



## Procaps Issues Shareholder Letter Update

October 10, 2024

MIAMI and BARRANQUILLA, Colombia, Oct. 10, 2024 (GLOBE NEWSWIRE) -- Procaps Group, S.A. (NASDAQ: PROC) ("Procaps" or the "Company"), a leading integrated LatAm healthcare and pharmaceutical services, today issued the below letter to shareholders from José Antonio Vieira, CEO of Procaps, providing critical updates on the Company's ongoing independent investigation, financial restatement, governance enhancements, and commitment to long-term stability.

"Dear Shareholders,

As we navigate recent challenges at Procaps, I want to personally reaffirm our dedication to transparency, compliance, and sustainable management. We are committed to addressing the findings from our ongoing investigation with the utmost integrity for Procaps to emerge as a stronger, more resilient company and have developed a remediation plan to ensure we achieve that goal.

Our approach centers on four key areas of improvement:

### 1. Completing the Independent Investigation

The independent investigation led by our Audit Committee, supported by external advisors, to address historical accounting matters remains ongoing. As disclosed in our recent 6-K filing, the preliminary findings underscore challenges from past practices; however, we have made considerable progress toward resolution and are focused on implementing the necessary steps to strengthen Procaps for the future.

As part of this process, we have confirmed the need for applicable historical financial statements to be restated. While we aim to progress the restatement process and finalize the 2023 20-F as promptly as possible, we recognize that, given the complexity of this effort, our timeline to do so will extend significantly beyond our original expectations. We are focused on ensuring our disclosures are complete, accurate, and aligned with required standards.

### 2. Addressing Financial Discrepancies and Financial Restatement

The independent investigation has identified certain historical transactions that were improperly accounted for and other accounting errors, as described in our most recent 6-K filing. These transactions, although they originated prior to our listing on Nasdaq, have had a continuing impact on our financial statements.

We are working diligently to address these matters, including through the restatement of our financials and enhancements to our internal controls. Our commitment to integrity and transparency is unwavering, and we will continue to take all necessary steps to rectify these issues.

### 3. Governance and Compliance Enhancements

To strengthen oversight and in response to the findings of the ongoing independent investigation, we are implementing a comprehensive remediation plan designed to strengthen governance and compliance across all levels. Key elements of this plan include:

- **Board and Management Oversight:** To strengthen governance at the highest levels, we are implementing a multi-year plan to transition to an independent board that includes independent search for directors - led by the Nomination and Governance Committee - with expertise in SOX compliance, corporate governance, and industry knowledge and any other key capabilities essential to Procaps' strategic goals. Following the recent resignation of a Board member, the Board is actively working to identify a qualified successor who will support our commitment to enhanced governance and alignment with long-term objectives.
- **Strengthening Internal Controls:** As part of our remediation Plan, we are redesigning our finance and supporting functions, such as centralizing oversight of all finance areas, launching training programs focused on internal controls and SOX compliance, and enhancing the oversight role of our Audit Committee. These measures are intended to prevent future issues and restore the trust of our stakeholders.
  - **Enhanced Financial Controls and Compliance:** We are reinforcing financial reporting processes and SOX compliance by implementing automated controls, improved monitoring systems, and regular SOX compliance training for all relevant teams. These improvements are already underway and will be further strengthened as necessary in response to the findings of the investigation.
- **Thorough Personnel and Contract Review:** We are conducting a comprehensive review of all other personnel potentially involved in the transactions being investigated and assessing existing related party contracts for alignment with our governance standards.
- **Culture of Ethics and Transparency:** We are launching targeted training programs to promote ethics and compliance across

all organizational levels, reinforcing a culture of integrity and accountability.

These initiatives are designed to reinforce ethical governance across every level of the organization, with a commitment to ensuring that Procaps operates in accordance with the highest industry standards.

#### **4. Restructuring Plan and Financial Stability**

We recognize the critical importance of a stable financial foundation. In conjunction with our remediation plan, we are also pursuing a long-term restructuring plan that involves exploring new funding sources and other strategies to support the long-term sustainability of our operations.

This includes proactive engagement with our lenders, shareholders, and strategic partners to secure new capital and resources aligned with our strategic goals.

Executing this Restructuring Plan is essential not only for our financial health and to achieve our full potential, but also for maintaining strong relationships with suppliers, providers, and other stakeholders.

#### **Commitment to Long-Term Stability and Value Creation**

While addressing these internal priorities, we remain focused on creating long-term stability and value creation for our stakeholders. The support of our shareholders and lenders remains critical as we implement our remediation and strategic plans and restructure our business to operate more efficiently and sustainably.

We will continue to keep you informed of our progress and provide regular updates as we implement the Remediation Plan and progress with the Restructuring Plan.

Thank you for your continued support and trust in Procaps Group.

Sincerely,

José Antonio Vieira  
CEO of Procaps Group”

This press release shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of any securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction.

#### **About Procaps Group**

Procaps Group, S.A. (“Procaps”) (NASDAQ: PROC) is a leading developer of pharmaceutical and nutraceutical solutions, medicines, and hospital supplies that reach more than 50 countries in all five continents. Procaps has a direct presence in 13 countries in the Americas and nearly 5,000 employees working under a sustainable model. Procaps develops, manufactures, and markets over-the-counter (OTC) pharmaceutical products, prescription pharmaceutical drugs (Rx), nutritional supplements, and high-potency clinical solutions.

For more information, visit [www.procapsgroup.com](http://www.procapsgroup.com) or Procaps’ investor relations website [investor.procapsgroup.com](http://investor.procapsgroup.com).

#### **Investor Contact:**

Melissa Angelini  
[ir@procapsgroup.com](mailto:ir@procapsgroup.com)  
+1 754 260-6476  
[investor.procapsgroup.com](http://investor.procapsgroup.com)

#### **Forward-Looking Statements**

This press release includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may be identified by the use of words such as “forecast,” “intend,” “seek,” “target,” “anticipate,” “believe,” “expect,” “estimate,” “plan,” “outlook,” “goal,” “objective,” “will,” “may,” “should,” “can,” “project” and other similar expressions that predict or indicate future events, objectives, results or trends or that are not statements of historical matters. Such forward-looking statements include, without limitation, projected financial information, the Company’s expectations about the timing of completion of the independent investigation, financial restatement and filing of the 2023 20-F, the Company’s statements regarding seeking additional financing, statements related to the Company’s plans, outlook and strategy, other Company initiatives and objectives or forecasts related to the Company’s business, performance and industry. These forward-looking statements involve substantial risks and uncertainties, or assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements, and actual results could vary materially from these forward-looking statements. Factors that may cause future results to differ materially from management’s current expectations include, among other things, the discovery of additional information relevant to the investigation; the conclusions of management (and the timing of the conclusions) concerning matters relating to the investigation; the timing of the review by, and the conclusions of, the Company’s independent registered public accounting firm regarding the internal investigation and the Company’s financial statements; the possibility that additional errors may be identified; the risk that the completion and filing of the 2023 20-F will take longer than expected; the inability to successfully implement or execute on the Company’s strategic objectives or initiatives, including governance and compliance enhancements; the inability to obtain additional financing; the inability to successfully implement or execute on our restructuring plans; changes in applicable laws or regulations; the possibility that the Company may be adversely affected by other economic, business, and/or competitive factors; the inability of the Company to execute on its expense reductions plans or growth initiatives; and other risks and uncertainties indicated from time to time in documents filed or to be filed with the Securities and Exchange Commission (“SEC”) by the Company. The Company disclaims any obligation to update information contained in these forward-looking statements whether as a result of new information, future events, or otherwise.



Source: Procaps Group, S.A.