December 31, 2005 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The management report for the group is in accordance with the consolidated financial statements.

Vienna, March 8, 2006

KPMG
Wirtschaftsprüfungs- und Steuerberatungs GmbH

Rainer Hassler

Martin Wagner

Austrian Certified Public Accountants

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