

-CONVENIENCE TRANSLATION-

Corporate Governance Declaration of Biofrontera AG pursuant to Sections 289f, 315d of the German Commercial Code (HGB) including the supplementary disclosures required by the German Corporate Governance Code for the financial year 2020

Dear Shareholders,

Corporate governance is understood to be the legal and factual regulatory framework for the management and supervision of a company. The German Corporate Governance Code in the version adopted by the Government Commission on December 16, 2019 ("Code") contains principles, recommendations and suggestions for the Management Board and the Supervisory Board of Biofrontera AG (hereinafter also referred to as the "Company"), which are intended to help ensure that the Company is managed in the Company's best interests.

The Code clarifies the obligation of the Management Board and the Supervisory Board to ensure the company's continued operation and sustainable value creation in accordance with the principles of the social market economy, taking into account the interests of the shareholders, the workforce and other groups associated with the company (stakeholders) (corporate interest). These principles require not only legality, but also ethically based, responsible behavior (guiding principle of the honorable businessman).

On March 20, 2020, the Code was published in the German Federal Gazette (Bundesanzeiger) and thus became binding. The following statements refer to the Code unless explicit reference is made to the version of the German Corporate Governance Code dated February 7, 2017 (hereinafter "Code as amended") which was valid until March 20, 2020.

As a listed company, the Company is required to issue a corporate governance statement within the meaning of Sections 289f, 315d of the German Commercial Code (HGB), including the Group. The Code recommends that the Supervisory Board and Management Board report annually on the Company's corporate governance in the corporate governance statement.

Pursuant to Section 289f (1) HGB, the corporate governance statement is to be included in the (combined) management report, where it forms a separate section. It can also be made publicly available on the company's website. In this case, the (combined) management report must include a reference to the website. The Company has made use of this option, i.e. this corporate governance statement has not been included in the (combined) management report for the 2020 financial year, but rather a reference to the website where the corporate governance statement is publicly accessible has been included.

I. Reproduction of the Compliance Statement pursuant to Sections 289 f (2) No. 1, 315d of the German Commercial Code (HGB)

The Management Board and Supervisory Board issued the following compliance statement in December 2020:

Statement by the Management and Supervisory boards of Biofrontera AG (the Company) concerning the German Corporate Governance Code, pursuant to Section 161 of the German Stock Corporation Act (AktG)

Pursuant to Section 161 of the 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 (Bundesanzeiger), 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 Management and Supervisory boards hereby issue the following compliance statement:

Since issuing its annual declaration of conformity in December 2019, Biofrontera AG has complied with the recommendations of the Code in the version stated therein, taking into account the exceptions therein. The Management Board and the Supervisory Board further declare that the recommendations of the Code are complied with with the following exceptions (the items listed below are those of the Code as amended on December 16, 2019):

Reporting (F. 2)

Due to organizational structures financial reports, half-yearly reports and interim reports are published within the statutory periods but not earlier.

II. Further disclosures pursuant to Sections 289 f (2), 315d HGB

Biofrontera AG is a stock corporation under German law. The Company is managed by the Management Board and the Supervisory Board, which work together for the benefit of the Company. The Management Board and Supervisory Board of Biofrontera AG are aware of their responsibility towards shareholders, employees and business partners as well as the general public. Corporate governance stands for responsible corporate management and control geared towards long-term value creation. The Supervisory Board and Management Board continuously review and develop corporate governance within the Company in order to maintain good and responsible corporate management and to provide transparency for shareholders. Biofrontera AG therefore also considers its almost complete compliance with the recommendations and suggestions of the German Corporate Governance Code in the relevant version to be an important component of responsible corporate management.

The Code specifies contents of corporate governance reporting to be included in the corporate governance statement, namely:

- Recommendation B.2
The Supervisory Board should work together with the Management Board to ensure long-term succession planning; the procedure should be described in the corporate governance statement.
- Recommendation B.5
An age limit should be set for members of the Management Board and stated in the corporate governance statement.
- Recommendation C.1
The Supervisory Board should specify concrete objectives for its composition and draw up a competence profile for the entire body. In doing so, the Supervisory Board should pay attention to diversity. Proposals by the Supervisory Board to the Annual General Meeting should take these objectives into account and at the same time aim to fill out the competence profile for the entire body. The status of implementation shall be published in the corporate governance declaration. This should also provide information on the number of independent shareholder representatives on the Supervisory Board, as deemed appropriate by the shareholder representatives, and the names of these members.
- Recommendation C.2
An age limit should be specified for members of the Supervisory Board and stated in the corporate governance statement.
- Recommendation C.8
If one or more of the indicators mentioned in Recommendation C.7 (indicators for assessing the independence of Supervisory Board members) are met and the Supervisory Board member in

question is nevertheless considered independent, this should be justified in the corporate governance statement.

- Recommendation D.2
The Supervisory Board should form professionally qualified committees depending on the specific circumstances of the enterprise and the number of its members. The respective committee members and the committee chairman should be named in the corporate governance statement.
- Recommendation D.13
The Supervisory Board should regularly assess how effectively the Supervisory Board as a whole and its committees perform their duties. In the corporate governance statement, the Supervisory Board should report whether and how a self-assessment has been carried out.
- Principle 22
The Supervisory Board and Management Board report annually on the corporate governance of the Company in the corporate governance statement.
- Recommendation F.4
The Supervisory Board and Management Board of listed companies regulated by special legislation should indicate in the corporate governance statement which recommendations of the Code were not applicable due to overriding statutory provisions.

The above aspects will also be addressed below.

General information on the management structure

With its Management Board and Supervisory Board, the Company has a two-tier management and supervisory structure. The Management Board and Supervisory Board are committed to the interests of the shareholders and the welfare of the Company. The Annual General Meeting is the third governing body of the company.

Biofrontera AG is subject to the provisions of German stock corporation and capital market law as well as the provisions of the Articles of Association and the rules of procedure for the Management Board and Supervisory Board.

The rules of procedure for the Management Board and Supervisory Board are published on the Company's website at <https://www.biofrontera.com/de/about-us/management-und-aufsichtsrat>.

Information on corporate governance practices

At the heart of our management culture for the Company and its subsidiaries are values enshrined in statutory regulations and our internal policies and organizational directives. Of particular importance in this regard are certifications and quality requirements in the area of manufacturing and distribution of pharmacological products, compliance with which requires considerable effort.

In addition, management and employees share a common understanding of the need to combine sustainable growth with economic success and, at the same time, to create added value for society through effective and safe pharmacological products.

To achieve this goal, each employee should be aware of his or her contribution to the Company's success and value creation and be able and allowed to assume responsibility for results.

Personal responsibility and initiative presuppose knowledge of the Company's business and strategic direction. Management therefore regularly informs employees about corporate goals, current business developments and the market and competitive environment. In addition, clearly defined corporate structures, areas of responsibility and processes form an essential basis for efficient corporate management and cooperation. In conjunction with defined processes that are subject to continuous optimization, such a structure enables management to be aligned with corporate objectives and regular monitoring of target achievement.

In this context, particular emphasis is also placed on motivation and appreciation for the employees of the Company. After all, special commitment, high productivity and efficiency can only be achieved in a working environment perceived as positive and with a high level of identification with the company and its goals. For this reason, the company promotes a balance between the expected, highly qualified and concentrated work performance in a dynamic market on the one hand and the necessities and needs of private life on the other. Due to its international orientation, it is essential to also take appropriate account of the characteristics of the individual markets with their respective framework conditions, cultural imprints and expectations, while at the same time maintaining the necessary homogeneity within the Group as a whole.

Compliance

The business activities of the Biofrontera Group must comply with the legal systems of various countries. The Biofrontera Group conducts its business responsibly and in compliance with the legal requirements and official rules of the countries in which it operates. This is particularly true due to the increasing sales activities in foreign markets, including the USA, especially since the sale of pharmaceuticals in particular is subject to special requirements regarding the integrity of the stakeholders. Violations especially in this environment could lead to serious disadvantages.

The Biofrontera Group therefore expects its employees to act in a legally and ethically impeccable manner in their everyday business activities. This is because, especially as a developer and manufacturer of pharmacological products, the highest degree of integrity is indispensable in order to justify the trust of our partners and, above all, of the patients treated with our products.

Employees are familiarized with the relevant codes of conduct as well as legal and regulatory rules in training sessions with the involvement of the responsible compliance officers. The core messages of the Biofrontera Group's compliance are adherence to antitrust regulations, integrity in business dealings, commitment to product stewardship and sustainability, adherence to the quality management system established within the company, and avoidance or proper handling of conflicts of interest. Our employees have the opportunity and are encouraged - if desired, also protected - to provide information on any legal violations in the companies of the Biofrontera AG Group.

Details are set out in a Code of Conduct entitled "Behavior in Business: Integrity, Innovation, Respect and Responsibility", compliance with which is imposed on all employees and governing bodies.

In February 2018, American Depositary Shares (ADS) were listed on the Nasdaq stock exchange. Each ADS represents two shares of Biofrontera AG. As a result of the U.S. listing, we are required to comply with the

requirements of the Sarbanes-Oxley Act of 2002 to the extent necessary. The Sarbanes-Oxley Act regulates various aspects of corporate governance and compliance for publicly traded companies. In our Annual Report on U.S. Generally Accepted Accounting Principles, 20-F, the Management Board is required to provide a statement on the implementation and effectiveness of internal control over financial reporting. We conducted our own audit to satisfy ourselves as to the effectiveness of the controls and issued a corresponding declaration.

Against the background of the stock exchange listings of the shares of Biofrontera AG and ADS, respectively, the safeguarding of market integrity represents an essential component of our compliance structure. This includes processes for the group-wide recognition of insider information and for dealing with it in a legally compliant manner, as well as informing our employees about their tasks and duties in this context.

Sustainability

We strive for sustainable corporate development. We therefore also regularly review our positioning in terms of environment, social, governance (ESG). Our main product, Ameluz®, is manufactured by a contract manufacturer in Switzerland. The main ingredients, in particular the active ingredient used, are produced in the EU. As a supplier of pharmacological products, we and our production partners are subject to a large number of strict regulations and requirements. These also include environmental requirements. We therefore use manufacturers or suppliers who are themselves committed to high ESG standards. The Biofrontera Group's sites are all located in countries of the EU or the USA. In this respect, the corresponding environmental protection and employment standards apply at all sites. Equal treatment of our employees regardless of origin, gender, religion or ideology, disability, age or sexual orientation is part of our corporate culture.

With the implementation of the Second Shareholders' Rights Directive, the legislator stipulated in Section 87 of the German Stock Corporation Act (AktG) that the compensation structure for members of the Management Board must be geared to the sustainable and long-term development of the Company. In order to take account of the sustainability concept in this respect as well, the compensation arrangements envisaged with the members of the Management Board provide for assessment factors for variable compensation components to include financial and non-financial performance criteria, including criteria such as integrity, employee satisfaction and diversity, as well as sustainability/environmental social governance (ESG) aspects.

Procedures of the Management Board and Supervisory Board, rights of the Annual General Meeting

Management Board

The Management Board represents the Company externally and manages it in accordance with the law, the Articles of Association and the Rules of Procedure for the Management Board.

The Management Board ensures appropriate risk management within the Company and risk controlling. This is intended to identify at an early stage any developments that might jeopardize the going concern of the Company. The Management Board develops the strategic direction of the Company, coordinates it with the Supervisory Board and ensures its implementation. The Management Board is responsible for ensuring compliance with legal requirements and internal company guidelines, and works towards their observance by the Group companies (compliance).

The Management Board of Biofrontera AG currently consists of two members, the Chair of the Management

Board (CEO) and the Chief Financial Officer (CFO). The members of the Management Board are jointly responsible for the overall management of the Company. Notwithstanding the overall responsibility of all members of the Management Board, the individual members manage the areas assigned to them on their own responsibility within the framework of Management Board resolutions.

The Supervisory Board has issued rules of procedure for the Management Board. Accordingly, the Management Board as a whole decides on matters of fundamental importance and in other cases specified therein or by law. Unless unanimity is required by law, the Articles of Association or the Rules of Procedure, the Management Board adopts resolutions by a simple majority of the votes cast. In the event of a tie, the Chairman shall have the casting vote. Measures and transactions of fundamental importance by the Management Board require the approval of the Supervisory Board in accordance with the Rules of Procedure of the Management Board.

The Supervisory Board appoints the members of the Board of Management for a maximum of five years. Reappointment or extension of the term of office, in each case for a maximum of five years, is permitted, subject to a renewed Supervisory Board resolution. This requires a new resolution by the Supervisory Board, which may be adopted no earlier than one year before the expiry of the previous term of office.

In its Rules of Procedure for the Management Board, the Supervisory Board has set an age limit such that the Personnel Committee shall only propose to the full Supervisory Board for appointment as a member of the Management Board persons who have not yet reached the statutory retirement age (currently 67).

The Supervisory Board is responsible for negotiating the service contracts with the members of the Management Board. When determining the total compensation of individual members of the Management Board (salary, profit sharing, expense allowances, insurance compensation, commissions, incentive-based compensation commitments such as stock options and fringe benefits of all kinds), the Supervisory Board shall ensure that these are commensurate with the tasks and performance of the Management Board member and the situation of the Company and do not exceed the customary level of compensation without special justification. In the case of listed companies, the compensation structure shall be geared to the sustainable and long-term development of the Company. Variable compensation components shall therefore have a multi-year assessment basis; the Supervisory Board shall agree on a cap for extraordinary developments.

Following implementation of the Second Shareholders' Rights Directive, a new Section 87a of the German Stock Corporation Act (AktG) was enacted. Accordingly, the Supervisory Board of the listed company shall adopt a clear and comprehensible system for the compensation of the members of the Management Board. According to the also newly inserted Section 120a AktG, the Annual General Meeting of the listed company shall resolve on the approval of the compensation system for the members of the Management Board presented by the Supervisory Board whenever there is a significant change to the compensation system, but at least every four years. The resolution and the compensation system shall be published without delay on the Company's website and kept publicly accessible free of charge for the duration of the validity of the compensation system, but at least for ten years.

In accordance with the statutory provisions, the system for the compensation of the members of the Management Board resolved in accordance with Section 87a of the German Stock Corporation Act (AktG) will be presented to the Annual General Meeting in 2021.

Pursuant to Section 120a (4) AktG, the Annual General Meeting of the listed company will also resolve on the approval of the compensation report for the previous financial year prepared and audited in accordance with Section 162 AktG, unless the resolution can be dispensed with pursuant to Section 120a (5) AktG. A corresponding resolution would be adopted for the first time by the Annual General Meeting of the

Company in 2022. The compensation report and the report on the audit of the compensation report shall be made publicly available free of charge on the Company's website for ten years from the date specified in Section 162 (4).

The compensation report on the last financial year and the auditor's report pursuant to Section 162 AktG and the applicable compensation system pursuant to Section 87a AktG will be made available on the Company's website at <https://www.biofrontera.com/de/investoren>. The auditor's report pursuant to Section 162 AktG and the applicable compensation system pursuant to Section 87a AktG will also be made available on the Company's website. The other aforementioned documents to be published relating to compensation will also be available there.

Supervisory Board

The Supervisory Board appoints the members of the Management Board, advises the Management Board on the management of the Company and monitors its conduct of business. In accordance with Sections 95, 96 (1), 101 (1) of the German Stock Corporation Act (AktG) in conjunction with the Articles of Association, the Supervisory Board of the Company is composed of six members, all of whom are elected by the Annual General Meeting. The members of the Supervisory Board are elected for the period until the end of the Annual General Meeting which resolves on their discharge for the fourth fiscal year after the beginning of their term of office, unless the Annual General Meeting specifies a shorter term of office at the time of election. The fiscal year in which their term of office begins is not included in this calculation. At present, the Supervisory Board has six members, none of whom were previously members of the Company's Management Board.

The Supervisory Board shall elect a Chairman and at least one Vice Chairman. The Chairman of the Supervisory Board organizes the work of the Board, convenes the meetings and chairs them. He is also the contact person for the Management Board, in particular for reports on important occasions. The Supervisory Board has adopted rules of procedure. The principles of the Supervisory Board's cooperation are set out in the Supervisory Board's Rules of Procedure. The Supervisory Board regularly discusses the efficiency of its work and the committees formed. To date, the Supervisory Board has refrained from calling in an external consultant to review its efficiency and has carried out the self-assessment as part of a structured discussion within the Supervisory Board on the basis of a checklist.

The Supervisory Board is involved in all decisions of fundamental importance to the Company. The Supervisory Board can make certain transactions dependent on its approval. The Supervisory Board's main duties also include proposing candidates to the Annual General Meeting for election to the Supervisory Board and for appointment of the auditors. The Management Board has no right of nomination in this respect. According to the Rules of Procedure of the Supervisory Board, only persons who have not yet reached the statutory retirement age (currently 67) may be proposed for election as members of the Supervisory Board (age limit).

The members of the Supervisory Board may be granted compensation for their activities. The compensation may be specified in the Articles of Association or approved by the Annual General Meeting. Such compensation shall be commensurate with the duties of the Supervisory Board members and the situation of the Company. Currently, the compensation of Supervisory Board members is regulated in the Articles of Association. In the case of listed companies, Section 113 of the German Stock Corporation Act (AktG), which was also amended by the Act Implementing the Second Shareholders' Rights Directive, requires a resolution on the compensation of Supervisory Board members to be passed at least every four years. In accordance with the statutory provisions, a corresponding resolution proposal will be submitted

to the Annual General Meeting in 2021.

The applicable compensation system for the Supervisory Board pursuant to Section 113 AktG will be made available on the Company's website at <https://www.biofrontera.com/de/investoren>.

Annual General Meeting

The shareholders exercise their rights at the Annual General Meeting. In particular, they exercise their voting rights there. The Annual General Meeting is held annually within the first eight months of each financial year, although special arrangements also apply for 2021 due to the COVID 19 pandemic.

The Annual General Meeting passes resolutions in the cases expressly stipulated by law and in the Articles of Association, namely on

- the appointment of members of the Supervisory Board, unless they are to be appointed to the Supervisory Board or elected as employee representatives to the Supervisory Board in accordance with the German Codetermination Act, the German Codetermination Supplement Act, the German One-Third Participation Act or the German Act on Employee Codetermination in Cross-Border Mergers;
- the appropriation of net income;
- the compensation system and compensation report for members of the Management Board and Supervisory Board of the listed company;
- the discharge of the members of the Management Board and the Supervisory Board;
- the appointment of the auditor;
- Amendments to the Articles of Association;
- measures to raise capital and reduce capital;
- the appointment of auditors to audit transactions relating to the formation or management of the Company;
- the dissolution of the Company.

The Annual General Meeting may only decide on management issues if the Management Board so requests.

The agenda for the Annual General Meeting, including the reports and documents required for the Annual General Meeting, is also published on the Company's website. To facilitate the shareholders' personal exercise of their rights, the Company provides shareholders with a proxy for Annual General Meetings who is bound by instructions. In the notice convening the Annual General Meeting or in the notices to shareholders, it is explained how voting instructions can be issued in the run-up to the Annual General Meeting.

In accordance with the statutory provisions, a proposal for a resolution on the compensation system for the Management Board and Supervisory Board will be submitted to the Annual General Meeting in 2021.

Supervisory Board committees

Currently, the Supervisory Board has established an Audit Committee, a Nominating Committee, as well as a Personnel Committee.

The Personnel Committee prepares Supervisory Board decisions on the appointment and dismissal of Management Board members. As a result of the changes introduced by the German Act on the Appropriateness of Management Board Compensation (VorstAG), the entire Supervisory Board is now also responsible for compensation decisions, with the result that the Personnel Committee is only involved in preparatory work in this respect. The Supervisory Board has made a corresponding amendment to its rules of procedure. It also discusses long-term succession planning for the Management Board. The members of the Personnel Committee are: Mr. Jürgen Baumann, Mr. John Borer and Dr. Ulrich Granzer. Mr. Baumann is currently the Chairman.

The Audit Committee deals in particular with the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system and the internal auditing system, as well as the audit of the financial statements, in particular the selection and independence of the auditor and the additional services provided by the auditor. The Audit Committee may make recommendations or proposals to ensure the integrity of the financial reporting process. In the case of companies within the meaning of Section 264d of the German Commercial Code, i.e. also in the case of Biofrontera AG, the proposal of the Supervisory Board for the election of the auditor shall be based on the recommendation of the Audit Committee. In the case of companies within the meaning of Section 264d of the German Commercial Code, at least one member of the Supervisory Board must also have expertise in the fields of accounting or auditing and be a member of the Audit Committee. The members of the Audit Committee are Mr. Jürgen Baumann, Mr. John Borer and Prof. Dr. Franca Ruhwedel. Prof. Dr. Ruhwedel is Chairwoman of the Audit Committee.

The Nominating Committee proposes suitable candidates to the Supervisory Board for recommendation to the Annual General Meeting. In doing so, the Nominating Committee shall take into account the balance and diversity of knowledge, skills and experience of all members of the Supervisory Board and shall draft candidate profiles. In addition, the Nominating Committee shall make proposals to the Supervisory Board and communicate the results of a regular assessment of the knowledge, skills and experience of both the individual members and the Supervisory Board as a whole. In performing its duties, the Nominating Committee may draw on Company resources as it deems appropriate and may also engage external advisors as appropriate. The members of the Nominating Committee are: Mr. John Borer, Dr. Ulrich Granzer and Mr. Reinhard Eyring. Dr. Ulrich Granzer currently chairs the Nominating Committee.

Targets for the composition of the Supervisory Board and the Management Board (diversity)

Target composition of the Supervisory Board / Competency profile

The Supervisory Board shall define specific objectives for its composition and develop a competence profile for the entire Supervisory Board. In doing so, the Supervisory Board shall pay attention to diversity. Proposals of the Supervisory Board to the Annual General Meeting shall take these objectives into account and at the same time aim to fulfill the competence profile for the entire Supervisory Board. The status of implementation shall be published in the corporate governance declaration. The declaration shall also provide information on the number of independent shareholder representatives on the Supervisory Board and the names of these members, as deemed appropriate by the shareholder representatives. Diversity in this context covers a number of aspects, including age, gender, origin, educational or professional background.

The Supervisory Board agrees with the contents of the Code that, in addition to balanced professional qualifications, appropriate internationality and adequate representation of women on the Supervisory

Board should always be achieved by taking diversity into account. In this context, "diversity" is to be understood as international origin, upbringing, training or professional activity and not as citizenship or as gender and age diversity. In principle, however, no one is eliminated as a candidate for the Supervisory Board or proposed for the Supervisory Board solely because he or she possesses or does not possess a certain characteristic.

This means that the composition of the Supervisory Board should take appropriate account of the diversity to be found in an open, innovative and now strongly internationally active company such as Biofrontera AG. In this context, women are to be given appropriate consideration within the scope of the objectives pursued, given equal qualifications and suitability. For Biofrontera AG as a biopharmaceutical company, it is particularly important that the areas of research and development as well as the production and distribution of medical cosmetics and new medications for the care and treatment of skin and inflammatory diseases are also represented on the Supervisory Board.

In the case of companies within the meaning of Section 264d of the German Commercial Code, i.e. also in the case of Biofrontera AG, at least one member of the Supervisory Board must also have expertise in the fields of accounting or auditing (so-called "financial expert" within the meaning of Section 100 (5) of the German Stock Corporation Act) in accordance with the requirements of the German Stock Corporation Act. This is therefore a mandatory diversity criterion.

In December 2016, the Supervisory Board defined the objectives regarding its composition ("diversity objectives") as follows:

- Consideration of the expected increased international activity of the company and its subsidiaries in the future, particularly in the U.S. market.
- Availability and willingness to serve / reasonable maximum number of Supervisory Board mandates
- Consideration of professional/technical expertise and industry knowledge, particularly with regard to research and development and the manufacture of medical cosmetics and new medicines for the care and treatment of skin and inflammatory diseases
- Consideration of professional/technical expertise and industry knowledge related to the distribution of medical cosmetics and new drugs for the care and treatment of skin and inflammatory diseases, especially in the U.S. market as well as in the EU market
- Consideration of special knowledge and experience in the financing of companies in the pharmaceutical industry
- Consideration of special knowledge and experience in the application of accounting principles and internal control procedures (a so-called financial expert within the meaning of Art. 100 par. 5 AktG)
- Independence of at least half of the Supervisory Board members within the meaning of the German Corporate Governance Code / avoidance of conflicts of interest
- Consideration of the age limit set out in the Supervisory Board's Rules of Procedure
- Inclusion of two women on the Supervisory Board by August 31, 2021

The competence profile thus includes knowledge of the industry and markets, an understanding of the business model and basic knowledge of the (legal) framework, fundamental knowledge of compliance, finance and accounting, and of course the ability to understand and critically review reports and submissions by the Management Board and to draw their own conclusions, including the ability to assess

the appropriateness, economic efficiency, expediency and legality of the business decisions to be evaluated or to check them for plausibility. Each Supervisory Board member must also meet certain minimum personal requirements that are essential for the efficient work of the Supervisory Board, such as time availability, integrity, discretion, ability to discuss, interact and work in a team.

Evaluation of the current achievement of objectives and fulfillment of the competence profile

From the Supervisory Board's point of view, the status of implementation with regard to these objectives - with the exception of the membership of one additional woman - can be assessed as positive overall with regard to the members currently serving on the Supervisory Board:

- Dr. Ulrich Granzer, Chairman of the Supervisory Board, is the founder and owner of Granzer Regulatory Consulting & Services and has been a member of the Supervisory Board since 2003. Previously, he was Head of Regulatory Affairs at GlaxoSmithKline, BASF Pharma as well as Bayer Pharma and is a proven expert in the field of drug approval. He holds a degree in Pharmacy from the Philipps University of Marburg and subsequently a PhD from the University of Tübingen.
- Mr. Jürgen Baumann, Vice Chairman of the Supervisory Board, is an independent management consultant. He has been a member of the Supervisory Board since 2007 and was Chairman of the Supervisory Board from 2007 to 2016. He held various management positions, including on the Management Board of Schwarz Pharma AG, where he was responsible for sales in Europe. Mr. Baumann holds a degree in economics from the University of Wuppertal. He has expertise in accounting and auditing.
- Dr. John Borer is Senior Managing Director and Head of Investment Banking of Benchmark Company, LLC. Previously, he was CEO and Head of Investment Banking at Rodman & Renshaw and held management positions at Pacific Business Credit and Barclays American Business Credit. He holds a doctorate in law from Loyola Law School in Los Angeles. John Borer also has expertise in accounting and auditing. He has been a member of the Supervisory Board since 2016.
- Mr. Reinhard Eyring has been a partner in the corporate department of the international law firm Ashurst in Frankfurt and Head of Ashurst Germany since 2000. He has extensive experience in all areas of corporate and banking law, in particular stock corporation and capital markets law. Reinhard Eyring also advises listed and non-listed companies on all regulatory issues relating to stock corporation law. He has extensive expertise in IPOs and public takeovers and is a member of various supervisory boards. He has been a member of the Supervisory Board since 2018.
- Prof. Dr. Franca Ruhwedel is Professor of Finance and Accounting at Rhine-Waal University of Applied Sciences, Kamp-Lintfort. Previously, she was Professor of Accounting and Controlling at FOM University, Essen. Prior to her university career she worked as Project Manager Mergers & Acquisitions at Thyssenkrupp AG and as Project Manager Corporate Development/Mergers & Acquisitions at Thyssenkrupp Steel AG. She studied business administration and trained as a banker. She has been a member of the Supervisory Board since 2019.
- Mr. Kevin Weber is a principal at Skysis, LLC. Previously, he was Chair of the Management Board of Paraffin International Inc. He has extensive experience in marketing as well as global commercialization strategies and previously held senior positions at Depomed, Hyperion Therapeutics and Medicis Pharmaceuticals. Kevin Weber is also a member of the Board of Directors of the American Academy of Pain Management Foundation and the American Chronic Pain Association. He holds a degree in management and marketing from Western Michigan University.

He has served on the Board of Directors since 2016.

All the main relevant professional competencies are represented on the Supervisory Board, in particular with regard to industry-related requirements and also with regard to other specialist areas (so-called financial experts). Extensive experience in international business is available, as are members from other countries.

All Supervisory Board members have sufficient time to perform their duties.

Independence

According to the Code (Recommendation C.6 et seq.), the Supervisory Board should include an appropriate number of independent members on the shareholder side, taking into account the ownership structure.

The Code defines two aspects of independence: a member of the Supervisory Board is considered independent if he or she is

- independent of the Company and its Management Board and
- independent of any controlling shareholder.

According to the Code, a Supervisory Board member is independent of the Company and its Management Board if he or she has no personal or business relationship with the Company or its Management Board that could give rise to a material and not merely temporary conflict of interest. In assessing whether a Supervisory Board member is independent of the Company and its Management Board, particular consideration shall be given to whether the Supervisory Board member himself or a close family member of the Supervisory Board member

- was a member of the Management Board of the Company in the two years prior to his appointment,
- currently has or has had a significant business relationship with the Company or a company dependent on it (e.g. as a customer, supplier, lender or consultant), either directly or as a shareholder or in a responsible function of a company outside the Group, or in the year up to his appointment,
- is a close family member of a member of the Board of Management, or
- has been a member of the Supervisory Board for more than 12 years.

Independence from the Company and the Management Board

More than half of the shareholder representatives shall be independent of the Company and the Management Board. At present, the Supervisory Board considers all its members to be independent of the Company and the Management Board.

To the extent that the Code states that this assessment should be based on an indicator of whether a member has been a member of the Supervisory Board for more than 12 years, the Code does not require this to be taken as an indication of a lack of independence. The Supervisory Board is also of the opinion that a longer term of office does not necessarily indicate a lack of independence. This also applies in the present case insofar as Dr. Granzer and Mr. Baumann have been members of the Supervisory Board for

more than twelve years. Dr. Granzer and Mr. Baumann have always placed their professional expertise selflessly at the service of the Company and have thus contributed significantly to the successful development of Biofrontera AG. Moreover, there has been no indication to date that they have not exercised their office with the necessary objectivity, professionalism and vigilance.

Independence from a controlling shareholder

If the Company has a controlling shareholder, the Code states that in the case of a Supervisory Board with six or fewer members, at least one shareholder representative shall be independent of the controlling shareholder.

According to the Code, a Supervisory Board member is independent of the controlling shareholder if he or she or a close family member is neither a controlling shareholder nor a member of the controlling shareholder's executive body or has a personal or business relationship with the controlling shareholder that could give rise to a material and not merely temporary conflict of interest.

Currently, to the best of its knowledge, the Company has no controlling shareholder.

However, to the extent that the Company has two shareholders or groups of shareholders who, to its knowledge, (indirectly) hold more than 20% of the voting rights ("significantly participating shareholders"), it is additionally pointed out that none of the acting members of the Supervisory Board has any kind of personal or business relationship with a significantly participating shareholder.

The Supervisory Board thus has what it considers to be an appropriate number of independent members.

Self-assessment of the Supervisory Board

The Supervisory Board regularly assesses how effectively it and its committees perform their duties as a whole. The most recent such self-assessment took place on December 9, 2020. On the basis of a list of questions prepared by the Chairwoman of the Audit Committee and the answers provided by the members of the Supervisory Board, the Supervisory Board discussed whether there was any reason to change the way it operates and what measures should be taken to this end.

Targets for the composition of the Management Board

According to Recommendation B.1 of the Code, the Supervisory Board shall also pay attention to diversity in the composition of the Management Board. Pursuant to Section 76 of the German Stock Corporation Act (AktG), the Management Board is responsible for managing the Company. The composition of the Management Board must therefore aim to entrust the management of the Company to individuals who meet the necessary professional and personal requirements for this within the framework of collegial cooperation, while maintaining the efficiency of the personnel resources. In the present case, it must also be taken into account that Biofrontera AG, as a holding company, has the task of managing its subsidiaries, but does not itself conduct operational business. At the Management Board level, too, the best business and industry knowledge as well as scientific expertise, including knowledge of the regulatory framework for the development, approval and sale of drugs, are indispensable. In addition, due to the business orientation of the Biofrontera Group, a high degree of international experience is required.

The Supervisory Board is convinced that the current composition of the Management Board meets the professional and personal requirements as follows:

- Prof. Dr. rer. nat. Hermann Lübbert is Chairman of the Management Board of Biofrontera. He studied biology in his native city of Cologne and obtained his doctorate there in 1984. After eight years in academic research at the University of Cologne and the California Institute of Technology (USA), he gained experience in the management of a global research organization during a 10-year tenure at Sandoz and Novartis Pharma AG. Prof. Lübbert founded Biofrontera AG in 1997 and has headed the company since then. He obtained his professorship at the Swiss Federal Institute of Technology (ETH) in Zurich and heads the Chair of Animal Physiology at the Ruhr University in Bochum.
- Mr. Ludwig Lutter has been Chief Financial Officer of the Company since March 2021. Previously, he worked as CFO at brillen.de, HRS Hotel Reservation Service, Intershop Communications AG, SOPHOS and Poet Holdings, Inc. among others, 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 accounting and tax firms. Mr. Lutter holds a degree in Business Administration from the University of Texas, USA, and qualified as a tax advisor in Germany.

Succession planning

Given the professional and personal requirements placed on members of the Company's Management Board, the Personnel Committee regularly discusses - also with the incumbent Management Board - which individuals (including the incumbent members of the Management Board) might be considered for appointment for future periods of office. The personal and professional development of executives in the Group is also taken into account. If necessary, the Supervisory Board also consults external consultants in the search for suitable candidates.

Equal participation of women and men

Percentage of women at the two management levels below the Management Board

Pursuant to Section 76 (4) AktG, the Management Board of companies that are listed on the stock exchange or subject to co-determination shall set targets for the percentage of women in the two management levels below the Management Board. Biofrontera AG currently does not have two management levels below the Management Board within the meaning of the provision of Section 76 (4) AktG, but only one. Due to the lack of two management levels below the Management Board, targets for the proportion of women pursuant to Section 76 (4) AktG were only set in July 2017 for the one existing management level below the Management Board. Four people held management positions below the Management Board in July 2017. The proportion of women in this first and only management level below the Management Board was 50%. The target for the proportion of women in the existing management level below the Management Board was set at 30%. A target of 50% was not set because otherwise the addition of one man to the existing first management level below the Management Board would already result in a significant shortfall of the target. The deadline for achieving the target was set at June 30, 2022. At the time this report was prepared, the target figure had been achieved.

Percentage of women on the Management Board

The Supervisory Board of companies that are listed on the stock exchange or subject to co-determination shall set targets for the proportion of women on the Management Board in accordance with Section 111 (5)

of the German Stock Corporation Act (AktG). The target for the percentage of women on the Management Board was set at 0%. The deadline for achieving the target was set at December 31, 2022.

The background to this target was that two Executive Board members were appointed at the time the target was set. No woman is a member of the Management Board. The contracts of the Board of Management members were valid at least until December 31, 2022. Achieving a higher target figure by December 31, 2022 would therefore have required Board of Management members to leave prematurely and at least one woman to be appointed instead, or for the Board of Management to be enlarged and the additional position(s) to be filled by women.

A target figure of 0% is then to be permissible by way of exception if a Management Board or the Executive Board - as is the case here - is staffed only with men whose employment contracts run for longer than the deadline for achieving the target figure. The Supervisory Board of Biofrontera AG therefore makes use of this recognized exception.

Percentage of women on the Supervisory Board

In December 2016, the Supervisory Board set the target for the proportion of women on the Supervisory Board at 1/3, i.e., two seats out of a current total of six. The deadline for achieving the target was set for August 31, 2021. The current regular election period ends no later than August 31, 2021. For further details, please refer to the comments above under "Targets for the composition of the Supervisory Board".

Financial reporting

Biofrontera's consolidated financial statements are prepared in accordance with the principles of the International Financial Reporting Standards (IFRS). Financial reports, half-year reports and interim reports are published within the statutory deadlines.

Stock option programs and similar stock-based incentive systems of the Company

In this respect, reference is made to the disclosures in the annual financial statements, the consolidated financial statements and the combined management report.

Transparency

We keep our shareholders informed of significant events in the Company and the Group, in particular through the Annual Report, current press releases and ad hoc announcements. All notifications concerning the exceeding or falling below of the voting right thresholds of 3, 5, 10, 25, 50 and 75 % received by the Company were published in a timely manner.

Declarations on corporate governance and declarations of compliance with the recommendations of the Code that are no longer current will be kept available on the Company's website for at least five years.