Biofrontera

Deep in dermatology

Biofrontera AG

Annual Report 2024

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Biofrontera AG – Annual Report 2024

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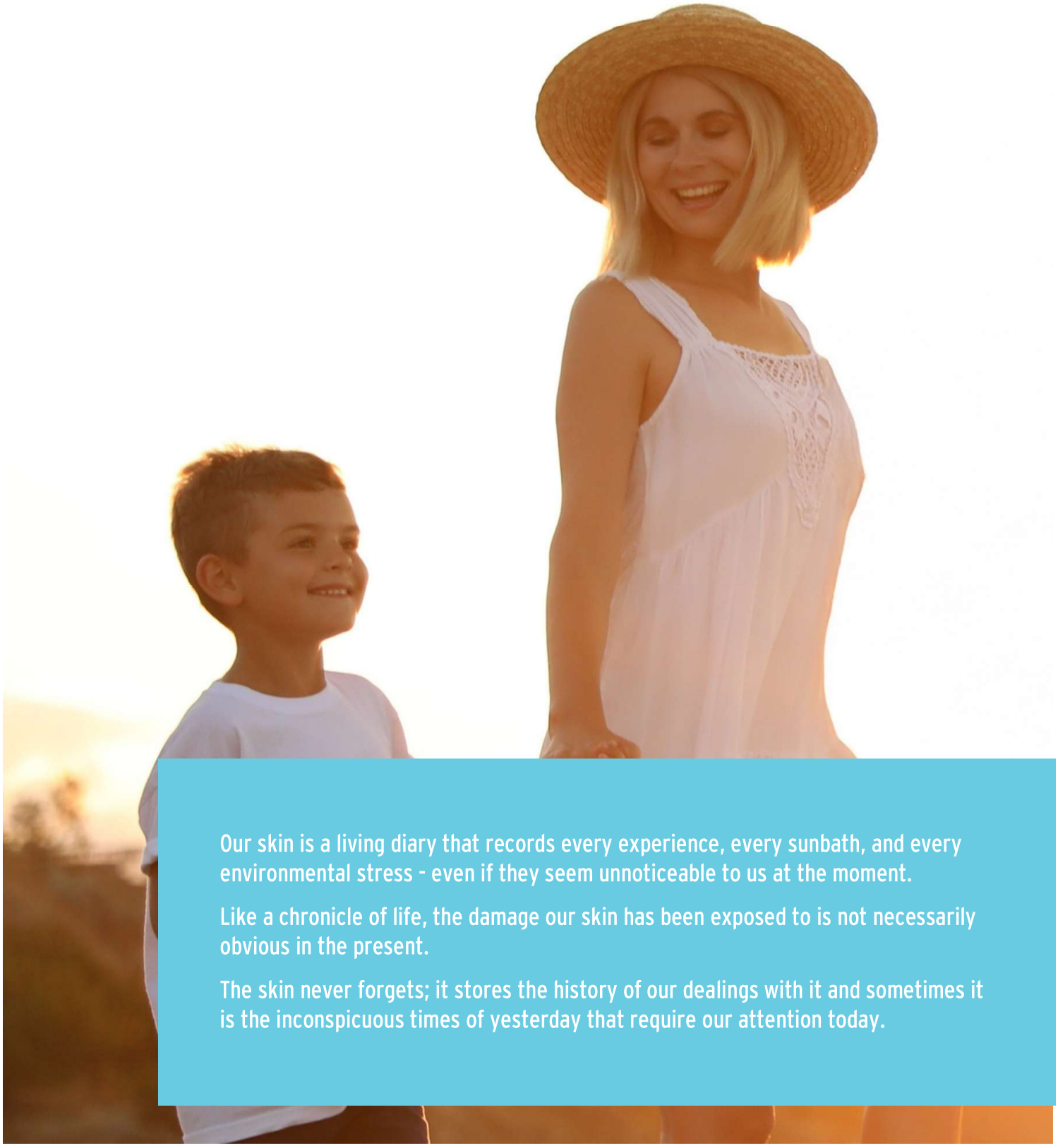


Our skin is a living diary that records every experience, every sunbath, and every environmental stress - even if they seem unnoticeable to us at the moment.

Like a chronicle of life, the damage our skin has been exposed to is not necessarily obvious in the present.

The skin never forgets; it stores the history of our dealings with it and sometimes it is the inconspicuous times of yesterday that require our attention today.

MEMORIES FADE
OUR SKIN FORGETS NOTHING...

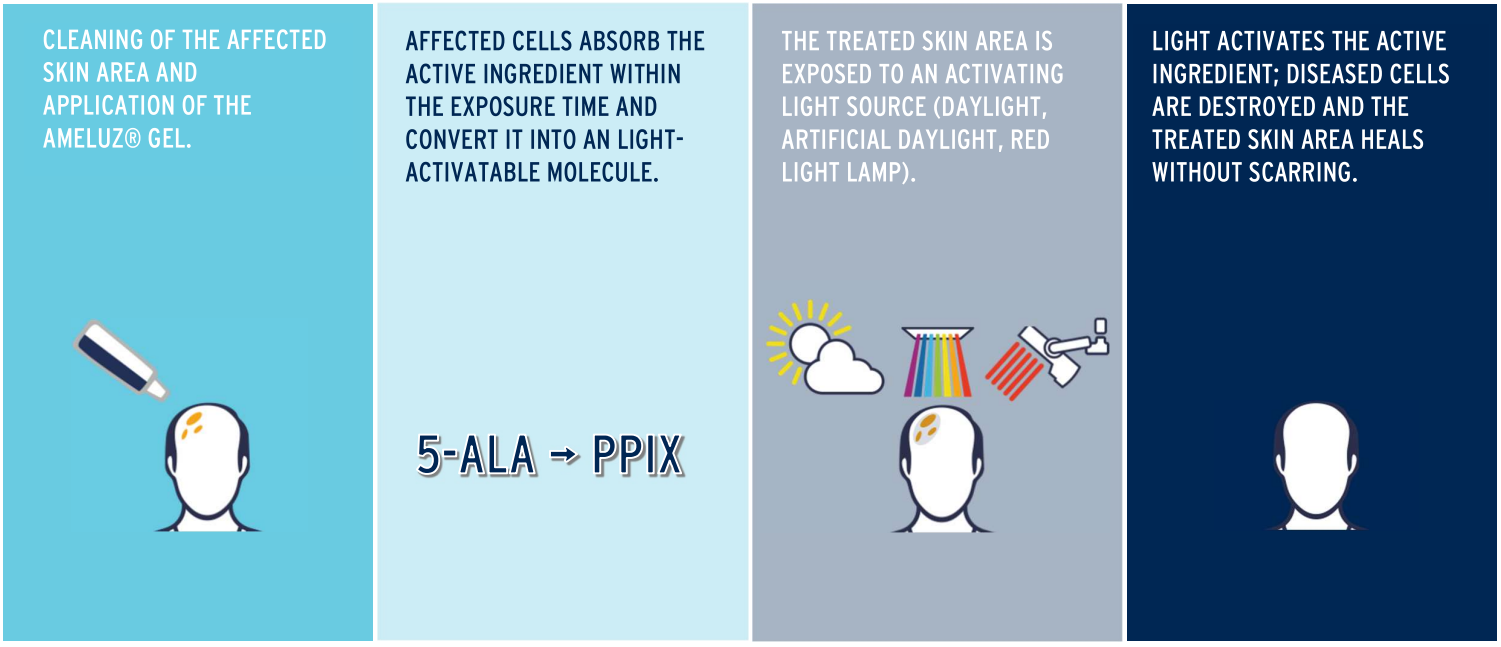
Our skin is a complex and adaptive organ which serves as a record of past stresses and exposures. While it may seem healthy on the surface, it holds the memory of previous sun exposure, environmental influences, and the effects of aging. This hidden archive of past damage may later emerge as dermatological issues, which can manifest in various forms over time.

With the rise in environmental pollution and shifting lifestyles, the skin is facing increasing stress, leading to a growing incidence of skin conditions and diseases. Early detection of skin abnormalities is critical for successful treatment, as identifying issues in the early stages significantly improves the chances of recovery and allows for more gentle, targeted therapies.

Biofrontera has positioned itself as a leader in dermatological innovation, with a strong foundation in photodynamic therapy (PDT). Years of research and development have enabled us to create treatments that are precisely tailored to the individual needs of patients.

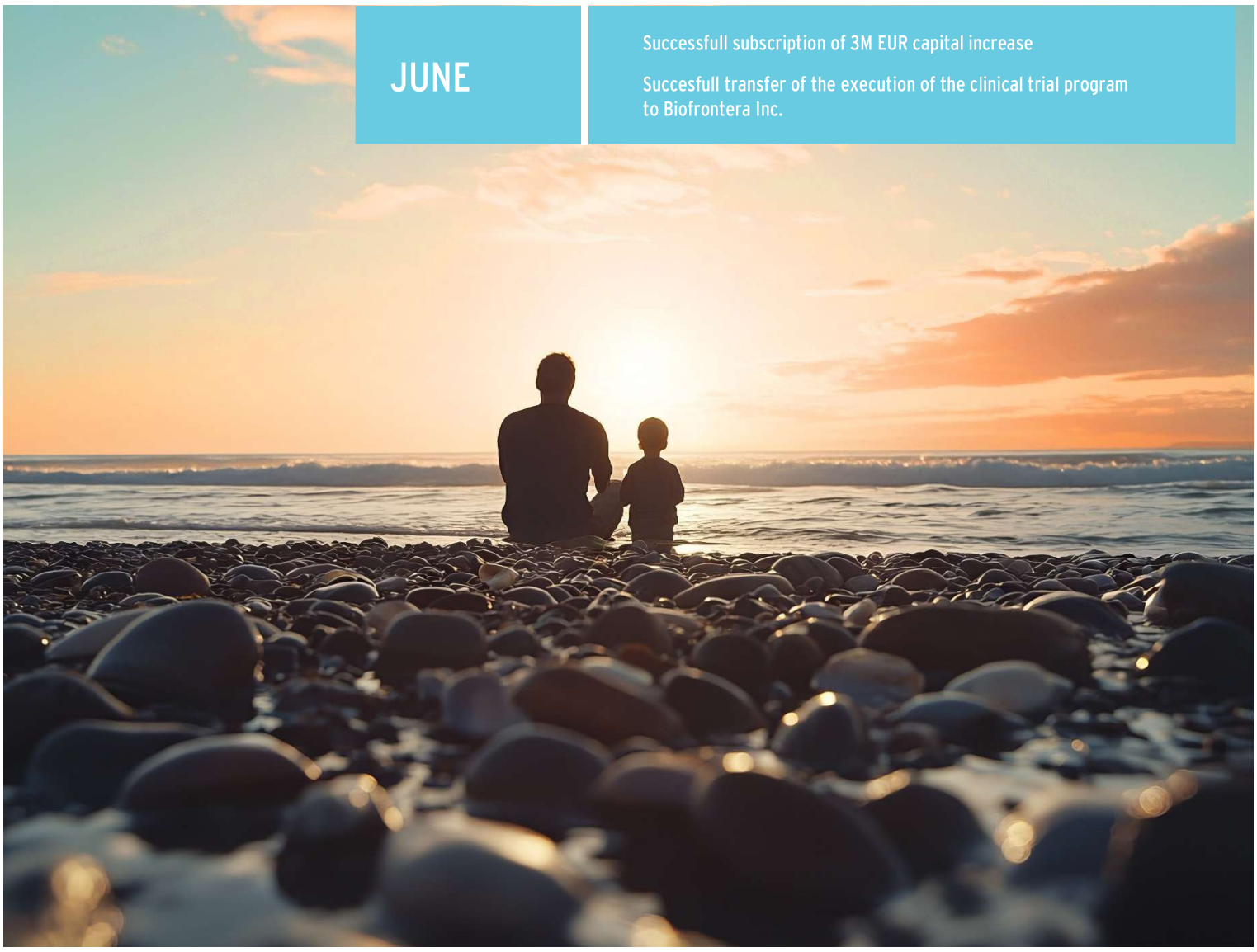
Beyond PDT, we are committed to advancing comprehensive dermatological solutions, aiming to support the long-term health of your skin. Our vision is to solidify Biofrontera's role not only in the treatment of actinic keratosis and keratinocyte cancers, such as basal cell carcinoma, but also as a trusted expert in the broader field of dermatology.

PDT AT A GLANCE



OPERATIVE HIGHLIGHTS 2024

JANUARY	Approval of artificial daylight by the MHRA in UK
FEBRUARY	Signature of a new amendment to the License and Supply agreement with Biofrontera Inc
APRIL	Extraordinary AGM with a reverse split and capital increase approval
JUNE	Successfull subscription of 3M EUR capital increase Succesfull transfer of the execution of the clinical trial program to Biofrontera Inc.



JULY	First implementation of the optimized Ameluz formulation without Propylene Glycol
AUGUST	Partnering agreement signature with Leo Pharma for two well established derma products in the German Market
OCTOBER	Approval of label extension to larger skin areas treated with up to 3 tubes of Ameluz by FDA in USA Distribution agreement signature with Galenica Pharma for Ovixan in the UK market
DECEMBER	For a second consecutive year, Ameluz grew more than 25% in the German Market US patent office issued a "notice of Allowance" for the patent application covering the new Ameluz formulation without propulene glycol

Key figures in accordance with IFRS

	01.01.-31.12.2024		01.01.-31.12.2023	
Results of operations				
Sales revenue	21,666	100.00%	32,249	100.00%
- thereof Germany	7,831	36.14%	6,257	19.40%
- thereof Spain	1,696	7.83%	1,743	5.40%
- thereof UK	841	3.88%	723	2.24%
- thereof Rest of Europe	1,700	7.85%	1,195	3.71%
- thereof USA	9,483	43.77%	22,225	68.92%
- thereof Other Regions	115	0.53%	106	0.33%
Gross profit on sales	16,339	75.41%	26,005	80.64%
Result on operations	(5,941)	(27.42)%	4,782	14.83%
EBITDA	(4,635)	(21.39)%	5,923	18.37%
EBIT	(5,473)	(25.26)%	5,132	15.91%
Profit/loss before income tax	(6,698)	(30.91)%	(2,127)	(6.60)%
Profit/loss for the period	(4,329)	(19.98)%	(369)	(1.15)%

in EUR thousands	December 31, 2024	December 31, 2023
Balance sheet key figures		
Total assets	29,654	30,732
Non-current assets	13,399	13,012
Cash and cash equivalents	3,124	3,080
Other current assets	13,131	14,641
Total equity and liabilities	29,654	30,732
Equity	18,856	19,980
Non-current liabilities	329	678
Current liabilities	10,469	10,073

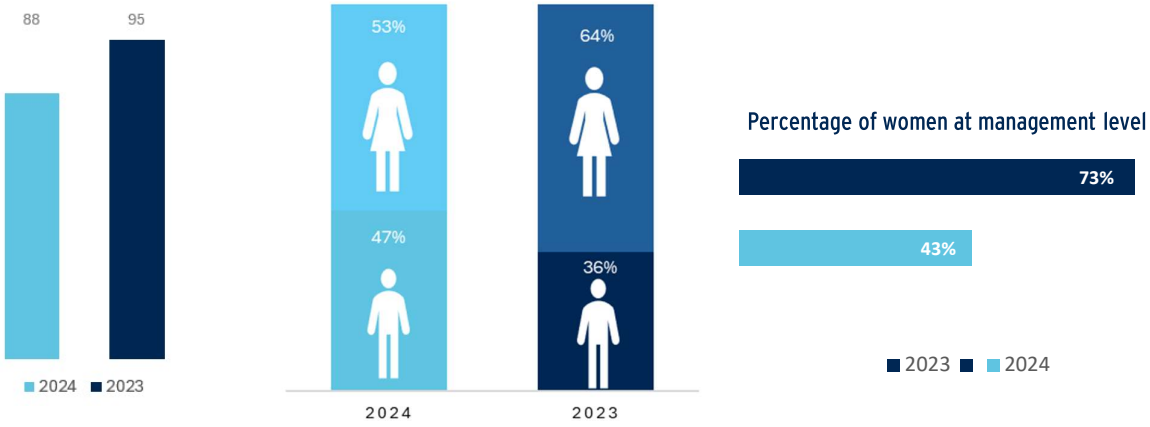
	December 31, 2024	December 31, 2023
Number of employees	88	95
Biofrontera Shares	0	0
Number of shares outstanding	6,076,862	63,807,058
Share price (Xetra closing price in EUR, Dec 30, 2024)	2.15	0.40

Key figures 2024

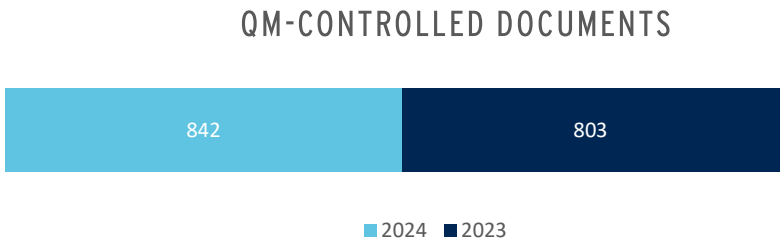
	Results and development
Turnover	EUR 21.7 million
	vs. EUR 32.2 million in 2023
Result from operations	EUR -5.9 million
	vs. EUR 4.8 million in 2023
Result before income tax	EUR -6.7 million
	vs. EUR -2.1 million in 2023

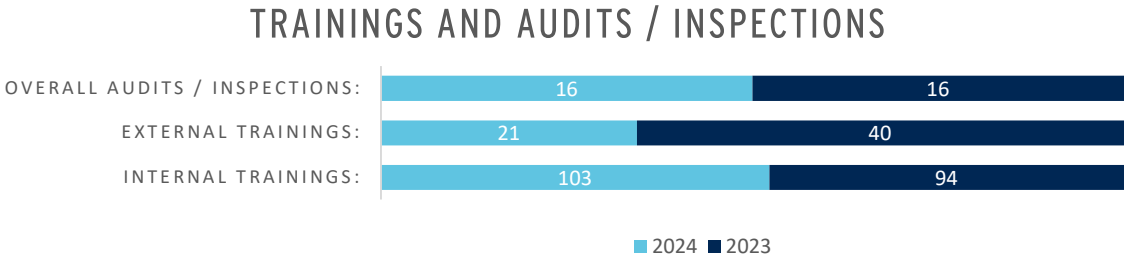
Non-financial key performance indicators

Employees



Quality management





Sustainability as a future performance indicator

The sustainability of our business activities has a significant impact on the environment, society, and our social interaction. We are aware of this responsibility and consider the impact of our actions on present and future generations. Our goal is to balance the economic interests of the company with the demands of sustainability through value creation.

Improved patient care is our goal

At Biofrontera, we are committed to skin health and want to use our products to improve the quality of life of people with sun-induced skin cancer. It is essential that patients have access to this effective therapy. To this end, Biofrontera, together with its distribution partners, aims to promote photodynamic therapy worldwide as an effective solution for sun-induced forms of skin cancer and to open up new indications through further research and development.

Employees as our most important asset

Our employees carry our company. Their high level of qualification and extraordinary commitment have made Biofrontera what it is today. From a very early stage, we at Biofrontera have supported our employees. Employee development has therefore always been a focus of the company and is now complemented by significantly more flexible working models. In addition, communication with employees is extremely important to us, which is why employee feedback is given high priority as part of the annual performance appraisal. It is planned to include these results among the most important performance indicators so that employee commitment becomes a key performance indicator.

Ensuring product quality

We must ensure that our products meet all regulatory requirements and are suitable for their intended use. Biofrontera is therefore committed to maintaining a quality management system and continuously monitoring its effectiveness. The aim is to minimize manufacturing errors and possible risks to users and/or patients regarding safety, quality and efficacy. To this end, market information and changes in regulatory requirements are continuously evaluated to adapt our products to customer needs and regulatory requirements. In order to do this in the best possible way, Biofrontera strives for fair, open and long-term cooperation with customers, business partners, suppliers and regulatory authorities. Equally important is a clearly defined organizational structure and process organization that specifies who, when and how quality assurance tasks are to be performed. With this approach, we not only fulfill the regulatory requirements of the industry, but also ensure that quality is actively practiced in our company

During 2024, we made significant progress in implementing our strategy to establish ourselves as a leading dermatology-focused pharmaceutical company in Europe.

The growth of Ameluz, marking a second consecutive year of 20% growth, validates our assumption about the product's vast potential in the European market. We have further solidified our position as a leading biopharmaceutical company specializing in photodynamic therapy in Europe.

With the separation of Biofrontera Inc., Biofrontera AG has strategically realigned itself, focusing its resources on the European business. This move has allowed us to optimize costs and enhance profitability. As we mentioned last year, our primary focus remains on expanding our sales activities in Europe, and this year's performance in the region confirms the effectiveness of this strategy.

For the second consecutive year, we are proud to report record-breaking sales in Germany, where we achieved a remarkable 25,2% growth compared to the previous year. This significant increase in sales demonstrates our dominant position in the photodynamic therapy market. The development of daylight and artificial daylight therapy further highlights our commitment to offering less painful treatment options, ensuring efficient care without undesirable side effects like pain.

The agreement with Biofrontera Inc. to transfer all clinical trials to them as of June 1, 2024, in exchange for a reduction in the transfer price, enables us to concentrate more on our sales activities while reducing the substantial costs associated with clinical trial development. In the short term, the reduction in expenses will be offset by a decrease in revenue due to the lower transfer price. However, from a strategic perspective, this agreement provides us with significant cost flexibility. Under the previous agreement, the minimum sales level was insufficient to cover clinical program costs, creating financial pressure.

Under the new agreement, while revenues from Biofrontera Inc. will decrease in the initial two years, the transfer price will increase to 30% after 2026 and up to 35% in the following five years, surpassing the rates in the former deal. Additionally, all clinical trials will be managed solely by Biofrontera Inc., granting them flexibility to decide the scope and timing of trials.

2024 was also a year of portfolio expansion through partnerships with other pharmaceutical companies.

The first agreement with Leo Pharma to co-promote two mature dermatological products in Germany marked an important milestone, serving as a proof of concept for our approach to expand our portfolio. A second deal with Galenica to introduce and commercialize Ovixan in the UK further demonstrates the viability of our strategy. We remain committed to expanding our dermatological portfolio in Europe, aiming to become a reference in the European dermatology pharmaceutical sector.

Reducing our dependency on Biofrontera Inc. on the revenue side is another critical objective. Relying heavily on a single customer presents significant business risks. By growing our European portfolio and operations, we aim to achieve greater independence and stability.

Despite strong European performance, overall results were impacted by two key factors originating from the U.S.:

- Biofrontera Inc.'s stockpiling policy changes: This led to a significant reduction in purchase orders during 2024.

- Several litigations by Sun Pharmaceutical (DUSA): In July 2024, DUSA filed multiple legal actions against Biofrontera Inc., Biofrontera AG, and its subsidiaries, alleging patent infringement related to the XL Rodoled Lamp, launched in May 2024. In February 2025, Sun Pharmaceutical has served Biofrontera AG with an additional lawsuit alleging breach of contract (Settlement signed between Biofrontera INC, Sun Pharmaceuticals and Biofrontera AG group in 2021) and misleading advertising of Ameluz in the USA.

Although we believe there is no patent infringement, DUSA's aggressive legal actions aim to remove our lamp from the U.S. market. Legal defense costs, estimated at EUR 11,826 thousand over three years, will be shared with Biofrontera Inc. due to IFRS rules, we had to provision these expenses in 2024, significantly impacting our EBITDA. Without these provisions, the company's EBITDA would have been positive and aligned with our initial guidance.

On top of, at the end of February 2025 we have been served with a third new lawsuit from DUSA related to the marketing material used by Biofrontera Inc in the USA market. Our lawyers are analyzing the legal action, and next steps. The legal fees associated to this new process will be in the range between EUR 500 thousand to EUR 1,000 thousand, and the process will take several years. As with the patent case, due to IFRS rules, the company had to provision the more probable expenditure fully in 2024.

In summary, Biofrontera AG made tremendous progress in 2024, though external factors impacted our financial results and share price. Uncertainty surrounding our U.S. licensee contributed to market apprehension. However, restructuring the license agreement and our clinical development activities, along with two significant portfolio expansion deals, have set the stage for reduced dependency on Biofrontera Inc. and increased control over our future.

2025 will be a challenging year for Biofrontera AG. It will be the first full year under the reduced transfer price agreement. The outcomes of the DUSA legal proceedings will likely remain unresolved in 2025, requiring continued investment in our legal defense. We must maintain strict cost controls to ensure positive EBITDA. However, we expect Biofrontera Inc. to increase Ameluz purchases in 2025 as they replenish stock levels reduced in 2024.

The reverse stock split and subsequent capital increase in April 2024 helped address our cash needs for the year, with significant support from our key shareholder, Deutsche Balaton, who increased their stake in the company. This demonstrates their confidence in Biofrontera AG's future.

For decades, Biofrontera has built structures, networks, and values that we will continue to nurture with care and commitment. Over the past three years, we have undergone extensive restructuring in management, shareholders, and corporate structure. The results achieved so far show that we are on a promising and profitable path.

As always, I extend my heartfelt thanks to our employees, consultants, and partners who have supported us throughout this journey. None of our achievements would be possible without their dedication and effort. I also thank our shareholders, whose trust is critical to our success.

Together, let us continue to develop Biofrontera to realize its full potential. I am confident that as a small pharmaceutical company, we can compete successfully with global players, particularly in Europe. This is because we drive innovation, adapt flexibly to market changes, and deeply believe in the quality of our products and the value of our team.

Thank you for joining and supporting us on this journey.

Pilar de la Huerta Martínez
Chief Financial Officer Biofrontera AG

Report of the Supervisory Board of Biofrontera AG for the financial year 2024 (unaudited)

Dear Shareholders,

The fiscal year 2024 shows a negative operating result for Biofrontera AG. Although the company has implemented relevant cost reduction measures, the reduction in the revenues coming from our partner Biofrontera Inc, and the legal defense expenses associated to several lawsuits filed by Sun Pharmaceuticals (calld DUSA or SunPharma thereafter) against us, have moved the EBITDA of the company to the negative side.

For the second year, the company had a clear focus in expanding the EU business with a revenue's growth in EU of 22%. This successful development in the European markets shows the commitment of the employees with our goal of making Biofrontera AG a key player in the EU pharma derma space. We aim to continue supporting this development in the future. The Supervisory Board collaborates closely with each other and with the management team in a spirit of trust.

We extend our thanks to the Executive Board and the employees for their contributions, which have supported the development of Biofrontera AG in the past fiscal year.

Supervision and Consultation

The Supervisory Board worked closely with the Executive Board in a spirit of mutual trust. It fulfilled its duties in accordance with the statutory requirements, the Articles of Association, the German Corporate Governance Code and the rules of procedure. Its responsibilities included supervising the Executive Board and advising it on the management of the company and the group. The Supervisory Board discussed business decisions and plans with the Executive Board.

The Executive Board provided reports to the Supervisory Board on the Company's situation. The Supervisory Board was informed by the Executive Board about the company's development both in meetings and outside of meetings. Based on written and oral reports from the Executive Board, the Supervisory Board discussed business development and the company's situation in its deliberations. Additionally, there was an exchange of information and ideas between the Executive Board and the Chairman of the Supervisory Board.

The Supervisory Board also reviewed the legality, propriety, adequacy and cost-effectiveness of management actions. The Supervisory Board believes that the division of the Biofrontera Group's operating activities into an independent U.S. sales company on the one hand and the (former) parent company Biofrontera AG on the other, which took place at the end of 2021, is still not optimal for the Biofrontera AG Group. However, a restructuring with the aim of reuniting the operating activities is not feasible, at least in the short term.

Biofrontera group is being sued by SunPharma (DUSA) in different areas due to the business developed by Biofrontera Inc in the USA. This legal attack is affecting both companies mainly due to the high legal expenses associated to the legal defense. The Supervisory Board is optimistic about the final outcome of all the legal processes, although the high level of legal fees is damaging the financial situation of the company.

Deviation of business performance from the plans was explained to the Supervisory Board by the Executive Board and discussed with them. It was also examined to what extent the legal requirements and the decisions, suggestions, and recommendations of the Supervisory Board were considered or implemented by the Executive Board in business management.

Meetings and their Focus of Discussion

In fulfilling its duties, the Supervisory Board held 12 meetings during the reporting year. Two meetings were held in person, while all other meetings were conducted via telephone or video conferences.

During the meetings, the Executive Board reported on the current business situation. In particular, the Executive Board explained the liquidity position of the Company in the context of sales forecasts and cost planning.

In the meeting on January 30th, 2024, a potential capital increase for Biofrontera AG was discussed, as the company the liquidity of the company was very weak due to the relevant decrease of Biofrontera Inc revenues for 2024 due to their change in the stockpiling strategy.

On April 4th, after the extraordinary shareholders meeting took place, the Supervisory Board had a meeting to analyze and review the budget proposed by the executive board for 2024.

In the meeting on April 25, 2024, the Executive Board, jointly with the director of operations of the company, Dr. Montserrat Foguet, presented a deep analysis of all the cost of the companies and all the activities that needs to be done in the regulatory, quality, pharmacovigilance, manufacturing, IP and medical writing side in order to fulfill with all the legal requirements of a pharma company. The meeting took too long, and the Supervisory Board recommended to do some changes to the budget proposed. A second session was moved to April 29, 2024, where the Supervisory Board approved the budget for 2024 after a productive discussion with the Executive Board.

The auditor reported to the Audit Committee and the Supervisory Board in full at the meeting on April 29, 2024, on the timing, structure, and results of the audit for the fiscal year 2023.

After discussing the financial statements for 2023, the consolidated financial statements, and the consolidated management report, the Supervisory Board approved the auditor's reports in the meeting on April 29, 2024, without objections after the final results of its own review and approved the annual financial statements of the Company and the Group. It followed the recommendation of its Audit Committee, which had previously held a meeting in the presence of the auditor and discussed the annual financial statements for 2023, the consolidated financial statements, the consolidated management report, and the audit reports.

On May 6th, 2024 Mr. Zours, former chairman of the company, resigned from his position due to personal reasons and Dr. Tielmann, as a deputy chair person, covered that position on an interim basis until the appointment of Dr. Lubenow in May 10th 2024.

In the meeting on June 24th, 2024, the supervisory board decided about the proposal of new members in the next ordinary annual shareholders meeting to be held on August 28th. Dr Tielmann and Dr Lergenmüller will resign in the next AGM, and three new members will be proposed, Mr. Link, Mr. Reich and Mr. Plaggemars. The executive board presented the potential deal with Galenica for the commercialization and distribution of Ovixan in UK.

In the meeting on August 27th the executive board updated the board about the financial and cash situation of the company. Also, different scenarios of potential collaborations with Inc. were discussed.

After the celebration of the annual ordinary shareholders meeting on August 28th, the new supervisory board had a meeting, nominating Mr. Link as the new chairman, and Dr. Lubenow as the new deputy chairperson. The new committees were constituted. Mr. Schmelig, Mr. Plaggemars and Dr. Lubenow were elected as the new audit committee members, keeping Mr. Schmelig as chairman of it. Mr. Link, Dr. Lanckriet and Dr. Lubenow were elected as the new Remuneration and Nomination Committee. Dr. Lubenow again takes the chair position.

In the meetings on September 27th and October 10th, 2024, the new Supervisory Board jointly with the executive board did a deep analysis of the different strategies the company could follow with Biofrontera Inc, aiming to reduce our exposure to SunPharma (DUSA) legal attacks. The Executive Board explained all the legal actions taken by SunPharma (DUSA) against Biofrontera AG, Biofrontera Pharma GmbH and Biofrontera Bioscience GmbH. An initial budget for the legal defense was presented by the Executive Board.

In the meeting on November 13th, the executive board did a follow up of the company situation and updated the supervisory board members about the liquidity situation of the company.

In the meeting on December 4, 2024, the Supervisory Board discussed the budget for 2025 with the Executive Board. The Executive Board and the Supervisory Board thoroughly examined the financial situation and potential existing risk factors. The Sales and Marketing Vice-President, Dr. Axel Drews, joined the meeting to explain the commercial strategy for the upcoming months. The budget was then approved by circular resolution. The possibility of exempting Biofrontera Pharma GmbH from the obligation to prepare and audit individual financial statements for the fiscal year 2024 in accordance with § 264 paragraph 3 sentence 1 no. 1 HGB by providing a parent company guarantee was discussed and approved by subsequent circular resolution.

Decisions outside of Meetings

Outside of meetings, the Supervisory Board made decisions in 14 parallel proceedings, including decisions on Executive Board matters, legal issues, and matters related to the Annual General Meetings in the fiscal year 2024.

Committees of the Supervisory Board

In the fiscal year 2024, there was an Audit Committee, a Nomination and Remuneration Committee, and a Litigation Committee regarding the proceedings of Deutsche Balaton AG against Biofrontera AG.

According to the rules of procedure of the Supervisory Board, the Chairman of the Supervisory Board is also the chairman of the committees dealing with Executive Board contracts and preparing Supervisory Board meetings. Although the Chairman of the Supervisory Board was not the chairman of the Nomination and Personnel Committee, which deals with Executive Board contracts, in the fiscal year 2024, he was a member of this committee. The Supervisory Board considers this deviation from the standard regulation of the rules of procedure to be inconsequential. The Chairman of the Supervisory Board should not hold the chairmanship of the Audit Committee, which was also not the case. The chairpersons of the committees' report on the work of the committees in Supervisory Board meetings, except for the Litigation Committee.

1. Audit Committee

The Audit Committee deals in particular with questions of accounting and risk management, the necessary independence of the auditor, and the assignment of the audit mandate to the auditor and monitors the audit of the Company's annual financial statements. The committee met 12 times during the reporting year, 10 meetings held as video conferences and 2 in person.

The members of the Audit Committee during the reporting year were: Mr. Karlheinz Schmelig (Chairman), Dr. Helge Lubenow, Prof. Dr. Karin Lergenmüller (January 1st 2024, to August 28th , 2024). Dr. Jörgen Tielmann (January 1st, to August 28th 2024) and Mr. Hansjörg Plaggemars (from August 28th, 2024 onwards)

2. Nomination and Personnel Committee

The Nomination and Personnel Committee prepares, among other things, decisions of the Supervisory Board regarding the appointment and dismissal of Executive Board members. Since the Supervisory Board is ultimately responsible for compensation decisions, the Personnel Committee also acted preparatory in this regard.

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 2 times during the reporting period on March 3 and September 26; all meetings were held as video conferences. In addition to these formal meetings of the Nomination and Personnel Committee, there was monthly informal exchange among committee members.

The members of the Nomination and Personnel Committee during the reporting period were: Dr. Helge Lubenow (Chairwoman), Mr. Wilhelm K.T. Zours (from January 1st to May 5th ,2024) Dr. Heikki Lanckriet and Mr. Alexander Link (from August 28th ,2024, onwards)

3. Other Committees

Reference is made to the section "Conflicts of Interest" below.

Individualized Disclosure of Attendance of Supervisory Board Members at Supervisory Board and Committee Meetings in the Fiscal Year 2024

Name	Board Meetings Attendance	Presence in %	Committee Meetings Attendance	Presence in %
Dr. Heikki Lanckriet	11/12	92%	2/3	66%
Dr. Helge Lubenow	11/12	92%	15/15	100%
Karlheinz Schmelig	12/12	100%	12/12	100%
Prof. Dr. Karin Lergenmüller	7/7	100%	10/10	100%
Alexander Link	5/5	100%	1/1	100%
Tobias Reich	5/5	100%		
Hansjörg Plaggemars	4/5	80%	2/2	100%
Dr. Jörgen Tielmann	7/7	100%	10/10	
Wilhelm K. T. Zours	4/4	100%	1/1	100%

Annual and Consolidated Financial Statements 2024

Nexia GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Georg-Glock-Strasse 4, 40474, Düsseldorf, was appointed as the auditor for the annual and consolidated financial statements for the fiscal year 2024 by the ordinary Annual General Meeting on August 28, 2024, and subsequently commissioned by the Supervisory Board. The auditor's independence declaration was obtained. Nexia GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Georg-Glock-Strasse 4, 40474 Düsseldorf audited the annual and consolidated financial statements of Biofrontera AG prepared by the Management Board and the summarized management report for the 2024 fiscal year and issued unqualified audit opinions. The auditor also confirmed that the Management Board had established an adequate information and monitoring system that is suitable in its design and application for the early detection of developments endangering the continued existence of the company.

The consolidated financial statements were prepared based on International Financial Reporting Standards (IFRS). The audit documents were discussed in the Audit Committee on April 14th, 2025, in the presence of the auditor and other members of the Supervisory Board. During this meeting, the annual and consolidated financial statements were also discussed with the Management Board. In this context, the Audit Committee dealt in particular with the key audit matters described in the respective auditor's report, including the audit procedures performed. The audit documents were discussed in the presence of the auditor. All Supervisory Board members received the audit documents and the auditor's reports before this meeting and reviewed these documents. The auditor reported on the audit, commented on the audit focus areas, and was available to the Supervisory Board for questions and information. The auditor also reported on the scope, focus areas, and key findings of the audit, focusing in particular on the key audit matters and the audit procedures performed. Questions from the Supervisory Board were answered by the Management Board and the auditor. The auditor also reported on his findings regarding internal control and risk management relating to the financial reporting process.

In its balance sheet meeting on April 14th, 2025, the Supervisory Board duly noted the audit reports, the annual and consolidated financial statements, and the summarized management report. After discussing the annual financial statements, consolidated financial statements, and the summarized management report, the Supervisory Board approved the auditor's reports and the results of the audit, raised no objections after the final result of its own review, and approved the annual and consolidated financial statements. The annual financial statements of Biofrontera AG were thereby adopted.

The present report of the Supervisory Board was adopted at the balance sheet meeting on April 14th, 2025, as was the corporate governance statement.

Auditor and Responsible Auditor

Nexia GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Georg-Glock-Strasse 4, 40474 Düsseldorf, has served as the auditor for Biofrontera AG and the Group for the fiscal year 2024 for the first year.

Corporate Governance and Declaration of Compliance in accordance with § 161 AktG

Information on corporate governance is presented in the annual report and on the Internet at www.biofrontera.com under "Investors" / "Corporate Governance" and in the corporate governance statement. In particular, details regarding the objectives of the Supervisory Board regarding its composition and the status of implementation are provided there.

Conflict of Interest

Every member of the Supervisory Board is obligated to act in the best interest of the company. They must not pursue personal interests or utilize business opportunities that belong to the company 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 is especially relevant in cases where conflicts of interest may arise due to consulting or organizational positions with clients, suppliers, lenders, or other business partners. Significant and not merely temporary conflicts of interest involving a member of the Supervisory Board should lead to the termination of their mandate.

On December 13, 2021, Deutsche Balaton AG, Heidelberg, filed a declaratory action against Biofrontera AG at the Cologne District Court, which was decided on December 9, 2022, by the Cologne District Court. Mr. Wilhelm K.T. Zours indirectly holds the majority of shares in Deutsche Balaton AG through VV Beteiligungen AG and is Chairman of the Supervisory Board of Deutsche Balaton AG. There is a domination agreement between VV Beteiligungen AG and Deutsche Balaton AG. Since December 14, 2021, Mr. Zours has also been a member of the Supervisory Board of the company and its chairman. The essence of the lawsuit was that Deutsche Balaton AG maintains the view, shared by the Cologne District Court in its judgment, that the IPO of Biofrontera Inc. together with capital measures required the approval of the Biofrontera AG General Meeting. The lawsuit was directed against Biofrontera AG, represented by the Management Board and represented by the Supervisory Board. Upon learning of the lawsuit, the Supervisory Board decided to form a committee in this context, and the following members of the Supervisory Board were appointed to the committee: Dr. Jörgen Tielmann (Chairman), Mr. Karlheinz Schmelig, and Dr. Helge Lubenow. The lawsuit committee did not meet during the reporting period as no decisions needed to be made.

Mr. Zours therefore did not participate in consultations and decision-making related to the lawsuit. Mr Link, Mr. Plaggemars and Mr. Reich also have conflict of interest, so none of them will participate in consultations and decision making related to the lawsuit.

From the perspective of the Supervisory Board, the conflict of interest has been appropriately addressed. Also, from a retrospective perspective, it cannot be determined that it was a significant and not merely temporary conflict of interest that would have required termination of the mandate.

Changes in the Supervisory Board

The composition of the Supervisory Board changed during the reporting period as was described in the previous pharagraphs.

The Supervisory Board would like to thank its former members Dr Lergenmüller, Mr Zours and Dr Tielmann for their valuable contributions and commitment to the good of the company.

Composition of the Management Board

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

Former Chief Financial Officer Mr. Ludwig Lutter claimed further payment claims from his Executive Board service contract during the reporting period. The Cologne District Court awarded Mr. Lutter an amount of EUR 616 thousand in a decision delivered to the company on March 22, 2024, considering the income Mr. Lutter stated to have earned elsewhere. Mr. Lutter appealed this resolution, there is no final decision on the appeal yet.

Since September 2022, the current sole Management Board member, Ms. Pilar de la Huerta Martinez, has been appointed as Chief Financial Officer. Ms. de la Huerta Martinez has been active as CEO and CFO of various technology companies in the pharmaceutical and healthcare sector for over 25 years, thus possessing relevant industry experience and high professional qualifications.

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

Future

Biofrontera AG generated a negative result for the 2024 financial year due to the decline in revenues from Biofrontera Inc. and the costs of the DUSA (SunPharma) lawsuits, some of which are to be taken into account as provisions. Although these costs are currently shared with Biofrontera Inc., the required provision is TEUR 4,992, in addition to the TEUR 1,796 already expended in 2024.

Currently we hold less than 4.5% of Biofrontera Inc. shares, due to highly dilutive capital increases. This company is still reporting high losses. Although Biofrontera AG is implementing a strategy to increase its EU business and get independence of Biofrontera Inc

revenues, the economic success of Biofrontera AG in the future will continue to depend to a large extent on the sales success of Biofrontera Inc. on the US market. The share of the US market in total sales remain high, although it has been reduced during the last two years, being less than 44% during 2024.

In February 2024, an agreement was concluded with Biofrontera Inc. to change the business relationship between the two companies. Biofrontera AG will focus on the utilization of its existing projects and know-how, while research and development will no longer be the focus of its activities.

Biofrontera AG is focused on expanding its business in Europe and the rest of the world.

Agreements with other pharmaceutical companies should expand the dermatology portfolio in the coming years. The introduction of Ameluz in new regions with high revenue potential and the further demonstration of the significant advantages of photodynamic therapy over competing products in the treatment of actinic keratosis will continue. The new developments with daylight and artificial daylight are making a significant contribution to increasing our market share over our competitors. The company's performance in the European market was outstanding in 2024, and we are confident that the company will be able to further expand its business in the EU and worldwide.

In the coming period, the Supervisory Board and the Management Board will continue to work constructively and with a focus on results to improve the economic situation of Biofrontera AG and its valuation on the capital market.

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

Leverkusen, April 14th 2025

Alexander Link
Chairman of the Supervisory Board

Corporate Governance Statement of Biofrontera AG pursuant to Sections 289f, 315d HGB for the financial year 2024 (unaudited)

The Company has made use of the option not to include the corporate governance statement pursuant to Sections 289f, 315d of the German Commercial Code (HGB) for the financial year 2024 in the (combined) management report for the financial year 2024, but refers to the publication of this statement as well as the statement of the Management Board and the Supervisory Board of Biofrontera AG (the Company) on the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) (unaudited) on the Company's website at www.biofrontera.com in the section "Investors", subsection "Corporate Governance" with the corresponding labels.

Compensation Report

Remuneration system for the members of the Management Board:

Principles of the system for the remuneration of the members of the Management Board of Biofrontera AG.

The compensation system for the executive board aims to appropriately remunerate the executive board members in line with their duties and responsibilities, taking into account the performance of each board member as well as the success of the company. The structure of the compensation system for the executive board of Biofrontera AG aims at sustainable increase of the company's value and performance-oriented corporate management. The compensation system is effective from August 2024 for new contracts .The performance of the executive board members is adequately considered through appropriately and ambitiously set performance criteria within the variable compensation components (Pay for Performance). The current market practices are taken into account in designing the compensation system.

In determining the compensation levels and the compensation system, the Supervisory Board generally follows the following guidelines:

- The compensation system significantly contributes to promoting the business strategy as a whole.
- In particular, the variable compensation components should be linked to the achievement of strategic objectives.
- The compensation system and the performance criteria of its variable components incentivize long-term and sustainable development of the Biofrontera Group.
- The strategic objectives formulated within the framework of the variable compensation components should ensure long-term and sustainable growth of the company.
- To ensure long-term developments, variable compensation components with a multi-year character should further contribute, aligning with the share price performance of Biofrontera AG and thus linking compensation to profit growth and shareholder interests.

The compensation system consists of:

- a fixed basic remuneration, payable monthly, which takes into account the tasks and performance of the members of the Management Board ("**basic remuneration**").
- a short-term variable compensation dependent on the achievement of the Company's annual performance targets in the form of an annual performance-related bonus ("**Short-Term Variable Compensation**"; "**STI**").
- A long-term compensation in the form of a stock appreciation rights program ("SAR program"), which is therefore directly linked to the Company's performance and is intended to create an incentive for sustained commitment to the Company. From August 2024, long-term variable remuneration may also take the form of a performance-related bonus based on performance over several consecutive years ("long-term variable compensation"; "LTI"). The goals for short- and long-term variable compensation are derived from the corporate strategy of Biofrontera AG. In addition, customary fringe benefits are provided.

Overall, the compensation thus contributes to the long-term development of the company.

Target Total Compensation

The target total compensation for each board member results from the base salary, the short-term variable compensation, and the long-term variable compensation at 100% target achievement.

In accordance with the compensation system, the Supervisory Board determines the level of target total compensation for each board member.

In doing so, it takes into account not only an appropriate relationship to the duties and performances of the board member but also the economic situation as well as the success and future prospects of the company. The Supervisory Board ensures that the target total compensation does not exceed the customary compensation without special reasons.

The assessment of market conformity is carried out both horizontally (external comparison/peer group comparison) and vertically (internal comparison).

Horizontal Comparison
The selection of the comparison group for assessing the market conformity of total compensation is based on the requirements of the Stock Corporation Act (especially industry and size as well as international orientation).

The composition of the comparison group is generally determined, as far as ascertainable, on the one hand from a comparison group of publicly traded companies in terms of revenue, EBIT, number of employees, and market capitalization. Furthermore, the selection of the comparison group is made, as far as ascertainable, from a comparison group of publicly traded industry companies.

Vertical Comparison
The compensation and employment conditions of the employees are taken into account within the framework of the vertical comparison outlined below.

Components of Compensation in Detail

Fixed Compensation Components
The fixed compensation components granted to the members of the Executive Board under the compensation system include the base salary and fringe benefits. The members of the Executive Board do not receive any pension commitments.

Basic remuneration
The Executive Board members receive the base salary, which is paid out in twelve equal parts monthly.

Fringe Benefits
Fringe benefits are granted based on employment contracts with individual members of the Executive Board and may include, for example, the following: private use of company cars, special payments such as payment of school fees, housing, rental, and relocation expenses, contributions to pension insurance (excluding pension commitments as outlined here), contributions to accident, life, and health insurance, or other insurances. Fringe benefits may be granted once or repeatedly. The annual value of fringe benefits should not exceed 10% of the annual base salary.

Short-Term Variable Compensation (Short Term Incentives; "STI")
Members of the Executive Board are entitled to short-term variable compensation, which can result in an annual bonus payment. The short-term variable compensation is linked to the achievement of performance goals, the specific target values of which are agreed upon at the end of a fiscal year.

The due date for STI payment generally occurs one month after the approval of the annual financial statements and consolidated financial statements for the respective fiscal year by the Supervisory Board of the Company. If the Company terminates the employment relationship for good cause within the meaning of § 626 of the German Civil Code (BGB), the STI payment for the fiscal year in which the termination becomes effective is forfeited.

Target Amounts
Target amounts are agreed upon with the Executive Board in the employment contracts, which are granted to them upon 100% achievement of the goals ("STI target amounts"). The amount of STI target amounts should not exceed 50% of the base salary at 100% target achievement. The amount of short-term variable compensation depends on the degree of achievement of the agreed

goals and can range between 0% and 200%. The exact payout is determined by multiplying the degree of goal achievement by the STI target amount of each Executive Board member. In case of exceeding the target, an increase up to a maximum of 200% of the STI target amount (cap) takes place. If the target is achieved up to 70%, the short-term variable compensation is reduced linearly; if the target achievement is less than 70%, the STI payment is completely waived.

Performance Goals
In determining the annual target agreement, the Supervisory Board aligns with the following performance goals:

The assessment criteria for STI include financial and non-financial performance criteria, which are agreed upon in a target agreement at the end of each fiscal year for the following fiscal year. If no agreement is reached between the Executive Board member and the Supervisory Board, the Supervisory Board decides on the determination of the assessment criteria at its reasonable discretion.

Financial performance criteria should include, besides the company's revenue, financial indicators such as earnings and profitability ratios (e.g., EBITDA - Earnings Before Interest, Taxes, Depreciation, and Amortization, EBITDA margin). The Supervisory Board has the option to adjust the financial performance measure used for evaluation by excluding extraordinary components.

Non-financial performance criteria should include criteria such as integrity, employee satisfaction, diversity, as well as sustainability/environmental-social-governance (ESG) aspects, which should account for at least 10% of the total goal achievement. Strategic criteria should also be included in the target agreement, such as achieving approvals, successful completion of studies, conclusion of significant contracts, or conducting financings.

A non-financial, strategic component should consider the contribution of the entire Executive Board as well as individual Executive Board members to the implementation of the company's strategy and thus to the long-term development of the company.

For the non-financial, strategic goals, it should be clearly defined within the target agreement under which conditions the respective goal is fully met (100% achievement of the individual criterion) and which parameters are used to assess the degree of goal achievement.

Calculation of Target Achievement
The total target achievement of short-term variable compensation is determined by the weighted average of individual performance criteria and the degree of respective goal achievement. Financial performance criteria should generally account for at least 55% of the goal achievement weighting, while non-financial criteria can account for up to 45%.

Short-Term Variable Compensation for Extraordinary Developments and Performances of an Executive Board Member
In justified exceptional cases, the Supervisory Board may grant the Executive Board members a special bonus at the discretion of the Supervisory Board, not exceeding EUR 50,000 (gross) per fiscal year and Executive Board member. The resolution on the existence of an exceptional case, which should specify the extent and quality of the extraordinary performance of the Executive Board member, also determines the specific amount of a special bonus and the timing of its payment by the Supervisory Board.

Long-Term Variable Compensation (Long Term Incentive; "LTI")
As a long-term incentive, members of the Executive Committee may be granted Stock Appreciation Rights (SARs) or, from August 2024, performance-related bonuses based on the performance of the Group over a number of consecutive years.

Bonus payments based on multi-year performance
Bonus payments may be agreed with the members of the Executive Committee based on performance over at least three consecutive years. The performance measures for the LTI consist of financial and non-financial performance criteria and are mutually agreed in a target agreement at the end of each financial year for the following financial year. The performance measures for the LTI should be based on the performance measures for the STI, but should cover a multi-year period. In the event of disagreement between the Executive Committee and the Supervisory Board, the Supervisory Board will determine the assessment factors at its own discretion.

Stock appreciation rights ('SARs')
An annual target amount equal to 150% of the STI target amount ("LTI target amount") is agreed upon with the Executive Board members. The numberof SARs granted annually corresponds to the LTI target amount divided by the economic value of the SARs at the time of grant. The economic value per SAR to be used corresponds to the intrinsic value determined based on the unweighted average closing prices of the company's shares traded in the closing auction on the Xetra trading platform of the Frankfurt Stock

Exchange or in a corresponding successor system on the 15 trading days preceding the grant. Executive Board members receive a payout based on the stock price performance of the company upon exercise of the SARs

Exercise Conditions
SARs can only be exercised

(i) if the reference price at the beginning of the respective exercise window exceeds the issue price by at least 20 per cent

and

(ii) if, in addition, the reference price has performed as well as or better than the 'MSCI World Health Care Index TR' or a comparable successor index ('reference index') in percentage terms in the period from the last trading day before the issue date to the 5th trading day (in each case the last calculation of the index on a day after US Eastern Standard Time (EST)) before the start of the respective exercise window ('reference period'). If the reference index is a total return index, the gross amount of dividends and other distributions paid by the company to shareholders during the reference period are taken into account when determining the performance.

The '**issue price**' corresponds to the non-weighted average closing price of the company's shares between the 15th and the last trading day preceding the issue date (inclusive).

The '**reference price**' corresponds to the non-weighted average closing price of the company's shares between the 15th and the 5th trading day (inclusive) prior to the start of the respective exercise window.

'**Closing prices**' are the prices determined in the daily closing auction in Xetra trading on the Frankfurt Stock Exchange or in a corresponding successor system. If a closing auction does not take place on relevant trading days or if no closing price is determined there, the last price determined in continuous trading is to be used as the closing price, insofar as such a price was determined on the trading day in question.

'**Trading days**' are all days on which the Frankfurt Stock Exchange is open for securities trading.

Payout amount
The payout amount is calculated as follows:

Reference price - base amount = payout amount per SAR (gross)

The '**base amount**' corresponds to the lowest issue amount for Biofrontera AG shares pursuant to Section 9 (1) AktG.

Limitation of the payout amount (cap)

SARs for which the exercise conditions are otherwise met cannot be exercised if and to the extent that the gross proceeds from all SARs exercised that were granted to the Executive Board member would exceed the basic remuneration plus fringe benefits that the Executive Board member has actually received since the SARs were first granted by more than 300% without this cap.

Lock-up periods

SARs may be exercised for the first time after a vesting period has expired.

a) The vesting period for 15% of the SARs granted on an issue date is one year after the respective issue date;

b) The vesting period for a further 25% of the SARs granted on an issue date is two years after the respective issue date;

c) The vesting period for a further 25% of the SARs granted on an issue date is three years after the respective issue date;

d) The vesting period for the remaining 35% of the SARs granted on an issue date is four years after the respective issue date.

After expiry of the respective vesting period, the SARs may be exercised up to six years after the respective issue date. Thereafter, the right to exercise the SARs ends and the SARs that have not yet been exercised expire without replacement.

Personal investment

Under the terms and conditions of the SARs, the members of the Executive Board are also obliged to make a personal investment in shares of the company such that

(i) that the personal investment must be made within six months of the exercise date of the SARs in the amount of 25% of the amount paid out (gross) and

(ii) that the acquired shares in the company may be sold no earlier than four years after the SARs are granted.

Share Ownership Guidelines

In order to further increase the long-term incentivizing effect of the variable remuneration and thus its focus on sustainable corporate development, the Executive Board members can also be obliged in their Executive Board contract to acquire a number of shares in the company to be determined by the Supervisory Board and to hold them until the end of this employment contract ('Share Ownership Guideline'). However, the total acquisition costs (including incidental acquisition costs) to be borne by the Executive Board member per financial year are limited to an amount equal to 25% of the STI payment (gross) granted to him for the previous financial year.

Blocking periods

Lock-up periods relating to acquired shares in the company imposed on members of the Executive Board end prematurely if the company announces after the Executive Board member leaves, that the listing of the shares on the regulated market in Germany will be terminated.

Possibilities for the Company to Reclaim Variable Compensation Components

The Supervisory Board may determine that unpaid variable compensation components of the STI and/or LTI are entirely or partially withheld and not paid out ("Clawback") in the event of serious misconduct by an Executive Board member. The Supervisory Board decides on the Clawback at its reasonable discretion. Serious misconduct by an Executive Board member in this regard is particularly assumed,

a) if it has at least grossly negligently violated its duties under § 93 AktG or

b) if it has at least grossly negligently violated internally documented internal behavior standards or internal guidelines that have had or could have serious consequences for the company, or

c) in the case of at least grossly negligent behavior of a criminal nature in the exercise of office as a member of the Executive Board, or

d) in the case of an intentional violation of other legal provisions in the exercise of office as a member of the Executive Board.

e) The same applies in the case of serious misconduct by employees of the company or the group, especially in cases of at least grossly negligent violations of criminal or compliance-related provisions, which were recognized by the Executive Board member in their capacity as the employee's superior and were not immediately stopped or should have been recognized and immediately stopped with the due care of an Executive Board member.

A Clawback in relation to payments from the STI is only permissible for the fiscal year in which the misconduct occurred, but not for previous or subsequent years. Regarding payments from the LTI, a Clawback is permissible if and to the extent that the serious misconduct occurred within the four years following the grant of the entitlement from the LTI (i.e., since the grant of the SARs).

A Clawback of the STI is also permissible in the case of grossly negligent misconduct that has been identified and audited after the respective financial statements have been finalized and has led to a subsequent correction of the company's financial statements. In this case, the Clawback is permissible to the extent that the STI was overstated based on the uncorrected basis.

If a Clawback situation arises according to the above provisions, already paid amounts of the STI and/or LTI, which could have been withheld accordingly, can also be reclaimed. Such recovery is permissible, calculated from the time the Supervisory Board becomes aware of the triggering event, for the year of awareness and the preceding three fiscal years.

Amounts withheld or repaid as part of the Clawback are credited against any damages claim of the company arising from the misconduct of the Executive Board member.

No variable compensation components were reclaimed in the fiscal year.

Commitments to members of the Board of Management in the event of resignation

The Supervisory Board may establish resignation arrangements for each compensation component and for each case in which the employment relationship of an Executive Board member or the appointment as a member of the Executive Board ends. This includes cases such as retirement, full or partial incapacity for work, death, ordinary termination of the employment contract, termination of the employment contract for cause, removal from office for cause, transfer of an employment contract to the company's principal shareholder, or to an entity affiliated with the company's principal shareholder. For each of these cases, the Supervisory Board can predefine the requirements for individual or all compensation components to be paid, either fully or partially, prematurely or with a delayed timing, to the Executive Board members or - in case of death - to the heirs of the respective Executive Board member, or forfeited.

Payments to an Executive Board member upon premature termination of their Executive Board activities shall not exceed the value of two annual compensations at 100% goal achievement (severance cap) and shall not compensate for more than the remaining term of the employment contract.

Commitments for benefits in connection with the premature termination of the employment contract by the Executive Board member as a result of a change of control should not be agreed upon.

The Supervisory Board may agree with Executive Board members on a post-contractual non-competition obligation for a period of up to two (2) years. If such a post-contractual non-competition obligation takes effect, Executive Board members may receive compensation of up to half of their respective base salary per year of the respective duration of the post-contractual non-competition obligation. Payments under a post-contractual non-competition obligation are offset against any severance payments.

Remuneration system in the event of special and exceptional circumstances

In special and exceptional circumstances (e.g. in the event of a serious financial or economic crisis), the Supervisory Board has the right to temporarily deviate from the remuneration system in accordance with § 87a para. 2 sentence 2 AktG and to amend the regulations regarding the remuneration structure and the individual remuneration components as well as the regulations on the respective procedure if this is necessary in the interests of the long-term well-being of the company. Unfavorable market developments are not considered special and extraordinary circumstances that allow a deviation from the remuneration system.

Maximum Compensation

The following maximum amounts apply:

	Chairman of the Management Board	Other members of the Management Board
Basic Salary	500.000 p.a.	350.000 p.a.
Fringe Benefits	Max. 10 % of basic compensation	Max. 10 % of basic compensation
STI	200% of the STI target amount p.a., which should not exceed 50% of the basic compensation if 100% of the target is achieved	200% of the STI target amount p.a., which should not exceed 50% of the basic compensation if 100% of the target is achieved
LTI	For the bonus payout possible from August 2024: 200% of the LTI target amount, which in case of 100% target achievement should not exceed 75% of the fixed remuneration for the LTI period. In the event of SARs being granted: SARs for which the exercise conditions are otherwise met cannot be exercised if and to the extent that the gross proceeds from all SARs exercised that were granted to the Executive Board member would exceed the basic remuneration plus fringe benefits that the Executive Board member has actually received since the SARs were first granted by more than 300% without this limit.	For the bonus payout possible from August 2024: 200% of the LTI target amount, which in case of 100% target achievement should not exceed 75% of the fixed remuneration for the LTI period. In the event of SARs being granted: SARs for which the exercise conditions are otherwise met cannot be exercised if and to the extent that the gross proceeds from all SARs exercised that were granted to the Executive Board member would exceed the basic remuneration plus fringe benefits that the Executive Board member has actually received since the SARs were first granted by more than 300% without this limit.
Potential additional benefits for outstanding development and performance	50.000 p.a.	50.000 p.a.

Relative share of the individual remuneration components

The Supervisory Board observes an appropriate ratio of the individual remuneration components to the target total remuneration. The share of the remuneration components of the Executive Board members in the total target remuneration based on 100% target achievement in the STI and payment of the LTI in the amount of the respective LTI target amount is as follows:

Basic remuneration 44%

STI remuneration 22%

LTI remuneration 33%

The share of the remuneration components of the Executive Board members in the target total remuneration based on 200% of the STI target amount and 300% of the LTI target amount (in the case of SARs being granted) is as follows:

Basic remuneration 23.5%

STI remuneration 23.5%

LTI remuneration 53%

The above percentages are based on the assumptions made. The actual percentages may differ in future financial years and if new members are appointed to the Executive Board. The deviations may result in particular from the achievement of STI and LTI targets and from the annual expenses relating to fringe benefits.

Procedure for determining, reviewing, and implementing the compensation system

The compensation of the Executive Board is determined by the Supervisory Board as a whole. If necessary, independent external consultants are consulted. According to the Rules of Procedure for the Supervisory Board, members of the Supervisory Board are obliged to disclose any conflicts of interest immediately. The Supervisory Board designs the system for the compensation of Executive Board members, taking into account applicable laws and regulations, in particular the provisions of the German Stock Corporation Act (AktG) in its current version, and regulatory requirements. It ensures clarity and comprehensibility. Based on the compensation system, the Supervisory Board determines the specific target total compensation. The Executive Board compensation system thus resolved by the Supervisory Board is submitted to the Annual General Meeting for approval.

The Supervisory Board regularly reviews the Executive Board compensation system, compliance with the maximum compensation of Executive Board members, and the appropriateness of the compensation. At the end of a fiscal year, the specific target values for short-term variable Executive Board compensation for the following fiscal year are also determined by the Supervisory Board in a target agreement with the Executive Board. In accordance with the requirements of § 120a (1) AktG, the Supervisory Board will submit the Executive Board compensation system to the Annual General Meeting for approval in the event of significant changes, but at least every four years. The present compensation system was confirmed by the Annual General Meeting on December 14, 2021.

In accordance with legal regulations (§ 87a (2) AktG), the Supervisory Board may temporarily deviate from the components of the compensation system described below in exceptional circumstances if this is necessary in the interest of the long-term well-being of the company.

Consideration of employee compensation and employment conditions when establishing the compensation system

When establishing the compensation system and determining the specific level of compensation, the Supervisory Board also takes into account the employment conditions of employees in the Biofrontera Group. For this purpose, the Supervisory Board has defined the senior management level in the Biofrontera Group and demarcated it from the Executive Board on the one hand and the total workforce in the Biofrontera Group on the other hand. In the course of the regularly conducted review of the appropriateness of Executive Board compensation, the Supervisory Board examines in particular whether changes in the relations of the compensation of the Executive Board, senior management, and the total workforce result in any need for adjustment in Executive Board compensation. In doing so, the Supervisory Board also takes into account the development of the compensations of the groups described over time.

Conflicts of interest

The Supervisory Board ensures, through appropriate measures, that any conflicts of interest of the Supervisory Board members involved in the deliberations and decisions on the compensation system are avoided and, if necessary, resolved. Each Supervisory Board member is obliged to disclose conflicts of interest to the Chairman of the Supervisory Board immediately. The Chairman of the Supervisory Board discloses any conflicts of interest concerning him to his deputy. The handling of an existing conflict of interest is decided on a case-by-case basis. In particular, it is possible that a Supervisory Board member affected by a conflict of interest does not participate in a meeting or individual deliberations and decisions of the Supervisory Board or abstains from voting.

Duration of Executive Board employment contracts

The agreed term of the employment contracts of Executive Board members corresponds to the duration of the intended appointment as Executive Board member. In the case of an initial appointment, the Supervisory Board will determine the duration of the appointment appropriately and oriented towards the well-being of the company in the respective individual case, whereby the duration of the appointment should generally not exceed three years. The period for reappointment, in compliance with the provisions of § 84 AktG, is a maximum of five years. In the event of reappointment of the Executive Board member, the employment contract is extended in accordance with the duration of a renewed appointment; otherwise, it automatically terminates without the need for termination upon expiration of the intended regular term of appointment. A decision on any extension of the employment contract or any reappointment should be made no later than 12 months before the expiration of the employment contract or the term of appointment and finalized with the Executive Board member 9 months before the expiration.

Compensation system in case of special and exceptional circumstances

In special and exceptional circumstances (e.g., in the event of a severe financial or economic crisis, corporate restructuring of the group such as spin-offs, acquisitions, or sales of companies or similar significant M&A transactions), the Supervisory Board has the

right, in accordance with § 87a (2) sentence 2 AktG, to temporarily deviate from the compensation system and to change the regulations regarding the compensation structure and the individual compensation components, as well as the regulations for the respective procedure, if this is necessary in the interest of the long-term well-being of the company. A deviation from the compensation system is only possible by a corresponding resolution of the Supervisory Board and after careful examination of the necessity. The components of the compensation system from which deviations can be made under the circumstances mentioned are the procedure, the compensation structure, the individual components of compensation, and their performance criteria. Furthermore, in this case, the Supervisory Board may temporarily grant additional components of compensation or replace individual components of compensation with other components of compensation to the extent necessary to restore the appropriateness of Executive Board compensation in the specific situation.

Unfavorable market developments are not considered special and exceptional circumstances that allow deviation from the compensation system.

Executive Board compensation in fiscal year 2024

The total compensation for members of the Executive Board in fiscal year 2024 and the inventory of all share options issued to the Executive Board members as of December 31, 2024, are allocated as follows:

	Pilar de la Huerta Martìnez	
	CFO	
	September 12, 2022	incumbent
in EUR thousands (unless otherwise inidcated)	2024	2023
Fixed component of compensation	280	280
Compensation in kind	10	9
Severance pay	0	0
Total fixed compensation	290	289
Short-term incentive (variable, STI)	135	47
Long-term incentive (variable, LTI), thereof from	0	0
Stock Appreciation Rights (SARs) (maturity May 3, 2030)	0	0
Fair value of SARs	0	0
Income from exercising SARs	0	0
Total LTI	0	0
Total performance-based compensation	135	47
Total compensation	425	336
Number of stock options (Dec 31)	0	0
Number of stock options granted	0	0
Fair value when granted	0	0
Number of SARs (Dec 31)	0	0
Number of SARs granted	0	0
Fair value when granted	0	0

Ms. Pilar de la Huerta Martinez was appointed as CFO to the Executive Board of the Company on September 12, 2022, and has been serving as sole Executive Board member since October 1, 2022.

The non-performance-related component of compensation for Ms. de la Huerta Martinez is 68% (86% in the previous year).

No stock options (LTI) were granted to Executive Board members in the fiscal year 2024. Furthermore, there are no promised stock options within the meaning of Section 162 (1) sentence 2 No. 3 of the German Stock Corporation Act (AktG).

The maximum compensation for Executive Board members from the non-performance-related and one-year performance-related compensation (bonus) amounts to EUR 785 thousand for Ms. de la Huerta Martinez. This was adhered to. No LTIs have been decided and contractually agreed upon for Ms. de la Huerta Martinez thus far.

The existing service contracts provide that - depending on the achievement of agreed-upon targets - an annual bonus shall be granted. The assessment factors are determined in a target agreement each year for the following fiscal year by the end of a fiscal year.

The contractually agreed bonus for Ms. de la Huerta Martinez at 100% target achievement is EUR 140 thousand per year. The criteria for target achievement were revenue and net profit as per the consolidated income statement determined by the Supervisory Board for 2023. The goals for the fiscal year 2023 were achieved, thus a bonus payment of EUR 120 thousand was granted to Pilar de la Huerta Martinez. An additional, discretional bonus to the management board of EUR 15 thousand was approved during 2024 by the Supervisory Board.

For 2024, the performance criteria included a revenue target for EU and distribution partners excluding USA, (weighting 30%) and achieving EBITDA (weighting 30%) as quantitative goals. As significant qualitative goals, to achieve a concrete reimbursement price in France (weighting 20%) and to extend the portfolio with third party products (minimum one deal during the year, weighting 20%).

No benefits or grants were promised or awarded to Ms. de la Huerta Martinez by third parties regarding her activities.

Further information on former Executive Board members of the Company:

Former corporate officer Ludwig Lutter was removed from the Executive Board for good cause on August 14, 2022. In two lawsuits in front of Cologne District Court, Mr. Ludwig Lutter contested his removal as a member of the Executive Board and the termination of his employment contract and claimed (partial) continuation of his compensation, which was partly paid in 2024.

The decision in the proceedings for a declaratory judgement at the Regional Court of Cologne has become legally binding. After Mr. Ludwig Lutter had demanded payment of further claims from the Company under his service contract (esp. variable payments), the Company and Mr. Ludwig Lutter were able to reach an amicable agreement on this.

In the proceedings for documentary evidence, Mr. Ludwig Lutter has appealed to the Cologne Higher Regional Court against the ruling of the Cologne Regional Court of 22 March 2024 with the goal to also receive the amounts deducted by the Cologne Regional Court due to other earnings during the contractual period. These proceedings are currently pending before the Cologne Higher Regional Court. A decision is expected in 2025.

Compensation Report Supervisory Board

Compensation system for members of the Supervisory Board

The compensation of the Supervisory Board members shall, in accordance with § 113 of the German Stock Corporation Act (AktG), be in an appropriate proportion to the duties of the Supervisory Board members and to the situation of the company. The members of the Supervisory Board are not involved in operational activities. Rather, the Supervisory Board contributes to the long-term development of the company through its monitoring activities. Recruiting outstanding members is a prerequisite for the best possible supervision and advice to the Executive Board, which in turn makes a significant contribution to a successful business strategy and the long-term success of the company. Therefore, the compensation should make taking on a mandate economically attractive enough to attract and retain outstanding members, which also requires consideration of the compensation arrangements of other comparable listed companies. However, the compensation and employment conditions of employees are not of significant importance for the compensation system of the Supervisory Board.

The Executive Board and the Supervisory Board are of the opinion that a purely fixed compensation for Supervisory Board members is best suited to ensure independent performance of the control function of the Supervisory Board, as variable compensation, especially in matters relevant to supervision, could otherwise create a conflict of interest between the Executive Board and the Supervisory Board regarding their own compensation. Differentiated compensation for individual functions in the Supervisory Board generally takes into account the workload associated with each Supervisory Board member. In practice, the chairman of the Supervisory Board and his deputy, as well as the chairman and members of the audit committee, typically have a higher workload, thus a higher compensation is provided. According to Recommendation G.17 of the German Corporate Governance Code in the version of April 28, 2022 ("Code"), the compensation of Supervisory Board members should appropriately reflect the higher time commitment of the chairman and deputy chairman of the Supervisory Board, as well as the chairman and members of committees. According to Recommendation G.18 of the Code, the compensation of the Supervisory Board should consist of a fixed compensation. These aspects are appropriately reflected in the current version of § 18 of the Articles of Association when determining the compensation of the Supervisory Board.

The compensation is to be paid at the end of each fiscal year. There are no deferral periods for the payment of compensation components.

Supervisory Board members who are only members of the Supervisory Board or the audit committee or hold the chair or deputy chair of the Supervisory Board or the chair of the audit committee for part of the fiscal year receive a pro-rata compensation.

There are no commitments for severance payments, pension, or early retirement arrangements. The company reimburses the Supervisory Board members for expenses incurred in the performance of their duties, including any value-added tax (VAT) attributable to compensation and reimbursement of expenses, and includes the performance of the duties of the Supervisory Board members in the coverage of a directors' and officers' liability insurance policy taken out by the company.

The compensation system of the Supervisory Board is resolved by the Annual General Meeting upon proposal of the Executive Board and the Supervisory Board, as well as a statutory compensation provision. At regular intervals, at least every four years, the Executive Board and the Supervisory Board review whether the amount and composition of the Supervisory Board compensation still appear to be market-oriented and appropriate and, if necessary, submit adjustment proposals to the Annual General Meeting.

Since the members of the Supervisory Board are involved in shaping the compensation system relevant to them and must also submit proposal resolutions to the Annual General Meeting in accordance with § 124 of the German Stock Corporation Act, an unavoidable conflict of interest arises from the application of the law. However, this is effectively counteracted by assigning the decision on the final determination of the compensation to the Annual General Meeting.

In accordance with § 113 (3) sentences 1 and 2 of the German Stock Corporation Act, the Annual General Meeting of listed companies must decide on the compensation of Supervisory Board members at least every four years, whereby a resolution confirming the compensation is permissible. The compensation of Supervisory Board members is regulated in § 18 of the Articles of Association of the company. The current version of § 18 of the Articles of Association of the company was resolved by the Annual General Meeting on June 20, 2023, and reads as follows:

" § 18 Compensation of the Supervisory Board

(1) Each member of the Supervisory Board shall receive an annual fixed remuneration of EUR 22,000. The Chairperson shall receive twice this amount, the Deputy Chairperson 1.5 times this amount.

(2) For their work on the Audit Committee of the Supervisory Board, those members of the Supervisory Board who are not simultaneously Deputy Chairman or Chairman of the Supervisory Board shall receive additional remuneration of EUR 3,000; the Chairman of the Audit Committee shall receive twice this amount.

(3) Supervisory Board members who are members of the Supervisory Board or the Audit Committee for only part of the fiscal year or who chair or vice-chair the Supervisory Board or chair the Audit Committee shall receive remuneration on a pro rata basis.

(4) The remuneration shall be paid after the end of each financial year.

(5) The Company shall reimburse the members of the Supervisory Board against invoice for expenses incurred in the performance of their duties, including any value added tax (VAT) payable on the remuneration and the reimbursement of expenses.

(6) The Company shall include the performance of the duties of the members of the Supervisory Board in the coverage of a pecuniary damage liability insurance policy taken out by the Company."

(7) The Company shall include the performance of duties by the members of the Supervisory Board in the coverage of a pecuniary damage liability insurance policy taken out by the Company."

Compensation in fiscal year 2024

The total compensation of the members of the Supervisory Board in fiscal year 2024 is as follows:

in EUR thousands	Fixed compensation		Audit Committee activity		Total	
	in TEUR	in %	in TEUR	in %	in TEUR	in %
Alexander Link (Supervisory Board: Chair) *	15	100%	0	0%	15	100%
Dr. Helge Lubenow (Supervisory Board: Vice Chair, Audit Committee: Member)	31	91%	3	9%	34	100%
Dr. Heikki Lanckriet	22	100%	0	0%	22	100%
Hansjörg Plaggemars* (Audit Committee: Member)	8	88%	1	12%	9	100%
Tobias Reich*	8	100%	0	0%	8	100%
Karlheinz Schmelig (Audit Committee: Chair)	22	79%	6	21%	28	100%
Wilhelm K.T. Zours **	15	100%	0	0%	15	100%
Prof. Dr. Karin Lergenmüller**	15	88%	2	12%	17	100%
Dr. Jörgen Tielmann**	20	91%	2	9%	22	100%
TOTAL	**155**		**14**		**169**	

* Entered during 2024

** Retired during 2024

Vertical comparison

	Change 2024 vs. 2023	Change 2023 vs. 2022
Compensation of Management Board members		
Pilar de la Huerta Martìnez*	26%	373%
Compensation Supervisory Board members		
Wilhelm K.T. Zours**	-65%	-21%
Dr. Heikki Lanckriet	0%	-35%
Prof. Dr. Karin Lergenmüller****	-28%	188%
Dr. Helge Lubenow	-29%	-8%
Karlheinz Schmelig	0%	-13%
Dr. Jörgen Tielmann**	-34%	-44%
Alexander Link***	Entry 2024	0%
Tobias Reich***	Entry 2024	0%
Hansjörg Plaggemars***	Entry 2024	0%
Average compensation of employees		
Employees in Europe	**-16.9%**	**3.8%**

* 2022 partial year only

** retired during 2024

*** entered during 2024

**** 2022 partial year only / retired during 2024

When presenting the average salary change of employees, all employees of the European group companies (excluding the Executive Board) were included. For comparison, the contractually agreed annual gross salary without special payments and ancillary wage costs was taken into account. The basis for comparing employee compensation has not been changed.

Decrease in personnel expenses is mainly driven by the outsourcing of clinical trials for the US market and the employees involved as well as some key functions in the AG that partly had not been re-staffed temporarily or permanently.

Consolidated management and group management report for the fiscal year 2024

Basis of the Biofrontera Group

Group structure

As of December 31, 2024, the Biofrontera Group (hereinafter also called "Biofrontera", "Biofrontera Group", "Group" or the "Company") consists of a parent company, Biofrontera AG and four wholly owned subsidiaries in Germany. The parent company's head office is located in Leverkusen, Germany.

Biofrontera Bioscience GmbH, Biofrontera Pharma GmbH, Biofrontera Development GmbH and Biofrontera Neuroscience GmbH are located at the parent company's headquarters in Leverkusen, Germany.

For sales support in Spain and the United Kingdom, two additional entities were founded, firstly Biofrontera Pharma GmbH, sucursal en España in Barcelona (03/2015) and Biofrontera UK Ltd. initially based in Cambridge (11/2022), later moved to Reading. Biofrontera UK Ltd. is a wholly owned subsidiary of Biofrontera Pharma GmbH.

Business model

The publicly listed entity Biofrontera AG assumes the holding function within the group of companies. It is responsible for the management, strategic planning, internal control and risk management and ensures the necessary financing needs are met. Biofrontera Bioscience GmbH carries out research and development tasks as well as all regulatory functions for the Biofrontera Group and holds the patents and approvals for Ameluz® as well as approvals for BF-RhodoLED® and RhodoLED® XL. According to a license agreement with Biofrontera Bioscience GmbH, Biofrontera Pharma GmbH, which is also the holder of the CE certificate of BF-RhodoLED® in the EU, bears the responsibility for the production, licensing and marketing of Biofrontera Group's approved products.

The Biofrontera Group has its own sales organizations to distribute Ameluz® and the BF-RhodoLED® lamp in Germany, Spain and the United Kingdom. In some other European countries, sales are handled by independent license partners. Biofrontera Inc. is the licensee responsible for marketing Ameluz® and the RhodoLED® lamp series in the USA.

Asian and Oceanic markets were licensed to Maruho Co, Ltd, Osaka, Japan under the exclusive license agreement signed in April 2020.

Production of Ameluz® for all markets is carried out by a contract manufacturer in Europe. A second contract manufacturer is being validated. The PDT-lamp series is manufactured at Biofrontera's headquarter in Leverkusen, Germany.

Ameluz® and the RhodoLED® lamp series are supplied to all the licensing partners under a license and supply agreement with Biofrontera Pharma GmbH and Biofrontera Bioscience GmbH, both wholly owned subsidiaries of Biofrontera AG.

Biofrontera AG realizes revenues through direct sales facilitated by its own sales force operating in Germany, Spain, and UK, from which Biofrontera retains 100% of the generated revenues.

For Biofrontera's US licensee (Biofrontera Inc.), a fixed transfer price is applied, structured as a tiered system. This pricing mechanism were, until June 2024, charging 50% of sales for volumes up to USD 30 million, as well as 40% for all sales between USD 30 million and USD 50 million. In February 2024, both companies agreed a change in their commercial agreement with effect of 1st June 2024.

Since June 1st, all clinical trial management was moved to Biofrontera Inc., jointly with the main expenditures associated. On the other side, the transfer price was also changed. Since June 2024 to December 2025, the new transfer price will be 25% of sales. From 2026 to 2028 the transfer price will be 30% of sales. From 2029 to 2031 it will be 32% and from 2032 onwards will be 35% of sales. At the beginning of each fiscal year, a thorough assessment of the delivered quantities is performed, followed by direct payment for the delivered batches. Subsequently, at the end of the year, prepaid shipments are reconciled to product sales in the US market. Until 1st of June the transfer price for 2024 was 50% of the gross price per unit of Ameluz®, with a minimum of USD 110 per unit, and after June 1st it was set as 25% of the gross price per unit with a minimum of USD 75 per unit.

The European license partners also charge their license fees via a fixed transfer price. The transfer price varies, but currently averages 50% of annual net sales. Here, too, the delivery quantities are budgeted in advance, which means that there may be fluctuations in sales during the year.

Maruho our license partner for Asia and Oceania initially made a one-time payment of EUR 6 million in the fiscal year 2020 upon acquisition. Until the product is ready for the market, Biofrontera charges service fees for its involvement in the clinical trials and the regulatory approval process.

Due to these very different sources of income, Biofrontera may experience strong quarterly fluctuations during the year, which do not correlate with the actual revenue generated in the market.

Biofrontera Development GmbH and Biofrontera Neuroscience GmbH were founded in December 2012 and are additional wholly owned subsidiaries of Biofrontera AG. These two companies are intended for the development of pipeline products that are not part of Biofrontera's core business at this point in time and therefore currently cannot be sufficiently financed within the normal business activities. The product BF-derm1 (without patent protection since 2009) for the treatment of severe chronic urticaria is owned by Biofrontera Development GmbH, the product BF-1 (patent protection until 2034) for the prophylactic treatment of migraine by Biofrontera Neuroscience GmbH. Both products are currently not being pursued any further, as the corporate strategy focuses on the further development and marketing of Ameluz®. By outsourcing the development projects, projects, a structure has been created which allows to separate the financing of the development of these two products from the general financing of the Biofrontera Group.

Group strategy

The strategic goal of the Biofrontera Group is to optimize the positioning and market potential of Ameluz®, and in doing so to develop the Company into a leading innovative specialty pharma company in dermatology, characterized by a special degree of innovation. The focus of activities is on the further territorial expansion of marketing and the development of additional market potential, e.g. through synergistic additions to the company's own product portfolio on the basis of marketing partnerships, as well as the licensing of Ameluz® in other regions.

Biofrontera has received a centralized approval for its own self-developed drug, which is marketed under the brand name Ameluz®. Since the market launch in February 2012, Biofrontera has been selling Ameluz® with its own sales force to dermatologists in Germany. In Spain and the UK, Ameluz® was initially promoted through a distribution partner, and since March 2015 and May 2018, respectively, has been actively promoted by Biofrontera's own sales force. Distribution in several other countries of the European Union and Switzerland is carried out through licensing partnerships.

The US-subsidiary, Biofrontera Inc., was set up as the commercial arm of Biofrontera in the USA and became independent with its IPO at the end of October 2021. The responsibilities between the companies are regulated by a license and supply agreement (LSA) among Biofrontera Inc. and Biofrontera Pharma GmbH and Biofrontera Bioscience GmbH (both wholly owned subsidiaries of Biofrontera AG). The agreement was entered into for a period of 15 years and will be extended for another 5 years provided that a sales volume in the USA of more than USD 150 million has been achieved in the preceding 5 years. Under this agreement, Biofrontera Inc. acquires Ameluz® and the PDT lamps BF-RhodoLED® and RhodoLED® XL from Biofrontera Pharma GmbH. Up to annual Ameluz® sales of USD 30 million, Biofrontera Inc. will pay 50% of sales as a transfer price. This share decreases in two steps to 30% with sales more than USD 50 million, thus taking into account the associated higher distribution costs of Biofrontera Inc. Biofrontera AG has committed to maintaining the FDA approval, manufacturing the products, providing a pharmacovigilance database and conducting previously defined clinical trials.

As mentioned above, in February 2024 Biofrontera AG and Biofrontera Inc. agreed to modify the commercial agreement for Ameluz. The two main changes referred to the transfer price and the finance and coordination of the clinical trials. Since June 1st 2024, the clinical program agreed in the first agreement was transferred to Biofrontera Inc. Biofrontera AG group maintains the FDA approval and remains NDA- and IND-holder. The main activities for the US clinical trials were transferred to Biofrontera Inc, jointly with all the staff and expenses associated to this activity. On the other hand, the transfer price was modified, being 25% for 2024 and 2025, 30% for 2026 to 2028, 32% from 2029 to 2031 and 35% from 2032 onwards. The minimum sales level defined was 80.000 tubes per year, or, at least, 75% of the audited annual average of the previous 4 full calendar years. There were no changes affecting the commercial conditions of the lamps sales. For further information, please refer to the disclosures in the Notes to the Consolidated Financial Statements relating to events after the reporting date.

Products

Ameluz® and PDT-lamps BF-RhodoLED® and RhodoLED® XL

In December 2011, Ameluz® 78 mg/g gel (Spanish for "love the light", development name BF-200 ALA) received its first centralized European approval for the treatment of mild to moderate actinic keratoses (AK) on the face and scalp. It's significant superior effect in combination with an LED lamp compared to the direct competitor product Metvix® for AK was proven during phase III development. Actinic keratoses are pre-cancerous lesions of theskin with a risk of spreading to deeper skin layers and thus developing into potentially fatal squamous cell carcinoma. The combination of Ameluz® with light treatment is an innovative form of treatment that is classified as photodynamic therapy (PDT). The product information authorized by the European Medicines Agency (EMA) expressly states the significant superiority of Ameluz® in the removal of actinic keratosis compared to the direct competitor product in conventional light treatment with a special red-light lamp.

Ameluz® has a number of product advantages in terms of efficacy, stability, handling and user-friendliness. This, together with the associated positive cosmetic effect and comparatively low recurrence rates, leads to the expectation that this treatment option will become even more of a focus for dermatologists in the coming years.

In January 2017, the European Commission approved Ameluz combined with red-light PDT for the treatment of Basal Cell Carcinoma (BCC), a type of keratinocyte skin cancer. The approval was based on the results of a Phase III clinical trial confirming the company's positive expectations. Ameluz® achieved the complete elimination of all BCCs from the patient in 93.4% of cases.

In March 2018, Biofrontera received approval for daylight-PDT with Ameluz® by the European Commission. Since then, the label extension has also included the treatment of actinic keratoses and field cancerization with daylight-PDT. Daylight-PDT is a cost-effective and painless alternative to conventional PDT treatment with a special lamp. The topically applied drug is activated by natural or artificial daylight. Since daylight-PDT does not necessarily have to be carried out in a physician's office, it competes directly with topical drugs, which are much more widely used in Europe, are used independently by patients, and are reimbursed by statutory health insurers in Germany.

Since March 2020 the approval for Ameluz®-PDT in the EU also covers the treatment of mild to moderate actinic keratoses not only on the head and scalp, but also in all other body regions.

In December 2023, the European Medicines Agency (EMA) approved the extension of the marketing authorization for Ameluz® for use in artificial daylight. Photodynamic therapy with artificial daylight combines the advantages of the original daylight therapy, which significantly reduces treatment pain, with the controlled environment of a doctor's surgery, so that daylight PDT with Ameluz® can now also be used regardless of the prevailing light conditions, weather conditions and time of day. Marketing activities for this new PDT-modality started in Q1-2024.

Also in December 2023, the European Medicines Agency (EMA) approved an improved gel formulation of Ameluz® without propylene glycol. By avoiding the use of propylene glycol, this optimized Ameluz® formulation eliminates potential risks, particularly with regard to the formation of impurities and allergic reactions. This formulation was made available in Europe in the second half of 2024.

In May 2016, Biofrontera received the marketing approval for Ameluz® in the USA. The approved indication is "lesion and field directed PDT in combination with the BF-RhodoLED® lamp of mild and moderate actinic keratoses on the face and scalp". As the approval for photodynamic therapy in the USA requires a combination of drug and lamp according to FDA law, Biofrontera has developed its own PDT lamp, the BF-RhodoLED®. To meet the strict requirements of the FDA for the production of a Class III medical device, production of the lamp is carried out at the Company's headquarters in Leverkusen. This makes Biofrontera the responsible manufacturer from the perspective of the regulatory authorities. In the EU, this lamp has already been CE-certified in 2012, which also required ISO 13485 certifications. The ISO certification is regularly renewed.

In June 2024 the new, more advanced RhodoLED® XL was launched in the US market. This PDT-lamp model was approved by FDA end of 2021 also as a combination with the prescription drug Ameluz®. With the new RhodoLED® XL, larger areas can be illuminated, enabling simultaneous treatment of multiple interspersed lesions. The new lamp is protected by several patent applications, which also help to protect the drug Ameluz® in the U.S. market due to the FDA's combination approval.

Both RhodoLED® lamps emit light with a wavelength of approx. 635 nm via their LEDs. Light at this wavelength, which is optimal for illumination in PDT with ALA or methyl ALA containing drugs, emits red light, but is still below the warming infrared range. The RhodoLED® lamp series combines controlled and constant light output in the desired wavelength with simple and clear operability and energy efficiency. In the EU models of the RhodoLED series,light energy and fan power can be changed during PDT treatment to respond to treatment-related pain, while in the US models only the fan power can be modified during treatment. The BF-RhodoLED® can be distributed throughout the EU, UK, Switzerland as well as the USA. The use of the RhodoLED® XL is currently only planned for the US market.

The optimized formulation of the Ameluz® gel without propylene glycol was also submitted to the FDA as an extension of approval for the USA. The application was approved in October 2023. The new formulation has been implemented in the US in 2024.

In September 2024, FDA granted approval for an increase of the maximally approved dosage from one to three tubes of Ameluz® per treatment and an extension of the maximal skin surface to be treated. This approval allows US-healthcare professionals greater flexibility in treating patients undergoing photodynamic therapy (PDT) for AK.

Several clinical trials are ongoing in US with Ameluz® with the aim of increasing the market potential in this country. The conduct of clinical trials was transferred in June 2024 to Biofrontera Discovery GmbH, an affiliate of Biofrontera Inc.. Biofrontera Discovery GmbH finances and coordinates clinical trial activities in USA whereas Biofrontera Bioscience GmbH remains the sponsor of these clinical trials and the Marketing Authorization Holder for Ameluz® . In February 2024, the last patient completed the treatment phase of a Phase-III trial for the treatment of superficial basal cell carcinoma (sBCC) with Ameluz® together with the BF-RhodoLED®. This is followed by a 5-year follow-up period for each patient. If approved by FDA, Ameluz® would be the only drug in the U.S. for the treatment of a cancer indication with PDT. Another Phase III clinical trial is ongoing for the treatment of actinic keratosis on the extremities, neck and trunk with Ameluz®-PDT and a Phase II trial for the treatment of moderate to severe acne.

Belixos®

Belixos® is a cosmetic series specifically developed for the medical skin care of irritated and sensitive skin.

A unique combination of active ingredients was created by combining purely plant-based biocolloids with medicinal plant extracts to achieve a proven deep skin effect. As part of a comprehensive redesign, the Belixos® line has been undergoing transformation since mid-2022, which was successfully completed in May 2023 with the launch of Belixos® ACTIVE CARE, a novel foam formulation. With the foam formulation, the ingredients can now be delivered to the skin without any irritating supplements. This means that Belixos® is now even better adapted to the needs of damaged skin. This new product replaced the previous cosmetic line.

In addition, a patent application has been filed for the underlying formulation due to its highly innovative character. Belixos® thus continues to emphasize its focus on advanced skin care to meet the individual needs of damaged skin.

Promotion agreements

In August 2024 Biofrontera Pharma GmbH signed an agreement with LEO Pharma Germany for the promotion of two of their mature dermatological products in Germany. Market-leading class III corticosteroid Advantan® (methylprednisolone aceponat) for the treatment of endogenous eczema is available in various formulations to cater for different skin conditions and needs of patients. Skinoren (azelaic acid) is a well-established product for the treatment of acne and also for certain forms of rosacea in its gel formulation. For the treatment of acne, it represents the only medication that addresses three out of four key mechanisms of the disease in a single molecule.

Since October 2024 Biofrontera Pharma GmbH entered into an agreement with Swedish Galenica AB to commercialize its proprietary formulation of the corticosteroid mometasone under the brand name of Ovixan® in the United Kingdom. After successful registration managed by Galenica which has been initiated by the end of December 2024, Biofrontera UK Ltd. is planned to become the holder of the marketing authorization. The product is intended to be made available towards the end of 2025.

Sales and marketing

Germany and Europe

With its Central European approval, Ameluz® can be sold and distributed in all EU countries as well as in Norway, Iceland and Liechtenstein. However, in many European countries, pricing and reimbursement status must be determined prior to launch, which can be a lengthy process. Reference pricing and re-imports can lead to low prices in individual EU countries, which in turn can have a negative impact on the overall EU market. For this reason, Ameluz® is currently only available in certain EU countries. However, due to changing framework conditions, it is always necessary to monitor whether a territorial expansion might make sense. Ameluz® is available at pharmacy purchase prices ranging from around EUR 135 to approximately EUR 220 per 2 g tube.

In Europe, Ameluz® and BF-RhodoLED® are marketed in Germany (since 2012), Spain (since 2015) and Great Britain (since May 2018) by our own sales forces. Germany is by far the largest European market for Ameluz®. In other EU countries and in Switzerland, the products are distributed with the help of distribution partners. In Switzerland, independent approval procedures were required, which were carried out by our local marketing partner in collaboration with Biofrontera. The contracts with distribution partners were concluded in such a way that Biofrontera received no or only a moderate upfront payment and the regional partners purchase Ameluz® from Biofrontera at a price that is linked to their own sales price. Depending on the market conditions in each country, Biofrontera's share of the sales price varies somewhat, but averages 50% of net sales.

In December 2020, the Group covered sales in the Nordics through an exclusive licensing partnership with Galenica AB, Malmö, Sweden. Sales of the products in the Nordics region started with the delivery of the first batch of Ameluz® in June 2021. Following initial product launches in Norway, Sweden and Denmark. Since November 2022 Ameluz® is also marketed in Finland.

In July 2021, a license agreement was signed with medac Gesellschaft für klinische Spezialpräparate mbH for the commercialization of Ameluz® and BF-RhodoLED® in Poland. Medac started marketing Ameluz® and BF-RhodoLED® to selected customers in the fall of 2022. To date, activities have been limited to the private healthcare sector, as Ameluz® PDT is currently not reimbursed by public payers. Medac currently re-evaluates the potential reimbursement of Ameluz® after changes in the Polish Ministry of Health.

In general, Biofrontera was able to significantly increase its presence in the European market through its own sales structures and the territorial expansion through additional licensing partners. Currently the company is analyzing the entrance in other European markets.

USA

Ameluz® was commercially launched by Biofrontera in the USA in October 2016. For marketing purposes, Biofrontera AG established its own sales organization in the USA in March 2015, the Biofrontera Inc. based in Woburn. With the IPO of Biofrontera Inc. in 2021, it became a licensing holder and is an independent company now. Since its launch, Ameluz®-PDT has gradually established itself in the US PDT market segment, and the increased sales efforts by Biofrontera Inc. and its sales expansion efforts promise further significant market growth. The clinical program defined in the licensing agreement also holds further market potential in the longer term through several label extensions.

Other regions

In April 2020, an exclusive license and supply agreement was entered into with Maruho Co., Ltd., Osaka, Japan (Maruho) for the development and marketing of Ameluz® for all indications in East Asia and Oceania. Under the agreement, the product will be marketed for a period of 15 years from the start of sales in the countries covered by the contract. Maruho is particularly interested in the potential of PDT with Ameluz® for the treatment of acne. Acne, a common skin condition that affects millions of people globally, holds particular significance in the Asian market. It is not only a health issue but also a cultural and economic challenge that has led to an increased demand for effective treatments and solutions.

Market overview

Actinic keratosis (AK)

Keratinocyte skin cancer and its precursor actinic keratosis (AK) is the main market for the prescription drug Ameluz®. Actinic keratoses are superficial pre-cancerous skin lesions caused by chronic sun exposure that may, if left untreated, develop into a form of potentially life-threatening skin cancer called squamous cell carcinoma. Actinic keratoses typically appear on sun-exposed areas, such as the face, bald scalp, arms or the back of the hands. Lesions often appear as uneven or crusty patches on the surface of the skin that may be skin-colored and feel dry and rough to the touch.

AK lesions occur not only isolated, but in many cases they expand over a large area. Such an area of the skin is called field cancerization. In this case, visible and not yet visible skin damage can be in direct proximity to each other on the affected skin areas. In about one in ten patients with AK, a malignant form of keratinocyte skin cancer (squamous cell carcinoma) can develop from a skin lesion or in its vicinity. Even AK that are not yet visible already may carry a high risk of transitioning into squamous cell carcinoma.

Lifetime dose of UV radiation plays an important role in the development of AK. Over many years, UV radiation damages the skin cells, which then mutate and proliferate, which can lead to abnormal keratinization (hyperkeratosis). This is why AK occurs most frequently in elderly people: In Germany, for example, more than 11 out of every 100 people between the ages of 60 and 70 are

affected. Men are more frequently affected than women, as, among other things, it is not uncommon for men to work outdoors and thus be exposed to the sun without protection. Particularly at risk are, for example, farmers and forestry workers, roofers, carpenters, gardeners and lifeguards. In addition to age and gender, other factors can promote the development of AK. These include a fair skin type, severe sunburns, or treatment with medications that weaken or suppress the immune system.

Therapy options for the treatment of actinic keratosis

Because actinic keratosis can develop into squamous cell carcinomas, actinic keratosis is classified by The European Academy of Dermatology and Venereology and other international treatment guidelines as a tumor that requires treatment. In order to minimize the risk of developing cancer, AK must be detected and effectively treated early.

Actinic keratoses are treated using a wide range of therapy options. The traditional methods of treating actinic keratoses are cryotherapy (or the deep freezing of skin with liquid nitrogen); simple curettage; self-administered prescription topical medications (usually creams, gels, or solutions containing active ingredients that must be applied to the damaged areas of the skin, usually regularly over an extended period of time); and combining a drug with photodynamic therapy (PDT). When deciding on the treatment option, the physician takes into account the disease progression to date, the extent of the existing skin damage, and the patient's condition (age, possible existing concomitant diseases, medications to be taken).

The international treatment guidelines list photodynamic therapy as first-line therapy for the treatment of actinic keratoses, especially for patients with large areas of actinic keratoses. In this process, a topical product containing the active ingredient, such as Biofrontera's Ameluz® gel, is first applied to the affected areas of skin. The active ingredient is preferentially absorbed by cells with high metabolic activity, such as cancer cells and their precursors, and converted into a substance that can be activated by light. As a result, damaged skin cells become more light-sensitive and are destroyed within a few hours by targeted illumination, while healthy skin cells remain mostly unharmed. The dead cells are broken down and the skin renews itself. Usually, no scarring remains and the appearance of the skin visibly improves over the next weeks and months. There are two forms of PDT: one using an artificial light source (conventional PDT with red or blue light) and one using natural/simulated daylight (daylight/artificial daylight PDT). Compared to conventional PDT with red light or another suitable light source, the treatment time for daylight PDT is shorter at about 2-2,5 hours and the treatment is associated with less pain.

Market overview and competitive landscape in Germany

Germany is Biofrontera's largest European sales market. In Germany, around 1.7 million people are being treated by dermatologists for AK, which corresponds to around 2 to 3% of the total population. However, the number of sufferers is probably higher. In 2024, a total of 1,162,140 prescriptions were issued for the treatment of AK (previous year: 1,089,004). Superficially applicable medications such as prescription creams and gels containing active ingredients (topicals) are primarily used, which also accounted for a stable market share of 93.9% in the reporting year, followed by PDT (the combination of a superficially applied medication with light therapy) with 6.1% (previous year: 93.9% and 6.1%). The PDT market segment therefore remained at the same level as in 2024. The main growth in the AK market was triggered by two topical drugs, whose growth rates were around 25%, leading to an overall AK market growing by 7% in 2024. Within the PDT segment, Ameluz® grew by 11%, while our direct competitor almost didn't show any change.

Although information on a frequency of use of cryotherapy or simple curettage treatments for actinic keratosis is not accessible in Europe, we assume that a large number of patients are also treated in this way due to the simplicity of these therapies and the low cost.

In Germany, the largest European market for Ameluz®, our market share in the PDT drugs segment increased from 65% to 69% in 2024. Above all, the further establishment of daylight and artificial daylight PDT enabled Ameluz® to continue to prove itself as a strong market leader in the PDT market compared to competing products. We estimate that daylight PDT will gain further market share in the future, which was previously reserved for self-applied topical creams, thanks to the expansion of the application with artificial daylight. The reimbursement of daylight PDT by statutory health insurance companies may support this, as the number of patients who would in principle have access to treatment with Ameluz® has multiplied as a result of this possible application.

Since 2013, actinic keratosis has been recognized as an occupational disease in Germany by the Federal Ministry of Labor and Social Affairs. Based on this recognition, the employers' liability insurance associations in Germany cover the treatment costs of patients for life who have worked predominantly outdoors over an extended period and meet certain other criteria. Since March 2016, photodynamic therapy has been included as a recognized treatment option for occupational actinic keratosis in Germany and is thus paid for by the Berufsgenossenschaften for these patients.

Market overview and competitive situation in the other proprietary markets of Spain and the United Kingdom (UK)

After a significant decline in the quantities of Ameluz® sold in 2023 due to a loss of a considerable price advantage versus the direct competitor, the Spanish market recorded a minor growth of Ameluz® units of 1,8% compared to the previous year. Due to an increase of the mandatory rebate to the government from 7.5% to 15% since April 2024 that was triggered by surpassing the threshold of being reimbursed for 10 years, sales slightly declined to EUR 1,696 thousand in 2024 (a decrease of 3% compared to 2023).

Ameluz® showed a significant growth of 16,2% in the UK market. We were able to increase sales to customers in the UK from 3,757 units in 2023 to 4,366 units in 2024. Market figures on the competitive situation are not available.

Market overview in European countries with distribution partners

Our distribution partners Pelpharma in Austria, Louis Widmer in Switzerland, Galenica in the Nordic countries, as well as our latest partner Medac in Poland can look back on a successful 2024. Overall, our partners contributed to the excellent product development with more than 20,000 units sold to them.

Market overview and competitive situation in the USA

The USA is the most important pharmaceutical market in the world. According to the Skin Cancer Foundation, approximately 58 million people in the USA have actinic keratosis. In 2022, the market size was USD 2.3 billion for this indication, according to the Grand View Research Report (01/2023). The US market differs from the European market in that cryotherapy dominates the market with a market share of over 80%. PDT has only a very small share of the overall market. Segment expansion is predicted for the coming years, but this is based on overall market growth rather than a proportionate redistribution within therapy options. Cryotherapy is expected to remain the dominant therapy option.

The PDT segment currently has a share of less than 2%, with Ameluz®-PDT expanding its market share within this segment.

It is therefore important to improve the acceptance of PDT, with its clear advantages, particularly in scar-free healing and in the treatment of field cancers, which would be preferable to surgical intervention. To this end, our US licensing partner is continuing to expand its US sales force and marketing expenditure is also being significantly increased.

Personnel matters

Management Board

As of December 31, 2024, the Management Board consisted of Pilar de la Huerta Martínez (CFO).

Name	Nationality	Age	Position	Date of first appointment	Term
Pilar de la Huerta Martínez	Spanish	56	CFO	September 12, 2022	December 31, 2026

Employees

As of December 31, 2024 the Biofrontera Group had 88 employees (December 31, 2023: 95) representing 79,49 FTE (December 31, 2023: 87,91 FTE) who were distributed as follows:

	December 31, 2024	December 31, 2023
Total number of employees	79.49	87,91
Full-time	69.00	73,00
With PhD degree	12.80	20,3
By business segments	79.49	87,91
Production	13.61	9,75
Research and development	4.55	6,55
Clinical and regulatory tasks	9.60	18,8
Marketing and sales	29.78	27,78
Quality management	6.30	6,85
Management, business development, finance, HR and administration	15.65	18,18
By countries	79.49	87,91
Germany	65.86	77,28
Spain	9.63	7,63
United Kingdom	4.00	3,00

Supervisory Board

The Supervisory Board as of 31.12.2024 comprised the following members as representatives of the shareholders:

Name	Nationality	Age	Position	Date of first appointment	Term
Alexander Link	German	53	Chairman	August 28, 2024	2026
Tobias Reich	German	50	Member	August 28, 2024	2026
Dr. Heikki Lanckriet	Belgian	47	Member	December 14, 2021	2026
Hansjörg Plaggemars	USA	54	Member	August 28, 2024	2026
Dr. Helge Lubenow	German	56	Vice Chair	December 14, 2021	2026
Karlheinz Schmelig	German	59	Member	December 14, 2021	2026

Regulatory affairs and research and development projects

Biofrontera Bioscience GmbH is responsible for regulatory affairs (achieving and maintaining drug approvals) and research and development in the Biofrontera Group. The activities of Biofrontera Bioscience GmbH include as well intellectual property and medical affairs.
While pharmaceutical development is performed in house, preclinical and clinical development is mostly outsourced. Specifically, the conduct of clinical trials in the US were transferred in June 2024 to Biofrontera Discovery GmbH, an affiliate of Biofrontera Inc.. Biofrontera Discovery GmbH finances and coordinates activities in relation to clinical trials in USA whereas Biofrontera Bioscience GmbH remains the sponsor of these clinical trials and the Marketing Authorization Holder for Ameluz® in USA, EU and UK.
The development of the new red-light lamp RhodoLED® XL was the responsibility of Biofrontera Pharma GmbH. The XL lamp was successfully launched in the US market by Biofrontera Inc.in June 2024.
Both for the approved drug Ameluz® and for the other research and development projects, the regulatory and development costs are recognized as expenses in the period in which they are incurred.

With the transfer of the clinical trial management activities to Biofrontera Discovery GmbH in June 2024, the FTEs of Biofrontera Bioscience GmbH were significantly reduced. At the end of the reporting period, 14 full-time employees (FTEs) were employed in regulatory affairs, research and development, IP and medical affairs (previous year: 25 FTEs).

Update for 2024 on regulatory and research and development achievements:

Implementation of the optimized formulation for Ameluz®

An improved Ameluz® formulation without propyleneglycol was approved in 2023. This year, the improved Ameluz® formulation was implemented in the Ameluz® production for the US and EU. The removal of propyleneglycol may have a positive impact on the safety profile of the Ameluz® gel eliminating potential risks, particularly regarding the formation of impurities and allergic reactions. This change is also a building block in a complex strategy to extend our market exclusivity.

US-Approval of larger treatment skin-areas and dosage with up to three tubes of Ameluz®

In the USA, FDA approved a regulatory submission to increase the maximally approved dosage from one to three tubes of Ameluz® per treatment and an extension of the maximal skin surface to be treated. The submission was supported by two clinical Phase I safety studies in which three tubes of Ameluz ® were applied to 116 patients. The studies showed that the blood concentrations of the active ingredient and the metabolite were several magnitudes below those at which side effects are known to occur, and that the systemic and application site adverse events were equivalent to those observed with one tube of Ameluz®. This approval allows US-healthcare professionals greater flexibility in treating patients undergoing photodynamic therapy (PDT) for AK.

Phase III trial for the treatment of superficial basal cell carcinoma (sBCC) with Ameluz®-PDT

To further increase growth potential in the US market in the medium term, a clinical trial for the treatment of superficial basal cell carcinoma (sBCC) with Ameluz® together with the BF-RhodoLED® red light lamp is being conducted. 186 patients were enrolled in the study involving a total of 19 clinical centers in USA. In February 2024, the last patient completed the treatment phase. This is followed by a 5-year follow-up period for each patient. If approved by FDA, Ameluz® would be the only drug in the U.S. for the treatment of superficial BCC with PDT. Since FDA requested results from the first year of the follow-up phase, a submission to the regulatory authorities is not expected before end of 2025.

Phase III trial for the treatment of actinic keratosis on the extremities, neck and trunk with Ameluz®-PDT

A randomized, double-blind, placebo-controlled Phase III clinical trial was started end of 2022 to evaluate the safety and efficacy of Ameluz® in a field-directed treatment of actinic keratosis (AK) on the extremities, neck and trunk. At least 165 patients, each with multiple AK lesions on the extremities, trunk and neck, are being enrolled in the trial involving thirteen clinical sites across the USA. Biofrontera's new red-light lamp RhodoLED® XL is used in this study. By introducing an optimized illumination profile, the study design further addresses a promising approach to alleviate PDT pain, which is often a hurdle in PDT treatment for patients and physicians. Mild to moderate actinic keratoses are treated with one or, if necessary, two PDT treatments. Patients have their final examination three months after their last PDT. The clinical study phase is followed by a follow-up period of twelve months after the last PDT. By the end of 2024, 141 patients (86%) had been enrolled in the study.

Phase II trial for the treatment of moderate to severe acne

A Phase IIb trial is ongoing to evaluate the safety and efficacy of Ameluz® in combination with the BF-RhodoLED® red light lamp in the treatment of moderate to severe acne with photodynamic therapy (Ameluz®-PDT). In this multicenter, randomized, double-blind study, 126 acne patients are being treated with Ameluz® PDT or placebo. The efficacy of Ameluz® PDT is tested after incubation times of one or three hours. The primary endpoint of the study is the reduction in the number of inflammatory lesions in combination with an improvement in the severity of acne to "Free of acne" or "Almost free of acne". Nine clinical sites in the USA are participating in the study. By the end of the year 2024, 107 patients (85%) had been enrolled.

Patent development

Biofrontera's patent portfolio is constantly being expanded by filing new patent applications for new technologies and/or in other countries. The company currently maintains 9 different proprietary patent families worldwide. As at December 31, 2024, the active patent portfolio consisted of 27 granted patents and 30 pending patent applications, including international patent applications (as at December 31, 2023: 9 patent families, 26 granted patents and 30 pending patent applications). The Group's patents are held by Biofrontera Bioscience GmbH and Biofrontera Pharma GmbH. The patent families relate to our innovative technologies and developments in connection with our nanoemulsion, our red light lamp for photodynamic therapy (PDT), photodynamic therapy itself and migraine prophylaxis.

Nanoemulsion

We have been granted patents for our nanoemulsion technology in Europe (validated for Germany, Spain, the United Kingdom, Switzerland/Liechtenstein, France and Italy), the USA, Israel, Japan, China, Hong Kong, Singapore, Australia, New Zealand, Canada, South Africa, Mexico, Chile, Russia, Belarus and Ukraine. Patent protection in all countries exept for the USA expires on December 21, 2027; patent protection in the USA expires on February 7, 2028. A divisional patent application is currently still pending in the USA. As part of the license agreement with our strategic partner Maruho, the corresponding Japanese patent was transferred to Maruho in 2022.

Additionally, patent applications for the optimized Ameluz® formulation without propylene glycol were filed in 2023 and 2024. The corresponding US and international patent applications were published in October 2024. Regarding the US patent application, we received a Notice of Allowance from the Unites States Patent and Trademark Office (USPTO) in December 2024.

The patent families mentioned above serve to protect our nanoemulsion technology and thus also serve to protect Ameluz®. The risk of possible future generic competition with regard to Ameluz® is also mitigated by specific challenges in the development and market launch of generic dermatological combination products. We have further extended the protection scope with two new patent families focusing on nanoemulsion formulations with other pharmaceutical forms or other APIs (Active Pharmaceutical Ingredients):

Patent applications for nanoemulsion formulations as foam or spray were filed in 2023 and 2024. The corresponding US and international patent applications were published in October 2024.

Patent applications entitled "Nanoemulsion formulation with improved Tacrolimus stability and skin penetration" were filed in 2023 and 2024. The corresponding international patent application was published in October 2024.

Furthermore, as part of Biofrontera's patent strategy to protect Ameluz®, additional patent applications have been filed for our red light lamp for photodynamic therapy and for photodynamic therapy itself:

Red-light lamp for photodynamic therapy

An international patent application entitled "Illumination for photodynamic therapy" was filed in 2019. The patent family aims to protect a lamp for PDT and an illumination protocol with a distinct illumination profile that is supposed to offer a PDT treatment modality with reduced patient pain. We have been granted patents in the USA, Australia and New Zealand, which have a maximum term until June 5, 2039. Further patent applications are pending in Europe, the USA, China, Hong Kong and Singapore. As part of the license agreement with our strategic partner Maruho, the corresponding then pending Japanese patent application was transferred to Maruho in 2022.

Patent applications entitled "Illumination device for photodynamic therapy, method for treating a skin disease and method for operating an illumination device" were filed in 2020 and 2021. The patent family aims to protect certain proprietary technical aspects of the RhodoLED® XL, such as the structure of the LED panels. We have been granted a patent in the USA, which has a maximum term until October 15, 2040. Further patent applications are pending in Europe, the USA, Japan, China, Hong Kong, South Korea, India, Australia, Canada and Brazil.

An international patent application entitled "Illumination device for photodynamic therapy, method for treating a skin disease and method for operating an illumination device" was filed in 2022 and published in April 2024. The patent family aims to protect further proprietary technical aspects of our PDT lamp, that have not been covered in the previously mentioned patent family.

In order to further protect our new RhodoLED® XL PDT lamp from imitation, design applications have additionally been filed for certain key design aspects of the lamp. Several designs have already been registered in Europe, the USA, the United Kingdom and Canada. Further design applications are still pending in the USA and Canada.

Photodynamic therapy

An international patent application entitled "Photodynamic therapy comprising two light exposures at different wavelengths" was filed in 2018. The patent family aims to protect a number of innovations relating to a new illumination method for the treatment of dermatological skin diseases with photodynamic therapy. We have been granted patents in the USA (maximum term until April 23, 2039) and Australia (maximum term until August 23, 2038). Further patent applications are pending in Europe, the USA, China, Hong Kong, Singapore and New Zealand. As part of the license agreement with our strategic partner Maruho, the corresponding then pending Japanese patent application was transferred to Maruho in 2022, for which a patent was also granted in the meantime.

Patent litigations

In 2024 Biofrontera filed a petition for Inter Partes Review (IPR) of a competitor's U.S. patent before the Patent Trial and Appeal Board (PTAB) of the U.S. Patent and Trademark Office (USPTO) (2024-00874).

Further, Biofrontera AG has been sued by SunPharma (DUSA) in the USA alleging that Biofrontera infringes two patents held by SunPharma (DUSA) which are directed to systems and methods of using a certain type of lamp to conduct photodynamic therapy. SunPharma (DUSA) has filed suit in two venues, (i) an investigation before the U.S. International Trade Commission (ITC), and (ii) a suit in the U.S. District Court for the District of Massachusetts, which is stayed pending the outcome of the ITC investigation.

In response to the infringement allegations, Biofrontera AG and Biofrontera Inc. have filed two further IPR petitions against the Asserted Patents (2024-01312, 2025-00287).

For more detailed information please see section "Litigation".

Internal controls

Biofrontera AG is managed by its Management Board. The Management Board is responsible for and supervises the operational business. To this end, the Management Board regularly receives and reviews internal management reports.

Key performance indicators are compiled monthly, while the budget planning for the current financial year is revised and updated quarterly. In addition, medium-term planning is prepared once a year. In-depth cost analyses are performed on an ongoing basis.

Key financial performance indicators

With regard to the operating performance for the Group, the key performance figures, revenue and liquidity as well as EBITDA and EBIT serve as financial control variables. Biofrontera AG uses the key performance figures liquidity and net income (HGB) as financial performance indicators.

Revenue is also considered by region. On a consolidated basis, revenues include sales to wholesalers as well as to physicians and clinics, sales to our licensing partners, as well as revenues from research contracts.

In addition, the development of liquidity is used as an important key performance and management metric for the Group as well as for Biofrontera AG. It is monitored on daily basis. Liquidity is defined as the sum of cash and cash balances in bank accounts and is described as cash and cash equivalents.

Group EBITDA includes earnings before interest, taxes, depreciation of tangible assets and amortization of intangible assets. EBIT includes earnings before interest and taxes. These key performance indicators are suitable for describing and comparing operating performance, as they do not include non-operating fluctuation variables such as valuation adjustments and amortization of acquired assets.

The key financial performance indicators are calculated as follows:

Result from operating activities
+ Depreciation and amortization
+ Other expenses / - other income
EBITDA
- Depreciation and amortization
EBIT
+ Interest expense / - interest income
Earnings before income taxes

Non-financial performance indicators

The maintenance and further development of our regulatory approvals is essential to secure and strengthen Biofrontera's market position and is reflected, among other things, in research and development costs. Consequently, both the maintenance of our regulatory approvals and the expansion of our drug labels as well as the number of external and internal audits are important non-financial control parameters for the Company.

Biofrontera's employees are an important success factor and therefore also represent a central control parameter. With respect to personnel, particular emphasis is placed on the qualifications and the necessary know-how of the employees to achieve the set goals in the operational and administrative areas. We therefore measure the annual number of external and internal training courses. Personnel costs are always considered on the basis of the salary level customary in the industry.

Management report for the 2024 fiscal year

Business performance

Biofrontera was once again able to confirm its targeted profitability in this financial year. The EBITDA result of EUR -4,635 thousand was in the range of the company's forecast. Company's sales of EUR 21,666 thousand were also within the range of the issued forecast.

During 2024, Biofrontera has continued its expansion strategy in Europe. On one hand, it has successfully signed a commercial collaboration agreement with Leo Pharma to promote two leading and well-established dermatological products, Advantan and Skinoren, in Germany. On the other hand, it has also secured a distribution and launch agreement for a branded generic in the UK, named Ovixan. Both agreements represent the first steps towards the company's new strategy of growing in Europe by expanding its portfolio in the dermatology field.

At the same time, the company continues to strengthen the commercialization of Ameluz, achieving an average annual double-digit growth across the European markets.

The long-term goal is to secure the profitability of Biofrontera AG independently of the business performance of the US licensing partner. To achieve this, a strategic expansion of Ameluz® market presence in Europe is a feasible approach. At the same time, it would be advantageous to expand the product portfolio through potential collaborations or licensing agreements to utilize existing complex structures more efficiently. In this sense, the revenue from the U.S. in 2024 has accounted for less than 45% of the company's total turnover, compared to 69% in 2023.

The management is confident that these strategic steps can contribute to the long-term stability and sustainability of the company. The positive growth of the European business, particularly the outstanding performance in the German market, mark significant milestones in this long-term corporate transformation. In total we were able to generate revenues in Germany amounting EUR 7,831 thousand**,** whereby sales increased significantly by around 25 %. In terms of unit sales, there was an increase of 14.5% compared to the previous year.

For the rest of Europe, sales development was more moderate over the past year, but we also recorded a significant growth. Throughout the year, the Spanish market has not yet fully recovered from the price adjustment. However, with a satisfactory fourth quarter, we see growth momentum that we expect to translate into increased demand this year.

Consolidated with the German revenues, the overall European business totaled EUR 12,069 thousand (previous year: EUR 9,919 thousand), which corresponds to growth of slightly under 22 %. With this result, this division is now profitable.

As part of the license agreement concluded with Maruho Ltd., income of EUR 115 thousand was generated in the reporting year from services and the supply of medication for clinical development (previous year: EUR 106 thousand).

However, in addition to these sources of income, the company's profitability is still significantly dependent on US income. In the US, we generated license income of EUR 9,415 thousand in 2024 (prior year: EUR 22,148 thousand), representing decline of 57,5% compared to the previous year. The main reason for this decline is the change in the stockpiling policy of Biofrontera Inc. Due to cash constraints, they decided to reduce their stock levels and monetize them during 2024. On the other hand, in February 2024 the company signed an amendment of the license and supply agreement, and reduced the Ameluz transfer price to 25% during 2024 and 2025, coming back to 30%, 32% and 35% in the upcoming years. This decrease in the transfer price is completely offset by the transfer of the clinical trials program to Biofrontera Inc. In addition, we generated revenue from services performed to Biofrontera Inc. of EUR 67 thousand (prior year: EUR 76 thousand).

The cost control policy has been kept during the whole year, decreasing all operational expenditures compared with the previous year. Only legal expenses have been higher than last year due to the two legal cases filed by DUSA (SunPharma) against Biofrontera Inc and the whole group Biofrontera AG arguing a patent infringement related to the BF-RhodoLED® XL launched in the USA as well as a lawsuit related to marketing actions. Under IFRS rules, the company is required to provision the entire forecasted legal expenditure for the full processes. Total G&A costs in the reporting period amounted to EUR 9,996 thousand compared to EUR 6,105 thousand in the previous year. This includes a provision of EUR 4,992 thousand and legal expenditure of EUR 1.796 thousand

incurred during the year. Excluding the legal expenditure linked to these processes, G&A cost would have been EUR 3,208 thousand, representing a decrease of 48% compared to the previous year.

Research and development costs totaled EUR 5,352 thousand in the reporting year compared to EUR 7,846 thousand in the previous year, representing a percentage decrease of 31.8 %. This decrease is due to the transfer of the clinical trials program to Biofrontera Inc on June 1st, 2024.

Sales and marketing costs decreased to a total of EUR 6,933 thousand in the reporting year, compared to EUR 7,273 thousand in the previous year. This decrease is the result of a very strong cost control policy implemented in the company.

Marketing & Sales of Ameluz® in Europe

Sales development in Germany was very strong compared to the previous year. German product sales totaled EUR 7,831 thousand compared to EUR 6,257 thousand in 2023, an increase of around 25.2 %, Direct tube-based Ameluz® sales in the German market grew by around 26% in the reporting year compared to 2023. The share of Ameluz® PDT in the PDT segment grew from 65% in the previous year to 67% in 2024.

In the remaining European countries, Biofrontera generated product sales of EUR 4,238 thousand compared to EUR 3,662 thousand in 2023, an increase of 16%. In the Spanish market, Ameluz® sales remained stable compared to the previous year, with nearly the same volume of tubes sold throughout the reporting period.

Ameluz® showed dynamic unit-based growth of 16% in the UK market. We were able to increase sales to customers in the UK from 3,757 tubes in 2023 to 4,366 tubes in 2024. On a sales basis, revenue increased from EUR 723 thousand in 2023 to EUR 842 thousand in 2024, an increase of 16.5%.

Sales into our European license partners Galenica AB for the Nordic countries, Louis Widmer for Switzerland, Pelpharma for Austria and medac Gesellschaft für klinische Spezialpräparate mbH for has consistently developed positively with mostly double-digit growth-rates.

Sales of Ameluz® in the USA

Biofrontera Inc. generated sales of EUR 9,415 thousand in the reporting period, a decrease of 57.5 % compared to the previous year. The main reason for this decrease is the change in the stockpiling policy at Biofrontera Inc. They have decided to monetize part of the stock due to cash constraints, and this change in its strategy has impacted our sales to them during 2024. On top, the change in the transfer price to 25% for 2024 has also affected our USA revenues.

Regulatory and clinical progress

The aim of Biofrontera's development strategy is to successively adapt Ameluz® to market requirements and patient needs and to utilize it for further indications. The full treatment and market potential of Ameluz® can only be realized with corresponding extensions of the approval.

Biofrontera Bioscience GmbH is responsible for regulatory affairs (achieving and maintaining drug approvals) and research and development in the Biofrontera Group. The activities of Biofrontera Bioscience GmbH include as well intellectual property and medical affairs.

While pharmaceutical development is performed in house, preclinical and clinical development is mostly outsourced. Specifically, the conduct of clinical trials was transferred in June 2024 to Biofrontera Discovery GmbH, an affiliate of Biofrontera Inc.. Biofrontera Discovery GmbH finances and coordinates activities in relation to clinical trials in the USA whereas Biofrontera Bioscience GmbH remains the sponsor of these clinical trials and the Marketing Authorization Holder for Ameluz® in USA, EU and UK.

The development of the new red-light lamp RhodoLED® XL was the responsibility of Biofrontera Pharma GmbH. The XL lamp was successfully launched in the US market by Biofrontera Inc. in June 2024.

An improved Ameluz® formulation without propylene glycol was approved in 2023. This year, the improved Ameluz® formulation was implemented in the Ameluz® production for the US and EU. The removal of propylene glycol may have a positive impact on the

safety profile of the Ameluz® gel eliminating potential risks, particularly regarding the formation of impurities and allergic reactions. This change is also a building block in a complex strategy to extend our market exclusivity.

In the USA, the FDA approved a regulatory submission to increase the maximally approved dosage from one to three tubes of Ameluz® per treatment and an extension of the maximal skin surface to be treated.

To further increase the growth potential in the US market in the medium term, a clinical trial for the treatment of superficial basal cell carcinoma (sBCC) with Ameluz® together with the BF-RhodoLED® red light lamp is being conducted.

A Phase IIb trial is ongoing to evaluate the safety and efficacy of Ameluz® in combination with the BF-RhodoLED® red light lamp in the treatment of moderate to severe acne with photodynamic therapy (Ameluz®-PDT).

Further information on the ongoing studies can be found in the Research and development section.

Capital increase and reverse split

On April 4, 2024, at the Extraordinary General Meeting it was resolved to reduce the share capital of Biofrontera AG (Frankfurt Stock Exchange: B8F) from EUR 63,807,058.00 to EUR 3,038,431.00, with a merger ratio of 21:1. Following this resolution and with the approval of the Supervisory Board, the Executive Board decided to carry out a capital increase for cash in which up to 3,038,431 new shares were issued, with existing shareholders being granted subscription rights. The subscription price for each new share was EUR 1.10. The capital increase from authorized capital resolved by the Management Board and Supervisory Board of Biofrontera AG on April 04, 2024, was fully placed. The capital increase was oversubscribed after the exercise of subscription rights and oversubscription rights. 3,038,431 new shares were issued at a subscription price of EUR 1.10 per share.

Litigation

Please refer to the separate litigation report for details.

Management Board

Ms. Pilar de la Huerta Martínez was appointed as a member of the Executive Board on 19 August 2022 with effect from 12 September 2022. Since then, Ms. de la Huerta Martínez has been the sole member of the Executive Board, and her contract was extended by the Supervisory Board at the end of February 2024 until December 31, 2026.

Supervisory Board

On May 6th, 2024, Mr. Zours, former chairman of the company, resigned from his position due to personal reasons and Dr Tielmann, as a deputy chairperson, covered that position on an interim basis until the appointment of Dr. Lubenow on May 10th ,2024.

On June 24th, 2024, the Supervisory Board decided about the proposal of new members in the next ordinary annual shareholders meeting to be held on August 28th. Dr Tielmann and Dr Lergenmüller would resign in the next AGM, and three new members would be proposed, Mr. Link, Mr. Reich and Mr. Plaggemars.

During the ordinary annual shareholders meeting on August 28th, three new members of the Supervisory Board were elected. The new Supervisory Board had a meeting afterwards, nominating Mr. Link as the new chairman, and Dr Lubenow as the new deputy chairperson. The new committees were constituted. Mr. Schmelig, Mr. Plaggemars and Dr Lubenow were nominated as the new audit committee members, keeping Mr. Schmelig as chairman of it. On the other side, Mr. Link, Dr Lanckriet and Dr Lubenow were nominated as the new Remuneration and Nomination Committee. Dr Lubenow keeps the chair position.

Evaluation of the business performance of the Biofrontera Group

Comparison of actual and forecast business performance

The Biofrontera Group generated sales of around EUR 21,666 thousand in the 2024 financial year, within the forecasted revenue range of EUR 20,000 thousand to 23,000 thousand. This result was mainly driven by a 57,5% decrease in US licensing revenues partly compensated by positive sales performance in our home market of Germany, which also grew by 25.2%.

For the fiscal year 2024, the company had forecasted an EBITDA between EUR -4,500 thousand and EUR -2,500 thousand, and with an actual EBITDA of EUR -4,635 thousand, this forecast range was slightly exceeded. Additionally, the EBIT of EUR -5,473 thousand, also within the forecasted range of EUR -5,500 thousand to -3,500 thousand.

Liquidity developed as forecasted, standing at EUR 3,124 thousand as at 31 December 2024, was on the same level of previous year of EUR 3,080 thousand. Liquidity is at the upper range of our forecast (EUR 1,000 thousand – EUR 3,000 thousand) Liquidity was significantly strengthened by a successfully implemented capital measure with gross issue proceeds of around EUR 3,300 thousand.

In the case of training measures and internal/external audits as non-financial performance indicators, the development in the financial year almost met the forecasts. The number of external training courses fell to 21 in the year under review compared to 40 in the previous year. The company's internal identification of further training measures is based on demand, so that the development of this key figure depends significantly on the level of qualification of the current employee base. In addition, the number of employees in the Biofrontera Group declined in the year under review, with the result that training courses in particular declined as a result of onboarding processes. The number of QM-controlled documents describing standardized and controlled workflows (SOPs) increased during the reporting period. The company now manages about 842 controlled documents (previous year: 803). Internal training was at a increased level compared to the previous year. In the internal training courses, employees are trained in new and modified processes. If there are product modifications or changes in official requirements, such training becomes necessary. The regulatory environment of a pharmaceutical company sets enormously high standards here, so that the training standard at Biofrontera has been at an extremely high level since the introduction of this metric. The number of external and internal audits remained stable in 2024 compared to the previous year, with 16 audits or inspections carried out.

The number of employees (headcount) decreased in the financial year from 95 in 2023 to 88 in 2024.

The regulatory and clinical progress planned for 2024 was largely achieved. An improved Ameluz® formulation was approved in both the USA and the EU in the reporting period. The new formulation does not contain propylene glycol. This may have a positive effect on the safety profile of the gel and avoid possible risks with regard to the formation of impurities and allergic reactions. Biofrontera has submitted a patent application to protect this new formulation.

The development of the new red-light lamp RhodoLED® XL was the responsibility of Biofrontera Pharma GmbH. The LX lamp was successfully launched in the US market by Biofrontera Inc.in June 2024.

In the USA, FDA approved a regulatory submission to increase the maximally approved dosage from one to three tubes of Ameluz® per treatment and an extension of the maximal skin surface to be treated.

To further increase growth potential in the US market in the medium term, a clinical trial for the treatment of superficial basal cell carcinoma (sBCC) with Ameluz® together with the BF-RhodoLED® red light lamp is being conducted.

A Phase IIb trial is ongoing to evaluate the safety and efficacy of Ameluz® in combination with the BF-RhodoLED® red light lamp in the treatment of moderate to severe acne with photodynamic therapy (Ameluz®-PDT).

Evaluation of the business performance by the Management Board

Business performance for both the Biofrontera Group and Biofrontera AG was positive overall for the year as a whole and thus met the management's expectations. Without considering the legal expenses linked to DUSA (SunPharma) lawsuits against Biofrontera AG group, both total sales and the forecast EBITDA and EBIT were achieved or exceeded. The IFRS rules forced the company to provision the forecasted legal expenses for the whole processes, that will take place during the next two years. Due to this, EBITDA and EBIT have been hit and moved to losses. Offsetting these expenses, the performance of the company was in line with the expectations, keeping a relevant revenue growth in EU territories, and signing two deals to expand the portfolio in Germany and UK.

Due to the provisions, EBITDA is EUR -4,635 thousand (previous year EUR 5,923 thousand), earnings before income taxes amounted to EUR -6,719 thousand in the 2024 financial year (previous year: EUR -2,127 thousand).

The separate financial statements of Biofrontera AG show a net loss for the year of EUR -3,488 thousand after EUR -7,297 thousand in the previous year.

Biofrontera Group financial position and performance

Results of operations of the Biofrontera Group

The results of operations as of December 31, 2024 are as follows:

in EUR thousands	2024	2023
Sales revenue	21,666	32,249
Gross profit on sales	16,339	26,005
Research and development costs	(5,352)	(7,846)
General administrative costs	(9,996)	(6,105)
Sales and marketing costs	(6,933)	(7,273)
Result on operations	**(5,941)**	**4,782**
Other expenses and income	468	350
EBITDA	**(4,635)**	**5,923**
EBIT	**(5,473)**	**5,132**
Financial result	(1,246)	(7,259)
Loss before income tax	**(6,719)**	**(2,127)**
Loss after income tax	**(4,329)**	**(369)**

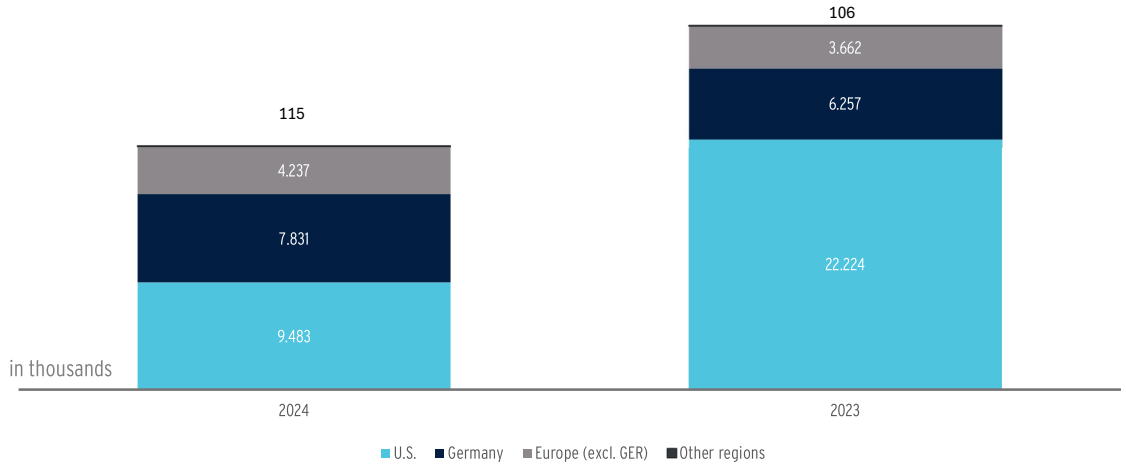
Sales revenue

The Biofrontera Group generated total sales of EUR 21,666 thousand in the reporting year 2024, a decrease of 32.8% compared to the previous year (previous year: EUR 32,249 thousand).

Total revenues in Europe increased by 22% compared to the previous year to EUR 12,069 thousand (previous year: EUR 9,919 thousand). In Germany, sales increased by 25% year-on-year to EUR 7,831 thousand (previous year: EUR 6,257 thousand) and total sales in the rest of Europe also increased by 16% to a total of EUR 4,238 thousand (previous year: EUR 3,662 thousand).

In the 2024 financial year, Biofrontera generated revenue of EUR 9,482 thousand with our licensee in the USA compared to EUR 22,224 thousand in the previous year, a decrease of 57.3%. This includes revenues from service agreements in the amount of EUR 67 thousand (previous year: EUR 76 thousand).

Revenue from other regions amounted to EUR 115 thousand in the financial year (previous year: EUR 106 thousand) and included both license income and revenue from the sale of study materials



Gross profit on sale

Gross profit decreased by EUR 9,666 thousand and amounted to EUR 16,339 thousand in 2024 compared to EUR 26,005 thousand in the prior year period. The gross margin decreased from 81% in 2023 to 75% in the 2024 financial year.

Research and development costs

Research and development costs decreased by 32% to EUR 5,352 thousand in the reporting period compared to EUR 7,846 thousand in the previous year due to the outsourcing of activities of clinical trials for the US market. In addition to the costs for clinical trials, research and development costs also include expenses for regulatory affairs, i.e. for obtaining, maintaining and expanding our approvals, expenses for patents, pharmacovigilance activities and personnel costs for employees working in these departments.

General and administrative costs

General administrative expenses amounted to EUR 9,996 thousand in the 2024 financial year (previous year: EUR 6,105 thousand), an increase of EUR 3,891 thousand in total compared to the previous year, driven by the additional legal expenses linked to the SunPharma litigations. These are offset in particular by savings in personnel expenses of EUR 261 thousand, savings in investor relations expenses of EUR 124 thousand and savings in insurance contributions of EUR 139 thousand.

Sales and marketing costs

Sales and marketing expenses amounted to EUR 6,933 thousand in the 2024 financial year, a decrease of EUR 340 thousand on the previous year (EUR 7,273 thousand).

EBITDA and EBIT

The Group's EBITDA includes earnings before interest, taxes, depreciation of property, plant and equipment and amortization of intangible assets and decreased by EUR 10,558 thousand to EUR -4,635 thousand in fiscal year 2024 compared with the prior-year period (EUR 5,923 thousand). The significant decrease in EBIT and EBITDA is largely due to the increase in legal cost associated to the provisions createdfor the SunPharma litigations, along with the decline in USA sales and the according decline in margin.

EBIT includes earnings before interest and taxes and declined year-on-year to EUR -5,473 thousand (previous year: EUR 5,132 thousand).

Financial result

In addition to the interest result, the financial result totaling EUR -1,246 thousand (previous year: EUR -7,259 thousand) includes in addition to the interest result, in particular the amortisation of the book value of the investment in Biofrontera Inc. in the amount of EUR -1,298 thousand (previous year: EUR -7,264 thousand).

Other income and expenses

Other expenses and income amounted to a total of EUR 468 thousand in the reporting period (previous year EUR 350 thousand:) and primarily include expenses and income from currency translation and the reversal of provisions.

Income taxes

This position includes expenses from current income taxes in the amount of EUR -158 thousand (previous year: EUR 685 thousand) and income from deferred taxes in the amount of EUR 2,211 thousand (previous year: EUR 2,443 thousand) resulting from the capitalization of deferred taxes on carried forward losses at Biofrontera Bioscience GmbH and Biofrontera Pharma GmbH.

Net assets of the Biofrontera Group

The net assets position as of December 31, 2024is as follows:

in EUR thousands	December 31, 2024	December 31, 2023
Non-current assets	13,399	13,012
Current financial assets	9,797	11,792
Other current assets	6,458	5,928
Total assets	**29,654**	**30,732**
Equity	18,856	19,980
Non-current liabilities	329	678
Current financial liabilities	2,608	5,879
Other current liabilities	7,861	4,194
Total equity and liabilities	**29,654**	**30,732**

Non-current assets

Non-current assets as of December 31, 2024, totaling EUR 13,399 thousand (previous year: EUR 13,012 thousand) include recognized deferred tax assets on tax loss carryforwards at Biofrontera Pharma GmbH and deferred taxes at Biofrontera Bioscience in the amount of EUR 9,029 thousand (previous year: EUR 6,818 thousand), property, plant and equipment in the amount of EUR 2,934 thousand (previous year: EUR 3,290 thousand), and intangible assets of EUR 1,001 thousand (previous year: EUR 1,152 thousand). Also included here is the investment in Biofrontera Inc. at carrying amount in the amount of EUR 420 thousand (previous year: at-equity EUR 1,718 thousand). In addition, long-term receivables from leases amounting to EUR 14 thousand (previous year: EUR 33 thousand) are reported here. The increase is mainly due to the capitalisation of deferred taxes on losses carried forward based on current corporate planning. The disposal of the investment in Biofrontera Inc., which was recognised at equity, and impairment losses on the carrying amount of the investment had the opposite effect.

Current financial assets

Current financial assets totaled EUR 9,797 thousand as of December 31, 2024 (previous year: EUR 11,792 thousand). This in particular includes cash and cash equivalents of EUR 3,124 thousand (previous year: EUR 3,080 thousand), trade receivables of EUR 6,452 thousand (previous year: EUR 774 thousand), receivables from associates of EUR 0 thousand (previous year EUR 6,365 thousand), other current financial assets of EUR 202 thousand (previous year: EUR 1,556 thousand) and receivables from leasing contracts of EUR 18 thousand (previous year: EUR 18 thousand). The previous year's disclosure included advance payments on inventories of EUR 1,469 thousand. In the current year these are included in other current assets at an amount of EUR 1,112 thousand.

Other current assets

Other current assets mainly contain inventories. These increased slightly to EUR 5,548 thousand as of December 31, 2024 (previous year: EUR 5,077 thousand). In the reporting year, no impairment losses were recognized on inventories (previous year: EUR 24 thousand). This year, advance payments on inventories totalling EUR 1,112 thousand are also included in the inventories. In the previous year, these were recognised under other financial assets (EUR 1,469 thousand).

Other current assets also include current receivables in the amount of EUR 214 thousand (previous year: EUR 207 thousand) and prepaid expenses in the total amount of EUR 686 thousand (previous year: EUR 643 thousand).

Equity

In accordance with IFRS, the Group reported equity of EUR 18,856 thousand (previous year: EUR 19,980 thousand). The equity ratio decreased from 65% to 64%.

Non-current liabilities

The financial liabilities reported under non-current liabilities of EUR 329 thousand (previous year: EUR 678 thousand), contain the liabilities from leases to be recognized in accordance with IFRS 16 in the amount of EUR 329 thousand (previous year: EUR 678 thousand).

Current financial liabilities

Current financial liabilities include, in particular, trade payables in the amount of EUR 2,124 thousand (previous year: EUR 2,594 thousand) and current financial liabilities include current liabilities from leases in accordance with IFRS 16 in the amount of EUR 436 thousand (previous year: EUR 468 thousand). Also included liabilities to to Biofrontera Inc. of EUR 0 thousand (previous year: EUR 2,747 thousand). Prior year liabilities contained recharges from Biofrontera Inc. of legal expenses.

Other current liabilities

Other current liabilities amounted to EUR 7,861 thousand (previous year: EUR 4,194 thousand) and consist of provisions of EUR 5,253 thousand (previous year: EUR 895 thousand) as well as other accrued liabilities of EUR 2,226 thousand (previous year: EUR 2,458 thousand) and income tax liabilities of EUR 382 thousand (previous year: EUR 841 thousand). The increase is related to the provisions for litigation costs to be created in the financial year.

Financial position of the Biofrontera Group

The Company's capital management body regularly reviews the equity ratio of both the Biofrontera Group and the parent company. The objective is to ensure an appropriate equity base, within the framework of the expectations of the capital market, and creditworthiness with respect to national and international business partners. The Group's Management Board ensures that all Group companies have sufficient liquidity at their disposal.

in EUR thousands	2024	2023
Cash flow from/in operating activities	(2,539)	(1,905)
Cash flow from/in investing activities	(210)	(912)
Cash flow from/in financing activities	2,793	(479)
Cash and cash equivalents	3,124	3,080
Non-current financial liabilities	329	678
Current financial debt	436	468
Net liquidity	2,360	1,934

Net cash flow from operating activities decreased by EUR 634 thousand to EUR -2,132 thousand compared to the previous year's figure of EUR -1,905 thousand.

Net cash flow from investing activities amounted to EUR -210 thousand (previous year: EUR -912 thousand) and contains investments in property, plant and equipment and intangible assets.

Net cash flow from financing activities amounted to EUR 2,793 thousand and was higher than the previous year's figure (previous year: EUR -479 thousand), which included proceeds from a capital increase carried out in the financial year.

Cash and cash equivalents

Cash and cash equivalents in the Group amount to EUR 3,124 thousand as of December 31, 2024 (previous year: EUR 3,080 thousand).

Biofrontera AG financial position and performance

Results of operations of Biofrontera AG

in EUR thousands	2024	2023
Sales revenue	3,319	3,311
Other operating income	244	449
Personnel costs	(2,670)	(3,238)
Depreciation and amortization	(7)	(12)
Other operating expenses	(2,891)	(4,939)
Other interest and similar income	2,086	2,078
Depreciation on financial assets	(3,568)	(4,945)
Interest and similar expenses	(0)	(1)
Other taxes	(0)	(1)
Net loss	-3,488	-7,297

The revenue reported in the separate financial statements under German GAAP includes income from intercompany services. Other operating income mainly relates to income from the reversal of provisions and income from costs recharged to affiliated companies.The decrease in personnel expenses is mainly due to the reduction in admin staff, partly compensated by external consultants.

Other operating expenses decreased by EUR 2,048 thousand to EUR 2,891 thousand. This is primarily due to the reduction in costs for legal disputes. SunPharma litigation cost and provisions are allocated in Biofrontera Bioscience and Pharma subsidiaries.

Interest and other income results almost exclusively from related companies.

Write-downs on financial assets during the year amounted to EUR 3,568 thousand (previous year: 4,945 thousand) and are allocated to the investment in Biofrontera Inc.

The net profit for the year amounted to EUR -3,488 thousand (previous year: EUR -7,297 thousand).

Net assets of Biofrontera AG

in EUR thousands	December 31, 2024	December 31, 2023
Non-current assets	32,655	36,225
Receivables due from affiliated companies	75,492	69,644
Cash and cash balances with banks	1,806	2,560
Other assets	331	411
Total assets	**110,284**	**108,840**
Equity	104,063	104,208
Provisions	5,090	1,768
Bonds	0	0
Liabilities to banks	0	0
Other liabilities	1,131	2,864
Total equity and liabilities	**110,284**	**108,840**

Fixed assets mainly relate to shares in affiliated companies at EUR 32,224 thousand (previous year: EUR 32,224 thousand) and investment in associates at EUR 420 thousand (previous year: EUR 3,988 thousand).

The receivables from affiliated companies amounted to EUR 75,492 thousand (previous year: 69,644 thousand) and consist of loan receivables and trade receivables.

Cash on hand and bank balances decreased from EUR 2,560 thousand in the previous year to EUR 1,806 thousand in 2024. For further details on the financial position, please refer to the presentation of the Group financial position.

As of December 31, 2024, Biofrontera AG had equity under German commercial law of EUR 104,063 thousand (previous year: EUR 104,208 thousand).

The provisions mainly include provisions for outstanding invoices, litigation costs, bonuses for employees as well as the audit of the annual financial statements and tax returns.

Assessment of the financial position of Biofrontera AG and the Group

In the separate financial statements of Biofrontera AG, liquidity of EUR 1,806 thousand, below the previous year's figure of EUR 2,560 thousand. The Group's liquidity slightly increased from EUR 3,080 thousand in 2023 to EUR 3,124 thousand in the 2024 financial year. Please refer to the section on liquidity, profitability and access to the capital market in our risk report in the management report for more information on the necessity of providing liquidity to ensure the continuation of business activities.

Outlook and forecast

General conditions

As Germany enters 2025, its economic landscape remains defined by cautious optimism amidst enduring structural challenges. The country is emerging from two consecutive years of contraction, and while inflation has moderated to about 2.3% , modest growth forecasts –ranging from 0.1% to 0.3%– and an unemployment rate near 6.2% underline that a full recovery is still a work in progress. Political uncertainty from a new government to be formed after recent national elections, coupled with lingering trade tensions and industrial headwinds, means that deep-seated reforms will be essential to spur a sustainable turnaround.

Across the broader European Union, similar challenges are evident. The European Central Bank has taken action to counteract stagnation by cutting its benchmark interest rate to 2.75%, a move intended to support demand and ease financing conditions throughout the eurozone. Overall EU growth remains modest, with forecasts suggesting that while inflation is gradually easing

toward the target, structural constraints –ranging from digitalization hurdles to demographic shifts– continue to limit recovery prospects in many member states.

In Spain, the economic picture is somewhat more buoyant, even as structural issues persist. The Spanish economy is expected to benefit from a rebound in tourism, rising domestic consumption, and targeted fiscal measures that aim to address chronic labor market inefficiencies. While Spain has long grappled with higher unemployment rates compared to central Europe, recent indicators suggest that modest GDP growth –potentially around 1.5% in 2025– could help to gradually reduce these figures and boost consumer confidence, although challenges in productivity and public investment remain.

Meanwhile, the United Kingdom is forecasted to post moderate growth in 2025, with GDP expected to expand by roughly 1.1%. The UK's flexible labor market and recovering service sector provide a counterweight to uncertainties that still linger in the post-Brexit environment. Inflation pressures are easing and, combined with anticipated monetary easing by the Bank of England, are set to support a gradual pickup in consumer spending. Unemployment in the UK is projected to remain low –around 4-5%– further contributing to a more resilient economic outlook.

Taken together, these diverse regional developments underscore that while Germany faces significant internal headwinds, its fortunes are intertwined with those of the broader EU. For policymakers and investors alike, the coming months will be crucial in determining whether coordinated fiscal and structural reforms across Germany, Spain, and the UK can foster a more robust, region-wide recovery in the face of persistent global uncertainties.

Currently, it is difficult to foresee how the new custom tax policy that the Trump administration will implement in the USA, together with the forced increase in defense spending that all NATO countries will be compelled to undertake, will affect the European economy. The West is experiencing a period of great political uncertainty, and we are not clear on what impact this will ultimately have on the region's economic development.

Guidance

For 2025, we expect to keep the increased sales tendency we are seeing in Europe during the last years. With Germany as the main driver of this growth, we budget an average growth higher than 10%. On the other hand, due to the change in the LSA conditions signed during 2024 with Biofrontera Inc., the Ameluz transfer price during 2024 and 2025 will be kept at 25% of the US sales price, what will keep our revenues more or less in line with 2024. In 2026 the transfer price will increase to 30%, and from there to 35% in the upcoming years.

Regarding EBITDA, as all expenses related to several big IP litigations in place with DUSA (SunPharma) have been provisioned in 2024, during 2025 we expect to be positive from an EBITDA point of view, coming back to the profitable pathway we started during 2022.

Forecast of key performance indicators relevant to management

Key Figure	Forecast 2025
Group revenue	20-24 Mio. EUR
EBITDA	0 Mio. bis +3 Mio. EUR
EBIT	-1 Mio. - +2 Mio. EUR
Cash and cash equivalents at 31. Dezember 2025	0,5 Mio to + 1,5 Mio EUR
Nicht finanzielle Kennzahlen	
Employees	Unchanged
Trainings	Unchanged
External and internal audits	Unchanged

The Group anticipates revenues of EUR 20 to 24 million for the 2025 financial year, with growth of between 10% to 12% % expected for the European markets, while revenues from the US licensing business will be in line with 2024 due to the low transfer price for 2025. However, as all the clinical development was transferred to Biofrontera Inc during 2024, the final EBITDA result will be positive in 2025, placing the company back to a profitable pathway.

In Germany, the most important European sales market, the company expects to continue expanding their market share in the current year due to market share gains from topical drugs in an underlying growing market of actinic keratosis. Increasing awareness of actinic keratosis as a precursor of skin cancer requiring treatment and the approach of patient-friendly, artificial daylight therapy should support continued sales momentum in the market.

The approval of artificial daylight therapy is helping us expanding the market also in other countries where weather conditions do not permit an all-year daylight treatment. Similarly, in some countries we have a new option to use Ameluz at home applied by the patient itself or a caregiver. We see this as an opportunity for future growth as it mitigates constraints in the specialist physician's offices and reduces the complexity of the treatment approach from a doctor's perspective. This option is further nurtured by a growing early interest of General Practitioners to conduct photodynamic therapy.

As a result of the expanded base of sales partners and the associated regional expansion of the marketing of Ameluz®, particularly in the Scandinavian countries and Poland, we expect continuous sales growth for the European market. The expansion of sales efforts in Spain and the UK should also contribute to this market growth.

During 2025 we expect getting additional revenues from the products we are partnering with Leo Pharma in Germany. We are working, jointly with Galenica AB, on the registration of Ovixan in the UK, aiming to start selling the product in Q1 2026.

As mentioned at the beginning, however, sales growth outside the USA would depend on the economic performance of Europe and still there exists a lot of uncertainty regarding the impact of the international political situation and the US economic measures against Europe. There is therefore still a degree of uncertainty regarding the sales that can be achieved in the current year.

Although the level of revenues will grow modestly during 2025, EBITDA will grow dramatically as we don't foresee relevant new legal defense expenses during 2025.

As of December 31, 2024, the Biofrontera Group held cash and cash equivalents of EUR 3,123 thousand. Based on the current corporate planning for 2025, the Group will have sufficient liquidity to meet all obligations for a further 12 months from the date of preparation. Assuming expenses and income developing as planned, the Group expects to have cash and cash equivalents of between EUR 0.5 million and EUR 1.5 million as of December 31, 2025.

For the separate financial statements of Biofrontera AG, we continue to expect a net loss for the year, which is likely to be in the low single-digit million range. As the parent company, Biofrontera AG manages the liquidity of the Biofrontera Group. The planned cash and cash equivalents of the Group as of December 31, 2024 therefore also correspond to the planned cash and cash equivalents of Biofrontera AG.

Forecast of further key figures

Biofrontera expects the number of employees to be stable during 2025

As a result of the increasing requirements for capital market-oriented pharmaceutical companies, we assume that the number of training measures in 2025 will be at a comparable level to 2024.

Maintaining and expanding our approvals is essential for securing and strengthening Biofrontera's market position and is reflected in our quality management, among other things. The number of external and internal audits are important non-financial performance indicators for the company. We assume that the number of audits in 2025 will be at a similarly high level as in 2024.

Planned regulatory progress

Regarding Ameluz, we plan to submit in 2025 the regulatory dossier for the approval of an alternative contract manufacturer and for an indication extension (superficial BCC) in USA.

Risk and opportunity report

Each industry has its own specific characteristics that give rise to specific risks. The health industry, in particular, is in a state of constant change, with the ensuing risks and opportunities being shaped by a wide variety of influences.

As an internationally biopharmaceutical company, the Biofrontera Group is exposed to a large number of risks arising from its business activities, which can have a significant impact on the achievement of the targets. Deviations from the plan are to be understood as opportunities (positive deviations) and risks (negative deviations).

Risk management system (unaudited)

Biofrontera's management counters the risks existing in the Group with a comprehensive risk management system. Due to its holding function, Biofrontera AG controls all legally independent entities within the Biofrontera Group. Therefore, a uniform group-wide assessment of risks and opportunities within the group is necessary.

The primary objective of the Biofrontera Group is to grow sustainably and thus to steadily increase the value of the company. Risk management makes a significant contribution to achieving this goal. Risk management at Biofrontera involves the identification of risks that could lead to a permanent or significant impairment of the Biofrontera Group's net assets, financial position and results of operations, the responsible analysis and monitoring of these risks, and the taking of appropriate countermeasures. This requires defined principles, organizational structures, and measurement and monitoring processes that are specifically geared to the activities of the Biofrontera Group.

Appropriately detailed risk prevention measures are the prerequisite for fully exploiting the opportunities arising from Biofrontera's business activities. The existing risk management structures at Biofrontera within the framework of the quality management system required for pharmaceutical manufacturers and entrepreneurs as well as for medical device manufacturers are constantly being further developed. The marketing and sales activities as well as the international responsibilities that a marketing authorization holder has for the manufacture and distribution of drugs, medical devices and cosmetics are included in this system.

The Biofrontera Group's risk management is integrated into the business processes and entrepreneurial decisions, and thus into the Group-wide planning and controlling processes. Risk management and control mechanisms are coordinated with each other. They ensure that risks relevant to the company are identified and assessed at an early stage. At the same time, it serves to quickly seize potential opportunities.

Risk management at Biofrontera is organized both de-centrally and centrally. The Executive Board has overarching responsibility for this. The coordinated subsystems are the responsibility of the specialist departments. Opportunities and risks are regularly identified and evaluated across all hierarchical levels. All executives of the Group and the Audit Committee are involved in Groupwide risk monitoring and the associated reporting. This includes both the Executive Board and the managing directors of the Group companies as well as the process and project managers.

Risk management reports to the risk management team headed by the Management Board. The risk management team coordinates the individual management bodies and ensures they are kept informed at an early stage and on an ongoing basis. In addition, the team is responsible for the ongoing monitoring of the risk profile, the initiation of risk prevention measures and the corresponding control instruments. Within the framework of regular meetings, the management of the Biofrontera Group comes together to exchange and evaluate risk management-relevant information between the operational and central divisions across all levels.

The Group-wide contact person is the risk officer, who is also a member of the risk management team. If unforeseen risks arise, he immediately initiates the necessary steps to counter them. On the one hand, he is responsible for the further development of the risk management system and its documentation. In addition, the risk officer defines uniform standards and ensures that similar risk management processes are applied within the Biofrontera Group. For example, the regular analysis of key figures relating to the course of business serves to identify and evaluate possible deviations from expected developments in terms of potential opportunities or risks at an early stage and to initiate necessary measures. Overall monitoring of the relevant control parameters and business processes is carried out. Risk planning and identification are carried out in cooperation with the respective department heads.

Accounting-related risk management system and accounting-related internal controls

The accounting process of the Group as well as of Biofrontera AG pursues the presentation of correct and complete figures and disclosures in the instruments of external accounting (bookkeeping, annual and consolidated financial statements, summarized management report) as well as compliance with the relevant legal and statutory provisions. The structures and processes in place for this purpose integrate detailed internal control measures with regard to the accounting process. In connection with the increasing business activities, the accounting-related internal control system is subject to a continuous monitoring and improvement process.

The aim of the internal control system is to identify, assess and manage all risks that could prevent the preparation of our annual and consolidated financial statements in accordance with the rules. Identified risks must be assessed with regard to their impact on the annual and consolidated financial statements. It is the task of the accounting-related internal control system to ensure that the closing process complies with the rules by implementing appropriate principles, procedures and controls. The internal control

system covers all departments that are important for the annual and consolidated financial statements and all processes relevant to the preparation of the financial statements.

Significant aspects of risk management and control in accounting are the clear allocation of responsibilities and controls in the preparation of the financial statements and transparent accounting policies. The dual control principle and the separation of functions are further important control principles in the accounting process.

Risk reporting concerning financial instruments

In the ordinary course of business, the Group is exposed to risks that may have an impact on its net assets, financial position and results of operations.

Market risk

As of the reporting date, the Biofrontera Group was exposed to foreign currency risks, in particular due to the transfer price in US-Dollar agreed with the former 100%-owned subsidiary Biofrontera Inc. The Company does not enter into any specific currency hedging transactions. Exchange rate fluctuations are recognized in profit or loss.

Credit risk

The Group is exposed to credit risk if transaction partners are unable to meet their obligations within the usual payment periods. The maximum default risk is represented in the balance sheet by the carrying amount of the respective financial asset. The development of the receivable's portfolio is monitored in order to identify potential default risks at an early stage and to initiate appropriate measures. Biofrontera's financial instruments bear a minimal risk of default. If Biofrontera Inc., as the largest customer of Biofrontera AG, is unable to meet its payment obligations on time, this could lead to a short-term financial bottleneck.

Liquidity risk

Liquidity risk refers to the inability to meet existing or future payment obligations as they become due. To ensure the ability to pay at all times and to avoid financial shortages, Biofrontera has established a central cash management system that monitors liquidity requirements in the short, medium and long term. Refinancing for all Group companies is mainly provided by Biofrontera AG.

Liquidity is monitored and managed on the basis of short- and long-term corporate planning. Liquidity risks are identified at an early stage by simulating various scenarios. Current cash and cash equivalents are recorded and monitored on a daily basis.

For further information, please refer to the section "Liquidity, profitability and capital markets access".

Risks and opportunities relating to future business development and growth

The business strategy of Biofrontera AG is based to a large extent on establishing the current products, in particular the drug Ameluz®, on the relevant sales markets in the long term. In order to exploit market potential, it is necessary to expand the existing approvals in the USA and Europe. In addition, the aim is to broaden the product pipeline. The protection of our intellectual property is to be secured by a suitable patent strategy. The prerequisite for achieving these targets is ensuring sustained profitability and sufficient liquidity.

Risks may arise from deviations from targets in the form of negative developments, the insufficient realization of targeted and already recognized opportunities or potentials, or the failure to take advantage of new opportunities. Biofrontera's risk management takes this into account through continuous analysis of relevant influencing factors.

Net assets

Biofrontera AG has investments in subsidiaries with significant carrying amounts. If the companies do not develop as planned in the long term, there is a risk that the carrying amounts of the investments and receivables in the separate financial statements of Biofrontera AG will have to be adjusted.

External influences and global risks

The increasing integration of the global economy due to globalization and digitalization can have a negative impact on Biofrontera's target achievement in the context of macroeconomic developments. In addition, political developments in our sales markets can have an influence on the structures relevant to Biofrontera in the respective healthcare sector.

In addition to effects on individual markets, global crises may arise in this context that could have a significant impact on the Biofrontera Group's business operations.

As a result of potential crises, the maintenance of business processes may be jeopardized, among other things, by the ordering of official measures that do not permit full business operations, by the fact that employees of the Biofrontera Group are affected, or due to impairments of relevant suppliers.

However, the Executive Board assumes that it will be able to counter these possible effects by means of suitable measures.

To this end, the company had already developed a suitable set of tools after the onset of the COVID pandemic to counter these risks and safeguard business processes through comprehensive cost reductions, contingency planning to maintain central processes, and activities to protect employees. These could be re-executed if necessary.

The war in Ukraine, which broke out at the end of February 2022, does not currently have a direct impact on Biofrontera, as the company is not active in Ukraine or Russia. However, there are negative indirect factors influencing the company's success, such as price increases on the procurement markets and a further impairment of supply chains. There is also the possibility of further escalations and the resulting cross-regional economic risks.

For further risks in connection with the ongoing Ukraine crisis, please refer to the comments in the section on liquidity, profitability and access to capital markets.

Since February 1, 2020, the United Kingdom is no longer a member state of the European Union. The regulatory framework for pharmaceutical products in the United Kingdom, which covers quality, safety and efficacy of pharmaceutical products, clinical trials, marketing authorization, commercial distribution and sales of pharmaceutical products, was derived from European Union directives and regulations, and aligned closely with the European Union's legal framework. However, while the UK had initially chosen to mirror EU pharmaceutical laws, as time goes by, the country has begun to introduce reforms diverging from EU-regulations. Some adjustments to the regulatory requirements have been implemented and have obliged Biofrontera to evolve accordingly. To this end, the specially founded Biofrontera UK Ltd. has obtained an UK- wholesale license since September 2023 and coordinates the distribution of pharmaceutical products in the United Kingdom on behalf of its parent company Biofrontera Pharma GmbH. It remains to be seen how changed regulatory requirements will also be implemented with regard to medical devices in the United Kingdom. Due to the implementation of the amended regulatory requirements for the distribution of pharmaceutical products, the company considers the risk from product sales in the United Kingdom to be low.

After the recent elections in the USA, it is possible that the custom taxes affecting EU products increases. If that happens, the price increase could affect the demand of the product in the USA. Biofrontera Inc increases the final price on yearly basis, with no bad impact in the demand of the product, although we don't know if a relevant increase of the custom taxes could affect it in a negative way.

These risks cannot be influenced by Biofrontera. In the past, however, the monitoring processes and standards implemented in the company have enabled Biofrontera to always adapt external effects or risks appropriately and successfully.

Liquidity, profitability and capital markets access

Liquidity risks can arise from possible loss situations of the company and uncertainties regarding the future further business development, or from not being able to exploit market potentials in line with Biofrontera's business strategy due to insufficient liquidity.

Biofrontera balances this risk with a long-term capital market strategy. In addition, potential risks are regularly identified and assessed as part of our short-, medium- and long-term Group-wide liquidity planning in order to be able to take timely measures to achieve targets, if necessary.

The Biofrontera Group might not be able to meet existing or future payment obligations due to insufficient availability of cash. To date, the Group has been able to meet its payment obligations at all times. By injecting equity or debt capital, Biofrontera has so far always succeeded in providing the financing required for its business operations.

As of December 31, 2024, the Biofrontera Group held cash and cash equivalents of EUR 3,124 thousand. Based on the current corporate planning for 2025, the Group will have sufficient liquidity to meet all obligations for another 12 months from the time of preparation. The prerequisite for this is that the company develops in line with its expectations, with no relevant changes in the current revenue's tendency and cost structure.

Biopfrontera Inc performance impacts heavily in Biofrontera AG group cash situation. Any significant deviation from the current purchase orders forecasted for 2025 could generate a relevant negative impact in the cash of the company.

Any additional unforeseeable relevant expenses, such as additional legal costs, could also have a negative impact on our cash situation to cover 2025 requirements.

Law and compliance

The Group may be exposed to litigation or legal proceedings in the future. These include in particular risks from the areas of product liability, antitrust law, competition law, patent law, tax law and environmental protection. Risks may also arise in connection with disclosure and information requirements on the capital market. Investigations and inquiries into possible infringements of statutory provisions or regulatory requirements may result in criminal and civil sanctions, including substantial monetary penalties, as well as other financial disadvantages, damage our reputation and ultimately have a negative impact on our business success or our access to the capital markets.

Further information on litigation is provided separately in the section "Litigation".

Regulatory approvals

Restrictions on existing approvals in Europe and the United States would jeopardize the ability to market the Company's products. The risk also exists that strategically relevant marketing authorization extensions may not be approved, or may be approved with delays or only to a limited extent, which could impair the Company's ability to compete with its competitors.

The Company compensates for these risks through consistent compliance with regulatory requirements and an effective quality management system.

Research and development

The Company is also exposed to a further risk in the context of product development processes or indication expansions. No guarantee exists that a product can be brought to market after the end of the clinical development process of a project - on average 6 to 10 years. Due to a lack of success in individual study phases, for example in study design, patient recruitment, possible quality deficiencies or the documentation of study results, studies can prove to be more cost-intensive than planned, be delayed or even come to a complete standstill. Invested funds may not be recovered, or only partially recovered, through the revenues generated.

The Company seeks to mitigate these risks to some extent by selecting projects with relatively appealing risk profiles and by establishing a project control and reporting system. The project control system maps the entire development process up to approval in detail and enables analysis of the impact that even small changes or delays, for example in clinical trials, have on the development process and its costs. In this way, the risk of individual projects can be closely monitored, and the necessary steps can be taken to minimize development risk. To further mitigate development risks, the Company has transferred most of the financial and organisational responsibilities to the ongoing and planned clinical trails to Biofrontera Discovery GmbH, an affiliate of Biofrontera Inc..

Product portfolio

With Ameluz® , the company currently has only one approved drug product, which is sold in some European countries and the USA with its own sales force or by license partners. The risk exists that Ameluz® may not be sufficiently or sustainably established on the market.

Another potential risk is that the company may be at a competitive disadvantage compared with its competitors due to advantages in terms of the range of indications for competing products. For this reason, for example, indication extensions are initiated in order to gain competitive advantages.

A further risk is that the company's own product pipeline cannot be broadened and that successor or supplementary products cannot be brought to market maturity.

To counter these risks, in 2024, Biofrontera signed two promotion and/or distribution agreements. One agreement relates to the promotion of two mature, dermatological products in Germany, that have been on the market for many years. For those products there is the risk that out-of-stock situations due to manufacturing issues may impact the revenues that we receive from the owner of the products. Both products may see increased generic competition which may influence their price and performance and subsequently our revenues. The other agreement is about a branded generic product for the UK market. This product requires regulatory approval before commercialization can start. There is a risk that approval might not come or be delayed leading to an inability to commercialize it or start the commercialization in time. After the start of commercialization also any disruption in the supply chain would quickly impact our revenues. As the product is already approved in the EU, the risk for a regulatory rejection seems low. Also, the immediate financial consequence is negligible as we have not paid any upfront payment to get the agreement. The product is commercialized for quite some year in several European countries without supply disruption, hence the risk is also deemed low.

Furthermore, Biofrontera counters all above mentioned risks by constantly monitoring the market with regard to the activities of known competitors or the market entry of new competitors, and carries out extensive research and development activities to broaden the indication base. In addition, cooperation opportunities to expand the product portfolio are evaluated.

Patent protection

The company may be subject to patent protection risks. In case of successful commercialization, the contribution margins can be used to continue and sustainably invest in research and development. Due to the long time between the patent application and the market launch of a product, Biofrontera usually has only a few years to generate an adequate return on its intellectual output. If a patent expires or if a patent cannot be successfully defended, increased competition can usually be expected. Lack of patents can jeopardize the market position of the Company's products and facilitate market entry by competitors. To avoid these risks, Biofrontera's patent portfolio is continuously reviewed and the patent strategy is adjusted. Further information on individual patents is presented in the section on patent and trademark development.

Lawsuits filed by third parties due to potential infringement of patents or other intellectual property rights by Biofrontera may impede or even stop the development or manufacture of certain products and may require us to pay damages or royalties to third parties. Our patent department regularly reviews the current patent situation in cooperation with the respective operating units and monitors possible patent infringement attempts in order to initiate legal action if necessary.

Ameluz® is protected by a family of patents relating to nanoemulsion technology. The patent was not granted in US until January 2023 with a term until February 2028. In Europe, Australia, Canada and other countries, this patent was granted earlier, with a term until December 2027. The risk of potential future generic competition is further mitigated by specific challenges in the development of generic dermatological products, including regulatory hurdles. As part of Biofrontera's patent strategy to further protect Ameluz®, additional patent applications have been filed in recent years to protect the use of the combination of Ameluz® and BF-RhodoLED®. With the granting of these patents in December 2021, a substantial contribution has been made to limiting this risk. Furthermore, a patent application for an improved Ameluz® formulation without propylene glycol was filed in spring 2023. If this patent is granted, Ameluz® will be protected in the EU and the USA until 2043.

Further information on patent development is provided in the section entitled "Patent development". Further information on patent litigation is presented separately in the section "Litigation".

Products and product stewardship

As an international biopharmaceutical company, Biofrontera is subject to the highest requirements and associated risks in the quality and safety areas. Biofrontera assesses potential environmental and health risks associated with a product along the entire value chain. This includes every stage from research and development to disposal, including production, marketing and customer use. Despite extensive studies, the possibility exists of previously unknown and unexpected side effects from Biofrontera products. The Company may be exposed to a cost risk due to product safety deficiencies if, for example, our products are recalled voluntarily

or as a result of legal or regulatory action. Possible payments of damages associated with the aforementioned risks could exert a considerable negative effect on the Company's financial results. These risks are offset by established pharmacovigilance processes in the Company and ensure that potential side effects or other product-related problems are quickly identified. As no previously unknown side effects of our drugs have appeared, we consider it highly improbable that risks of this kind will arise.

Both regulatory requirements and standards applied beyond them are guaranteed by a wide variety of processes integrated into the Company. The Company's product-related risks are countered with a functioning quality management system. Biofrontera's focus on Good Manufacturing Practice (GMP), Good Pharmacovigliance Practices (GVP) guidelines and other quality standards, which are mandatory in the pharmaceutical industry and are refelcted in the Company's Standard Operation Procedures (SOPs), ensures the quality and safety requirements for products and processes. Regular internal audits of standards at suppliers and subcontractors contribute in this context. Regular checks and inspections are also carried out by regulators.

Markets

Biofrontera operates in regulated competitive markets. The Company's sales and revenue targets could be jeopardized by measures taken by competitors with an impact on sales and revenue with regard to the fields of application of their products, the pricing strategy or the marketing strategy, but also by new products from competitors. If the sales targets are not achieved, this could also have a negative effect on the Company's earnings and liquidity targets, as well as impairments on product inventories already produced.

Realignments in the respective healthcare systems and changes in the reimbursement behavior of drug reimbursement organizations, as well as market barriers in the relevant markets, may result in the risk of insufficient or unsustainable market penetration. The competitive position of our products may also be negatively impacted by product characteristics that are not perceived as optimal compared to competitive products in the respective market. In addition, our products compete with other therapies such as simple curettage and, particularly in the United States, cryotherapy, which do not require the use of a drug but have gained significant market acceptance due to their long history of use.

To avoid these risks, Biofrontera's sales and marketing organization closely monitors the market and conducts regular market analyses. The marketing instruments used and the communication with our customers are subject to constant further development in this context in order to be able to identify opportunities and risks and to strengthen the company's competitive position.

Procurement and production

As a pharmaceutical manufacturer, the Company is exposed to various risks in connection with the procurement and production of its products. Biofrontera relies on individual manufacturers or suppliers for the production of its finished products as well as raw materials, whose exchange would entail lengthy regulatory approval processes. Difficulties regarding procurement prices, quality, delivery reliability or quantity at or with these suppliers may affect the Company's revenue and results targets. By establishing alternative suppliers, changing production sizes and actively managing contracts and inventories, Biofrontera seeks to minimize these dependencies and ensure the supply of the required goods and services.

Risks associated with the manufacturing, storage and transportation of products may result in personal injury or material or environmental damage and may give rise to an obligation to pay damages. Using our own audit and monitoring system, Biofrontera regularly ensures that the manufacturing conditions at its most important suppliers meet the required standard. This enables us to avoid such risks and damages. The Company has also established a quality control facility for the most complex analytical methods required for Ameluz and a production facility for the assembly of the BF-RhodoLED® and RhodoLED XL® lamps to reduce our dependence on suppliers in this area, too.

Business strategy

Due to changing framework conditions, the strategy chosen by the Company to guarantee its sales, growth and profitability targets may not be sufficiently effective in the future. As part of the risk management process, management uses ongoing analyses to counteract current and potentially future influencing variables or developments in order to initiate suitable measures if necessary.

Staff

The recruitment of qualified and dedicated staff is a key prerequisite for the Company's success. A high staff turnover rate could jeopardize the achievement of corporate goals and the safeguarding of the Company's know-how. In order to counter these risks, motivate employees and retain key personnel, the Company offers competitive compensation and extensive training and

professional development opportunities for employees. Furthermore, the Group pursues a diversity-orientated personnel policy in order to leverage the labor market's full potential. To date, Biofrontera has always succeeded in recruiting the qualified staff the Company requires. For this reason, the Company regards this risk as low. However, this assessment could change significantly in the case of a change of control.

Information technology and data protection

The Group's business processes and internal and external communication are increasingly based on global IT systems. A significant technical malfunction or total failure of IT systems could result in severe impairment of our business processes. It is of fundamental importance to us that both internal and external data remain confidential. If the confidentiality, integrity or authenticity of data or information were to be lost, the manipulation and/or uncontrolled outflow of data and know-how could arise. We have adopted appropriate measures to mitigate this risk, such as an authorization concept. However, while we have IT security measures and disaster recovery plans in place, they may prove to be inadequate or ineffective. Our IT systems may be vulnerable to cyberattacks, unauthorized access, computer viruses, system failures, human error, natural disasters, fire, power failure, communication disruptions or acts of sabotage. The measures adopted by the Company have always proven adequate to date, so such risk is to be regarded as low.

As a pharmaceutical company, Biofrontera is exposed to additional risks in the area of data protection. A large volume of person-related data is generated, particularly in the area of clinical trials and drug safety reports and must be protected in particular under the new Basic Data Protection Regulation (EU-DSGVO). Violations or violations of these regulations may result in severe penalties against the Company. Biofrontera counteracts these risks with continuous data protection processes and the implementation of legal guidelines.

Insurance coverage

The Company may be subject to the risk of insufficient insurance coverage for the continuation of business operations in the event of damage, for events affecting the Company's assets or claims for damages due to product defects as well as actions by the Company and its employees. Biofrontera mitigates these risks as part of its risk analysis with regular reviews of the adequacy of the relevant insurance coverage.

Taxes

The future use of the tax loss carryforwards accrued to date in the consolidated group of companies may not be realized or may not be optimized due to the organizational structure of the Company. To this end, Biofrontera carries out regular analyses to make appropriate adjustments, if necessary.

However, the Company cannot influence the risk of limited use of the tax loss carryforwards due to changes in tax law or as a result of a tax-relevant change in the shareholder structure.

Opportunities

In addition to the identification of risks, the Biofrontera Group's risk management system also includes opportunities, which are to be seen as positive deviations from corporate planning.

The company considers opportunities in the expansion of the indications for its products, particularly in the extension of the approval of Ameluz® in our important sales markets, especially in the USA to expand and exploit market potential. In October this year FDA approval was obtained for a label extension increasing the treatment area and the number of Ameluz tubes to be use in one PDT-session. The submission was supported by two clinical Phase I safety studies in which three tubes of Ameluz ® were applied to 116 patients. This approval allows US-healthcare professionals greater flexibility in treating patients undergoing photodynamic therapy (PDT) for AK. Furthermore, the company is conducting several clinical trials in US: A phase III clinical trial for the treatment of superficial basal cell carcinoma (BCC) with Ameluz®, a phase IIb trial to expand the approval of Ameluz® for moderate to severe acne in the U.S.and a Phase III trial for anindication extension for Ameluz® for the treatment of AK on the extremities and trunk/neck. To complement this progress with an optimized illumination source, the Group has also achieved development and FDA approval of a larger RhodoLED® XL lamp This lamp has been launched in USA market in June 2024. In addition, there is a medium- and long-term opportunity for portfolio expansion through the development of new products based on our nanoemulsion technology.

We also see further long-term revenue opportunities in the form of milestone and royalty payments through licensing and supply agreements with our licensing partners in Europe, Asia, and the United States. At the same time, the company is analyzing new markets such as Canada or Brazil with regard to cooperation with a relevant market player there. In the European market, marketing options for countries such as France, Italy or the Netherlands are also being examined, either through a partnership or the establishment of a dedicated sales unit. The growth and expansion of the Ameluz markets is a clear priority for Biofrontera.

In parallel we are promoting partnering deals with other pharma companies in order to increase our derma portfolio in the countries where we have our own structure. In this sense, we have signed two deals during 2024, one with Leo Pharma for Germany and another one with Galenica Pharma for UK. In the first case, we partner with Leo two well-established derma products in the German market. In the second case, we will introduce and distribute a new branded-generic product in the UK.

These two deals are the starting point of the new strategy at Biofrontera. We have demonstrated our capability to convince other pharma companies to partner their products with us due to our good reputation and high quality of our sales force. Our goal is to increase our derma portfolio in the EU markets, aiming to optimize our current structure, increase our revenues and move the company to a growing and sustainable profitability.

Overall opportunity and risk situation at Biofrontera

The Management Board considers the overall risks not related to the current crisis to be controllable. The Management Board has confidence in the effectiveness of the risk management system with regard to positive and negative changes in the environment and the requirements of the current business. The assessment is based on various factors, which are summarized below:

- The company has developed a suitable set of tools to counteract risks and safeguard business processes if necessary, through comprehensive cost reductions, contingency planning to maintain central processes, and activities to protect employees. These could be carried out again if necessary.

- To date, the Group has been able to meet its payment obligations at all times.
  In recent years, the Company has regularly relied on external cash and cash equivalents. As of December 31, 2024, the Biofrontera Group held cash and cash equivalents of EUR 3,123 thousand. Based on the current corporate planning for 2025, the Group will have sufficient liquidity to meet all obligations for another 12 months from the time of preparation. The prerequisite for this is that the revenues projections are fulfilled, and no additional relevant litigations expenses affects the company, apart from the ones already provisioned. If the revenues projections are not fulfilled and more relevant and expensive litigations are filled against the company, the risk of not having enough cash to fulfill with the payments obligations is high.

- The market position was further strengthened by the EU approval extensions received in recent years - the approval of daylight PDT with Ameluz® , as well as photodynamic therapy of actinic keratoses on the extremities and the trunk and neck in the EU. In this regard, we continue to see an increase in the market potential of Ameluz® in the EU.

- To further increase growth opportunities in the US market, Biofrontera Inc is conducting a clinical program in the USA. This includes a phase III clinical trial for the treatment of superficial basal cell carcinoma (BCC) with Ameluz®, a phase IIb trial to extend the approval of Ameluz® for moderate to severe acne in the USA and the already completed phase I safety trial to extend the posology for Ameluz® to three tubes in the USA, where use is currently limited to one tube of Ameluz® per treatment.

- To further strengthen its competitive position, Biofrontera has also achieved development and FDA approval in October 2021 of a larger RhodoLED® XL lamp, which will allow Ameluz® to be applied to larger areas. With the market launch of this new medical product, the Group expects a further increase in sales of Ameluz® , particularly in the US market.

- Also, in the medium and long term, there is an opportunity for portfolio expansion through the development of new products based on our nanoemulsion technology.

- During 2024 the company signed two partnering agreements to expand its portfolio in Germany and UK with two mature products in Germany, and a generic branded product in UK. The company wants to expand its portfolio partnering third parties derma products, aiming to optimize it structure, increasing it sales with additional products.

- With the IPO of Biofrontera Inc., the capital raised by Biofrontera Inc. can be invested in further growth to further expand its presence in the US market. Under the original scope of the license and supply agreement, Biofrontera AG will receive up to 50% of Ameluz® sales in the form of a transfer price. This share applies up to $30 million in annual sales and decreases to 40% between $30 million and $50 million in annual sales and to 30% above that. With the license and supply agreement, Biofrontera AG also benefits from a strengthening of Biofrontera Inc. in the US market without having to fund the largest cost block of the past, sales and marketing in the US. A sufficiently financed Biofrontera Inc. is the only way for both companies to grow and develop successfully, both together and independently of each other. Biofrontera Inc.'s current cash position is weak, and its performance over the past year has also been significantly poor. If the company is unable to secure sufficient liquidity in the short term to finance its operations, it may face difficulties in meeting its payment obligations.Should Biofrontera Inc. fail to fulfill its obligations to us by the due date, the Biofrontera AG Group could experience a considerable impact on its own cash position and may be required to seek additional sources of funding to meet its financial commitments.

- An amendment to the existing license and supply agreement between Biofrontera AG and Biofrontera Inc. was implemented on June 1, 2024. This contract amendment provides for Biofrontera Inc. to take over the entire clinical development from now on, which will reduce the cost burden for Biofrontera AG. As a result, Biofrontera AG's available resources can now be increasingly focused on expanding its portfolio and developing the market in Europe and other countries. In addition, Biofrontera AG can continue to benefit significantly from the positive growth of the US business, although the transfer price has been reduced to 25% during 2024 and 2025, going up to 30% from 2026 to 2028, 32% from 2029 to 2031 and to 35% from 2032 onwards. With this amendment, Biofrontera AG. has reduced its cash needs associated to the clinical development program committed in the initial LSA agreement signed in 2021.
  Further information on changes relating to the license and supply agreement between Biofrontera AG and Biofrontera Inc is provided separately in the "Outlook and forecast" section.

- With regard to legal disputes, Biofrontera considers itself well positioned. The judgment obtained by Deutsche Balaton AG in 2022 declaring that the approval resolutions of the former Management Board and the former Supervisory Board for the IPO of Biofrontera Inc. were unlawful does not affect the completed IPO of Biofrontera Inc. or the company's operating business. The proceedings are being continued by the former members of the Management Board and Supervisory Board in the second instance against Deutsche Balaton AG.

- In an action before the Cologne Regional Court, an injunction was obtained against Biofrontera AG prohibiting Biofrontera AG from accessing data from certain e-mail accounts relating, among others, to a former employee and a former member of the Management Board. The parties agreed on a solution, signed an agreement and the court closed the matter.

- In the United States, we are defending against claims brought by SunPharma that our RhodoLED XL® infringes two SunPharma patents. SunPharma has filed an investigation in the United States International Trade Commission (ITC) by which it seeks to prohibit the import into the USA of the Biofrontera RhodoLED XL® lamp (Inv. No. 337-TA-1411). SunPharma has filed a parallel lawsuit in the United States District Court for the District of Massachusetts ("District Court case"), which is stayed pending the outcoming of the ITC investigation. As a result of either the ITC investigation or District Court case, there is a risk that SunPharma could obtain an order preventing the importation or sale of the RhodoLED XL ® in the United States. There is a risk that we would be required to either pay for a license to SunPharma's intellectual property or be required to redesign the RhodoLED XL® in order to import it into the United States. In addition, the District Court case carries the additional risks that we could be compelled to pay damages or a royalty to SunPharma for infringement of its patent rights. With Biofrontera Inc., we have retained counsel and are vigorously defending the case.

- A hearing is presently scheduled for late June and early July 2025. The Administrative Law Judge is scheduled to provide an Initial Determination in October 2025. A Final Determination the ITC investigation is not likely until 2026. Should the final outcome not be in favor of Biofrontera AG, the company would be required to cease importing the XL Lamp into the United States. Consequently, Biofrontera would need to continue offering only the small lamp and suspend the rollout of the XL Lamp, which was launched in June 2024. While the prospect of halting XL Lamp imports is disappointing from a business standpoint, we do not anticipate a significant impact on the performance of Biofrontera Inc., as the product's

launch has not led to a substantial increase in sales to date. The introduction of the XL Lamp forms part of a long-term strategic initiative to expand Ameluz's market share in the U.S., particularly given that competitors haven't yet introduced a comparable device. However, current sales levels remain unaffected by the XL Lamp launch, and we do not foresee any short-term material risk to the U.S. business as a result of discontinuing its sale.
In parallel, at the end of February 2025 we were served with a new legal sue due to a breach of the settlement signed with SunPharma in 2021. Our lawyers are analyzing the case for the defense strategy.

Litigation

Deutsche Balaton AG v. Biofrontera AG (declaratory action)

On December 13, 2021, Deutsche Balaton AG filed an action with the Regional Court of Cologne, the subject of which was the legal examination and determination of a so-called unwritten competence of the Annual General Meeting for the IPO of Biofrontera Inc. The statement of claim was served to the company on February 9, 2022.

After service, the Supervisory Board resolved to form a Litigation Committee for further decisions in connection with the lawsuit, consisting of Dr. Helge Lubenow, Mr. Karlheinz Schmelig and, as Committee Chairman, Dr. Jörgen Tielmann (until 28th August 2024).

All members of the former Executive Board and Supervisory Board involved in the resolutions challenged by the action have since left the Company. They have been served with notices of dispute regarding possible claims for damages.

On December 9, 2022, the Cologne Regional Court ruled in a declaratory judgment that the resolutions approving the IPO of Biofrontera Inc. passed by the former Management Board and the former Supervisory Board were unlawful because the required prior approval for the IPO by the Annual General Meeting was unlawfully not obtained. The further action was dismissed. In its reasoning, the court stated that the IPO initiated a colossal loss of control by allowing third-party investors to acquire a majority stake in the subsidiary by waiving the exercise of the parent company's subscription rights. In the opinion of the court, this loss of control resulted in asset losses for the Company and its shareholders.

The IPO remains unaffected by the ruling. On the unanimous recommendation of the Litigation Committee, the Executive Board and Supervisory Board have decided not to appeal the ruling. Due to the appeals of the disputants, the judgment is not yet final.

Ludwig Lutter v. Biofrontera AG

The decision in the proceedings for a declaratory judgement at the Regional Court of Cologne has become legally binding. After Mr. Ludwig Lutter had demanded payment of further claims from the Company under his service contract (esp. variable payments), the Company and Mr. Ludwig Lutter were able to reach an amicable agreement on this.

In the proceedings for documentary evidence, Mr. Ludwig Lutter has appealed to the Cologne Higher Regional Court against the ruling of the Cologne Regional Court of 22 March 2024 with the goal to also receive the amounts deducted by the Cologne Regional Court due to other earnings during the contractual period. These proceedings are currently pending before the Cologne Higher Regional Court. A decision is expected in 2025.

Biofrontera Inc et al. v. Biofrontera AG

In an action before the Cologne Regional Court, an injunction was obtained against Biofrontera AG prohibiting Biofrontera AG from accessing data from certain e-mail accounts relating, among others, to a former employee and a former member of the Management Board. The parties agreed on a solution, signed an agreement and the court closed the matter.

Legal dispute in the USA

Biofrontera AG has been sued by SunPharma (DUSA) in the United States alleging that Biofrontera infringes two of SunPharm (DUSA) patents which are directed to systems and methods of using a certain type of lamp to conduct photodynamic therapy. The Asserted Patents are U.S. Patent No. 11,446,512 ("'512 Patent") and 11,697,028 ("'028 Patent").

SunPharma (DUSA) has filed suit in two venues. First, the plaintiff has filed an investigation before the United States International Trade Commission (ITC) by which it seeks to prohibit the import into the USA of the Biofrontera RhodoLED XL® lamp (Inv. No. 337-TA-1411). A hearing is scheduled in the investigation in early July 2025. The Administrative Law Judge's Initial Determination is scheduled for October 2025 and the ITC's Final Determination is scheduled for February 2026. Second, the plaintiff has filed a parallel

suit in the U.S. District Court for the District of Massachusetts (C.A. No. 11-cv-11637-IT). Pursuant to U.S. law, the suit in the U.S. District Court is stayed pending the outcome of the ITC investigation.

Biofrontera has retained outside counsel and is vigorously defending its legal position. Biofrontera AG and its subsidiaries have signed a joint defense agreement with Biofrontera Inc, to share legal expenses. In response to the infringement allegations, Biofrontera AG and Biofrontera Inc. have filed three petitions for Inter Partes Review (IPR) in the U.S. Patent and Trademark Office ("PTO") against the Asserted Patents. Institution was denied as to the first IPR (2024-00874), but the second two IPRs (2024-01312, 2025-00287) remain pending before the PTO.

Costs for the ITC legal proceedings are expected to amount to EUR 11,825 thousand, the 2024-25 total number is EUR 10,546 thousand.

SunPharma (DUSA) has filed a lawsuit alleging breach of contract (a settlement agreement between SunPharma, Biofrontera Inc. and Biofrontera AG group signed in 2021) and misleading advertising related to Ameluz in the USA market. That lawsuit has been served to Biofrontera at the end of February 2025 and the Company has retained outside counsel who are analyzing the case. An initial quotation for the legal defense is in the range from EUR 500 thousand to EUR 1,000 thousand. The effective costs will most likely amount to EUR 875 thousand.

Biofrontera Bioscience GmbH ./. Pierre Fabre Pharma GmbH, LG Hamburg

Pierre Fabre is ordered by way of an interim injunction by the Court of Hamburg to pay a fine of up to EUR 250 thousand for each case of infringement, in the event of a repeat offence up to 2 years, to be enforced against its respective to advertise and/or have advertised the finished medicinal product Tolak 40 mg/g Creme with the active substance Fluorouracil (5- FU in the concentration of 4%). Pierre Fabre has filed an appeal against the injunction.

Dependency report

Our company has received appropriate consideration for each of the transactions listed in the report on relations with affiliated companies according to the circumstances known to us at the time the transactions were carried out, and has not been disadvantaged as a result.

Takeover-relevant information

The following overview provides an explanation of the mandatory disclosures in accordance with Section 315a (1) HGB. The disclosures reflect the situation as of December 31, 2024.

Composition of the share capital

As of December 31, 2024, the subscribed capital amounted to EUR 6.076.862 and was divided into 6.076.862 nopar value ordinary registered shares (no-par value shares). Due to the lack of a prospectus being released, the shares are divided in 3.038.431 tradeable and 3.038.431 non-tradeable shares.

Trading platforms

Biofrontera shares are traded under the stock exchange code B8F and the ISIN DE000A4BGGM7 in the Prime Standard of the Frankfurt Stock Exchange and on all other German stock exchanges.

Restrictions affecting voting rights or the transfer of shares

Each share grants one vote at the Annual General Meeting. The Company is not aware of any restrictions on voting rights. There are also no shares with special rights that grant powers of control.

Disclosures on significant equity investments

The company is aware of the following direct and indirect shareholdings in the company's share capital exceeding 10% of the voting rights as of December 31, 2024:

	December 31, 2024	December 31, 2023
Maruho Co., Ltd., Osaka Japan The total share of voting rights is assigned to Maruho Co., Ltd, Osaka, through the company Maruho Deutschland GmbH, Düsseldorf, which is controlled by the former. In an accompanying voting rights notification, Mr. Takagi reported "acting in concert" over the entire voting rights of Maruho.	897,665	18,850,981
Wilhelm Konrad Thomas Zours The voting rights through the chain of subsidiaries listed below are attributed to Mr. Zours: • DELPHI Unternehmensberatung Aktiengesellschaft; • VV Beteiligungen Aktiengesellschaft • Deutsche Balaton Aktiengesellschaft; • Heidelberger Beteiligungsholding AG; • SPARTA AG; • Deutsche Balaton Biotech AG	3,781,739	25,507,028
Biofrontera Inc., Woburn, USA	0	177,465
Free float	1,397,458	19,271,584
Total	**6,076,862**	**63,807,058**

Only those shareholders are listed who are subject to reporting requirements under the German Securities Trading Act (WpHG) and the Securities and Exchange Commission (SEC) and have made a corresponding notification. This includes all shareholders who hold at least 3% of the outstanding shares or voting rights. The number of shares listed here refers to the last notification of the respective shareholders, since then they may have changed their holdings within the respective notification thresholds without informing the Company.

Type of voting rights control if employees have an interest in the capital and do not exercise their control rights directly.

If employees have an interest in the capital, their control rights are not subject to any restrictions.

Appointment and dismissal of members of the Management Board

The appointment and dismissal of members of the Management Board is governed by Sections 84 and 85 AktG and Section 9 of the Articles of Association in the version dated June 27, 2023. In accordance with Section 9 of the Articles of Association, the Management Board consists of one or more persons. The number of Management Board members is determined by the Supervisory Board.

Amendment of the Articles of association

Pursuant to Section 179 AktG, amendments to the Articles of Association require a resolution by the Annual General Meeting. In accordance with Section 179 (2) AktG in conjunction with Section 22 (2) of the Articles of Association, the resolution of the Annual General Meeting requires a simple majority of the votes and the share capital represented when the resolution is passed. A majority of at least 75% of the share capital represented when the resolution is passed is required for changes to the purpose of the company. In accordance with Section 16 (6) of the Articles of Association, the Supervisory Board may resolve amendments to the Articles of Association that only affect the wording of the Articles of Association, i.e. do not themselves result in any material changes.

Powers of the Board of Management to issue or repurchase shares

By resolution of the Annual General Meeting on 9 January 2023, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the company's share capital by up to EUR 12,700,000.00 in return for cash contributions on one or more occasions until 31 December 2027 (Authorized Capital 2022). Shareholders are generally entitled to subscription rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude subscription rights for fractional amounts resulting from the subscription ratio.

The share capital was conditionally increased by up to EUR 1,359,864 by resolution of the Annual General Meeting on 28 August 2015 (Conditional Capital I). Conditional Capital I serves to secure the granting of shares to fulfil (i) option rights and obligations or (ii) conversion rights and obligations that were issued, agreed or guaranteed on the basis of the authorization of the Annual General Meeting on 28 August 2015 until 27 August 2020.

The share capital was conditionally increased by up to EUR 249,050.00 by resolution of the Annual General Meeting on July 2, 2010 (Conditional Capital III). Conditional Capital III serves to secure the granting of shares for share options in accordance with the conditions of the 2010 share option plan, which were issued on the basis of the authorization of the Annual General Meeting on 02.07.2010 until 01.07.2015.

The share capital was conditionally increased by up to EUR 1,554,984.00 by resolution of the Annual General Meeting on 28.08.2015 (Conditional Capital V). Conditional Capital V serves to secure the granting of shares for share options in accordance with the conditions of the 2015 share option plan, which were granted on the basis of the authorization of the Annual General Meeting on 28 August 2015 until 27 August 2020.

The share capital is conditionally increased by up to EUR 17,725,000.00 by resolution of the Annual General Meeting on June 20, 2023 (Conditional Capital 2023). The contingent capital 2023 serves to grant shares to the holders of bonds with warrants or convertible bonds with or without warrants, profit participation rights or participating bonds (or combinations of these instruments), each with option or conversion rights, which are issued on the basis of the authorization of the Annual General Meeting on 20.06.2023 until 15.06.2028.

The Annual General Meeting has not authorized the purchase or sale of treasury shares.

Significant agreements of the Company that are subject to the condition of a change of control as a result of a takeover bid

No agreements have been made in this respect.

Compensation agreements between the Company and the Management Board or employees in the event of a takeover bid

No agreements have been made in this respect.

Leverkusen, April 14th, 2025

Biofrontera AG

Pilar de la Huerta Martínez
Chief Financial Officer Biofrontera AG

Corporate Governance Statement of Biofrontera AG pursuant to Sections 289f, 315d HGB for the financial year 2024 (unaudited)

The Company has made use of the option not to include the corporate governance statement pursuant to Sections 289f, 315d of the German Commercial Code (HGB) for the financial year 2024 in the (combined) management report for the financial year 2024, but refers to the publication of this statement as well as the statement of the Management Board and the Supervisory Board of Biofrontera AG (the Company) on the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) (unaudited) on the Company's website at www.biofrontera.com in the section "Investors", subsection "Corporate Governance" with the corresponding labels.

Leverkusen, April 14th, 2025

Biofrontera AG

Pilar de la Huerta Martínez
Chief Financial Officer Biofrontera AG

Consolidated financial statements as of December 31, 2024

Consolidated balance sheet as of December 31, 2024

Assets

in EUR thousands		December 31, 2024	December 31, 2023
Non-current assets		**-**	**-**
Tangible assets	(1)	2,934	3,290
Intangible assets	(1)	1,001	1,152
Deferred tax	(9)	9,029	6,818
Investments accounted for using the equity method	(2)	-	1,718
Other Investments	(2)	420	-
Non-current lease receivables	(6)	14	33
Total non-current assets		**13,399**	**13,012**
Current assets		**-**	**-**
Financial assets		-	-
Trade receivables	(4)	6,452	774
Receivables from associated companies	(32)	-	6,365
Other financial assets	(5)	202	1,556
Cash and cash equivalents	(8)	3,124	3,080
Current lease receivables	(6)	19	18
Total financial assets		9,797	11,792
Other assets		**-**	**-**
Inventories	(3)	5,548	5,077
Other assets	(7)	910	850
Total other assets		6,458	5,928
Total current assets		**16,255**	**17,720**
Total assets		**29,654**	**30,732**

Equity and liabilities

in EUR thousands		December 31 , 2024	December 31 , 2023
Equity	(10)	0	0
Subscribed capital		6,077	63,807
Capital reserve		137,497	137,330
Capital reserve from foreign currency conversion adjustments		22	1
Loss carried forward		(120,390)	(180,789)
Loss for the period		(4,350)	(369)
Total equity		18,856	19,980
Non-current liabilities			
Financial debt	(11)	329	678
		0	0
Total non-current liabilities		329	678
Current liabilities			
Financial liabilities		0	0
Trade payables	(13)	2,124	2,594
Liabilities to associated companies	(32)	0	2,747
Current financial debt	(11)	436	468
Other financial liabilities	(12)	48	71
Total financial liabilities		2,608	5,880
Other liabilities		0	0
Income Tax	(14)	382	841
Other provisions	(15)	5,253	895
Other liabilities	(16)	2,226	2,458
Total other liabilities		7,861	4,194
Total current liabilities		**10,469**	**10,073**
Total equity and liabilities		**29,654**	**30,732**

Consolidated statement of comprehensive income for the fiscal year 2024

in EUR thousands		01.01.-31.12.2024	01.01.-31.12.2023
Sales revenue	(17)	21,666	32,249
Cost of sales	(18)	(5,327)	(6,243)
Gross profit from sales	**(18)**	**16,339**	**26,005**
Operating expenses			
Research and development costs	(19)	(5,352)	(7,846)
General administrative costs	(20)	(9,996)	(6,105)
Sales costs	(21)	(6,933)	(7,273)
Result from operations		**-5,941**	**4,782**
Depreciation and amortization	(27)	839	791
Other Expenses	(22)	(238)	(236)
Other Income	(22)	706	586
EBITDA		**-4,635**	**5,923**
Depriciation and amortization	(27)	(839)	(791)
EBIT		**-5,473**	**5,132**
Interest expenses	(23)	(11)	(15)
Interest Income	(23)	64	21
Income / loss from investment	(24)	(1,298)	(7,264)
Profit/loss before income tax		**(6,719)**	**(2,127)**
Income tax	(25)	2,369	1,758
Profit/loss for the period		**(4,350)**	**(369)**
Other comprehensive income after income taxes			
Items which may in future be regrouped into the profit and loss statement under certain conditions.			
Translation differences resulting from the conversion of foreign business operations		22	1
Total profit/loss for the period		**(4,329)**	**(368)**
Basic earnings per share in EUR	(26)	(0.72)	(0.01)
Diluted earnings per share in EUR	(26)	(0.72)	(0.01)

Consolidated statement of changes in equity for the fiscal year 2024

		Ordinary shares	Subscribed capital	Capital reserve	Reserve from foreign currency conversion adjustment (OCI)	Loss carried forward Loss for the period	Total
		Number of shares	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
Balance as of January 01, 2023		**63,807,058**	**63,807**	**137,318**	**0**	**-180,789**	**20,336**
Loss for the period		0	0	0	0	-369	-369
Foreign currency conversion		0	0	0	1	0	1
Total loss for the period		**0**	**0**	**0**	**1**	**-369**	**-368**
Capital increase		0	0	0	0	0	0
Conversion of stock options from the stock option program		0	0	0	0	0	0
Cost of equity procurement		0	0	0	0	0	0
Increase in capital reserve from the stock option program		0	0	12	0	0	12
Disposal scope of consolidation		0	0	0	0	0	0
Balance as of December 31, 2023	**(10)**	**63,807,058**	**63,807**	**137,330**	**1**	**-181,158**	**19,980**

		Ordinary shares	Subscribed capital	Capital reserve	Reserve from foreign currency conversion adjustment (OCI)	Loss carried forward Loss for the period	Total
		Number of shares	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands	in EUR thousands
Balance as of December 31, 2023	**(10)**	**63,807,058**	**63,807**	**137,330**	**1**	**-181,158**	**19,980**
Loss for the period		0	0	0	0	-4,350	-4,350
Foreign currency conversion		0	0	0	21	0	21
Total loss for the period		**0**	**0**	**0**	**21**	**-4,350**	**-4,329**
Capital decrease / reverse-split		-60,768,627	-60,769	0	0	60,769	0
Capital increase		3,038,431	3,038	305	0	0	3,343
Conversion of stock options from the stock option program		0	0	0	0	0	0
Cost of equity procurement		0	0	-138	0	0	-138
Increase in capital reserve from the stock option program		0	0	0	0	0	0
Balance as of December 31, 2024	**(10)**	**6,076,862**	**6,077**	**137,497**	**22**	**-124,739**	**18,857**

Consolidated cash flow statement for the fiscal year 2024

in EUR thousands		01.01.-31.12.2024	01.01.-31.12.2023
Cashflows from operations			
Loss before income tax		-6,719	-2,127
Adjustments to reconcile loss before income tax to cash flow into operations			
Income tax		2,369	1,758
Financial result		1,298	7,259
Depreciation		839	791
Interest Expenses		-53	0
Non-cash (income) and expenses		21	-2,450
Changes in operating assets and liabilities			
Trade receivables		687	-5,077
Receivables from Lease Contracts		19	36
Other assets and income tax assets		-918	-590
Inventories		-471	-283
Trade payables		-3,278	711
Provisions		4,359	305
Other liabilities		-692	-2,238
Net cash flow from/in operational activities		**-2,539**	**-1,905**
Cash flow from investment activities			
Purchase of intangible and tangible assets		-210	-912
Net cash flow from/in investment activities		**-210**	**-912**
Cashflows from financing activities			
Proceeds from the issue of shares		3,343	0
Costs of equity procurement		-139	0
Leasing payments		-464	-467
Interest received / (paid)		53	-12
Net cash flows from/in financing activities		**2,793**	**-479**
Net increase/(decrease) in cash and cash equivalents		44	-3,296
Cash and cash equivalents at the beginning of the period		3,080	6,376
Cash and cash equivalents at the end of the period	**(8)**	**3,124**	**3,080**

Notes to the consolidated financial statements as of December 31, 2024

Information about the Company

Biofrontera AG (hereinafter also referred to as "Biofrontera" or the "company"), registered in the Commercial Register of the Local Court of Cologne, Department B under no. 49717, and its wholly owned subsidiaries Biofrontera Bioscience GmbH, Biofrontera Pharma GmbH, Biofrontera Development GmbH, and Biofrontera Neuroscience GmbH, all with registered offices at Hemmelrather Weg 201, 51377 Leverkusen, Germany, along with the wholly owned subsidiary Biofrontera UK Ltd. based in Reading (Berkshire, United Kingdom) as a 100% subsidiary of Biofrontera Pharma GmbH, and the Spanish branch Biofrontera Pharma GmbH sucursal en España, based in Cornellá de Llobregat, research, develop and distribute dermatological products.

The declarations on the German Corporate Governance Code required by § 161 of the German Stock Corporation Act have been submitted and made available to the shareholders on Biofontera's website (www.biofrontera.com).

The shareholding in Biofrontera Inc. as at the reporting date amounts to 4.5 % and is reported under other investments.

Biofrontera AG is fully consolidated in its financial statements due to the majority interest of the company.

Segment reporting

Biofrontera's main business activity is the sale of pharmaceuticals and medical products and the associated research and development activities to optimize their market potential. The Biofrontera Group is essentially a single-product company. Accordingly, segmentation is based exclusively on geographical aspects and only with regard to sales revenues, as internal reporting to management and corporate controlling are also based exclusively on these criteria. Internal reporting to management is a condensed presentation of the consolidated statement of comprehensive income. The results of the companies are monitored separately by management in order to be able to measure and assess their performance.

For further information, please refer to our comments in the notes on „Sales revenue“ (Note 18).

Summary of significant accounting policies

Basis for preparation of the consolidated financial statements

The consolidated financial statements of Biofrontera AG for the financial year from January 1, 2024 to December 31, 2024 have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) valid at the reporting date and recognized by the European Union (EU). In addition, the provisions of German commercial law applicable under Section 315e (1) of the German Commercial Code (HGB) have been observed.

Biofrontera AG is the ultimate controlling company preparing consolidated financial statements for the group of consolidated companies. For Biofrontera Pharma GmbH, Leverkusen, which is included in the consolidated financial statements, the exemption provisions pursuant to Section 264 (3) of the German Commercial Code (HGB) are utilized.

The consolidated financial statements as of December 31, 2024 are prepared in EUR or EUR thousand. Rounding differences may occur in the tables due to commercial rounding.

The consolidated financial statements as of December 31, 2024 were authorized for issue and forwarding to the Supervisory Board by the Executive Board on April 14th, 2025.

Changes in accounting standards

The accounting policies applied are consistent with those used as of December 31, 2023, with the exception of the new and revised standards and interpretations described below, the application of which was mandatory for the first time as of fiscal year 2024.

Standard	Description	Mandatory application	Effects
Initial Application of IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information	January 1, 2024	No effects
Initial Application of IFRS S2	Climate-related Disclosures	January 1, 2024	No effects
Amendment to IAS 1	Classification of Liabilities as Current or Non-Current	January 1, 2024	No effects
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024	No effects
Amendment to IAS 1	Non-current Liabilities with Covenants	January 1, 2024	No effects
Amendment to IAS 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024	No effects

Future changes in accounting standards

Biofrontera has not implemented early adoption or does not intend to implement early adoption of the following standards, interpretations and amendments to the set of regulations approved by the IASB:

Standard	Description	Mandatory application	Expected effects
Amendments to IAS 21 *	"The Effects of Changes in Foreign Exchange Rates": Lack of Exchangeability	January 1, 2025	No effects
Amendments to IAS 7 and IFRS 7 *	" Statement of Cash Flows" and "Financial Instruments": Disclosures: Supplier Finance Arrangements	January 1, 2025	No effects

* Endorsement by the EU still pending

Basis of consolidation

The consolidated financial statements as of December 31, 2024 include the financial statements of the parent company, Biofrontera AG, and the subsidiaries that the parent company controls. Control exists when Biofrontera is subject to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

The basis for the consolidation of the companies included in the consolidated financial statements was the annual financial statements (or HBII according to IFRS) of these companies as of December 31, 2024, prepared in accordance with uniform principles. The consolidated financial statements as of December 31, 2024 were prepared on the basis of standard accounting and valuation principles (IFRS).

The subsidiaries are fully consolidated from the date of acquisition. The date of acquisition is the date on which the parent company obtained control of these group companies. Subsidiaries are included in the consolidated financial statements until control of these entities is lost.

All intercompany receivables and payables as well as income and expenses have been eliminated in the course of consolidation.

Associated companies in which the companies of the Biofrontera Group hold a share of between 20% and 50% of the voting rights, or in which relevant indicators point to significant influence, are accounted for using the equity method. For investments accounted for using the equity method, the carrying amounts are increased or decreased by the changes in equity corresponding to Biofrontera's equity interest. The changes in the proportionate equity recognized in profit or loss are included in the result from investments accounted for using the equity method.

Translation of amounts in foreign currencies

The consolidated financial statements as of December 31, 2024 are presented in EUR (or EUR thousand), which is the functional currency of the German entities included in the consolidated financial statements, and the presentation currency of the Group.

For subsidiaries whose functional currency, other than the Group's presentation currency, is the local currency of the country in which the entity is domiciled, assets and liabilities denominated in foreign currencies that are reported in the balance sheets of the foreign entities are translated into euros using the exchange rate prevailing at the balance sheet date (2024: 0.82918 GBP/EUR). Revenue and expense items are translated at the average foreign currency exchange rates (2024: 0,84662 GBP/EUR) during the underlying period. The difference resulting from the valuation of equity at the historical exchange rate and the closing rate is recognized as a change in equity within other components of equity with no effect on profit or loss (2024: EUR 22 thousand).

Transactions denominated in currencies other than EUR are recognized at the current exchange rate on the date of the transaction. Assets and liabilities are revalued at each balance sheet date using the closing rate.

Application of estimates

The preparation of the consolidated financial statements as of December 31, 2024 has been made in accordance with the estimates and assumptions by management required by IFRS, which affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Main areas of application for significant assumptions, estimates and the exercise of discretion arise for the following matters:

- Assessment of the recoverability of non-current assets

  Biofrontera is required to assess external and internal sources of information for non-current asset, based on which possible indications of impairment or reversal of impairment can be identified. When assessing whether there are indications of impairment or a reversal of impairment losses and - if such indications exist - when determining the fair values required in this case as part of an impairment test, management must make assumptions and estimates about the expected future cash flows from the use of the non-current assets and a determination of the cost of capital.

- Income taxes

  Biofrontera is required to calculate the expected current income tax for each group company, as well as to assess temporary differences arising from the different treatment of certain balance sheet items between the IFRS consolidated financial statements and the financial statements prepared for tax purposes. Where temporary differences exist, these generally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. Management must make assumptions and estimates when calculating actual and deferred taxes. The recognition of deferred tax assets of Biofrontera is subject to higher requirements due to the loss history. Deferred tax assets are only recognized if it can be substantiated that taxable profits will be generated in the future and that it is then probable that the deferred tax item to be capitalized can be offset against future taxable profits. In order to assess the probability of the future utilization of deferred tax assets, various factors have to be taken into account, such as the earnings situation in the past and operational planning. If actual results differ from these estimates, or if these estimates have to be adjusted in future periods, this could have an adverse effect on the Group's net assets, financial position and results of operations. If there is a change in the assessment of the recoverability of deferred tax assets, the recognized deferred tax assets - corresponding to the original recognition - are to be written down through profit or loss or recognized in equity, or impaired deferred tax assets are to be recognized through profit or loss or in equity.

- Provisions for litigation risks

  Provisions are recognized for pending legal proceedings on the basis of current estimates. The outcome of the legal proceedings cannot be determined or is subject to uncertainties. In assessing the risks arising from litigation, management must make assumptions and estimates as to whether and to what extent provisions for litigation risks should be recognized. Actual claims arising from legal proceedings may therefore differ from the amounts accrued.

- Estimates in connection with liabilities from the SAR program

  In connection with the measurement of liabilities arising from the stock appreciation rights program, estimates are made to determine the fair value. The determination requires management to make assumptions regarding the valuation models used.

- Development costs

  At Biofrontera, research and development costs include expenses for clinical trials as well as for the granting, maintenance and extension of approvals. Both for the approved drug Ameluz® research and development costs are recognized as expenses in the period in which they are incurred. In the opinion of management, the criteria prescribed by IAS 38.57 for the recognition of development costs as assets are not met due to the uncertainties associated with the development of new products by the Biofrontera Group until approval in the target markets has been obtained and it is probable that future economic benefits will flow to the Company.

Estimates are based on experience and other assumptions that are believed to be reasonable under the circumstances. They are reviewed on an ongoing basis but may differ from actual values.

The carrying amounts of the items affected by estimates can be found in the respective explanations of the items in the notes to the consolidated financial statements.

Tangible assets and leases

In accordance with IAS 16, property, plant and equipment are carried at historical cost less depreciation. Depreciation of property, plant and equipment is generally charged on a straight-line basis over the estimated useful lives of the assets (generally between three and thirteen years). The main useful lives are unchanged:

- IT equipment 3 years, linear
- Other equipment, furniture and fixtures 4 years, linear
- Office and laboratory equipment 10 years, linear
- Laboratory equipment 13 years, linear

Since January 1, 2018, low-value assets with acquisition costs between EUR 250 and EUR 1,000 are posted in the year of acquisition to a collective item for the respective year, which is fully depreciated over 5 years.

Biofrontera is the lessee mainly for buildings and motor vehicles used for operational and administrative purposes. The corresponding lease liability is calculated as the present value of the highly probable payments to be made to the lessee. It is amortized using the effective interest method. The right-of-use asset to be recognized in return for the underlying asset is recognized at cost at the inception of the lease. In addition to the lease payments, any initial direct costs of the lessee and dismantling costs are included in the calculation. Incentive payments granted by the lessor must be deducted. The capitalized right-of-use asset must be depreciated on a straight-line basis and tested for impairment if there are indications of such impairment. The main useful lives of leases are determined by the term of the lease and are as follows:

- - Motor vehicles 3 years, straight-line
- - Buildings 6 years, straight-line

Future lease payments are to be discounted at the lessor's imputed interest rate or, if this is not available, at the marginal borrowing rate on the date of initial application.

For expenses from leases with a remaining term of no more than one year and from leases with a low value, Biofrontera has decided to make use of the simplification of IFRS 16.6 and to immediately recognize the monthly lease payments in profit or loss.

Biofrontera is a sublessor with regard to the subleasing of business premises. The subleases were classified as finance leases on the basis of the right of use from the main lease. Accordingly, rights of use from the main lease were derecognized, with simultaneous recognition of the net investment in the lease as an asset.

Intangible assets

Acquired intangible assets consist of software and licenses as well as other rights (rights of use). They are recognized at acquisition or production cost less accumulated amortization. These intangible assets are capitalized and amortized on a straight-line basis over their estimated useful lives of between 3 and 12 years.

The principal useful lives for intangible assets are:

- - Software and licenses 3 years, straight-line
- - Self-generated assets 10 years, straight-line
- - Rights of use 4 to 12 years, straight-line

Intangible assets under development relate to the further development of BF-RhodoLED®. Beyond this, no development costs are capitalized, as the requirements for the capitalization of internally generated intangible assets are not met.

There are no intangible assets with indefinite useful lives.

Borrowing costs are not recognized as part of the cost of the acquired assets, but as an expense in the period in which they are incurred because the Group does not have any significant qualifying assets as defined by IAS 23.5.

Associated companies

Associated companies as defined by IAS 28 are accounted for using the market-value method.

An associated company is a company over which the Group can exercise influence, but not control, by participating in the financial and operating policies. Significant influence is presumed when the parent company holds 20% or more but less than 50% of the voting rights (Associated companies). Under the equity method, investments in associated companies are initially recognized in the consolidated statement of financial position at cost, adjusted for changes in the Group's share of profit or loss and other comprehensive income of the associate after the date of acquisition. At the balance sheet date, the Group's share of equity is translated into the reporting currency using historical exchange rates. The Group's share of profit or loss for the year plus intercompany eliminations and related deferred taxes is recognized in the income statement using the closing rate.

Impairment of assets

The Group reviews non-current tangible and intangible assets for impairment whenever there is an indication that the carrying amount of an asset may not be recoverable. The recoverable amount of an asset is the higher of its value in use and its fair value less costs to sell. The value in use is determined by the future cash flows expected to be generated by the asset. Biofrontera measures any impairment to be recognized at the amount by which the carrying amount of the asset exceeds its recoverable amount.

Financial assets

Financial assets are recognized if Biofrontera has a contractual right to receive cash or other financial assets from another party. Customary purchases and sales of financial assets are generally recognized on the settlement date. Financial assets are assigned to the "hold" category and measured at amortized cost. Non-interest-bearing or low-interest-bearing receivables are recognized at present value.

Impairment of financial assets

Biofrontera determines the credit risk of trade receivables as the probability-weighted amount of the expected shortfall in collections compared to the contractual payment claims. The basis for the estimation of expected credit losses is, in addition to individual factors, the general experience with the collection of receivables in the past. The Company adjusts the fixed allowance rates derived from these, which are based on the extent to which the receivables are past due, in the event of significant changes in economic conditions.

Trade receivables

Trade receivables are recognized at their carrying amount. In the case of adjustments, these are booked directly against the receivable in question. A financial asset is derecognised when the claims for payment expire or the financial asset is transferred to another party. A significant modification of the contractual terms of a financial instrument valued at amortised cost leads to its derecognition and the recognition of a new financial asset. Insignificant modifications lead to an adjustment of the book value without the financial asset being derecognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and checks, bank balances and cash deposits with a maturity of up to three months at the time of acquisition. They are measured at amortized cost.

Inventories

Raw materials and supplies as well as finished goods and work in progress are stated at the lower of cost and net realizable value. Borrowing costs are not capitalized. Cost is determined using the first-in, first-out (FIFO) method. An allowance is made for inventories at the balance sheet date if the net realizable value is lower than the carrying amount.

Financial liabilities

Financial liabilities include original liabilities. Original liabilities are recognized if there is a contractual obligation to transfer cash or other assets to another party. The initial recognition of a non-derivative financial liability is at fair value. In the subsequent measurement of financial liabilities measured at amortized cost, any discount between the amount received and the repayment amount is amortized over the term of the liability using the effective interest method.

Trade payables

Trade payables and other liabilities are recognized at their repayment amount. Due to their short-term nature, the carrying amount reported reflects the fair value.

Provisions

Provisions are recognized if an obligation to a third party resulting from a past event exists, and it is probable that an outflow of assets will be required to settle the obligation in the future, and a reliable estimate can be made of the amount of the obligation.

Stock options

Stock options (equity-settled share-based payment transactions) are recognized at fair value at the time of granting. The fair value of the obligation is recognized as personnel expense over the vesting period. If Biofrontera AG has the option to settle in cash or in shares when the option is exercised, the capital reserve is initially increased in accordance with IFRS 2.41 and IFRS 2.43. The expense is recognized over the vesting period. The fair value of cash-settled and equity-settled share-based payment transactions is generally determined using internationally accepted valuation techniques.

Stock Appreciation Rights

Obligations under Biofrontera's stock appreciation rights program are cash-settled share-based payments that are recognized at fair value. Changes in the fair value during the term are recognized in profit or loss. The fair value is determined using internationally recognized valuation techniques.

Income taxes

Biofrontera recognizes deferred taxes in accordance with IAS 12 for valuation differences between the IFRS carrying amounts and the tax base. Deferred tax liabilities are generally recognized for all taxable temporary differences.

The recognition of deferred tax assets is subject to more stringent requirements due to the loss history. Deferred tax assets are only recognized if there are substantial indications that taxable profits will be generated in the future and that the deferred tax item to be capitalized can then probably be offset against future taxable profits.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is not probable that sufficient taxable profit will be available against which the deferred tax asset can be at least partially utilized.

Previously unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable, from a current perspective, that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and deferred tax assets are offset if a right of set-off exists and they are levied by the same taxation authority.

Current taxes are calculated on the basis of the Company's taxable income for the period. The tax rates of the respective company applicable on the balance sheet date are used as a basis.

Earnings per share

Earnings per share are calculated in accordance with IAS 33 ("earnings per share") by dividing net income by the weighted average number of shares outstanding during the year.

Revenue recognition

The Company recognizes as revenue all income from product sales and the granting of licenses. The completed customer contracts each comprise only one performance obligation. The Company is entitled to a fixed consideration for the products sold and licenses granted. To the extent that return obligations for expired products have been agreed with customers, Biofrontera recognizes revenue only in the amount that is most likely to be recoverable, taking into account the proportion of the products that are expected to be returned. The timing and amount of revenue to be recognized in the consolidated income statement is determined by the extent to which Biofrontera transfers control of the products to be delivered or rights to be granted to the customers. Revenue from product sales to third parties and licensees is recognized at the time of delivery.

The majority of revenue is generated from product sales. In accordance with the respective local laws on the sale of pharmaceuticals and medical devices, Ameluz® is sold in Germany exclusively via pharmaceutical wholesalers or directly to hospitals, and in other European countries also directly to pharmacies or hospitals.

In the case of direct sales of BF-RhodoLED® , the deliveries and services owed are only provided after installation has taken place. The installation service represents a purely ancillary service because, for legal reasons, the lamp may only be used after it has been installed by the customer. This is a uniform performance obligation. In the United States, lamps are sometimes made available to physicians for a fee for an evaluation period of up to six months, and a final purchase decision does not have to be made until the end of this period. The Company generates revenue from monthly fees during the evaluation period and from the sale of lamps.

Belixos® is sold through Amazon and through pharmaceutical wholesalers. Revenue is recognized through Amazon upon delivery and payment by the customer and through pharmaceutical wholesalers upon delivery. Experience has shown that customers make only insignificant use of the rights of return granted on sales.

Sales are recognized net of sales-related taxes and sales deductions. For expected sales deductions, such as rebates and discounts, amounts estimated at the time of revenue recognition are taken into account accordingly. The payment terms include short-term payment terms with the possibility of cash discounts.

Cost of sales

Cost of sales includes cost of materials for products sold, payments to third parties for services directly attributable to the generation of sales or production of the products, as well as directly attributable personnel expenses and depreciation and amortization, and a proportion of overheads.

Research and development expenses

Pursuant to IAS 38, development costs are recognized as "intangible assets" under certain conditions. Research costs are expensed as incurred. Development costs are capitalized if the criteria of IAS 38.57 are met, depending on the potential outcome of the development activities.

Research and development costs for both the approved drug Ameluz® and the Company's other research and development projects are therefore recognized as expenses in the period in which they are incurred.

Notes to the consolidated balance sheet

1. Intangible and tangible assets

As in the previous year, no impairment losses were recognized on property, plant and equipment or intangible assets during the fiscal year 2024. Biofrontera uses external and internal sources of information to determine at each reporting date whether there are any indications of impairment or a reversal of impairment losses.

Property, plant and equipment and intangible assets break down as follows:

Statement of changes in non-current assets for 2024

in EUR thousands	Purchase and production cost						Accumulated depreciation					Carrying amounts	
	01.01. 2024	Currency translation	Additions	Disposals	Transfers	31.12.2024	01.01. 2024	Currency translation	Additions	Disposals	31.12.2024	31.12.2024	01.01. 2024
Tangible assets and leases													
Operating and business equipment	4,462	0	205	0	0	4,667	-2,194	0	-242	0	-2,436	2,231	2,268
Right-of-use leasing properties	3,196	0	0	0	0	3,196	-2,336	0	-313	0	-2,649	547	860
Right-of-use leasing tangible assets	906	0	122	0	0	1,028	-743	0	-128	0	-871	157	163
Tangible assets and leases	**8,564**	**0**	**327**	**0**	**0**	**8,891**	**-5,273**	**0**	**-683**	**0**	**-5,956**	**2,935**	**3,291**
Intangible assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Software and licenses	273	0	0	0	0	273	-230	0	-27	0	-257	16	43
Right-of-use assets	736	0	0	0	0	736	-716	0	-4	0	-720	16	20
Self-generated intangible assets	1,323	0	5	0	0	1,328	-234	0	-125	0	-359	969	1,089
Intangible assets	**2,332**	**0**	**5**	**0**	**0**	**2,337**	**-1,180**	**0**	**-156**	**0**	**-1,336**	**1,001**	**1,152**
	0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**10,896**	**0**	**332**	**0**	**0**	**11,228**	**-6,453**	**0**	**-839**	**0**	**-7,292**	**3,936**	**4,443**

Statement of changes in non-current assets for 2023

in EUR thousands	Purchase and production cost											
	01.01. 2023	Currency translation	Additions	Disposals	31.12.2023	01.01. 2023	Currency translation	Additions	Disposals	31.12.2023	31.12.2023	01.01. 2023
Tangible assets and leases												
Operating and business equipment	3,297	0	799	-16	4,462	-1,997	0	-214	16	-2,194	2,268	1,301
Right-of-use leasing properties	3,110	0	0	86	3,196	-2,005	0	-295	-36	-2,336	859	1,105
Right-of-use leasing tangible assets	954	0	62	-110	906	-730	0	-124	110	-743	163	225
Tangible assets and leases	**7,744**	**0**	**861**	**-40**	**8,564**	**-4,732**	**0**	**-633**	**90**	**-5,274**	**3,290**	**3,012**
Intangible assets												
Software and licenses	259	0	40	-26	273	-212	0	-43	26	-230	43	46
Right-of-use-assets	736	0	0	0	736	-707	0	-9	0	-716	20	28
Intangible asset under development	0	0	73	0	1,323	-127	0	-107	0	-234	1,089	1,124
Intangible assets	**2,245**	**0**	**113**	**-26**	**2,332**	**-1,047**	**0**	**-159**	**26**	**-1,180**	**1,152**	**1,198**
Total	**9,989**	**0**	**974**	**-66**	**10,896**	**-5,778**	**0**	**-791**	**116**	**-6,454**	**4,442**	**4,210**

2. Financial assets accounted for using the equity method

In the prior year, financial assets included the carrying amount of the investment in Biofrontera Inc. of EUR 1,718 thousand which was accounted for in the consolidated financial statements using the equity method. Due to the reduction in the number of shares as a result of further capital measures of the associated company and the associated dilution of the shares, these are valued at the market price of EUR 420 thousand as of 31 December 2024 and reported as other investments.

General information

	Capital share		Share of voting rights		Fair value of the investment when a quoted market price exists	At-Equity
					in TEUR	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Biofrontera Inc., Woburn (USA)	4.50%	26.40%	4.50%	26.40%	420	1,718

The decrease in shares is due to dilution by further capital measures of the associated company.

Description of the type of activity of the associated company

Biofrontera Inc., based in Woburn, Massachusetts, USA, distributes Biofrontera's products in the USA as a license partner. For further details, please refer to our related party disclosures.

Financial information

The table below summarizes the financial information of Biofrontera Inc. as presented in its own financial statements (values do not relate to the shares attributable to Biofrontera AG, but represent the values based on a notional shareholding of 100%). Due to lack of financial information as per December 31, 2024, the numbers represented are as per September 30, 2024.

in TEUR	30.09.2024	31.12.2023
Current assets	19,925	20,882
thereof cash and cash equivalents	5,684	1,215
Noncurrent assets	1,349	4,395
Current liabilities	11,571	16,369
Noncurrent liabilities	5,436	4,571
Revenues	35,924	30,833
Operating Result	(16,566)	(20,522)
Other Income	(507)	2,317
Result after tax	(17,094)	(18,218)

Reconciliation to the carrying amount included in the consolidated balance sheet

The carrying amount of the investment in Biofrontera Inc. developed as follows:

in EUR thousands	At-Equity
Carrying amount as of December 31, 2023	**1,718**

Proportionate earnings after taxes 2024	0
Impairment	(1,718)
Carrying amount as of December 31, 2024	0

in EUR thousands	Investments
Carrying amount as of December 31, 2023	0
Proportionate earnings after taxes 2024	570
Impairment	(150)
Carrying amount as of December 31, 2024	420

3. Inventories

in EUR thousands	December 31, 2024	December 31, 2023
Raw materials	2,260	2,749
Unfinished goods	278	921
Finished goods and products	1,898	1,407
Total	**5,548**	**5,077**

In the reporting year, no impairment losses (previous year: EUR 24 thousand) were recognized on finished goods.

4. Trade receivables

Trade receivables mainly relate to the sale of Ameluz®, the PDT lamp BF- RhodoLED® and the medical cosmetic product Belixos®. It is expected that all trade receivables will be settled within twelve months of the balance sheet date.

As in the previous year, there were no overdue, unimpaired receivables as of the balance sheet date.

5. Other financial assets

The other financial assets of EUR 202 thousand (previous year: EUR 1,555 thousand) primarily comprise the deposit of collateral, especially for rented premises, credit cards and leased vehicles (EUR 30 thousand; previous year: EUR 30 thousand), as well as advance payments for deliveries and services (EUR 13 thousand; previous year: EUR 1,508 thousand). In the previous year, advance payments on inventories were recognised under other financial assets in the amount of EUR 1,469 thousand. In the reporting year, advance payments on inventories are recognised in inventories. In addition, creditors with debit balances in the amount of EUR 152 thousand (previous year: EUR 10 thousand) are recognised here. As in the previous year, no impairment losses were recognised in the reporting year.

6. Receivables from leases

Biofrontera is a sublessor with regard to the subleasing of business premises. The subleases were classified as finance leases on the basis of the right of use from the main lease. As of December 31, 2024, there were non-current receivables of EUR 14 thousand (previous year: EUR 33 thousand) and current receivables of EUR 19 thousand (previous year: EUR 18 thousand) under the subleases.

7. Other assets

Other assets mainly comprise prepaid expenses (EUR 686 thousand; previous year: EUR 643 thousand) and VAT receivables of EUR 214 thousand (previous year: EUR 207 thousand). As in the previous year, no impairment losses were recognized in the reporting year.

8. Cash and cash equivalents

Cash and cash equivalents include cash on hand and checks, bank balances, and cash deposits with a maturity of up to three months at the time of acquisition totaling EUR 3,124 thousand (previous year: EUR 3,080 thousand).

9. Deferred income tax

Deferred tax assets amount to EUR 9,029 thousand (previous year: EUR 6,818 thousand) concern both Biofrontera Pharma GmbH and Biofrontera Bioscience GmbH.

The increase in deferred tax assets of EUR 2,211 thousand (previous year: EUR 2,443 thousand) results from the subsequent valuation of deferred tax assets at Biofrontera Bioscience GmbH and Biofrontera Pharma GmbH, with the amount of the usable tax loss carryforwards being reduced to the probable utilization during the planning period.

The following table explains the deferred tax assets arising from tax loss carryforwards, as they have developed within the Group:

in EUR thousands	December 31, 2024		December 31, 2023	
	Loss carried forward	Deferred tax assets	Loss carried forward	Deferred tax assets
Corporation tax including Solidarity Surcharge	152,220	24,096	148,164	23,447
Business tax	133,447	11,677	129,303	11,314
Total		**35,773**		**34,761**

These loss carryforwards have an unlimited carryforward period under current German law.

in EUR thousands	December 31, 2024		December 31, 2023	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Loss carried forward	9,368	0	7,086	0
Non-current assets				
- Intangible assets	0	(238)	0	(268)
- Tangible assets	0	(173)	0	(251)
-Receivables and other assets	159	(85)	0	(13)
Current assets				
- Receivables and other assets	0	(2)	0	0
Non-current and current financial liabilities	0	0	0	0
Current liabilities				
- Liabilities and other	0	0	264	0
Total	9,527	(498)	7,350	(532)
Netting of deferred tax assets and liabilities	(498)	498	(532)	532
As recognized on balance sheet	**9,029**		**6,818**	**0**

Deferred taxes on loss carryforwards are capitalized to the extent that there are substantial indications that they can probably be offset against future profits or that they are offset by deferred tax liabilities to the same extent. Due to the lack of predictability of future taxable profits, taking into account the loss history, the remaining deferred tax assets from loss carryforwards of EUR 26,405 thousand (previous year: EUR 27,675 thousand) have not been recognized in accordance with IAS 12.34.

The following is a reconciliation of the expected income tax expense to the income tax expense actually recognized, using the applicable income tax rate of 24.575% (previous year: 24.575%) of the parent company as the starting point.

in EUR thousands	December 31, 2024	December 31, 2023
Consolidated loss before tax	(6,719)	(2,127)
Expected income tax reimbursement	**1,651**	**523**
Differences arising from different tax rates	(99)	(57)
Share of result of associated companies	0	(1,785)
Tax increases due to non-deductible expenses		
- from disposal of companies accounted for at equity and impairment of investments	(319)	0
- other non-deductible expenses	10	(147)
Changes in unrecognized deferred tax assets	0	0
- from active temporary differences	(73)	(85)
- from loss carryforwards	1,199	3,309
Other effects	0	0
Income taxes per statement of comprehensive income	**2,369**	**1,758**

10. Equity

Share capital

The fully paid-in share capital of the parent company, Biofrontera AG, amounted to EUR 6,076,862 as of December 31, 2024. It consisted of 6.076.862 registered shares with a nominal value of EUR 1.00 each. On December 31, 2023, the share capital had amounted to EUR 63,807,058.

The shares of Biofrontera AG were listed on the Regulated Market of the Düsseldorf Stock Exchange in 2006. In August 2012, at the request of the Company, admission to trading on the Regulated Market of the Frankfurt Stock Exchange was also granted. The shares are also traded on the Xetra computer trading system and on all other German stock exchanges. On June 03, 2014, the shares were admitted to the Prime Standard of the Frankfurt Stock Exchange.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the amount of issue proceeds collected, net of direct issue costs. Issuing costs are those costs that would not have been incurred if the equity instrument had not been issued. Repurchases of the company's own equity instruments are recognised in a separate item under equity. Neither the purchase nor the sale, issue or cancellation of own equity instruments is recognised in profit or loss. Debt and equity instruments issued by a group company are classified as financial liabilities or equity in accordance with the economic substance of the contractual agreement and the definitions. The ordinary shares of Biofrontera AG are classified as subscribed capital.

The share capital was held as follows on December 31, 2024:

	December 31, 2024	December 31, 2023
Maruho Co., Ltd., Osaka Japan		
The total share of voting rights is assigned to Maruho Co., Ltd, Osaka, through the company Maruho Deutschland GmbH, Düsseldorf, which is controlled by the former. In an accompanying voting rights notification, Mr. Takagi reported "acting in concert" over the entire voting rights of Maruho.	897,665	18,850,981
Wilhelm Konrad Thomas Zours		
The voting rights through the chain of subsidiaries listed below are attributed to Mr. Zours: • DELPHI Unternehmensberatung Aktiengesellschaft; • VV Beteiligungen Aktiengesellschaft	3,781,739	25,507,028

- Deutsche Balaton Aktiengesellschaft;
- Heidelberger Beteiligungsholding AG;
- SPARTA AG;
- Deutsche Balaton Biotech AG

Biofrontera Inc., Woburn, USA	0	177,465
Free float	1,397,458	19,271,584
Total	**6,076,862**	**63,807,058**

Only those shareholders are listed who are subject to reporting requirements under the German Securities Trading Act (WpHG) and the Securities and Exchange Commission (SEC) and have made a corresponding notification. This includes all shareholders who hold at least 3% of the outstanding shares or voting rights. The number of shares listed here refers to the last notification of the respective shareholders, since then they may have changed their holdings within the respective notification thresholds without informing the Company.

In the event of the Company achieving an annual surplus, the Management and Supervisory boards are authorized to transfer all or part of the annual surplus that remains, after deduction of the sums to be placed in the legal reserves and of a loss carried forward, to retained earnings. It is not permissible to transfer more than half of the annual surplus to retained earnings if, after such a transfer, the other retained earnings would exceed half of the share capital. The shareholders' share of profits is calculated based on the size of their holding of the share capital.

Authorized/conditional capital

By resolution of the Annual General Meeting on 9 January 2023, the Management Board is authorized, with the approval of the Supervisory Board, to increase the company's share capital once or several times by up to EUR 12,700,000.00 until 31 December 2027 in return for cash contributions (Authorized Capital 2022). The conditional capital consisted of three share capital amounts.

The conditional increase in the share capital (Conditional Capital I) of EUR 6,434,646 was approved on August 28, 2015, of which is EUR 1,359,864 available as at December 31, 2024. Conditional Capital I serves to secure the granting of option rights and the agreement of option obligations in accordance with the bond terms and conditions.

The conditional increase in the share capital (Conditional Capital III) of EUR 542,400 was approved on February 28, 2015, of which is EUR 249,050 available as of December 31, 2024, and serves exclusively to fulfill option rights (2010 share option program) granted on July 1, 2015 on the basis of the annual general meeting ("AGM") of July 2, 2010.

The conditional increase in the share capital (Conditional Capital V) of EUR 1,814,984 approved on February 28, 2015. of which is EUR 1,554,984 available as at December 31, 2024 and serves exclusively to fulfill option rights (2015 share option program) granted until August 27, 2020 on the basis of the AGM on August 28, 2015.

The share capital has been conditionally increased by up to EUR 17,725,000.00 by resolution of the Annual General Meeting on June 20, 2023 for the issue of bonds with warrants and convertible bonds (Conditional Capital 2023).

2015 stock option program

At the AGM on August 28, 2015, the Management Board and Supervisory Board proposed a new share option program for employees to the AGM, which approved the initiative. Accordingly, the Management Board or, to the extent that the beneficiaries are Management Board members, the Supervisory Board, are entitled until August 27, 2020 to issue up to 1,814,984 subscription rights to up to EUR 1,814,984 of the Company's ordinary registered shares, whose exercise is tied to certain targets.

The program has a total nominal value of EUR 1,814,984 and a term of five years from the issue date, in other words, until August 27, 2020. Eligibility for the 2015 share option program was granted to members of the Management Board and employees of the Company as well as to members of management bodies and employees of affiliates of Biofrontera AG. The granting of options is made without any payment being provided in return.

In accordance with the associated conditions, each subscription right that is granted entitles the beneficiary to acquire one new registered no par value unit share in the Company. The exercise price is equal to the arithmetical average (unweighted) of the closing prices on the Frankfurt Stock Exchange in floor trading and in Xetra trading for the Company's shares on the ten trading

days prior to the issuing of the share. However, the minimum exercise price shall amount to the proportionate share of the Company's share capital allocated to each individual no par value unit share, pursuant to Section 9 (1) of the German Stock Corporation Act (AktG).

The options granted can only be exercised after expiry of a vesting period. The vesting period is four years from the respective date of issue. A prerequisite for the whole or partial exercising of the options is that the following performance target is achieved:

Exercising the options from a tranche is possible, if at the beginning of the respective exercise period, the price (hereinafter referred to as the "reference price") of a share in Biofrontera Aktiengesellschaft exceeds the exercise price by at least 20%, and a minimum reference price of EUR 5.00 is reached (hereinafter referred to as the "minimum reference price"). The reference price is equal to the arithmetical average (unweighted) of the closing prices on the Frankfurt Stock Exchange in floor trading and Xetra trading for the Company's shares between the 15th and the 5th stock market day (in each case inclusive) before the start of the respective exercise window. The minimum reference price is adjusted in the following cases to align the specified performance target with changed circumstances:

- In the event of a capital increase from company funds being implemented by issuing shares, the minimum reference price is reduced by the same ratio as new shares issued compared to existing shares. If the capital increase is implemented from company funds without issuing new shares (Section 207 (2) Clause 2 of the German Stock Corporation Act [AktG]), the minimum reference price is not changed.

- In the case of a capital reduction, no adjustment of the minimum reference price is implemented, provided that the total number of shares is not changed by the capital reduction, or if the capital reduction is connected to a capital repayment or purchase of treasury shares. In the case of a capital reduction performed by consolidating shares without capital repayment and in the case of increasing the number of shares with no associated change in capital (share split), the minimum reference rate increases in line with the capital reduction or share split.

Other adjustments to the minimum reference price are not implemented.

The exercising of options is limited to the following time periods (hereinafter "exercise windows"), in other words, only declarations of exercising of rights submitted to the Company within an exercise window will be considered:

a) on the 6th and subsequent 20 banking days after the date of the AGM (exclusive),
b) on the 6th and subsequent 20 banking days after the date of submission of the semi-annual or quarterly report or an interim statement by Biofrontera AG (exclusive)
c) in the period between the 15th and 5th banking day prior to the expiration of the option rights of the respective expiration day (exclusively).

After the vesting period, the options can be exercised up until the expiry of six years from the date of issue (exclusive). For the valuation of the employee share options, we have assumed an average holding period of 5 years.

Any claim by the beneficiaries to receive a cash settlement in the event of non-exercise of the options is invalid even in the event of the existence of the above exercise prerequisites. An option may only be exercised if the holder has a current service or employment contract with the Company or another Company affiliated with the Company or if the holder is a member of the Management Board or the management team of another company affiliated with the Company.

In the event of the exercising of a subscription right, the Company is generally and in specific cases permitted to choose between granting the registered share in exchange for payment of the exercise price, or fulfilling its debt by paying a cash settlement to the holder of the subscription right. The cash settlement per subscription right is equal to the difference between the exercise price per share and the share price on the exercise date, minus due taxes and fees.

As this stock option scheme entails share-based payment transactions in which the terms of the arrangement provide the Company with a choice of settlement, the Company has decided, in accordance with IFRS 2.41 and IFRS 2.43, to recognize the transactions pursuant to the provisions for equity-settled share-based payments (IFRS 2.10-29).

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6
Number of options issued	425,000	130,500	329,000	300,500	180,000	333,485
End of vesting period	18.04.2016	01.12.2016	28.04.2017	28.11.2017	07.05.2018	14.05.2019
Exercise price	2.49 EUR	3.28 EUR	4.02 EUR	3.33 EUR	5.73 EUR	6.710 EUR
Adjusted exercise price March 2018	2.25 EUR	3.04 EUR	3.78 EUR	3.09 EUR	0.00 EUR	0.00 EUR
End of vesting period	18.04.2020	01.12.2020	28.04.2021	28.11.2021	07.05.2022	14.05.2023
End of exercise window	18.04.2022	01.12.2022	28.04.2023	28.11.2023	07.05.2024	14.05.2025
Fair value per option	1.00 EUR	1.30 EUR	1.56 EUR	1.48 EUR	2.35 EUR	2.55 EUR
Share price volatility	50.59%	49.00%	47.00%	46.00%	47.00%	47.30%
Dividend yield	0%	0%	0%	0%	0%	0%
Share price yield	2.31%	7.00%	7.50%	7.60%	7.60%	7.60%
Risk-based interest rate	5.92%	13.26%	13.94%	14.05%	14.03%	13.35%
Fluctuation rate	12%	12%	12%	12%	9%	9%

The fair value of a stock option under this option program is determined on the basis of a Monte Carlo risk simulation. The pro rata amounts are recognized ratably over the vesting period as personnel expenses and an increase in the capital reserves.

2015 stock option program	December 31, 2024	December 31, 2023
Outstanding at the beginning of the period	84,990	338,490
Granted during the period	0	0
Forfeited during the period	25,500	96,500
Exercised during the period	0	0
Expired during the period	0	157,000
Outstanding at the end of the period	59,990	84,990
Exercisable at the end of the period	0	0
Range of exercise prices for outstanding options	5 EUR	5,73-6,71 EUR
Weighted average of remaining contractual life	4 months	16 months
Cost during the period	0 TEUR	12 TEUR

Due to the non-fulfillment of the exercise conditions, no options were exercisable as of December 31, 2024.

Capital reserves

The capital reserves shown on the balance sheet comprise the capital reserve, the reserves from currency translation, the loss carried forward and the result of the period. The consolidated statement of changes in equity provides further information about the development of equity.

In accordance with IAS 32.37, equity procurement costs in connection with capital increases are deducted from the capital reserve in an amount of EUR 138 thousand (previous year: EUR 0 thousand) for the year ended December 31, 2024.

Capital management

The Group's equity calculated in accordance with IFRS is managed as capital. The Company's capital management regularly reviews the Group's equity and liquidity position. The objective is to provide adequate financing in line with capital market expectations and to ensure creditworthiness in relation to national and international business partners in order to secure the Group's business operations for at least 12 months. The Company's Management Board ensures that sufficient capital is available to all Group companies in the form of equity and debt, with the aim of achieving Group equity of at least 20% of total assets.

The development of the liquidity of the Group and of Biofrontera AG is used as an important key figure and control parameter. This is monitored on a daily basis and reported to the company's Management Board. In addition, the liquidity status is reviewed in regular target/actual variance analyses and communicated to the Management Board.

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11. Financial liabilities

in EUR thousands	December 31, 2024	December 31, 2023
Non-current financial liabilities		
Leasing liabilities	329	678
Total non-current financial liabilities	**329**	**678**
Current financial liabilities		
Leasing liabilities	436	429
Other current liabilities	0	39
Total current financial liabilities	**436**	**468**

The contractual interest and principal payment obligations from financial liabilities at the balance sheet date break down as follows:

in EUR thousands	December 31, 2024					
	2025	2026	2027	2028	2029	Total
Leasing liabilities						
Principal repayment	436	317	12	0	0	765
Interest payment	6	3	0	0	0	9

in EUR thousands	December 31, 2023					
	2024	2025	2026	2027	2028	Total
Leasing liabilities						
Principal repayment	428	395	284	0	0	1,107
Interest payment	8	4	1	0	0	13

Leasing liabilities

The carrying amount of current and non-current lease liabilities is EUR 765 thousand (previous year: EUR 1,107 thousand). Future lease payments are discounted at the lessor's imputed interest rate or, if this is not available, at the marginal borrowing rate.

For further details, please refer to the section on significant accounting policies.

Development of lease liabilities:

Lease liabilities in EUR thousands	as of 01.01.2024	Additions	Disposals	Principal paymnets	as of 31.12.2024	Leasing payments	Interest expense
Buildings	942	0	0	(337)	605	341	4
Cars	129	122	0	(114)	137	119	5
Others	36	0	0	(13)	23	14	1
Total	1,107	122	0	(464)	765	474	10

For further details, please refer to the presentation of the significant accounting policies.

12. Other financial liabilities

in EUR thousands	December 31, 2024	December 31, 2023
Non-current other financial liabilities		
Liability	0	0
from SAR program	**0**	**0**
Current financial liabilities	**48**	**71**

13. Trade payables

As of December 31, 2024, trade payables amount to EUR 2,124 thousand (previous year: EUR 2,594 thousand).

14. Income taxes

Income tax liabilities amounting to EUR 382 thousand (previous year: EUR 841 thousand) relate to liabilities from corporation tax of EUR 258 thousand, (previous year: EUR 499 thousand) and commercial tax of EUR 124 thousand, (previous year: EUR 342 thousand) at Biofrontera Pharma GmbH and Biofrontera Bioscience GmbH.

15. Other provisions

The development of other provisions of the Biofrontera Group is as follows:

in EUR thousands	December 31, 2023	Utilized	Released	Added	Reclassified	December 31, 2024
Provisions for litigation costs	805	(1,385)	0	5,761	0	5,181
Other provisions	89	0	(17)	0	0	72
Total	**894**	**(1,385)**	**(17)**	**5,761**	**0**	**5,253**

Other provisions relate to various identifiable individual risks and uncertain obligations. The provisions classified as current are expected to result in an outflow of economic benefits within the subsequent financial year.

The companies included in the consolidated financial statements of Biofrontera AG face pending legal proceedings at the time of reporting, the outcome of which either cannot be determined or cannot be predicted due to the uncertainty associated with such legal proceedings. For passive lawsuits, provisions for litigation costs have been recognized in the amount of the expected payments; for active lawsuits, provisions have solely been recognized in the amount of the legal services rendered to date. For further details, please refer to our disclosures on litigation in the Group management report.

16. Other current liabilities

in EUR thousands	December 31, 2024	December 31, 2023
Liabilities from SAR program	0	0
Total other non-current liabilities	**0**	**0**
Accrual for employee bonuses	675	738
Accrual for outstanding vacation	134	139
Payroll tax	157	87
Accruals for outstanding invoices	691	1,049
Accruals for financial statement and audit costs	194	215
Other accruals	375	230
Total other current liabilities	**2,226**	**2,458**

Employees entitled to receive stock options whose vesting period has not yet expired are entitled to a severance payment in the event that an affiliated company leaves the Group in accordance with §10 of the option conditions for employee stock options. A liability of EUR 15 thousand (previous year: EUR 15 thousand) is therefore included under other accruals for the settlement of employees of Biofrontera Inc. entitled to receive stock options.

Stock Appreciation Rights Program 2019

In April 2019, the Executive Board, with the approval of the Supervisory Board, established a stock appreciation rights plan under which the Company grants virtual options ("stock appreciation rights" or "SARs") entitling the "beneficiary" to receive cash payments in accordance with the specific terms of the SAR plan. However, SARs do not confer any right to subscribe to shares of the Company. SARs may be issued to members of the Management Board of the Company, to members of the management of affiliated companies as well as to employees of the Company and affiliated companies (hereinafter collectively referred to as "beneficiaries"). The exact number of beneficiaries and the number of SARs to be granted to them are determined by the Company's Management Board. To the extent that members of the Management Board are to receive SARs, the Supervisory Board alone is responsible for determining and deciding on the issue of the SARs. In accordance with the SAR Plan, a maximum of 4,000,000 SARs may be issued until March 31, 2024, of which a maximum of 1,600,000 SARs may be granted to members of the Management Board and a maximum of 2,400,000 SARs to other beneficiaries. The SAR Plan sets the dates for the payment of cash in connection with the SARs, unless there are legally binding regulations that conflict with the payout for the beneficiary. In addition, the eligible party must meet certain conditions for the grant of SARs and must enter into a written contract ("SAR Agreement") with the Company prior to exercise and delivery. Finally, SARs are subject to regulations on vesting periods, expiry and forfeiture. In particular, the SARs may be exercised for the first time after a "vesting period" has expired:

d) The vesting period for 15 % of the SARs granted on an issue date is one year after the issue date;
e) The vesting period for an additional 25% of the SARs granted on an issue date is two years after the issue date;
f) The vesting period for an additional 25% of the SARs granted on an issue date is three years after the issue date;
g) The vesting period for the remaining 35% of the SARs granted at an issue date is four years after the issue date.

After expiry of the respective vesting period, SARs may be exercised until six years after the respective issue date, unless mandatory legal provisions stipulate otherwise in individual cases. If the SARs have not been exercised by that date, they expire without replacement. The beneficiary has no claim to payment if the SARs are not exercised on time and no further compensation will be granted.

SARs may only be exercised as long as their holder is in an ongoing employment or service relationship with the Company or with an affiliated company or as a member of the Company's Management Board.

SARs may only be exercised if the reference price at the beginning of the respective exercise window exceeds the issue price by at least 20%. Furthermore, the reference price must be at least as high as the MSCI World Health Care Index TR or a comparable successor index in the time between the last trading day before the issue date and the 5th trading day before the beginning of the respective exercise window.

Upon effective exercise of the SARs, the Company is obligated, subject to certain adjustments, to make a payment (gross) for each SAR exercised as follows: reference rate - base amount = payout amount per SAR (gross).

SAR program 2019	December 31, 2024	December 31, 2023
Outstanding at the beginning of the period	250,791	341,504
Granted during the period	0	0
Forfeited during the period	61,980	90,713
Exercised during the period	0	0
Outstanding at the end of the period	188,811	250,791
Exercisable at the end of the period	0	0
Fair value at the end of the period	EUR 0 thousand	EUR 0 thousand
Cost during the period	EUR 0 thousand	EUR 0 thousand

The fair value of a stock option under this option program is determined on the basis of a Monte Carlo risk simulation. The pro rata temporis amounts are recognized ratably as personnel expense over the vesting period until the end of the blocking period and are reported under other liabilities.

Reporting on financial instruments

The following tables present the carrying amounts and fair values of the individual financial assets and liabilities for each category of financial instrument in accordance with IFRS 9:

Financial assets

in EUR thousands	Valuation category	Fair value as of	Carrying amount as of	Fair value as of	Carrying amount as of	Hierarchy level
	according to IFRS 9	December 31, 2024	December 31, 2024	December 31, 2023	December 31, 2023	
Cash and cash equivalents	AC	3,124	3,124	3,080	3,080	1
Trade receivables	AC	6,452	6,452	774	774	2
Receivables from associated companies	AC	0	0	6,365	6,365	2
Receivables from leases	AC	19	19	18	18	2
Other financial asstes	AC	202	202	1,556	1,556	2
Total		**9,797**	**9,797**	**11,792**	**11,792**	

	Valuation category	Fair value as of	Carrying amount as of	Fair value as of	Carrying amount as of	Hierarchy level
	according to IFRS 9	December 31, 2024	December 31, 2024	December 31, 2023	December 31, 2023	December 31, 2024
Financial liabilities, current	AC	436	436	468	468	2
Trade payables	AC	2,124	2,124	2,594	2,594	2
Liabilities to associated companies current	AC	0	0	2,747	2,747	2
Other financial liabilities	AC	48	48	71	71	2
Financial liabilities, non-current	AC	329	329	678	678	2
Liabilities to associated companies non-current	AC	0	0	0	0	2
Total		**2,937**	**2,937**	**6,558**	**6,558**	

Based on the input factors used at the valuation methods fair values are divided into different steps of the fair value hierarchy:

Level 1: Fair value valuations using prices listed on active markets (not adjusted) for identical assets or liabilities.

Level 2: Fair value valuations using inputs for the asset or liability that are either directly observable (as prices) or indirectly observable (derived from prices), but which do not constitute listed prices pursuant to Level 1.

Level 3: Fair value valuations using inputs for the asset or liability that are not based on observable market data (unobservable input data).

No reclassifications were made between the individual levels of the fair value hierarchy during the 2024 financial year. For further details, please refer to the disclosures in the general accounting policies and the notes to the statement of financial position and statement of comprehensive income (Notes 11 and 12).

Due to the generally short maturity of trade receivables and trade payables as well as receivables from associates, other financial receivables and liabilities and cash and cash equivalents, the carrying amounts on the balance sheet date do not differ significantly from the fair values.

Expenses, income, losses and gains/losses from financial instruments:

in EUR thousands	Assets AC	Liabilities AC	Total
Income from currency translation	5	186	191
Expenses from currency translation	(77)	(160)	(237)
Total	(72)	26	(46)

Net gains and losses generally include currency translation effects as well as impairment losses and reversals. Fair value changes of liabilities measured at fair value are included in interest expense. Interest income and other interest expense are not included in net income.

Principles of risk management

In the ordinary course of business, the Group is exposed to risks that may have an impact on its net assets, financial position and results of operations. The company's risks from financial instruments result primarily from foreign currency-related market price risks. In contrast, credit and default risk is of minor importance.

In general, Biofrontera's market risk consists primarily of foreign currency risk.

- Foreign currency risk: The Biofrontera Group was exposed to foreign currency risks as of the balance sheet date. Risks with regard to the valuation of trade receivables are of minor importance, as the company mainly invoices in Euro. However, due to the fact that sales with license partners are tied to the prices achievable in the respective market, there is a foreign currency-related market price risk with regard to the Company's sales valued in Euro, primarily for the U.S. market due to the expansion of business in the United States. Trade payables denominated in foreign currencies in these markets have a corresponding offsetting effect. There is also a foreign currency risk in Switzerland, particularly with regard to the production of wages and salaries and due to the fact that the sales of the license partner are tied to the local currency. In addition, there is a foreign currency risk in the United Kingdom for the sales organization based there.

Exchange rate related change in profit 2024

in EUR thousands	USD EUR +10%	CHF EUR +10%	GBP EUR +10%
Profit	(81)	101	(7)

in EUR thousands	USD EUR -10%	CHF EUR -10%	GBP EUR -10%
Profit	99	(123)	9

- The Company does not enter into any specific currency hedging transactions. Exchange rate fluctuations are recognized in profit or loss.

Credit risk: The Group is exposed to credit risk if counterparties are unable to meet their obligations within the customary payment periods. The maximum default risk is represented in the balance sheet by the carrying amount of the respective financial asset. The development of the receivables portfolio is monitored in order to identify potential default risks at an early stage and to initiate appropriate measures. Due to customer concentration, Biofrontera's financial instruments are subject to a moderate to high risk of default.

No individual valuation allowances were recognized on trade receivables in the 2024 financial year (previous year: EUR 0 thousand). The very low default rate in the past and the lack of overdue receivables also meant that no portfolio valuation allowances were recognized; the company expects the default rate to remain very low in the future due to the existing customer structure. Cash and cash equivalents are invested with banks and insurance companies with adequate deposit protection. All financial assets are due in the short term. As in the previous year, there are no material overdue financial assets.

Liquidity risk refers to the inability to meet existing or future payment obligations as they become due. To ensure the ability to pay at all times and to avoid financial shortages, Biofrontera has established a central cash management system that monitors liquidity requirements in the short, medium and long term. Refinancing for all Group companies is mainly provided by Biofrontera AG.

Liquidity is monitored and managed on the basis of short- and long-term corporate planning. Liquidity risks are identified at an early stage by simulating various scenarios. Current cash and cash equivalents are recorded and monitored on a daily basis.

For information on the (undiscounted) payments from financial debt due in the next few years and other financial liabilities, please refer to the corresponding notes on this balance sheet item. All other financial liabilities are current and are expected to be settled within one year.

Maturity analysis of financial instruments

in EUR thousand	Carrying amount	Maturity				
	31.12.2024	2023	2024	2025	2026	2027
Financial liabilities current	436	436	0	0	0	0
Trade payables	2,124	2,124	0	0	0	0
Liabilities to associated companies current	0	0	0	0	0	0
Other financial liabilities current	48	48	0	0	0	0
Financial liabilities non-current	329	0	317	12	0	0
Liabilities to associated companies non-current	0	0	0	0	0	0
Total	**2,937**	**2,608**	**317**	**12**	**0**	**0**

Notes to the consolidated statement of comprehensive income

17. Sales revenue

in EUR thousands	01.01.-31.12.2024 Product revenues	Service revenues	Licensing revenues	Total 2024	01.01.-31.12.2023 Product revenue	Development revenues	Licensing revenues	Total 2023
Germany	7,831	0	0	7,831	6,257	0	0	6,257
Spain	1,696	0	0	1,696	1,743	0	0	1,743
U.K.	842	0	0	842	723	0	0	723
Other European countries	-	0	1,700	1,700	-	0	1,195	1,195
Total Europe (excluding Germany)	2,538	0	1,700	4,238	2,466	0	1,195	3,662
Total Europe	10,369	0	1,700	12,069	8,723	0	1,195	9,919
U.S.A.	0	67	9,415	9,482	0	76	22,148	22,224
Other regions	0	0	115	115	0	0	106	106
Total	**10,369**	**67**	**11,230**	**21,666**	**8,723**	**76**	**23,449**	**32,249**

All sales revenues result from contracts with customers. Sales with Biofrontera Inc. account for 43,7% of the Group's total sales.

As in the previous year, no license income from downpayments of license agreements was received in the current financial year.

Provisions for manufacturer rebates amount to 0.77 % of total sales in fiscal 2024 (previous year: 0.17 %), while provisions for return obligations amount to 0.20 % of total sales (previous year: 0. 19 %).

18. Cost of sales, gross profit

The cost of materials included in the cost of sales amounted to EUR 4,526 thousand in fiscal year (previous year: EUR 4,117 thousand).

The gross profit decreased by EUR 9,666 thousand in the reporting year 2024 to EUR 16,339 thousand compared to EUR 26,005 thousand in the prior-year period.

19. Research and development costs

Research and development costs amounted to EUR 5,352 thousand (previous year: EUR 7,846 thousand). They include costs for clinical trials, but also regulatory expenses, i.e., for the granting, maintenance, and extension of our marketing authorizations. The decrease in research and development costs is mainly due to outsourced activities in our clinical trials for the US market.

20. General administrative costs

General and administrative expenses amounted to EUR 9,996 thousand (previous year: EUR 6,105 thousand) in fiscal year 2024 an increase of 64% compared to the previous year, driven by the legal costs billed and reserved.

21. Sales and marketing costs

Sales and marketing costs amounted to EUR 6,933 thousand (previous year: EUR 7,273 thousand) in fiscal year 2024. Sales costs include the costs of our own sales force in Germany, Spain, and the United Kingdom, as well as marketing expenses.

22. Other expenses and income

Other expenses and income totaled to a profit of EUR 468 thousand in the reporting period (previous year: profit of EUR 350 thousand) and mainly include expenses and income from currency translation amounting to a loss of EUR 47 thousand (previous year: profit of EUR 42 thousand) as well as other income from the recognition of non-cash benefits and the recharging of costs in the amount of 513 TEUR (previous year: 308 TEUR).

23. Interest expenses and income

The interest expenses of EUR 11 thousand (previous year: EUR 15 thousand) mainly result from interest of EUR 10 thousand (previous year: EUR 11 thousand) to be recognized for leases in accordance with IFRS 16.

Interest income amounts to EUR 64 thousand (previous year: EUR 21 thousand) and increased by EUR 43 thousand compared to the previous year.

24. Result from investments

The loss from the disposal of the equity book value of Biofrontera Inc. in the amount of EUR -1,148 thousand and the impairment in connection with the fair value measurement of the investment in Biofrontera Inc. at the stock market price of EUR -150 thousand, therefore a total of EUR -1,298 thousand (previous year: EUR -7,264 thousand), were recognised in the investment result.

25. Income tax

in EUR thousands	December 31, 2024	December 31, 2023
Deferred taxes	2,211	2,443
Actual income taxes	158	(685)
Total income taxes	**2,369**	**1,758**

The income from the capitalization of deferred taxes in the amount of EUR 2,211 thousand (previous year: EUR 2,443 thousand) results from the first-time recognition of deferred tax assets at Biofrontera Bioscience GmbH, which is partially offset by a reduction in the tax loss carryforwards of Biofrontera Pharma GmbH and Biofrontera AG, with the amount of the recognizable tax loss carryforwards being reduced to the expected utilization during the planning period.

26. Earnings per share (EPS)

Earnings per share are calculated on the basis of the net loss for the year of the Biofrontera Group and the average ordinary shares in circulation in the financial year, in accordance with IAS 33.

	December 31, 2024	December 31, 2023*
Number of weighted ordinary shares in circulation (without dilution)	6,076,862	63,807,058
Result attributable to owners of the parent in EUR	(4,349,780)	(369,347)
Basic earnings per share in EUR	**(0.72)**	(0.01)
Number of weighted ordinary shares in circulation (with dilution)	6,076,862	63,807,058
Result attributable to owners of the parent in EUR	(4,349,780)	(369,347)
Diluted earnings per share in EUR	**(0.72)**	**(0.01)**

27. Additional information to the consolidated statement of comprehensive income

Other comprehensive income after tax only includes exchange differences from the conversion of foreign currency from our foreign operations into the Group currency.

Depreciation and amortization expense

The amortization of intangible assets and depreciation of tangible assets are included in the following items of the statement of comprehensive income:

in EUR thousands	December 31, 2024	December 31, 2023
Research and development costs	184	166
General administrative costs	453	433
Cost of sales	181	154
Sales and marketing	21	38
Depreciation and amortization expense	**839**	**791**

Personnel costs

in EUR thousands	December 31, 2024	December 31, 2023
Wages and salaries	6,722	7,652
Social security charges	1,168	1,539
Cost for pension schemes	90	106
Total	**7,980**	**9,297**

28. Staff

In 2024 the Biofrontera Group had an average of 88 salaried employees (previous year: 95).

Notes to the consolidated cash flow statement

29. Composition and change

The cash flow statement is presented in accordance with IAS 7. The net result is adjusted for the effects of non-cash transactions, accruals or deferrals of past or future operating cash receipts or payments, and items of income and expense attributable to investing or financing activities.

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and checks as well as bank balances and cash deposits with a maturity of up to three months. Current account liabilities are included in cash and cash equivalents where appropriate.

The change in cash and cash equivalents in the fiscal year amounted to EUR 44 thousand (previous year: EUR -3,296 thousand).

Interest paid amounted to EUR 11 thousand (previous year: EUR 12 thousand). Interest payments received amounted to EUR 64 thousand (previous year: EUR 21 thousand).

Expenses for short-term leases and leases of low value amounted to EUR 16 thousand (previous year: EUR 11 thousand). Income from subleases amounted to EUR 64 thousand (previous year: EUR 36 thousand).

in EUR thousands	January 1, 2024	Cash effective	Addition/ retirement	Fair value change	December 31, 2024
Leasing liabilities	1,107	(463)	121	-	765
Total financial liabilities	**1,107**	**(463)**	**121**	**-**	**765**

in EUR thousands	January 1, 2023	Cash effective	Addition/ retirement	Fair value change	December 31, 2023
Leasing liabilities	1,501	(456)	62	-	1,107
Total financial liabilities	**1,501**	**(456)**	**62**	**-**	**1,107**

Other explanatory notes

30. Members of the Management Board

The Executive Board in 2024 consisted of Ms. Pilar de la Huerta Martínez (Chief Financial Officer).

Management Board compensation

in EUR thousands	December 31, 2024	December 31, 2023
Short-term benefits	425	336
Performance-based compensation	0	0
Total compensation	**425**	**336**

Further information on individualized compensation of the Management Board can be found in the "Compensation Report" in the Management Report.

The Management Board members held the following supervisory board positions and positions on comparable domestic and foreign boards during the reporting period:

Name	Company	Board	Position
Pilar de la Huerta Martínez	4BaseBio Ltd, UK	Supervisory Board	Member
	Vaxdyn, S.L., Spain	Supervisory Board	Member
	Epidisease S.L., Spain	Supervisory Board	Member
	Creatsens Health	Supervisory Board	Member
	CELAX Innovation S.L., Spain	Management Board	Sole adminstrator
	Sarcorem S.L., Spain	Management Board	Sole adminstrator

31. Members of the Supervisory Board

Name	Nationality	Age	Position	Date of first appointment	Term until
Alexander Link	German	53	Chair	August 28, 2024	2026
CV	Mr. Link has many years of experience in the banking industry and in management consulting. He has successfully established, managed and restructured units in Germany, Europe and Asia. Mr. Link has particular expertise in the areas of finance/controlling, risk management, restructuring, portfolio/investment management and transformation projects and in M&A				
Hansjörg Plaggemars	USA	54	Member	August 28, 2024	2026
CV	Hansjörg Plaggemars has more than 20 years of management experience in finance in various European companies. He started his career at KPMG Corporate Finance and has worked as CFO for over 14 years in various industries, including software, retail, prefabricated housing and e-commerce. Hansjörg Plaggemars holds a degree in business administration from the University of Bamberg.				
Dr. Heikki Lanckriet	Belgian	47	Member	December 14, 2021	2026
CV	Dr. Lanckriet is Chief Executive Officer and Chief Scientific Officer at 4basebio Plc. Earlier in his career, Dr. Lanckriet was Chief Executive Officer & Chief Scientific Officer at Expedeon AG and Principal at Puratos NV. Dr. Lanckriet holds a Bachelor and Master degree in Biochemical Engineering from the University of Ghent, Belgium and a PhD in Biochemical Engineering from the University of Cambridge, UK.				
Tobias Reich	German	50	Member	August 28, 2024	2026
CV	After studying and working in investment banking, he held various positions in the private equity sector within One Equity Partners and Cornerstone Capital. Mr Reich has many years of experience in private equity with a broad industry spectrum such as medical technology, technology and the chemical industry. In addition, he has broad experience in corporate governance, strategy and M&A through various advisory and supervisory board activities.				
Dr. Helge Lubenow	German	56	Vice Chair	December 14, 2021	2026
CV	Dr. Helge Lubenow studied biology and obtained her doctorate in the field of genetics at the University of Cologne and the Max Planck Institute. After completing her doctorate, Dr. Lubenow joined the diagnostics company Qiagen in 1997. In the course of her professional career at Qiagen, Dr. Lubenow held various management positions. From 2011 to 2015, Dr. Lubenow led the molecular diagnostics business as Senior Vice President. In 2016, Dr. Lubenow founded her own consulting company AGOS Consulting. From 2018 to 2019 she was Managing Director of tesa Labtec GmbH and from January 2020 to 2023 she was Managing Director of Proteomedix AG, Zurich, Switzerland.				
Karlheinz Schmelig	German	59	Member	December 14, 2021	2026
CV	Karlheinz Schmelig is managing partner of Creathor Venture Management GmbH, where he has been responsible for investments in the life sciences sector since 2004. At the beginning of his career, Mr. Schmelig worked for Boehringer Mannheim and later for Roche Diagnostics in Germany and the USA. His responsibilities there included supply chain management, global marketing and business development. Mr. Schmelig holds a Bachelor's degree from the Baden-Wuerttemberg Cooperative State University Mannheim and an MBA from the Kelley School of Business, USA.				

Supervisory Board compensation

in EUR thousands	2024	2023
Alexander Link *	15	0
Dr. Helge Lubenow	34	47
Dr. Heikki Lanckriet	22	22
Hansjörg Plaggemars *	9	0
Tobias Reich *	8	0
Karlheinz Schmelig	28	28
Wilhelm K.T. Zours **	15	44
Prof. Dr. Karin Lergenmüller **	17	n.a.
Dr. Jörgen Tielmann **	22	33
Gesamt	**169**	**197**

* Entered during 2024

** Retired during 2024

The payments are short-term payments within the meaning of IAS 24.17 (a).

The Supervisory Board members held the following other supervisory board positions and positions on comparable domestic and foreign boards during the reporting period:

Name	Company	Board	Position
Alexander Link *	Deutsche Balaton AG	Board of Directors	Chair
	4basebio PLC, Cambridge, UK	Non-Executive Director	
	SPARTA Invest AG	Supervisory Board	Chair
	SPK Süddeutsche Privatkapital AG	Supervisory Board	Chair
	bioXXmed AG	Supervisory Board	Vice Chair
	Epigenomics AG	Supervisory Board	Vice Chair
	MISTRAL Media AG	Supervisory Board	Vice Chair
	CARUS AG	Supervisory Board	Member
	DIO Deutsche Immobilien Opportunitäten AG	Supervisory Board	Member
	Nestmedic S.A. Warschau, Polen	Supervisory Board	Member
Wilhelm K.T. Zours **	Deutsche Balaton AG	Supervisory Board	Chair
	SPARTA AG	Supervisory Board	Chair
	YVAL Idiosynkratische Investments SE	Board of Directors	Chair
Dr. Heikki Lanckriet	4basebio UK limited, Cambridge, UK	Board of Directors	Member
	4basebio Discovery Ltd., Cambridge, UK	Board of Directors	Member
	4basebio SLU, Madrid, ES	Board of Directors	Member
	Neophore Ltd., Cambridge, UK	Board of Directors	Member
	I2i capital Ltd., Cambridge, UK	Board of Directors	Member
	Kither Biotech s.r.l., Italy	Board of Directors	Member
	Biofrontera Inc.	Board of Directors	Member
Hansjörg Plaggemars *	Epigenomics AG	Board of Directors	Chair
	Delphi Unternehmensberatung AG	Board of Directors	Member
	2invest AG	Board of Directors	Member
	Patronus Resources Ltd.	Non-Executive Director	
	Altech Advanced Materials AG	Board of Directors	Member
	Alpha Cleantec AG	Board of Directors	Member
	Balaton Agro Invest AG	Board of Directors	Member
	Strawtec Group AG	Board of Directors	Member
	Spartan Resources Limited	Non-Executive Director	
	MARNA Beteiligungen AG	Board of Directors	Member
	YVAL Idiosynkratische Investments SE	Managing Director	
	Heidelberger Beteiligungsholding AG, Heidelberg	Board of Directors	Member
	4basebio PLC, Cambridge, UK	Non-Executive Director	

	PNX Metals LTD, Australien	Non-Executive Director	
	Altech Batteries LTD, Australien	Non-Executive Director	
	Geopacific Resources Ltd, Australien	Non-Executive Director	
	Wiluna Mining Corporation, Australien	Non-Executive Director	
Tobias Reich *	Conbrio Beteiligungen AG	Board of Directors	Member
Prof. Dr. Karin Lergenmüller **	Alpha Cleantec Aktiengesellschaft, Heidelberg	Supervisory Board	Chair
	DELPHI Unternehmensberatung Aktiengesellschaft, Heidelberg	Supervisory Board	Chair
	MARNA Beteiligungen AG, Heidelberg	Supervisory Board	Vice Chair
	Heidelberger Beteiligungsholding AG, Heidelberg	Supervisory Board	Member
	SPARTA AG, Heidelberg	Supervisory Board	Member
Dr. Jörgen Tielmann **	none		
Dr. Helge Lubenow	Epigenomics AG	Supervisory Board	Chair
	Human Gesellschaft für Biochemika und Diagnostika mbH	Advisory Board	Member
	Neracare GmbH	Supervisory Board	Member
	Avelo AG	Board of Directors	Chair
Karlheinz Schmelig	CryoTherapeutics S.A., Awans, Belgien	Supervisory Board**	Member**
	Creathor Venture Management GmbH	Managing Director	

* Entered during 2024

** Retired during 2024

32. Related party disclosures

The group of related parties is limited to the group of persons listed in Notes 31 and 32 as well as to the persons and companies listed in Note 10. The group of key management personnel is limited to the Management Board and the Supervisory Board.

Within the framework of the underlying holding structure, Biofrontera AG assumes the administrative and control tasks. Biofrontera AG is also responsible for the financing of the currently still in the loss-making business areas, since as a listed company it has the best access to the capital market. Against the background of the close cooperation between the Group companies, an internal settlement is carried out which is adjusted annually to meet current requirements.

The following relationships exist with Biofrontera Inc.:

in EUR thousands	December 31, 2024	December 31, 2023
Sales revenues	9,483	22,224
Other income	98	44
Clinical trial expenses	325	775
Other expenses	0	61
Trade receivables	5,095	6,365
Trade payables	0	201
Payables from DUSA settlement	0	2,545

Biofrontera Inc. was established to market our products in the USA. Biofrontera Inc. acts as an independent company and is active as a license partner in the USA. Under the terms of a license and supply agreement between Biofrontera Pharma GmbH and Biofrontera Bioscience GmbH, both 100% subsidiaries of Biofrontera AG Biofrontera Inc. acquires Ameluz® and the PDT lamps BF-RhodoLED® and RhodoLED® XL from Biofrontera AG.

Beginning 2024 Biofrontera AG and Biofrontera Inc. reached an agreement to amend the former existing license and supply agreement. Under this amendment, Biofrontera Inc. will assume full responsibility for clinical development, thereby reducing the financial burden on Biofrontera AG. The clinical study program, which includes trials to expand the market approval of Ameluz® in the U.S., was already outlined in the original license agreement between the two companies. Previously, Biofrontera AG was responsible for the execution and costs of this program, in return receiving a transfer price ranging from 50% to 30% of Ameluz®'s U.S. sales price, depending on annual revenue levels.

With the newly agreed transfer of responsibilities for the clinical program by June 1, 2024, Biofrontera AG will initially experience a temporary decline in revenue. Over the next two years, Biofrontera AG will receive 25% of Ameluz®'s U.S. sales price, with this share gradually increasing to 30%–35% in subsequent years.

The amended agreement was concluded for 15 years and will be extended for a further 5 years if a sales volume in the USA of over USD 150 million is achieved in the previous 5 years.

Biofrontera AG maintains the FDA approval, the manufacturing of the products and provides a pharmacovigilance database.

Furthermore, services are provided and invoiced in accordance with relevant service agreements with Biofrontera Inc. This primarily includes services in the areas of pharmacovigilance, quality management, and regulatory affairs. Additionally, the sublease agreement for office space with Bio-FRI GmbH, the German subsidiary of Biofrontera Inc., remains in effect, while an agreement for accounting services was still in place at the beginning of the year but expired in 2024.

The following relationships exist with the Maruho Group:

in EUR thousands	December 31, 2024	December 31, 2023
Revenue from patent transfer	0	0
Revenue from license agreements	115	106
Income from subleases	0	34
Trade receivables	0	0

In April 2020, Biofrontera entered into an exclusive license agreement with Maruho Co, Ltd, Osaka, Japan (Maruho) for the development and commercialization of Ameluz® for all indications in East Asia and Oceania. The agreement has a term of 15 years from the start of sales in the countries covered by the agreement. Under the agreement, Maruho receives exclusive development and marketing rights, including permission to sublicense Ameluz® in Japan, China, Korea, India, Pakistan, Vietnam, the Philippines, Australia, New Zealand, and surrounding countries and islands (territory of applicability). Maruho is entitled, with Biofrontera's consent, to conduct its own research and development under the license agreement. Maruho will grant to Biofrontera a royalty-free and perpetual license to any results of such research and development conducted by Maruho for commercialization outside the Territory. Under the License Agreement, Biofrontera will supply Ameluz® to Maruho at cost plus 25%, while Maruho has an obligation to use commercially reasonable efforts to develop, register and commercialize Ameluz® in all countries in the Applicable Territory. Under the license agreement, Maruho has made a one-time payment of EUR 6 million to Biofrontera AG in the previous year. Further future payments will be due upon the achievement of certain regulatory and sales milestones. Maruho will also pay royalties of initially 6% of net sales in the countries of the scope, which may increase to 12% depending on sales volumes and will decrease in the event of generic launches in these countries. In the reporting year, revenue from this licensing agreement was recognized for the supply of materials for clinical trials and the recharging of associated costs.

In the financial year 2024, there were no further reportable transactions or relationships with related parties other than those mentioned above and in Note 31 and Note 32.

33. Auditor's fees and services

The total fee invoiced by the auditor for the 2024 financial years consist of:

in EUR thousands	December 31, 2024	December 31, 2023
Auditing services	132	198
of which for the previous year	0	0
Other consulting services	0	48

The auditing services relate to the mandatory audits of the annual and consolidated financial statements of Biofrontera AG.

34. Subsequent events

Legal issues

On February 28th, Biofrontera group was served with a new legal sue from SunPharma alleging breach of contract (a settlement agreement between SunPharma, Biofrontera Inc. and Biofrontera AG group, signed in 2021) and misleading advertising related to Ameluz in the USA market. The company has retained outside counsil who are analyzing the case. An initial quotation for the legal defense is in the range of EUR 500 thousand to EUR 1,000 thousand. The effective cost will most likely amount to EUR 875 thousand. The company's lawyers are at the initial due diligence stage of the case. Based on the information provided by them, it is not possible, at this time, to assess the outcome in terms of the resulting judgements against or in our favor, neither to provide with a range of potential financial risk associated to the final outcome. If SunPharma (DUSA) prevails on all its claims against Biofrontera AG and the German Subsidiaries, our lawyers and we expect such an outcome could have a material financial impact on our financial position.

Company Audit

On March 11th, Biofrontera was informed that a company audit for the Biofrontera group will be performed the tax authority for the years 2020 to 2022 from May 2025 onwards.

Others

In February 2025, the Supervisory Board approved the extension of the sole Management Board contract until December 31st, 2026.

No other events occurred after the balance sheet date.

Leverkusen, April 14th, 2025

Pilar de la Huerta Martinéz

Chief Financial Officer Biofrontera AG

Responsibility statement

Responsibility statement pursuant to section 297 (2) sentence 4 HGB and section 315 (1) sentence 5 HGB

We affirm that, to the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the Group assets, financial position and results of operations of the Group and that the combined management and group management report presents the course of business, including the business results and the position of the Biofrontera Group and Biofrontera AG, in such a way that a true and fair view is given and that the main opportunities and risks of the expected future development of the Biofrontera Group and Biofrontera AG are described.

Leverkusen, April 14th, 2025

Biofrontera AG

Pilar de la Huerta Martínez
Chief Financial Officer Biofrontera AG

- convenience translation –

Report

on the audit of the
Consolidated financial statements as of December 31, 2024
and the Group management report for the financial year 2024
the
Biofrontera AG
Leverkusen

Report

on the audit of the
Consolidated financial statements as of December 31, 2024
and the Group management report for the financial year 2024
the

Biofrontera AG

Leverkusen

Nexia GmbH Auditing company Tax consulting company
Ulmenstraße 37-39, 60325 Frankfurt am Main-
www.nexia.de

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As a separate file:

- ESEF documents

For computational reasons, rounding differences of +/- 1 unit (EUR, %, etc.) may occur in the tables. +/- 1 unit (EUR, % etc.) may occur.

To improve readability, the masculine and feminine forms of language are not used simultaneously in this audit report. The generic masculine is used, whereby all genders are meant equally.

# of abbreviations

Abs.	Paragraph
German Stock Corporation Act	Stock Corporation Act
Biofrontera	Biofrontera AG, Leverkusen
EU-APrVO	Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014
Ltd.	Limited liability company
GmbHG	Law on limited liability companies
HFA	Main Technical Committee of the IDW
HGB	Commercial Code
HR	Commercial register
IDW	Institute of Public Auditors in Germany e.V., Düsseldorf
n.F.	New version
PS	Auditing standard of the IDW
KEUR	Thousand Euro

A. AUDIT ASSIGNMENT

The shareholders of

'Biofrontera AG, Leverkusen,

- hereinafter referred to as " Biofrontera" or the "Company" for short -

elected us as group auditors for the financial year 2024 at the Annual General Meeting on August 28, 2024. Accordingly, the Supervisory Board engaged us to audit the consolidated financial statements as at December 31, 2024 and the Group management report for the financial year 2024.

In addition, in accordance with Section 317 (3a) HGB, our audit also extends to the electronic reproduction of the consolidated financial statements and the group management report in the standardized electronic format ("ESEF documents") prepared for publication purposes (see Section G).

We have also audited the dependent company report prepared by the company's Management Board in accordance with Section 312 AktG.

In accordance with Section 321 (4a) HGB, we confirm that we have complied with the applicable independence requirements in our audit of the consolidated financial statements. In addition, in accordance with Article 6 (2) (a) of the EU Audit Regulation, we declare that the audit firm, audit partner and members of senior management and management personnel performing the audit are independent of the audited group.

For the performance of this engagement and our responsibility, also in relation to third parties, the General Engagement Terms for Wirtschaftsprüferinnen, Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften of January 1, 2024, attached as Annex 3, are agreed.

This audit report is addressed to the company. It was prepared in accordance with the generally accepted standards for the preparation of audit reports (IDW PS 450 n.F. (10.2021)).

B. REPRODUCTION OF THE AUDITOR'S REPORT KS

Based on the final results of our audit, we have issued the following auditor's report dated April 14, 2025 on the consolidated financial statements as of December 31, 2024 (Appendix 1) and the Group management report (Appendix 1) for the financial year 2024 of Biofrontera AG, Leverkusen, which is reproduced here:

"INDEPENDENT AUDITOR'S REPORT OF THE INDEPENDENT AUDITOR

To Biofrontera AG, Leverkusen:

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Audit assessments

We have audited the consolidated financial statements of Biofrontera AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2024, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2024, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Biofrontera AG, which is combined with the management report of the Company, for the financial year from January 1 to December 31, 2024, referred to subsequently as the "Group management report". In accordance with the German legal requirements, we have not audited the content of those parts of the annual report listed in the "Other information" section of our auditor's report.

In our opinion, based on the findings of our audit

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2024 and of its financial performance for the financial year from January 1 to December 31, 2024, and
- the accompanying Group management report as a whole provides a suitable view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the annual report listed in the "Other information" section.

Pursuant to § 322 Abs. 3 Satz 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the Group companies in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our view, the following matter was the most significant in our audit:

- Recoverability of deferred tax assets on loss carryforwards

We have structured our presentation of this key audit matter as follows:

1. Facts and problem definition,
2. Audit approach and findings,
3. Reference to further information.

In the following, we present the key audit matter:

Recoverability of deferred tax assets on loss carryforwards

1. The deferred tax assets on tax loss carryforwards and deductible temporary differences reported in Biofrontera's consolidated financial statements total EUR 9,368 thousand as at December 31, 2024 (previous year: EUR 7,068 thousand) and represent a significant asset in terms of amount. For the recognition of deferred tax assets, Biofrontera estimates the extent to which sufficient taxable income is likely to be available in the future to utilize the deferred tax assets.

The recoverability of deferred tax assets depends on the estimates and assumptions of the Management Board with regard to the future operating performance of the taxable Group companies Biofrontera Bioscience GmbH and Biofrontera Pharma GmbH. The company has prepared a corporate plan covering the period of the next five years up to the 2029 financial year. This corporate planning is dependent on external factors, some of which are beyond the company's control. The planning assumptions made are therefore subject to inherent uncertainty. Possible negative deviations from the plan could lead to lower usable loss carryforwards.

Due to the discretionary decisions, estimates and assumptions made by the legal representatives with regard to sufficient taxable income, the assessment of the recoverability of deferred tax assets is one of the most significant matters in our audit.

2. The main objective of our audit procedures was to ensure the systematic approach and appropriateness of the measurement of deferred tax assets from loss carryforwards. To this end, we first examined the internal control system set up by the executive directors to determine and account for deferred taxes by subjecting the process to a structural audit and assessing the risk of error. The starting point for the valuation is the company's corporate planning. This is based on various scenario analyses to which different probabilities of occurrence are assigned. We discussed the key planning parameters, volume and price growth, the cost structure and the development of the various geographical markets in detail with employees, the Management Board and the Supervisory Board and assessed their plausibility. In particular, the strong dependence on Biofrontera Inc. and its economic situation were assessed. The probabilities of occurrence were critically scrutinized. Furthermore, we considered the accuracy of planning from the previous year and the development of the company up to the time of our reporting. In addition, we verified the reconciliation to the tax result planning and the correct derivation of the expected utilization of tax loss carryforwards. Our audit procedures did not lead to any reservations relating to the assessment of the recoverability of the deferred tax assets.
3. The company's disclosures on deferred tax assets on loss carryforwards are contained in sections "Consolidation principles", "9" and "26" of the notes to the consolidated financial statements. Disclosures can also be found in the "Results of operations" section of the Group management report.

Other information

The legal representatives are responsible for the other information. The other information comprises

- the declaration on corporate governance in accordance with section 315d HGB in conjunction with section 289f HGB, including the declaration of conformity in accordance with section 161 AktG, referred to in the "Declaration on corporate governance" section of the Group management report on the company's website,

- the sections "Risk management system" and "Takeover-related disclosures" of the Group management report that were not audited for content,

- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report, and

- the assurance pursuant to Section 297 (2) sentence 4 HGB on the consolidated financial statements and the assurance pursuant to Section 315 (1) sentence 5 HGB on the Group management report.

The Supervisory Board is responsible for the report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the declaration pursuant to Section 161 AktG on the German Corporate Governance Code, which forms part of the declaration on corporate governance contained in the management report. In all other respects, the legal representatives are responsible for the other information.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information

- are materially inconsistent with the consolidated financial statements, the group management report or our knowledge obtained in the audit, or

- otherwise appear to be materially misstated.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the Group management report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. accounting fraud or error) or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they are responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material

respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the Group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and the Group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. In addition

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, resulting from fraud or error, , design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk that a material misstatement resulting from fraud is not detected is higher than the risk that a material misstatement resulting from error is not detected, as fraud may involve collusion , forgery, intentional omissions, misrepresentations or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control or on the effectiveness of these arrangements and measures.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of accounting estimates and related disclosures made by the executive directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidat , including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
  the net assets, financial position and results of operations of the Group.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the legal representatives in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to address independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

REPORT ON THE AUDIT OF THE ELECTRONIC REPRODUCTION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH SECTION 317 (3A) HGB

Audit opinion

In accordance with § 317 (3a) HGB, we have performed an audit to obtain reasonable assurance about whether the data contained in the attached file [Biofrontera_Konzern_2024.zip] SHA256: e3d5f3d1448e02d5af0400a5c9d517bc93a5ceeba84b08c5c9f3d5372c735c8c and the reproduction of the consolidated financial statements and the group management report (hereinafter also referred to as "ESEF documents") prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore does not extend to the information contained in these reproductions nor to any other information contained in the above-mentioned file .

In our opinion, the reproductions of the consolidated financial statements and the group management report contained in the above-mentioned attached file and prepared for publication purposes comply in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying group management report for the financial year from January 1 to December 31, 2024 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Group Management Report" above, we do not express any audit opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file.

Basis for the audit opinion

We conducted our audit of the reproduction of the consolidated financial statements and of the group management report contained in the above-mentioned attached file in accordance with Section 317 (3a) HGB and the IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)). Our responsibilities under those requirements are further described in the "Auditor's responsibilities for the audit of the ESEF documents" section. Our audit practice complies with the quality management system requirements of the IDW Quality Management Standard: Requirements for Quality Management in the Auditing Practice (IDW QMS 1 (09.2022)) have been applied.

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The executive directors of the company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 no. 2 HGB.

Furthermore, the company's management is responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Auditor's responsibility for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material - intentional or unintentional - non-compliance with the requirements of Section 328 (1) HGB. During the audit, we exercise professional judgment and maintain professional skepticism. In addition

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain an understanding of internal control relevant to the audit of the ESEF documentation in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these controls.

- we assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date for the technical specification for this file.

- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited group management report.

- we assess whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date provides an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

Other information pursuant to Article 10 EU-APrVO

We were elected as auditor by the annual general meeting on August 28, 2024. We were engaged by the supervisory board on October 24, 2024. We are the auditor of Biofrontera AG, Leverkusen, for the first time.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (audit report).

Other matters - Use of the opinion

Our audit opinion should always be read in conjunction with the audited consolidated financial statements and the audited Group management report as well as the audited ESEF documents. The consolidated financial statements and the group management report converted into the ESEF format - including the versions to be filed in the company register - are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not replace them. In particular, the ESEF report and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

Responsible auditor

The German Public Auditor responsible for the engagement is Mr. Adrian Schmidt."

C. BASIC FINDINGS

I. Statement on the assessment of the situation by the legal representatives r

The following key statements on **the economic situation and development of the Group in the reporting**

The following key statements can be found in the Group management report of the legal representatives:

- In the reporting year2024 , the Biofrontera Group generated total sales of EUR 21,666 thousand at , a decrease of32,8 % compared to the previous year (previous year: EUR 32,249 thousand). This is due in particular to the decline in sales with the licensee in the USA, Biofrontera Inc., which fell from EUR 22,224 thousand in the previous year to EUR 9,482 thousand in the financial year.
- Research and development costs fell in the reporting period by32 % to EUR 5,352 thousand compared to EUR 7,846 thousand in the previous year, which is attributable to the outsourcing of activities in connection with clinical trials for the US market. In addition to the costs for clinical trials, research and development costs also include expenses for regulatory affairs, i.e. for obtaining, maintaining and expanding our approvals, expenses for patents, pharmacovigilance activities and personnel costs for the employees working in these departments.
- In this context, the company signed an amendment to the license and supply agreement with Biofrontera Inc. in February 2024 and reduced the Ameluz transfer price to in 2024 and 2025, which will increase again to 30%, 32% and 35% in the coming years. This reduction in the transfer price will be offset by the transfer of responsibility for clinical trials to Biofrontera Inc.
- The Group's EBITDA includes earnings before interest, taxes, depreciation of property, plant and equipment and amortization of intangible assets and decreased significantly in the financial year2024 by EUR 10,558 thousand to EUR -4,635 thousand compared to the same period of the previous year (previous year: EUR 5,923 thousand). The significant decline in EBIT and EBITDA is largely due to the increased legal costs in connection with the provisions for the legal disputes with SunPharma as well as the decline in sales in the USA and the associated decline in the margin.
- In accordance with IFRS, the Group's equity amounted to EUR 18,856 thousand (previous year: EUR 19,980 thousand). The equity ratio fell from 65% to 64%.
- The non-current assets as at December 31,2024 totaling EUR 13,399 thousand (previous year: EUR 13,012 thousand) include the recognized deferred taxes of Biofrontera Pharma GmbH and

Biofrontera Bioscience GmbH in the amount of EUR 9,029 thousand (previous year: EUR 6,818 thousand)

- The net cash flow into financing activities amounted to EUR 2,793 thousand and was therefore higher than the previous year's figure (previous year: EUR -479 thousand), which included the proceeds from a capital increase carried out in the financial year.
- Cash and cash equivalents in the Group amounted to EUR 3,124 thousand as at December 31, 2024 (previous year: EUR 3,080 thousand).

In order to assess the **expected development as well as the opportunities and risks of the future development of the Group,** the following disclosures in the consolidated financial statements and Group management report of the legal representatives are to be emphasized as material:

- With Ameluz® , the company currently only has one approved product, which is distributed in some European countries and the USA by its own sales force or via license partners. There is a risk that Ameluz® cannot be established sufficiently or sustainably on the market.
- Biofrontera operates in regulated competitive markets. The company's sales and revenue targets could be jeopardized by sales and revenue-generating measures by competitors with regard to the areas of application of their products, the pricing strategy or the marketing strategy, but also by new products from competitors. If the sales targets are not achieved, this could also have a negative impact on the company's earnings and liquidity targets and result in impairment losses on product inventories already produced.
- In recent years, the company has regularly relied on the injection of external cash and cash equivalents. As at December 31,2024 , the Biofrontera Group had cash and cash equivalents of EUR 3,124 thousand at . Based on the current corporate planning for 2025, the Group will have sufficient liquidity to meet all obligations for a further 12 months from the date of preparation. The prerequisite for this is that the sales forecasts are achieved and no further relevant legal costs are incurred by the company that exceed the costs already set aside. If the sales forecasts are not met and further relevant and costly legal disputes are brought against the company, there is a high risk that insufficient cash will be available to meet the payment obligations.
- With the IPO of Biofrontera Inc., the capital raised by Biofrontera Inc. could be invested in further growth there in order to further expand its presence in the US market. As part of the originally agreed license and supply agreement, Biofrontera AG will receive up to 50% of Ameluz® sales in the form of a transfer price. This share applies up to annual sales of 30 million dollars and decreases to 40% between annual sales of 30 and 50 million dollars and to 30% beyond that. Through the license and supply agreement, Biofrontera AG also benefits from a strengthening of Biofrontera Inc. in the US market without having to finance the largest cost

block in the past, sales and marketing in the USA. Only with the help of a sufficiently financed Biofrontera Inc. can both companies grow and develop successfully both together and independently of each other. The current liquidity situation of Biofrontera Inc. is weak and the company's earnings situation in the past year was also clearly negative. If the company is not able to obtain sufficient liquidity to finance its business activities in the short term, the company could have difficulties in meeting its payment obligations. Should Biofrontera Inc. fail to meet its obligations to us on time, this could have a significant impact on the liquidity of Biofrontera AG and result in the company having to tap additional sources of financing in order to meet its financial obligations.

- In the USA, Biofrontera is defending itself against SunPharma's (DUSA) claim that the RhodoLED XL® infringes two patents held by SunPharma (DUSA). SunPharma (DUSA) has filed a petition with the United States International Trade Commission (ITC) to prohibit the importation of the Biofrontera RhodoLED XL® into the United States (Inv. No. 337-TA-1411). In parallel, SunPharma (DUSA) has filed a lawsuit in the United States District Court for the District of Massachusetts ("District Court Case"), which has been stayed pending the outcome of the ITC investigation. As a result of the ITC investigation or the District Court Case, there is a risk that SunPharma (DUSA) could obtain an injunction preventing the importation or sale of RhodoLED XL® in the United States. There is a risk that we would either have to pay for a license to SunPharma (DUSA)'s intellectual property or redesign the RhodoLED XL® lamp in order to import it into the United States. In addition, the case before the district court poses the additional risk that the Company could be forced to pay damages or a license fee to SunPharma (DUSA) for infringement of its patent rights.
- The company sees further long-term sales opportunities in the form of milestone and royalty payments through license and supply agreements with our license partners in Europe, Asia and the USA. At the same time, the company is analyzing new markets such as Canada and Brazil in order to work with a relevant market player there. In the European market, marketing options for countries such as France, Italy and the Netherlands are also being examined, either through a partnership or by setting up our own sales unit. The growth and expansion of the Ameluz markets is a clear priority for Biofrontera.
- For the 2025 financial year, the Group anticipates sales of EUR 20 to 24 million, with growth of 10 to 12 % expected for the European markets, while sales from the US licensing business will be at the 2024 level due to the low transfer price in 2025. However, due to the transfer of the entire clinical development to Biofrontera Inc. in 2024, the EBITDA result in 2025 will be positive, in the range of EUR 0 to 3 million, and the company will return to profitability.

Based on the results of our audit and the findings of our audit, the assessment of the Group's position, including the opportunities and risks of future development presented, is plausible and logically derived. The management assessment, in particular the assumption that the Group will continue as a going concern and the assessment of the Group's future development, is appropriate in scope and content.

II. Facts impairing development

As auditors of the consolidated financial statements, we are required to report on any matters identified during the audit that may jeopardize the continued existence of the Group or significantly impair its development.

The company is highly dependent on the performance of its US sales partner, Biofrontera Inc. The company generated around EUR 9,482 thousand of its EUR 21,666 thousand revenue with Biofrontera Inc. in the 2024 financial year, which accounts for around 44% of total revenue. According to internal planning, the company expects to generate total revenue of EUR 9,304 thousand with Biofrontera Inc. in the 2025 financial year, EUR 15,041 thousand in the 2026 financial year and EUR 16,311 thousand in the 2027 financial year. The license agreement with Biofrontera Inc. has a term of 15 years.

As highlighted in the previous section of the audit report, the company and Biofrontera Inc. are involved in several legal disputes with a competitor in the USA. Further litigation and continued disputes represent a potential financial risk for the company.

Biofrontera Inc. finds itself in a difficult economic environment; the earnings situation was strongly negative in 2024. Should Biofrontera Inc. fail to meet its obligations to Biofrontera AG on time, this could have a significant impact on liquidity and the recoverability of the deferred tax assets on loss carryforwards of Biofrontera AG. The Management Board has developed suitable operational and strategic measures for the possible default scenario of Biofrontera Inc. that do not indicate any risks to the continued existence of Biofrontera AG.

D. SUBJECT, TYPE AND SCOPE OF THE AUDIT

I. Subject of the audit

As part of our engagement, we have audited the IFRS consolidated financial statements - comprising the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, notes to the consolidated financial statements, consolidated cash flow statement, consolidated statement of changes in equity - and the group management report for compliance with the relevant legal requirements in accordance with Section 317 HGB. In addition, we have audited whether the ESEF documents comply, in all material respects, with the requirements of Section 328 (1) HGB for the electronic reporting format.

The audit of the consolidated financial statements also extends to

- the scope of consolidation,
- the financial statements included in the consolidated financial statements,
- the reconciliation of these financial statements to the provisions applicable to the consolidated financial statements (HB II) and
- the consolidation measures taken.

The applicable accounting principles for our audit of the consolidated financial statements were IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB. The audit criteria for the Group management report were the provisions of Sections 315 and 315a HGB.

Pursuant to Section 317 (2) sentence 6 HGB, the audit of the disclosures in the corporate governance statement in accordance with Section 315d HGB, which has been made publicly available on the company's website and to which reference is made in the Group management report, is limited to whether the disclosures have been made.

II. Type and scope

We conducted our audit in accordance with § 317 HGB and the EU Audit Regulation and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW).

We have audited the Group management report to determine whether it is consistent with the consolidated financial statements and the findings of our audit and as a whole provides a suitable view

of the Group's position; we have also audited whether the opportunities and risks of future development are appropriately presented. The audit of the Group management report also included assessing whether the legal requirements relating to the preparation of the Group management report have been complied with.

In addition, in accordance with Section 317 (3a) HGB, an assessment was made as to whether the electronic reproduction of the consolidated financial statements and the Group management report prepared for disclosure purposes complies with the requirements of Section 328 (1) HGB.

We planned our audit of the ESEF documents taking into account the extended mandatory ESEF requirements. The audit procedures comprise the assessment:

- the technical validity using suitable validation software and
- the XHTML reproduction by comparing the content with the audited consolidated financial statements and group management report and
- machine-readable labeling in the consolidated financial statements through the use of suitable software.

The audit did not extend to whether the continued existence of the audited Group or the effectiveness and efficiency of its management can be assured.

We draw attention to the fact that specific audit procedures aimed at uncovering embezzlement or other criminally relevant facts to the detriment of the parent company or the subsidiaries included in the consolidated financial statements are not part of the audit of the consolidated financial statements.

With regard to the responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the Group management report, we refer to the auditor's report, section "Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the Group management report", which is reproduced in section B.

With regard to the nature and scope of the engagement, we refer to the general description of the auditor's responsibility for the audit of the consolidated financial statements and the Group management report in the sections "Basis for the audit opinions" and "Auditor's responsibility for the audit of the consolidated financial statements and the Group management report".

Our audit was based on the prior-year consolidated financial statements as at December 31, 2023, which were audited by Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft and issued with an unqualified audit opinion.

We performed the audit work - with interruptions - mainly at our offices in the period from October 24, 2024 to April 14, 2025. The responsible audit partners were Mr. WP/StB Adrian Schmidt as the primarily responsible audit partner and Ms. WP/StB Annika Fröde as the other responsible audit partner.

Communication with the Audit Committee and the Supervisory Board took place as follows:

Date	Type and scope	Topic
July 15, 2024	In writing to the Chairman of the Audit Committee	Declaration of independence
October 24, 2024	Telephone call Supervisory Board	Reconciliation of the audit, reconciliation of key audit matters, discussion of the scope of reporting, questioning on fraud
January 31, 2025	Telephone call Supervisory Board	Discussion of the status of the preliminary audit, planning of the main audit
February 17, 2025	Telephone call Supervisory Board	Status discussion, discussion of impairment test and going concern
March 4, 2025	Telephone call Supervisory Board	Discussion of audit status
March 17, 2025	Telephone call Supervisory Board	Discussion of audit status
March 28, 2025	Telephone call Supervisory Board	Discussion of audit status
April 7, 2025	Meeting of the Supervisory Board	Presentation of the preliminary audit result with subsequent follow-up
April 14, 2025	Circular resolution	Resolution on the annual and consolidated financial statements, as well as the remuneration and dependent company report

During the audit period, we held regular discussions with the Executive Board and in some cases joint meetings with the supervisory body.

The legal representatives of the parent company and the subsidiaries and the employees commissioned by them have provided us with all the information and evidence requested.

The legal representatives provided us with the customary written representation letter on the consolidated financial statements and the Group management report. We also received corresponding letters of representation for the consolidated companies audited by us.

Our audit procedures included the definition of the scope of consolidation, the adjustment to uniform Group accounting policies, the reconciliation of the annual financial statements to the provisions applicable to the consolidated financial statements (HB II), the consolidation-related adjustments and the consolidation measures taken. Our audit also covered the correctness of the annual financial statements included in the consolidated financial statements, which were also audited by us as auditors for the purposes of the audit of the consolidated financial statements.

As part of our risk-oriented audit approach, we planned the audit procedures in advance of the audit. The audit planning is based on:

- an assessment of the Group environment and our knowledge of the industry,
- the information provided by the legal representatives on business performance, targets and strategies,
- the documents submitted to us for the consolidated financial statements,
- a preliminary assessment of the Group's accounting-related internal controls,
- a preliminary assessment of the consolidated financial statements based on analytical audit procedures, and
- a preliminary assessment of the planned consolidation measures and the other instructions for preparing the consolidated financial statements

Based on an assessment of the internal controls and the results of the analytical audit procedures, we observed the principles of materiality and efficiency when determining the further audit procedures. The individual case audits were therefore performed in selected samples according to type and scope, taking into account the significance of the audit areas and the organization of the Group accounting system. The samples were selected in such a way that they take into account the economic significance of the individual items in the consolidated financial statements and enable us to sufficiently audit compliance with the statutory Group accounting regulations.

In planning and performing the audit and in assessing the impact of identified misstatements on the audit and of any uncorrected misstatements on the consolidated financial statements and, where applicable, the group management report, we considered the concept of materiality. In determining what level of materiality is relevant to users of the financial statements, we consider the financial

information needs of users of the financial statements as well as factors such as the nature of the Group, the current stage of its life cycle, the industry and economic environment in which it operates, its ownership structure, the manner in which it is financed and the relative volatility of the benchmark. We gain an understanding of the supervisory body's expectations regarding possible misstatements and take these into account when determining the materiality threshold.

The following key audit matters were derived for the reporting year on the basis of a materiality threshold of EUR 270,000 for the financial statements as a whole:

- Recoverability of deferred tax assets on loss carryforwards (see section B.),
- Going-concern premise
- Audit of the reconciliation of the separate financial statements of the consolidated companies to International Financial Reporting Standards (IFRS),
- Review of the consolidation measures implemented,
- Audit of the completeness and accuracy of the disclosures in the notes to the consolidated financial statements in accordance with IFRS,
- Audit of the disclosures in the group management report.

For information on particularly important audit matters as key audit matters, please refer to the relevant disclosures in the section "Reproduction of the auditor's report" (Section B).

We assessed the internal controls to the extent necessary to determine the risk of material misstatement in the consolidated financial statements. We assessed the subsidiaries' accounting-related internal control system as part of our audit of the individual financial statements.

As part of our audit of the consolidated financial statements, we performed the following audit procedures, among others:

- Definition of the scope of consolidation
- Correctness of the adoption of the annual financial statements of the companies included in the consolidated financial statements prepared in accordance with uniform Group principles and audited by us

- Correctness of the consolidation measures carried out (capital consolidation, debt consolidation, consolidation of expenses and income debt, expense and income consolidation, elimination of intercompany profits and losses)
- Reconciliation to the consolidated balance sheet and consolidated income statement.

We have audited the opening balance sheet figures to determine whether they have been properly adopted from the prior-year consolidated financial statements. We performed additional audit procedures to obtain reasonable assurance about whether the opening balance sheet figures not audited by us do not contain any misstatements with a material effect on the consolidated financial statements for the reporting year.

The nature, scope and results of the individual audit procedures performed are set out in our working papers.

E. NOTES AND EXPLANATIONS TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. Scope of consolidation and balance sheet date

The scope of consolidation has been defined correctly. The information provided in the notes to the consolidated financial statements on the scope of consolidation is correct. The principle of consistency was observed when defining the scope of consolidation.

In addition to the parent company, the following companies are fully consolidated in the consolidated financial statements as at December 31, 2024:

- Biofrontera Bioscience GmbH, Leverkusen
- Biofrontera Pharma GmbH, Leverkusen
- Biofrontera Development GmbH, Leverkusen
- Biofrontera Neuroscience GmbH, Leverkusen
- Biofrontera UK Ltd, Reading (Berkshire, Great Britain)

The Group's financial year is the calendar year. The reporting date for the consolidated financial statements is December 31, 2024, which corresponds to the reporting date for the annual financial statements of the parent company and all consolidated subsidiaries.

II. Compliance of the financial statements included in the consolidated financial statements

We have audited the annual financial statements of Biofrontera AG (parent company) and have issued an unqualified audit opinion.

The annual financial statements of the main operating subsidiaries:

- Biofrontera Bioscience GmbH, Leverkusen
- Biofrontera Pharma GmbH, Leverkusen

to the extent necessary for the audit of the consolidated financial statements.

The other separate financial statements were not audited. The business activities are currently of minor importance.

There were no objections to the correctness of the financial statements included in the consolidated financial statements. Where adjustments to uniform Group accounting and valuation methods were necessary, these were made appropriately. The financial statements therefore represent a suitable basis for consolidation.

III. Compliance of the consolidated financial statements

1. Group accounting and other audited documents

In our opinion, the consolidated financial statements and the other audited documents, including the accounting records, comply in all material respects with the legal requirements. The information taken from the other audited documents leads to a proper presentation in the consolidated accounting, the consolidated financial statements and the Group management report.

2. Consolidated financial statements

As the parent company, Biofrontera AG must prepare consolidated financial statements and a Group management report in accordance with Section 290 of the German Commercial Code (HGB).

These consolidated financial statements comply with the legal requirements in all material respects. The regulations on the classification and presentation of items in the consolidated balance sheet and the consolidated income statement have been observed. The consolidated income statement was prepared using the cost of sales method.

The consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity presented to us for audit have been properly derived from the annual financial statements of the consolidated companies. The consolidation methods applied comply in all material respects with the legal requirements and are therefore correct. The consolidation entries have been made correctly.

The principle of consistency was observed with regard to recognition and measurement methods, classification rules and consolidation methods.

The notes to the consolidated financial statements comply with the legal requirements. The disclosures in the notes to the consolidated financial statements are complete and accurate in all material respects.

3. Group management report

The Group management report, which was prepared as a combined management report and Group management report, complies in all material respects with German legal requirements.

IV. Overall statement of the consolidated financial statements

The consolidated financial statements comply in all material respects with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting.

The accounting and valuation methods applied by the parent company are stated in the notes to the consolidated financial statements.

In addition, we provide the following explanations on the key measurement principles:

Assets and liabilities were valued in accordance with the going concern principle, taking into account the principle of individual valuation. The realization principle, the imparity principle and the principle of prudence were observed.

We did not identify any significant fundamental changes in the measurement principles, including the exercise of accounting and measurement options and the use of discretionary powers, or any special measures to shape the facts.

The consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the notes to the consolidated financial statements, the consolidated cash flow statement and the consolidated statement of changes in equity a sufficient insight into the Group's net assets, financial position and results of operations. We have therefore refrained from any further analysis of the consolidated financial statements.

F. FINDINGS ON THE RISK EARLY WARNING SYSTEM

I. Subject matter and conduct of the audit

Pursuant to Section 91 (2) AktG, the Executive Board is obliged to take appropriate measures, in particular to set up a monitoring system, to ensure that developments that could jeopardize the company's continued existence are identified at an early stage. In accordance with Section 317 (4) HGB, we examined the extent to which the Executive Board has taken the measures incumbent upon it under this provision and whether these measures identify and communicate all potential risks to the company's continued existence in good time so that the Executive Board can respond appropriately. This also includes assessing whether the monitoring system in place, i.e. the integrated control measures, is suitable for ensuring compliance with the measures taken. The Management Board's response to identified risks is not the subject of the audit.

The nature and scope of the audit procedures are determined in accordance with the general principles of a systems audit. The following functional audits were performed: Review of documents for risk identification and risk communication, inquiries and observations regarding compliance with the established control measures, review of audit programs.

II. Result of the audit

Our audit has shown that the Executive Board has taken the measures required by Section 91 (2) AktG, in particular to set up a monitoring system, in an appropriate manner and that the monitoring system is suitable for identifying developments that could jeopardize the company's continued existence at an early stage with sufficient certainty.

G. FINDINGS FROM THE AUDIT OF THE ESEF DOCUMENTS

As a summary result of our audit of the ESEF documents, we have issued the auditor's report reproduced in Section B, which includes the report on the audit of the electronic reproduction of the consolidated financial statements and the group management report prepared for disclosure purposes in accordance with Section 317 (3a) HGB.

H. CONCLUDING REMARKS

We issue the above report on the audit of the consolidated financial statements as of December 31, 2024 and the Group management report for the financial year 2024 of Biofrontera AG, Leverkusen, and on our audit of the ESEF documents in accordance with German legal requirements and generally accepted standards for the preparation of audit reports (IDW PS 450 n.F. (10.2021)) and in accordance with the IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)).

Our audit opinion is reproduced in section B.

The audit opinion is issued and thus also signed in Appendix 2. Any use of the audit opinion outside of this auditor's report requires our prior consent. Any publication or dissemination of the consolidated financial statements and/or the Group management report in a form differing from the audited version requires our prior renewed opinion if our audit opinion is cited or reference is made to our audit; reference is made to Section 328 HGB.

Frankfurt am Main, April 14, 202 5

Nexia GmbH
Auditing company
Tax consulting company

Annika Fröde
Certified public Accountant

Adrian Schmidt
Certified Public

ATTACHMENTS