



Letter to the shareholders Q4 2023

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

To the shareholder of

Value-Holdings International AG

Dear Ladies and Gentleman,

The fourth quarter started with Hamas' attack on Israel and the following war in the Gaza Strip, which had a negative impact on the performance of the stock markets, at least temporarily. However, after the third quarter brought significant setbacks in share prices, a strong year-end rally set in at the beginning of November. In addition to the favourable valuation of companies, market participants now increasingly focused on the development of inflation and the resulting expectations for the future interest rate policy of the major central banks. Regarding future economic development, there was hope that there would not be an extended recession, but only a "soft landing", particularly in the USA. In addition, China appears to be coming out of the woods and could return to growth in 2024, which would give hope for improvement to the export-heavy economies in particular.

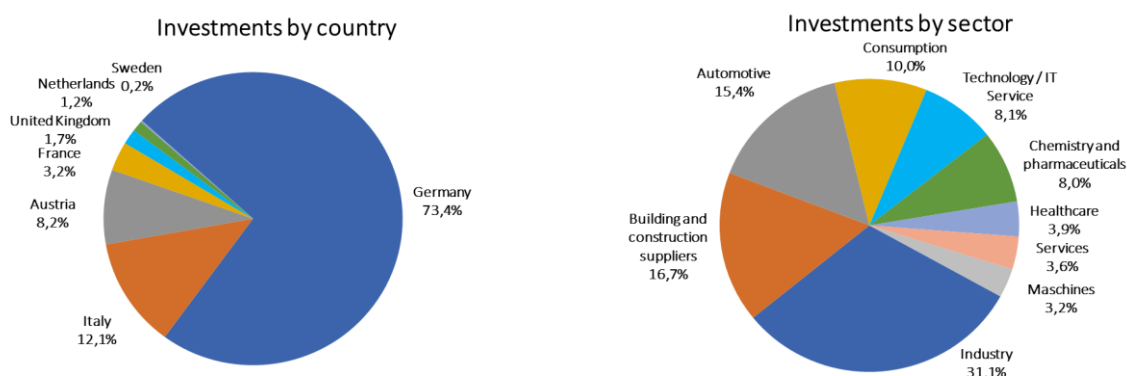
After the stock markets had fallen significantly over the summer, the relevant indices increased again, particularly in the two final months, whereby November stood out in particular. On a quarterly basis, the German benchmark index DAX increased by 8.9 % and the EuroStoxx 50 by 8.3 %. Among the small-cap indices, only the SDAX (+8.4 %) was able to keep pace, while the MDAX (+4.1 %) and the Stoxx 600 (+6.4 %) only recorded disproportionately low growth. The blue-chip indices (DAX: +20.3 %; EuroStoxx 50: +19.2 %) therefore also performed significantly better than the smaller capitalised stocks (Stoxx 600: 12.7 %; MDAX: +8.0 %; SDAX: +17.1 %) over the year as a whole. VHI's **net asset value** (NAV) increased by +5.6 % to **€ 3.01** per share in the fourth quarter. Taking into account the dividend of € 0.09 per share distributed in May, the NAV has thus risen by +13.1 % 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 2023 as a whole. At the end of December, the share price was € 2.76.

As part of our portfolio management, we primarily used the first few weak weeks in the fourth quarter to increase existing positions. This included Delignit, which we had only acquired in the previous quarter as part of a capital increase. We also bought additional shares in Hornbach, Kion, Sto, KSB, q.beyond and our two Austrian holdings in Semperit and Polytec after share price weaknesses. We made completely new acquisitions in the investment company Indus Holding and the construction group Porr. We have already had Indus on our watch list for two decades. The share price has more than split into three, since its all-time high at the beginning of 2018, while the Group as a whole has continued to grow and its operating profitability has not decreased. We recognised our opportunity here and were rewarded for our patience. In contrast, we completely disposed of our position in Friedrich Vorwerk, which we had only built up in the first half of the year and which was able to report very high incoming orders in the fourth quarter when it presented its nine-month figures. This then triggered a significant jump in the share price to the fair value we had calculated.

The performance of the individual investments varied significantly in 2023 as a whole. Significant gains were unfortunately offset by some disappointing performances. SMT Scharf (-45 %), for example, reported by far the biggest decline. In addition to changes in management, the exposure to Russia and the profit warning in the summer continued to have a negative impact, although this was revised again with the nine-month figures. Metro (-31 %), Semperit (-29 %), Lanxess (-25 %) and Polytec (-24 %) continued to perform negatively. By contrast, Sogefi (+119 %), KSB (+74 %), SAF-Holland (+73 %) and Traton (+51 %), all cyclical companies that have so far been able to resist the recessionary trends in the economy and increase their profitability, performed very favourably. In the case of our long-standing investment Servizi Italia (+42 %), the major shareholder Aurum S.p.A. has announced a takeover bid with the aim of delisting the company from the stock exchange. Although we are pleased with the increase in the share price, the takeover price offered does not correspond to our calculated fair value for the company. In view of the current situation, however, we will have to accept the offer.

The portfolio changes explained have resulted in the liquidity ratio falling from around 16 % to 9 % in the last three months (end of 2022: 13 %). The top 10 holdings out of a total of 35 (end of 2022: 36) core positions as at 31 December 2023 were as follows:

1) KSB AG Vz.	5,5 %	6) Kion Group AG	3,5 %
2) Sto SE & Co. KGaA	4,3 %	7) Indus Holding AG	3,4 %
3) Neodecortech SpA	4,2 %	8) Siltronic AG	3,4 %
4) SAF-Holland SE	4,0 %	9) Traton SE	3,3 %
5) Mercedes-Benz Group AG	4,0 %	10) Sogefi SpA	3,1 %



As a result of the complete sale of our investment in Friedrich Vorwerk, the realised gains increased to just over T€ 735. We will also be able to realise reversals of impairment losses. This applies in particular to Sogefi, whose share price more than doubled in 2023. As expected, we did not receive any further dividends in the final quarter. Nevertheless, the dividends totalling T€ 465 received in the year as a whole represent a new record level. In addition, we received interest on our liquidity reserves for the first time in many years. However, as not all share prices and/or the operating business of our investments developed positively over the course of the year, we will again have to recognise write-downs as part of the annual financial statements. As things stand today, these will be higher than in the previous two financial years. However, we still expect a positive annual result for 2023 at around the previous year's level, meaning that we intend to maintain our reliable dividend policy for the past financial year. As of today, we are assuming a stable distribution of € 0.09 per share, which corresponds to a yield of around 3.3 % based on the year-end share price.

Thank you for your trust!

Roland Könen
Member of the Board Value-Holdings International AG