

# Report of the Supervisory Board of Biofrontera AG for the financial year 2025 (unaudited)

## Dear Shareholders\*,

Biofrontera AG was able to significantly increase its adjusted operating result and EBITDA (so including the effect of the discontinued operations) in the 2025 financial year. This was mainly due to the strong sales growth in our European core markets, consistent cost management, and the agreement with Biofrontera Inc.

The company continued to focus on expanding its European business and achieved sales growth of 21% in the markets served by its own sales organization. Sales growth in the German market was particularly strong at 26%. This success underlines the commitment and commitment of our employees to the common goal of developing Biofrontera AG into a leading player in the European dermatological pharmaceutical market. We will continue to do everything we can to drive this positive development forward in the future.

In May 2025, Biofrontera Inc. informed us that it did not have sufficient financial resources to meet its outstanding payment obligations to Biofrontera AG. Following this announcement, both companies began negotiations to restructure their relationship. The aim was to secure the refinancing and thus the continued existence of Biofrontera Inc. as an exclusive distribution partner for the US market and at the same time to reduce our risks and costs from the US business and the associated processes.

The agreement reached between the two companies meets these objectives and enabled Biofrontera AG to transfer all assets and liabilities related to the U.S. market to Biofrontera Inc. As a result, Biofrontera Inc. succeeded in completing the capital increase required to continue its operations and execute its business plan. In return, Biofrontera AG received a block of shares in Biofrontera Inc. corresponding to 10% of the share capital increased in the course of the capital increase. In addition, Biofrontera AG will receive an annual earn-out payment of 12% to 15% of net sales until 2043, depending on sales development.

The agreement secures our sales from the US market at a reduced level and reduces risks. In addition, it enables Biofrontera AG to focus on its strategy to increase sales in Europe and create a lean structure for the future.

We would like to thank the Management Board and all employees for their commitment, which has enabled the positive development of Biofrontera AG in a challenging financial year.

## Monitoring and advice

The Supervisory Board worked closely and trustingly with the Management Board. During the financial year, it performed its duties in accordance with the legal requirements, the Articles of Association, the German Corporate Governance Code and its Rules of Procedure. His tasks included in particular the supervision of the Management Board and its advice on the management of the company and the Group. The Supervisory Board discussed key business decisions and plans with the Management Board.

The Management Board regularly reported to the Supervisory Board on the company's situation. The Supervisory Board was informed by the Management Board about the development of the company both in meetings and outside of meetings. On the basis of written and oral reports from the Management Board, the Supervisory Board discussed the development of the business and the situation of the company in its deliberations. In addition, there was a regular exchange of information and ideas between the Management Board and the Chairman of the Supervisory Board.

The Supervisory Board also reviewed the legality, regularity, expediency and efficiency of the measures taken by the Executive Board.

The legal action taken by Sun Pharmaceuticals against Biofrontera AG and Biofrontera Inc. has caused significant financial burdens for both companies. This situation, combined with the recurring liquidity challenges at Biofrontera Inc., was a matter of serious concern to the Supervisory Board and led to the restructuring of relations with Biofrontera Inc. described above.

Deviations in business development from the plans were explained to the Supervisory Board by the Management Board and discussed with it. The extent to which the legal requirements as well as the resolutions, suggestions and recommendations of the Supervisory Board were taken into account or implemented by the Management Board.

## Meetings and their focus

In order to fulfil its duties, the Supervisory Board held eleven meetings in the year under review. Two meetings took place in presence, while the remaining meetings were held as telephone or video conferences.

During the meetings, the board reported on the current business situation. In particular, the Management Board explained the company's liquidity situation in connection with sales forecasts and cost planning.

Due to the high dependence on Biofrontera Inc.'s sales and cash receipts, as well as against the backdrop of its continued significant losses, the Company has closely monitored the collection of outstanding receivables and examined possible precautionary measures in the event of payment delays on the part of Biofrontera Inc.

At the meeting on January 17, 2025, the Supervisory Board discussed reports from the Audit Committee and the Finance and IT departments, the cash flow and payment terms of Biofrontera Inc., as well as strategic considerations regarding its entry into the French market.

At the meeting on February 18, 2025, the Management Board provided information on the situation of Biofrontera Inc., its ordering behavior, the legal disputes in the U.S. and the expected sales growth as well as the global purchase orders situation. In addition, the liquidity forecast of the Biofrontera AG Group, analysis of possible de-risking scenarios in connection with the US business and investment opportunities in new European dermatology products were discussed.

On March 27, 2025, the Supervisory Board analyzed de-risking scenarios for the USA and the EU. The corporate targets for the 2025 financial year were approved.

At the meeting on April 7, 2025, the auditor reported to the Audit Committee and the Supervisory Board in detail on the timing, structure and results of the audit for the 2024 financial year.

At the meeting on April 29, 2025, the Management Board announced that Biofrontera Inc. would not make the payment due on the scheduled date. This constituted a breach of contract, although Biofrontera Inc. had been granted a grace period of 30 days to remedy this situation until May 29, 2025.

An in-depth discussion of the liquidity situation and the overall development of Biofrontera Inc. took place. The company began to analyze various scenarios, including all the measures that would be implemented by the companies of the Biofrontera AG Group in the event of the insolvency of Biofrontera Inc.

It was decided to engage a U.S. law firm to advise on the potential consequences of the LSA and DUSA litigation in the event of Biofrontera Inc. becoming bankrupt. This advisory work was carried out, and its results were incorporated into the structuring of the subsequent transfer of the U.S. business to Biofrontera Inc.

At the meetings on May 27, 2025 and June 24, 2025, the Management Board and the Supervisory Board jointly analyzed a restructuring of the relationship with Biofrontera Inc. After several discussions with Biofrontera Inc. and its main shareholders, it became clear that without a fundamental restructuring of the relationship, a re-financing of Biofrontera Inc. would in all likelihood not be possible.

On the other hand, in the event of the insolvency of Biofrontera Inc., the restructuring of the structure associated with the US business within the Biofrontera AG Group and the assumption of all liabilities associated with the US business would have a significant impact on the financial situation of the companies.

Consequently, the Supervisory Board and the Management Board agreed to examine the transfer of all assets and liabilities related to the US business to Biofrontera Inc. The aim should be to significantly reduce the Group's risk in relation to the development of Biofrontera Inc. and to enable the Company to focus on expanding its core business while minimizing the risks associated with maintaining a large U.S.-related structure.

In this context, a binding term sheet was signed on 30 June 2025. This term sheet was subsequently implemented in contractual documentation under which the Company's U.S. business was transferred to Biofrontera Inc.

At the meeting on July 23, 2025, the Management Board informed the Supervisory Board about the sales development and the planning for the implementation of the term sheet agreed with Biofrontera Inc.

At the meeting on September 10, 2025, the Management Board informed the Supervisory Board about the transfer of assets and employees to Biofrontera Inc. in implementation of the binding agreement.

At the meeting on November 6, 2025, the Supervisory Board discussed the company's strategic planning for the coming years. The Supervisory Board discussed current sales in Europe, long-term growth targets and potential market opportunities. The focus was primarily on presenting the business strategy, including the potential licensing of prescription dermatology products. The Supervisory Board also addressed development opportunities for additional indications of Ameluz and received a report on this.

At the meeting on December 15, 2025, various external consultants presented project proposals for intensifying business development activities or expanding the product portfolio. In addition, an update on the status of the transfer process was presented. The Management Board also presented a first draft of the budget for the 2026 financial year.

## Resolutions taken outside meetings

In addition to the meetings, the Supervisory Board passed resolutions in five parallel proceedings in the 2025 financial year, including on matters relating to the Management Board, legal matters and matters relating to the Annual General Meetings of the 2025 financial year.

## Committees of the Supervisory Board

In the 2025 financial year, there was an audit committee, a nomination and remuneration committee and a legal committee in connection with the proceedings of Deutsche Balaton AG against Biofrontera AG.

In accordance with the rules of procedure of the Supervisory Board, the Chairman of the Supervisory Board shall also be the Chairman of the committees that deal with Management Board contracts and prepare the meetings of the Supervisory Board. In the 2025 financial year, however, the Chairman of the Supervisory Board was not chairman of the Nomination and Personnel Committee, which deals with Management Board contracts, but a member of this committee. The Supervisory Board considers this deviation from the rules of procedure to be irrelevant. The chairman of the Supervisory Board is not to chair the Audit Committee, which was also not the case in the year under review. The chairman of the committees reports on the work of the respective committees at the meetings of the Supervisory Board, with the exception of the Legal Affairs Committee.

### 1. Audit Committee

The Audit Committee deals in particular with issues of accounting and risk management, the required independence of the auditor and the assignment of the audit mandate to the auditor and supervises the audit of the company's annual financial statements. The committee met eight times in the year under review; all meetings were held as video conferences.

The members of the Audit Committee in the year under review were Mr. Karlheinz Schmelig (Chairman), Dr. Helge Lubenow and Mr. Hansjörg Plaggemars.

### 2. Nomination and Personnel Committee

Among other things, the Nomination and Personnel Committee prepares the Supervisory Board's resolutions on the appointment and dismissal of members of the Management Board. Since the Supervisory Board is ultimately responsible for decisions on remuneration, the Personnel Committee also took preparatory action in this respect.

The Supervisory Board, represented by the Nomination and Personnel Committee represented the company in the legal dispute with the former Chief Financial Officer, Mr. Lutter.

The Nomination and Personnel Committee met three times in the year under review; all meetings took place in presence. In addition to these formal meetings of the Nomination and Personnel Committee, there was a regular informal exchange among the committee members.

The members of the Nomination and Personnel Committee in the year under review were Dr. Helge Lubenow (Chairperson), Dr. Heikki Lanckriet and Mr. Alexander Link.

### 3. Legal Committee

There is also an additional committee, the so-called Legal Committee. Further details and reporting in relation to this committee are set out in the section "Conflicts of Interest" below..

## Individual Disclosure of Supervisory Board Members' Attendance at Supervisory Board and Committee Meetings in Fiscal Year 2025

Name	Participation / Supervisory Board meetings	Attendance in %	Attendance / Committee Meetings	Attendance in %
Dr. Heikki Lanckriet	9/11	82%	3/3	100%
Dr. Helge Lubenow	8/11	73%	11/11	100%
Karlheinz Schmelig	10/11	91%	8/8	100%
Alexander Link	11/11	100%	3/3	100%
Tobias Reich	11/11	100%		
Hansjörg Plaggemars	10/11	91%	8/8	100%

## Annual and consolidated financial statements 2025

Nexia GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Georg-Glock-Straße 4, 40474 Düsseldorf, was appointed by the Annual General Meeting on May 28, 2025 as auditor for the annual and consolidated financial statements for the 2025 financial year and subsequently commissioned by the Supervisory Board to audit the financial statements. The auditor's declaration of independence was obtained. Nexia GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft audited the annual and consolidated financial statements of Biofrontera AG prepared by the Management Board as well as the combined management report for the 2025 financial year and issued an unqualified audit opinion in each case. In addition, the auditors confirmed that the Management Board has set up an appropriate information and monitoring system whose design and application is suitable for detecting developments that threaten the company's continued existence at an early stage.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The audit documents were discussed by the Audit Committee on April 17, 2026 in the presence of the auditor and other members of the Supervisory Board. At this meeting, the annual financial statements and the consolidated financial statements were also discussed together with the Executive Board. In doing so, the Audit Committee dealt in particular with the key audit matters described in the respective auditor's report, including the audit procedures carried out in connection with them. The audit documents were discussed in the presence of the auditor. All members of the Supervisory Board received the audit documents and the auditor's reports before the meeting and reviewed them. The auditor reported on the course and results of the audit, explained the audit priorities and was available to the Supervisory Board for questions and additional information. He also provided information on the scope, focus and key findings of the audit, focusing in particular on the particularly important audit issues and the audit procedures carried out. Questions from the members of the Supervisory Board were answered by both the Management Board and the auditors. In addition, the auditors reported on their findings on the internal control and risk management system with regard to the accounting process.

At its balance sheet meeting on April 17, 2026, the Supervisory Board duly took note of the audit reports, the annual and consolidated financial statements, and the combined management report. After a detailed discussion of the annual financial statements, the consolidated financial statements and the combined management report, the Supervisory Board approved the audit reports and the results of the audit. According to the final result of its own audit, the Supervisory Board raised no objections and approved the annual financial statements and the consolidated financial statements. The annual financial statements of Biofrontera AG were thus adopted.

The present report of the Supervisory Board, as well as the Declaration on Corporate Governance, were adopted at the balance sheet meeting on April 17, 2026.

### Auditor and responsible auditor

In the 2025 financial year, Nexia GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Georg-Glock-Straße 4, 40474 Düsseldorf, acted as auditor of Biofrontera AG and the Group.

### Corporate Governance and Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG)

Information on corporate governance is published in the Annual Report and on the Company's website under [www.biofrontera.com](http://www.biofrontera.com) in the "Investors" / "Corporate Governance" section and in the Corporate Governance Declaration. In particular, it contains information on the objectives of the Supervisory Board with regard to its composition and the status of implementation of these objectives.

## Conflicts of interest

Every member of the Supervisory Board is obliged to act in the best interests of the company. It may neither pursue personal interests nor take advantage of business opportunities to which the Company is entitled without the approval of the Supervisory Board. The rules of procedure of the Supervisory Board stipulate that each member must disclose any conflicts of interest to the Supervisory Board. This applies in particular in cases in which conflicts of interest may arise due to advisory or executive functions with customers, suppliers, lenders or other business partners. Significant and not only temporary conflicts of interest of a Supervisory Board member are to lead to the termination of the mandate.

On 13 December 2021, Deutsche Balaton AG, Heidelberg, brought an action for a declaratory judgment against Biofrontera AG at the Regional Court of Cologne, which was decided by the Regional Court of Cologne in a judgment of 9 December 2022. The subject of the lawsuit was the opinion of Deutsche Balaton AG - which was endorsed by the Regional Court of Cologne in its judgment - that the IPO of Biofrontera Inc. and the capital measures required for this required the approval of the Annual General Meeting of Biofrontera AG. The appeal lodged by the former members of the supervisory board and management board at the Higher Regional Court of Cologne was successful. In a judgment of 26 June 2025, the Higher Regional Court of Cologne dismissed Deutsche Balaton AG's claim in its entirety. The Higher Regional Court allowed the appeal on points of law. Deutsche Balaton AG has appealed to the Federal Court of Justice. A date for the oral hearing before the Federal Court of Justice has not yet been set. Mr. Alexander Link is a member of the Management Board of Deutsche Balaton AG. After taking note of the complaint, the Supervisory Board decided to form a committee in this context due to a potential conflict of interest of Mr. Wilhelm K. T. Zours, who was a member of the Company's Supervisory Board at the time. During the financial year 2025, the following members of the Supervisory Board were appointed to the committee: Dr. Helge Lubenow (Chairwoman), Mr. Karlheinz Schmelig and Dr. Heikki Lanckriet. The Complaints Committee did not meet during the reporting period because no decisions had to be made.

From the Supervisory Board's point of view, the existing conflict of interest was dealt with appropriately. Even in retrospect, it cannot be established that there was a significant and not merely temporary conflict of interest that would have necessitated the termination of the mandate.

## Changes in the Supervisory Board

The composition of the Supervisory Board remained unchanged in the reporting period.

## Composition of the Management Board

The composition of the Management Board remained unchanged in the reporting period.

The former Chief Financial Officer, Mr. Ludwig Lutter, asserted further payment claims under his Management Board service contract during the reporting period. In a decision served on the company on 22 March 2024, the Regional Court of Cologne awarded Mr Lutter an amount of EUR 616 thousand, taking into account the other income he had declared. Mr Lutter appealed against that decision. In a judgment of 30 October 2025, the Higher Regional Court of Cologne dismissed the plaintiff's appeal and clarified that the action had been dismissed for the remainder. As a result, Mr Lutter does not receive the amount he claims in addition. The plaintiff was also ordered to pay the costs of the appeal proceedings.

Since September 2022, the current sole member of the Management Board, Ms. Pilar de la Huerta Martinez, has been appointed Chief Financial Officer. Ms. de la Huerta Martinez has worked for more than 25 years as Chief Executive Officer and Chief Financial Officer in various technology companies in the pharmaceutical and healthcare industry, bringing relevant industry experience and high professional qualifications.

The Supervisory Board thanks Ms. de la Huerta Martinez for her high level of commitment to the company during a challenging phase of business development.

## Future

Biofrontera AG achieved a positive adjusted EBITDA (so including continued and discontinued operations) in the 2025 financial year, thus reaching an important milestone in the strategic development of the company. The restructuring of the relationship with Biofrontera Inc. has significantly reduced the company's risk profile and led to a leaner and optimized operating structure. This significantly increased Biofrontera AG's independence from the development of Biofrontera Inc.

With the completion of this transformation, Biofrontera AG is now well positioned to implement its growth strategy in Europe. The core of the strategy is to increase sales with Ameluz® in the European core markets and to expand into new countries if the business case is right, but also to expand the pharmaceutical product portfolio in the field of dermatology through strategic

partnerships and transactions with third parties. In addition, Biofrontera AG is exploring opportunities to expand Ameluz®'s indications to other dermatological diseases for which initial studies indicate attractive clinical and commercial potential.

Recent innovations in the field of daylight and artificial daylight photodynamic therapy are already making a noticeable contribution to increasing market share over competitors. In the 2025 financial year, the company once again achieved a very strong performance in the European markets, which are served by its own sales organization. Based on this operational performance, Biofrontera AG sees itself well positioned to further expand its business.

In the coming period, the Supervisory Board and the Management Board will continue to work together constructively and in a results-oriented manner in order to further improve the economic situation of Biofrontera AG and its valuation on the capital market.

Finally, we would like to thank you, our shareholders, once again for your patience, trust and support!

Leverkusen, April 17, 2026

Alexander Link

Chairman of the Supervisory Board

\*For efficiency, we use the generic masculine that includes all genders.