# Letter to the shareholders Q1 2025

VALUE-HOLDINGS
International AG

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

To the shareholders of

Value-Holdings International AG

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Dear Leadis and Gentleman,

the net asset value (NAV) of Value-Holdings International AG was EUR 3.37 per share as at March 31, 2025. The NAV increased by 15.4 % in the first quarter. Overall, the German and European stock markets are off to a good start in 2025. After many years of underperforming the US equity markets, Europe and Germany have seen a turnaround since the beginning of the year. The Dax gained a good 11.3 % in the first quarter. The Eurostoxx 50 rose by a good 5.2 % and the Stoxx 600 by nearly 7.2 %. By comparison, the US S&P 500 lost more than 5 %. Overall, we see increasing risks of an economic slowdown in th e US and therefore the potential for investors to return to European equity markets. In Germany, the political situation dominated the market. New parliamentary elections were held following the collapse of the 'Ampel' coalition. The result points towards a grand coalition. In particular, the announcement by the likely future chancellor, Friedrich Merz, to significantly increase investment in armaments and infrastructure boosted German equities. A 500 billion euro investment programme for infrastructure is planned. In order to implement this plan, the old Bundestag lifted the debt brake. The investments could be particularly promising for German small and mid caps. German small and mid caps in particular have suffered from Germany's weak economic performance in recent years. Many of these companies have done their homework and reduced their cost base. A slight economic tailwind can then quickly lead to earnings growth and rising share prices. This is a good basis for a reasonable long-term increase in NAV per share.

In the first quarter, we made four new acquisitions that should contribute to a long-term increase in NAV. We would like to briefly introduce you to our new acquisitions Jungheinrich, Kontron, Technotrans and Vossloh:

**Jungheinrich** is a family-owned company with a long-term corporate strategy that is geared to the right value drivers. For example, the variable remuneration of the Board of Management is essentially based on the pre-tax margin, sales growth and return on capital employed (ROCE). This package ensures that management is focused on long-term value creation and always strives for profitable growth. The product portfolio comprises material handling equipment, automation technology and services, making Jungheinrich one of the world's leading intralogistics providers. Jungheinrich is the world's No. 3; only Toyota and Kion generate more sales in this segment. Digital products based on the Jungheinrich Internet of Things platform in the cloud round out the portfolio. Jungheinrich is thus profiting sustainably from the megatrends of automation and online retail. Jungheinrich's main customers are companies from the retail sector including food (42 %), logistics (15 %), industry (12 %), food production (9 %) and other sectors (18 %). Thanks to this broad positioning, the company is also able to balance out cycles in individual sectors. Typically for a family business, the company thinks long-term and sustainably at the same time, although the sustainability component in the sense of a family business does not always fit into a predetermined box. Nevertheless, Jungheinrich is one of the 1 % most sustainable companies in the world. We were also impressed by the favorable valuation of this strong family-owned company. The P/E ratio is around 8 and we expect the earnings growth rate to exceed 8 % when the economy picks up. Jungheinrich currently offers a good risk/reward ratio.

With the sale of the IT Services segment, Kontron has focused on the IoT sector and opened up new customer segments with the acquisition of Katek. Katek manufactures electronic components, in particular control electronics for photovoltaic systems and charging solutions for electric vehicles. In the future, Katek's products will be upgraded with Kontron software and IoT components, opening up new networking opportunities. Well-known companies such as Deutsche Bahn have also recognised the value of this networking. Kontron is the European market leader in IoT data networking for trains, ahead of Nokia. It recently won a €65 million order for a new platform for the interlocking system of a leading European provider of signalling and railway infrastructure. This system is crucial for clearing train movements and ensuring optimum safety conditions. Defence, security and aerospace companies also like Kontron: the company recently received an order worth €165 million to supply high-performance VPX computing and communication computing units for mobile and stationary surveillance applications. The shift in sales towards IoT components and software should increase Kontron's margins in the medium term. However, there remains a dependency on Asian hardware manufacturers and Chinese raw materials, which is somewhat mitigated by the long-standing technology partnership with Foxconn (largest shareholder with 27.5 % via Ennoconn Corp.). Kontron's management also holds a stake of just under 4.9 %, and CEO Niederhauser is hardly paid a salary (just under €10,000 fixed salary per year), but benefits through his shares and stock options if the company grows profitably and the dividend increases. He currently receives an annual dividend of around €700,000. All in all, we have been able to acquire this growth company with an attractive dividend yield of 3.4 %, which we expect to increase steadily in the future.

We also added Technotrans to our portfolio in the first quarter because we believe the long-term trend is intact. The higher the quality of industrial machinery, the more important temperature control becomes for the end result. Technotrans is profiting from this. The company originally comes from the printing industry, where it is the absolute technology leader in liquid cooling. Technotrans is currently focusing in particular on data centres, which will have to be converted from air to liquid cooling with the new AI applications. Technotrans already has a business relationship with nVent, among others, for the supply of this cooling, and nVent supplies the liquid cooling solutions that are installed in the NVIDIA GB200 NVL72, for example. This could hold great potential for Technotrans, as its own systems lead to better performance, greater reliability and lower costs for the customer. The company's experience and current development status give it a competitive edge. Reliability is highly valued by customers, which is why negotiations are currently focusing less on price and more on Technotrans' service network. Technotrans serves a long-term growth market that is currently still in a depressed economic state. Liquid cooling for data centres has the potential to lead the company to very strong growth. With a P/E ratio of 13x and a dividend yield of 3.2 %, the valuation is attractive relative to growth expectations.

Vossloh AG, based in Werdohl in the Sauerland region of Germany, has been supplying components for the rail industry since 1883. In the beginning, it was spring washers for rail fasteners for the Royal Prussian Railway. Over the decades, complete rail fastenings, switch and crossing systems, concrete sleepers and level crossing systems were added. Even locomotives were built when Vossloh took over Siemens Schienenfahrzeugtechnik in Kiel and later the Spanish manufacturer Macosa. The concentration on rail began with the majority takeover by the entrepreneur Heinz-Hermann Thiele, who had previously been the sole owner of Knorr-Bremse AG and, after the IPO, the majority shareholder. Subsequently, the less successful locomotive business was sold and instead the positioning in various regions of the world was expanded through the acquisition of manufacturers of components for rail infrastructure. Most recently, the French company SATEBA, a manufacturer of concrete sleepers with a strong market position in Europe, was acquired. Vossloh has also established the Lifecycle Solutions business unit, which offers rail-related services. These include, for example, repair milling and welding, preventive rail maintenance and the entire lifecycle management of entire track sections. The HSG (High Speed Grinding) grinding technology developed by Vossloh enables grinding at speeds of up to 80 km/h during regular rail operations, while the previous methods used by the rail companies were only possible at 8 km/h. At Deutsche Bahn AG, line closures were therefore previously necessary for grinding and preventive grinding was largely dispensed with in order to avoid closures. However, this meant that unground rails had to be replaced far too early and at great expense, even though preventive grinding can extend the service life of rails by up to 100 %. Railroad companies have now recognized their shortcomings and reacted. Investment projects to expand the rail infrastructure and improve its availability have been launched not only in Germany, but worldwide. In view of the steady growth, improved profitability and low valuation, we were able to invest in Vossloh with the safety margin of at least 30 % defined by Benjamin Graham. We look forward to accompanying the company as a co-owner on its path to further growth, increasing profits and dividends in the coming years.

The top performers in our portfolio were Deutz, up 67 %, and Porr, up 48 %. Deutz reported solid figures and proved to be more resilient than in the past in a difficult year. Although the company sold 24 % fewer engines last year, it was able to keep its margin at a decent level of 4.2 % thanks to a strong service business. In the past, such margins were only possible with much higher capacity utilisation. For 2025, sales are expected to increase to between €2.1bn and €2.3bn (min. +15.7 %), with an operating EBIT margin of 5 - 6 %. Dealers have reduced their agricultural and construction equipment inventories and there are positive signs in terms of new orders. In the long term, the company plans to grow further and increase the EBIT margin to up to 10 %.

Porr also attracted attention with solid figures. The company increased its sales by 2.3 % and its EBIT by 12.9 % compared to the previous year. The outlook for the current year is also promising, as the company plans to continue its moderate sales growth and increase its EBIT margin to 2.8 - 3.0 %. The EBIT margin should then rise to 3.4 - 4.0 % by 2030. In the medium term, Porr should also benefit from new investments by the German government; the company generates almost a quarter of its business in Germany.

Hugo Boss (-22 %) and newcomer Technotrans (-10 %) were among the portfolio's weakest performers. Although Hugo Boss increased sales by 3 % to €4,307 million in 2024, EBIT fell from €410 million in the previous year to €361 million, which is in line with the company's forecast. For 2025, sales are expected to fluctuate in a range of -2 % to +2 % around the 2024 level and EBIT is expected to grow by +5 % to +22 %. Overall, the market was somewhat disappointed that the company's sales growth is not stronger. However, this has more to do with difficult conditions in a cautious consumer environment than with any weakness in the brand. We realised profits at Fresenius, the new strategy is taking effect, but market expectations were immediately very high and we no longer see a sufficient margin of safety.

As a result of the portfolio changes described above, the liquidity ratio at the end of the first quarter of 2025 was around 5.3 %, which means that our company was a good 94.7 % invested (31 December 2024: 87.8 %). The top 10 of the 37 (end of 2024: 34) core positions as at 31 March 2025 were the following, in order of portfolio size:

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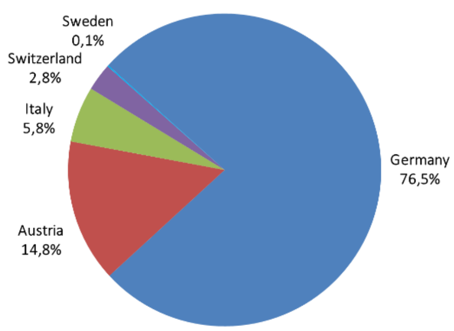
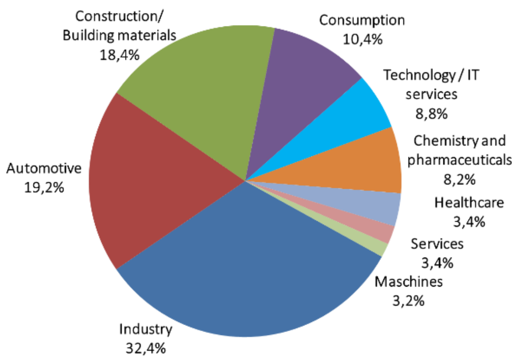
|---|---|---|---|---|---|
| 1) | KSB AG Vz. | 6,7 % | 6) | Wacker Neuson | 3,6 % |
| 2) | Porr AG | 6,4 % | 7) | Sto SE & Co. KGaA | 3,4 % |
| 3) | Traton SE | 4,3 % | 8) | SAF-Holland SE | 3,3 % |
| 4) | Hornbach Holding AG | 3,7 % | 9) | Indus Holding | 3,3 % |
| 5) | Deutz | 3,7 % | 10) | Jungheinrich | 3,3 % |

Investments by country




Investments by sector




To date, the sale of Fresenius has generated capital gains of approximately € 8 million. We expect to receive the majority of the dividend income planned for 2025 in the second quarter. For the full year, we are currently planning conservatively at around T€ 400 due to the uncertain global political situation.

On the other hand, it should be noted that we expect some of our investments to make very high contributions to earnings, so that transactions up to the respective distribution dates or dividend resolutions that deviate from our plans would lead to corresponding deviations from the budget. Depending on the further development of the stock markets and the individual share prices of our investments, we can envisage realising further gains in the course of the year and adjusting the portfolio to ensure a sustained good NAV development. According to current planning, this year's Annual General Meeting will take place on 11 June. In addition to the usual discharge resolutions for the Management Board and the Supervisory Board, the distribution of a stable dividend of € 0.09 per share will be on the agenda.

Thank you for your trust!
Florian König, CEO of Value-Holdings International AG