Only the German version shall be legally binding, the English translation serves information purposes only.

Report of the Management Board to the General Meeting regarding agenda item 10 pursuant to sections 71 (1) no. 8, 186 (4) sentence 2 AktG

Pursuant to sections 71 (1) no. 8, 186 (4) sentence 2 of the German Stock Corporation Act (AktG), the Management Board has to submit a written report explaining the reasons for the authorisations proposed in agenda item 10 concerning the exclusion of any shareholder tender rights when acquiring treasury shares and of shareholder subscription rights when selling repurchased treasury shares. This report will be available, starting form the day of convocation of the General Meeting, on the Company's website at https://www.procredit-holding.com/investor-relations/general-meetings/. It will also be available for inspection by shareholders at the General Meeting itself.

Under agenda item 10, a proposal will be submitted to the General Meeting to authorise the Company, for a period of five years until 3 June 2030, to acquire treasury shares up to a maximum of 10% of the share capital existing at the time of the resolution by the General Meeting or – if this value is lower – at the time the authorisation is exercised. According to the proposed resolution, the Management Board is authorised to acquire the shares even in a manner that derogates from the principle of equal treatment and any shareholder rights to tender, and to use the treasury shares acquired on the basis of these authorisations while excluding shareholders' subscription rights.

The Company had already adopted a resolution authorising the purchase of shares at its previous General Meeting on 15 November 2019 under agenda item 1. This authorisation expired on 14 November 2024. The Management Board is now to be enabled again to use the instrument of acquiring treasury shares. This should provide the Management Board with the ability to further optimise the Company's capital structure. This authorisation is subject to the legal proviso that any shares acquired do not exceed the limit of 10% of the share capital stipulated in section 71 (2) sentence 1 AktG. Treasury shares may be acquired via the stock exchange or via a multilateral trading system within the meaning of Section 2 (6) BörsG [Stock Exchange Act] or by means of a public purchase offer addressed to all shareholders or by means of a public invitation to all shareholders to submit offers to sell. This gives all shareholders an equal opportunity to sell shares to the Company in the event that the Company exercises its authorisation to purchase its own shares. However, the authorisation also allows for the shares to be purchased in a manner that derogates from the principle of equal treatment and any shareholder rights to tender.

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In particular:

Acquisition of treasury shares excluding any right to tender

It should be possible to purchase treasury shares via the stock exchange or a multilateral trading system, by means of a public purchase offer addressed to all shareholders of the Company or by means of a public invitation to all shareholders to submit offers for sale.

In the case of a public purchase offer or a public invitation to submit offers for sale, it may occur that the volume of shares in the Company offered by the shareholders exceeds the volume of shares requested by the Company, or that not all of several similar offers for sale can be accepted due to the volume limit. In this case, a proportional allocation must be made. In this context, it should be possible to provide for the preferential acceptance of smaller offers or smaller parts of offers up to a maximum of 100 shares. This possibility serves to avoid fractional amounts when determining the quotas to be acquired and also small residual amounts, and thus to facilitate the technical execution of the share repurchase. This also helps to avoid any actual detriment to small shareholders. Furthermore, the allocation can be made according to the ratio of shares offered (tender ratios) instead of according to the percentage of shares held, because the acquisition process can thus be technically completed in an economically reasonable manner. Ultimately, it should be possible to round off the figures according to commercial principles in order to avoid fractional shares. In this respect, the purchase quota and the number of shares to be purchased from individual tendering shareholders can be rounded as necessary to present the purchase of whole shares in a manner that facilitates processing. The Management Board considers the exclusion of any further right to tender on the part of the shareholders to be objectively justified and also reasonable for the shareholders.

Use of acquired treasury shares and exclusion of subscription rights

Due to legal provisions, the acquired treasury shares can be resold by means of a public offer to all shareholders or via the stock exchange. These options for selling the acquired treasury shares ensure that shareholders' right to equal treatment is preserved when the shares are sold.

In certain cases, it should also be possible to use the acquired treasury shares while excluding shareholders' subscription rights (sections 71 (1) no. 8, 186 (3), (4) AktG).

The Management Board is to be authorised, with the consent of the Supervisory Board, to exclude the subscription right in order to use the acquired shares (a) to service or hedge acquisition obligations or rights to acquire shares in the Company, in particular under and in connection with convertible bonds or warrant-linked bonds issued by the Company or its group companies, and (b) to service subscription rights granted to holders or creditors of conversion/option rights to shares in the Company or corresponding conversion/option obligations to compensate for dilution to the extent that they would be entitled to after these rights had already been exercised or these obligations fulfilled. The terms and conditions of such bonds typically stipulate that any conversion obligations in particular can also be fulfilled by treasury shares. In such cases, the shareholders' subscription rights must be excluded. This ensures even more flexible handling and, by avoiding the issuance of additional shares, prevents the dilution effect that is characteristic of a capital increase. When deciding whether to issue new shares or treasury shares in order to fulfil such purchase rights or obligations, the Management Board will take appropriate account of the shareholders' interests.

The Management Board shall also be authorised, with the consent of the Supervisory Board, to sell treasury shares in exchange for cash contributions, while excluding subscription rights and at a price that is not significantly lower than the stock exchange price, at the time of the sale, for shares of the same class as the shares of the Company. The option of selling repurchased treasury shares for cash while excluding shareholders' subscription rights serves the Company's interest in achieving the best possible price when selling treasury shares. The Management Board should be put in a position to respond to favourable market situations very quickly and flexibly and to achieve better economic conditions by setting a price that is close to the market price – in comparison to the situation where the subscription right is granted, which usually results in significant discounts on the stock market price. The proposed authorisation thus serves to ensure that the Company has a permanent and adequate supply of equity capital. By setting a placement price close to the stock market price, the shareholders' interest in value-based protection against dilution is also taken into account and each shareholder is given the opportunity to acquire the shares necessary to maintain their shareholding at approximately the same conditions on the market. When determining the selling price, the administration will endeavour to keep any discount on the stock market price as low as possible, taking into account market conditions.

Furthermore, the Management Board shall be authorised, with the consent of the Supervisory Board, to offer treasury shares to all shareholders so that they can subscribe for shares in the Company in exchange for (partially) assigning their claim for payment of a dividend that has arisen as a result of the resolution of the General Meeting on the utilisation of unappropriated earnings (Aktiendividende.- scrip dividend). The Management Board is to be authorised in this context to exclude shareholders' subscription rights in order to be able to implement a scrip dividend on optimal terms. In the case of a scrip dividend using treasury shares, shareholders are offered the opportunity to assign their claim for payment of the dividend, which arose as a result of the resolution by the General Meeting on the utilisation of unappropriated earnings, to the Company in order to receive treasury shares of the Company in return.

The implementation of a scrip dividend using treasury shares can be made as an offer directed to all shareholders, while maintaining their subscription rights and the principle of equal treatment of shareholders. In this context, shareholders will only be offered whole shares for subscription; with regard to the portion of the dividend entitlement that does not reach (or exceeds) the subscription price for a whole share, shareholders are referred to the subscription of the cash dividend and cannot subscribe for shares in this respect; there are no plans to offer partial rights or to set up a trading system for subscription rights or fractions thereof. This appears justified and reasonable because the shareholders receive a pro-rata cash dividend instead of acquiring treasury shares.

In individual cases, depending on the situation on the capital markets, it may be in the interest of the Company and its shareholders to structure the implementation of a scrip dividend using treasury shares in such a way that the Management Board formally excludes the subscription right as a whole, while still offering treasury shares to all shareholders entitled to dividends, in keeping with the general principle of equal treatment of shareholders, for subscription in exchange for their dividend entitlement. The formal exclusion of subscription rights makes it possible to implement the scrip dividend under more flexible conditions. In view of the fact that the treasury shares are being offered to all shareholders and that excess dividend amounts will be settled by payment of the cash dividend, the exclusion of subscription rights also appears justified and reasonable.

Furthermore, the Management Board shall, with the consent of the Supervisory Board, have the option of offering and transferring treasury shares, excluding subscription rights, as (partial) consideration in the context of acquiring companies or equity interests therein or of parts of companies or in the context of business combinations. In such transactions, the seller often prefers the consideration to be in the form of shares, and international competition increasingly demands this type of acquisition financing. The authorisation proposed here gives the Management Board the necessary leeway to quickly and flexibly take advantage of opportunities to acquire companies, parts of companies or interests in companies in both national and international markets. The proposed exclusion of subscription rights takes this into account. When determining the valuation ratios, the Management Board will ensure that the interests of the shareholders are adequately protected. As a rule, the Management Board will base its assessment of the value of the shares offered as consideration on the stock exchange price of the Company's shares. There are no plans for a schematic link to a stock exchange price, in particular to avoid jeopardising negotiation results through fluctuations in the stock exchange price.

Furthermore, it should be possible to use treasury shares, while excluding subscription rights, (a) as employee shares to employees of the Company or one of its affiliated companies or (b) as part of the compensation paid in shares to employees of the aforementioned companies and to members of the governing bodies of the Company's affiliated companies. The exclusion of subscription rights is a prerequisite for issuing such employee shares. Issuing shares to the aforementioned group of people strengthens the beneficiaries' identification with the Company and the ownership culture within the Company. This is also in the Company's interest. The same applies to the exclusion of subscription rights required for this use. The use of treasury shares for the purpose of issuing employee shares is already permissible under the German Stock Corporation Act without authorisation by the General Meeting (section 71 (1) no. 2 AktG), provided that the shares are issued to employees within one year of acquisition (section 71 (3) sentence 2 AktG). In contrast to the above, the Management Board is authorised here to use the treasury shares as employee shares and as a component of remuneration by issuing shares to employees of the aforementioned companies and to members of the management bodies of the Company's affiliated companies, without observing a deadline. The Management Board decides on the terms of issuance within the scope of the leeway provided by section 71 (1) no. 2 AktG. In particular, it can offer the shares for purchase at a price below the current market price, in an amount customary and appropriate, in order to create an incentive for purchase. The use of existing treasury shares instead of a capital increase or a cash payment can make economic sense; the authorisation is intended to increase the Company's flexibility in this respect.

Furthermore, the Supervisory Board shall be granted the option of using treasury shares, excluding subscription rights, to fulfil acquisition obligations or rights to shares in the Company that have been or will be agreed with members of the Company's Management Board as part of the provisions governing Management Board remuneration. In particular, it shall be possible to offer them for acquisition, commitment and transfer to members of the Company's Management Board, provided that the members have a valid management contract or management board appointment at the time of the offer, commitment or transfer. With regard to granting shares to members of the Management Board, the current legal situation does not allow for unrestricted access to shares from authorised capital or to treasury shares acquired in accordance with section 71 (1) no. 2 AktG. In particular, section 71 (1) no. 2 AktG relates solely to the granting of shares to employees, but not to members of management bodies who are in an employment relationship. The issuance of shares is intended to incentivise a focus on a lasting increase in the Company's value.

The statutory subscription right of shareholders to the treasury shares is excluded in accordance with sections 71 (1) no. 8, 186 (3), (4) AktG to the extent that these shares are used in accordance with the above authorisations. In the event of a sale of treasury shares by way of a public offer to all shareholders, the Management Board shall continue to be authorised to exclude shareholders' subscription rights for fractional amounts. The exclusion of subscription rights for fractional amounts is necessary to make the transfer of acquired treasury shares technically feasible by way of an offer for sale to the shareholders. The treasury shares excluded from shareholders' subscription rights as residual fractional amounts will be disposed of in the best possible way for the Company, either via sale on the stock exchange or in some other manner.

The authorisations mentioned are subject to the proviso that the treasury shares sold in this way may not exceed 10% of the share capital, either at the time the authorisation takes effect or, if the value is lower, at the time the authorisation is exercised. The limit of 10% of the share capital includes shares that were issued or granted, or are still to be issued or granted, during the term of this authorisation up to the time of its exercise on the basis of other authorisations to issue or sell shares in the Company or to issue rights that enable or oblige the holder to subscribe to shares in the Company. This inclusion ensures that treasury shares acquired are not sold under exclusion of subscription rights if this would result in the exclusion of shareholders' subscription rights for more than 10% of the share capital.

Lastly, the authorisation allows for the acquired treasury shares to be withdrawn. It shall be possible to withdraw shares in such a way that the Company's share capital is reduced when the shares are withdrawn, or without such a capital reduction, by simply withdrawing the shares while simultaneously increasing the proportional amount of the share capital attributable to the remaining shares. The rights of the shareholders are not affected in either of the two cases mentioned above.

The Management Board will decide on the utilisation of the proposed authorisation and the use of acquired treasury shares at its discretion and in accordance with its duties, and will obtain the approval of the Supervisory Board in the cases provided for. Its reporting obligations to the General Meeting will be fulfilled.