

Declaration by the Management and Supervisory boards of Biofrontera AG (company) concerning the German Corporate Governance Code, pursuant to § 161 of the German Stock Corporation Act

Pursuant to Section 161 German Stock Corporation Act (AktG), the Management and Supervisory boards of Biofrontera AG are obligated to state each year that the recommendations of the "Government Commission on the German Corporate Governance Code" ("Code"), as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette, have been and are being complied with, or which recommendations were not or are not being adhered to and why such is the case ("compliance statement"). The compliance statement must be made permanently accessible to the shareholders. The Management and Supervisory boards hereby issue the following compliance statement:

Since the submission of its last compliance statement in December 2016, Biofrontera AG has complied with the recommendations of the Code in the version specified therein, taking into account the exceptions therein stated, and will comply with the version dated 5 May 2015, with the following exceptions:

Deductibles in respect of the D&O insurance (No. 3.8 subsection 3)

The company has taken out D&O insurance cover, which provides no deductible for Supervisory Board members. In the company's view, such a deductible is not required to ensure the Supervisory Board members' motivation and sense of responsibility. A deductible would, however, probably undermine the company's aspirations to attract outstanding people from Germany and abroad to serve on its Supervisory Board. The Supervisory Board has consequently been expressly exempted from the new provisions regarding the deductible in the German Act regarding the Appropriateness of Management Board Remuneration (VorStAG) (Section 116 AktG).

Presentation of Management Board remuneration in the remuneration report (No. 4.2.5)

No. 4.2.5 of the Code includes recommendations relating to the presentation of Management Board remuneration in the remuneration report. These include in particular the use of standardised tables. The remuneration system for the Management Board as well as the total amounts granted are presented in accordance with legal stipulations in the Management Report as well as in the Notes. These provide in the company's view a comprehensive, transparent and understandable overview and therefore an additional advantage from the presentation recommendations of the Code cannot be recognized.

General limit to be specified for the term of office on the Supervisory Board (No. 5.4.1)

As part of its diversity goals, the Supervisory Board should specify a general limit for the term of office on the Supervisory Board. However, in the company's case, specifying a general limit for the term of office is not considered to be appropriate from the current perspective. This is because, in the opinion of Supervisory Board, it is not possible to abstractly determine a length of time that could usefully be specified as a general maximum limit for the term of office. Instead, each case should be assessed individually as to whether the length of membership on the Supervisory Board to date might conflict with proper and impartial performance of the mandate.

Structure of remuneration for the Supervisory Board (No. 5.4.6)

The company does not take committee membership into consideration when remunerating the Supervisory Board members. Given the close coordination in the six-member Supervisory Board, a differentiation of the Supervisory Board remuneration according to committee membership is not currently required, especially as the members generally have around the same workloads resulting from membership of the various committees.

Reporting (No. 7.1.2)

Financial reports, half-yearly reports and interim reports are published within the statutory periods.

Leverkusen, Germany, April 2017

  
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The Management Board of Biofrontera AG


Dr. Ulrich Granzer
Supervisory Board Chairman