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**Mandatory publication pursuant to  
§§ Sections 27 (3) Sentence 1, 34, 14 (3) Sentence 1  
German Securities Acquisition and Takeover Act (WpÜG)**

**Joint reasoned statement  
of the Management Board and the Supervisory Board  
of**

**Biofrontera AG  
Hemmelrather Weg 201,  
51377 Leverkusen  
Germany**

pursuant to section 27 para. 1 WpÜG

**on the voluntary public takeover offer**

**of**

**Deutsche Balaton Aktiengesellschaft  
Ziegelhäuser Landstrasse 1, 69120 Heidelberg, Germany,  
Germany**

to the shareholders of

**Biofrontera AG**

for the acquisition of their no-par value registered shares of  
no-par value registered shares of Biofrontera AG

International Securities Identification Numbers ("ISIN"):

Biofrontera AG shares: DE0006046113

Biofrontera shares tendered for sale: DE000A3E5CM7

Biofrontera shares tendered for sale during the Additional Acceptance Period: DE000A31C289

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## **1 Introduction**

Deutsche Balaton Aktiengesellschaft with its registered office in Heidelberg, registered with the commercial register of the Local Court of Mannheim under HRB 338172 ("**Bidder**"), has on June 07, 2022 pursuant to section 10 para. 1 and para. 3 of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, "**WpÜG**") the decision to make a voluntary public takeover offer for all shares in Biofrontera AG, registered with the Commercial Register of the Local Court of Cologne under HRB 49717 ("**Target Company**" or "**Biofrontera**", Biofrontera and its subsidiaries hereinafter also "**Biofrontera Group**"), which are not directly held by the Bidder. The publication of the Bidder is available on the internet at <http://www.deutsche-balaton.de/beteiligungen/uebernahmeangebot-biofrontera/>. The shares of Biofrontera are registered shares with an arithmetical share in the share capital of EUR 1.00 each (no-par value shares).

On July 15, 2022, the Bidder submitted the Offer Document pursuant to sections 34, 14 para. 2 and 3 WpÜG within the meaning of section 11 WpÜG ("**Offer Document**"). § Section 11 WpÜG ("Offer Document") for the Bidder's offer to all shareholders of Biofrontera (each individually a "**Biofrontera Shareholder**" and collectively "**Biofrontera Shareholders**") to acquire the no-par value registered shares of Biofrontera held by them (and not directly by the Bidder), registered no-par value shares of Biofrontera with ISIN DE0006046113 (hereinafter individually "**Biofrontera Share**" and collectively "**Biofrontera Shares**") at an offer price of

**EUR 1.18**

in cash per Biofrontera Share ("**Takeover Offer**" or only "**Offer**"). The Offer Document of the Bidder is available on the internet at <http://www.deutsche-balaton.de/beteiligungen/uebernahmeangebot-biofrontera/>.

The Bidder submitted the Offer Document on July 20, 2022.

The Offer is therefore addressed to all Biofrontera Shareholders and relates to the acquisition of all no-par value registered shares of Biofrontera (ISIN DE0006046113) not directly held by the Bidder, including all rights attached thereto at the time of settlement of the Offer, in particular dividend rights.

The Offer relates only to Biofrontera Shares. Other securities relating to Biofrontera Shares are expressly not the subject of the Offer. In particular, the Offer does not relate to American

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Depository Shares ("ADS") with ISIN US09075G1058 representing Biofrontera shares traded on the US over-the-counter market (US OTC) and also on the Stuttgart, Frankfurt, Berlin and Dusseldorf stock exchanges.

The Management Board of Biofrontera ("**Management Board**") and the Supervisory Board of Biofrontera ("**Supervisory Board**"), after having reviewed the Offer, issue the present joint reasoned opinion pursuant to section 27 WpÜG ("**Opinion**") on the Bidder's Offer. The Management Board and the Supervisory Board have each approved the issuance of this Statement on the date of execution set forth below.

It is recommended to read the Offer Document in its entirety. The Management Board and the Supervisory Board point out that they are not in a position to verify and assess whether Biofrontera Shareholders, by accepting the Offer, are acting in compliance with all legal obligations incumbent upon them personally. The Management Board and the Supervisory Board recommend in particular that all persons who receive the Offer Document outside the Federal Republic of Germany or who wish to accept the Offer but are subject to the securities laws of a jurisdiction other than the Federal Republic of Germany inform themselves about and comply with such laws.

### **2 Information on this Opinion**

#### **2.1 Legal Basis of this Opinion**

Pursuant to Section 27 para. 1 sentence 1, para. 3 sentence 1 of the German Securities Acquisition and Takeover Act (WpÜG), the management board and the supervisory board of a target company must issue a reasoned opinion on an offer and on any amendment to the offer. The opinion of the management board and the supervisory board may be issued as a joint opinion. Pursuant to section 27 para. 1 sentence 2 WpÜG, in their statement the management board and the supervisory board shall in particular address the following issues

- the type and amount of the consideration offered
- the expected consequences of a successful Bid for the Target Company, the employees of the Target Company and their representative bodies, the employment conditions and the locations of the Target Company,
- the objectives pursued by the Bidder with the Offer, and

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- the intention of the members of the Management Board and the members of the Supervisory Board, to the extent they are holders of securities of the Target Company, to accept the Offer.

### **2.2 Factual basis of this Opinion**

All information, expectations, forecasts, assessments, evaluations and forward-looking statements as well as declarations of intent contained in this Opinion are based on the information available to the Executive Board and the Supervisory Board on the date of preparation of this Opinion in accordance with their duties and powers. They reflect their assessments, assumptions and intentions at that time, which may change after publication of the statement. The Management Board and the Supervisory Board do not assume any obligation to update this Opinion beyond any obligations under German law, in particular the WpÜG.

The statements in this Opinion regarding the Bidder, its affiliated companies and the persons acting in concert with it are based exclusively on publicly available information, in particular on the Offer Document. The Management Board and the Supervisory Board point out that they are not in a position to verify the information provided by the Bidder in the Offer Document - with the exception of information that originates directly from the Biofrontera Group - or the Bidder's communicated intentions and to ensure their implementation or compliance. The Management Board and the Supervisory Board point out that the intentions and objectives of the Bidder communicated in the Offer Document may change at a later point in time.

The Management Board and the Supervisory Board have not conducted an independent review of the Offer or the Offer Document with regard to compliance with all, in particular foreign, capital market law and securities law provisions. The German Federal Financial Supervisory Authority ("**BaFin**") has, in accordance with the presentation in the Offer Document, examined the Offer Document for its compatibility with the WpÜG and the Ordinance on the Content of the Offer Document, the Consideration in Takeover Offers and Mandatory Offers and the Exemption from the Obligation to Publish and to Make an Offer ("**WpÜG-AngVO**") and has permitted its publication.

Insofar as this statement contains forward-looking statements, these do not represent facts and are identified by the words "will", "expect", "believe", "estimate", "intend", "aim", "assume" and similar or comparable expressions. Such statements express the intentions, opinions or current expectations and assumptions of the Management Board and Supervisory Board. Forward-looking statements are based on current plans, estimates and forecasts made by the Management Board and Supervisory Board to the best of their knowledge, but are not

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statements about their future accuracy or occurrence. Forward-looking statements are subject to risks and uncertainties, most of which are difficult to predict and are beyond the control of the Management Board and Supervisory Board.

Unless otherwise specified, time references in this statement refer to local time in Frankfurt am Main, Germany. Insofar as formulations such as "currently", "at present", "now", "presently" or "today" are used in this Opinion, they refer to the time of issue of this Opinion as specified below.

### **2.3 Opinion of the employees**

If the competent works council or, in the absence of such a works council as in the case of Biofrontera, the employees of the target company directly submit to the management board a statement on the offer, the management board shall attach such statement to its opinion.

Until the adoption of this Opinion, the employees of the Biofrontera Group have not submitted to the Management Board an opinion of the employees on the Offer ("**Opinion of the Employees**").

### **2.4 Publication of this Opinion and any additional Opinions of the Management Board and the Supervisory Board**

This Opinion and any supplements or updates will be published on the internet on the website of the Target Company at

<https://www.biofrontera.com/de/investoren/uebernahmeangebot-deutsche-balaton-ag>

in the section "**Investors**" under "**Takeover Offer Deutsche Balaton**".

Copies of the Statement will be made available free of charge at Biofrontera AG, Hemmelrather Weg 201, 51377 Leverkusen, Germany (order by fax to +49(0)214-87632-90 or by e-mail to [info@biofrontera.com](mailto:info@biofrontera.com)). In addition, it will be announced in the Federal Gazette at [www.bundesanzeiger.de](http://www.bundesanzeiger.de) that the Opinion is available at the above address and that the Opinion has been published on the Internet at the above website. This Opinion is published in German only.



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### **2.5 Independent examination of the Offer by the Biofrontera Shareholders**

The Management Board and the Supervisory Board of the Target Company point out that their statements and assessments in this Opinion do not bind the Biofrontera Shareholders in any way or release them from their own examination of the Offer. Instead, Biofrontera shareholders are responsible for drawing their own conclusions from the Offer or other accessible sources and for acting accordingly. In doing so, they must decide on their own responsibility whether or not to accept the offer.

To the extent legally permissible, the Management Board and the Supervisory Board as well as the Target Company do not assume any liability in the event that an acceptance or non-acceptance of the Offer should prove to be economically disadvantageous for the Biofrontera Shareholders or for the Target Company.

Furthermore, the Management Board and the Supervisory Board point out that they are unable to make any assessment as to what tax consequences may arise for the individual Biofrontera shareholder from the acceptance or non-acceptance of the Offer. The Management Board and the Supervisory Board recommend that Biofrontera shareholders, before deciding on acceptance, also make a tax assessment that takes into account their personal tax situation.

If and to the extent that Biofrontera shareholders are unable to make an independent assessment of the Offer, they should consider obtaining expert advice.

### **3 Information on the Biofrontera Group**

#### **3.1 Companies of the Biofrontera Group**

##### **3.1.1 Biofrontera**

###### **(a) Description of Biofrontera**

Biofrontera is a stock corporation incorporated under German law with its registered office in Leverkusen, Germany. It is registered in the Commercial Register of the Local Court of Cologne under HRB 49717. The business address is: Hemmelrather Weg 201, 51377 Leverkusen, Germany.

Biofrontera is the holding company at the head of the Biofrontera Group.

The statutory object of Biofrontera is the research, development and distribution of pharmaceuticals, as well as the assumption of the position of a holding company, i.e. the acquisition and administration of companies or shares in companies.

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Biofrontera may engage in all business activities which directly or indirectly serve the purpose of the company. It may establish branches and participate in similar companies in Germany and abroad. It may combine companies in which it holds an interest under its uniform management or limit itself to the management of the interest: it may spin off its operations in whole or in part to affiliated companies or transfer them to affiliated companies.

### **(b) Corporate history**

Biofrontera is a biopharmaceutical company specializing in the development of medical cosmetics and drugs for the care and treatment of skin and inflammatory diseases.

The company was founded in August 1997 in Lörrach, Germany, initially as "BioFrontera Laboratories GmbH" with the aim of providing services to the pharmaceutical industry. In September 1997, it was relocated to Leverkusen and renamed "BioFrontera Pharmaceuticals GmbH". There the company started its operational activities. In 2000, the Issuer was transformed into a stock corporation under the name "Biofrontera Pharmaceuticals AG". In 2002, the Company's name was changed to "Biofrontera Pharmaceuticals Holding AG" and its operations were spun off into a wholly-owned subsidiary, Biofrontera Pharmaceuticals GmbH (today's Biofrontera Bioscience GmbH). In 2003, the company's name was changed to today's "Biofrontera AG".

The IPO took place on October 30, 2006 with the initial listing of the securities on the regulated market of the Düsseldorf Stock Exchange.

Until 2010, the Biofrontera Group was mainly active in research. On September 2, 2010, the Biofrontera Group submitted a centralized European marketing authorization application for BF-200 ALA, its first self-developed drug, now known as Ameluz®. In December 2011, Ameluz® was approved for the treatment of mild and moderate actinic keratosis. In November 2012, the Biofrontera Group's BF-RhodoLED® PDT lamp received European approval as a medical product and has since been sold in parallel with Ameluz® by the Biofrontera Group. In addition, a range of cosmetic products was launched; the first product in this range, Belixos®, was launched in the fall of 2009. In May 2016, Ameluz® in combination with BF-RhodoLED® received approval from the Food and Drug Administration (FDA) in the USA for the lesion- and field-directed treatment of mild to moderate actinic keratoses. In January 2017, Ameluz® received an approval extension for the treatment of basal cell carcinoma from the European Commission in the EU.

An American subsidiary, Biofrontera Inc. was established for marketing in the USA (see also section 3.2).

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In 2021, Biofrontera Inc. carried out an IPO on the Nasdaq stock exchange in the USA in order to finance itself independently and thus accelerate its marketing activities for Ameluz® in the USA. As a result of the dilution of its shareholding in Biofrontera Inc., Biofrontera no longer holds the majority of shares in Biofrontera Inc. Currently, Biofrontera still holds 8,000,000 shares in Biofrontera Inc., corresponding to around 34% of its share capital.

### **(c) Capital structure**

#### **(i) Share capital**

As of the date of this Opinion, the share capital of Biofrontera amounts to EUR 56,717,385, divided into 56,717,385 no-par value registered shares with a notional interest in the share capital of EUR 1.00 per share.

The Biofrontera shares are fully paid up. Each share grants one vote. There are no restrictions (apart from the applicable legal provisions) on voting rights or the transfer of shares. There are no Biofrontera shares with special rights.

#### **(ii) Resolved increase of the share capital**

The general meeting of Biofrontera on April 07, 2022 resolved to increase the share capital by up to EUR 7,089,673 by issuing up to 7,089,673 new no-par value shares made out to the name with a notional share in the share capital of EUR 1.00 each ("New Shares") against cash contributions to up to EUR 63,807,058.

In accordance with the resolution of the Annual General Meeting, the New Shares carry full dividend rights from January 01, 2022. They will be issued at an issue price of EUR 1.00 (par) per New Share, i.e. at a total issue price of up to EUR 7,089,673. The New Shares are to be offered to the shareholders for subscription. The subscription right shall be granted in such a way that, in accordance with the resolution of the Annual General Meeting, the New Shares are taken up by a credit institution to be selected and commissioned by the Executive Board or by a company operating in accordance with Section 53 para. 1 sentence 1 or Section 53b para. 1 sentence 1 or para. 7 of the German Banking Act with the obligation to offer them to the shareholders for subscription at a ratio of 8 : 1 at the subscription price and to transfer the additional proceeds - after deduction of reasonable costs - to the Company (contributable subscription right). The subscription rights are transferable. The subscription offer shall be made in accordance with the resolution of the Annual General Meeting at a subscription price of EUR 1.00 per New Share. The following implementation period shall be determined in

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accordance with the resolution of the General Meeting: The resolution on the increase of the share capital shall become invalid if the implementation of the increase of the share capital pursuant to Section 188 of the German Stock Corporation Act (AktG) has not been entered in the relevant commercial register within five months of the date of the Annual General Meeting. If the resolution on the increase of the share capital is challenged by an action for avoidance and/or nullity, it shall, in deviation from the previous sentence, become ineffective if the registration of the implementation of the increase of the share capital pursuant to Section 188 AktG has not been made in the commercial register within eight months after the day of the General Meeting.

Biofrontera has not yet implemented this increase of the share capital resolved by the Annual General Meeting and has not yet published a subscription offer for this purpose, as an action for rescission and nullity had been filed against the resolution.

Instead, a so-called release procedure in accordance with section 246a of the German Stock Corporation Act (AktG) was initiated at the beginning of July 2022. It is therefore currently uncertain whether the capital increase resolved on April 07, 2022 can be implemented. For this to happen, the release procedure would have to be completed successfully and in good time before expiry of the implementation period set out in the Annual General Meeting resolution on April 07, 2022.

### (iii) Authorized capital

Biofrontera currently does not have any authorized capital.

### (i) Conditional capital

Pursuant to Section 7 (2) of Biofrontera's Articles of Association, a Conditional Capital I exists. Accordingly, the share capital of Biofrontera is conditionally increased by up to EUR 1,359,864 by issuing up to 1,359,864 no-par value registered ordinary shares. The conditional capital increase serves (i) to secure the granting of option rights and the agreement of option obligations in accordance with the bond terms and conditions and (ii) to secure the fulfillment of conversion rights and the fulfillment of conversion obligations in accordance with the bond terms and conditions, each of which is issued, agreed or guaranteed by Biofrontera or by its direct or indirect majority shareholdings (affiliated companies) in the period until August 27, 2020 on the basis of the authorization of the Annual General Meeting of August 28, 2015. No more shares can be created from this, because no more option or conversion rights or obligations are outstanding and can also no longer be created due to the expiry of the authorization.

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Pursuant to Section 7 (6) of the Articles of Association of Biofrontera, there is a Conditional Capital III, according to which the share capital of the Target Company is conditionally increased by up to EUR 249,050 through the issue of up to 249,050 no-par value registered shares. The conditional capital increase serves exclusively to fulfill options granted until July 01, 2015 on the basis of the authorization of the Annual General Meeting of July 02, 2010. No more shares can be created from this because no more option rights are outstanding and, due to the expiry of the authorization, no more can be created.

Pursuant to Section 7 (8) of the Articles of Association of Biofrontera, there is a Conditional Capital V. According to this, the share capital of the target company is conditionally increased by up to EUR 1,554,984 by issuing up to 1,554,984 no-par value registered shares. The conditional capital increase serves exclusively to fulfill option rights granted until August 27, 2020 on the basis of the authorization of the Annual General Meeting of August 28, 2015 (employee option program 2015). The options from the employee option program 2015 can only be exercised after a vesting period of four years.

As of December 31, 2021, 693,990 options were still outstanding from the 2015 employee option program, which entitle the holder to acquire up to 693,990 registered shares in Biofrontera with a notional share in the share capital of EUR 1.00 each (no-par value shares). As of June 30, 2022, 350,490 options from the 2015 employee option program were still outstanding; the remaining options have expired; no options were exercised in the first half of 2022.

### **(d) Stock exchange trading**

The shares of Biofrontera are admitted to trading on the Regulated Market of the Frankfurt Stock Exchange, there in the Prime Standard, under ISIN DE0006046113 / WKN 604611, and on the Regulated Market of the Düsseldorf Stock Exchange, there in the General Standard. In addition, they are traded on the over-the-counter markets of the Munich, Stuttgart, Berlin and Hamburg stock exchanges as well as on Tradegate. In addition, Biofrontera ADSs with ISIN US09075G1058 are traded on the U.S. over-the-counter market (U.S. OTC) and can also be traded on the Stuttgart, Frankfurt, Berlin and Düsseldorf stock exchanges. ADSs may be traded through a Level I program on the U.S. over-the-counter market (U.S. OTC) under the symbol BFAGY. One ADS represents the right to two ordinary shares of Biofrontera.

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### **(e) Treasury shares**

Biofrontera does not hold any treasury shares on the date of publication of this Statement.

### **(f) Existing shareholdings in Biofrontera**

Based on the latest publications pursuant to the German Securities Trading Act ("**WpHG**"), the shareholding structure in Biofrontera is as follows:

<b>Distribution of shares in Biofrontera</b>	<b>Share %</b>
Mr. Wilhelm K. T. Zours, the Bidder and other persons acting jointly with the Bidder	30.01%
Maruho Co. Ltd., Japan	23.63%

According to the information in the Offer Document, the Bidder, the persons acting in concert with the Bidder and their subsidiaries do not hold any further shares in Biofrontera-a, and no further voting rights from shares in Biofrontera pursuant to Section 30 WpÜG are attributable to them beyond the attributions described above.

The Bidder or persons acting jointly with the Bidder pursuant to section 2 para. 5 WpÜG or their subsidiaries do not directly or indirectly hold any financial instruments or other instruments within the meaning of section 38 or section 39 WpHG relating to Biofrontera and, accordingly, do not hold any voting rights in relation to Biofrontera to be notified pursuant to sections 38, 39 WpHG.

### **(g) Management Board**

Pursuant to Section 9 (1) of Biofrontera's Articles of Association, the Management Board of Biofrontera consists of one or more persons. Pursuant to § 10 of the Articles of Association, Biofrontera is represented by two members of the Management Board jointly or by one member of the Management Board jointly with an authorized signatory. If only one member of the Management Board has been appointed, he or she shall represent Biofrontera alone. The Supervisory Board may grant individual members of the Management Board the right of sole representation. The Supervisory Board may exempt members of the Management Board in general or in individual cases from the prohibition on multiple representation pursuant to Section 181 2nd Alt. BGB; Section 112 AktG remains unaffected.

The members of the Management Board of Biofrontera are:

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- Mr. Ludwig M. Lutter, responsible for Finance. Mr. Lutter has been appointed as a member of the Management Board until February 29, 2024. Prior to joining Biofrontera, he worked as CFO at brillen.de, HRS Hotel Reservation Service, Inter-shop Communications AG, SOPHOS and Poet Holdings Inc. which was listed on both Nasdaq and the Frankfurt Stock Exchange under his responsibility. Previously, he worked in audit and tax consulting at KPMG and other audit and tax consulting firms. Mr. Lutter holds a degree in Business Administration from the University of Texas, USA, and has passed the examination as a tax consultant in Germany.
- Mr. Paul Böckmann has been appointed as a member of the Executive Board until August 31, 2022. As an independent management consultant and coach, Mr. Böckmann specializes in particular in global commercialization strategies, international business expansion and complex international reorganizations. As the Supervisory Board of Biofrontera has already communicated in its report to the Annual General Meeting for the 2021 financial year, it considers discussions between Biofrontera and Biofrontera Inc. on a possible further step of restructuring with the aim of combining the operating businesses to be reasonable. Mr. Böckmann is particularly involved in these discussions in order to develop appropriate solutions.

### **(h) Supervisory Board**

Pursuant to Section 12 (1) of the Articles of Association, the Supervisory Board of Biofrontera consists of six members who are elected by the Annual General Meeting in accordance with Section 12 (2) of the Articles of Association. At the time of publication of this Opinion, the Supervisory Board comprises the following members:

<b>Name</b>	<b>Curriculum vitae</b>
Wilhelm K. T. Zours (Chairman)	Wilhelm K. T. Zours is a shareholder and member of the Management Board of DELPHI Unternehmensberatung AG and Chairman of the Supervisory Boards of Deutsche Balaton AG, Beta Systems Software AG and SPARTA AG. Since 1985, Mr. Zours has held various management and supervisory board mandates and founding participations in various companies, including Balaton Ungarn Beteiligungen AG, Sparta Beteiligungen AG and Elsö Nemet

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	Ertekpapirkereskedelmi Kft. (co-founder of the Budapest Stock Exchange in 1990).
Dr. Jörgen Tielmann (Deputy Chairman)	Dr. Jörgen Tielmann studied law at the Universities of Tübingen and Göttingen and obtained a Master of Laws at the University of Manchester. He has been advising companies and entrepreneurs in corporate law since his admission to the bar in Hamburg in 1998 and has been a partner at Luther since 2006. Dr. Jörgen Tielmann was head of Luther's Stock Corporation, Banking and Capital Markets Law department from 2008 - 2018.
Dr. Heikki Lanckriet	Dr. Lanckriet is Chairman of the Board and Chief Scientific Officer at 4basebio Plc and CEO & CSO of Expedeon Ltd. Earlier in his career, Dr. Lanckriet was Chief Executive Officer & Chief Scientific Officer at 2invest AG, Principal at Puratos NV and Principal at the University of Cambridge. Dr. Lanckriet holds a Bachelor's and Master's degree in Bio-chemical Engineering from Ghent University, Belgium, and a PhD in Biochemical Engineering from Cambridge University, UK.
Dr. Helge Lubenow	Dr. Helge Lubenow studied biology and received her PhD in genetics from the University of Cologne and the Max Planck Institute for Plant Breeding Research. Following 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. Since January 2020, Dr. Lubenow has been appointed Managing Director of Proteomedix AG, Zurich, Switzerland.
Karlheinz Schmelig	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



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	included supply chain management, global marketing and business development. Mr. Schmelig holds a Bachelor's degree from the Baden-Wuerttemberg Cooperative State University Mannheim and an MBA from the Kelley School of Business, USA.
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### **(i) Executive Board and Supervisory Board aim to reduce Supervisory Board to five members**

Elections to the Supervisory Board were last held on December 14, 2021. Prior to this, agreement had been reached in a mediation process on the Supervisory Board candidates to be proposed for election. Maruho Deutschland GmbH ("**Maruho**"), the second major shareholder in addition to Mr. Wilhelm K. T. Zours, the Bidder and other persons acting in concert with the Bidder, also supported the election proposal of the then Supervisory Board. The election proposal to the General Meeting on December 14, 2021 had in particular also taken into account the fact that the Supervisory Board should be sufficiently independent from Mr. Wilhelm K. T. Zours, the Bidder and other persons acting jointly with the Bidder and from Maruho.

Mr. Wilhelm K. T. Zours and Dr. Heikki Lanckriet were supported and desired as candidates by Mr. Wilhelm K. T. Zours, the Bidder and other persons acting in concert with the Bidder.

The other members have no relationship whatsoever to the Bidder, Mr. Wilhelm K. T. Zours or other persons acting in concert with the Bidder.

On December 14, 2021, Prof. Dr. Ruhwedel, among others, was elected to the Supervisory Board, but she resigned on February 22, 2022.

The Management Board and the Supervisory Board of Biofrontera propose to the Annual General Meeting convened for August 23, 2022, under agenda item 5, to reduce the Supervisory Board to five members and not to elect a new sixth member as successor(s) to Prof. Dr. Ruhwedel. The proposed reduction of the Supervisory Board to five members would make the election of a sixth member unnecessary. This would continue to ensure that the Supervisory Board consists of a majority of independent members.

### **(j) Bidder seeks election of its own candidate to the Supervisory Board**

In contrast, the Bidder has, by way of a supplementary request, added agenda item 8 to the agenda of the General Meeting of Shareholders of August 23, 2022 and proposes to elect a candidate selected before it, Prof. Dr. Karin Lergenmüller, to the Supervisory Board. This is therefore not the election proposal of the incumbent Supervisory Board. The candidate

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proposed by the Bidder is already a member of the Supervisory Board of a number of companies in which Mr. Wilhelm K. T. Zours holds a majority interest.

In view of the reduction of the size of the Supervisory Board proposed under agenda item 5 of the General Meeting on August 23, 2022, the Supervisory Board of Biofrontera proposes to reject the resolution proposal of the Bidder under agenda item 8 (By-elections to the Supervisory Board).

### **(k) Majority requirements for resolutions in the Supervisory Board / double voting right of the Chairman**

In accordance with Art. 16 par. 2 of the Articles of Association of the Company, resolutions of the Supervisory Board require a majority of the votes cast, unless otherwise stipulated by law. If a vote results in a tie, the Chairman shall have two votes in the event of a new vote on the same resolution if this also results in a tie.

Shareholders should bear in mind in this connection that Mr. Wilhelm K. T. Zours is currently Chairman of the Supervisory Board. If he were to succeed in appointing at least half of the members of the Supervisory Board in addition to the chairmanship, the probability of de facto control of the Company via the Supervisory Board would be high, assuming a higher degree of consensus among these members proposed by him. Should Prof. Dr. Lergenmüller, as proposed by the Bidder, be elected to the Supervisory Board of Biofrontera on August 23, 2022, it would in any case appear very likely that the Supervisory Board of Biofrontera would subsequently be de facto controlled by Mr. Wilhelm K. T. Zours as a result of the affiliation and an existing consensus.

A de facto control of Biofrontera by Mr. Wilhelm K.T. Zours would in any case be likely to occur if the acceptance of the Takeover Offer would lead to a sustained increase in the Bidder's shareholding in Biofrontera, as the Bidder would then, on the basis of the historical attendance at the General Meeting, with considerable probability have a majority at the General Meeting and could decide on the composition of the Supervisory Board.

### **(l) Business activities**

According to the articles of association, the object of Biofrontera is the research, development and distribution of pharmaceuticals, as well as the assumption of the position of a holding company, i.e. the acquisition and administration of companies or shares in companies. Biofrontera may engage in all business activities which directly or indirectly serve the purpose

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of the company. Biofrontera may establish branches and participate in similar companies in Germany and abroad. It may combine companies in which it holds an interest under its unified management or limit itself to the administration of the interest. It may spin off its operations in whole or in part to affiliated companies or transfer them to affiliated companies.

Biofrontera is a biopharmaceutical company specializing in the development and sale of dermatological drugs and medical cosmetics. Biofrontera develops and markets innovative products for healing, protecting and caring for the skin. Among its most important products is Ameluz®, a prescription drug for the treatment of light skin cancer and its precursors. Ameluz® has been marketed in the EU since 2012 and in the USA since May 2016. Biofrontera also markets the Belixos® dermocosmetic series, a special care product for damaged or diseased skin. Biofrontera is the first German founder-managed pharmaceutical company to receive centralized European and US approval for a drug it developed itself. The Biofrontera Group was founded by its CEO, Prof. Dr. Hermann Lübbert, who will serve until December 13, 2021. Its shares are admitted to trading on the Frankfurt Stock Exchange (Prime Standard) and the Düsseldorf Stock Exchange, and are included in trading on the over-the-counter markets of the Munich, Stuttgart and Berlin Stock Exchanges, as well as being tradable on Tradegate.

### **3.1.2 Subsidiaries of Biofrontera**

The following companies are direct or indirect subsidiaries of Biofrontera at the time this statement was issued:

- Biofrontera Bioscience GmbH, Leverkusen, Germany
- Biofrontera Pharma GmbH, Leverkusen
- Biofrontera Development GmbH, Leverkusen
- Biofrontera Neuroscience GmbH, Leverkusen

Biofrontera Bioscience GmbH handles research and development tasks for the Biofrontera Group and holds patents and approvals for Ameluz® as well as BF-RhodoLED® and RhodoLED® XL. On the basis of a licensing agreement with Biofrontera Bioscience GmbH, Biofrontera Pharma GmbH, which also holds the CE certificate for BF-RhodoLED®, assumes responsibility for the manufacture as well as the further licensing and marketing of the Biofrontera Group's approved products.

Biofrontera Development GmbH and Biofrontera Neuroscience GmbH were founded in December 2012 as further wholly owned subsidiaries of Biofrontera. These two companies are intended for the development of pipeline products that are not part of Biofrontera's core

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business at the present time and therefore cannot currently be adequately financed as part of normal business development.

### **3.2 Biofrontera Inc. / Marketing in the USA**

For marketing in the USA, an American subsidiary was initially established, Biofrontera Inc. In 2021, Biofrontera Inc. carried out an IPO on the US stock exchange Nasdaq in order to finance itself independently and thus to be able to accelerate the marketing activities for Ameluz® in the USA. Due to the dilution of its shareholding in Biofrontera Inc., Biofrontera now no longer holds the majority of shares in Biofrontera Inc. Currently, Biofrontera still holds 8,000,000 shares in Biofrontera Inc., corresponding to around 34% of its share capital.

Irrespective of the ownership structure of Biofrontera Inc., the Biofrontera Group and thus Biofrontera and Biofrontera shareholders will benefit from growing

Ameluz® sales in the USA. Under a license agreement concluded by the Biofrontera Group with Biofrontera Inc. on the occasion of the IPO, the Biofrontera Group will receive up to 50% of the Ameluz® sales generated in the USA in the form of a transfer price. This share applies up to USD 30 million in annual sales and decreases to 40% between USD 30 million and USD 50 million in annual sales and to 30% above that. In parallel to the agreement on the staggering in the license agreement, it was agreed that the Biofrontera Group, unlike in previous agreements, is only obligated to carry out a clearly defined clinical trial program. Biofrontera Inc. initially has no share in the results of further developments by the Biofrontera Group with regard to Ameluz® and would have to acquire a further license for it. Therefore, the costs associated with marketing in the USA in the German Biofrontera companies increase significantly less than the marketing costs of Biofrontera Inc. as sales grow, which is why the agreement to stagger the transfer price was justified.

### **3.3 Selected financial and corporate data for the Biofrontera Group**

Biofrontera's financial year corresponds to the calendar year. Its audited consolidated financial statements and consolidated interim reports or consolidated interim announcements are prepared in accordance with International Financial Reporting Standards (IFRS). Biofrontera's financial reports can be viewed on its website ([www.biofrontera.com](http://www.biofrontera.com)) under the heading "Investors". Biofrontera shareholders are recommended to familiarize themselves in detail with the business development of the Biofrontera Group on the basis of the financial reports.

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### **3.3.1 Financial year 2021**

The financial information selected below is taken from the audited consolidated financial statements of Biofrontera for the fiscal year ended December 31, 2021 (fiscal year 2021). Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Dusseldorf, audited the consolidated financial statements of Biofrontera for the 2021 financial year and issued an unqualified audit opinion.

According to the last published financial statements of Biofrontera as of December 31, 2021, Biofrontera closed the period from January 1, 2021, to December 31, 2021, with a consolidated total comprehensive income (in accordance with IFRS accounting standards) of approximately 32 million euros. In the prior-year period from January 1, 2020 to December 31, 2020, the consolidated comprehensive income amounted to negative EUR 10,868 k. In the consolidated comprehensive income for the period from January 1, 2021 to December 31, 2021, Biofrontera recognized revenues of EUR 28,787 k, other income of EUR 60,215 k, income from investments accounted for using the equity method of EUR 14. 729 thousand and interest income of ' 13 thousand, which were offset by cost of sales of ' 3,913 thousand, research and development expenses of ' 7,009 thousand, general and administrative expenses of ' 30,781 thousand, selling expenses of ' 22,423 thousand, interest expenses of ' 3,692 thousand, depreciation and amortization of ' 3,290 thousand, interest expense from compounding of ' 28 thousand and other expenses of ' 214 thousand. In addition, there were income tax expenses of EUR 1,826 thousand and negative exchange rate differences from currency translation of EUR 1,866 thousand. In total, the Company's equity (in accordance with IFRS accounting standards) increased from EUR 7,375 thousand as of December 31, 2020 to EUR 57,997 thousand as of December 31, 2021, to which, in addition to the overall result, the increase in the share capital and the capital reserve totaling EUR 22,808 thousand contributed in particular. Biofrontera's consolidated total assets increased by EUR 20,308 thousand from EUR 56,391 thousand (as of December 31, 2020) to EUR 76,699 thousand (as of December 31, 2021).

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### **3.3.2 Development in the period from January 1, 2022 to March 31, 2022**

The financial information selected below is taken from the unaudited interim financial statements of Biofrontera within the first quarter of 2021.

<b>in TEUR</b>	<b>01.01. - 31.03.2022</b>	<b>01.01. - 31.03.2021</b>
Sales revenues	6,566	5,479
Research and development expenses	-1,601	-1,317
General and administrative expenses	-1,036	-2,538
Selling expenses	-1,665	-4,813
Result from operating activities	-1,152	-4,089
Other income and expenses	-59	-119
Income before income taxes	-28,100	-4,876

### **3.3.3 Concretized forecast for the 2022 financial year**

The Management Board published the following concretized forecast for the 2022 financial year on April 29, 2022:

*"Biofrontera AG (ISIN: DE0006046113), an international bi-pharmaceutical company, had announced its forecast for the 2022 financial year in its ad hoc announcement of April 4, 2022. The Management Board stated that with the expectation of a further recovery of the most important sales markets from the pandemic consequences, Biofrontera AG should achieve sales of between EUR 24 and 27 million for the 2022 financial year following the realignment of the company through the independence of Biofrontera Inc. and deconsolidation. On an adjusted (deconsolidated) basis, this should correspond to an increase of more than 40% compared to the previous year. Likewise, it was stated that under these conditions, Biofrontera AG is expected to achieve an almost break-even EBITDA and a negative EBIT in the low single-digit million range in 2022 and, if the markets continue to recover, to generate further revenue increases and a positive EBITDA and EBIT from 2023 onwards. With reference to the information provided, the Executive Board is now concretizing its forecast for*

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*EBITDA and EBIT to the effect that, if the markets continue to recover, further revenue increases and positive EBITDA and EBIT in the low single-digit million range will be generated from 2023 onwards."*

### **3.3.4 Employees**

As of December 31, 2021, the Biofrontera Group had a total of 99 employees. As of March 31, 2022, the Biofrontera Group employed a total of 95 employees. There is no employee representation. The Supervisory Board of Biofrontera is not co-determined.

### **3.4 Persons acting jointly with Biofrontera**

The following companies are direct or indirect subsidiaries of Biofrontera at the time of issuance of this Opinion and are therefore deemed to be persons acting in concert with Biofrontera pursuant to Section 2 para. 5 sentence 3 WpÜG:

- Biofrontera Bioscience GmbH, Leverkusen
- Biofrontera Pharma GmbH, Leverkusen
- Biofrontera Development GmbH, Leverkusen
- Biofrontera Neuroscience GmbH, Leverkusen

## **4 Information on the Bidder**

### **4.1 The Bidder**

The Bidder is Deutsche Balaton Aktiengesellschaft with its registered office in Heidelberg. The Bidder is a stock corporation under German law which was founded by notarial deed dated September 5, 1991 with its original registered office in Wiesbaden. It is registered with a share capital of EUR 104,768, divided into 104,768 no-par value bearer shares (ordinary shares) with a notional interest in the share capital of EUR 1.00 per no-par value share, in the commercial register of the Local Court of Mannheim under HRB 338172. According to the Bidder, the shares of the Bidder are included for trading on the Basic Board of the Frankfurt Stock Exchange, a sub-segment of the Regulated Unofficial Market, under ISIN DE000A2LQT08 and WKN A2LQT0. According to the Bidder, the shares are also included in over-the-counter trading on the Berlin, Düsseldorf, Munich and Stuttgart stock exchanges. According to the articles of association, the object of the Bidder is the acquisition, management and sale of investments in corporations and partnerships. The Bidder is entitled to carry out and take over

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all transactions and measures which are reasonable and useful for this purpose. The Company is further authorized to manage its own assets and to conduct all types of financial transactions and transactions with financial instruments for which a license pursuant to the German Banking Act (KWG) is not required. The Bidder is further entitled to establish subsidiaries and branches in Germany and abroad. The Bidder may not itself directly engage in financial services requiring a license, banking transactions requiring a license or real estate transactions requiring a license.

### **4.2 Business activities of the Bidder and its subsidiaries**

According to the Bidder, the Bidder is active as an investment company within the scope of its business activities. In addition to the equity investment, the Bidder also supports its portfolio companies by means of its management know-how in relevant strategic issues, in particular in the areas of growth and reorganization. According to the Bidder, its business model is as follows: In its view, the Bidder acquires undervalued listed and unlisted investments in Germany and abroad, without focusing its investments on specific sectors or regions. The focus is on a long-term high potential for value enhancement of the respective investment, which can often also be realized against the background of the entrepreneurial support by Deutsche Balaton. The acquisitions of participations are usually financed by a combination of equity and debt capital with the support of lending banks.

### **4.3 Executive Bodies of the Bidder**

The members of the Management Board of the Bidder are Mr. Rolf Birkert and Mr. Alexander Link. Members of the supervisory board of the Bidder are Mr. Wilhelm K. T. Zours (chairman of the supervisory board), Mr. Philip Andreas Hornig (deputy chairman of the supervisory board) and Dr. Burkhard Schäfer.

### **4.4 Persons acting jointly with the Bidder / shareholdings**

According to information provided by the Bidder pursuant to Section 7.2 of the Offer Document, the following persons in particular are persons acting jointly with the Bidder within the meaning of section 2 para. 5 WpÜG and the following material shareholdings result:

- Mr. Wilhelm K. T. Zours holds 94.5% of the share capital and voting rights of DELPHI Unternehmensberatung Aktiengesellschaft, Heidelberg.



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- DELPHI Unternehmensberatung Aktiengesellschaft is the sole shareholder of VV Beteiligungen Aktiengesellschaft, Heidelberg.
- VV Beteiligungen Aktiengesellschaft holds approximately 86% of the share capital and voting rights of the Bidder. A deed of subordination under the law of obligations shall exist between the Bidder and VV Beteiligungen Aktiengesellschaft.

According to information provided by the Bidder pursuant to Section 7.2 of the Offer Document, the following companies are, inter alia, its subsidiaries:

- SPARTA AG with registered office in Heidelberg
- Deutsche Balaton Biotech AG with registered office in Frankfurt am Main
- Heidelberger Beteiligungsholding AG with registered office in Heidelberg
- Ming Le Sports AG with registered office in Heidelberg
- Altech Advanced Materials AG with its registered office in Frankfurt am Main

According to information provided by the Bidder pursuant to Section 7.2 of the Offer Document, all of the aforementioned companies as well as Strawtec Group AG with its registered office in Stuttgart, but with the exception of VV Beteiligungen Aktiengesellschaft, hold Biofrontera Shares. DELPHI Unternehmensberatung AG, the Bidder, SPARTA AG, Deutsche Balaton Biotech AG and Heidelberger Beteiligungsholding AG are parties to a voting pool agreement ("Pool Members") pursuant to Section 7.2 of the Offer Document.

### **5 Further acquirers of control**

According to information provided by the Bidder pursuant to Section 7.4 of the Offer Document, the voting rights in the Target Company directly held by each of the Pool Members are mutually attributed to the Pool Members pursuant to Section 30 para. 2 WpÜG. The same applies to the persons/companies controlling the pool members. The pool members excluding the Bidder, i.e.

- DELPHI Unternehmensberatung AG,
- SPARTA AG,
- Deutsche Balaton Biotech AG and
- Heidelberger Beteiligungsholding AG

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as well as

- VV Beteiligungen Aktiengesellschaft and
- Mr. Wilhelm K. T. Zours

are referred to as "Additional Control Acquirers". If, as a result of the Offer, the Bidder acquires control over Biofrontera within the meaning of section 29 para. 1 WpÜG, also by attributing voting rights of the other pool members pursuant to section 30 para. 2 WpÜG, the Bidder and the Additional Control Acquirers are not obliged to make a mandatory offer for Biofrontera Shares pursuant to section 35 para. 3 WpÜG.

### **6 Information on the Offer**

#### **6.1 Relevance of the Offer Document**

In the following, some selected information contained in the Offer Document is summarized. The Management Board and the Supervisory Board point out that the description of the Offer in this Statement does not claim to be complete and that only the provisions of the Offer Document are authoritative for the content and settlement of the Takeover Offer. It is the responsibility of each Biofrontera shareholder to review the Offer Document and to take the necessary measures.

#### **6.2 Excerpt from the summary of the Offer**

The following excerpt from the summary of the Offer is taken from the Offer Document. Any references are therefore references to paragraphs of the Offer Document, not to paragraphs of this Statement. The excerpt is for convenience only and does not contain all information relating to the Offer.

In their own interest, the shareholders of Biofrontera should not rely solely on this overview, but should review this Statement and the Offer Document in full and in detail.

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Bidder:	Deutsche Balaton Aktiengesellschaft with its registered office in Heidelberg, Germany (AG Mannheim, HRB 338172), business address: Ziegelhäuser Landstraße 1, 69120 Heidelberg, Germany
Target Company:	Biofrontera AG with its registered office in Leverkusen, Germany (AG Köln, HRB 49717), business address: Hemmelrather Weg 201, 51377 Leverkusen, Germany
Object of the Offer:	Acquisition of all no-par value registered shares of Biofrontera AG (ISIN: DE0006046113 / WKN: 604611) not directly held by the Bidder, including all ancillary rights associated therewith at the time of settlement of the Takeover Offer, in particular the dividend right. The offer relates only to Biofrontera shares. Other securities relating to Biofrontera shares are expressly not the subject of this takeover offer.
Consideration :	1.18 euros per Biofrontera share ("Consideration").
Acceptance Period:	July 15, 2022 until August 12, 2022, 24:00 hours (Frankfurt am Main local time).
Additional Acceptance Period:	The Additional Acceptance Period (as defined in Section 4.6) is expected to commence on August 18, 2022 and to end on August 31, 2022, 24:00 hours (Frankfurt am Main local time).
Execution Conditions:	The Takeover Offer is not subject to any closing conditions.
Stock exchange	trading Biofrontera shares Tendered for Sale (as defined in Section 4.1) cannot be traded on a stock exchange.

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ISIN:	<p>Shares of Biofrontera AG: ISIN DE0006046113</p> <p>Tendered Biofrontera Shares (as defined in Section 4.1) during the Acceptance Period: ISIN DE000A254XA5</p> <p>Biofrontera Shares Tendered for Sale (as defined in Section 4.1) during the Additional Acceptance Period: ISIN DE000A31C289</p>
Publications:	<p>The Offer Document, the publication of which has been permitted by BaFin on July 14, 2022, will be published on July 15, 2022 by announcement on the internet at <a href="http://www.deutschebalaton.de/beteiligungen/uebernahmeangebotbiofrontera/">http://www.deutschebalaton.de/beteiligungen/uebernahmeangebotbiofrontera/</a> and by making available free copies at the Bidder's business address Deutsche Balaton Aktiengesellschaft, Ziegelhäuser Landstraße 1, 69120 Heidelberg, Germany, fax: +49 6221 6492424. The announcement on the availability of this offer document for issuance free of charge and the internet address at which the offer document will be published will be published in the Federal Gazette on July 15, 2022. All publications and notices required under the WpÜG in connection with this Offer will be made in German on the Internet at <a href="http://www.deutschebalaton.de/beteiligungen/uebernahmeangebotbiofrontera/">http://www.deutschebalaton.de/beteiligungen/uebernahmeangebotbiofrontera/</a> and in the Federal Gazette. A non-binding English translation of the offer document, which has not been reviewed by BaFin, is available at <a href="http://www.deutschebalaton.de/beteiligungen/uebernahmeangebotbiofrontera/">http://www.deutschebalaton.de/beteiligungen/uebernahmeangebotbiofrontera/</a> and will also be made available by the Bidder free of charge. In addition, Biofrontera Shareholders may, upon request, obtain a free non-binding English translation of this Offer Document, which has not been reviewed by BaFin, via the aforementioned internet address of the Bidder or by using the Bidder's contact data.</p>

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Each Biofrontera Share tendered under the Offer will be designated as a "Biofrontera Share Tendered for Sale" pursuant to the Offer Document, irrespective of whether it is tendered during the Acceptance Period or the Additional Acceptance Period.

### **6.3 Offer Price**

Pursuant to the provisions of the Offer Document, the Bidder offers to all Biofrontera Shareholders to acquire the no-par value registered shares of Biofrontera (ISIN DE0006046113) held by them, each with a pro rata amount of the share capital of EUR

**at the offer price of EUR 1.18**

per Biofrontera share in cash (hereinafter also "**Offer Price**" or "**Consideration**").

The Offer relates only to Biofrontera Shares. Other securities relating to Biofrontera Shares are expressly not the subject of the Takeover Offer. In particular, the Offer does not relate to Biofrontera ADSs. Holders of Biofrontera ADSs may not tender them under this Offer. Holders of Biofrontera ADSs who wish to accept the Offer in respect of the Biofrontera Shares underlying the Biofrontera ADSs must first exchange their Biofrontera ADSs for Biofrontera Shares. Thereafter, these Biofrontera Shares may be tendered for sale under the Takeover Offer.

### **6.4 Compensation pursuant to Section 33b WpÜG.**

Pursuant to Section 33b para. 1 WpÜG, a target company may provide in its articles of association that Section 33b para. 2 WpÜG shall apply and thus deprive its shareholders of certain rights during the acceptance period of an offer. The articles of association of Biofrontera do not provide for the application of section 33b para. 2 WpÜG. Therefore, the Bidder is not obliged to pay an adequate compensation due to a deprivation of certain rights pursuant to Section 33b para. 5 WpÜG.

### **6.5 Acceptance Period**

The acceptance period for the Takeover Offer begins with the publication of the Offer Document on July 15, 2022 and ends, subject to a possible extension of the acceptance period, on

**August 12, 2022, 24:00 hours (Frankfurt am Main local time)**

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(hereinafter "**Acceptance Period**").

### **6.6 Possible extension of the Acceptance Period**

In each of the circumstances set forth below, the Acceptance Period shall be automatically extended as follows:

The Bidder may amend the Offer up to one business day prior to the expiry of the Acceptance Period in accordance with section 21 WpÜG. In the event of an amendment to the Offer pursuant to section 21 WpÜG, the Acceptance Period shall be extended by two weeks, provided that the amendment is published within the last two weeks prior to the expiry of the Acceptance Period (section 21 para. 5 WpÜG), thus ending on August 26, 2022, 24:00 hours (Frankfurt am Main local time). This shall also apply if the amended Offer violates any legal provisions.

If a competing offer ("**Competing Offer**") is made by a third party during the acceptance period of the Offer and if the acceptance period for the Offer expires prior to the expiry of the acceptance period for the Competing Offer, the expiry of the acceptance period for the Offer shall be determined in accordance with the expiry of the acceptance period for the Competing Offer (section 22 para. 2 WpÜG). This shall also apply if the Competing Offer is amended or prohibited or violates legal provisions.

If, in connection with the Offer, a shareholders' meeting is convened by Biofrontera after the publication of the Offer Document, the Acceptance Period shall be extended to ten weeks from the publication of the Offer Document pursuant to section 16 para. 3 WpÜG. In this case, the acceptance period will end on September 23, 2022, 24:00 hours (local time Frankfurt am Main). An extension of the Acceptance Period for other reasons, such as pursuant to section 21 para. 5 or section 22 para. 2 WpÜG, shall remain unaffected.

### **6.7 Additional Acceptance Period**

Biofrontera Shareholders who have not accepted the Offer during the Acceptance Period may accept it within two weeks after publication of the result of the Offer by the Bidder pursuant to section 23 para. 1 sentence 1 no. 2 WpÜG ("**Additional Acceptance Period**").

Subject to an extension of the Acceptance Period, the Additional Acceptance Period shall commence on August 18, 2022, 00:00 hours (Frankfurt am Main local time) - in case of an

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expected publication of the result of the Offer pursuant to section 23 para. 1 sentence 1 no. 2 WpÜG on August 17, 2022 - and shall end on August 31, 2022, 24:00 hours (Frankfurt am Main local time). After the expiry of this Additional Acceptance Period, the Offer may no longer be accepted (with the exception of any right to tender pursuant to section 39c WpÜG).

### **6.8 No Offer Conditions**

According to the Offer Document, the Offer and the share purchase agreements concluded upon acceptance of the Offer are not subject to any conditions.

### **6.9 Withdrawal rights**

The shareholders of Biofrontera who have accepted the Takeover Offer have a statutory right of withdrawal in the following cases:

- i. In the event of an amendment to the Offer, each Biofrontera shareholder who has accepted the Offer prior to the publication of the amendment to the Offer may, pursuant to Section 21 para. 4 WpÜG, withdraw from the contract concluded by the acceptance of the Offer until the expiry of the Acceptance Period.
- ii. If a Competing Offer is made during the Acceptance Period, holders of Biofrontera Shares who have accepted the Offer prior to the publication of the Competing Offer may, pursuant to section 22 para. 3 WpÜG, withdraw from the contract concluded by the acceptance of this Takeover Offer until the expiry of the Acceptance Period.

### **6.10 Right of tender under takeover law**

If the Bidder owns at least 95% of the voting share capital of the Target Company after completion of the Offer, Biofrontera Shareholders have the right pursuant to section 39c WpÜG to request the Bidder to acquire their Biofrontera Shares. The details on the exercise of this right are described in Section 15.2 (ii) of the Offer Document.

## **7 Statement on the nature and amount of the consideration offered**

The Management Board and the Supervisory Board shall address the type and amount of the consideration offered in their statement.

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## **7.1 Nature of the consideration**

The Offer provides for a cash consideration. This is in accordance with the legal requirement of Section 31 WpÜG. Accordingly, the consideration shall consist of a cash payment in Euro.

## **7.2 Amount of the consideration**

### **7.2.1 Statutory minimum price**

The WpÜG contains provisions on the appropriateness and amount of the consideration for takeover offers and mandatory offers. Pursuant to Section 31 para. 1 and para. 7 WpÜG in conjunction with Section 4 and Section 5 WpÜG-AngVO, the consideration offered to the Biofrontera Shareholders for their Biofrontera Shares must be reasonable. The consideration may not fall below a minimum value to be determined in accordance with these provisions. The minimum offer price is determined according to the higher of the following values:

Pursuant to Section 5 WpÜG-AngVO, the consideration must at least correspond to the weighted average domestic stock exchange price of the Biofrontera shares during the last three months prior to the publication of the decision to make the offer pursuant to Section 10 (1) WpÜG on June 7, 2022. According to the Bidder, the valid three-month average share price notified to the Bidder by BaFin as of the closing date of June 6, 2022 amounts to EUR 1.18.

Pursuant to Section 4 WpÜG-AngVO, in the case of an offer, the consideration must be at least equal to a value of the highest consideration paid or agreed by the Bidder, a person acting in concert with it or its subsidiaries within the last six months prior to the publication of the offer document.

According to the information provided by the Bidder, the persons acting in concert with the Bidder and their subsidiaries, the only prior acquisitions of Biofrontera Shares within the aforementioned period were those described in Section 7.5 of the Offer Document. The highest price paid per Biofrontera share thereafter amounted to EUR 1.17. The consideration offered exceeds this pre-acquisition price by EUR 0.01 per Biofrontera share.

The statutory minimum price pursuant to section 31 para. 1 and para. 7 WpÜG in connection with section 4 and section 5 WpÜG Offer Ordinance therefore amounts to EUR 1.18.

According to the Bidder's explanations in the Offer Document, the consideration offered for the acquisition of the Biofrontera Shares constitutes an adequate consideration, as the consideration



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corresponds to the statutory minimum price. The Bidder is of the opinion that the Offer Price of EUR 1.18 represents an adequate price in accordance with the statutory valuation in Section 31 para. 1 and para. 7 WpÜG in conjunction with Section 4 and Section 5 WpÜG-AngVO.

### **7.2.2 Significance of the statutory minimum price for the adequacy of the consideration**

The conclusion that the consideration complies with the statutory requirements pursuant to Section 31 para. 1, 2 and 7 WpÜG and Sections 4, 5 WpÜG-AngVO does not necessarily imply that the Executive Board and the Supervisory Board of the Target Company consider the consideration to be reasonable. For the assessment of the adequacy of the consideration, the assessment of the economic value of the shares in Biofrontera shall be taken into account.

### **7.2.3 Review of the economic adequacy of the consideration by the Management Board and the Supervisory Board**

Biofrontera has internally reviewed the economic appropriateness of the consideration by its Management Board and Supervisory Board. For this purpose, they used standard market valuation methods based on the methodologies of the IDW S8 auditing standard, without, however, carrying out the corresponding formalized processes.

In the valuation, Biofrontera took particular account of the current planning, which forms the essential basis of the valuation within the framework of a company valuation using the income capitalization approach or discounted cash flow (DCF) method customary in the market. Biofrontera has compared this current planning with the planning on which the last valuation in an offer procedure was based.

Even on the basis of a simplified examination of the key figures, the consideration offered by the Bidder is clearly too low.

The offered consideration leads to an enterprise value of approximately EUR 67 million.

In the first quarter of 2022, revenues in the amount of approximately EUR 6.655 million were generated. This means, extrapolated to the entire year, a sales multiple of only approx. 2.51. Based on the sales planning for the entire year 2022 of EUR 24 million - EUR 27 million, the sales multiple would also be only 2.5 - 2.7. In the opinion of the Management Board and the Supervisory Board, this is clearly too low in a market comparison. According to surveys by the

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Management Board and Supervisory Board, sales multiples for pharmaceutical or biotech companies are between 3 and 6.

Furthermore, Biofrontera has examined current industry information and indicators and the assumptions and results on which they are based, which would also lead to a significantly higher valuation.

Also, the consideration does not include a control premium on the statutory minimum price, which also suggests that the consideration is inappropriate.

In addition, after the publication of the Bidder pursuant to section 10 WpÜG and after the publication of the Offer Document, prices were reached on the stock exchange that were higher than the consideration.

In addition, the Management Board of Biofrontera, according to the last announced forecast, expects further revenue increases and positive EBITDA and EBIT in the low single-digit million range from 2023 onwards if the markets continue to recover. This would end Biofrontera's long history of losses, which is not nearly adequately reflected in the consideration offered.

In the opinion of the Management Board and Supervisory Board of Biofrontera, the consideration is also not justified on the basis of the fact that the Annual General Meeting on April 07, 2022 has resolved a capital increase and its implementation is uncertain.

Even if the capital increase could not be implemented, the Management Board and the Supervisory Board of the Bidder are confident that the necessary funds could be obtained otherwise, not least through the possible sale of shares in Biofrontera Inc. Even in the event of the failure of the capital increase, the Management Board and the Supervisory Board therefore do not currently consider Biofrontera to be at risk of insolvency.

In the opinion of the Management Board and the Supervisory Board (including the opinion of the Chairman of the Supervisory Board, who is also the sole member of the Management Board of DELPHI Unternehmensberatung Aktiengesellschaft as a person acting jointly with the Bidder), the value of Biofrontera Bioscience GmbH as well as Biofrontera Pharma GmbH already significantly exceeds the current stock market value of Biofrontera (see also Section 8.2).

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### **7.2.4 Result of the review by the Management Board and the Supervisory Board**

Against the background of the review carried out, the Management Board, which is supported by the Supervisory Board to this extent, considers the consideration offered to be

**financially inadequate**

appropriate. The Management Board and the Supervisory Board point out that Biofrontera shareholders who nevertheless consider accepting the Bidder's Offer should, in addition to such acceptance, also consider selling their Biofrontera Shares on the stock exchange. Depending on the respective stock exchange price, it is possible that they could achieve higher proceeds from the sale than by accepting the Offer, even taking into account costs and expenses incurred.

### **8 Statement on the expected consequences of a successful Offer for Biofrontera, the employees, the employment conditions and the locations of Biofrontera as well as on the objectives pursued by the Bidder with respect to Biofrontera**

In the Offer Document, the Bidder discloses background information (Section 10. of the Offer Document) as well as intentions of the Bidder and the Additional Controlling Persons with respect to Biofrontera (Section 11. of the Offer Document):

#### **8.1 Economic and strategic background**

- According to Section 10.10 of the Offer Document, the focus of the Bidder's business activities is on the acquisition, holding and disposal of participations. Accordingly, the Bidder's sole objective with the Offer is to acquire Biofrontera Shares and thereby to expand the position of the Bidder and the persons acting in concert with the Bidder as the largest shareholder group of Biofrontera, taken together. Accordingly, the Bidder and the Pool Members intend to acquire control over the Target Company. Accordingly, the Bidder and the Additional Control Acquirers view the participation in Biofrontera as a long-term, profitable investment. According to the Offer Document, the Bidder and the Additional Control Purchasers do not pursue any intentions with the Offer with regard to an economic cooperation or the leveraging of synergy effects. The economic and strategic background

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of the Offer is solely the creation of value through the expansion of the shareholding in the Target Company.

- According to the Offer Document, the Bidder also does not intend to enter into research cooperations with the Target Company or to have distribution rights for Biofrontera products assigned to it.
- According to the Offer Document, the Bidder sees a significant value in the development of the US market and thus in the participation in Biofrontera Inc., which is responsible for this. In this respect, the Bidder is of the opinion that the long-term revenues from the product marketing in the USA have a significant influence on the value development of the Target Company. The Bidder intends to use its legal means of influence to prevent a (further) sale of the Target Company's shareholding in Biofrontera Inc. below value or a weakening of the Target Company's license position.

The Management Board and the Supervisory Board of Biofrontera welcome the fact that the Bidder assumes that an investment in Biofrontera will create value through the expansion of the shareholding. However, it is to be criticized that the Bidder and the Other Controlling Acquirers do not further describe in the Offer Document which concrete steps are to be taken from their point of view in order to further develop Biofrontera in a value-creating manner.

To the extent that the Bidder, according to the Offer Document, also does not intend to enter into research cooperations with the Target Company or to have distribution rights for Biofrontera products assigned to it, this appears plausible to the Management Board and the Supervisory Board because, in the opinion of the Management Board and the Supervisory Board, the Bidder and the persons acting in concert with it do not have the technical and operational possibilities to cooperate with Biofrontera accordingly anyway.

To the extent that the Bidder sees significant value in the development of the US market, the Management Board and the Supervisory Board share this view. The development of the US market is a significant success factor for the further development of Biofrontera. To develop the US market, an American subsidiary was initially established, Biofrontera Inc. In 2021, Biofrontera Inc. carried out an IPO in the USA, including an initial public offering on the Nasdaq stock exchange, in order to finance itself independently and thus accelerate the sales activities for Ameluz® in the USA. Due to the dilution of its shareholding in Biofrontera Inc., Biofrontera no longer holds the majority of shares in Biofrontera Inc. Currently, Biofrontera

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still holds 8,000,000 shares in Biofrontera Inc., corresponding to approximately 34% of its share capital. To the extent that the Bidder intends, within the scope of its legal possibilities of influence, to prevent a (further) sale of the Target Company's shareholding in Biofrontera Inc. below value or a weakening of the Target Company's license position, it should be mentioned that Biofrontera has not yet sold any shares in Biofrontera Inc. Instead, a dilution of Biofrontera's shareholding in Biofrontera Inc. has occurred due to capital increases carried out by Biofrontera Inc. In return, however, Biofrontera Inc. has received substantial financial resources, which are being invested in strengthening the sales activities for Ameluz® in the USA and thus also benefiting the Biofrontera Group. Whether Biofrontera will sell its shares in Biofrontera Inc. in the future, and if so, under what conditions, is a matter for the Management Board and Supervisory Board to decide in due course. In particular, it must be taken into account whether and, if so, what strategic interest there is in maintaining the shareholding.

To the extent that the Bidder implies in the Offer Document that the sale of the Target Company's shareholding in Biofrontera Inc. was below value or that it resulted in a weakening of the Target Company's license position, it should be noted that Biofrontera Inc. conducted an IPO in 2021. The issue price determined in the course of the pricing at that time was significantly higher than the current stock exchange price of the shares of Biofrontera Inc. Accordingly, it is not evident that there was an issue below value. The price determination in the context of the IPO was also based on the currently existing license agreement between the Biofrontera Group on the one hand and Biofrontera Inc. on the other hand, so that the license position of the target company and that of Biofrontera Inc. were reflected in the pricing. Changes to the license agreement are currently not intended.

### **8.2 Intentions regarding the use of assets and future obligations of the Target Company**

- According to the Offer Document, the Bidder has no intentions regarding the use of the assets and future obligations of the Target Company.

The Management Board and the Supervisory Board of Biofrontera also welcome the fact that the Bidder does not have any intentions regarding the use of the assets and future obligations of the Target Company, as it is not expected that the operational basis of Biofrontera will be withdrawn or changed.

However, it does not appear impossible that the Bidder and/or the persons acting in concert with the Bidder could, in the foreseeable future, specifically propose to sell the operating

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subsidiaries, Biofrontera Pharma GmbH and Biofrontera Bioscience GmbH, preferably to Biofrontera Inc. The Management Board of Biofrontera is currently investigating, with the knowledge and approval of the entire Supervisory Board of Biofrontera, whether and, if so, under which conditions such a scenario or a scenario with comparable results would be advantageous and feasible for Biofrontera, irrespective of the success of the Offer.

The proceeds from such a sale of Biofrontera Pharma GmbH and Biofrontera Bioscience GmbH would accrue to Biofrontera. Whether, and if so to what extent, such proceeds would be distributed to the Biofrontera shareholders would presumably depend on the decision of the Bidder and the other purchasers of control after the acquisition of control.

### **8.3 Changes in the Supervisory Board of Biofrontera**

- According to the Offer Document, the Bidder and the Additional Control Acquirors pursue the objective that at least half of the members of the Supervisory Board of the Target Company are elected upon proposal of the Bidder or a person acting jointly with the Bidder. The Bidder intends to bring about changes in the Supervisory Board of the Target Company already at the General Meeting on August 23, 2022.

Elections to the Supervisory Board last took place on December 14, 2021. Prior to this, agreement had been reached in a mediation process on the Supervisory Board candidates to be proposed for election. Maruho, the second major shareholder in addition to Mr. Wilhelm K. T. Zours, the Bidder and other persons acting in concert with the Bidder, also supported the election proposal of the Supervisory Board at that time. The election proposal to the General Meeting on December 14, 2021 had in particular also taken into account the fact that the Supervisory Board should be sufficiently independent from Mr. Wilhelm K. T. Zours, the Bidder and other persons acting in concert with the Bidder and from Maruho.

Mr. Wilhelm K. T. Zours and Dr. Heikki Lanckriet were supported and desired as candidates by Mr. Wilhelm K. T. Zours, the Bidder and other persons acting in concert with the Bidder.

The remaining members have no relationship whatsoever to the Bidder, Mr. Wilhelm K. T. Zours or other persons acting in concert with the Bidder.

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On December 14, 2021, Prof. Dr. Ruhwedel was also elected to the Supervisory Board, but she has since resigned on February 22, 2022.

The Management Board and the Supervisory Board of Biofrontera propose to the Annual General Meeting convened for August 23, 2022, under agenda item 5, to reduce the Supervisory Board to five members and not to elect a new sixth member as successor(s) to Prof. Dr. Ruhwedel. The proposed reduction of the Supervisory Board to five members instead of the election of a sixth member is in particular intended to avoid that the Supervisory Board is dominated by one of the major shareholders in the future.

In contrast, the Bidder has, by way of a supplementary request, added agenda item 8 to the agenda of the General Meeting of Shareholders of August 23, 2022 and proposes to elect a candidate selected before her, Prof. Dr. Karin Lergenmüller, to the Supervisory Board. This is therefore not the election proposal of the incumbent Supervisory Board. The candidate proposed by the Bidder is already a member of the Supervisory Board of a number of companies in which Mr. Wilhelm K. T. Zours holds a majority interest.

In view of the reduction of the Supervisory Board proposed under agenda item 5 of the General Meeting on August 23, 2022, the Supervisory Board of Biofrontera proposes to reject the resolution proposal of the Bidder under agenda item 8 (by-elections to the Supervisory Board).

Pursuant to Section 16 (2) of the Articles of Association of the Company, resolutions of the Supervisory Board require a majority of the votes cast, unless otherwise stipulated by mandatory law. If a vote results in a tie, the Chairman shall have two votes in the event of a new vote on the same resolution if this also results in a tie. A shareholder or a group of shareholders would therefore be in a position to dominate the Supervisory Board of Biofrontera and thus de facto control Biofrontera if it succeeds in obtaining at least half of the votes of the Supervisory Board members and the chairmanship of the Supervisory Board for a representative on the Supervisory Board.

Shareholders should bear in mind in this context that Mr. Wilhelm K. T. Zours is currently Chairman of the Supervisory Board. Should Prof. Dr. Lergenmüller, as proposed by the Bidder, be elected to the Supervisory Board of Biofrontera on August 23, 2022, it would in any case appear very likely, assuming a fundamental consensus on the content of the three Supervisory Board members proposed by the Bidder, that Biofrontera would subsequently be de facto controlled by Mr. Wilhelm K. T. Zours. Under the given circumstances, the Management Board

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and the Supervisory Board assume, inter alia, in view of a second main shareholder and the potential for conflict that might result therefrom, as well as in view of a substantial free float, that it is in the interest of Biofrontera that no such dominance over its Supervisory Board, and thus in the result itself, arises.

### **8.4 Changes in the Management Board of the Target Company**

- The Target Company currently only has a CFO and an interim Management Board appointed until August 31, 2022. In the opinion of the Bidder, the Management Board of the Target Company should therefore be supplemented by a CEO. Therefore, the Bidder intends to work towards the appointment of a suitable member of the Management Board as CEO within the scope of the given possibilities of influence. In doing so, the Bidder respects the competence of the Supervisory Board for the appointment of Management Board members as stipulated by the German Stock Corporation Act. In addition, the Bidder observes the composition and activities of the corporate bodies of the Target Company.

The Management Board and the Supervisory Board advocate the best possible composition of the corporate bodies of Biofrontera.

### **8.5 Legal dispute with the Target Company**

- The Bidder describes that it is currently in a legal dispute with the Target Company. The Bidder is currently suing the Target Company before the Regional Court of Cologne for a declaratory judgment that the IPO of its former subsidiary Biofrontera, Inc. and the capital increases carried out in this context as well as resolutions of the administration of Biofrontera in this regard were null and void. According to the Offer Document, the Bidder considers its position in this litigation to be promising. The Bidder would also like to have the legality of the actions of the responsible bodies reviewed within the scope of its legal possibilities.

For their part, the Management Board and Supervisory Board consider Biofrontera's legal position in the legal dispute to be promising. Apart from this, the Management Board and the Supervisory Board do not see what internal connection there is, in the opinion of the Bidder,



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between the Offer or the acquisition of control and the legal dispute. The Management Board and the Supervisory Board do not assume that the Bidder intends to exploit any control of Biofrontera in such a way that it influences Biofrontera's future conduct in the litigation.

### **8.6 Relocation or closure of the registered office of the Target Company and the location of significant parts of the Target Company's business**

- According to the Offer Document, a relocation or closure of the registered office of the Target Company and the location of significant parts of the Target Company is not intended.

The Management Board and the Supervisory Board welcome this, as in their opinion there is currently no need for such changes.

### **8.7 Intentions regarding employees, their employment conditions and their representation at the Target Company**

- According to the Offer Document, the Bidder has no intentions with regard to employees, their employment conditions and their representations at the Target Company.

The Management Board and the Supervisory Board welcome this, as in their opinion there is currently no need for such changes.

### **8.8 Mediation with the Target Company**

In Section 10.2. of the Offer Document, the Bidder describes as background of the Offer (Section 10.) a mediation agreement concluded on September 11, 2020. However, based on the statements in the Offer Document, it is not apparent to the Management Board and the Supervisory Board why and to what extent there is an internal connection between the Offer and the mediation carried out.

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### **8.9 No mandatory offer in case of obtaining control over the Target Company**

- If, as a result of the Offer, the Bidder acquires control over the Target Company within the meaning of section 29 para. 2 WpÜG, the Bidder is not obliged, according to the Offer Document, to make a mandatory offer to the shareholders of the Target Company pursuant to section 35 para. 3 WpÜG. Accordingly, the voting rights of the Bidder in the Target Company will be attributed to the Additional Controlling Acquirers pursuant to section 30 para. 2 WpÜG. If the Bidder, also by attributing voting rights of the pool members pursuant to section 30 para. 2 WpÜG and/or by attributing voting rights pursuant to section 30 para. 1 sentence 1 no. 1, sentence 3 or section 30 para. 1 sentence 1 no. 2, sentence 2 or section 30 para. 2 WpÜG, control over the target company within the meaning of section 29 para. 1 WpÜG as a result of this takeover offer, the Bidder and the Additional Controlling Acquirers are not obliged to make a mandatory offer for Biofrontera Shares pursuant to section 35 para. 3 WpÜG.

The Management Board and the Supervisory Board point out that, if the Offer is successful, the Bidder and the Additional Control Acquirers would therefore be able to acquire Biofrontera Shares in the future without having to make another takeover or mandatory offer. The Management Board and the Supervisory Board are not in a position to assess whether and when the Bidder and the Additional Control Acquirers would make use of such an option.

### **8.10 Structural measures**

- According to the Offer Document, the Bidder does not intend to take any structural measures under capital market or corporate law which could have an influence on the participation of the shareholders of Biofrontera. However, according to the Offer Document, the Bidder is in discussions with Biofrontera regarding its financing. For this purpose, according to the Offer Document, discussions have taken place with Biofrontera and possible financing partners, for example with regard to loans and their collateralization by the Bidder. According to the Offer Document, the Bidder has offered Biofrontera the prospect of securing financing in the amount of approximately EUR 1.7 million. According to the Offer Document, the Bidder does not intend to enter into a domination and/or profit and loss transfer agreement with the Target Company even if it acquires a three-quarter majority in the Target Company as a result of this Offer.

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The Management Board and the Supervisory Board regard a possible financing by the Bidder as fundamentally positive, always provided that such financing is provided on terms which stand up to a third party comparison. In addition, it is pointed out that Biofrontera has in the meantime received debt financing from a third party in the amount of EUR 1.7 million, repayable on December 15, 2022. The Bidder has secured Biofrontera's obligations as guarantor.

The Management Board and the Supervisory Board welcome the Bidder's announcement that it does not plan any structural measures.

### **9 Statement on the intentions of the Additional Control Acquirers without the Bidder regarding the Target Company**

- The Other Controlling Acquirers share the intentions of the Bidder with regard to the Target Company as set out in the Offer Document.
- DELPHI Unternehmensberatung and Mr. Wilhelm K. T. Zours in his capacity as Additional Control Acquirer and indirect shareholder intend, in addition, pursuant to the Offer Document, to exercise their influence, if any, also with regard to further personnel changes in the Supervisory Board in the interest of the Target Company and, to the extent permitted, in such a way that the value of the Target Company with regard to its future results of operations and with regard to its assets, including the participation of the Target Company in Biofrontera Inc. in the interest of all shareholders, is increased to the greatest extent possible. In this context, the other purchasers of control will also observe the composition of the boards and their activities within the scope of their direct or indirect shareholder position, taking into account the responsibilities of the respective boards of the target company under stock corporation law.
- With regard to the composition of the Management Board, the Additional Control Acquirers, as shareholders of the Target Company, have in principle only an indirect influence, namely through the election of members of the Supervisory Board at the General Meeting of the Target Company, in accordance with the German Stock Corporation Act. To the extent that Mr. Wilhelm K. T. Zours, in his capacity as a member of the Supervisory Board of the Target Company, participates in the composition of the Management Board,

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Mr. Wilhelm K. T. Zours will take into account the interest of the Target Company and, to the extent permissible, the aforementioned interest in an increase in the value of the Target Company as a material criterion in the exercise of his discretion. In his capacity as a member of the Supervisory Board of the Target Company, he will continue to review the composition of the Executive Board. Depending on the majorities on the Supervisory Board, which may change as a result of a change in the composition of the Supervisory Board, Wilhelm K. T. Zours will continue to review the composition of the Executive Board on a regular basis. As the Supervisory Board of the Target Company always decides on the composition of the Management Board of the Target Company at its own discretion and on its own responsibility, in accordance with the rules of competence under stock corporation law, Mr. Wilhelm K. T. Zours will exercise his discretion specifically in each case.

The Management Board and the Supervisory Board welcome the Bidder's announcement that the Additional Acquirors also intend to exercise their influence on the Supervisory Board in such a way that the value of the Target Company is increased as far as possible with regard to its future results of operations and its assets, including the Target Company's shareholding in Biofrontera Inc. in the interest of all shareholders.

To the extent that the Bidder states that Mr. Wilhelm K. T. Zours, as Additional Controlling Purchaser, will review the appointment of the Management Board and, in his function as member and chairman of the Supervisory Board of Biofrontera, will exercise his discretion in a manner permitted under stock corporation law, this is a matter of course which does not require any comment by the Management Board and the Supervisory Board.

### **10 Intentions of the Bidder and the Additional Control Acquirers with regard to their own business activities**

With the Offer pursuant to the Offer Document, the Bidder and the Additional Control Acquirers do not pursue any intentions with regard to themselves, with the exception of the acquisition of membership rights by the Bidder in the Target Company.

Against the background that the Bidder and the Additional Control Acquirors apparently see themselves as financial investors and not as strategic investors, the Management Board and the Supervisory Board consider these statements to be plausible.

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### **11 Effects of the Offer on Biofrontera Shareholders**

The following statements serve to provide Biofrontera shareholders with indications for the evaluation of the effects of an acceptance or non-acceptance of the Offer. The aspects listed below do not claim to be exhaustive. Each Biofrontera shareholder is responsible for assessing the effects of accepting or not accepting the Offer. The Management Board and the Supervisory Board advise Biofrontera shareholders to seek professional advice, if necessary.

#### **11.1 Possible effects in case of acceptance of the Offer**

Biofrontera Shareholders who accept the Offer will lose their membership and asset rights in Biofrontera with respect to those Biofrontera Shares for which the Offer has been accepted upon completion of the Offer with the transfer of these Biofrontera Shares to the Bidder. Withdrawal from the acceptance of the Offer is only possible under the conditions set out in the Offer Document. The following aspects should also be taken into account:

Biofrontera shareholders who accept or have accepted the Offer will, upon completion of the Offer, forfeit their membership and asset rights based thereon as well as their position as shareholders of Biofrontera with the transfer of their Biofrontera Shares to the Bidder and will receive the consideration therefor. They thus lose, among other things, the right to receive payment of a dividend by Biofrontera at a later date or to participate in any liquidation proceeds.

Biofrontera shareholders who accept the Offer will no longer be able to benefit in the future from any positive business development of the Biofrontera Group and the development of the value and the stock exchange price of the Biofrontera Shares.

#### **11.2 Possible effects in case of non-acceptance of the Offer**

Shareholders of Biofrontera who do not accept the Offer will remain shareholders of Biofrontera. They should also consider the following aspects:

The successful execution of the Offer would result in a reduction of the free float of Biofrontera Shares. The number of shares in free float could be reduced to such an extent that orderly stock exchange trading in Biofrontera shares would no longer be ensured or that there would even be no stock exchange trading at all.

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This could result in selling orders not being executed or not being executed in a timely manner. Furthermore, low liquidity of the Biofrontera Shares could lead to greater price fluctuations than in the past.

After completion of the Offer, the Bidder could have a majority of the voting rights at the general shareholders' meeting and, depending on the acceptance rate, could have the necessary majority of votes to be able to push through all important structural measures under company law and other measures at the general shareholders' meeting of Biofrontera.

The current stock exchange price of the Biofrontera Shares may be affected by the fact that the Bidder has made the Offer. It is therefore uncertain whether the share price of the Biofrontera Shares will remain at the current level or whether it will fall or rise after implementation of the Takeover Offer.

### **12 Interests of the Management Board and Supervisory Board of Biofrontera**

#### **12.1 No granting or promise of benefits**

The Bidder and persons acting in concert with it as well as the Target Company have not granted or promised any unjustified cash benefits or other unjustified pecuniary advantages to members of the Management Board or Supervisory Board of Biofrontera in connection with the Offer.

#### **12.2 Conflicts of interest / Voting behavior of the Management Board and the Supervisory Board in the adoption of this Statement / Abstentions**

The members of the Management Board and the Supervisory Board hereby declare that they acted solely in the interest of Biofrontera when adopting this Opinion. The Opinion was adopted by the Management Board and the Supervisory Board as follows:

- The Management Board adopted this Opinion unanimously without abstention.
- The Supervisory Board adopted this Opinion unanimously with Mr. Wilhelm K. T. Zours abstaining. Mr. Wilhelm K. T. Zours has thus taken into account the fact that he belongs to the group of persons acting in concert with the Bidder and to the Additional Controlling Persons and that he is also the chairman of the Supervisory Board of the Bidder.

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### **13 Intention of the members of the Management Board and the Supervisory Board to accept the Offer**

The intention of the members of the Management Board and the Supervisory Board, to the extent they are holders of securities of the Target Company, to accept the Offer is as follows:

#### **13.1 Management Board**

Mr. Ludwig Lutter does not hold any Biofrontera Shares at the time of the preparation of this Statement.

Mr. Paul Böckmann does not hold any Biofrontera Shares at the time of the preparation of this Statement.

#### **13.2 Supervisory Board**

Dr. Tielmann holds 1,000 Biofrontera shares; he does not intend to accept the Offer. The other members of the Supervisory Board do not directly hold any Biofrontera Shares.

To the extent that persons acting in concert with the Bidder other than Mr. Wilhelm K. T. Zours hold Biofrontera Shares and such Biofrontera Shares are attributable to Mr. Wilhelm K. T. Zours by virtue of statutory provisions, such persons do not intend, to the knowledge of Mr. Wilhelm K. T. Zours, to accept the Offer.

### **14 Concluding statement of the Management Board and Supervisory Board / recommendation for action**

Overall, the Management Board and the Supervisory Board assess the consideration offered by the Bidder as not financially adequate. Against the background that the consideration offered does not appear to be financially appropriate, the Management Board and the Supervisory Board recommend to the Biofrontera Shareholders to

**reject the offer,**

whereby, also on the basis of the objectives and intentions communicated by the Bidder, there are no indications which speak in favor of an acceptance of the Offer. On the other hand, the Management Board and the Supervisory Board are of the opinion that the change in the

## ***Non-binding translation of the German version***

Supervisory Board envisaged by the Bidder, which the Additional Control Acquirers support in accordance with the Offer Document, speaks against an acceptance of the Offer and the associated increase in voting rights for the Bidder and the Additional Control Acquirers, as it would then be very likely that Biofrontera would subsequently be controlled by Mr. Wilhelm K. T. Zours. Under the given circumstances, this does not appear to be in the interest of Biofrontera at this time.

Leverkusen, July 29, 2022

Biofrontera AG

The Management Board

The Supervisory Board