



Letter to the shareholders Q2 2023

Value-Holdings International AG ● Bahnhofstr. 30 ● 86150 Augsburg

To the shareholders of

Value-Holdings International AG

Dear Ladies and Gentlemen,

after the global stock markets had digested the bank quake in the USA and in Switzerland relatively quickly in March, market participants in the second quarter again focused more on macroeconomic issues such as the development of inflation and the possible effects on the future interest rate policy of the major central banks as well as the further economic development. With inflation figures still high at the same time, albeit gradually falling, it is becoming apparent that although the end of the interest rate hike phase of the major central banks is approaching, the hoped-for time for the first interest rate cuts is not in sight for the time being. This raises fears that the significantly higher interest rate environment will sooner or later have a negative impact on the economy and thus on companies' results. Above all, the publications of the purchasing managers' indices, which point to continued weakness in the economy, received attention. So did the economic development in China, which is clearly behind the original expectations of market participants. In contrast, geopolitical issues such as the Ukraine war tended to be of secondary importance. The discussions regarding reaching the debt ceiling in the USA also had no significant impact on stock market activity.

In the last few months, the stock markets have only shown a moderate upward trend, after they had started quite brilliantly at the beginning of the year with double-digit gains in some cases. At the quarterly level, the German leading index Dax was able to gain another 3.3 %, thus extending its performance for the entire first half of the year to 16.0 %. The DAX even reached a new all-time high of 16,358 points in mid-June. The EuroStoxx 50 rose to the same extent as the DAX. The small caps indices, on the other hand, could not quite keep up and grew only disproportionately (MDAX: +9.9 %; SDAX: +12.4 %; Stoxx 600: +8.7 %). Taking into account the distributed dividend of € 0.09 per share, the net asset value (NAV) of VHI increased by 10.9 % to € 2.95 per share as of 30 June 2023. The price range of the VHI share (WKN: 756 362) on the Berlin Stock Exchange was between € 2.70 and € 3.10 in the first half of 2023. At the end of June, the quotation was € 2.94.

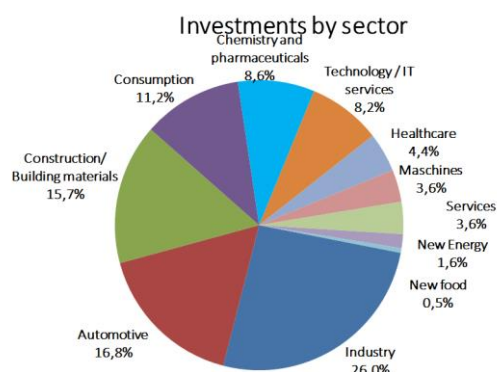
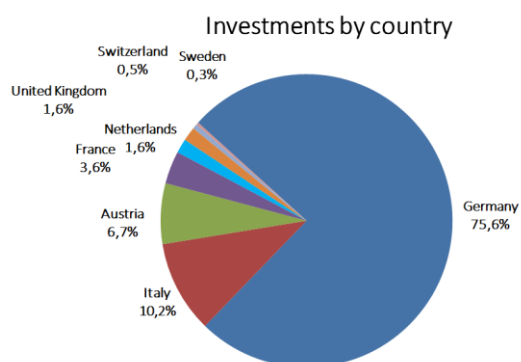
At the portfolio level, we sold our entire stake in HeidelbergMaterials and Hochtief in the second quarter after the fair values were reached in each case. In addition, we sold most of the Carlo Gavazzi position at the end of the quarter. With a performance including dividends received of almost 200 % over less than three years, this was one of our most successful transactions in recent years.

We used the funds released to re-invest in Hornbach Holding. We had already invested successfully in both Hornbach Baumarkt and Hornbach Holding in recent years. Cost inflation and bad weather at the start of the important home improvement and gardening season recently caused headwinds at the Group, which is primarily known for its DIY store activities, leading to declining earnings. We consider the share price decline to be exaggerated and are pleased that the market has given us the opportunity to participate in this solidly managed company again. In addition, we have increased our Friedrich Vorwerk stake, which we bought for the first time in the first quarter, and reduced our book value in Sogefi.

The majority of our investments can look back on a positive share price performance in the first half of the year. KSB Vz. and Hochtief (+52 % each) posted disproportionately high gains. SAF-Holland (+45 %), Traton (+39 %), Kion and HeidelbergMaterials (+38 % each), as well Quadient (+37 %) and Deutz (+33 %) continued to perform very well. Nevertheless, despite the positive market environment, we also had to cope with share price declines at some companies. The largest decline was at Lanxess (-27 %), which had to issue a profit warning in June due to the lack of recovery in the chemical sector. In the core portfolio, we are also not satisfied with the share price performance of Metro (-18 %), SMT Scharf and q.beyond (-16 % each).

The portfolio changes explained have resulted in the liquidity ratio rising to around 19 % at the end of the first half of 2023 (end of 2022: 13 %), despite the dividend payment that has been made. The top 10 holdings of a total of 34 (end of 2022: 36) core positions as at 30 June 2023 were as follows:

1) Mercedes-Benz Group AG	4,9 %	6) SAF-Holland SE	3,5 %
2) KSB AG Vz.	4,6 %	7) Traton SE	3,1 %
3) Sto SE & Co. KGaA	4,4 %	8) Hawesko Holding AG	3,0 %
4) Neodecortech SpA	3,8 %	9) Quadient S.A.	2,9 %
5) SMT Scharf AG	3,6 %	10) Deutz AG	2,9 %



Together with the sales of the first quarter, we have so far achieved profits of T€ 596 with the above-mentioned transactions. It remains to be seen to what extent additional profits can be realised in the further course of the year. In any case, we are satisfied with the result achieved so far. After we did not receive any income from securities in the first quarter, we were able to collect the major part of the planned dividend payments in the past three months. At T€ 388, the dividend payments recorded so far are only marginally below the previous year's figure at the same time. We expect only sporadic income from securities for the rest of the year. If the announced special dividend of our Semperit investment is actually paid, the total dividend income for this year should be at the record level of 2022 (T€ 448), otherwise about 10 % lower. Depending on the write-offs to be made at the end of the year, we should also succeed in achieving a positive annual result in 2023, so we intend to stick to our reliable dividend policy. At this year's Annual General Meeting on 8 May 2023, all items on the agenda were unanimously approved. In addition to the usual discharge resolutions for the Executive Board and Supervisory Board and the renewed distribution of a stable dividend of € 0.09 per share, these also included the re-election of the existing Supervisory Board members.

Thank you for your trust!

Roland Könen
Member of the Board Value-Holdings International AG