

--- Non-binding translation of the German original ---

Report

pursuant to section 295 (1) sentence 2 in conjunction
with section 293a AktG on the amendment of the
Controlling and Profit and Loss Transfer Agreement

between

ProCredit Holding AG & Co. KGaA as the Controlling Entity

and

ProCredit Academy GmbH as the Controlled Entity

Submitted by

The Management Board of the sole General Partner
of ProCredit Holding AG & Co. KGaA
registered office in Frankfurt am Main

ProCredit Holding AG & Co KGaA (“ProCredit Holding”) and ProCredit Academy GmbH (“ProCredit Academy”) concluded a Profit and Loss Transfer Agreement on 30 April 2009, which was converted into a Controlling and Profit and Loss Transfer Agreement on 13 April 2016 in accordance with section 291 (1) alternative 1 AktG (German Stock Corporation Act). This Controlling and Profit and Loss Transfer Agreement was amended by the conclusion of a Supplementary Agreement dated 27 September 2019 in order to ensure the continued tax recognition of the integrated inter-company relationship.

The Supplementary Agreement shall not take effect until

- the shareholders of ProCredit Holding approve the Supplementary Agreement at their Extraordinary General Meeting on 15 November 2019 and the shareholders of ProCredit Academy approve the Supplementary Agreement at their Shareholders’ Meeting on 15 November 2019, and
- the existence of the Supplementary Agreement is entered in the Commercial Register of ProCredit Academy.

An examination of the Supplementary Agreement pursuant to section 295 (1) sentence 2 in conjunction with section 293b (1) AktG, is not required, given that, in accordance with section 293b (1) second clause AktG, all ProCredit Academy shares are owned by the Controlling Entity (ProCredit Holding).

In order to inform the shareholders (Kommanditaktionäre) of ProCredit Holding and provide a basis for the adoption of a resolution by them at the General Meeting, the Board of Management of the sole General Partner of ProCredit Holding submits the following report pursuant to section 295 (1) sentence 2 in conjunction with section 293a, AktG:

I. Grounds for concluding the Supplementary Agreement

On the basis of various requests made by ProCredit Holding and their approval by the responsible tax office, an integrated inter-company relationship for corporate, trade and turnover tax exists between ProCredit Academy as the Controlled Entity and ProCredit Holding as the Controlling Entity. Since the Controlled Entity is a GmbH, the Profit and loss Transfer Agreement must contain a provision for the assumption of losses for tax purposes in accordance with section 302 AktG.

Pursuant to a BMF [German Federal Ministry of Finance] circular dated 3 April 2019 on the regulation of loss transfer for integrated inter-company relationships within the meaning of section 17 KStG [German Corporate Income Tax Act], it is necessary that older result transfer agreements which do not yet contain a dynamic reference to section 302 AktG within the meaning of Section 17 (1) sentence 2 no. 2 KStG be adjusted accordingly by the end of the year in order for the integrated inter-company relationship to continue to be recognised for tax purposes. An amendment of the

agreement may be waived if the Integrated Inter-Company Relationship is terminated before 1 January 2020.

The Supplementary Agreement shall not apply until the General Meeting of ProCredit Holding and the Shareholders' Meeting of ProCredit Academy have approved the amendment in accordance with section 295 (1) sentence 2 in conjunction with section 293 AktG and, in accordance with section 295 (1) sentence 2 in conjunction with section 294 (2) of AktG, and the amendment has been entered in the Commercial Register of ProCredit Academy. Pursuant to section 295 (1) sentence 2 in conjunction with section 293 (1) sentence 2 AktG as well as section 2 (2) sentence 2 AktG, resolutions of the General Meeting of ProCredit Holding and the Shareholders' Meeting of ProCredit Academy must be passed by a majority of at least 3/4 of the share capital represented at the respective meeting.

II. Economic risks associated with the Supplementary Agreement

The Supplementary Agreement enables income tax optimisations to be continued. The conclusion of Profit and Loss Transfer Agreements means that profits transferred by ProCredit Academy to ProCredit Holding can be offset against the corporation and trade tax losses which ProCredit Holding has carried forward on its tax balance sheet.

It remains possible for ProCredit Holding to offset any net loss for the year at ProCredit Academy against profit or loss. Otherwise, the only option would be to strengthen the equity of ProCredit Academy without affecting net income.

III. Alternatives to concluding a Supplementary Agreement

An amendment of the existing agreement may only be waived if the Integrated Inter-Company Relationship is terminated before 1 January 2020. This would, however, eliminate the (tax) advantages described above, so this is not an alternative for the companies involved.

IV. Remarks on the Supplementary Agreement

The Supplementary Agreement contains the adjustment to the loss transfer regulation required by the Federal Ministry of Finance, namely a dynamic comprehensive reference to Section 302 AktG. The Agreement has a fixed duration ending on 31 December 2024.


Furthermore, by virtue of it being in the form of a Supplementary Agreement, all provisions agreed in the Control and Profit Transfer Agreement shall continue to apply.

V. Compensation pursuant to section 304 AktG, and settlement pursuant to section 305 AktG

ProCredit Holding is the sole proprietor of ProCredit Academy. There are no external shareholders within the meaning of sections 304 and 305 AktG with an interest in ProCredit Academy who would require compensation and/or settlement. Thus, no disadvantages arise for the shareholders (Kommanditaktionäre) of ProCredit Holding in this connection.

Frankfurt am Main, 27 September 2019

The Management Board of the sole General Partner of
ProCredit Holding AG & Co. KGaA



Dr. Gabriel Schor

Dr. Gabriel Schor
Manager



Sandrine Massiani

Sandrine Massiani
Manager