Biofrontera

Deep in dermatology

Biofrontera AG

Annual Report 2025

MEMORIES FADE.

OUR SKIN KEEPS THE RECORD.

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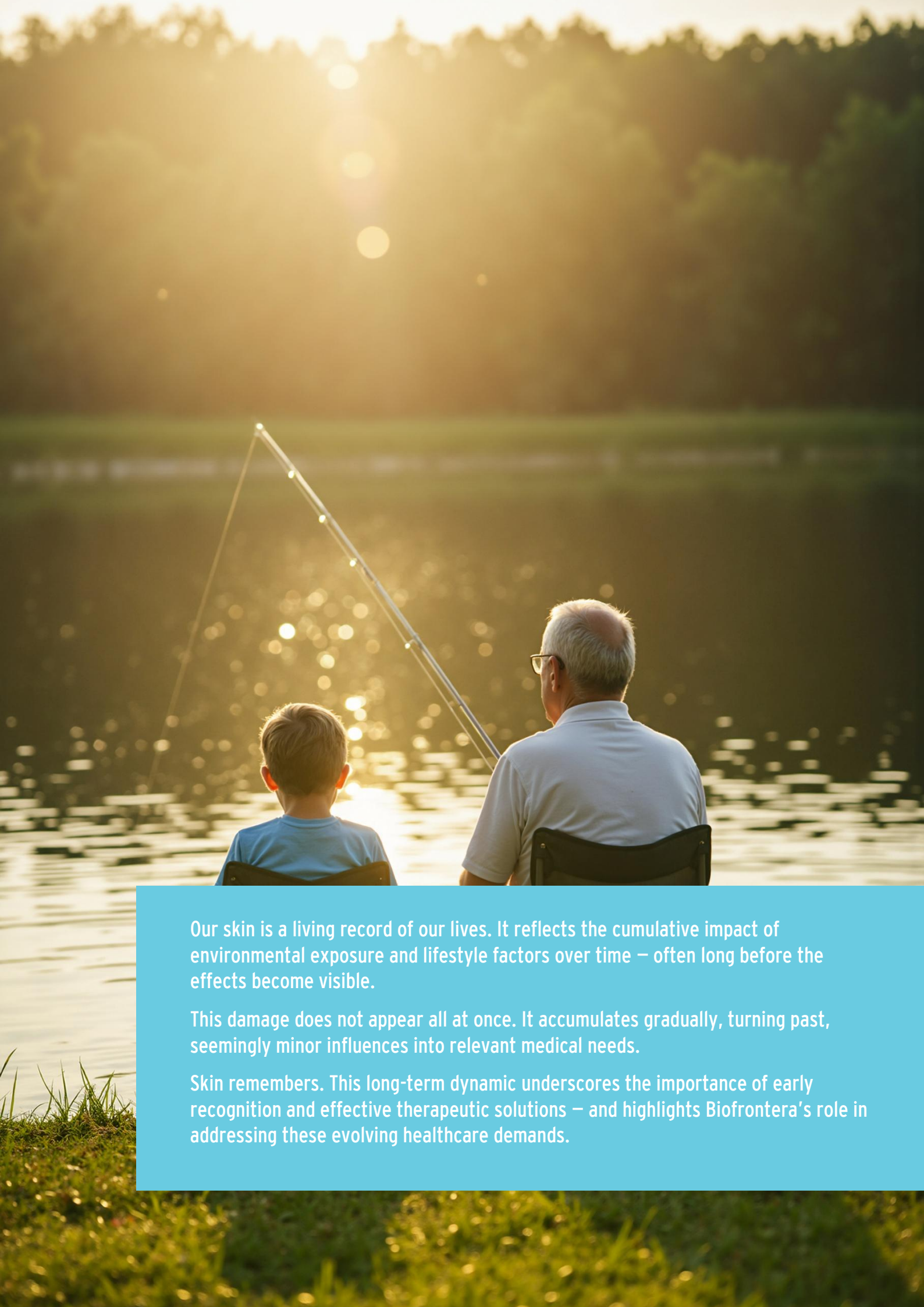

Our skin is a living record of our lives. It reflects the cumulative impact of environmental exposure and lifestyle factors over time – often long before the effects become visible.

This damage does not appear all at once. It accumulates gradually, turning past, seemingly minor influences into relevant medical needs.

Skin remembers. This long-term dynamic underscores the importance of early recognition and effective therapeutic solutions – and highlights Biofrontera's role in addressing these evolving healthcare demands.

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Our skin acts as a dynamic interface with the environment, continuously absorbing and responding to external influences. While outward signs may be limited or delayed, the effects of cumulative sun exposure, environmental factors, and biological aging are retained beneath the surface. Over time, these accumulated impacts can develop into conditions of medical relevance.

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.

Within this context, Biofrontera has built a focused and differentiated position in dermatology, anchored by its expertise in photodynamic therapy (PDT). Continued research and development supports the delivery of precise, patient-focused therapies.

Beyond PDT, we remain dedicated to delivering dermatological solutions that protect and preserve the long-term health of your skin. Our vision is to reinforce Biofrontera's leadership in treating actinic keratosis and keratinocyte cancers, including basal cell carcinoma, while establishing ourselves as a trusted authority across the wider field of dermatology.

PDT AT A GLANCE

PREPARATION OF THE AFFECTED SKIN AREA AND APPLICATION OF AMELUZ® GEL.

CELLS ABSORB THE ACTIVE INGREDIENT (5-ALA) WITHIN THE INCUBATION TIME AND CONVERT IT INTO THE PHOTOSENSITISER (PPIX) THAT PREFERENTIALLY ACCUMULATES IN THE AFFECTED CELLS.

5-ALA → PPIX

THE TREATMENT AREA IS EXPOSED TO A PPIX-ACTIVATING LIGHT SOURCE (NATURAL DAYLIGHT, ARTIFICIAL DAYLIGHT OR RED LIGHT).

LIGHT IN COMBINATION WITH OXYGEN ACTIVATES THE PHOTOSENSITISER LEADING TO A DESTRUCTION OF THE AFFECTED CELLS.

ONCE THE TREATMENT IS COMPLETED, THE SKIN BEGINS A REGENERATIVE PROCESS.

OPERATIVE HIGHLIGHTS 2025

FEBRUARY	Patient recruitment and clinical treatment completed for AK-periphery phase III trial (ALA-AK-CT019)
MARCH	Biofrontera reaches 73% of PDT market share in Germany, and recovers leadership with 51,8% market share in Spain
APRIL	Approval of artificial daylight with Ameluz® in Switzerland Approval of OVIXAN® in UK
MAY	Patient recruitment completed for acne phase II trial (ALA-ACV-CT014)

JUNE	Biofrontera AG group and Biofrontera Inc group sign a binding term sheet for strategic restructuring
JULY	Approve of OVIXAN® marketing authorisation to Biofrontera Bioscience (UK)
OCTOBER	Signature of the final agreement between Biofrontera AG group and Biofrontera Inc group US-IP transferred to Biofrontera Inc.
	Signature of a new Ameluz® distribution agreement with Propharma Croatia
DECEMBER	For a third consecutive year, Ameluz® grew more than 20 % in the German Market All employees involved in USA and medical device operations are transferred to Biofrontera Inc , jointly with all USA regulatory approvals and IP

Key figures in accordance with IFRS

	01.01.-31.12.2025		01.01.-31.12.2024	
	in EUR thousands	% of Revenue	in EUR thousands	% of Revenue
Results of operations				
Sales revenue	13,189	100.00%	12,183	100.00%
- thereof Germany	9,863	74.78%	7,831	64.28%
- thereof Spain	1,725	13.08%	1,696	13.92%
- thereof UK	978	7.42%	841	6.90%
- thereof Rest of Europe	609	4.62%	1,700	13.95%
- thereof Other Regions	14	0.11%	115	0.94%
Gross profit on sales	10,909	82.71%	10,115	83.03%
Result on operations	(1,025)	(7.77)%	(1,587)	(13.03)%
EBITDA	(819)	(6.21)%	(716)	(5.88)%
EBIT	(1,207)	(9.15)%	(1,205)	(9.89)%
Result before income tax from continued operations	(1,222)	(9.27)%	(1,151)	(9.45)%
Result before income tax from discontinued operations	3,268	24.78%	(5,568)	(45.70)%
thereof income tax from continued operations	(5,721)	(43.38)%	2,490	20.44%
thereof income tax from discontinued operations	(290)	(2.20)%	(121)	(0.99)%
Result after income tax from continued operations	(6,943)	(52.64)%	1,339	10.99%
Result after income tax from discontinued operations	2,978	22.58%	(5,689)	(46.70)%
Total result after income tax	(3,965)	(30.06)%	(4,350)	(35.71)%

in EUR thousands	December 31, 2025	December 31, 2024
Balance sheet key figures		
Total assets	20,643	29,654
Non-current assets	6,731	13,399
Cash and cash equivalents	3,603	3,124
Other current assets	10,309	13,131
Total equity and liabilities	20,643	29,654
Equity	14,904	18,856
Non-current liabilities	10	329
Current liabilities	5,730	10,469

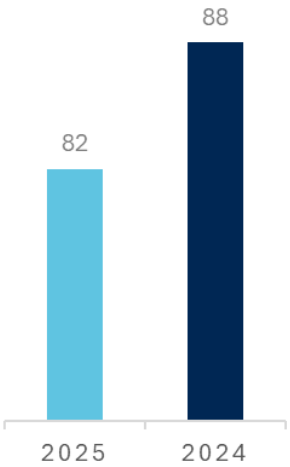
	December 31, 2025	December 31, 2024
Number of employees (headcount)	82	88
Biofrontera Shares	0	0
Number of shares outstanding	6,076,862	6,076,862
Share price (Xetra closing price in EUR, Dec 30, 2025)	2.44	2.15

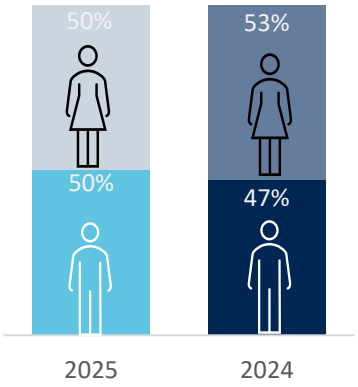
Key figures 2025

	Results and development
Turnover (unadjusted)	EUR 13.2 million
	vs. EUR 12.2 million in 2024
Turnover (adjusted)	EUR 19.2 million
	vs. EUR 21.6 million in 2024
EBITDA (unadjusted)	EUR -0.8 million
	vs. EUR -0.7 million in 2024
EBITDA (adjusted)	EUR 4.7 million
	vs. EUR -4.6 million in 2024
Result before income tax (unadjusted)	EUR -1.2 million
	vs. EUR -1.1 million in 2024
Result before income tax (adjusted)	EUR 2.0 million
	vs. EUR -6.7 million in 2024

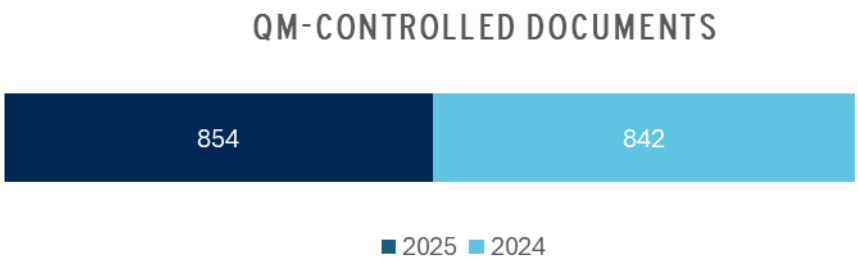
Non-financial key performance indicators

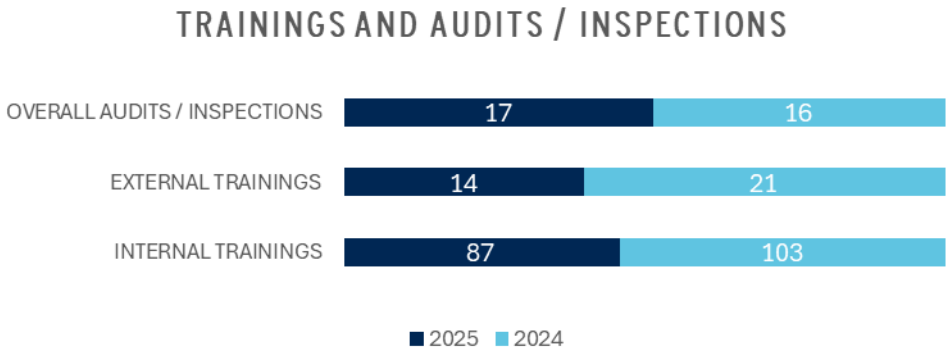
EMPLOYEES





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

Dear shareholders,

2025 has been a highly significant year for Biofrontera AG. As in previous years, the Company has continued to focus on the growth of Ameluz® in the European markets, once again delivering outstanding performance, with exceptional growth in the German market, more than 20%, for the third consecutive year. With a market share of 73% in Germany and more than 50% in both Spain and the UK, Biofrontera AG has successfully positioned itself as the market leader in all three territories, operating efficiently through its own dedicated sales force.

On the other hand, over the course of this year, the company has undertaken a full restructuring of its relationship with Biofrontera Inc. Over the past financial years, the Company has progressively realigned its U.S. related business activities to better align its organizational structure with the requirements of its core markets.

The economic and financial difficulties faced by Biofrontera Inc., together with the legal actions initiated against both Biofrontera Inc. and Biofrontera AG by Sun Pharmaceuticals, have clearly highlighted the need for our Company to reduce its exposure to the risks of the U.S. market. Accordingly, Biofrontera AG has resized its organizational structure to reflect the requirements of its remaining markets and transferred all U.S.-related assets and liabilities to Biofrontera Inc.

In June 2025, both companies entered into a term sheet under which, subject to the fulfillment by Biofrontera Inc. of certain conditions precedent—primarily related to a capital injection by its shareholders—the transfer of the entire organizational structure, as well as all assets and liabilities related to the commercialization of Ameluz® and the lamps in the U.S. market, was agreed.

In October 2025, the definitive agreement was signed in line with the main provisions set out in the June term sheet. During the second half of the year, the Company carried out a comprehensive transfer process involving personnel, business activities, third-party relationships, and the assets and liabilities associated with the commercialization of Ameluz® and the lamps in the U.S. market.

As a result, the majority of the transfers were successfully completed in 2025. Only minor outstanding matters, related to regulatory aspects beyond the control of the companies, remain and are expected to be finalized during the first half of 2026.

In the United States, photodynamic therapy (PDT) is approved as a combined treatment consisting of Ameluz® and the Company's proprietary lamps; accordingly, Ameluz® cannot be used with any alternative light source. In contrast, in Europe Ameluz® has an approval independent of the lamps, allowing it to be used with any light source available on the market that meets the required

specifications. In addition, in Europe the availability of daylight PDT has enabled a significant expansion of the addressable market by allowing us to compete effectively with topical treatments.

In this context, the lamp manufacturing structure of Biofrontera AG has been transferred to Biofrontera Inc. in order to keep the European cost and personnel structure as lean and efficient as possible.

As a result of the agreement with Biofrontera Inc., the Company's income statement will undergo a significant transformation.

From a presentation perspective, IFRS rules force us to eliminate from the sales and expenses details all operations linked to the business we are transferring to Biofrontera Inc. The detailed P&L shows only the remaining business in Biofrontera AG group. The net impact of all the activities transferred, in terms of sales, expenses and the net result of the assets sale, is considered just before the net result, with one line named "result of discontinued activities". The same exercise is done for 2024 financials, so we can see comparable figures.

On top of the transformation produced in the P&L layout due to IFRS rules, from a business perspective, from June onwards, on one hand, a substantial portion of expenses was transferred or recharged to Biofrontera Inc., and on the other hand, the Company ceased to receive transfer pricing revenues from the sale of Ameluz® and lamps to Biofrontera Inc., instead receiving consideration for the transfer of all related assets.

This consideration comprises two components: first, shares in Biofrontera Inc. with an issuance value of approximately USD 4.1 million, and second, an earn-out payable over the life of the transferred patents (until 2043), ranging between 12% and 15%, depending on the level of Ameluz® sales generated by Biofrontera Inc.

Sales of Ameluz® to Biofrontera Inc., referred to the U.S. market, will no longer be recorded. Instead, from this point forward, the consideration for the transfer of assets will be recognized under the item "other income" included in the line "results from discontinued activities", just shown before the net result. In addition, the amount of this income will be substantially lower than the revenues previously generated in connection with the U.S. market. While the transfer price in 2024 amounted to 25% of the U.S. sales price, the earn-out received going forward will range between 12% and 15%.

However, this reduction on the revenue side is more than offset by a very significant reduction in the Company's cost base and organizational structure.

Coming back to the activities related to the expansion of Ameluz® in the EU territories, the Company entered into a new distribution agreement for an additional market, Croatia. Biofrontera AG continues to assess and evaluate opportunities to enter further European markets and expects to expand the presence of Ameluz® into additional territories over the course of the coming year.

During 2025, the Company also prepared the launch of Ovixan®, one of the new products added to its portfolio during fall 2024 for commercialization in the UK. All required regulatory activities necessary to support the launch were successfully completed, enabling a market introduction in January 2026. While it is still too early to assess the ultimate success of the launch, the initial indicators are encouraging and point in a positive direction.

The collaboration with LEO Pharma for the promotion of Advantan® and Skinoren® in Germany is continuing as planned; however, the related revenues remain very marginal within the Company's income statement.

A very significant component of the agreement entered with Biofrontera Inc. relates to the transfer of risks arising from the legal actions initiated by Sun Pharmaceuticals against the companies. Both the legal defense costs and the risks associated with the outcomes of these proceedings have been transferred to Biofrontera Inc.

The direct impact of this measure on the Company's income statement in 2025 was the reversal of the portion of the provision for legal defense costs recognized in 2024 that had not been utilized to date, amounting to approximately EUR 2.5 million. However, the most important benefit lies in Biofrontera Inc.'s commitment to assume these costs and risks going forward, thereby shielding the Company's income statement and cash position from the negative impacts that such proceedings could otherwise have on both earnings and cash consumption.

In summary, during this period Biofrontera AG has undergone a profound transformation, successfully resizing its organizational structure in line with the business and markets it now addresses independently. Having stabilized the Company and significantly mitigated the risks outlined above, Biofrontera AG is now in an excellent position to pursue business growth and execute its expansion strategy, both through the further geographic expansion of Ameluz® and through the addition of new products to its portfolio.

2026 will be a year full of challenges for Biofrontera, but at the same time a highly motivating one for its management team and employees. The Company stands at the starting line to pursue its growth strategy, with a risk profile that has been significantly mitigated compared with previous years.

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.

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 2025 (unaudited)

Dear Shareholders*,

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

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

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

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

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

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

Monitoring and advice

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

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

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

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

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

Meetings and their focus

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Resolutions taken outside meetings

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

Committees of the Supervisory Board

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

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

1. Audit Committee

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

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

2. Nomination and Personnel Committee

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

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

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

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

3. Legal Committee

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

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

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

Annual and consolidated financial statements 2025

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

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

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

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

Auditor and responsible auditor

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

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

Information on corporate governance is published in the Annual Report and on the Company's website under www.biofrontera.com in the "Investors" / "Corporate Governance" section and in the Corporate Governance Declaration. In particular, it contains

information on the objectives of the Supervisory Board with regard to its composition and the status of implementation of these objectives.

Conflicts of interest

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

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

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

Changes in the Supervisory Board

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

Composition of the Management Board

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

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

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

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

Future

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

With the completion of this transformation, Biofrontera AG is now well positioned to implement its growth strategy in Europe. The core of the strategy is to increase sales with Ameluz® in the European core markets and to expand into new countries if the business case is right, but also to expand the pharmaceutical product portfolio in the field of dermatology through strategic partnerships and transactions with third parties. In addition, Biofrontera AG is exploring opportunities to expand Ameluz®'s indications to other dermatological diseases for which initial studies indicate attractive clinical and commercial potential.

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

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

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

Leverkusen, April 17, 2026

Alexander Link

Chairman of the Supervisory Board

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

Corporate Governance Statement of Biofrontera AG pursuant to Sections 289f, 315d HGB for the financial year 2025 (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 2025 in the (combined) management report for the financial year 2025, 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 number of 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 2025

The total compensation for members of the Executive Board in fiscal year 2025 and the inventory of all share options issued to the Executive Board members as of December 31, 2025, are allocated as follows:

	Pilar de la Huerta Martìnez	
	CFO	
	September 12, 2022	incumbent
in EUR thousands (unless otherwise indicated)	2025	2024
Fixed component of compensation	280	280
Compensation in kind	10	10
Severance pay	0	0
Total fixed compensation	290	290
Short-term incentive (variable, STI)	121	135
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	121	135
Total compensation	411	425
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 70% (68% 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 2025. The goals for the fiscal year 2024 were achieved (86,78% performance), thus a bonus payment of EUR 121 thousand was granted to Pilar de la Huerta Martinez.

For 2025, the performance criteria included a revenue target for EU and distribution partners excluding USA, (weighting 30%), achieving revenue target for partnered products (weighting 5%) and achieving EBITDA (weighting 15%),as quantitative goals. As significant qualitative goals, to minimize the risk exposure to USA market legal actions (weighting 35%) and to extend the portfolio with third party products (minimum one deal during the year, weighting 15%).

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. On 30 October 2025, the Higher Regional Court of Cologne dismissed the claimant's appeal against the provisional judgment of the Regional Court of Cologne dated 22 March 2024 and clarified that the claim is otherwise dismissed. As a result, the claimant will not receive the deducted amount he claimed. The claimant was ordered to bear the costs of the appeal proceedings.

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) The Annual General Meeting is authorized to resolve on a different or additional compensation for individual members of the Supervisory Board for the assumption of special tasks or duties.

(4) 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.

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

(6) 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.

(7) 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.

Compensation in fiscal year 2025

The total compensation of the members of the Supervisory Board in fiscal year 2025 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)	44	100%	0	0%	44	100%
Dr. Helge Lubenow (Supervisory Board: Vice Chair, Audit Committee: Member)	33	100%	0	0%	33	100%
Dr. Heikki Lanckriet	22	100%	0	0%	22	100%
Hansjörg Plaggemars (Audit Committee: Member)	22	88%	3	12%	25	100%
Tobias Reich	22	100%	0	0%	22	100%
Karlheinz Schmelig (Audit Committee: Chair)	22	79%	6	21%	28	100%
TOTAL	**165**		**9**		**174**	

Vertical comparison

	Change 2025 vs. 2024	Change 2024 vs. 2023
Compensation of Management Board members		
Pilar de la Huerta Martìnez*	-3.2%	26%
Compensation Supervisory Board members		
Wilhelm K.T. Zours*	Retired 2024	-65%
Dr. Heikki Lanckriet	0.0%	0%
Prof. Dr. Karin Lergenmüller*	Retired 2024	-28%
Dr. Helge Lubenow	-1.5%	-29%
Karlheinz Schmelig	0.0%	0%
Dr. Jörgen Tielmann*	Retired 2024	-34%
Alexander Link**	193%	Entry 2024
Tobias Reich**	175%	Entry 2024
Hansjörg Plaggemars**	177%	Entry 2024
Average compensation of employees		
Employees in Europe	**-4.4%**	**-16.9%**

* retired during 2024

** entered 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 transfer of personnel to Biofrontera Inc related to the agreement reached in June 30th, 2025.

Consolidated management and group management report for the fiscal year 2025

Basis of the Biofrontera Group

Group structure

As of December 31, 2025, 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. based in Newcastle upon Tyne. 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 regulatory affairs functions as well medical affairs and development tasks 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, the biggest market for Biofrontera in the EU, Spain and the United Kingdom. In some other European countries, sales are handled by independent license partners.

Biofrontera Inc. was the licensee responsible for marketing Ameluz® and the RhodoLED® lamp series in the USA. In June 2025, Biofrontera Inc. and Biofrontera AG agreed to transfer all assets related to US market, including all patents related to BF-RhodoLED® lamps and US Ameluz®patents, and liabilities to Biofrontera Inc.. The transfer process was mainly completed in the fourth quarter of 2025. Only minor residual activities and regulatory approvals remain outstanding and are expected to be completed during the first half year of 2026.

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 for USA is being validated. The PDT-lamp series is manufactured at Biofrontera's headquarters in Leverkusen, Germany. In June 2025, Biofrontera Inc. and Biofrontera AG agreed to transfer the PDT-Lamp manufacturing to Biofrontera Discovery GmbH, a subsidiary of Biofrontera Inc, located in Leverkusen, Germany. By the end of 2025, the PDT-lamp manufacturing processes were transferred to Biofrontera Discovery GmbH. Biofrontera Pharma GmbH ceased the production of BF-RhodoLED® lamps for the EU and UK markets. The CE certificate of BF-RhodoLED® in the EU is no longer valid. Consequently, no medical device manufacturing activities are carried out within Biofrontera AG companies.

Ameluz® and the RhodoLED® lamp series were 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. As per December 31, 2025, none of the Biofrontera AG group companies will manufacture any PDT-lamp. Once the stock is fully sold, no more PDT-lamps manufactured by us will be supplied to our licensing partners.

Biofrontera-Group 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 was applied, structured as a tiered system until June 2025. 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, 2024 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. Until June 2025, the conditions in place were: from June 2024 to December 2025, the transfer price was 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.

In June 2025, Biofrontera Inc. and Biofrontera AG signed a binding term sheet aiming restructuring the business relations between the two companies. All liabilities, assets, staff, and operations related to the USA market, will be transferred to Biofrontera Inc group. On top of, all manufacturing activities related to RhodoLED® lamp series will be also transferred. As consideration, the Company received shares in Biofrontera Inc. representing 10% of the post-money equity following the agreed capital increases, together with an earn-out payable over the life of the transferred patents (2043), amounting to between 12% and 15% of Biofrontera Inc.'s U.S. sales. Payments of the earn out will be done monthly. If Ameluz® yearly sales in USA are below USD 5 million, no earn out will be paid to us.

The definitive agreement was signed in October 2025. By year-end, the transfer of assets was substantially completed, together with the transfer of employees, manufacturing activities, and regulatory processes. Only minor residual activities and regulatory approvals remain outstanding and are expected to be completed during the first half of 2026**.**

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 sales to end customers.

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®.

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 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 2021. The responsibilities between the companies were 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) until June 2025, when the new agreement entered into place.

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.

In June 2025 the companies entered into a binding term sheet, which was subsequently formalized into a definitive agreement in October 2025, with the purpose of restructuring the relationship between the two groups of companies. Under this agreement, Biofrontera Inc. became the owner of all U.S.-related assets, primarily including intellectual property rights and FDA approvals.

The binding agreement was subject to certain conditions precedent related to the execution of a capital increase at Biofrontera Inc. aimed at ensuring the company's financial viability. These conditions precedent have been fully satisfied

All manufacturing activities related to the RhodoLED® lamp series were transferred to Biofrontera Inc. or affiliates, together with all liabilities and business activities associated with the U.S. market. By the end of 2025, the PDT lamp manufacturing processes were completely transferred to Biofrontera Discovery GmbH. Biofrontera Pharma GmbH ceased the production of BF-RhodoLED® lamps for the EU and UK markets. As a result, the CE certificate for BF-RhodoLED® in the EU is no longer valid. Consequently, no medical device manufacturing activities are carried out within Biofrontera AG companies.

As consideration, Biofrontera AG received a 10% equity stake in Biofrontera Inc. on a post-money basis and is entitled to receive an earn-out ranging between 12% and 15%, depending on sales volume, of Ameluz® sales in the U.S. market until 2043. Annual sales below USD 5.0 million will not generate any earn-out payments

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. Its significant superior effect compared to the direct competitor product Metvix® for AK was proven during phase III development. Actinic keratoses are pre-cancerous lesions of the skin 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 known 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. Artificial daylight is also approved in UK (2024) and in Switzerland (2025).

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 was carried out at the Company's headquarters in Leverkusen. This made Biofrontera the responsible manufacturer from the perspective of the regulatory authorities. In the EU, this lamp was CE-certified in 2012, which also required ISO 13485 certifications. The ISO certification is regularly renewed. As part of the process of transferring lamp production to Biofrontera Inc., the CE mark is no longer in place, as Biofrontera AG has ceased all lamp production activities.

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 financed and coordinated clinical trial activities in USA whereas Biofrontera Bioscience GmbH remained the sponsor of these clinical trials and the Marketing Authorization Holder for Ameluz® until December 2025, when the US-approvals and sponsorship of clinical trials was transferred to Biofrontera Inc.. 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. The recruitment phase was completed in 2025 for the Phase III clinical trial for the treatment of actinic keratosis on the extremities, neck and trunk with Ameluz®-PDT and for a Phase II trial for the treatment of moderate to severe acne.

All manufacturing activities related to the RhodoLED® lamp series, including all associated liabilities and business activities for the U.S. market, were transferred to Biofrontera Inc. or its affiliates. By the end of 2025, the PDT lamp manufacturing processes were fully transferred to Biofrontera Discovery GmbH. Biofrontera Pharma GmbH ceased production of BF-RhodoLED® lamps for the EU and UK markets. As a result, the CE certificate for BF-RhodoLED® in the EU is no longer valid. Consequently, no medical device manufacturing activities are conducted within Biofrontera AG companies.

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.

As a cosmetic product, the distribution channel is primarily pharmacies; therefore, sales promotion is carried out through direct visits to pharmacies. Our sales force is very limited to target this channel.

Due to the lack of commercialization synergies with the rest of the portfolio, the company has decided to cease all manufacturing and marketing activities, effective December 31, 2025.

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.

In 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, Biofrontera UK Ltd. became the holder of the marketing authorization in July 2025. The product has been launched in January 2026.

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 October 2025, a new license agreement was signed with Propharma d.o.o. for the distribution of Ameluz® in Croatia.

In general, Biofrontera was able to significantly increase its presence in the European market through its own sales structures, distributors and the territorial expansion out of EU 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 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 2025, a total of 1,266,737 prescriptions were issued for the treatment of AK (previous year: 1,162,140, +9%). Superficially applicable medications such as prescription creams and gels containing active ingredients (topicals) are primarily used, which also accounted for a slightly declining market share of 93.8% in the reporting year, followed by PDT (the combination of a superficially applied medication with light therapy) with 6.2% (previous year: 93.9% and 6.1%). The PDT market segment therefore increased

minimally compared to 2024. The main growth in the AK market was triggered by two topical drugs, whose growth rates continued to be around 25%, leading to an overall AK market growing by 9% in 2025. Within the PDT segment, Ameluz® grew by 18%, while our direct competitor slightly declined (-1%).

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 69% to 73% in 2025. 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 (meaning the reimbursement of Ameluz® to th epatient), 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)

The Spanish market recorded a growth of Ameluz® units of 7.0 % compared to the previous year. Due to an increase of the mandatory rebate to the government from 7.5% to 15% since April 2025 that was triggered by surpassing the threshold of being reimbursed for 10 years, sales reflected only an increase of 1.7%

Ameluz® showed a significant sales growth of 16.2% in the UK market. We were able to increase sales to customers in the UK from 4.366 units in 2024 to 4,970 units in 2025. 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, and medac in Poland delivered the expected performance in 2025. Their ordering behavior typically follows a two-year cycle, with one year of higher purchasing volumes followed by a year of lower volumes. As expected, 2025 represented a lower-volume year within this cycle, with a total of 8,016 units sold to these partners. In prior year, 20,406 units were sold.

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.

Personnel matters

Management Board

As of December 31, 2025, 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	57	CFO	September 12, 2022	December 31, 2027

Employees

As of December 31, 2025 the Biofrontera Group had 82 employees (December 31, 2024: 88) representing 73,61 FTE (December 31, 2024: 79,49 FTE) who were distributed as follows:

	December 31, 2025	December 31, 2024
Total number of employees (FTE)	73.61	79.49
Full-time	62.00	69.00
With PhD degree	12.00	12.80
By business segments	73.61	79.49
Production	10.28	13.61
Research and development	0.00	4.55
Exploratory Development	1.75	0.00
Medical Affairs	4.65	0.00
Intellectual Property	1.00	0.00
Clinical and regulatory tasks	6.80	9.60
Marketing and sales	29.18	29.78
Quality management	5.05	6.30
Management, business development, finance, HR and administration	14.90	15.65
By countries	73.61	79.49
Germany	58.98	65.86
Spain	11.63	9.63
United Kingdom	3.00	4.00

Supervisory Board

The Supervisory Board as of 31.12.2025 comprised the following members as representatives of the shareholders:

Name	Nationality	Age	Position	Date of first appointment	Term
Alexander Link	German	54	Chairman	August 28, 2024	2026
Tobias Reich	German	51	Member	August 28, 2024	2026
Dr. Heikki Lanckriet	Belgian	48	Member	December 14, 2021	2026
Hansjörg Plaggemars	USA	55	Member	August 28, 2024	2026
Dr. Helge Lubenow	German	57	Vice Chair	December 14, 2021	2026
Karlheinz Schmelig	German	60	Member	December 14, 2021	2026

Regulatory affairs and development projects

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

As of October 20th, 2025, Biofrontera AG entered into an asset purchase agreement with Biofrontera Inc. Under the terms of the transaction, Biofrontera AG transferred to Biofrontera Inc. all U.S. assets, liabilities, and rights related to Ameluz® and RhodoLED®, including the regulatory approvals and the sponsorship of clinical trials in USA. The transfer was communicated to the FDA on December 17, 2025. In connection with the transfer of the regulatory approvals and the clinical trial sponsorship, employees involved in these activities were also transferred to Biofrontera Inc. or its affiliates, continuing the trend observed in the prior year of reducing the headcount at Biofrontera Bioscience GmbH.

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.

Update for 2025 on regulatory and development achievements:

Approval of artificial daylight with Ameluz in Switzerland

The Swissmedic, the regulatory authority for medicinal products in Switzerland, has approved the extension of the marketing authorization for Ameluz® to include use with artificial daylight. The extension of the approval to the use of artificial daylight opens up a wider range of treatment options for patients. In addition to conventional photodynamic therapy (PDT) with red light, individuals now have access to the benefits of low-pain daylight PDT without the limitations of natural light, weather conditions and time of day. In addition, the approved treatment protocol with Ameluz® can be optimally adapted to the needs of patients and the practice.

Approval of Ovixan in UK and transfer of the Marketing Authorization to Biofrontera Bioscience GmbH

In April 2025, the MHRA, the regulatory authority for medicinal products in the United Kingdom, approved Ovixan. Later, in July 2025, MHRA approved the Transfer Request of the Ovixan Marketing Authorization to Biofrontera Bioscience GmbH. Ovixan® is an improved topical formulation of the leading corticosteroid mometasone for the treatment of inflammatory manifestations of atopic dermatitis and psoriasis, skin diseases that affect more than two million people in the United Kingdom.

Last Patient Out in Phase III trial for the treatment of actinic keratosis on the extremities, neck and trunk

A randomized, double-blind, placebo-controlled Phase III clinical trial is being conducted to evaluate the safety and efficacy of Ameluz® for the field-directed treatment of actinic keratosis (AK) on the extremities, neck and trunk. A total of 172 patients with multiple AK lesions on the extremities, trunk and neck were enrolled across thirteen clinical sites in the USA. The trial utilizes an

optimized illumination profile designed to reduce PDT-associated pain, a common hurdle in PDT-treatment for both patients and physicians. Following completion of the treatment phase, patients enter a follow-up period of twelve months. As of September 2025, the last patient completed the treatment phase, and all 172 patients have entered the 12-month follow-up phase. The sponsorship of this trial was transferred to Biofrontera Inc. on December 17, 2025.

Last Patient Out: Phase II trial for the treatment of moderate to severe acne

A Phase IIb trial is being conducted 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. This multicenter, randomized, double-blind study compared Ameluz® PDT with placebo in acne patients. Efficacy was assessed following incubation times of one hour or three hours. The primary endpoint is a reduction in the number of inflammatory lesions, together with an improvement in acne severity to "Free of acne" or "Almost free of acne." The study was conducted across nine clinical sites in the United States. As of August 2025, the last patient completed participation in the trial. The sponsorship of this trial was transferred to Biofrontera Inc. on December 17, 2025.

Regulatory approvals for USA and sponsorship of clinical trials in the USA transferred to Biofrontera Inc.

As of October 20th, 2025, Biofrontera AG entered into an asset purchase agreement with Biofrontera Inc. Under the terms of the transaction, Biofrontera AG transferred to Biofrontera Inc. all U.S. assets, liabilities, and rights related to Ameluz® and RhodoLED®, including the regulatory approvals and the sponsorship of clinical trials in the USA. The transfer was communicated to the FDA on December 17, 2025

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 7 different proprietary patent families worldwide. As of December 31, 2025, the active patent portfolio consisted of 26 granted patents and 22 pending patent applications (as of December 31, 2024: 9 patent families, 27 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, photodynamic therapy (PDT) and migraine prophylaxis.

As per October 20th, 2025, Biofrontera AG, Biofrontera Pharma GmbH and Biofrontera Bioscience GmbH signed an asset purchase agreement with Biofrontera Inc. Under the terms of the transaction, Biofrontera AG, Biofrontera Pharma GmbH and Biofrontera Bioscience GmbH transferred all U.S. assets, liabilities, and rights related to Ameluz® and RhodoLED® (in this case, not only related to the US), including all relevant intellectual property (patents and patent applications) to Biofrontera Inc. Biofrontera AG has been granted a free license to market and manufacture RhodoLED® in all territories outside the United States.

Nanoemulsion

Biofrontera has been granted patents for our nanoemulsion technology in Europe (validated for Germany, Spain, the United Kingdom, Switzerland/Liechtenstein, France and Italy), Israel, USA, Japan, China, Hong Kong, Singapore, Australia, New Zealand, Canada, South Africa, Mexico, Chile, Russia, Belarus and Ukraine. Patent protection in these countries expires on December 21, 2027. 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.

The patent families mentioned above serve to protect our nanoemulsion technology and thus also serve to protect Ameluz®. 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. The international application successfully entered into the international phase in September and October 2025.

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. The international application successfully entered into the international phase in September and October 2025.

Photodynamic therapy

Furthermore, additional patent applications have been filed for optimized protocols to perform 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 offers a PDT treatment modality with reduced pain experience. We have been granted patents in the USA, Australia, New Zealand and China, which have a maximum term until June 5, 2039. Further patent applications are pending in Europe, the USA, 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.

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.The ITC hearing took place in June and July 2025. On September 30, 2025, the Administrative Law Judge issued an Initial Determination finding a violation of Section 337. Biofrontera has petitioned for full Comission review. The ITC expects to issue a final determination by April 2026.

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). The U.S. Patent and Trademark Office denied institutions as to IPRs 2024-00874 (see above) and 2025-00287. However, the PTO instituted an IPR trial against all asserted claims of the '028 Patent in IPR 2024-01312 and a final written decision in Q1 2026. Further details can be found in the "Subsequent events".

Biofrontera has retained outside counsel and is vigorously defending its legal position. In 2024, Biofrontera AG and its subsidiaries signed a joint defense agreement with Biofrontera Inc., to share legal expenses. However, pursuant to a June 30, 2025, agreement between Biofrontera AG and Biofrontera, Inc., control of Biofrontera intellectual property, and responsibility for defense costs, shifted to Biofrontera Inc., effective June 1st, 2025, meaning that Biofrontera AG is no longer responsible for legal fees and expenses.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- and long-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 (considering also adjusted figures, so including discontinued operations) 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 a 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.

Due to the sale of all assets and activities related to the US market, all expenses and revenues related to the US market are considered under "results from discontinued operations", affecting the final result, but not included in the normal EBITDA of the company. For this reason, the company creates adjusted EBITDA and EBIT as a KPI to measure the real performance of the company.

The key financial performance indicators are calculated as follows:

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

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 2025 fiscal year

Business performance

During 2025, thanks to the cost containment policy and the restructuring agreement signed with Biofrontera Inc., the Company achieved an adjusted EBITDA result of EUR 4,694 thousand, including continuing and discontinued operations, above both the initial forecast published in 2024 annual report and the August 2025 forecast review following the restructuring. Total adjusted revenues

of the company remained within the expected range after the restructuring, reaching to EUR 19.227 thousand however, the significant cost containment measures jointly with the net effect of the assets sale improved the projected adjusted EBITDA by more than one million Euro.

During the year, Biofrontera continued to grow by more than 21% in the European markets covered by its own sales force. In particular, the Company achieved outstanding growth of nearly 26% in the German market, where it has positioned itself as the clear leader in photodynamic therapy, reaching a market share of 73%.

As planned, approval for the commercialization of Ovixan® in the United Kingdom was obtained, and the regulatory license was successfully transferred to Biofrontera Bioscience GmbH. As of year-end 2025, all preparations were in place to begin the commercial launch of Ovixan® in January 2026. With this launch, the Biofrontera Group now markets four products dedicated to skin care. In Germany, in addition to Ameluz®, the Group continues its co-promotion agreement with Leo Pharma GmbH for the products Skinoren® and Advantan®.

At the same time the company aims to expand its portfolio, the company continues to strengthen the commercialization of Ameluz®.

With the restructuring agreed with Biofrontera Inc. in June 2025, and the final agreement signed in October 2025, the Company has made significant progress toward its objective of gaining independence from Biofrontera Inc. and the U.S. market. The transfer of the entire U.S.-related infrastructure and associated costs to Biofrontera Inc. has led to an optimization of the Company's cost structure, generating a very positive impact on profitability.

Beyond the improvement in adjusted EBITDA, the Company has also reduced its risk exposure. Although the former license agreement in force between the two companies provided for a transfer price for Ameluz® that covered all costs assumed by the Biofrontera Group, the risks associated with Biofrontera Inc., arising from its liquidity challenges, created significant pressure on Biofrontera AG. With the transfer of all the structure related to the US market to Biofrontera Inc, the company has reduced its cost structure risk associated to this market.

Although 2025 has been a year were most of the resources have been focused in the restructuration process, for the future the company plans to continue with its strategic expansion of Ameluz® market presence in Europe, jointly with its goal of expanding the product portfolio through potential collaborations or licensing agreements to utilize existing complex structures more efficiently.

Management is more confident than ever that these strategic steps will contribute to the Company's long-term stability and sustainability.

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 9,863 thousand, whereby sales increased significantly by around 26%.

In the rest of Europe, covered by our own sales force, sales development was more moderate over the past year, although we still recorded solid growth. The Spanish market grew by 1.7% in revenue terms, while unit growth was higher. The increase in mandatory rebates, due to the product's presence in the market for more than ten years, offset the underlying sales growth in this market. In the UK, the Company achieved growth of 16% compared with the previous year, demonstrating a very positive trend in the expansion of Ameluz®.

Revenue from partners was lower this year than in the previous year, reflecting the seasonal ordering patterns of our partners. A year with high order volumes is typically followed by a year with lower volumes. As 2024 was a peak year, distributors placed fewer batch orders in 2025, resulting in a decrease of -64.2%. A significant increase in orders is expected in 2026.

Consolidated with the German revenues, the overall European business totaled EUR 13,175 thousand (previous year: EUR 12,069 thousand), which corresponds to growth 9.2%. Based on this result, and excluding extraordinary expenses related to unforeseen circumstances–such as provisions for unexpected legal cases and significant costs associated with U.S. legal support for the restructuring–this division is, at least, breaking even.

As part of the license agreement concluded with Maruho Ltd., income of EUR 14 thousand was generated in the reporting year from services and the supply of medication for clinical development (previous year: EUR 115 thousand).

During 2025 the company's profitability was still significantly dependent on US income.

Until June 2025, still the former license agreement with Biofrontera Inc. was in place. As part of the net result from discontinued operations, we generated license income of EUR 6,038 thousand for the first six months in 2025 (prior year: EUR 9,415 thousand for 12 month), representing decline of 36.1% compared to the previous year. This decline is due to the restructuring deal signed between the two companies, effective date June 1st, 2025, so this level of sales was produced until June 1st, 2025 (last year figure was full year). The company agreed to transfer all assets and liabilities linked to the USA market to Biofrontera Inc. As a contribution the company received 10% stake in Biofrontera Inc, (post money valuation after their committed capital increase), plus an earn out of 12% to 15%, depending on sales level, until 2043. In this sense, the earn out will not be considered revenues, as due to the sale of the IP we will not have a license fee any longer. All earn outs are posted as "Other income" and are part of the discontinued operations. During 2025 we generated an earn out of EUR 1,830 thousand. We also had sales of EUR 19 thousand for services provided to Biofrontera Inc companies, included in discontinued operations.

The cost control policy, together with the transfer of all U.S.-related structural costs, has significantly reduced the expense base. G&A global expenses decreased from EUR 9,996 thousand to EUR 2,098 thousand in 2025. This amount comes from netting G&A generated by activities kept in the company (EUR 3,443 thousand in 2025 compared with EUR 2,653 thousand in 2024) with G&A related to the operations discontinued (EUR + 1.345 thousand in 2025 compared with EUR -7,343 thousand in 2024). The main reasons for the increase in G&A on the EU side were the unexpected provision related to a potential legal claim from an investor and the U.S. legal expenses associated with the agreement signed with Biofrontera Inc.

In addition to the reduction in operating expenses, following the agreement signed with Biofrontera Inc., the Company reversed the remaining unused portion of the provision established last year in connection with the litigation initiated by Sun Pharmaceutical, amounting to approximately EUR 2,500 thousand. This amount offsets the G&A of the discontinued operations and, as a result, US G&A has a positive impact at the global level.

As all U.S.-related liabilities have been transferred to Biofrontera Inc., legal defense costs associated with the Sun Pharmaceutical legal cases were also transferred with effect from June 1, 2025. Consequently, the Company no longer needs to maintain a provision to cover these legal expenses.

Research and development costs totaled EUR 3,695 thousand in the reporting year compared to EUR 5,352 thousand in the previous year, representing a decrease of 31.0 %. This decrease is attributable to the transfer of all regulatory, IP, pharmacovigilance, and operational expenses related to the U.S. market to Biofrontera Inc., effective June 1, 2025. R&D related to the discontinued operations amount EUR 1,463 thousand in 2025 and EUR 3,154 thousand in 2024, resulting to R&D costs of EUR 2,232 thousand in 2025 and EUR 2,198 thousand in 2024 for the continued operations.

Sales and marketing costs decreased to a total of EUR 6,339 thousand in the reporting year, compared to EUR 6,933 thousand in the previous year. This decrease is the result of a very strong cost control policy implemented in the company. From this amount, only EUR 82 thousand in 2024 and EUR 80 thousand are related to the discontinued operations.

Global other income increased from EUR 704 thousand in the prior year to EUR 4,781 thousand. This significant increase is attributable to several factors; all related to the restructuring agreement signed with Biofrontera Inc. In 2024 only EUR 325 thousand were attributable to the discontinued operations (EUR 379 thousand linked to the EU side). However, in 2025 the share attributable to the discontinued operations is EUR 4,620 thousand, being the rest, EUR 161 thousand related to the EU side.

Other income includes EUR 1,830 thousand from the earn-out, EUR 1,350 thousand from the positive effect of the Biofrontera Inc. shares received after offsetting the carrying value of the transferred assets in our balance sheet, and EUR 1,260 thousand from expenses recharged to the Biofrontera Inc. group related to the U.S. market. The remaining amount is attributable to foreign exchange effects.

Marketing & Sales of Ameluz® in Europe

Sales development in Germany was very strong compared to the previous year. German products sales totaled EUR 9,863 thousand compared to EUR 7,831 thousand in 2024 an increase of 26%. The share of Ameluz® PDT in the PDT segment grew from 67% in the previous year to 73% in 2025.

In the remaining European countries, Biofrontera generated product sales of EUR 3,312 thousand compared to EUR 4,238 thousand in 2024, a decrease of 21.8%. This decrease is due to the decrease in the external partners performance, consequence of the two-year seasonality.

In the Spanish market, Ameluz® sales were EUR 1,725 thousand compared with EUR 1,696 thousand the previous year, representing an increase of 1.7%. The increase in the volume of tubes sold were partially offset by the increase of the mandatory rebates.

Ameluz® showed dynamic growth of 14.4 % in the UK market. On a sales basis, revenue increased from EUR 841 thousand in 2024 to EUR 978 thousand in 2025.

Sales to our European license partners – Galenica AB (Nordic countries), Louis Widmer (Switzerland), Pelpharma (Austria), and medac Gesellschaft für klinische Spezialpräparate mbH – declined by 64.2%, reflecting the two-year seasonality pattern described above.

Sales of Ameluz® in the USA

Biofrontera Inc. generated sales of EUR 6,019 thousand in the reporting period, a decrease of 36 % compared to the previous year. These revenues are included in the net result of the discontinued operations. The decrease is attributable to the restructuring of the relationship between the two companies, effective June 1, 2025. In addition to product sales, the Company received EUR 1,830 thousand as earn-out income, which is reflected under 'Other revenues'. The earn-out forms part of the consideration received for the transfer of U.S.-related assets and liabilities to Biofrontera Inc.

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 and preclinical development continued to be performed in-house, operational responsibility for clinical development was transferred in June 2024 to Biofrontera Discovery GmbH, an affiliate of Biofrontera Inc. Since that time, Biofrontera Discovery GmbH has financed and coordinated activities related to clinical trials in the United States while Biofrontera Bioscience GmbH remained the sponsor of these clinical trials and the Marketing Authorization Holder for Ameluz® in the United States until the end of 2025. These responsibilities were formally transferred to Biofrontera Inc. as part of the restructuring agreement signed in June 1st, 2025. Although the official transfer was not executed until end of 2025, all cost related to these activities were transferred (charged) to Biofrontera Inc effective date June 1st. Biofrontera Bioscience GmbH remains the Marketing Authorization Holder for Ameluz® in the EU and the UK.

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.

To further increase growth potential in the U.S. market over the medium term, a clinical trial evaluating Ameluz® in combination with the BF-RhodoLED® red light lamp for the treatment of superficial basal cell carcinoma (sBCC) was conducted. In December 2025, Biofrontera Inc. submitted to FDA a supplement to the existing New Drug Application (NDA) for this indication which is currently under review.

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.

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 2026 until December 31, 2027.

Evaluation of the business performance of the Biofrontera Group

Comparison of actual and forecast business performance

The Biofrontera Group generated sales of around EUR 19,227 thousand (including sales attributable to discontinued operations) in the 2025 financial year, within the forecasted reviewed revenue range of EUR 17,000 thousand to 20,000 thousand published in August 2025 after the restructuration agreement. This amount is below the initial guidance published in 2024 annual report that was a range between EUR 20,000 thousand to EUR 24,000 thousand, as a consequence of the restructuration agreement with Biofrontera Inc effective date June 1st, 2025. From this date on, Biofrontera AG will not generate more sales in the US market, as all assets and liabilities are transferred to Biofrontera Inc. We will receive an earn-out of 12% to 15%, depending on Biofrontera Inc. sales, reflected in "Other Income". The deviation of the current revenues, including sales attributable to discontinued operations, compared with the initial forecast published in 2024 annual report is EUR -773 thousand.

As the business sold to Biofrontera Inc. is regarded as a discontinued operation, all revenues and expenses associated with the business unit transferred to Biofrontera Inc., including the consideration received from the sale, must according to IFRS 5 be presented on a separate line as a net result of discontinued operations, affecting only the Company's bottom line. As a consequence, the Company's revenues and sales reported in the P&L do not include sales made to Biofrontera Inc., which amount to EUR 13,189 thousand for 2025 (EUR 12,183 thousand in the prior year), and reflect only the sales attributable to the business retained by Biofrontera AG.

For fiscal year 2025, the Company initially forecasted EBITDA in a range between EUR 0 thousand and EUR 3,000 thousand. In 2024 annual report the company initially forecasted EBIT in a range of EUR -1,000 thousand and EUR +2,000 thousand. The Company withdrew its full-year guidance in May 2025 due to uncertainties regarding payments related to Biofrontera Inc. In August 2025, the Company revised its guidance, publishing a forecast EBITDA range of EUR 1,500 thousand to EUR 3,500 thousand, no EBIT forecast was provided. At that time, the Company expected an EBITDA increase driven by the effects of the restructuring agreement with Biofrontera Inc.

Although revenues were expected to decrease compared with the initial forecast, the transfer of all U.S.-related infrastructure and liabilities to Biofrontera Inc., together with the net effect of the consideration received (shares and earn-out), was expected to have a positive impact on pro-forma EBITDA (see table below).

In February 2026, the Company published a new ad hoc announcement updating its EBITDA guidance to a range of EUR 3,500 thousand to EUR 5,000 thousand. The cost control policy, combined with a higher earn-out generated in 2025 than initially estimated, resulted in an adjusted EBITDA of EUR 4,694 thousand, considering the effect of continued and also discontinued activities, close to the upper end of the revised guidance range.

The continued operations reported a negative EBITDA of EUR 819 thousand. The discontinued operations generated an EBITDA of EUR 5,513 thousand. This amount includes the EBITDA of the transferred business unit as well as the proceeds from the sale, including the earn-out payment for 2025.

The same effect we can see it on the EBIT, where the company got an EBIT of EUR -1,207 thousand from the continuing operations. The discontinued operations generated EBIT +5,253 thousand. This amount comprises the EBITDA of all transferred operations as well as the consideration received from the disposal, including the 2025 earn-out.

To provide a clearer and more comprehensive view, the table below presents a pro forma statement of profit or loss, showing the split between continuing and discontinued operations. In accordance with IFRS 5, only results from continuing operations are presented in detail within the statement of profit or loss. Profit or loss after taxes from discontinued operations is reported separately as a single line item below profit or loss from continuing operations and immediately before the Group's net income for the period.

P&L BF Group in EUR thousands	2024 total BF	2024 US Business	2024 EU Business	2025 total BF	2025 US Business	2025 EU Business
Revenue	21,666	9,483	12,183	19,227	6,038	13,189
Cost of Sales	(5,327)	(3,259)	(2,068)	(7,192)	(4,912)	(2,280)
Gross Profit	16,339	6,224	10,115	12,035	1,126	10,909
Regulatory and Development	(5,352)	(3,154)	(2,198)	(3,695)	(1,463)	(2,232)
Sales and Marketing	(6,933)	(82)	(6,851)	(6,339)	(80)	(6,259)
General and Administrative	(9,996)	(7,343)	(2,653)	(2,098)	1,345	(3,443)
Operating Result	(5,941)	(4,355)	(1,586)	(99)	928	(1,027)
Other Income	704	325	379	4,781	4,620	161
Other Expense	(238)	(240)	2	(636)	(295)	(341)
Depreciation and Amortization	839	350	489	648	260	388
EBITDA	(4,636)	(3,920)	(716)	4,694	5,513	(819)
EBIT	(5,475)	(4,270)	(1,205)	4,046	5,253	(1,207)
Expenses from Investments	(1,298)	(1,298)	(0)	(1,985)	(1,985)	0
Interest Expense	(11)	0	(11)	(13)	0	(13)
Other Interest	66	0	66	(1)	0	(1)
Profit before Tax	(6,719)	(5,568)	(1,151)	2,046	3,268	(1,222)
Income Taxes	2,369	(121)	2,490	(6,011)	(290)	(5,721)
Net Result	(4,350)	(5,689)	1,340	(3,965)	2,978	(6,943)

As a consequence, cash liquidity developed better than initially expected in the 2024 Annual Report (EUR 500 thousand – EUR 1,500 thousand), amounting to EUR 3,603 thousand as of December 31, 2025, compared with EUR 3,124 thousand in the previous year. As mentioned, the Company withdrew its full-year guidance in May 2025 due to uncertainties regarding payments related to Biofrontera Inc. In August 2025, the Company published updated revenue and EBITDA guidance; however, no updated cash guidance or EBIT was provided. Initial cash forecast provided in 2024 annual report was EUR 500 thousand to EUR 1,500 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 14 in the year under review compared to 21 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 854 controlled documents (previous year: 842). Internal training was at a decreased level (87 in 2025) compared to the previous year (103 in 2024). 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 2025 compared to the previous year, with 17 audits or inspections carried out.

The number of employees (Headcount) decreased in the financial year from 88 in 2024 to 82 in 2025 due to the first transfer of employees to Biofrontera Inc. executed in September 2025.

The regulatory and clinical progress planned for 2025 was achieved.

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

Overall, business performance for the Biofrontera Group was positive for the year and met management's expectations. Although the initial payment issues with Biofrontera Inc. created significant uncertainty regarding the future sustainability of the Biofrontera AG Group, the final restructuring agreement has enabled the Company to transfer all infrastructure, assets, and liabilities related to the U.S. market. This has optimized Biofrontera AG's cost structure and substantially reduced its exposure to Biofrontera Inc.'s performance and to the Sun Pharmaceutical litigation.

As a result, the Company is in a much stronger position to continue executing its strategy to expand its business in Europe and the rest of the world, without the significant structural burden and risks previously associated with the U.S. market. This places the Company in a much healthier financial position going forward.

Adjusted EBITDA is EUR 4,694 thousand (previous year: EUR -4,635 thousand), earnings before income taxes amounted to EUR 2,046 thousand in the 2025 financial year (previous year: EUR -6,719 thousand). Unadjusted EBITDA amounts to EUR -819 thousand compared to EUR -716 thousand in 2024.

The separate financial statements of Biofrontera AG show a net loss for the year of EUR -77,988 thousand after EUR -3,488 thousand in the previous year. The company had projected a net loss in the low single-digit millions. This forecast was significantly missed due to write-downs on receivables from affiliated companies and the carrying amounts of equity investments.

Biofrontera Group financial position and performance

Results of operations of the Biofrontera Group

The results of operations as of December 31, 2025 are as follows:

in EUR thousands	2025	2024 prior year figures adjusted (for further disclosure see group structure)
Sales revenue	13,189	12,183
Gross profit on sales	10,909	10,115
Research and development costs	(2,232)	(2,198)
General administrative costs	(3,443)	(2,653)
Sales and marketing costs	(6,259)	(6,851)
Result on operations	**(1,025)**	**(1,587)**
Other expenses and income	(180)	381
EBITDA	**(819)**	**(716)**
EBIT	**(1,207)**	**(1,205)**
Financial result	(14)	55
Total result before income tax	**2,046**	**(6,719)**
Result before income tax from continued operations	**(1,222)**	**(1,151)**
Result before income tax from discontinued operations	**3,268**	**(5,568)**
Income Tax	(6,012)	2,369
thereof income tax from continued operations	(5,721)	2,490
thereof income tax from discontinued operations	(290)	(121)
Result after income tax from continued operations	**(6,943)**	**1,339**
Result after income tax from discontinued operations	**2,978**	**(5,689)**
Total result after income tax	**(3,965)**	**(4,350)**

Key figures from continued operations

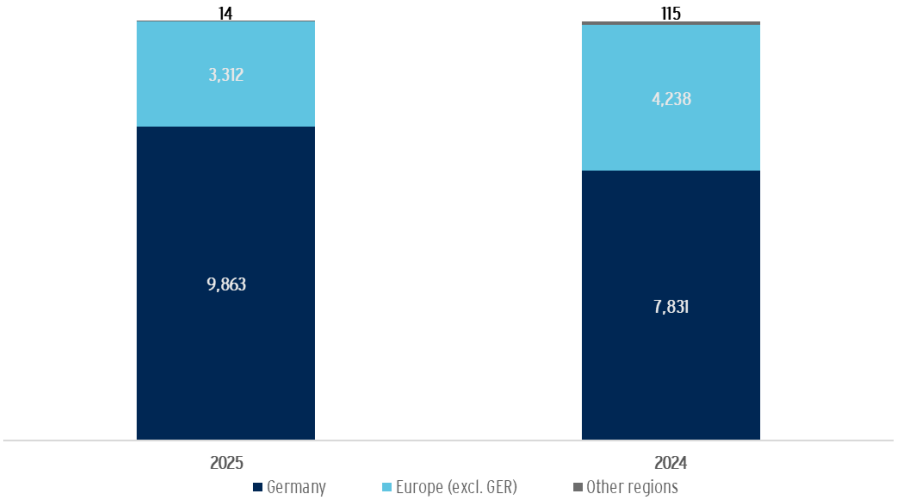
Sales revenue

The Biofrontera Group generated total sales of EUR 13,189 thousand in the reporting year 2025, an increase of 8.3% compared to the previous year (previous year: EUR 12,183 thousand).

Total revenues in Europe increased by 9.2% compared to the previous year to EUR 13,175 thousand (previous year: EUR 12,069 thousand). In Germany, sales increased by 25.9% year-on-year to EUR 9,863 thousand (previous year: EUR 7,831 thousand) and total sales in the rest of Europe decreased by 21.8% to a total of EUR 3,312 thousand (previous year: EUR 4,238 thousand).

Biofrontera generated revenue of EUR 6,038 thousand with our licensee in the USA from discontinued operations compared to EUR 9,482 thousand in the previous year, a decrease of 36.3 %. This includes revenues from service agreements in the amount of EUR 19 thousand (previous year: EUR 67 thousand).

Revenue from other regions amounted to EUR 14 thousand in the financial year (previous year: EUR 115 thousand) and included both license income and revenue from the sale of study materials.



Gross profit on sale

Gross profit increased by 7.8 % and amounted to EUR 10,909 thousand in 2025 compared to EUR 10,115 thousand in the prior year period. The gross margin remained at prior year level of 83%.

Research and development costs

Research and development costs, without considering the effect of the discontinued operations, increased by 1.5 % to EUR 2,232 thousand in the reporting period compared to EUR 2,198 thousand. It includes costs for clinical trials (any marginal amount), 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, without considering the effect of the discontinued operations, amounted to EUR 3,443 thousand in the 2025 financial year (previous year: EUR 2,653 thousand), an increase of 29.8 % in total compared to the previous year. As explained above, the increase in G&A on the EU side was primarily driven by an unexpected provision related to a potential legal claim from an investor, as well as U.S. legal expenses associated with the agreement signed with Biofrontera Inc.

Sales and marketing costs

Sales and marketing expenses amounted to EUR 6,259 thousand in the 2025 financial year, a decrease of 8.6 % on the previous year (EUR 6,851 thousand) as a result of cost savings measures.

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 103 thousand to EUR -819 thousand in fiscal year 2025 compared with the prior-year period (EUR -716 thousand). As mentioned above, this doesn't include the effect of revenues and expenses related to the discontinued operations.

EBIT includes earnings before interest and taxes and declined year-on-year to EUR minus 1,207 thousand (previous year: EUR minus 1,205 thousand).

Financial result

In addition to the interest result, the financial result, without considering the effect of the discontinued operations, amounted to EUR -14 thousand (previous year: EUR 55 thousand).

Other income and expenses

Other expenses and income, without considering the effect of the discontinued operations, amounted to a total of EUR -180 thousand in the reporting period (previous year: EUR 381 thousand) and primarily include expenses and income from currency translation and the reversal of provisions.

Total Income taxes for Biofrontera

This position includes expenses from current income taxes in the amount of EUR 510 thousand (previous year: income of EUR -158 thousand) and expenses from deferred taxes in the amount of EUR 5,501 thousand (previous year: income of EUR 2,393 thousand) resulting from the capitalization of deferred taxes on carried forward losses at Biofrontera Bioscience GmbH and Biofrontera Pharma GmbH. This significant change, namely the decrease in deferred tax assets resulting in a material increase in the tax expense for the year, is driven by a substantial reduction in the expected profitability of the two companies over the next five years. This reduction is primarily based on revised estimates of future revenues from the U.S. market.

On the one hand, revenues from Biofrontera Inc. are expected to be lower due to the sale of U.S.-related assets, as explained throughout the report. On the other hand, we have limited our earn-out projections to a shorter-term horizon, given the insufficient certainty that the company will have adequate cash to sustain its operations over the medium to long term.

The difficulties experienced by Biofrontera Inc. in 2025 in raising the funds necessary to cover its cash requirements, together with its inability to settle our invoices within the terms of the previous commercial agreement, have increased our perception of risk regarding its long-term viability.

As a result, we have withdrawn the deferred tax assets recognized on our balance sheet mentioned above.

Discontinued operations

Discontinued operations include the net result, after taxes, of all activities related to the business transferred to the U.S., including Ameluz® sales under the previous LSA until June 1, 2025, all expenses associated with the transferred operations, and the net result from the sale of U.S.-related assets and liabilities, including shares received and earn-out generated during 2025. This amounted to EUR 2,978 thousand in 2025, compared with EUR -5,689 thousand in 2024.

In 2024, this figure included the net result after taxes of all operations related to the U.S. business, including the provision created in connection with U.S. legal cases (SunPharma lawsuit). The improvement is mainly driven by the reversal of the unused provision related to the SunPharma legal cases and the positive impact of the shares received as part of the consideration.

Net assets of the Biofrontera Group

The net assets position as of December 31, 2025 is as follows:

in EUR thousands	December 31, 2025	December 31, 2024
Non-current assets	6,731	13,399
Current financial assets	9,484	9,797
Other current assets	4,428	6,458
Total assets	**20,643**	**29,654**
Equity	14,904	18,856
Non-current liabilities	10	329
Current financial liabilities	2,107	2,608
Other current liabilities	3,623	7,861
Total equity and liabilities	**20,643**	**29,654**

Non-current assets

Non-current assets as of December 31, 2025, totaling EUR 6,731 thousand (previous year: EUR 13,399 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 3,529 thousand (previous year: EUR 9,029 thousand), property, plant and equipment in the amount of EUR 660 thousand (previous year: EUR 2,934 thousand), and intangible assets of EUR 4 thousand (previous year: EUR 1,001 thousand). Also included here is the investment in Biofrontera Inc. at carrying amount in the amount of EUR 2,538 thousand (previous year: EUR 420 thousand) the investment increased by EUR 4,103 thousand due to the 10% stake that we received in relation to new agreement and was impaired by EUR 1,759 thousand at year-end due to a decreased share price. In addition, long-term receivables from leases decreased to EUR 0 thousand due to the non-continuation of the rental agreement at old conditions (previous year: EUR 14 thousand) are reported here. The decrease in deferred taxes is primarily attributable to the lower percentage of Biofrontera Inc.'s revenue under the new agreement, as well as assumptions regarding how long the company expects to receive earn-out payments from Biofrontera Inc.

Current financial assets

Current financial assets totaled EUR 9,484 thousand as of December 31, 2025 (previous year: EUR 9,797 thousand). This in particular includes cash and cash equivalents of EUR 3,603 thousand (previous year: EUR 3,124 thousand), trade receivables of EUR 5,825 thousand (previous year: EUR 6,452 thousand), other current financial assets of EUR 56 thousand (previous year: EUR 202 thousand) and receivables from leasing contracts of EUR 0 thousand (previous year: EUR 18 thousand). The decrease in receivables is due to the change in the commercial conditions with Biofrontera Inc. In 2024 we had more outstanding invoices due to the sales of Ameluz® with a transfer price of 25%, instead of an earn-out of 12%.

Other current assets

Other current assets mainly contain inventories. These decreased to EUR 3,747 thousand as of December 31, 2025 (previous year: EUR 5,548 thousand). This decrease in the inventory is due to the transfer of all RhodoLED® XL Lamp components to Biofrontera Inc as a consequence of the new agreement signed. In the reporting year, no impairment losses were recognized on inventories as well as in previous year. Advance payments on inventories totaling EUR 155 thousand are included in the inventories. In the previous year, advance payments amounted to EUR 1,112 thousand.

Other current assets also include current receivables in the amount of EUR 148 thousand (previous year: EUR 214 thousand) and prepaid expenses in the total amount of EUR 421 thousand (previous year: EUR 686 thousand).

Equity

In accordance with IFRS, the Group reported equity of EUR 14,905 thousand (previous year: EUR 18,856 thousand). The equity ratio increased from 64% to 72%.

Non-current liabilities

The financial liabilities reported under non-current liabilities of EUR 10 thousand (previous year: EUR 329 thousand), contain the liabilities from leases to be recognized in accordance with IFRS 16 in the amount of EUR 10 thousand (previous year: EUR 329 thousand).

Current financial liabilities

Current financial liabilities include, in particular, trade payables in the amount of EUR 1,460 thousand (previous year: EUR 2,124 thousand) and current financial liabilities include current liabilities from leases in accordance with IFRS 16 in the amount of EUR 55 thousand (previous year: EUR 436 thousand). These also include customer advances of TEUR 561 (previous year: TEUR 0). The decrease in liabilities from leases according to IFRS 16 is due to the termination of the existing rental agreement of the premises., A new agreement has been closed in January 2026.

Other current liabilities

Other current liabilities amounted to EUR 3,624 thousand (previous year: EUR 7,861 thousand) and consist of provisions of EUR 632 thousand (previous year: EUR 5,253 thousand) as well as other accrued liabilities of EUR 2,634 thousand (previous year: EUR 2,226 thousand) and income tax liabilities of EUR 358 thousand (previous year: EUR 382 thousand). The decrease of provisions is related to the sale of the US business to Biofrontera Inc. and the respective transfer of the legal risk which does not require us to further keep these provisions for litigation costs.

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	2025	2024
Cash flow from/in operating activities	(4,400)	(2,539)
Cash flow from/in investing activities	5,331	(210)
Cash flow from/in financing activities	(452)	2,793
Cash and cash equivalents	3,603	3,124
Non-current financial liabilities	10	329
Current financial debt	616	436
Net liquidity	2,977	2,360

Net cash flow from operating activities decreased by EUR 1,861 thousand to EUR -4,400 thousand compared to the previous year's figure of EUR -2,539 thousand. The decline is primarily attributable to a decrease in inventories and receivables compensated by cash outflows related to the settlement of litigation provisions.

Net cash flow from investing activities amounted to EUR 5,331 thousand (previous year: EUR -210 thousand) and mainly consists of sale of assets from discontinued operations including the cash of the earn-out for 2025.

Net cash flow from financing activities amounted to EUR -452 thousand and was lower than the previous year's figure (previous year: EUR 2,793 thousand), which included proceeds from a capital increase carried out in prior year.

Cash and cash equivalents

Cash and cash equivalents in the Group amount to EUR 3,603 thousand as of December 31, 2025 (previous year: EUR 3,124 thousand).

Biofrontera AG financial position and performance

Results of operations of Biofrontera AG

in EUR thousands	2025	2024
Sales revenue	3,346	3,319
Other operating income	1,774	244
Personnel costs	(2,341)	(2,670)
Depreciation and amortization	(5)	(7)
Other operating expenses	(72,976)	(2,891)
Other interest and similar income	1,776	2,086
Depreciation on financial assets	(9,566)	(3,568)
Interest and similar expenses	(0)	0
Other taxes	4	0
Net loss	-77,988	-3,487

Revenue reported in the separate financial statements prepared in accordance with commercial law includes revenue from intra-group services. Other operating income consists primarily of income from the release of provisions and income from the recharging of costs to affiliated and other companies.

The decrease in personnel expenses is primarily attributable to the fact that vacancies were not filled.

Other operating expenses increased by EUR +70,085 thousand to EUR 72,976 thousand. This is primarily due to the impairment charge on receivables from the subsidiaries Biofrontera Pharma GmbH and Biofrontera Bioscience GmbH as part of the impairment analysis.

The impairment of the subsidiaries primarily results from an adjustment of the business planning following the structural realignment of the contractual relationships with Biofrontera Inc. as well as the related changes in the US business. The new agreement alters the underlying economic conditions and leads to revised, overall more conservative expectations. On the one hand, revenues from Biofrontera Inc. are expected to be lower due to the sale of U.S.-related assets, as explained throughout the report. On the other hand, we have limited our earn-out projections to a shorter-term horizon, given the insufficient certainty that Biofrontera Inc. will have adequate cash to sustain its operations over the medium to long term. The difficulties experienced by Biofrontera Inc. in 2025 in raising the funds necessary to cover its cash requirements, together with its inability to settle our invoices within the terms of the previous commercial agreement, have increased our perception of risk regarding its long-term viability. The updated planning reflects these effects and results in an overall reduction of the recoverable amount of the subsidiaries. Consequently, from Biofrontera AG perspective, this leads to a corresponding impairment need.

Interest and similar income arise almost exclusively from affiliated companies.

Depreciation and amortization of financial assets amounted to EUR 9,566 thousand in the fiscal year (previous year: EUR 3,568 thousand) and is primarily attributable to the impairment of the investments in Biofrontera Pharma GmbH and Biofrontera Bioscience GmbH.

The net loss for the year amounted to EUR -77,988 thousand (previous year: EUR -3,487 thousand).

Net assets of Biofrontera AG

in EUR thousands	December 31, 2025	December 31, 2024
Non-current assets	23,083	32,655
Receivables due from affiliated companies	3,141	75,492
Cash and cash balances with banks	746	1,806
Other assets	1,534	331
Total assets	**28,504**	**110,284**
Equity	26,075	104,063
Provisions	971	5,090
Bonds	0	0
Liabilities to banks	0	0
Other liabilities	1,458	1,131
Total equity and liabilities	**28,504**	**110,284**

Fixed assets mainly relate to shares in affiliated companies at EUR 22,947 thousand (previous year: EUR 32,224 thousand) and investment in associates at EUR 194 thousand (previous year: EUR 420 thousand).

The receivables from affiliated companies amounted to EUR 3.141 thousand (previous year: 75,492 thousand) and consist of loan receivables and trade receivables.

Cash on hand and bank balances decreased from EUR 1,806 thousand in the previous year to EUR 746 thousand in 2025. For further details on the financial position, please refer to the presentation of the Group financial position.

Other assets amounting to EUR 1.534 thousand (previous year: EUR 331 thousand) comprise, in particular receivables from Biofrontera Inc. of EUR 1,318 thousand (prior year: EUR 13 thousand), and prepaid expenses and deferred charges amounting to EUR 171 thousand (previous year: EUR 212 thousand).

As of December 31, 2025, Biofrontera AG had equity under German commercial law of EUR 26,075 thousand (previous year: EUR 104,063 thousand).

The provisions mainly include provisions for outstanding invoices, litigation risks, bonuses for employees as well as the audit of the annual financial statements and tax returns. The change in provisions is primarily attributable to the elimination of litigation risks and the associated release of provisions.

Assessment of the financial position of Biofrontera AG and the Group

In the separate financial statements of Biofrontera AG, liquidity of EUR 746 thousand, below the previous year's figure of EUR 1,806 thousand. The Group's liquidity slightly increased from EUR 3,124 thousand in 2024 to EUR 3,603 thousand in the 2025 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

Europe enters 2026 navigating a gradual but uneven economic normalization after several years marked by shocks, policy tightening, and geopolitical uncertainty. While disinflation has progressed faster than previously expected, growth remains

moderate and continues to depend on domestic demand, investment dynamics, and global trade conditions (European Commission, 2025; International Monetary Fund [IMF], 2025).

Germany, long considered the industrial anchor of Europe, is expected to return to modest expansion following a prolonged period of weakness. After two years of contraction and near stagnation, GDP is projected to grow by around 1% in 2026, supported by stronger public spending and a gradual recovery in private consumption. Inflation is forecast to remain close to 2%, broadly consistent with price stability, although trade tensions and uncertainty continue to weigh on investment sentiment (Deutsche Bundesbank, 2025; European Commission, 2025).

At the European level, the outlook is similarly characterized by resilience without rapid expansion. EU GDP is expected to increase by approximately 1.5% in 2026, while inflation is projected to decline toward 2% and unemployment to ease gradually. This combination suggests that the disinflation process is largely on track, allowing financial conditions to become more supportive, even as structural constraints limit the pace of recovery (European Central Bank, 2025; European Commission, 2025).

Recent data also indicate that euro-area inflation has continued to decline, reinforcing expectations that interest rates may remain close to current levels as policymakers assess the durability of price stability (European Central Bank, 2025).

Spain stands out as one of the faster-growing large economies in the region, although momentum is expected to moderate slightly. Output is forecast to expand by around 2–2.5% in 2026, supported by domestic demand, investment, and a relatively strong labour market. Inflation is projected to stabilize near 2%, while unemployment is expected to decline gradually, reflecting ongoing structural improvements (Banco de España, 2025; European Commission, 2025).

The United Kingdom faces a more subdued trajectory. Growth is expected to remain below 1% in 2026, reflecting weaker economic momentum. Inflation is projected to approach target levels, although labour-market conditions may soften, with a moderate increase in unemployment (Bank of England, 2025; Organisation for Economic Co-operation and Development [OECD], 2025).

Taken together, these trends highlight a European economy that is stabilizing but not yet operating at full strength. Germany's recovery remains closely linked to broader regional demand, Spain continues to outperform many peers, and the UK is adjusting to slower growth following a period of elevated inflation. For policymakers and investors, the key question is whether Europe can transition from stabilization to a more sustained expansion (IMF, 2025).

Geopolitical risks related to the Iran conflict

An additional source of downside risk to the 2026 outlook stems from the ongoing conflict involving Iran, which has significantly disrupted global energy markets and trade flows. The conflict has affected shipping through the Strait of Hormuz—a critical chokepoint for around one-fifth of global oil supply—leading to sharp increases in oil and gas prices and heightened volatility in global markets.

Recent developments indicate that energy infrastructure damage and disruptions to maritime transport have already pushed oil prices above $100 per barrel and caused European gas prices to surge significantly, increasing input costs and weighing on economic activity. For energy-importing regions such as Europe, these dynamics are expected to translate into higher inflation and weaker growth, reinforcing existing economic fragilities.

From a macroeconomic perspective, the International Monetary Fund has warned that prolonged increases in energy prices linked to the conflict could raise inflation and reduce global growth, particularly if supply disruptions persist (International Monetary Fund, 2026). In addition, heightened geopolitical uncertainty has increased financial market volatility and delayed expectations of monetary easing, as central banks reassess inflation risks in light of renewed energy shocks.

While the overall economic impact will depend on the duration and intensity of the conflict, sustained disruptions to energy supply and trade routes could materially weaken global growth momentum and complicate the normalization of monetary policy in both advanced and emerging economies.

Guidance

We expect the positive sales momentum observed across Europe in recent years to continue into 2026. With Germany remaining the primary growth engine for us, we are budgeting average revenue growth of above 14% in the European region.

Conversely, following the restructuring of our relationship with Biofrontera Inc., no further product sales will be made to Biofrontera Inc. Effective June 1, 2025, and through 2043, we will instead receive an earn-out of 12% to 15%, depending on Biofrontera Inc.'s sales performance. This earn-out will be recognized as "other income" rather than sales revenue, as they are part of the contribution received from the sales of the US business unit to Biofrontera Inc.

In accordance with IFRS presentation requirements, all types of income, expenses, taxes, and contributions related to the sold business segment must be reported as net income from discontinued operations in a single line immediately preceding the final net income. This accounting treatment has a negative impact on reported EBITDA, as the earn-out payment received from Biofrontera Inc. is not included in it.

For comparative purposes, we will report adjusted EBITDA, which includes the earn-out payment received and all minor sales or expenses still on our side that are related to the sold business unit. In addition, we will report unadjusted EBITDA, which reflects actual EBITDA under IFRS rules excluding all items related to the U.S. market.

The management will focus in groups sales and adjusted / unadjusted EBITDA as key indicators for the company performance. From now on the Group will not forecast EBIT.

Forecast of key performance indicators relevant to management

Key Figure	Forecast 2026
Group sales revenue	14.0 Mio to 16.0 Mio. EUR
EBITDA adjusted (considering US earn-out)	3.5 Mio to 5.1 Mio. EUR
EBITDA unadjusted	-0.5 Mio to +0.5 Mio EUR
Cash and cash equivalents at 31. Dezember 2026	4.0 Mio to 8.0 Mio EUR
Non-financial key performance indicators	
Employees	63 FTE
Trainings	Unchanged
External and internal audits	Unchanged

The Group expects revenues of EUR 14.0 million to EUR 16.0 million for the 2026 financial year. European markets are projected to grow between 6.1% and 21.3%, while no sales revenue will be generated from the former U.S. licensing business following the restructuring of the relationship with Biofrontera Inc.

The sale and transfer of U.S. assets will instead result in an earn-out of 12% to 15%, depending on sales performance. In accordance with applicable accounting standards, this income will be recognized as other operating income rather than sales revenue, and its results will be integrated in the line "net results of discontinued operations", just before the net result of the company. In accordance with IFRS rules, EBITDA (unadjusted) will not include anything related to discontinued operations.

The transfer of all U.S.-related structures, assets, liabilities, and lamp manufacturing operations has significantly reduced the Group's cost base. As a result, the Company expects continued adjusted EBITDA growth in 2026, reflecting a more efficient organizational structure aligned with its European focus.

Germany, the Group's largest European market, is expected to remain the primary driver of regional performance. The Company anticipates further market share gains for topical treatments within an expanding actinic keratosis market. Rising awareness of actinic keratosis as a precursor to skin cancer, combined with the increasing adoption of patient-friendly artificial daylight photodynamic therapy, should continue to support sales momentum.

The approval of artificial daylight therapy is also facilitating market expansion in countries where weather conditions limit year-round daylight treatment. In addition, certain markets now allow Ameluz® to be administered at home by patients or caregivers. This development represents a meaningful growth opportunity, as it alleviates capacity constraints in specialist practices and simplifies the treatment process from a physician's perspective. Early interest from general practitioners in providing photodynamic therapy further supports this trend.

The expansion of the Company's network of sales partners, together with broader geographic commercialization of Ameluz® is expected to sustain European growth. Increased commercial efforts in Spain and the United Kingdom should provide additional support to regional performance.

The Group also anticipates incremental revenue contributions in Germany from products commercialized in partnership with LEO Pharma.

In the United Kingdom, a successful market launch of Ovixan® took place in 2026, with initial orders already placed during the first quarter.

While consolidated sales revenue will decline as a result of the restructuring with Biofrontera Inc., adjusted EBITDA, considering the earn-out arising from the sale of the US business unit, is projected to be above the EUR 3.5 million as the Company benefits from an optimized operating structure tailored to its European business.

As of December 31, 2025, the Biofrontera Group held cash and cash equivalents of EUR 3.6 million. Based on current corporate planning, the Group expects to maintain sufficient liquidity to meet all obligations for at least the next twelve months. Assuming expenses and income develop as projected, cash and cash equivalents are forecast to range between EUR 4.0 million and EUR 8.0 million as of December 31, 2026.

For the separate financial statements of Biofrontera AG, a net loss is still expected, likely in the low single-digit million-euro range. As the parent company, Biofrontera AG manages the liquidity of the Biofrontera Group; accordingly, the projected year-end cash position for the Group also reflects the anticipated cash position of Biofrontera AG.

Forecast of further key figures

Biofrontera expects the number of employees to be reduced to 63 FTEs following the workforce reduction effective January 1, 2026, due to the transfer of employees to Biofrontera Inc.

As a result of the increasing requirements for capital market-oriented pharmaceutical companies, we assume that the number of training measures in 2026 will be at a comparable level to 2025.

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 2026 will be at a similarly high level as in 2025.

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 active 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).

Within the following sections, the Group presents its risk and opportunity profile in a structured manner. Risks are generally assessed qualitatively based on their likelihood of occurrence and their potential impact on the Group's net assets, financial position and results of operations.

The individual risk categories described include a variety of underlying specific risks. While many of these are inherent to the Group's business model and are actively managed through established processes and control mechanisms, management considers only a limited number of risks to be of particular significance for the Group's current risk profile

In particular management considers the following risks to be relevant within the Group's current risk profile. These include residual risks associated with Biofrontera Inc., especially in the event of their financial distress, which could result in reduced or missing earn-out income. However, following the strategic realignment implemented in 2025, the Group has significantly reduced its operational and financial dependency on the U.S. business and is able to sustain its operations independently. Nevertheless, in a downside scenario, potential indirect financial or legal consequences for the Group cannot be fully excluded, including in connection with past litigation matters or potential claims arising from prior U.S.-related activities.

In addition, pricing and reimbursement risks in key European markets are considered relevant, as adverse regulatory decisions or pricing adjustments could have a significant impact on revenues and profitability, even though the likelihood of such developments is currently considered limited due to continuous monitoring and active management.

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 centrally and decentrally. 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.

Through these measures, identified issues could always be addressed and mitigated in a timely manner. Given the comprehensive control of environment and adherence to applicable regulations and internal policies, the overall risk related to the accounting process is considered to be low.

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 U.S. dollar-denominated transfer pricing arrangements with Biofrontera Inc. Following the completion of the new agreements signed in 2025, Biofrontera Inc. is no longer a license partner; however, foreign currency exposure continues to arise from the earn-out agreement, which is denominated in U.S. dollars. The Company does not enter into any specific currency hedging transactions. Exchange rate fluctuations are recognized in profit or loss.

In Summary, the resulting foreign currency risk is considered to be low, as the exposure relates primarily to defined contractual cash flows. Foreign exchange effects are considered in the Group's planning. The majority of significant transactions are invoiced in EUR, further reducing the exposure. Fluctuations within normal ranges are not expected to have a material impact.

Biofrontera has an investment in Biofrontera Inc. of about 8.89%, the fair-value of the shares depends on the share price development of Biofrontera Inc. and hence include a price risk.

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. If Biofrontera Inc., as the largest customer of Biofrontera AG, is unable to meet its payment obligations on time or in the cure period, this could lead to a short-term financial bottleneck. Besides that Biofrontera's financial instruments bear a minimal risk of default.

The credit risk is considered to be low. While the default risk related to European partners and customers is considered to be very low based on longstanding and reliable payment behavior, the risk related to the US is assessed as more moderate. Given the concentration of receivables and the importance of Biofrontera Inc., a potential delay in payments could have a significant impact on the Group's position. However, this exposure is expected to decrease following the 2025 agreements.

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 if needed.

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 scenarios on regular basis. Current cash and cash equivalents are recorded and monitored on a daily basis.

The liquidity risk is assessed as moderate. While the Group has historically operated in a tight liquidity environment, it has consistently secured sufficient funding through capital measures, financing and strategic transactions. Following the strategic realignment in 2025, the focus on European operations, cost reductions and continued, though limited, cash inflows from the U.S. provide additional financial flexibility. As a result, liquidity risk has decreased compared to prior periods.

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

Risk concerning financial instruments Biofrontera AG

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

In the course of the year, management performed an impairment test of investments in subsidiaries due to changes in the underlying business assumptions in respect of the new Agreement with Biofrontera Inc.. As a result, the carrying amounts of certain investments and receivables were adjusted to their recoverable amounts.

The related risk is assessed as moderate. While impairments have already been recognized in the current reporting period reflecting the existing uncertainties, the recoverability of investments and receivables remains subject to future business developments.

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.

Following the execution of the agreements signed in 2025, Biofrontera fundamentally adjusted its strategic focus. All U.S.-related regulatory approvals and intellectual property assets were transferred, and the Group no longer bears operational responsibility for marketing, sales, pricing or market development activities in the United States. Consequently, the Group's exposure to commercial risks associated with the U.S. market has significantly decreased compared to prior periods and is now limited to a passive participation through the earn-out mechanism. While Biofrontera no longer directly participates in the operational success of the U.S. market, it continues to receive income through the earn-out arrangement. These limited but ongoing cash inflows create a financial buffer that enhances liquidity and provides additional flexibility to support strategic initiatives, business development and growth opportunities in Europe. Overall, this results in a significantly lower risk profile compared to prior periods.

The Group's operational activities and cost base are now fully focused on the European business. Growth in Europe is expected to be supported by the Company's network of sales partners and broader geographic commercialization of Ameluz®. Increased commercial efforts in Spain and the United Kingdom are expected to further support regional performance. In the United Kingdom, a successful market launch of Ovixan is planned for 2026, with initial orders already placed during the first quarter.

In addition, the Group continues to evaluate new licensing arrangements, strategic partnerships and opportunities to further expand its product pipeline, with a clear focus on the European market. The reduced cost base and streamlined organizational structure provide a more stable operating environment.

External influences and global risks

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 performance, such as price increases in procurement markets and further impairments in global supply chains. In addition, the recent escalation of the conflict involving Iran represents an additional source of geopolitical and economic risk, particularly through its impact on global energy prices, transportation costs, and overall market uncertainty. These developments may further increase input costs and create volatility in the broader economic environment, potentially affecting the company's operations and financial performanceFor 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 last elections in the USA, it is possible that the customs duties affecting EU products may increase. Such price increases could negatively impact U.S. demand for the product. 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 as of now. However, a relevant increase of the custom taxes could affect it in a negative way. The risk of regulatory price reductions by US authorities cannot be excluded and may have an impact on the earn-out.

External global risks continue to cloud the horizon. Shifting trade policies, tariff disputes, and rising defense expenditures are increasing fiscal pressures while adding uncertainty to corporate planning. In this environment, the effectiveness of coordinated structural reforms and investment strategies across major European economies will likely determine whether the current recovery evolves into sustained long-term growth.

The company faces ongoing regulatory risks in Europe driven by intensified healthcare cost-containment policies, including price reductions and stricter reimbursement frameworks for pharmaceutical products, which may adversely affect margins and revenue generation.

Overall, the related risk is considered high in terms of potential impact, while the likelihood of occurrence remains uncertain. Biofrontera continuously monitors relevant developments and maintains established processes and standards as well as control

mechanisms, including close alignment with regulatory authorities and ongoing adaptation of its operational and commercial structures. In addition, the Group has implemented contingency measures, such as cost management, operational flexibility and portfolio diversification, to mitigate potential adverse effects and ensure business continuity.

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, 2025, the Biofrontera Group held cash and cash equivalents of EUR 3,603 thousand. Based on the current corporate planning for 2026, the Group will have sufficient liquidity to meet all obligations for at least the next twelve months from the date 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.

While Biofrontera Inc.'s performance historically had a significant impact on the Biofrontera AG Group's cash position, this dependency has decreased following the strategic realignment implemented in 2025. Nevertheless, deviations from the currently forecasted Earn-Out for 2026 could still negatively affect the Group's liquidity position on the Company's cash position.

Any additional unforeseeable relevant expenses, such as additional legal costs, could also have a negative impact on our cash situation to cover 2026 requirements.

The liquidity risk is assessed as moderate in terms of both likelihood and potential impact. While deviations from planned developments or unforeseen expenses could negatively affect the Group's liquidity position, Biofrontera has historically demonstrated reliable access to capital markets and the ability to implement mitigating measures, including strict cash management, cost reductions and arrangements with partners. The improved financial structure and cash position as of the end of 2025 indicate that the risk has been effectively mitigated, resulting in increased financial flexibility from today's perspective.

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.

The related risk is assessed as elevated, as while the likelihood of occurrence is considered low to moderate due to the Group's established processes, continuous monitoring and involvement of experienced advisors, the potential impact in case of legal or intellectual property-related matters could be significant. At the same time, the transfer of U.S.-related activities and associated risks in 2025 has reduced the Group's direct exposure. However, a residual risk cannot be fully excluded that, in the event of financial distress of Biofrontera Inc., certain past legal matters or claims, including litigation involving Biofrontera Inc. and its competitors, could affect the Group in the future.

Recent legal and Compliance developments and associated risks include:

- In 2022 the judgment obtained by Deutsche Balaton AG declared that the approval resolutions of the former Management Board and the former Supervisory Board for the IPO of Biofrontera Inc. were unlawful, but that does not

affect the completed IPO of Biofrontera Inc. or the company's operating business. The appeal lodged against this by the former supervisory board members and management board members with the Higher Regional Court of Cologne was successful. In its ruling of June 26, 2025, the Higher Regional Court of Cologne dismissed Deutsche Balaton AG's lawsuit in its entirety. The Higher Regional Court had allowed an appeal. Deutsche Balaton AG has appealed to the Federal Court of Justice. The Federal Court of Justice has not yet set a date for oral proceedings.

- 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 was held in June and July 2025. The Administrative Law Judge issued an Initial Determination on September 30, 2025, finding a violation of Section 337 (i.e., finding the Asserted Patents infringed and not invalid). Biofrontera has petitioned the full ITC for review of the ID. The full ITC has stated that it will respond to petitions for review by January 29, 2026, and issue a Final Determination in Q1, 2026.

In parallel, at the end of February 2025 we were served with a new lawsuit due to a breach of the settlement signed with SunPharma in 2021.

With effect from June 1, 2025, all costs related to the lawsuits filed by Sun Pharmaceutical (DUSA) against the German Biofrontera companies in connection with the marketing of Ameluz® and the lamp systems in the United States are borne by Biofrontera Inc. As disclosed in the 2024 Annual Report, the Group was required under IFRS to recognize a global provision covering its best estimate of the legal defense costs associated with these proceedings until their resolution.

A significant portion of this provision was utilized during the first months of the year. Under the new agreement with Biofrontera Inc., the remaining provision, after taking into account costs incurred up to May 31, 2025, amounting to approximately EUR 2.5 million, was fully reversed. This reversal had a positive effect on the Group's interim financial statements.

- A claim for prospectus liability was asserted against Biofrontera AG by an individual in connection with the 2021 capital increase as part of a conciliation procedure and through a separate demand for payment. The conciliation procedure, which has since been concluded, has no legal or financial consequences for Biofrontera AG. However, there is a risk that this claim will be asserted in court.

- The German Federal Financial Supervisory Authority (BaFin) has ordered an audit of Biofrontera AG's consolidated financial statements for the financial year 2024. The audit may result in findings or recommendations and may have financial, legal, or reputational implications for the Company.

- The company is currently subject to an ongoing tax audit by the tax authorities. Based on the current status of the audit, management does not expect any material adverse effects on the company's financial position or results of operations

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

Regulatory approvals

Restrictions on existing regulatory approvals could jeopardize the ability to market the Company's products, and there is a risk that strategically relevant marketing authorization extensions may not be approved, may be delayed, or may be granted only to a limited extent, potentially impairing the Company's competitive position.

Following the strategic realignment implemented in 2025, the Group is no longer responsible for regulatory approvals in the United States. While the Group continues to benefit indirectly from the U.S. market through the earn-out arrangement, it does not bear operational or cost-related responsibility for U.S. regulatory activities. As a result, the significance of U.S.-related regulatory risks for the Group's liquidity has decreased significantly compared to prior periods.

Regulatory risks remain primarily relevant for the European markets and are mitigated through consistent compliance with applicable regulatory requirements and the operation of an effective quality management system. Overall, the weighting of this risk has been reduced compared to prior periods, while it continues to be monitored closely.

Overall, the regulatory risk is assessed as moderate, as the likelihood of occurrence is considered low due to the Group's established regulatory expertise, structured processes and ongoing interaction with regulatory authorities. This includes a dedicated regulatory affairs team, defined SOPs, regular internal and external audits, employee training, and continuous engagement with authorities such as EMA and MHRA, including scientific advice meetings. While the potential impact in individual cases could be significant, the Group's long-standing experience and track record in successfully obtaining and maintaining approvals mitigate this risk.

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.

To further mitigate development risks, the Company transferred in June 2024 most of the financial and organizational responsibilities to the ongoing and planned clinical trials in U.S. to Biofrontera Discovery GmbH, an affiliate of Biofrontera Inc.. In December 2025, the sponsorship of clinical trials in U.S. was also transferred to Biofrontera Inc.

Following the transfer of the relevant U.S.-related activities in 2024 and the agreements concluded in 2025, the Group no longer bears financial, operational or regulatory responsibility for U.S.-related research and development activities. As of the reporting date, the Group is not conducting any clinical trials. Accordingly, the relevance of research and development risks for the Group has decreased significantly, and the overall risk exposure in this area is currently assessed as low. Currently, no clinical trials are conducted for the EU market, further reducing the Group's direct exposure to development-related risks in this area

Failures in Biofrontera Inc.'s clinical trials could reduce the market potential of its products in the U.S., limiting its ability to expand its business. This, in turn, may adversely affect our earn-out and increase the risk of non-payment or default on contingent payments.

Product portfolio

With Ameluz®, the company currently has one approved drug product. Ameluz® which is marketed through the own direct sales activities and license partnerships in other countries. Also historically, in the United States through the former license partner Biofrontera Inc.. As a result, the Group participated economically in the U.S. market while commercialization activities were carried out by the license partner.

The risk exists that Ameluz® may not be sufficiently or sustainably established in the relevant markets. A further risk arises from potential competitive disadvantages, for example due to a broader range of approved indications for competing products. The Company therefore continues to actively pursue indication extensions and to further develop its product pipeline in order to strengthen its competitive position.

Following the strategic realignment implemented in 2025, all U.S.-related intellectual property and operational responsibilities were transferred to the former license partner, which now independently conducts commercialization activities in the United States. The Group's involvement in the U.S. market is therefore limited to a passive economic participation through the earn-out arrangement. As a result, while the underlying market and development risks continue to exist, their direct impact on the Group's liquidity and operational performance has decreased compared to prior periods, and the primary focus of these risks lies in the European markets.

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, which 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 face increased generic competition, which could affect their price, performance, and consequently the revenues we receive. The other agreement is about a branded generic product for the UK market. We got the corresponding regulatory approval during 2025, launched the product in January 2026. After the start of commercialization also any disruption in the supply chain would quickly impact our revenues. 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 years in several European countries without supply disruption; hence the risk is also deemed low.

The planned market launch of Ovixan is intended to further mitigate the Group's pipeline risk by adding an additional, already approved product to the portfolio. While market-related risks remain, including the risk that the product may not be successfully established in the UK market, Ovixan is a mature product that is already marketed in other European countries. As a result, the development and pipeline risk associated with Ovixan is considered lower compared to products at earlier stages of development.

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.

The market and competition risk is assessed as moderate, as while new competitors, pricing pressures or reimbursement changes could have a significant impact, the Group maintains a strong market position in its core markets and actively mitigates these risks through continuous market monitoring, competitive analysis, product development or the recent portfolio expansions.

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 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 in combination with 5-aminolevulinic acid. The patent was granted In US in 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 for lamp components were filed in past years to protect the use of the combination of Ameluz® and the RhodoLED PDT-lamp in U.S.. With the granting of these patents in U.S. in December 2021, a substantial contribution was made to limiting this risk. Furthermore, a patent application for an improved Ameluz® formulation without propylene glycol was filed in spring 2023. The patent has been granted in US and is currently under review in Europe. If granted in Europe, Ameluz® would be protected in the EU until 2043.

In summary, the intellectual property risk is assessed as elevated, as while the likelihood of occurrence is considered low to moderate due to the Group's comprehensive IP management, continuous monitoring and cooperation with specialized patent attorneys, the potential impact in case of insufficient protection or infringement could be significant. At the same time, the transfer of U.S.-related IP and associated risks in 2025 has reduced the Group's direct exposure. However, a residual risk cannot be fully excluded that, in the event of financial distress of Biofrontera Inc., certain legal or intellectual property-related matters, including past litigations, could affect the Group.

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 functional quality management system. Biofrontera's focus on Good Manufacturing Practice (GMP), Good Pharmacovigilance Practices (GVP) guidelines and other quality standards, which are mandatory in the pharmaceutical industry and are reflected 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.

Overall, the product and product stewardship risks are assessed as moderate, as the likelihood of occurrence is considered low due to the Group's comprehensive quality management system, strict adherence to GMP and GVP standards, defined SOPs, and regular internal and external audits, including inspections of suppliers and contract manufacturers. In addition, established pharmacovigilance processes ensure that potential side effects or product-related issues are identified and addressed at an early stage. While the potential impact in case of quality or safety issues could be significant, the Group's robust control environment and strong regulatory compliance significantly mitigate those risks.

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.

Taken together, the market and competition risk is assessed as moderate, as while new competitors, pricing could have a significant impact, the Group maintains a strong market position in its core markets and actively mitigates these risks through continuous market observation, tracking and analysis of sales and market data, regular assessment of competitor activities, pricing and reimbursement developments, as well as ongoing exchange with leading physicians and customers. In addition, targeted marketing and sales strategies, portfolio expansion and continuous review of market opportunities support the Group'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 and suppliers for the production of finished pharmaceutical products as well as raw materials, whose exchange would entail lengthy regulatory approval processes. Difficulties relating to procurement prices, quality, delivery reliability or quantities at these suppliers may adversely affect the Company's revenue and earnings targets. By establishing alternative suppliers, adjusting production volumes and actively managing contracts and inventories, Biofrontera seeks to mitigate these dependencies and ensure the reliable supply of required goods and services.

Currently, the company relies on a single supplier for Ameluz® in the EU, which represents a significant risk, as we are fully dependent on their ability to deliver the product on time and in compliance with quality requirements. To mitigate this risk, the

company is in the process of validating a second supplier; however, this validation is expected to take at least an additional 18 to 24 months.

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.

Following the strategic realignment implemented in 2025, the Group has discontinued and transferred activities related to the production and assembly of the BF-RhodoLED® and RhodoLED XL® lamp systems. As a result, procurement, production and quality-related risks associated with these lamp products no longer apply to the Group. The procurement and production risks described above therefore primarily relate to the Company's pharmaceutical products, for which the existing risk mitigation measures remain applicable.

In conclusion, the procurement and production risk is assessed as moderate to elevated, as the Group relies on a limited number of key suppliers and a approved contract manufacturer in the EU, which could lead to an impact in case of disruption. However, the likelihood of occurrence is considered low due to long-standing and stable relationships with suppliers and the contract manufacturer, recently upgraded production facilities, comprehensive monitoring, quality controls and audit processes, as well as the maintenance of sufficient safety stock to cover market demand. In addition, ongoing efforts to establish alternative manufacturing capacities further mitigate the risk.

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.

The insurance risk is assessed as low, as the Group maintains comprehensive insurance coverage, including liability, product liability, property damage, business interruption, transport, electronic equipment and inventory insurance, as well as D&O insurance. Coverage is regularly reviewed and adjusted with the support of experienced brokers to ensure adequate protection.

Taxes

The future use of the tax loss carryforwards accrued to date in the consolidated group of companies may not be realized due to a worse-than-planned business performance 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.

The tax risk is assessed as moderate, as the realization of tax loss carryforwards depends on future profitability and external factors such as changes in tax law or shareholder structure. While the Group continuously monitors and adjusts its tax position, recent developments and revised business expectations have already led to a reduction of deferred tax assets, reflecting the underlying uncertainty.

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. Although the U.S.-related IP has been transferred to Biofrontera Inc., we will receive an earn-out as a percentage of their sales through 2043. Therefore, increases in Biofrontera Inc.'s revenues will enhance our EBITDA and overall profitability.

Biofrontera Inc is conducting several clinical trials in the 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 an indication 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 was launched in the US 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 are also exploring potential new indications for Ameluz® PDT in markets beyond the United States.

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 and Asia. 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 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 partnership 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. The product has been launched in January 2026.

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.

Additionally, in November 2025, Biofrontera Pharma GmbH, the most important commercial subsidiary of Biofrontera AG, transferred the promotion and distribution rights for the marketing of Ameluz® in the Croatian territory to the Croatian pharmaceutical company Propharma d.o.o. As part of the partnership, Propharma will seek reimbursement for Ameluz® within the Croatian healthcare system. Once reimbursement has been secured, Propharma will lead the marketing and distribution of the product throughout Croatia, leveraging its specialized resources and experienced sales teams to reach healthcare professionals nationwide.

Overall opportunity and risk situation at Biofrontera

The Management Board considers the Group's risk and opportunity profile to be balanced and manageable. The Group has demonstrated its ability to maintain business operations and meet its financial obligations at all times, supported by established risk mitigation measures, including cost management, contingency planning and continued access to capital markets. As of December 31, 2025, the Group held cash and cash equivalents of EUR 3,603 thousand and, based on current planning, expects to maintain sufficient liquidity to meet its obligations for at least the next twelve months. The improved financial structure following the strategic realignment in 2025, combined with a reduced cost base and additional financial flexibility from ongoing earn-out inflows, further supports the Group's liquidity position.

A material risk to the Group's future business development arises from potential changes in the regulatory framework governing healthcare markets in Europe. Such changes may include, in particular, the introduction or tightening of price controls, mandatory rebate schemes, or amendments to reimbursement policies within national healthcare systems. These regulatory measures could adversely affect pricing flexibility, market access, and revenue generation, and may therefore have a negative impact on the Group's financial position and results of operations.

Given the high degree of regulatory intervention in the pharmaceutical sector and increasing cost-containment pressures in European healthcare systems, the likelihood and scope of such regulatory changes remain difficult to predict.

A further material risk relates to the financial stability of the Group's largest customer, Biofrontera Inc. Should Biofrontera Inc. be unable to continue its business operations, this would have a significantly adverse impact on the Group's planned adjusted EBITDA, the development of its liquidity position, and the utilisation of tax loss carryforwards. As a result, the recoverability of the deferred tax assets recognised in connection with these tax loss carryforwards, as well as the carrying amounts of investments recognised in the separate financial statements of Biofrontera AG, could be materially impaired.

In addition, such a scenario could result in Biofrontera AG once again becoming subject to the ongoing legal proceedings pending in the United States, which may give rise to significant costs and potential claims for damages. Together, these effects could have a material adverse impact on the Group's financial position, results of operations, and future business development.

At the same time, the Group benefits from a strengthened market position in Europe, supported by recent approval extensions for Ameluz® and ongoing commercialization efforts. Additional growth opportunities arise from the planned launch of Ovixan in the UK, the expansion of the dermatology product portfolio through strategic partnerships, and further geographic expansion through licensing and distribution agreements, including entry into additional European markets. In this context, the Group has already taken concrete steps to broaden its portfolio and market presence through recent partnership agreements and new product introductions, while further initiatives are continuously evaluated.

In the medium to long term, further upside potential exists through new product developments based on the Group's nanoemulsion technology, supporting a continued expansion of the product portfolio. In addition, the Group continues to benefit indirectly from the U.S. market through the earn-out mechanism. Biofrontera Inc. continues to advance clinical development programs in the United States, including Phase III and Phase IIb trials for Ameluz®. While the Group no longer bears operational or financial responsibility for these activities following the strategic realignment in 2025, successful outcomes may indirectly enhance the Group's EBITDA and profitability through the earn-out arrangement.

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). On August 28th 2024, Dr. Heikki Lanckriet was appointed as member of this Committee, after the resignation of Dr. Jörgen Tielmann.

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 appeal lodged against this by the former supervisory board members and management board members with the Higher Regional Court of Cologne was successful. In its ruling of June 26, 2025, the Higher Regional Court of Cologne dismissed Deutsche Balaton AG's lawsuit in its entirety. The lawsuit had been filed too late, as the amendment to the articles of association at Biofrontera, Inc. with the insertion of the authorized capital in December 2020 had already been the triggering event, but at the latest the company's capital market announcement of July 6, 2021. The resolutions of the Management Board and Supervisory Board of Biofrontera AG dated October 1 and October 27, 2021, had no legal significance in relation to the IPO of Biofrontera, Inc. The Higher Regional Court had allowed an appeal. Deutsche Balaton AG has appealed to the Federal Court of Justice. The Federal Court of Justice has not yet set a date for oral proceedings.

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. On 30 October 2025, the Higher Regional Court of Cologne dismissed the claimant's appeal against the provisional judgment of the Regional Court of Cologne dated 22 March 2024 and clarified that the claim is otherwise dismissed. As a result, the claimant will not receive the deducted amount he claimed. The claimant was ordered to bear the costs of the appeal proceedings.

Legal dispute in the USA

In June 2024, Biofrontera AG and Biofrontera Inc. were sued by Sun Pharma (DUSA) in the United States alleging that Biofrontera infringes two of Sun Pharma (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"). Sun Pharma (DUSA) filed suit in two venues. First, Sun Pharma 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). Second, Sun Pharma 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. In 2024, Biofrontera AG and its subsidiaries signed a joint defense agreement with Biofrontera Inc., to share legal expenses. However, pursuant to a June 30, 2025, agreement between Biofrontera AG and Biofrontera, Inc., control of Biofrontera intellectual property, and responsibility for defense costs, shifted to Biofrontera Inc., effective June 30, 2025, meaning that Biofrontera AG is no longer responsible for legal fees and expenses.

In the ITC, a hearing was held in June and July 2025. The Administrative Law Judge issued an Initial Determination on September 30, 2025 finding a violation of Section 337 (i.e., finding the Asserted Patents infringed and not invalid). Biofrontera has petitioned the full ITC for review of the ID. The full ITC has stated that it will respond to petitions for review by January 29, 2026, and issue a Final Determination in Q1, 2026.

In response to the infringement allegations, Biofrontera AG and Biofrontera Inc. also filed three petitions for Inter Partes Review (IPR) in the U.S. Patent and Trademark Office ("PTO") against the Asserted Patents. The PTO denied institution as to IPRs 2024-00874 and 2025-00287. However, the PTO instituted an IPR trial against all asserted claims of the '028 Patent in IPR 2024-01312 and a final written decision is expected in Q1, 2026.

On January 16, 2026, Sun Pharma filed a petition for Post Grant Review, challenging the patentability of U.S. Patent No. 12,280,146 (“'146 Patent”), an Orange Book listed formulation patent initially assigned to Biofrontera Biosciences GmbH. Biofrontera Inc. has retained counsel and intends to dispute Sun Pharma's petition.

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 U.S. 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.

The SunPharma (DUSA) false advertising litigation against Biofrontera Inc., Biofrontera AG, Biofrontera Bioscience and Biofrontera Pharma (collectively, the “Biofrontera Defendants”) remains pending in the U.S. federal court in New Jersey. As of June 1, 2025, Biofrontera Inc. assumed the defense for AG, Bioscience and Pharma, including payment of all legal fees and costs, as well as fully protecting the Biofrontera German entities from any outcomes, including any settlement, judgment or verdict, in the U.S. litigation. Regarding the procedural status of the SunPharma litigation, the parties have completed written discovery and taken the depositions of certain key fact witnesses. On December 12, 2025, SunPharma filed a motion to disqualify the law firm representing the Biofrontera Defendants, and a hearing on that motion will be held on January 29, 2026. SunPharma is seeking to stay any further depositions or other discovery until a ruling is made on the disqualification motion. The U.S. court has taken SunPharma's stay request under advisement.

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. The oral hearing before the Hamburg Regional Court on 20 May 2025 was attended. The court subsequently issued its judgment on 27 May 2025. As a result, the Hamburg Regional Court lifted the preliminary injunction of 4 November 2024. Biofrontera decided not to file an appeal.

Investor claim against Biofrontera AG

A prospectus liability claim in the amount of EUR 683,604.10 has been asserted against Biofrontera AG by a private investor in connection with the 2021 capital increase. The claim was initially brought in a conciliation proceeding (*Güteverfahren*), which has since been concluded without any legal or financial consequences for Biofrontera AG. The claimant alleges that the securities prospectus dated 3 February 2021, failed to adequately disclose plans for the subsequent IPO of Biofrontera Inc. in the United States. On 6 November 2025, Biofrontera AG declared a waiver of the statute of limitations (*Verjährungsverzicht*) in favor of the investor, thereby extending the limitation period through 30 September 2026 (inclusive). There remains a risk that the claim will be pursued through litigation. A comprehensive assessment of the merits of the claim cannot be provided at this stage, as the legal review is still ongoing. Based on the outcome of that review, Biofrontera AG will determine whether to defend itself against a potential claim or seek an amicable resolution with the investor.

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, 2025.

Composition of the share capital

As of December 31, 2025, 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) all of them tradable.

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, 2025:

	December 31, 2025	December 31, 2024
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	897,665
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; • Deutsche Balaton Biotech AG	3,781,739	3,781,739
Free float	1,397,458	1,397,458
Total	**6,076,862**	**6,076,862**

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 most recently amended with effect from June 18, 2025). 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 Authorized Capital 2022 was partially utilized and remains in an amount of the company's share capital to be increased by up to EUR 9,661,569.

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 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 Conditional 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 17, 2026

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 2025 (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 2025 in the (combined) management report for the financial year 2025, 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 17, 2026

Biofrontera AG

Pilar de la Huerta Martínez
Chief Financial Officer Biofrontera AG

Consolidated financial statements as of December 31, 2025

Consolidated balance sheet as of December 31, 2025

Assets

in EUR thousands		December 31, 2025	December 31, 2024
Non-current assets			
Tangible assets	(1)	660	2,934
Intangible assets	(1)	4	1,001
Deferred tax	(9)	3,529	9,029
Investments	(2)	2,538	420
Non-current lease receivables	(6)	-	14
Total non-current assets		**6,731**	**13,399**
Current assets			
Financial assets			
Trade receivables	(4)	5,825	6,452
Cash and cash equivalents	(8)	3,603	3,124
Current lease receivables	(6)	-	19
Other financial assets	(5)	56	202
Total financial assets		9,484	9,797
Other assets			
Inventories	(3)	3,747	5,548
Assets held for sale		-	-
Income tax		39	-
Other assets	(7)	643	910
Total other assets		4,428	6,458
Total current assets		**13,912**	**16,255**
Total assets		**20,643**	**29,654**

Equity and liabilities

in EUR thousands		December 31 , 2025	December 31 , 2024
Equity	(10)		
Subscribed capital		6,077	6,077
Capital reserve		137,497	137,497
Capital reserve from foreign currency conversion adjustments		35	22
Loss carried forward		(124,739)	(120,390)
Loss for the period		(3,965)	(4,350)
Total equity		**14,905**	**18,856**
Non-current liabilities			
Financial debt	(11)	10	329
Total non-current liabilities		**10**	**329**
Current liabilities			
Financial liabilities			
Trade payables	(13)	1,460	2,124
Current financial debt	(11)	616	436
Other financial liabilities	(12)	31	48
Total financial liabilities		**2,107**	**2,608**
Other liabilities			
Income Tax	(14)	358	382
Other provisions	(15)	632	5,253
Other liabilities	(16)	2,634	2,226
↳ thereof liabilities related to assets held for sale		38	0
Total other liabilities		**3,624**	**7,861**
Total current liabilities		**5,731**	**10,469**
Total equity and liabilities		**20,643**	**29,654**

Consolidated statement of comprehensive income for the fiscal year 2025

in EUR thousands		01.01.-31.12.2025	01.01.-31.12.2024 Prior year values adjusted (see further disclosure under group structure)
Sales revenue	(18)	13,189	12,183
Cost of sales	(19)	(2,280)	(2,068)
Gross profit from sales	(19)	**10,909**	**10,115**
Operating expenses			
Research and development costs	(20)	(2,232)	(2,198)
General administrative costs	(21)	(3,443)	(2,653)
thereof A/R Reserve		(259)	0
Sales costs	(22)	(6,259)	(6,851)
Result from operations		**(1,025)**	**(1,587)**
Depreciation and amortization	(28)	388	489
Other Expenses	(23)	(341)	0
Other Income	(23)	161	381
EBITDA		**(819)**	**(716)**
Depreciation and amortization	(28)	(388)	(489)
EBIT		**(1,207)**	**(1,205)**
Interest expenses	(24)	(14)	(11)
Interest Income	(24)	0	66
Profit/loss before income tax from continued operations		**(1,222)**	**(1,151)**
Profit/loss before income tax from discontinued operations	(25)	**3,268**	**(5,568)**
Income tax	(26)	(6,012)	2,369
thereof Income tax on continued operations		(5,721)	2,490
thereof Income tax on discontinued operations		(290)	(121)
Results from continued operations		**(6,943)**	**1,339**
Results from discontinued operations		**2,978**	**(5,689)**
As shown: Comprehensive income after income taxes		**(3,965)**	**(4,350)**
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		13	22
Total profit/loss for the period		**(3,952)**	**(4,328)**
Total profit/loss for continued operations		(6,930)	1,361
Total profit/loss for discontinued operations		2,978	(5,689)
Basic earnings per share in EUR		(0.65)	(0.72)
Diluted / undilited Earnings per share in EUR from discontinued operations	(27)	0.49	(0.94)

Diluted / undiluted Earnings per share in EUR from continued operations	(27)	(1.14)	0.22

Consolidated statement of changes in equity for the fiscal year 2025

		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, 2024		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 reduction / 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
Disposal scope of consolidation		0	0	0	0	0	0
Balance as of December 31, 2024	(10)	6,076,862	6,077	137,497	22	(124,739)	18,856

		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, 2024	(10)	6,076,862	6,077	137,497	22	(124,739)	18,856
Loss for the period		0	0	0	0	(3,965)	(3,965)
Foreign currency conversion		0	0	0	13	0	13
Total loss for the period		0	0	0	13	(3,965)	(3,952)
Capital decrease / reverse-split		0	0	0	0	0	0
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	0	0	0	0
Balance as of December 31, 2025	(10)	6,076,862	6,077	137,497	35	(128,704)	14,905

Consolidated cash flow statement for the fiscal year 2025

in EUR thousands		01.01.-31.12.2025	01.01.-31.12.2024
Cashflows from operations			
Porofit / Loss before income tax		2,060	(6,719)
Adjustments to reconcile loss before income tax to cash flow into operations			
Income tax		(36)	2,369
Financial result		14	1,298
Depreciation		648	839
Non-cash (income) and expenses		(1,835)	(32)
Changes in operating assets and liabilities			
Trade receivables		(1,677)	687
Receivables from Lease Contracts		33	19
Other assets and income tax assets		304	(918)
Inventories		(1,277)	(471)
Trade payables		(664)	(3,278)
Provisions		(2,140)	4,359
Other liabilities		170	(692)
Net cash flow from/in operational activities		**(4,400)**	**(2,539)**
Cash flow from investment activities			
Purchase of intangible and tangible assets		(51)	(210)
Proceeds from the sale of a discontinued operation		5,382	0
Net cash flow from/in investment activities		**5,331**	**(210)**
Cashflows from financing activities			
Proceeds from the issue of shares		0	3,343
Costs of equity procurement		0	(139)
Leasing payments		(438)	(464)
Balance of interest received / paid		(14)	53
Net cash flows from/in financing activities		**(452)**	**2,793**
Net increase/(decrease) in cash and cash equivalents	**(30)**	479	44
Cash and cash equivalents at the beginning of the period		3,124	3,080
Cash and cash equivalents at the end of the period	**(8)**	**3,603**	**3,124**

Notes to the consolidated financial statements as of December 31, 2025

Information about the Company

The Biofrontera AG (hereinafter also referred to as "Biofrontera" or the "Company"), registered in the Commercial Register of the Local Court of Cologne, Section 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 and the wholly owned subsidiary Biofrontera UK Ltd. with registered office in Newcastle upon Tyne, as a wholly owned subsidiary of Biofrontera Pharma GmbH and the Spanish branch Biofrontera Pharma GmbH sucursal en España with registered office in Cornellá de Llobregat research, develop and distribute dermatological products.

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

The holding in Biofrontera Inc., based in Woburn (Massachusetts), USA, stood at 8.89% as at the reporting date (previous year: 4.5%) and is reported under non-current assets as investments in companies.

Due to Deutsche Balaton AG holding a majority stake, Biofrontera AG is fully consolidated in the consolidated financial statements of Deutsche Balaton AG.

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, 2025 to December 31, 2025 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, 2025 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, 2025 were authorized for issue and forwarding to the Supervisory Board by the Executive Board on April 17, 2026.

With effect from 1 June 2025, the US business was transferred to Biofrontera Inc. as part of a transaction. This included, in particular, the transfer of an extensive portfolio of licences and patents to the previous licensing partner, as well as other fixed assets and

inventories relating to the production of the RhodoXL® lamp, and the transfer of employees and all associated obligations. Prior to the transaction, the divested division constituted a separate, significant business segment with clearly identifiable revenue and cash flows. Accordingly, the revenue and expenses associated with this business segment are presented separately as profit from discontinued operations in accordance with IFRS 5.

As part of the transaction, the Company received cash, shares in Biofrontera Inc. and a claim to earn-out payments amounting to 12%–15% of Biofrontera Inc.'s revenue. The shares in Biofrontera Inc. were valued and recognised at the market price at the time of the transaction. The earn-out payments are recognised on an ongoing basis as other income upon realisation and allocated to the discontinued operation.

All revenues and expenses directly attributable to the U.S. business were allocated to the discontinued operation. In addition to the earn-out claims against Biofrontera Inc. arising after the transaction for the period from June 1 to December 31, 2025, this also includes the impairment of the investment in Biofrontera Inc. recorded as of December 31, 2025. Litigation costs related to the U.S. business, as well as the related creation and release of provisions, were also fully allocated to the discontinued operation. For reasons of comparability, the prior-year period was also prepared using the same assumptions.

The structural change in the US business with Biofrontera Inc. had a significant effect on the usability of the tax loss carryforwards of the continuing operations; accordingly, the effect arising from the release of deferred tax assets against loss carryforwards was recognised in the continuing operations.

Changes in accounting standards

The accounting policies applied are consistent with those used as of December 31, 2025, 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 2025.

Standard	Description	Mandatory application	Effects
Amendments to IAS 21	"The Effects of Changes in Foreign Exchange Rates": Lack of Exchangeability	January 1, 2025	none

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	Takeover by the EU	Expected effects
Amendments to IFRS 9 and IFRS 7	"Amendments to the Classification and Measurement of Financial Instruments"	1 January 2026	27. Mai 2025	No material impact expected
Amendments to IFRS 9 and IFRS 7	"Contracts for Electricity Dependent on Weather Conditions"	1 January 2026	30. June 2025	No material impact expected
Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	"Annual Improvements Standard Cycle 11"	1 January 2026	9. July 2025	No material impact expected
IFRS 18	"Presentation and Disclosure in Financial Statements"	expected 1 January 2027	pending	Impact currently under analysis
IFRS 19	"Subsidiaries without Public Accountability: Disclosures"	expected 1 January 2027	pending	No relevance
Amendments to IFRS 19	"Subsidiaries without Public Accountability: Disclosures"	expected 1 January 2027	pending	No relevance
Amendments to IAS 21	"Effects of Changes in Foreign Exchange Rates: Conversion to a high-inflation reporting currency"	expected 1 January 2027	pending	No relevance

Basis of consolidation

The consolidated financial statements as of December 31, 2025 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, 2025, prepared in accordance with uniform principles. The consolidated financial statements as of December 31, 2025 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.

Company	Direct ownership in %	Indirect ownership in %
Biofrontera Pharma GmbH	100,0	
Biofrontera Bioscience GmbH	100,0	
Biofrontera Neuroscience GmbH	100,0	
Biofrontera Development GmbH	100,0	
Biofrontera UK Ltd.		100,0

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

Translation of amounts in foreign currencies

The consolidated financial statements as of December 31, 2025 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 (2025: 0.87260 GBP/EUR). Revenue and expense items are translated at the average foreign currency exchange rates (2025: 0.85679 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 (2025: EUR 35 thousand).

Transactions in foreign currencies are translated into the respective functional currency at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing on the balance sheet date. Translation differences are recognised in profit or loss and are recorded in the income statement under other operating expenses or under other operating income. Non-monetary assets and liabilities that have been measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction.

Application of estimates

The preparation of the consolidated financial statements as of December 31, 2025 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.

- Assessment of the recoverability of current assets

  Biofrontera must evaluate external and internal sources of information relating to current assets in order to identify any indications of impairment or a reversal of impairment. The company has significant receivables from its largest customer, Biofrontera Inc. Due to Biofrontera Inc.'s restricted liquidity situation, the assessment of the recoverability of these receivables is subject to judgement.

- Income taxes

  Biofrontera must calculate the expected actual income tax for each group company; it must also assess the 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 current and deferred taxes. The recognition of deferred tax assets by Biofrontera is subject to stricter requirements due to the company's history of losses. Deferred tax assets are recognised only if it can be substantiated that future taxable profits will be generated and that the deferred tax asset to be recognised is likely to be offset against future taxable profits. Various factors must be taken into account when assessing the likelihood of the future realisation of deferred tax assets, such as past earnings performance and operational planning. Relevant input factors for the planning are assumptions regarding volume and price growth in Germany, as the largest European market, and in the USA, which are reflected in the planned earn-out payments from Biofrontera Inc. Furthermore, the earn-out forecasts have been limited to a shorter time horizon, as there is insufficient certainty that Biofrontera Inc. will have sufficient liquid funds in the medium to long term to maintain its business operations.

If actual results deviate from these estimates or if these estimates need to be adjusted in future periods, this could have an adverse effect on the Company's financial position, results of operations and cash flow. Should there be a change in the impairment assessment of deferred tax assets, the recognised deferred tax assets must be written down – in accordance with their original recognition – either through profit or loss or as a non-profit-and-loss item, or unrecognised deferred tax assets must be capitalised through profit or loss or as a non-profit-and-loss item.

- 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.

- Presentation of discontinued operations

  Various assumptions had to be made in connection with the presentation of the transaction with Biofrontera Inc. For further information, see "Basis of preparation of the consolidated financial statements.

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

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.

Impairment of assets

The Group tests long-term tangible and intangible assets for impairment as soon as there are indications that the carrying amount of an asset exceeds its recoverable amount. 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 loss to be recognised as the amount by which the carrying amount of the asset exceeds its recoverable amount.The financial assets of Biofrontera AG consist primarily of equity instruments, cash and cash equivalents, and trade receivables. Financial assets are recognised in the consolidated balance sheet when Biofrontera AG has a contractual right to receive cash or other financial assets from a third party.

Upon initial recognition, a financial asset is classified into one of the following categories and measured:

– Measurement at amortised cost; or

– Measurement at fair value.

Classification is based on the business model for managing the debt instruments and the characteristics of the contractual cash flows. Debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows consisting solely of principal and interest payments at contractually fixed dates.

Financial assets that are not measured at amortised cost or at fair value through other comprehensive income must be measured at fair value through profit or loss. They are classified into the categories ‘at fair value through profit or loss’ or ‘at fair value through other comprehensive income’.

The latter category comprises all financial assets that Biofrontera AG irrevocably classifies in this category upon initial recognition. This also includes financial assets in the form of equity instruments. Gains or losses arising from changes in the value of these instruments are recognised in accordance with the selected measurement category.

The fair value of debt instruments is determined both at the time of initial recognition and at the end of each reporting period.

Financial assets

Biofrontera AG's financial assets consist primarily of equity instruments, cash and cash equivalents, trade receivables and inventories. Financial assets are recognised in the consolidated balance sheet when Biofrontera AG has a contractual right to receive cash or other financial assets from a third party.

Upon initial recognition, a financial asset is classified into one of the following categories and measured:

– Measurement at amortized cost; or

– Measurement at fair value.

Classification is based on the business model for managing debt instruments and the characteristics of the contractual cash flows. Debt instruments are measured at amortized cost if they are held within a business model whose objective is to collect contractual cash flows consisting solely of principal and interest payments at contractually specified dates.

The financial assets of Biofrontera AG consist primarily of trade receivables, receivables from finance leases, and contract assets. Details regarding trade receivables and contract assets can be found in the corresponding notes to the financial statements.

Fair Value Measurement

Financial assets that are not measured at amortized cost or at fair value through other comprehensive income must be measured at fair value through profit or loss. They are classified into the categories "at fair value through profit or loss" or "at fair value through other comprehensive income."

The latter category includes all financial assets that Biofrontera AG irrevocably classifies in this category upon initial recognition. This also includes financial assets in the form of equity instruments. Gains or losses from changes in the value of these instruments are recognized in accordance with the selected measurement category.

The fair value of debt instruments is determined both at the time of initial recognition and at the end of each reporting period.

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

n accordance with IAS 33, earnings per share are calculated by dividing the consolidated profit for the year by the weighted average number of shares outstanding during the year. Earnings per share are also reported separately for continued and discontinued operations.

Revenue recognition

The Company recognizes as revenue all proceeds from product sales and the granting of licenses. The contracts entered into with customers each involve 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 goods have been agreed upon with customers, Biofrontera recognizes revenue only in the amount that is most likely to be realizable, taking into account the proportion of products that, based on experience, will be returned. The timing and amount of revenue to be recognized in the consolidated income statement are

determined by the extent to which Biofrontera transfers control over the products to be delivered or the rights to be granted to the customers. Revenue from product sales to third parties and licensees is recognized as of the reporting date.

The majority of revenue is generated through product sales. Sales of Ameluz® are conducted exclusively through pharmaceutical wholesalers or directly to hospitals in Germany, in accordance with the respective local laws governing the distribution of pharmaceuticals and medical devices; in other European countries, sales are also made directly to pharmacies or hospitals.

For direct sales of BF-RhodoLED®, the goods and services owed are not deemed delivered until installation is complete. The installation service does constitute an ancillary service because, for legal reasons, the lamp may only be used by the customer after installation has been completed. This constitutes a single performance obligation.

Belixos® is distributed via Amazon and pharmaceutical wholesalers. Revenue is recognized via Amazon upon delivery and payment by the customer, and via pharmaceutical wholesalers upon delivery. Experience shows that customers exercise the return rights granted upon purchase only to a negligible extent.

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 in fiscal year 2025. The decrease in non-current assets is primarily due to the sale of property, plant, and equipment and intangible assets to Biofrontera Inc. Biofrontera uses external and internal information sources to determine at each balance sheet date whether there are indications of an impairment loss or a reversal of an impairment loss.

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

Statement of changes in non-current assets for 2025

in EUR thousands	Purchase and production cost					Accumulated depreciation				Carrying amounts	
	01.01. 2025	Additions	Disposals	Transfers	31.12.2025	01.01. 2025	Additions	Disposals	31.12.2025	31.12.2025	01.01. 2025
Tangible assets and leases											
Operating and business equipment	4,667	331	(2,247)	0	2,751	(2,436)	(183)	467	(2,152)	599	2,231
Right-of-use leasing properties	3,196	0	(3,196)	0	0	(2,649)	(342)	2,991	0	0	547
Right-of-use leasing tangible assets	1,028	0	0	0	1,028	(871)	(95)	0	(966)	62	157
Tangible assets and leases	**8,891**	**331**	**(5,443)**	**0**	**3,779**	**(5,956)**	**(620)**	**3,458**	**(3,118)**	**661**	**2,935**
Intangible assets											
Software and licenses	273	0	273	0	546	(257)	(16)	273	0	0	16
Right-of-use assets	736	0	0	0	736	(720)	(12)	0	(732)	4	16
Development Cost	1,328	0	(1,328)	0	0	(359)	0	359	0	0	969
Intangible assets	**2,337**	**0**	**(1,055)**	**0**	**1,282**	**(1,336)**	**(28)**	**632**	**(732)**	**4**	**1,001**
	0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**11,228**	**331**	**(6,498)**	**0**	**5,061**	**(7,292)**	**(648)**	**4,090**	**(3,850)**	**665**	**3,936**

Statement of changes in non-current assets for 2024

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

2. Investments measured at fair value

Financial assets comprise the carrying amount of the investment in Biofrontera Inc. of EUR 2,538 thousand (previous year: EUR 420 thousand). The investment is measured at fair value as at 31 December 2025.

The investment comprises two components: Firstly, 400,000 shares that were already held in 2024 and had a value of EUR 194 thousand as at the reporting date (previous year: EUR 420 thousand). Secondly, from 4,831,172 shares acquired in October 2025 as part of the transaction, with a total value of EUR 4,103 thousand, based on a share price of USD 0.9899, converted at the exchange rate of USD 1.1657 per EUR. As at the balance sheet date, both the newly acquired and the already held shares were valued at EUR 2,344 thousand using the closing price of 0.57 USD.

The remaining carrying amount for the shares in Biofrontera Inc. is reported as an investment in financial assets and is measured at fair value through profit or loss. As at 31 December 2025, based on the share price of Biofrontera Inc., an impairment loss of EUR 2,077 thousand has been recognised.

General information

	Capital share		Share of voting rights		Fair value of the investment when a quoted market price exists	
in EUR thousand	31.12.2025	31.12.2024	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Biofrontera Inc., Woburn (USA)	8.89%	4.50%	8.89%	4.50%	2,538	420

Description of the type of activity

Biofrontera Inc., headquartered in Woburn, Massachusetts, USA, was a licensing partner for Biofrontera's products in the United States until May 31, 2025. For further details, please refer to our disclosures regarding relationships with related parties.

Financial information about Biofrontera Inc., USA

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%). The valuations as at 31 December 2024 were carried out at a rate of 1.0389, whilst the valuations as at 31 December 2025 were carried out at a rate of 1.175.

in EUR thousand	31.12.2025	31.12.2024
Current assets	15,390	19,925
thereof cash and cash equivalents	5,440	5,684
Noncurrent assets	8,920	1,349
Current liabilities	10,123	11,571
Noncurrent liabilities	5,267	5,436
Revenues	35,494	35,924
Operating Result	(9,658)	(16,566)
Other Income	712	(507)
Result after tax	(8,967)	(17,094)

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	2024	Investments
Carrying amount as of December 31, 2023		**1,718**
Additions		**0**
Impairment		**(1,298)**
Carrying amount as of December 31, 2024		**420**

in EUR thousands	2025	Investments
Carrying amount as of December 31, 2024		**420**
Additions		**4,103**
Impairment		**(1,985)**
Carrying amount as of December 31, 2025		**2,538**

3. Inventories

in EUR thousands	December 31, 2025	December 31, 2024
Raw materials	1,533	2,260
Unfinished goods	109	278
Finished goods and products	2,104	3,010
Total	**3,747**	**5,548**

In the reporting year, no impairment losses (previous year: EUR 0 thousand) were recognized on finished goods.

The decrease in inventories is primarily due to the transfer of the business division to Biofrontera Inc., in the course of which the relevant stock was sold.

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, no allowances for doubtful accounts were recognized for trade receivables. The receivables from Biofrontera Inc. were settled during the reporting period.

5. Other financial assets

The other financial assets of EUR 56 thousand (previous year: EUR 202 thousand) primarily comprise the deposit of collateral, especially for rented premises, credit cards and leased vehicles of EUR 40 thousand (previous year: EUR 30 thousand), as well as advance payments for deliveries and services of EUR 2 thousand (previous year: EUR 13 thousand). In addition, creditors with debit balances in the amount of EUR 14 thousand (previous year: EUR 152 thousand) are recognised here. We have also accounted for a

specific bad debt reserve of EUR 259 thousand (previous year: EUR 0 thousand) from a dispute with one of our suppliers who has been invoiced for damaged material due to their fault. This is currently being reviewed by their new CEO.

6. Receivables from leases

As of December 31, 2025, there were no non-current (previous year: EUR 14 thousand) or current receivables (previous year: EUR 19 thousand) from subleases.

7. Other assets

Other assets mainly comprise prepaid expenses (EUR 424 thousand; previous year: EUR 686 thousand) and VAT receivables of EUR 148 thousand (previous year: EUR 214 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 3,603 thousand (previous year: EUR 3,124 thousand).

9. Deferred income tax

Deferred tax assets amount to EUR 3,529 thousand (previous year: EUR 9,029 thousand) concern both Biofrontera Pharma GmbH and The reduction in deferred tax assets of EUR 5,501 thousand (previous year: increase of EUR 2,211 thousand) is primarily due to an adjustment to the business plan following the structural realignment of contractual relationships with BF Inc and the associated changes in the US business. The new agreement alters the economic framework and leads to a significant reduction in the expected profitability of both companies over the next five years. On the one hand, Biofrontera Inc.'s revenues are expected to be lower due to the sale of US-related assets. On the other hand, we have limited our earn-out forecasts to a shorter period, as there is insufficient certainty that Biofrontera Inc. will have sufficient liquid funds in the medium to long term to maintain its business operations[AF1]. Due to the currently limited planning certainty, the planning has been focused on a period that can be reliably projected. The updated planning reflects these effects and results overall in a reduced recoverable amount for the subsidiaries. From Biofrontera AG's perspective, this gives rise to a corresponding impairment requirement.

Given the currently limited planning visibility, the forecast has been aligned to a reliably assessable period. The updated planning reflects these effects and results in an overall reduction of the recoverable amount of the subsidiaries. Consequently, from Biofrontera AG's perspective, this leads to a corresponding impairment need. 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, 2025		December 31, 2024	
	Loss carried forward	Deferred tax assets	Loss carried forward	Deferred tax assets
Corporation tax including Solidarity Surcharge	147,544	23,356	152,220	24,096
Business tax	128,454	11,240	133,447	11,677
Total		**34,596**		**35,773**

There are differences between the tax basis and the net asset values of subsidiaries amounting to EUR 88.1 million (previous year: EUR 93.8 million) for which no deferred tax assets were recognized in accordance with IAS 12.44, as the difference is not expected to reverse in the foreseeable future.

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

in EUR thousands	December 31, 2025		December 31, 2024	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Loss carried forward	3,478	0	9,368	0
Non-current assets				
- Intangible assets	0	0	0	(238)
- Tangible assets	0	0	0	(173)
-Receivables and other assets	116	(61)	159	(85)
Current assets				
- Receivables and other assets	0	(5)	0	(2)
Non-current and current financial liabilities	0	0	0	0
Current liabilities				
- Liabilities and other	0	0	0	0
Total	3,594	(66)	9,527	(498)
Netting of deferred tax assets and liabilities	(66)	66	(498)	498
As recognized on balance sheet	**3,528**		**9,029**	**0**

Deferred tax assets arising from tax loss carryforwards are recognised only to the extent that there is substantial evidence that they are likely to be utilised against future taxable profits or that deferred tax liabilities exist in a corresponding amount. The deferred tax assets recognised in respect of loss carryforwards were calculated for two operating companies included in the consolidated financial statements on the basis of current business planning. Both companies incurred a loss in the 2024 financial year, which is primarily attributable to one-off effects relating to the creation of a provision for legal costs. Substantial evidence for the recognition of deferred tax assets arises in particular from the expected continuation of the positive revenue trend, taking into account existing contracts–some of which are long-term–as well as from a sustainably reduced and structurally adjusted cost structure.

Deferred tax assets arising from loss carry-forwards amounting to EUR 31,067 thousand (previous year: EUR 26,405 thousand) were not recognised due to insufficient substantive evidence of future taxable profits in the corresponding amount or due to the consideration of a history of losses to date.

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, 2025	December 31, 2024
Consolidated loss before tax	2,047	(6,719)
Expected income tax reimbursement	**(503)**	**1,651**
Differences arising from different tax rates amd changes in corporate tax rates	(151)	(99)
Tax increases due to non-deductible expenses		
- from disposal of companies accounted for at equity and impairment of investments	(488)	(319)
- other non-deductible expenses	(263)	10
Changes in unrecognized deferred tax assets		
- from active temporary differences	389	(73)
- from loss carryforwards	(4,995)	1,199
Other effects	0	0
Income taxes from continued operations	**(6,011)**	**2,369**
thereof income taxes from continued operations	**5,721**	**2,490**

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, 2025. It consisted of 6.076.862 registered shares with a nominal value of EUR 1.00 each. On December 31, 2024, the share capital had amounted to EUR 6.076.862.

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 recognizedin a separate item under equity. Neither the purchase nor the sale, issue or cancellation of own equity instruments is recognized 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, 2025:

	December 31, 2025	December 31, 2024
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	897,665
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; • Deutsche Balaton Biotech AG	3,781,739	3,781,739
Free float	1,397,458	1,397,458
Total	**6,076,862**	**6,076,862**

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, 2025. 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, 2025, 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, 2025 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	0	0	0	0	0	0
End of vesting period	4/18/2016	12/1/2016	4/28/2017	11/28/2017	5/7/2018	5/14/2019
Exercise price	0.00 EUR	0.00 EUR	0.00 EUR	0.00 EUR	0.00 EUR	0.000 EUR
Adjusted exercise price March 2018	0.00 EUR	0.00 EUR	0.00 EUR	0.00 EUR	0.00 EUR	0.00 EUR
End of vesting period	4/18/2020	12/1/2020	4/28/2021	11/28/2021	5/7/2022	5/14/2023
End of exercise window	4/18/2022	12/1/2022	4/28/2023	11/28/2023	5/7/2024	5/14/2025
Fair value per option	0.00 EUR	0.00 EUR	0.00 EUR	0.00 EUR	0.00 EUR	0.00 EUR
Share price volatility	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Dividend yield	0%	0%	0%	0%	0%	0%
Share price yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Risk-based interest rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fluctuation rate	0%	0%	0%	0%	0%	0%

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, 2025	December 31, 2024
Outstanding at the beginning of the period	59,990	84,990
Granted during the period	0	0
Forfeited during the period	6,500	25,500
Exercised during the period	0	0
Expired during the period	53,490	0
Outstanding at the end of the period	0	59,990
Exercisable at the end of the period	0	0
Range of exercise prices for outstanding options	0 EUR	5 EUR
Weighted average of remaining contractual life	4 months	16 months
Cost during the period	0 TEUR	0 TEUR

Due to the non-fulfillment of the exercise conditions, no options were exercisable as of December 31, 2025.

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 0 thousand (previous year: EUR 138 thousand) for the year ended December 31, 2025.

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.

11. Financial liabilities

in EUR thousands	December 31, 2025	December 31, 2024
Non-current financial liabilities		
Leasing liabilities	10	329
Total non-current financial liabilities	**10**	**329**
Current financial liabilities		
Leasing liabilities	55	436
Other current liabilities	561	0
Total current financial liabilities	**616**	**436**

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

in EUR thousands	December 31, 2025					
	2026	2027	2028	2029	2030	Total
Leasing liabilities						
Principal repayment	55	10	0	0	0	65
Interest payment	3	1	0	0	0	4

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

Leasing liabilities

The carrying amount of current and non-current lease liabilities is EUR 65 thousand (previous year: EUR 765 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 01.01.2025	Additions	Disposals	Principal payments	as of 31.12.2025	Leasing payments	Interest expense
Buildings	605	0	(262)	(343)	0	343	1
Cars	137	0	0	(81)	56	84	2
Others	23	0	0	(14)	9	14	0
Total	765	0	(262)	(438)	65	441	3

Lease liabilities in EUR thousands	as of 01.01.2024	Additions	Disposals	Principal payments	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, 2025	December 31, 2024
Non-current other financial liabilities		
Liability	0	0
from SAR program	**0**	**0**
Current financial liabilities	**31**	**48**

13. Trade payables

As of December 31, 2025, trade payables amount to EUR 1,460 thousand (previous year: EUR 2,124 thousand).

14. Income taxes

Income tax liabilities amounting to EUR 358 thousand (previous year: EUR 382 thousand) relate to liabilities from corporation tax of EUR 183 thousand, (previous year: EUR 258 thousand) and commercial tax of EUR 175 thousand, (previous year: EUR 124 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, 2024	Utilized	Released	Added	Reclassified	December 31, 2025
Provisions for litigation costs	5,181	(2,593)	(2,588)	592	0	592
Other provisions	72	(27)	(5)	0	0	40
Total	**5,253**	**(2,620)**	**(2,593)**	**592**	**0**	**632**

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, 2025	December 31, 2024
Accrual for employee bonuses	738	675
Accrual for outstanding vacation	67	134
Payroll tax	69	157
Accruals for outstanding invoices	551	691
Accruals for financial statement and audit costs	188	194
Other accruals	1,021	375
Total other current liabilities	**2,634**	**2,226**

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 0 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, 2025	December 31, 2024
Outstanding at the beginning of the period	188,811	250,791
Granted during the period	0	0
Forfeited during the period	53,311	61,980
Exercised during the period	0	0
Outstanding at the end of the period	135,500	188,811
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 SAR 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.

17. 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 according to IFRS 9	Fair value as of December 31, 2025	Carrying amount as of December 31, 2025	Fair value as of December 31, 2024	Carrying amount as of December 31, 2024	Hierarchy level
Investments	FVTPL	2,538	2,538	420	420	1
Cash and cash equivalents	AC	3,603	3,603	3,124	3,124	1
Trade receivables	AC	5,825	5,825	6,452	6,452	2
Receivables from leases	AC	0	0	19	19	2
Other financial assets	AC	56	56	202	202	2
Total		**12,022**	**12,022**	**10,217**	**10,217**	

	Valuation category according to IFRS 9	Fair value as of December 31, 2025	Carrying amount as of December 31, 2025	Fair value as of December 31, 2024	Carrying amount as of December 31, 2024	Hierarchy level
Financial liabilities, current	AC	616	616	436	436	0
Trade payables	AC	1,460	1,460	2,124	2,124	0
Other financial liabilities	AC	31	31	48	48	0
Financial liabilities, non-current	AC	10	10	329	329	0
Total		**2,117**	**2,117**	**2,937**	**2,937**	

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 2025 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 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 2025	Assets AC	Liabilities AC	Assets FVTPL	Total
Specific bad debt reserve on other assets	(259)	0	0	(259)
Impairment of Investments	0	0	(1,985)	(1,985)
Income from currency translation	46	212	0	258
Expenses from currency translation	(82)	(288)	0	(370)
Total	**(36)**	**(76)**	**(2,244)**	**(112)**

in EUR thousands 2024	Assets AC	Liabilities AC	Assets FVTPL	Total
Specific bad debt reserve on other assets	0	0	0	0
Impairment of Investments	0	0	(1,299)	0
Income from currency translation	5	186	0	191
Expenses from currency translation	(77)	(160)	0	(237)
Total	**(72)**	**26**	**(1,299)**	**(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 our sales organization based there.

Exchange rate related change in profit 2025

in EUR thousands	USD EUR +10%	CHF EUR +10%	GBP EUR +10%
Profit	(137)	191	12

in EUR thousands	USD EUR -10%	CHF EUR -10%	GBP EUR -10%
Profit	168	(234)	(15)

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.

In the 2025 financial year specific allowances for other financial assets totaling EUR 259 thousand were recognized (previous year: EUR 0 thousand). The calculation of expected credit losses at portfolio level revealed no significant need for impairment, given the historically low default rates and the current risk assessment. All outstanding receivables against Biofrontera Inc. as per 31st December 2025 are paid as per signature date of the financial report. 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				
	31.12.2025	2026	2027	2028	2029	2030
Financial liabilities current	616	616	0	0	0	0
Trade payables	1,460	1,460	0	0	0	0
Other financial liabilities current	31	31	0	0	0	0
Financial liabilities non-current	10	0	10	0	0	0
Total	**2,117**	**2,107**	**10**	**0**	**0**	**0**

Notes to the consolidated statement of comprehensive income

18. Sales revenue

in EUR thousands	01.01.-31.12.2025 Product revenues	Service revenues	Licensing revenues	Total 2025	01.01.-31.12.2024 Product revenue	Service revenues	Licensing revenues	Total 2024
Germany	9,863	0	0	9,863	7,831	0	0	7,831
Spain	1,725	0	0	1,725	1,696	0	0	1,696
U.K.	978	0	0	978	842	0	0	842
Other European countries	0	0	609	609	0	0	1,700	1,700
Total Europe (excluding Germany)	2,703	0	609	3,312	2,538	0	1,700	4,238
Total Europe	12,566	0	609	13,175	10,369	0	1,700	12,069
Other regions	0	0	14	14	0	0	115	115
Total	**12,566**	**0**	**623**	**13,189**	**10,369**	**0**	**1,815**	**12,184**
From discontinued operations	0	19	6,019	**6,038**	0	67	9,415	**9,482**
Total	**12,566**	**19**	**6,642**	**19,227**	**10,369**	**67**	**11,230**	**21,666**

All sales revenues result from contracts with customers. Revenue from Biofrontera Inc. (included in the presentation of discontinued operations in accordance with IFRS 5) accounts for 31.4% of the Group's total revenue (43.7% in the prior year).

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 0.89 % of total sales in fiscal 2025 (previous year: 0.77 %), while provisions for return obligations amount to 0.20 % of total sales (previous year: 0.20 %).

19. Cost of sales, gross profit

The material, personnel, and other expenses included in the cost of sales amounted to EUR 2,280 thousand in fiscal year 2025 (previous year: EUR 2,068 thousand), excluding discontinued operations.

The gross profit increased by EUR 794 thousand in the reporting year 2025 to EUR 10,909 thousand compared to EUR 10,115 thousand in the prior-year period.

20. Research and development costs

Research and development costs, without considering discontinued operations, amounted to EUR 2,232 thousand (previous year: EUR 2,198 thousand). They include regulatory expenses, i.e., for the granting, maintenance, and extension of our marketing authorizations, patent expenses and clinical trails.

21. General administrative costs

General and administrative expenses, without considering discontinued operations, amounted to EUR 3,443 thousand (previous year: EUR 2,653 thousand) in fiscal year 2025 an increase of 29.8% compared to the previous year.

22. Sales and marketing costs

Sales and marketing costs, without considering discontinued operations, amounted to EUR 6,259 thousand (previous year: EUR 6,851 thousand) in fiscal year 2025. Sales costs include the costs of our own sales force in Germany, Spain, and the United Kingdom, as well as marketing expenses.

23. Other expenses and income

Other expenses and income, without considering discontinued operations, totaled to a loss of EUR -180 thousand in the reporting period (previous year: profit of EUR 381 thousand) and mainly include expenses and income from currency translation.

24. Interest expenses and income

The interest expenses, without considering discontinued operations, of EUR 14 thousand (previous year: EUR 11 thousand) mainly result from interest of EUR 13 thousand (previous year: EUR 10 thousand) to be recognized for leases in accordance with IFRS 16.

Interest income amounts to EUR 0 thousand (previous year: EUR 66 thousand).

25. Net income from discontinued operations

in EUR thousands	2024 discontinued operations	2025 discontinued operations
Revenue	**9.483**	**6.038**
Cost of goods sold	**(3.259)**	**(4.912)**
Gross Profit	**6.224**	**1.126**
Regulatory & Development	(3.154)	(1.463)
Selling & Marketing	(82)	(80)
General & Administration	(7.343)	1.345
Operating Profit	**(4.355)**	**928**
Other Income	325	4.620
Other Expenses	(240)	(295)
Depreciaton	350	260
EBITDA	**(3.920)**	**5.513**
EBIT	**(4.270)**	**5.253**
Expenses from other investments	(1.298)	(1.985)
interest expense	0	0
other interest	0	0
EBT	**(5.568)**	**3.268**
Tax	**(121)**	**(290)**
Net Profit	**(5.689)**	**2.978**

The gain on the disposal of the US business amounts to EUR 1,354 thousand, excluding the release of provisions, which were also released as part of the disposal. The corresponding tax expense amounts to EUR 75 thousand.

26. Income tax

in EUR thousands	December 31, 2025	December 31, 2024
Deferred taxes	(5,501)	2,211
Actual income taxes	(511)	158
Total income taxes	**(6,012)**	**2,369**

The expense of EUR 5,501 thousand arising from the adjustment of deferred taxes (previous year: income of EUR 2,211 thousand) results primarily from a revision of the company's business plan following the structural realignment of contractual relationships with Biofrontera Inc. and the associated changes in the US business. The new agreement alters the economic framework and leads to a significant reduction in expected profitability over the next five years. On the one hand, Biofrontera Inc.'s revenues are expected to be lower due to the sale of US-related assets. Secondly, we have limited our earn-out forecasts to a shorter period, as there is insufficient certainty that Biofrontera Inc. will have sufficient liquid funds in the medium to long term to sustain its business operations. The updated planning reflects these effects and, overall, leads to a reduced recoverable amount for the subsidiaries and thus also to a lower utilisation of tax loss carryforwards.

Overall, this results in a corresponding need for impairment of deferred tax assets relating to tax loss carryforwards. In addition, the phased reduction in corporation tax from 2028 onwards has been taken into account.

27. Earnings per share (EPS)

Earnings per share are calculated on the basis of the profit or loss for the year attributable to the owners of the parent and the weighted average number of ordinary shares outstanding during the financial year, in accordance with IAS 33.

	December 31, 2025	December 31, 2024 prior year figures adjusted (for further disclosure see group structure)
Number of weighted ordinary shares in circulation (without dilution)	6,076,862	6,076,862
Total result attributable to owners of the parent in EUR	(3,965,255)	(4,349,780)
Basic earnings per share in EUR	**(0.65)**	**(0.72)**
Basic earnings per share in EUR from discontinued business	**0.49**	**(0.94)**
Basic earnings per share in EUR from continued business	**(1.14)**	**0.22**
Number of weighted ordinary shares in circulation (with dilution)	6,076,862	6,076,862
Result attributable to owners of the parent in EUR	(3,965,255)	(4,349,780)
Diluted earnings per share in EUR	**(0.65)**	**(0.72)**
Diluted earnings per share from discontinued operations	**0.49**	**(0.94)**
Diluted earnings per share from continued operations	**(1.14)**	**0.22**

28. 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, 2025	December 31, 2024
Research and development costs	129	184
General administrative costs	397	453
Cost of sales	117	181
Sales and marketing	5	21
Depreciation and amortization expense	**648**	**839**

Personnel costs

in EUR thousands	December 31, 2025	December 31, 2024
Wages and salaries	6,400	6,722
Social security charges	1,083	1,168
Cost for pension schemes	75	90
Total	**7,558**	**7,980**

These disclosures include results from both continuing and discontinued operations.

29. Staff

In 2025 the Biofrontera Group had an average of 82 salaried employees (previous year: 88).

Notes to the consolidated cash flow statement

30. 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 479 thousand (previous year: EUR 44 thousand).

Interest paid amounted to EUR 15 thousand (previous year: EUR 11 thousand). Interest payments received amounted to EUR 0 thousand (previous year: EUR 65 thousand).

Expenses for short-term leases and leases of low value amounted to EUR 14 thousand (previous year: EUR 16 thousand). Income from subleases amounted to EUR 63 thousand (previous year: EUR 64 thousand).

in EUR thousands	January 1, 2025	Cash effective	Addition/ retirement	Fair value change	December 31, 2025
Leasing liabilities	765	(438)	(262)	-	65
Total financial liabilities	**765**	**(438)**	**(262)**	**-**	**65**

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**

The rental agreement of the premises was terminated as per 31st December 2025. A new contract with reduced and changed office space was closed in January 2026. The termination was accounted for in accordance with IFRS 16. Duration of the new contract is 5 years with a net rent of EUR 24 thousand per month. This amount includes advance payment of utilities of EUR 7 thousand. Therefore, the total liability deriving from this contract will be EUR 1,441 thousand over the duration of the contract of which EUR 1,008 thousand is allocated to rent and EUR 433 thousand is allocated to the utilities.

Other explanatory notes

31. Members of the Management Board

In the fiscal year 2025, the Executive Board consisted of Ms. Pilar de la Huerta Martínez (Chief Financial Officer).

Management Board compensation

in EUR thousands	December 31, 2025	December 31, 2024
Short-term benefits	411	425
Performance-based compensation	0	0
Total compensation	**411**	**425**

Further information on 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	Vaxdyn, S.L., Spain	Supervisory Board	Member
	Epidisease S.L., Spain	Supervisory Board	Member
	Creatsens Health S.L., Spain	Supervisory Board	Member
	CELAX Innovation S.L., Spain	Management Board	Sole administrator
	Sarcorem S.L., Spain	Management Board	Sole administrator

32. Members of the Supervisory Board

Name	Nationality	Age	Position	Date of first appointment	Term until
Alexander Link	German	54	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	55	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	48	Member	December 14, 2021	2026
CV	Dr. Lanckriet during 2025 was 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	51	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	57	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	60	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 Duale Hochschule Mannheim and an MBA from the Kelley School of Business, USA.				

Supervisory Board compensation

in EUR thousands	2025	2024
Alexander Link *	44	15
Dr. Helge Lubenow	33	34
Dr. Heikki Lanckriet	22	22
Hansjörg Plaggemars *	25	9
Tobias Reich *	22	8
Karlheinz Schmelig	28	28
Wilhelm K.T. Zours **	0	15
Prof. Dr. Karin Lergenmüller **	0	17
Dr. Jörgen Tielmann **	0	22
Gesamt	**174**	**169**

* Entered during 2024

** Retired during 2024

The payments are short-term payments.

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	Member
	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
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	Sole Board Member
	Delphi Unternehmensberatung AG	Board of Directors	Member
	2invest AG	Board of Directors	Sole Board Member
	Patronus Resources Ltd.	Non-Executive Director	
	Altech Advanced Materials AG	Board of Directors	Sole Board Member
	Alpha Cleantec AG	Board of Directors	Chair
	Balaton Estate Ltd.	Board of Directors	Chair
	Strawtec Group AG	Board of Directors	Chair
	VV Beteiligungen AG	Board of Directors	Member
	Theta Gold Mines Ltd.	Non-Executive Director	
	Skeena Resources Ltd.	Non-Executive Director	
	4basebio PLC, Cambridge, UK	Non-Executive Director	
	Altech Batteries LTD, Australien	Non-Executive Director	
	Geopacific Resources Ltd, Australien	Non-Executive Director	
	KiCo Invest GmbH	Managing Director	

Tobias Reich	Conbrio Beteiligungen AG	Board of Directors	Member
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
	Heidelberg Epignostix GmbH	Management Board	CEO
Karlheinz Schmelig	Creathor Venture Management GmbH	Managing Director	

33. 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, 2025	December 31, 2024
Sales revenues	6,038	9,483
Other income	4,620	98
Clinical trial expenses	0	325
Other expenses	0	0
Trade receivables	4,244	5,095
Trade payables	0	0
Payables from DUSA settlement	0	0

In June 2025, Biofrontera Inc. and Biofrontera AG signed a binding term sheet aiming restructuring the business relations between the two companies. All liabilities, assets, staff, and operations related to the USA market, will be transferred to Biofrontera Inc group. On top of, all manufacturing activities related to RhodoLED® lamp series will be also transferred. As consideration, the Company will receive shares in Biofrontera Inc. representing 10% of the post-money equity following the agreed capital increases, together with an earn-out payable over the life of the transferred patents (2043), amounting to between 12% and 15% of Biofrontera Inc.'s U.S. sales. Payments of the earn out will be done monthly. If Ameluz yearly sales in USA are below USD 5.000k, no earn out will be paid to us.

The definitive agreement was executed in October 2025. By year-end, the transfer of assets was substantially completed, together with the transfer of employees, manufacturing activities, and regulatory processes. Only minor residual activities and regulatory approvals remain outstanding and are expected to be completed during the first half of 2026.

The following relationships exist with the Maruho Group:

in EUR thousands	December 31, 2025	December 31, 2024
Revenue from patent transfer	0	0
Revenue from license agreements	14	115
Income from subleases	0	0
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 2025, there were no further reportable transactions or relationships with related parties other than those mentioned above and in Note 31 and Note 32.

34. Auditor's fees and services

The total fee invoiced by the auditor for the 2025 financial years consist of:

in EUR thousands	December 31, 2025	December 31, 2024
Auditing services	137	132
of which for the previous year	0	0
Other consulting services	0	0

The auditing services relate to the mandatory audits of the annual and consolidated financial statements of Biofrontera AG.

35. Subsequent events

Legal issues

DUSA Patent litigation

In June 2024, Biofrontera AG and Biofrontera Inc. were sued by Sun Pharmaceutical Industries (DUSA) in the U.S., alleging infringement of two patents related to photodynamic therapy lamps (U.S. Patents 11,446,512 and 11,697,028) concerning the RhodoLED XL lamp. DUSA also initiated proceedings before the U.S. International Trade Commission (ITC, Investigation No. 337-TA-1411) seeking to restrict imports of the lamp. District court proceedings in Massachusetts are currently stayed pending the ITC outcome.

Parallel inter partes review petitions were filed at the U.S. Patent and Trademark Office. Two petitions were denied, while review of the '028 patent was instituted. In February 2026, the Patent Trial and Appeal Board (PTAB) issued a final decision finding all challenged claims of the '028 patent unpatentable. This decision will be submitted to the ITC, which may consider it in reviewing the related '512 patent, though the Commission is not bound by the PTAB ruling.

The PTAB decision undermines DUSA's claims on the '028 patent, potentially weakening their position in both the ITC investigation and the stayed district court case.

On January 16, 2026, Sun Pharma filed a petition for Post Grant Review, challenging the patentability of U.S. Patent No. 12,280,146 ("146 Patent"), an Orange Book listed formulation patent initially assigned to Biofrontera Biosciences GmbH. Biofrontera Inc. has retained counsel and intends to dispute Sun Pharma's petition.

Conflict of interest case (Biofrontera Inc US lawyers)

On December 12, 2025, Sun Pharma filed a motion seeking to disqualify Biofrontera Inc.'s legal counsel, McGuireWoods LLP, citing a potential conflict of interest due to a former Sun Pharma regulatory compliance attorney joining McGuireWoods' Washington, D.C. Office.

The Court scheduled an oral argument on the motion for January 29, 2026, and subsequently dismissed the motion.

VAT Pre-audit Spain

On February 18, 2026, we received an information request from the Spanish tax authorities regarding the VAT reporting for 2024 of our Spanish entity Biofrontera Pharma GmbH, Sucursal en España.

Biofrontera Inc's clinical trials result

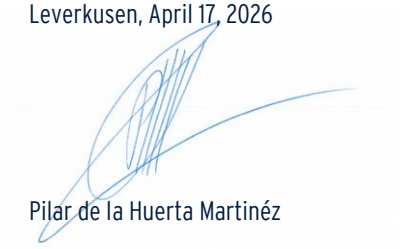
On March 9th 2026 preliminary results for the phase IIb acne clinical trial were published by Biofrontera Inc.

Others

In February 2026, the Supervisory Board approved the extension of the sole Management Board contract until December 31st, 2027.

No other events occurred after the balance sheet date.

Leverkusen, April 17, 2026



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 17, 2026

Biofrontera AG

Pilar de la Huerta Martínez
Chief Financial Officer Biofrontera AG

- **CONVENIENCE TRANSLATION** -

INDEPENDENT AUDITOR'S REPORT

To Biofrontera AG, Leverkusen:

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Biofrontera AG and its subsidiaries (the Group)—comprising the consolidated balance sheet as of December 31, 2025, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the fiscal year from January 1 to December 31, 2025, as well as the notes to the consolidated financial statements, including significant information on accounting policies—have been audited. In addition, we have audited the Group Management Report of Biofrontera AG, which is combined with the Company's Management Report, hereinafter referred to as the "Group Management Report," for the fiscal year from January 1 to December 31, 2025. We have not audited the content of the components of the annual report referred to in the "Other Information" section of our audit opinion in accordance with German legal requirements.

In our opinion, based on the findings of our audit

- the accompanying consolidated financial statements comply in all material respects with IFRS as adopted by the EU, and the additional German legal requirements applicable pursuant to Section 315e (1) of the German Commercial Code (HGB), and, in compliance with these requirements, present a true and fair view of the Group's net assets and financial position as of December 31, 2025, as well as its results of operations for the fiscal year from January 1 to December 31, 2025; and

- the accompanying Group Management Report as a whole presents a fair overview of the Group's position. In all material respects, this Group Management Report is consistent with the consolidated financial statements, complies with German statutory requirements, and accurately presents the opportunities and risks associated with future development. Our opinion on the Group Management Report does not extend to the content of the components of the annual report listed in the "Other Information" section.

In accordance with Section 322(3), first sentence of the German Commercial Code (HGB), we declare that our audit has not given rise to any objections regarding the correctness of the consolidated financial statements and the group management report

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and the group management report in accordance with Section 317 of the German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014; hereinafter "EU Audit Regulation") in accordance with the German standards for the audit of financial statements issued by the Institute of Public Auditors in Germany (IDW). Our responsibilities under these regulations and standards are described in more detail in the section "Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report" of our auditor's report. We are independent of the Group companies in accordance with European Union law as well as German commercial and professional regulations, and we have fulfilled our other German professional obligations in accordance with these requirements. Furthermore, in accordance with Article 10(2)(f) of the EU Audit Regulation, we declare that we have not provided any prohibited non-audit services as defined in Article 5(1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinions on the consolidated financial statements and 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 the greatest significance in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2025. These matters were considered in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not issue a separate audit opinion on these matters.

In our view, the following matter was the most significant in our audit:

- Recoverability of deferred tax assets related to tax loss carryforwards

We have structured our presentation of this particularly important audit matter as follows:

1. Facts and issues,
2. Audit approach and findings,
3. Reference to further information.

Below, we present this particularly important audit matter:

Recoverability of capitalized deferred taxes on tax loss carryforwards

1. he deferred tax assets reported in Biofrontera's consolidated financial statements relating to tax loss carryforwards and deductible temporary differences totaled EUR 3,478 thousand as of

December 31, 2025 (previous year: EUR 9,368 thousand) and represent a significant asset in terms of amount. For the accounting treatment of deferred tax assets, Biofrontera assesses the likelihood that sufficient taxable income will be available in the future to utilize the deferred tax assets.

The recoverability of deferred tax assets depends on the Management Board's estimates and assumptions regarding the future operating performance of the taxable Group companies Biofrontera Bioscience GmbH and Biofrontera Pharma GmbH. The Company has prepared a business plan covering the next five years through the fiscal year 2030. This business plan is dependent on external factors, some of which are beyond the Company's control. Consequently, the planning assumptions made are subject to inherent uncertainty. Potential negative deviations from the plan could result in lower available tax loss carryforwards. The reduction in deferred tax assets in the amount of EUR 5,501 thousand reflects, in particular, the strategic realignment of the relationship with Biofrontera Inc. in 2025. This results in a significantly lower participation in the form of earn-out payments on the future revenues of Biofrontera Inc. compared to the previous agreement. Due to Biofrontera Inc.'s difficult liquidity situation, the company has limited the consideration of Biofrontera Inc.'s earn-out in its corporate planning to a shorter period, which has also contributed to a significantly reduced earnings expectation.

Given the discretionary decisions, estimates, and assumptions made by management regarding sufficient taxable income, assessing the recoverability of deferred tax assets is one of the most significant aspects of our audit.

1. The primary objective of our audit procedures was to ensure that the approach taken was systematic and that the valuation of deferred tax assets arising from tax loss carryforwards was appropriate. To this end, we first examined the internal control system established by management for the recognition and accounting of deferred taxes by conducting a process review and assessing the risk of error. The starting point for the assessment is the company's business planning. We discussed the key planning parameters—in particular volume and price growth in the various geographic markets as well as the cost structure—extensively with the responsible employees and the Management Board and subjected them to a critical plausibility assessment. In doing so, we specifically assessed the effects of the contractual agreements with Biofrontera Inc. that were revised in fiscal year 2025, as well as the assumptions regarding Biofrontera Inc.'s financial situation, which determine the recognition of the earn-out with Biofrontera Inc. in the planning. Furthermore, we included the company's adherence to the budget from the previous year and its development up to the date of our report in our assessment. In addition, we verified the reconciliation to the tax profit planning and the correct derivation of the expected utilization of tax loss carryforwards. Our audit procedures did not reveal any issues with the assessment of the recoverability of deferred tax assets.
2. The Company's disclosures regarding deferred tax assets related to tax loss carryforwards are included in sections "Consolidation Principles," "9," and "26" of the Notes to the Consolidated

Financial Statements. Additional information can also be found in the "Financial Performance" section of the Group Management Report.

Other Information

The legal representatives are responsible for the other information. The other information includes

- the corporate governance statement pursuant to Section 315d of the German Commercial Code (HGB) in conjunction with Section 289f HGB, as referenced in the "Corporate Governance Statement" section of the Group Management Report on the Company's website, including the declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG),

- the sections "Risk Management System" and "Takeover-Related Disclosures" of the Group Management Report, which have not been reviewed for content,

- the remaining parts of the Annual Report, with the exception of the audited consolidated financial statements and Group Management Report as well as our audit opinion, and

- the assurance pursuant to Section 297(2), sentence 4 of the German Commercial Code (HGB) regarding the consolidated financial statements and the assurance pursuant to Section 315(1), sentence 5 of the German Commercial Code (HGB) regarding the Group management report.

The Supervisory Board is responsible for the Supervisory Board Report. The legal representatives and the Supervisory Board are responsible for the statement pursuant to Section 161 of the German Stock Corporation Act (AktG) regarding the German Corporate Governance Code, which forms part of the statement on corporate governance included in the Management Report. In all other respects, the legal representatives are responsible for the other information.

Our audit opinions on the consolidated financial statements and the Group management report do not extend to the other information, and accordingly, we do not express an audit opinion or any other form of audit conclusion on this information. In connection with our audit, we have a responsibility to read the other information and, in doing so, to assess whether the other informationwesentliche Unstimmigkeiten zum Konzernabschluss, Konzernlagebericht oder unseren bei der Prüfung erlangten Kenntnissen aufweisen oder

- appear to be materially misrepresented in any other way.

Responsibility of the Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply in all material respects with the IFRS accounting standards as adopted by the EU, and the supplementary German statutory provisions applicable pursuant to Section 315e (1) of the German Commercial Code (HGB) in all material respects, and for ensuring that the consolidated financial statements, in compliance with these provisions, present a true and fair view of the Group's net assets, financial position, and results of operations. Furthermore, the legal representatives are responsible for the internal controls they have determined to be necessary to enable the preparation of consolidated financial statements that are free from material misstatements resulting from fraudulent acts (i.e., accounting manipulation and financial fraud) or errors.

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 matters related to the Group's ability to continue as a going concern, where applicable. In addition, they are responsible for preparing the financial statements on a going concern basis, unless there is an intention to liquidate the Group or to cease business operations, or there is no realistic alternative to doing so.

In addition, the legal representatives are responsible for preparing the Group management report, which as a whole provides a true and fair view of the Group's financial position, is consistent with the consolidated financial statements in all material respects, complies with German legal requirements, and accurately presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the arrangements and measures (systems) they deemed necessary to enable the preparation of a Group Management Report in accordance with applicable German legal requirements and to provide sufficient and appropriate evidence for the statements 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.

The Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the Group management report as a whole presents a true and fair view of the Group's financial position and results of operations, and is consistent in all material respects with the consolidated financial statements and with the findings of our audit, complies with German legal requirements, and accurately presents the opportunities and risks of future development, as well as to issue an auditor's report containing our audit opinions on the consolidated financial statements and the Group management report.

Reasonable assurance is a high level of assurance, but no guarantee that an audit conducted in accordance with Section 317 of the German Commercial Code (HGB) and the EU Audit Regulation, in compliance with the German Standards on Auditing established by the Institute of Public Auditors in Germany (IDW), will always detect a material misstatement. Misstatements may result from fraudulent acts or errors and are considered material if it could reasonably be expected that, individually or in the aggregate, they would influence the economic decisions of users made on the basis of these consolidated financial statements and the Group Management Report.

During the audit, we exercise due professional judgment and maintain a critical mindset. In addition,

- we identify and assess the risks of material misstatements in the consolidated financial statements and the group management report arising from fraud or error, plan and perform audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to serve as a basis for our audit opinions. The risk that a material misstatement resulting from fraud will not be detected is higher than the risk that a material misstatement resulting from error will not be detected, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the circumvention of internal controls.

- we gain an understanding of the internal controls relevant to the audit of the consolidated financial statements and the arrangements and measures relevant to the audit of the group management report in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of the Group's internal controls or of these arrangements and measures.

- we assess the appropriateness of the accounting policies applied by the legal representatives, as well as the reasonableness of the estimates and related disclosures provided by the legal representatives.

- we draw conclusions regarding the appropriateness of the going concern accounting policy applied by the legal representatives and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that could 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 our auditor's report to the related disclosures in the consolidated financial statements and the group management report or, if such disclosures are inadequate, to modify our audit opinion accordingly. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may result in the Group being unable to continue as a going concern
- we assess the presentation, structure, and content of the consolidated financial statements as a whole, including the disclosures, and whether the consolidated financial statements present the underlying business transactions and events in such a way that, in accordance with IFRS as adopted by the EU and the supplementary German legal requirements applicable pursuant to Section 315e (1) of the German Commercial Code (HGB), the consolidated financial statements give a true and fair view of the the Group's net assets, financial position, and results of operations.

- we obtain sufficient appropriate audit evidence regarding the financial information of the companies or business operations within the Group in order to express audit opinions on the consolidated financial statements and the Group management report. We are responsible for directing, supervising, and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.

- we assess the consistency of the Group management report with the consolidated financial statements, its compliance with applicable laws, and the picture it conveys of the Group's financial position.

- we perform audit procedures regarding the forward-looking statements presented by the legal representatives in the Group Management Report. Based on sufficient and appropriate audit evidence, we verify, in particular, the significant assumptions underlying the forward-looking statements made by the legal representatives and assess whether the forward-looking statements have been appropriately derived from these assumptions. We do not issue a separate audit 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 discuss with those responsible for oversight, among other things, the planned scope and timing of the audit, as well as significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We provide a statement to those responsible for oversight that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that could reasonably be expected to affect our independence and, where applicable, the actions taken or safeguards implemented to address independence threats.

Based on the matters discussed with those responsible for oversight, we identify the matters that were most significant in the audit of the consolidated financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in the auditor's report, unless laws or other regulations preclude public disclosure of the matter.

OTHER STATUTORY AND LEGAL REQUIREMENTS

STATEMENT REGARDING THE AUDIT OF THE ELECTRONIC VERSIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR DISCLOSURE PURPOSES PURSUANT TO SECTION 317(3A) OF THE GERMAN COMMERCIAL CODE (HGB)

AUDIT OPINION

In accordance with Section 317(3a) of the German Commercial Code (HGB), we have conducted an audit to obtain reasonable assurance that the data contained in the attached file [biofronteraag-2025-12-31-1-de.xbri] and prepared for disclosure purposes (hereinafter also referred to as "ESEF documents") comply in all material respects with the requirements of Section 328(1) of the German Commercial Code (HGB) regarding the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit extends only to the conversion of the information in the consolidated financial statements and the group management report into the ESEF format and therefore neither to the information contained in these representations nor to other information contained in the aforementioned file.

In our opinion, the versions of the consolidated financial statements and the group management report contained in the attached file mentioned above and prepared for disclosure purposes comply in all material respects with the requirements of Section 328(1) of the German Commercial Code (HGB) regarding the electronic reporting format. This audit opinion, as well as the audit opinions contained in the preceding "Report on the Audit of the Consolidated Financial Statements and the Group Management Report" regarding the attached consolidated financial statements and the attached Group Management Report for the fiscal year from January 1 to December 31, 2025, we do not express any audit opinion on the information contained in these representations or on the other information contained in the aforementioned file.

Basis for the Audit Opinion

We conducted our audit of the electronic versions of the consolidated financial statements and the group management report contained in the attached file referred to above in accordance with Section 317(3a) of the German Commercial Code (HGB), in compliance with IDW Auditing Standard: Audit of Electronic Representations of Financial Statements and Management Reports Prepared for Disclosure Purposes pursuant to Section 317 (3a) of the German Commercial Code (HGB) (IDW PS 410 (06.2022)). Our responsibilities in this regard are described in further detail in the section "Responsibilities of the Group Financial Statement Auditor for the Audit of the ESEF Documents." Our audit firm has applied the requirements for the quality management system set forth in the IDW Quality Management Standard: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

Responsibility of the Legal Representatives and the Supervisory Board for the ESEF Documents

The legal representatives of the Company are responsible for preparing the ESEF documents containing the electronic versions of the consolidated financial statements and the group management report in accordance with Section 328 (1), sentence 4, no. 1 of the German Commercial Code (HGB) and for tagging the consolidated financial statements in accordance with Section 328 (1), sentence 4, no. 2 of the German Commercial Code (HGB).

Furthermore, the company's legal representatives are responsible for the internal controls they deem necessary to enable the preparation of ESEF documents that are free from material—intentional or unintentional—violations of the requirements of Section 328 (1) of the German Commercial Code (HGB) regarding 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.

Responsibility of the Group Auditor for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance as to whether the ESEF documents are free from material—intentional or unintentional—non-compliance with the requirements of Section 328(1) of the German Commercial Code (HGB). During the audit, we exercise due professional judgment and maintain a critical mindset. In addition,

- we identify and assess the risks of material—intentional or unintentional—noncompliance with the requirements of Section 328(1) of the German Commercial Code (HGB), plan and perform audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to serve as the basis for our audit opinion.

- we gain an understanding of the internal controls relevant to the audit of the ESEF documents in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of those controls.

- we assess the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents complies with the requirements of Delegated Regulation (EU) 2019/815, as in effect as of the balance sheet date, regarding the technical specifications for this file.

- we assess whether the ESEF documents allow for an XHTML representation of the audited consolidated financial statements and the audited consolidated management report that is identical in content.

- we assess whether the presentation of the ESEF documents using Inline XBRL (iXBRL) technology, in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815 as in effect on the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML presentation.

Additional disclosures pursuant to Article 10 of the EU Audit Regulation

We were appointed as auditors by the Annual General Meeting on May 28, 2025. We were commissioned by the Supervisory Board on November 12, 2025. We have served as the statutory auditor of Biofrontera AG, Leverkusen, without interruption since the 2024 fiscal year.

We declare that the audit opinions contained 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 Auditor's Report

Our auditor's report should always be read in conjunction with the audited consolidated financial statements, the audited consolidated management report, and the audited ESEF documents. The consolidated financial statements and the group management report converted into the ESEF format—including the versions to be filed with the commercial register—are merely electronic representations of the audited consolidated financial statements and the audited group management report and do not replace them. In particular, the ESEF statement and our audit opinion contained therein are only applicable in conjunction with the audited ESEF documents provided in electronic form.

Auditor in Charge

The auditor in charge of the audit is Mr. Adrian Schmidt.

Frankfurt am Main, April 17, 2026

Nexia GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Annika Fröde
Wirtschaftsprüferin

Adrian Schmidt
Wirtschaftsprüfer