Procaps Group, S.A.

société anonyme

Registered office: 9, rue de Bitbourg

L-1273 Luxembourg, Grand Duchy of Luxembourg

R.C.S. Luxembourg: B 253360

(the “**Company**”)

REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY DATED MARCH 7, 2025 DRAWN UP IN ACCORDANCE WITH ARTICLE 420-26 (5) OF THE LUXEMBOURG LAW OF 10 AUGUST 1915 ON COMMERCIAL COMPANIES, AS AMENDED

This report is drawn-up by the board of directors of the Company (the “**Board of Directors**”) in accordance with Article 420-26 (5) of the Luxembourg law of 10 August 1915 on commercial companies, as amended (the “**Law**”), for the extraordinary general meeting of shareholders of the Company to be held on Monday, March 24, 2025 (or on such later date, if reconvened) (the "**EGM**"), in respect of the proposal which has been put to the EGM for consideration to:

- increase the authorised share capital amount of the Company from its current amount of USD 6,871,758.17 to an amount of USD 24,871,758.17 and the related number of Ordinary Shares (as defined below) that may be issued in such respect from its current amount of 687,175,817 to 2,487,175,817 and subsequently amend article 6.1 of the Articles (as defined below);

- extend to the new authorised share capital amount the authorisation granted to the board of directors or the sole director (as applicable) of the Company by virtue of the Meeting (as defined below) to carry out capital increases within the limit of the authorised capital of the Company, by removing or limiting the preferential subscription rights of the existing shareholders of the Company in case of issue against payment in cash of Ordinary Shares (as defined below), warrants (which may be separate or attached to Ordinary Shares (as defined below), bonds, notes or similar instruments), convertible bonds, notes or similar instruments, within the framework of the authorised share capital of the Company; and

- approve the report of the Board of Directors pursuant to article 420-26 of the Law relating to the possibility of the Board of Directors to remove or limit the preferential subscription right of the existing shareholders of the Company in case of issue against payment in cash of Ordinary Shares (as defined below), warrants (which may be separate or attached to Ordinary Shares (as defined below), bonds, notes or similar instruments), convertible bonds, notes or similar instruments, within the framework of the authorised share capital of the Company, such report being issued in connection with the contemplated increase of the authorised share capital amount of the Company and the related number of Ordinary Shares that may be issued in such respect and related extension further described above (such items being referred to as the “**Authorised Share Capital Increase**” and “**Authorised Share Capital Authorisation Extension**”).

I. Background

The Company's issued share capital (the “**Issued Share Capital**”) currently amounts to USD 1,213,241.83, represented by (i) 4,000,000 redeemable A shares with a nominal value of USD 0.01 each, (ii) 4,500,000 redeemable B shares with a nominal value of USD 0.01 each and (iii) 112,824,183 ordinary shares with a nominal value of USD 0.01 each (the “**Ordinary Shares**”).

On September 28, 2021, an extraordinary general meeting of shareholders of the Company (the "**Meeting**") resolved, among others, to:

- implement an authorised share capital into article 6 of the articles of association of the Company (the “**Articles**”), which, for the avoidance of doubt, excludes the Issued Share Capital;

- approve the renewal of the authorisation to the board of directors or the sole director (as applicable) of the Company to increase the Company’s share capital in accordance with the terms and within the limits of the authorised share capital for a period of five (5) years starting from the date of the Meeting (i.e., until September 27, 2026);

- grant to the board of directors or the sole director (as applicable) of the Company all powers to carry out capital increases within the limit of the authorised capital of the Company, for a period of five (5) years starting from the date of the Meeting, by removing or limiting the preferential subscription rights of the existing shareholders of the Company on the issue of new shares or instruments convertible into or otherwise entitling their holder to shares, in case a contribution to the Company’s share capital is made for cash consideration.

Pursuant to the current article 6.1. of the Articles, “*The authorised capital, excluding the share capital, is set at six million eight hundred seventy-one thousand seven hundred fifty-eight United States Dollar and seventeen cent (USD 6,871,758.17), consisting of six hundred eighty-seven million one hundred seventy-five thousand eight hundred seventeen (687,175,817) Ordinary Shares. During a period of five (5) years from the date of incorporation or any subsequent resolutions to create, renew or increase the authorised capital pursuant to this article, the board of directors is hereby authorised and empowered within the limits of the authorised capital to (i) realise for any reason whatsoever including, any issue in one or several successive tranches of (a) any subscription and/or conversion rights, including warrants (which may be issued separately or attached to Ordinary Shares, bonds, options, notes or similar instruments), convertible bonds, notes or similar instruments (the "Share Rights") as well as (b) new Ordinary Shares, with or without share premium, against payment in cash or in kind, by conversion of claims on the Company, by way of conversion of available reserves or in any other manner; (ii) determine the place and date of the issue or the successive issues, the issue price, the terms and conditions of the subscription of and paying up on the new Ordinary Shares; and (iii) remove or limit the preferential subscription right of the shareholders in case of issue against payment in cash of Ordinary Shares, warrants (which may be separate or attached to Ordinary Shares, bonds, notes or similar instruments), convertible bonds, notes or similar instruments. The Ordinary Shares to be issued upon exercise of any Share Rights may be issued beyond the aforementioned authorised capital period of five (5) years as long as the Share Rights were issued within the relevant aforementioned authorised capital period of five (5) years.*”

It derives from the above that as at the date hereof, the Board of Directors is currently allowed, within the limits of the authorised share capital pursuant to article 6.1 of the articles of association of the Company, to increase the share capital of the Company by an amount of USD 6,871,758.17 represented by 687,175,817 Ordinary Shares, without being required to convene an extraordinary shareholders' meeting. In such context, it must however be noted that the Company has to date issued under the current authorised capital amount:

- an aggregate amount of 23,375,000 warrants (each exercisable for one Ordinary Share), consisting of public and private warrants, which have been issued by the Company in the context of the business combination that was consummated on September 29, 2021 between Union Acquisition Corp. II and Crynssen Pharma Group Limited; the amounts required to issue such new Ordinary Shares following the exercise by their holders of such warrants need to be deducted from the aforementioned authorised capital amount;

- two convertible notes subscribed by their holder on, respectively, November 29, 2024 and December 27, 2024, giving the right to their holder, upon conversion, to subscribe to (i) a total amount of up to 80,000,000 Ordinary Shares, and (ii) a warrant giving the right to its holder, upon exercise, to subscribe to up to 20,000,000 Ordinary Shares; the amounts required to issue such new Ordinary Shares and the warrant, the Ordinary Shares that may be issued following an exercise of the warrant by its holder, as well any other potential additional Ordinary Shares that may be issued by the Company to the holder of the note according to the terms of the note, need to be deducted from the aforementioned authorised capital amount.

II. Justification for the extension to the new authorised share capital amount of the authorisation granted to the board of directors or the sole director (as applicable) of the Company by virtue of the Meeting to carry out capital increases within the limit of the authorised capital of the Company, by removing or limiting the preferential subscription rights of the existing shareholders of the Company on the issue of new shares or instruments convertible into or otherwise entitling their holders to shares, in case of issuances against payment in cash.

The Board would like to draw attention to the importance of the Company being able to act swiftly and have flexibility in increasing the share capital of the Company, given the Company's current financial situation and need for immediate additional financial support, and consequently, proposes to the EGM to (i) authorise the Board of Directors to approve the Authorised Share Capital Increase and the Authorised Share Capital Authorisation Extension and (ii) set the issue price of new Ordinary Shares.

It is suggested that the new Ordinary Shares issuable within the framework of the authorised share capital of the Company be issued at a price ranging between the nominal value of such shares and such value as reasonably determined from time to time by the board of directors or the sole director (as applicable), taking into account the financial condition of the Company, with the exception of any contractual arrangement(s) previously entered into by the Company (including, without limitation, warrant agreements) existing from time to time. In each case, the subscription price needs to be in line with the corporate interest of the Company. The Board of Directors may decide to issue new Ordinary Shares within the framework of the Company's authorised share capital with or without share premium, as the case may be.

Particularly, and without limitation, the authorised share capital that will allow the Board of Directors to (i) remove or limit the preferential subscription right of the existing shareholders and (ii) set the issue price of new Ordinary Shares, offers the following (non-exhaustive) advantages to the Company:

- the necessary flexibility to be able to address the Company's immediate funding needs through the issuance of equity securities of the Company and to carry out any such transactions within a short timeframe without undue delay;

- the ability to raise capital via private placements (with institutional, qualified, professional, and/or other investors, as applicable) considering that at this time, the Company is not able to conduct a public offering due to not having a valid registration statement on file with the U.S. Securities and Exchange Commission ("**SEC**") and not being current on its reporting obligations with the SEC;

- the necessary flexibility to (i) meet the Company's cash needs without delay, (ii) strengthen the Company's liquidity and debt-to-equity ratios, and/or (iii) optimize equity as a source of financing in order to reduce the overall cost of external funding;

- secure financing or enable the refinancing of its and/or its group's indebtedness;

- the ability to take advantage of opportunities in a potential tactical merger, partnership or strategic alliance with, takeover or acquisition of another company, business or assets, or any other transaction for the purpose of achieving external growth, enabling the Company to enter into these transactions on the best possible terms and in a timely manner;

- the ability to convert warrants, bonds, convertible bonds, notes or similar instruments, if any, into Ordinary Shares;

- the ability to circumvent the lengthy procedure of convening an extraordinary general meeting of shareholders and of offering shares on a preferential subscription right basis to existing shareholders over a minimum period of fourteen days (as required by law), if in the best interests of the Company, noting that such a protracted procedure may be incompatible with the Company's needs and lead to missed opportunities for potential new transactions which require financing within an accelerated timeframe.

The Board also reminds that the Authorised Share Capital Increase and Authorised Share Capital Extension are part of a drive for profitability and long term sustainability of the Company, for the purpose of supporting its continual growth and would in particular enable the Company to secure sustainable financing, allowing it to meet its current and future financial obligations in particular in instances where time is of the essence or where an immediate remedy of a financial distress suffered by the Company is required.

The Board recommends the EGM to vote **in favour** of such Authorised Share Capital Increase and Authorised Share Capital Extension.

This report is addressed to the EGM which is scheduled for March 24, 2025 and any subsequent EGM which is convened due to lack of quorum at the first-convened meeting.

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[Signature page of the report of the board of directors of Procaps Group, S.A.]

Done on March 7, 2025.

For and on behalf of the Board of Directors.

By: **Alejandro Weinstein**

Title: *Chairman of the Board of Directors*