



Letter to the shareholders Q3 2023

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

To the shareholders of

Value-Holdings International AG

Dear Ladies and Gentlemen,

in the third quarter, market participants increasingly focused on macroeconomic topics 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. As the data on inflation continues to fall, but is still at an elevated level, the most important central banks have announced their intention to maintain the current interest rate level for the time being. "Higher for longer" - this is the new narrative that has occupied market participants in the third quarter. The hoped-for time for the first interest rate cuts has thus been pushed back significantly on the timeline. This also raises fears that the massively increased interest rate environment will sooner or later have a negative impact on the economy and thus on corporate earnings. This fear is already clearly visible in the purchasing managers' indices on the current situation and future expectations of companies as well as other economic indicators.

In view of the overall situation on the stock markets, the last three months saw a downward trend, especially in August and September. On a quarterly basis, the German leading index Dax fell by 4.7 %, but is still clearly in positive territory at 10.5 % since the beginning of the year. The DAX even reached a new all-time high of 16,470 points at the end of July. The EuroStoxx 50 (-5.1 %) fell in the third quarter to a similar extent as the DAX, but after nine months it also stands at +10.0 %. The mid-cap indices, on the other hand, have not been able to keep up since the beginning of the year and have only grown at a disproportionately low rate (MDAX: +3.8 %; SDAX: +8.0 %; Stoxx 600: +6.0 %). The **net asset value (NAV)** of VHI slightly outperformed the overall market in the third quarter with -3.4 % to **€ 2.85 per share**. Taking into account the dividend of € 0.09 per share distributed in May, the NAV increased by +7.3 % since the beginning of the year. 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 nine months of 2023. At the end of September, the quotation was noted at € 2.90.

At portfolio level, we were rather reserved in the third quarter. While we made our only sale at the beginning of the quarter with the remaining sale of our Carlo Gavazzi position, we increased existing positions, especially towards the end of the quarter, after either the prices had fallen disproportionately and/or the previous portfolio position was still small. This purchases related to Deutz, InnoTec as well as Friedrich Vorwerk and Hornbach Holding, which were only newly acquired in the course of the year. The only new acquisition in the core portfolio was Delignit, where we subscribed to a capital increase to finance further growth. In addition, we acquired another company for the New Energy sector in our „Zukunftsdepot“, Energy SpA from Italy.

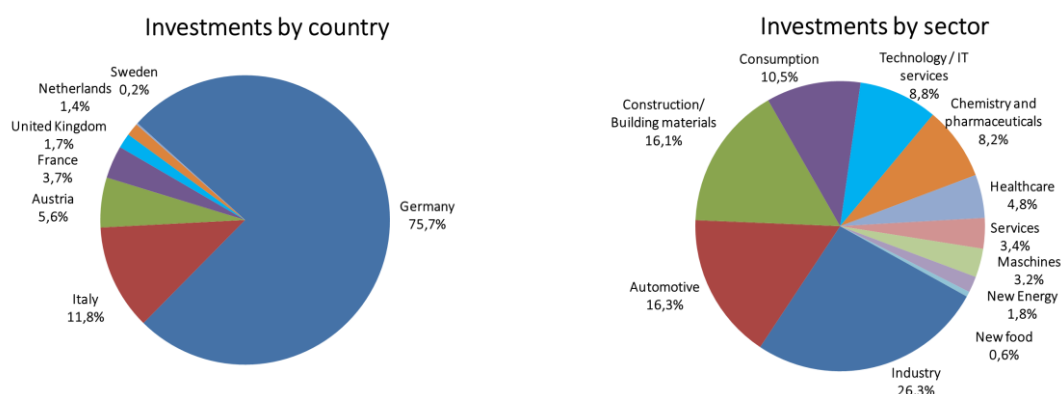
With a view to performance at the individual level, there are some companies in the portfolio that have been able to grow disproportionately. In the core portfolio, KSB (+70 %) should be mentioned first, which has thus also become VHI's largest position. Sogefi (+60 %), which we had only added to in the second quarter and which has since risen by 30 %, continued to grow strongly. Obviously, the capital market is now finally recognising the clear undervaluation of the company and appreciating the operational

improvements of the last few years. Of the holdings still in the portfolio, Traton (+41 %), Quadient and SAF-Holland (+39 % each) as well as Kion (+36 %) continued to rise by around +40 %.

SMT Scharf (-48 %) has suffered by far the largest decline to date. In the third quarter, the outlook for 2023 was reduced. The company also reported that the incumbent members of the Managing Board will leave the company at the end of the year. However, the current management confirmed that they will continue to be available for advice. In addition, talks with a strategic investor are currently deepening, who would like to take over at least the shares of the current major shareholder Shareholder Value. This, coupled with an operationally better second half-year, should give the share price a boost again. In the core portfolio, we continue to be dissatisfied with the share price performance of Lanxess (-36 %) and Metro (-28 %) in particular. Lanxess, like Evonik and BASF - which, however, show a stable share price performance when taking into account the dividend paid out - is suffering above all from the lack of recovery in the chemicals sector and already had to issue a profit warning at the end of June. Metro is suffering not only from its exposure to Russia but also from the weak consumer environment, although we believe that the reported figures are comparatively solid and that a dividend can be expected again for the financial year ended 30 September.

The portfolio changes explained have resulted in the liquidity ratio falling from around 19 % to slightly above 16 % in the last three months (end of 2022: 13 %). The top 10 holdings out of a total of 34 (end of 2022: 36) core positions as at 30 September 2023 were as follows:

1) KSB AG Vz.	5,3 %	6) Fresenius SE & Co. KGaA	3,3 %
2) Mercedes-Benz Group AG	4,5 %	7) Siltronic AG	3,2 %
3) Neodecortech SpA	4,3 %	8) Traton SE	3,2 %
4) Sto SE & Co. KGaA	3,8 %	9) Quadient S.A.	3,1 %
5) SAF-Holland SE	3,4 %	10) Kion Group AG	2,9 %



As a result of the residual sale of our Carlo Gavazzi position, the gains on sale realised so far have risen to just over T€ 630. It remains to be seen to what extent additional profits can be realised in the last three months in view of the current capital market environment. In any case, we are satisfied with the result achieved so far. In the third quarter, we received further dividend payments as planned. In particular, the special dividend from Semperit in the amount of T€ 45 should be mentioned here. We do not expect any more payments in the final quarter. In total, we thus posted a new record level of dividend income totalling T€ 465 (2022: T€ 448). Depending on the depreciation to be taken at the end of the year, we also expect to achieve a positive annual result in 2023. We therefore want to maintain our reliable dividend policy and, as of today, assume a stable distribution of € 0.09 per share, which corresponds to a yield of over 3 % at the current share price level.

Thank you for your trust!

Roland Könen
Member of the Board Value-Holdings International AG