

Compensation Report

Compensation system for the members of the Board of Management:

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

The remuneration system for the Management Board aims to remunerate the members of the Management Board appropriately according to their scope of duties and responsibilities, taking into account the performance of each member of the Management Board and the success of the company. The structure of the remuneration system for the Management Board of Biofrontera AG aims to achieve a sustainable increase in the value of the company and success-oriented corporate governance. The remuneration system will apply to new contracts and contract extensions from December 2021. The performance of the Executive Board members is appropriately taken into account through adequately and ambitiously set performance criteria within the variable remuneration components (pay for performance). Current market practice is taken into account when designing the compensation system.

In principle, the Supervisory Board is guided by the following guidelines when determining compensation levels and the compensation system:

- The compensation system in its entirety makes a significant contribution to promoting the business strategy.
- To this end, the variable compensation components in particular are also to be linked to the achievement of strategic targets.
- The remuneration system and the performance criteria of its variable components incentivize a long-term and sustainable development of the Biofrontera Group.
- In this context, the strategic objectives formulated as part of the variable compensation components are intended to ensure the long-term and sustainable growth of the Company.
- In order to ensure long-term developments, variable remuneration components with a multi-year character are also to contribute, which are based on the price development of Biofrontera AG shares and thus link the remuneration to the increase in earnings and to the interests of the shareholders.

The remuneration system consists of

- a fixed basic remuneration payable monthly, which takes into account the duties and performance of the Executive Board members ("**basic remuneration**"),
- short-term variable compensation dependent on the achievement of the Company's annual performance targets in the form of an annual performance-related bonus payment ("**short-term variable compensation**"; "**STI**"), and
- long-term compensation, which takes the form of a stock appreciation rights program ("**SAR program**") and is therefore directly linked to the performance of the Company, thus creating an incentive for sustained commitment to the Company ("**long-term variable compensation**"; "**LTI**"),

together. The targets for short- and long-term variable remuneration are derived from Biofrontera AG's corporate strategy. In addition, fringe benefits customary in the market are granted.

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

Target total compensation

The total target compensation for the individual Executive Board members is calculated on the basis of 100% target achievement and comprises the basic compensation, the short-term variable compensation and the long-term variable compensation.

The Supervisory Board determines the amount of the target total compensation for each Executive Board member in accordance with the compensation system.

In doing so, it shall take into account not only an appropriate relationship to the duties and performance of the Executive Board member, but also the economic situation and the success and future prospects of the Company. The Supervisory Board shall ensure that the target total compensation does not exceed the customary compensation without special justification.

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

Horizontal comparison

The selection of the peer group for the assessment of the market conformity of the total compensation is based on the requirements of the German Stock Corporation Act (in particular industry and size as well as international orientation).

The composition of the peer group is based on a peer group of listed companies in terms of sales, EBIT, number of employees and market capitalization. The peer group is also selected from a peer group of listed companies in the same sector, to the extent that this can be determined.

Vertical comparison

The compensation and employment conditions of the employees are taken into account as part of the vertical comparison. This consideration also takes place over time over the last three years.

Compensation components in detail

Fixed remuneration components

The fixed compensation components granted to the members of the Executive Board under the compensation system comprise basic compensation and fringe benefits. The members of the Executive Board do not receive a pension commitment.

Basic remuneration

The members of the Executive Board receive basic compensation, which is paid in twelve equal monthly installments.

Ancillary services

Fringe benefits are granted on the basis of service contracts with the individual members of the Executive Board and may include, for example: Private use of company cars, special payments such as payment of tuition, housing, rent and relocation expenses, subsidies for pension insurance (with the exception of the pension commitments presented here), subsidies for accident, life and health insurance or other insurances. Fringe benefits may be provided on a one-time or recurring basis. Fringe benefits shall not exceed an annual value of 10% of the annual base compensation.

Short-term variable remuneration (Short Term Incentives; "STI")

The members of the Executive Board are entitled to short-term variable compensation which may lead to an annual bonus payment. The short-term variable compensation is linked to the achievement of performance targets, the specific target values of which are agreed at the end of a financial year.

The STI payment is generally due one month after approval of the annual financial statements and the consolidated financial statements for the relevant fiscal year by the Supervisory Board of the Company. If the Company terminates the employment relationship for good cause within the meaning of Section 626 of the German Civil Code (Bürgerliches Gesetzbuch - BGB), the STI payment shall cease for the financial year in which the termination takes effect.

Target amounts

Target amounts are agreed with the Executive Board members in their service contracts which are granted to them if they achieve 100% of their targets ("STI target amounts"). The amount of the STI target amounts is not to exceed 50% of the basic compensation in the case of 100% target achievement. The amount of short-term variable compensation depends on the degree of achievement of the agreed targets and can range from 0% to 200%. The exact payout is determined by multiplying the degree of target achievement by the STI target amount for the individual Executive Board member. If the target is exceeded, an increase up to a maximum of 200% of the STI target amount (cap) takes place. If the target is achieved by up to 70%, the short-term variable compensation is reduced on a straight-line basis; if the target is achieved by less than 70%, the STI payment is not made at all.

Performance targets

In determining the annual target agreement, the Supervisory Board is guided by the following performance targets:

The assessment factors to be determined for the STI comprise financial and non-financial performance criteria and are mutually agreed at the end of each fiscal year for the following fiscal year in a target agreement. If no agreement is reached between the Executive Board member and the Supervisory Board, the Supervisory Board shall decide on the determination of the assessment factors at its due discretion.

In addition to the Company's sales, earnings and profitability indicators shall be used as financial performance criteria (e.g. EBITDA (earnings before interest, taxes, depreciation and amortization), EBITDA margin). The Supervisory Board has the option of adjusting the earnings figure used for the valuation for extraordinary components.

In addition to criteria such as integrity, employee satisfaction and diversity as well as sustainability/environmental social governance (ESG) aspects, which should account for at least 10% of the overall target achievement, strategic criteria should be included in the target agreement as non-financial performance criteria. These can be, for example: the achievement of approvals, the successful completion of studies, the conclusion of important contracts or the implementation of financing.

A non-financial, strategic component is intended to take into account the contribution of the entire Executive Board as well as the individual Executive Board members to the implementation of the corporate strategy and thus also to the long-term development of the Company.

For the non-financial, strategic targets, the target agreement should comprehensibly define the conditions under which the respective target is fully met (100% target achievement of the individual criterion) and which parameters are used to assess the degree of target achievement.

Calculation of target achievement

The total target achievement of the short-term variable compensation is derived from the weighted average of the individual performance criteria and the degree of target achievement in each case. In the weighting of target achievement, the financial performance criteria should generally account for up to 55% and the non-financial criteria for up to 45%.

Short-term variable compensation in the event of exceptional developments and performance by a member of the Board of Management

In justified exceptional cases, the Supervisory Board may also grant the members of the Executive Board a special bonus, the amount of which shall be at the discretion of the Supervisory Board, but which may not exceed an amount of up to EUR 50,000 (gross) per fiscal year and Executive Board member. The resolution on the existence of an exceptional case, which shall indicate the scope and quality of the extraordinary performance of the Executive Board member, shall also specify the concrete amount of a special bonus and the time of payment by the Supervisory Board.

Long-term variable compensation (long-term incentive; "LTI")

The members of the Executive Board are granted stock appreciation rights ("SARs") as a long-term performance component. An annual target amount of 150% of the STI target amount ("LTI target amount") is agreed with the Executive Board members. The number of SARs granted each year is equal to the LTI target amount divided by the economic value of the SARs at the grant date. The economic value per SAR to be used corresponds to the intrinsic value determined on the basis of the non-weighted average closing prices of the Company's shares in the closing auction in Xetra trading on the Frankfurt Stock Exchange or a corresponding successor system on the 15 trading days prior to the grant date. Upon exercise of the SARs, the Executive Board members receive a payment based on the Company's share price performance.

Exercise requirements

SARs can only be exercised

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

and

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

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

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

"**Closing prices**" shall mean the prices determined in the daily closing auction in Xetra trading on the Frankfurt Stock Exchange or in a corresponding successor system. If a closing auction is not held on relevant trading days or no closing price is determined there, the last price determined in continuous trading shall be used as the closing price, insofar as such a price was determined on the relevant trading day.

"**Trading Days**" shall mean all days on which the Frankfurt Stock Exchange is open for securities trading.

Payout amount

The payout amount is calculated as follows:

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

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

Limitation of the amount paid out (cap)

SARs for which exercise requirements are otherwise met cannot be exercised if and to the extent that the gross proceeds generated from all exercised SARs granted to the Executive Board member would exceed the basic compensation plus fringe benefits actually received by the Executive Board member since the first grant of SARs by more than 300% without this limit.

Blocking periods

SARs may be exercised for the first time after the expiry of a vesting period.

- a) The vesting period for 15% of SARs granted on an issue date is one year after the respective issue date;
- b) The vesting period for a further 25% of the SARs granted on an issue date is two years after the respective issue date;
- c) The vesting period for a further 25% of the SARs granted on an issue date is three years after the respective issue date;
- d) The vesting period for the remaining 35% of SARs granted on an issue date is four years after the respective issue date.

After expiration of the respective vesting period, the SARs may be exercised until six years after the respective issue date. After that, the right to exercise the SARs ends and the SARs not exercised by then expire without replacement.

Own investment

Under the SARs terms and conditions, the members of the Board of Management are also required to make a personal investment in shares of the Company in such a way that the personal investment must be made within six months of the exercise date of the SARs in the amount of 25% of the gross payment amount and that the shares of the Company acquired may not be sold for at least four years after the SARs are granted.

Share Ownership Guidelines

In order to further increase the long-term incentive effect of the variable compensation and thus its focus on sustainable corporate development, the Executive Board members are also obligated in their Executive Board contract to acquire a number of shares in the Company to be determined by the Supervisory Board and to hold them until the end of this service contract ("**Share Ownership Guideline**"). However, the total acquisition expense (including incidental acquisition costs) to be borne by the Executive Board member is limited per fiscal year to an amount equivalent to 25% of the STI payment (gross) granted to him for the previous fiscal year.

Blocking periods

Blocking periods relating to acquired shares in the Company imposed on Executive Board members shall end prematurely if, after the Executive Board member has left the Company, the Company announces that the listing of the shares on the regulated market in Germany will be terminated.

Possibilities of the Company to reclaim variable compensation components

The Supervisory Board may determine that variable compensation components of the STI and/or LTI that have not yet been paid out are to be retained in full or in part and not paid out ("**claw back**") in the event of serious misconduct by the Executive Board member. The Supervisory Board decides on the claw-back at its due discretion. Serious misconduct by the Executive Board member in this sense is assumed in particular,

- a) if it at least grossly negligently breaches its obligations under Sec. 93 AktG or
- b) if it has at least grossly negligently violated internal standards of conduct or internal guidelines laid down in text form which have or had serious consequences for the company, or
- c) in the event of at least grossly negligent conduct relevant under criminal law in the exercise of the office as a member of the Executive Board or
- d) in the event of a deliberate violation of other statutory provisions in the exercise of the office as a member of the Management Board.
- e) The same shall apply in the event of serious misconduct by employees of the Company or the Group, in particular in the event of at least grossly negligent violations of provisions of criminal law or compliance-relevant provisions, which was recognized by the Executive Board member in his capacity as the employee's supervisor and was not immediately prevented or which should have been recognized and immediately prevented if the Executive Board member had exercised due diligence.

With regard to payments from the STI, a clawback is only permissible for the fiscal year in which the misconduct occurred, but not for previous or subsequent years. With regard to payments from the LTI, a clawback is permissible if and to the extent that the serious misconduct occurred within the four years following the granting of the entitlement from the LTI (i.e. since the SARs were granted).

A claw back of the STI is also permissible in the event of grossly negligent misconduct that was discovered after the relevant annual financial statements were approved and audited and that led to a subsequent correction of the company's annual financial statements. In this case, the clawback is permissible to the extent that the STI was too high on the uncorrected basis.

In the event of claw-back in accordance with the above provisions, amounts of the STI and/or LTI already paid out which could have been retained may also be reclaimed. Such a claim for repayment is permissible for the year in which the claim for repayment was made and the previous three fiscal years, calculated from the date on which the Supervisory Board became aware of the facts triggering the claim for repayment.

Amounts retained under the claw back or repaid by the Executive Board member shall be offset against any claim for damages by the Company resulting from the Executive Board member's misconduct.

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

The Supervisory Board may determine exit regulations for each compensation component and for each case in which the employment relationship of a member of the Executive Board or the appointment as a member of the Executive Board ends. This includes cases such as retirement or full or partial reduction in earning capacity, death, ordinary termination of the service contract or termination of the service contract for good cause, dismissal from office for good cause, transfer of a service contract to the major shareholder of the Company or to a company affiliated with the major shareholder of the Company. For each of these cases, the Supervisory Board may determine in advance what requirements apply in order for individual or all compensation components to be paid either in full or in part, early or delayed, to the members of the Executive Board or - in the event of death - to the heirs of the Executive Board member concerned, or to lapse.

Variable compensation components are to be paid exclusively in accordance with the agreed targets and comparison parameters and the due dates or holding periods specified in the respective plan conditions.

Payments to a member of the Executive Board on premature termination of his contract shall not exceed the value of two years' compensation assuming 100% target achievement (severance payment cap) and shall not compensate more than the remaining term of the contract.

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

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

Compensation system in the event of special and exceptional circumstances

In special and exceptional circumstances (e.g. in the event of a severe financial or economic crisis), the Supervisory Board has the right to temporarily deviate from the compensation system in accordance with Section 87a (2) sentence 2 AktG and to amend the rules relating to the compensation structure and the individual compensation components as well as the rules on the respective procedure, provided this is necessary in the interests of the long-term welfare of the Company. Unfavorable market developments shall not be deemed to be special and exceptional circumstances permitting a deviation from the compensation system.

Maximum remuneration

The following maximum amounts apply:

| In Euro | Chairman of the Board | Other members of the Board of Management |
|---|--|--|
| Basic remuneration | 500,000 p.a. | 350,000 p.a. |
| Ancillary services | Max. 10 % of basic remuneration | Max. 10 % of basic remuneration |
| STI | 200% of the STI target amount p.a., which should not exceed 50% of the basic remuneration if 100% of the target is achieved | 200% of the STI target amount p.a., which should not exceed 50% of the basic remuneration if 100% of the target is achieved |
| LTI | SARs for which exercise requirements are otherwise met cannot be exercised if and to the extent that the gross proceeds generated from all exercised SARs granted to the Executive Board member would exceed the basic compensation plus fringe benefits actually received by the Executive Board member since the first grant of SARs by more than 300% without this limit. | SARs for which exercise requirements are otherwise met cannot be exercised if and to the extent that the gross proceeds generated from all exercised SARs granted to the Executive Board member would exceed the basic compensation plus fringe benefits actually received by the Executive Board member since the first grant of SARs by more than 300% without this limit. |
| Any additional short-term variable compensation in the event of exceptional developments and performance by a member of the Board of Management | 50,000 p.a. | 50,000 p.a. |

Relative share of individual compensation components

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

| | |
|--------------------|------|
| Basic remuneration | 44 % |
| STI references | 22% |
| LTI emoluments | 33% |

The share of the Executive Board members' compensation components in the target total compensation based on 200% of the STI target amount and 300% of the LTI target amount is as follows:

| | |
|--------------------|-------|
| Basic remuneration | 23,5% |
| STI references | 23,5% |
| LTI emoluments | 53% |

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

Procedures for determining, reviewing and implementing the compensation system

The compensation of the Board of Management is determined by the Supervisory Board as a whole. To this end, the Supervisory Board's Personnel Committee prepares corresponding recommendations. If necessary, independent external advisors are consulted. In accordance with the Rules of Procedure for the Supervisory Board, the members of the Supervisory Board are required to report any conflicts of interest without delay. The Supervisory Board designs the system for the compensation of Executive Board members taking into account applicable laws and regulations, in particular the requirements of the German Stock Corporation Act (AktG) as amended, regulatory requirements and the provisions of the German Corporate Governance Code. In doing so, it ensures clarity and comprehensibility. The Supervisory Board determines the specific target total compensation on the basis of the compensation system. The Executive Board compensation system thus adopted by the Supervisory Board is submitted to the Annual General Meeting for a resolution on its approval.

The Supervisory Board regularly reviews the compensation system for the Board of Management and the appropriateness of the compensation. The Personnel Committee of the Supervisory Board also prepares corresponding recommendations in this regard. At the end of a financial year, the Supervisory Board also agrees the specific target values of the short-term variable Executive Board compensation for the following financial year in a target agreement with the Executive Board. In accordance with the requirements of Section 120a (1) of the German Stock Corporation Act (AktG), the Supervisory Board will submit the compensation system for the members of the Executive Board to the Annual General Meeting for approval in the event of significant changes, but at least every four years.

In accordance with the statutory provision (Section 87a (2) AktG), the Supervisory Board may, at the proposal of the Personnel Committee, temporarily deviate from the components of the compensation system described below in exceptional circumstances if this is necessary in the interests of the long-term welfare of the Company.

Consideration of employees' remuneration and employment conditions when determining the remuneration system

When determining the remuneration system and the specific amount of remuneration, the Supervisory Board also takes into account the employment conditions of the employees in the Biofrontera Group. For this purpose, the Supervisory Board has defined the senior management circle in the Biofrontera Group and distinguished it from the Management Board on the one hand and the total workforce in the Biofrontera Group on the other. As part of the regular review of the appropriateness of the remuneration of the Management Board, the Supervisory Board

examines in particular whether any need for adjustment of the remuneration of the Management Board arises from changes in the relations between the remuneration of the Management Board, the senior management and the total workforce. In doing so, the Supervisory Board also takes into account the development of the compensation of the groups described over time.

Conflicts of interest

The Supervisory Board shall take appropriate measures to ensure that potential conflicts of interest of the Supervisory Board members involved in the deliberations and decisions on the compensation system are avoided and, if necessary, resolved. In this context, each member of the Supervisory Board is obliged to disclose conflicts of interest to the Chairman of the Supervisory Board. The Chairman of the Supervisory Board shall disclose any conflicts of interest affecting him to his deputy. A decision on how to deal with an existing conflict of interest shall be made on a case-by-case basis. In particular, a Supervisory Board member affected by a conflict of interest may not attend a meeting or individual deliberations and decisions of the Supervisory Board or may abstain from voting.

Terms of Executive Board employment contracts

The agreed term of the employment contracts of the Executive Board members corresponds to the term of the intended appointment to the Executive Board. In the case of an initial appointment, the Supervisory Board shall determine the duration of the appointment in a manner appropriate to the individual case and oriented to the welfare of the Company, whereby the term of appointment shall in principle not exceed three years. The reappointment period shall be a maximum of five years, taking into account the provision of § 84 AktG. In the event of a reappointment of the Executive Board member, the employment contract shall be extended in line with the duration of a reappointment; otherwise it shall end automatically, without the need for notice of termination, on expiry of the scheduled regular term of appointment. Any extension of the employment contract or reappointment shall be finally discussed with the Executive Board member no later than 15 months before the expiry of the employment contract or term of appointment and a decision taken 10 months before expiry.

Compensation system in the event of special and exceptional circumstances

In special and exceptional circumstances (e.g. in the event of a serious financial or economic crisis, restructuring of the Group under company law such as spin-offs, acquisitions or sales of companies, or similar significant M&A transactions), the Supervisory Board has the right to temporarily deviate from the compensation system in accordance with Section 87a (2) Sentence 2 AktG and to amend the rules relating to the compensation structure and individual compensation components as well as the rules relating to the respective procedure, provided this is necessary in the interests of the long-term well-being of the Company. A deviation from the compensation system is only possible by a corresponding resolution of the Supervisory Board and after careful examination of the necessity. The components of the compensation system from which deviation is possible under the above circumstances are the procedure, the compensation structure, the individual compensation components and their performance criteria. Furthermore, in this case the Supervisory Board may temporarily grant additional compensation components or replace individual compensation components with other compensation components to the extent necessary to restore the appropriateness of Executive Board compensation in the specific situation.

Compensation in fiscal year 2021

The total compensation for members of the Board of Management in fiscal year 2021 and the total number of stock options issued to members of the Board of Management as of December 31 2021 break down as follows:

| in EUR thousand (unless otherwise stated) | Ludwig Lutter | | Prof. Dr. Hermann Lübbert | | Thomas Schaffer | |
|---|---------------|---------------------|---------------------------|------------|-----------------|------------|
| | CFO | | CEO | | CFO | |
| | 01.03.2021 | a c t i n g 2020 | 01.02.1998 | 13.12.2021 | 01.06.2013 | 28.02.2021 |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Non-performance-related salary component | 231 | 0 | 372 | 322 | 46 | 244 |
| Remuneration in kind | 11 | 0 | 7 | 9 | 2 | 13 |
| Severance pay | 0 | 0 | 0 | 0 | 210 | 0 |
| Total non-performance-related salary components | 242 | 0 | 379 | 331 | 258 | 257 |
| One-year variable compensation (bonus) | 0 | 0 | 177 | 0 | 123 | 0 |
| Multi-year variable compensation, thereof from | | | | | | |
| Stock options (term until May 13, 2025) | | | | | | |
| Fair value of options granted | 0 | 0 | 0 | 0 | 0 | 0 |
| Income from the exercise of stock options | 0 | 0 | 0 | 86 | 0 | 54 |
| Stock Appreciation Rights (term until 03.05.2030) | | | | | | |
| Fair value of SARs granted | 45 | 0 | 65 | 290 | 0 | 218 |
| Income from the exercise of SAR | 0 | 0 | 0 | 0 | 0 | 0 |
| Total multi-year variable compensation | 45 | 0 | 65 | 376 | 0 | 272 |
| Total performance-related salary components | 45 | 0 | 242 | 376 | 123 | 272 |
| Total compensation | 287 | 0 | 621 | 707 | 381 | 529 |
| Stock options as of Dec. 31 (units) | 0 | 0 | 70.000 | 164.495 | 0 | 100.000 |
| Of which granted in the financial year (units) | 0 | 0 | 0 | 0 | 0 | 0 |
| Fair value at grant | 0 | 0 | 0 | 0 | 0 | 0 |
| Stock appreciation rights as of Dec. 31 (units) | 132.353 | 0 | 30.000 | 200.000 | 83.327 | 150.000 |
| Stock appreciation rights granted (units) | 132.353 | 0 | 191.176 | 200.000 | 0 | 150.000 |
| Fair value of SARs granted | 45 | 0 | 65 | 290 | 0 | 218 |

The non-performance-related compensation component amounts to 84% of total compensation for Mr. Lutter and 61% for Prof. Dr. Lübbert (previous year: 47%). The non-performance-related compensation of Mr. Schaffer amounts to 68% (prior year: 49%).

The maximum compensation of the members of the Executive Board from the non-performance-related and one-year performance-related compensation (bonus) amounts to EUR 780 thousand for Prof. Dr. Lübbert and EUR 540 thousand for Mr. Ludwig Lutter. With regard to the maximum compensation from the multi-year variable compensation, we refer to the following explanations on the stock option program and SAR program.

The existing service agreements provide that - depending on the achievement of targets to be agreed - an annual bonus is to be granted. The assessment factors are mutually agreed at the end of each fiscal year for the following fiscal year in a target agreement. The 2020 target agreement provided for the following: Sales level (40%), profit after tax (15%), achievement of break-even in Q4-2020 (15%), FDA approval of the acne study (10%), completion of the PK study (10%), conclusion of a contract with a new Ameluz® manufacturer (10%) are mutually agreed in a target agreement at the end of each fiscal year for the following fiscal year.

The aforementioned performance criteria set for 2020 were achieved at a rate of 93.35%, resulting in a bonus payment of 93,350.00 for Prof. Hermann Lübbert and 65,345.00 for Mr. Thomas Schaffer) in fiscal year 2021.

The benchmark for target achievement for revenue and profit after tax was revenue and profit after tax, respectively, according to the consolidated statement of comprehensive income for 2020 as approved by the Supervisory Board; for break-even in Q4-2020, target achievement was defined as positive operating profit according to the unaudited consolidated statement of comprehensive income for Q4 2020. Approval of the acne study by the FDA was deemed to have been achieved upon submission and expiry of the deadline without objections by the FDA for implementation. Closure of the database for the PK study was considered finalized. Finalized is considered to be the contract with a new manufacturer of Ameluz® with signature of both parties to the contract.

In addition, Prof. Lübbert and Mr. Schaffer received a special bonus for successfully completed financing measures (amounting to 83,500 euros for Prof. Lübbert and 58,000 euros for Thomas Schaffer). Here, the cash inflow from financing activities in accordance with the consolidated cash flow statement for 2020 adopted by the Supervisory Board formed the benchmark for the achievement of the target.

In order to further increase the long-term incentive effect of the variable compensation and thus its focus on sustainable corporate development, the members of the Management Board have undertaken to hold ordinary shares in the Company as private assets for stock options granted under the 2015 stock option program and thus to make a personal commitment for a period of three years starting one month after the issue date of the options ("blocked shares"). The amount of the personal commitment differs in detail for the respective Executive Board members. If restricted shares are sold prematurely, which must be reported immediately to the Chairman of the Supervisory Board, the Company may demand the retransfer of a corresponding number of stock options free of charge within one month of notification of the sale, whereby the options granted last are always to be retransferred (last in first out). A retransfer is not possible if the Executive Board member can demonstrate that the sale of the restricted shares was necessary to meet urgent financial obligations. The range of exercise prices for outstanding options is between EUR 2.237 and EUR 6.695, the range of fair value of outstanding options is between EUR 1.00 and EUR 2.55. The exercise price of the options is between EUR 1.00 and EUR 2.55. The exercise price of the options is between EUR 2.237 and EUR 6.695. After expiry of the respective vesting period, the option rights may be exercised until the expiry of six years after the respective issue date (exclusive).

As a long-term performance component, the Executive Board member will be granted stock appreciation rights ("SARs") as part of the service contract, starting in the 2020 financial year ("long-term incentive, LTI"). An annual target amount of 150% of the STI target amount ("LTI target amount") has been agreed. The number of SARs granted

each year is equal to the LTI target amount divided by the economic value of the SARs at the grant date. SARs for which vesting conditions otherwise exist cannot be exercised if and to the extent that the gross proceeds generated from all exercised SARs granted to the Executive Board Chairman would exceed the Executive Board member's gross fixed compensation actually received since the first grant of SARs by more than 300% without this limit.

If the terms and conditions of the SAR program provide for a personal investment, it is agreed, in deviation from any SAR terms and conditions, that the personal investment must be made unconditionally within six months of the exercise date in the amount of 25% of the payment amount (gross) and that the acquired shares of the Company may not be sold for at least four years after the granting of the SARs.

To further increase the long-term incentive effect of the variable compensation and thus its focus on sustainable corporate development, the Executive Board member undertakes to acquire up to 100,000 shares in the Company and to hold them until the end of this service agreement (share ownership guideline). However, the total acquisition expense (including incidental acquisition costs) to be borne by the Executive Board member is limited per fiscal year to an amount equivalent to 25% of the target achievement bonus granted to him for the previous fiscal year.

Compensation Report Supervisory Board

Compensation system for members of the Supervisory Board

Pursuant to Section 113 of the German Stock Corporation Act (AktG), the compensation of the members of the Supervisory Board shall be commensurate with the tasks of the Supervisory Board members and the situation of the Company. The members of the Supervisory Board are not involved in operational activities. Rather, the Supervisory Board contributes to the long-term development of the Company through its monitoring activities. Attracting outstanding members of the Supervisory Board is a prerequisite for providing the best possible supervision and advice to the Executive Board, which in turn makes a significant contribution to a successful business strategy and the long-term success of the Company. The compensation should therefore also make the assumption of a mandate appear sufficiently attractive from an economic point of view in order to be able to attract and retain outstanding mandate holders, which also requires consideration of the compensation arrangements of other comparable listed companies (the compensation and employment conditions of the employees, on the other hand, are not of material importance for the compensation system of the Supervisory Board).

The Executive Board and Supervisory Board are of the opinion that purely fixed compensation for the members of the Supervisory Board is best suited to ensure independent fulfillment of the Supervisory Board's control function, as variable compensation, particularly in matters relevant to supervision, could otherwise create a convergence of interests between the Executive Board and the Supervisory Board with regard to their own compensation. The granting of purely fixed compensation seems preferable in this respect. Differentiated compensation for the individual functions on the Supervisory Board generally takes into account the workload incurred by the Supervisory Board member in each case. Experience has shown that the workload is particularly high for the Chairman of the Supervisory Board and his deputy, as well as for the chairmen and members of the committees, so that higher compensation is envisaged in this respect. According to Recommendation C. 13 of the German Corporate Governance Code (as amended on December 16, 2019) ("**Code**"), the higher time expenditure of the Chairman and Deputy Chairman of the Supervisory Board as well as the Chairman and members of committees should be appropriately taken into account in the compensation of Supervisory Board members. According to suggestion G. 18 of the Code, the compensation of the Supervisory Board should consist of a fixed compensation. These aspects are appropriately reflected in the determination of Supervisory Board compensation in the current version of Art. 18 of the Articles of Association.

The remuneration is payable after the end of each quarter. There are no deferral periods for the payment of remuneration components.

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

There are no commitments for severance payments, pensions or early retirement.

The Company reimburses the members of the Supervisory Board for expenses incurred in the performance of their duties, including any value-added tax payable on the remuneration and the reimbursement of expenses, and includes the performance of duties by the members of the Supervisory Board in the coverage of a pecuniary loss liability insurance policy taken out by the Company.

The compensation system for the Supervisory Board is adopted by the Annual General Meeting on the basis of a proposal by the Executive Board and the Supervisory Board, in the same way as a compensation regulation in the Articles of Association. At regular intervals, at the latest every four years, the Executive Board and Supervisory Board review whether the level and composition of Supervisory Board compensation still appears to be in line with the market and appropriate and, if necessary, submit proposals for adjustments to the Annual General Meeting.

As the members of the Supervisory Board are involved in the structuring of the compensation system relevant to them and must also submit resolution proposals in this regard to the Annual General Meeting pursuant to Section 124 AktG, an unavoidable conflict of interest arises from the application of the law. However, this is effectively counteracted by the fact that the decision on the ultimate determination of compensation is assigned to the Annual General Meeting.

Pursuant to § 113 (3) sentences 1 and 2 of the German Stock Corporation Act (AktG), the Annual General Meeting of listed companies must pass a resolution on the compensation of the members of the Supervisory Board at least every four years, whereby a resolution confirming the compensation is permissible. The compensation of Supervisory Board members is governed by § 18 of the Company's Articles of Association. Section 18 of the Company's Articles of Association was adopted in its current version by the Annual General Meeting on December 14, 2021 and reads:

"§ 18 Remuneration of the Supervisory Board

(1) Each member of the Supervisory Board shall receive an annual fixed remuneration of EUR 20,000. The Chairman shall receive twice this amount, the Deputy Chairman 1.5 times this amount.

(2) The members of the Supervisory Board shall receive the following additional compensation for their work on Supervisory Board committees:

a. Each member of the Audit Committee receives EUR 3,000, the Chairman of the Audit Committee receives twice this amount.

b. Each member of another committee receives EUR 2,000, the chairman of another committee receives twice this amount. Membership of the Nominating Committee is not taken into account.

Committee activities are taken into account for a maximum of two committees. If this number is exceeded, the two most highly remunerated memberships are decisive.

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

(4) In addition, the members of the Supervisory Board shall receive an attendance fee of EUR 1,000 for each meeting of the Supervisory Board or its committees attended. Participation in telephone and video conferences or participation in a meeting by means of telephone and video conferencing shall be remunerated accordingly with an attendance fee. For several meetings - whether of the Supervisory Board or of committees - held on one calendar day, an attendance fee shall be paid only once.

(5) Furthermore, the members of the Supervisory Board, with the exception of the Chairman and his Deputy, shall receive remuneration of EUR 4,000 for chairing a General Meeting.

(6) Remuneration shall be paid after the end of each quarter.

(7) The Company shall reimburse the members of the Supervisory Board for expenses incurred in the exercise of their office, including any value-added tax (VAT) payable on the remuneration and the reimbursement of expenses.

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

Compensation in fiscal year 2021

The total compensation of the members of the Supervisory Board in fiscal year 2021 breaks down as follows:

| in TEUR | Fixed remuneration | | Committee activity | | Attendance fee | | Total | |
|--|--------------------|------|--------------------|------|----------------|------|------------|------|
| | in TEUR | in % | in TEUR | in % | in TEUR | in % | in TEUR | in % |
| Dr. Ulrich Granzer (Supervisory Board: Chairman) ** *** | 38 | 73 | 2 | 4 | 12 | 23 | 52 | 100 |
| Jürgen Baumann (Supervisory Board: Vice Chairman; Human Resources Committee: Chairman)* ** | 29 | 59 | 7 | 14 | 13 | 26 | 49 | 100 |
| John Borer* ** *** | 19 | 55 | 5 | 14 | 11 | 32 | 35 | 100 |
| Reinhard Eyring *** | 19 | 63 | 0 | 0 | 11 | 37 | 30 | 100 |
| Prof. Dr. Franca Ruhwedel (Audit Committee: Chair)* | 19 | 41 | 6 | 13 | 22 | 47 | 47 | 100 |
| Kevin weber | 19 | 70 | 0 | 0 | 8 | 30 | 27 | 100 |
| Total | 143 | | 20 | | 77 | | 240 | |

* Member Audit Committee

** Member Personnel
Committee

*** Member of the
Nomination Committee
(unremunerated)

| in TEUR | Fixed remuneration | | Committee activity | | Attendance fee | | Total | |
|--|--------------------|------|--------------------|------|----------------|------|-----------|------|
| | in TEUR | in % | in TEUR | in % | in TEUR | in % | in TEUR | in % |
| Wilhelm K.T. Zours (Supervisory Board: Chairman) ** | 2 | 100 | 0 | 0 | 0 | 0 | 2 | 100 |
| Dr. Jörgen Tielmann (Supervisory Board: Vice Chairman) | 1 | 40 | 0 | 0 | 2 | 60 | 3 | 100 |
| Dr. Heikki Lanckriet** | 1 | 40 | 0 | 0 | 2 | 60 | 3 | 100 |
| Dr. Helge Lubenow (Human Resources Committee: Chair)* ** | 1 | 40 | 0 | 0 | 2 | 60 | 3 | 100 |
| Prof. Dr. Franca Ruhwedel (Audit Committee: Chair)* | 1 | 39 | 0 | 0 | 2 | 61 | 3 | 100 |
| Karlheinz Schmelig* | 1 | 40 | 0 | 0 | 2 | 60 | 3 | 100 |
| Total | 7 | | 0 | | 8 | | 15 | |

* Member Audit
Committee

** Member Personnel
Committee

Vertical comparison

| | Change 2021 to 2020 |
|---|---------------------|
| Compensation of members of the Board of Management | |
| Prof. Dr. Herman Lübbert | 68% |
| Thomas Schaffer | 48% |
| Ludwig Lutter* | - |
| Remuneration of Supervisory Board members | |
| Dr. Ulrich Granzer | 48% |
| Jürgen Baumann | 114% |
| John Borer | 132% |
| Reinhard Eyring | 58% |
| Prof. Dr. Franca Ruhwedel | 122% |
| Kevin weber | 81% |
| Wilhelm K.T. Zours* | - |
| Dr. Heikki Lanckriet* | - |
| Dr. Helge Lubenow* | - |
| Prof. Dr. Franca Ruhwedel* | - |
| Karlheinz Schmelig* | - |
| Dr. Jörgen Tielmann* | - |

Average compensation of the workforce

| | |
|---------------------|------|
| Employees in Europe | 8%** |
|---------------------|------|

*First payment in the year under review

**Corona-related short-time working in base year
2020

In the presentation of average employee compensation, all employees of the European Group companies (excluding the Executive Board) were included. In addition to wages and salaries, average compensation also includes expenses for retirement benefits; social security contributions were not included. The compensation of part-time employees was extrapolated to full-time equivalents.

Independent Auditor's Report

To Biofrontera AG, Leverkusen, Germany

Report on the audit of the annual financial statements and the combined management report

Audit Opinions

We have audited the annual financial statements of Biofrontera AG, Leverkusen, comprising the balance sheet as of December 31, 2021 and the income statement for the fiscal year from January 1, 2021 to December 31, 2021, and the notes to the financial statements, including a description of the accounting policies. In addition, we have audited the combined management report of Biofrontera AG, Leverkusen, comprising the contents included to comply with sections 289, 289a, 315, 315a of the German Commercial Code (HGB) and the compensation report included in the section "Compensation Report" of the combined management report, including the related disclosures for the business year from January 1, 2021 to December 31, 2021. In accordance with German legal requirements, we have not audited the content of the corporate governance statement pursuant to § 289f and § 315d HGB referred to in the combined management report.

In our opinion, based on the findings of our audit, the consolidated financial statements are as follows

- the attached annual financial statements comply in all material respects with the provisions of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the Company as of December 31, 2021 and of its results of operations for the fiscal year from January 1, 2021 to December 31, 2021 in accordance with German principles of proper accounting; and
- the accompanying combined management report as a whole provides a suitable view of the Company's position. In all material respects this combined management report is consistent with the annual financial statements, complies with German legal requirements, and accurately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the aforementioned corporate governance statement.

In accordance with Section 322 (3) Sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations concerning the propriety of the annual financial statements and the combined management report.

Basis for the audit judgments

We conducted our audit of the annual financial statements and the combined management report in accordance with Section 317 HGB and the EU Regulation on Auditors (No. 537/2014; hereinafter "EU-APrVO") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those regulations and standards is further described in the "Auditor's Responsibility for the Audit of the Annual Financial Statements and the Combined Management Report" section of our auditor's report. We are independent of the Company in accordance with European law and German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. Furthermore, in accordance with Article 10 (2) (f) EU-APrVO, we declare that we have not performed any prohibited non-audit services as defined in Article 5 (1) EU-APrVO. We believe that the

audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and the combined management report.

Particularly important audit matters in the audit of the annual financial statements

We have determined that there are no matters of particular significance to be disclosed in our audit opinion.

Other information

The legal representatives or, as the case may be, the Supervisory Board are responsible for the other information. The other information comprises

- the corporate governance statement pursuant to sections 289f and 315d of the German Commercial Code (HGB), and
- the assurance of the legal representatives in accordance with section 264 (2) sentence 3 HGB and section 289 (1) sentence 5 HGB on the annual financial statements and the combined management report,
- but not the financial statements, the content of the audited information in the combined management report, and our audit opinion thereon.

The declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) on the German Corporate Governance Code, which forms part of the corporate governance statement, is the responsibility of the legal representatives and the Supervisory Board. Otherwise, the legal representatives are responsible for the other information.

Our audit opinions on the financial statements and the combined management report do not cover the other information and, accordingly, we do not express an audit opinion or any other form of conclusion thereon.

In connection with our audit, we have a responsibility to read the other information referred to above and, in doing so, assess whether the other information is

- are materially inconsistent with the annual financial statements, the content of the audited information in the combined management report or our knowledge obtained in the audit; or
- otherwise appear to be materially misrepresented.

If, based on our work, we conclude that there has been a material misstatement of such other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the combined management report

Management is responsible for the preparation and fair presentation of these financial statements in accordance with German principles of proper accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern.

Furthermore, they are responsible for preparing the financial statements on the basis of the going concern principle, unless factual or legal circumstances prevent this.

Furthermore, management is responsible for the preparation of the combined management report that as a whole provides a suitable view of the Company's position and is consistent, in all material respects, with the annual financial statements and complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for the arrangements and measures (systems) that it determines are necessary to enable the preparation of the combined management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the combined management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and the combined management report.

Management and the Supervisory Board are further responsible for the preparation of the compensation report, including the related disclosures, included in a separate section of the combined management report, which complies with the requirements of Section 162 AktG. They are also responsible for such internal control as they determine is necessary to enable the preparation of a compensation report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Annual Financial Statements and the Combined Management Report

Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides a suitable view of the Company's position and is consistent, in all material respects, with the annual financial statements and the audit findings, complies with German legal requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the annual financial statements and the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU-APrVO and in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and combined management report.

During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore

- Identify and assess the risks of material misstatement of the annual financial statements and the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement is higher in the case of noncompliance than in the case of inaccuracy, as noncompliance may involve fraud, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the financial statements and of the arrangements and actions relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those entities' systems.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. We draw our conclusions based on the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- we assess the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.
- we assess the consistency of the combined management report with the annual financial statements, its compliance with the law and the understanding of the Company's position given by it.
- We perform audit procedures on the forward-looking statements made by management in the combined management report. In particular, based on sufficient appropriate audit evidence, we reproduce the significant assumptions made by management regarding the forward-looking statements and evaluate the appropriateness of the information derived from these assumptions. We do not express an independent opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

We discuss with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

We make a declaration to those charged with governance that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and the safeguards that have been put in place to address them.

From the matters we discussed with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure of the matter.

Other matters - Formal audit of the compensation report

The audit of the combined management report described in this auditor's report includes the formal audit of the compensation report required by Section 162 (3) AktG, including the expression of an opinion on this audit. As we express an unqualified opinion on the combined management report, this opinion includes expressing an opinion that the disclosures pursuant to § 162 (1) and (2) AktG have been made in all material respects in the compensation report.

Other statutory and other legal requirements

Report on the Audit of the Electronic Reproductions of the Annual Financial Statements and the Combined Management Report Prepared for Disclosure Purposes Pursuant to Section 317 (3a) of the German Commercial Code (HGB)

Audit opinion

In accordance with Section 317 (3a) of the German Commercial Code (HGB), we have performed a reasonable assurance audit to determine whether the financial statements contained in the file EA_BiofronteraAG_2021-12-31.zip, with the hash value FC74DE0054B1CEAEEA4C1453000E8D68FBCEA541B717487E476F0952AFA831A1, calculated using SHA-256 and prepared for the purpose of disclosure of the annual financial statements and the combined management report (hereinafter also referred to as "ESEF documents") comply with the requirements of section 328 (1) HGB regarding the electronic reporting format ("ESEF format") in all material respects. In accordance with German legal requirements, this audit extends only to the conversion of the information in the annual financial statements and the combined management report into the ESEF format and therefore neither to the information contained in these reproductions nor to any other information contained in the above-mentioned file.

In our opinion, the reproductions of the annual financial statements and combined management report contained in the aforementioned file and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements of Section 328 (1) HGB. We do not express any opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file beyond this opinion and our opinions on the accompanying annual financial statements and the accompanying combined management report for the financial year from January 1, 2021 to December 31, 2021 contained in the preceding "Report on the audit of the annual financial statements and combined management report".

Basis for the audit opinion

We conducted our audit of the reproductions of the annual financial statements and the combined management report contained in the above-mentioned file in accordance with Section 317 (3a) HGB and IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Disclosure Purposes in Accordance with Section 317 (3a) HGB (IDW PS 410 (10.2021)). Our responsibility thereafter is further described in the section "Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has complied with the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1) applied.

Responsibility of the legal representatives and the supervisory board for the ESEF documents

The Company's management is responsible for the preparation of the ESEF documents containing the electronic reproductions of the annual financial statements and the combined management report in accordance with section 328 (1) sentence 4 no. 1 HGB.

Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of Section 328 (1) HGB.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Auditor's Responsibility for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB. During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- Obtain an understanding of internal control relevant to the audit of ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those controls.
- we assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents complies with the requirements of Delegated Regulation (EU) 2019/815 as amended at the reporting date regarding the technical specification for this file.
- we assess whether the ESEF documentation provides a content equivalent XHTML reproduction of the audited financial statements and the audited combined management report.

Other information according to Article 10 EU-APrVO

We were elected as auditors by the Annual General Meeting on April 26, 2021. We were engaged by the Audit Committee of the Supervisory Board on January 14, 2022. We have served as the auditors of Biofrontera AG, Leverkusen, without interruption since the 2007 financial year.

We declare that the audit opinions contained in this audit opinion are consistent with the additional report to the Audit Committee pursuant to Article 11 EU-APrVO (Audit Report).

Other matters - use of the audit opinion

Our audit opinion should always be read in conjunction with the audited annual financial statements and the audited combined management report and the audited ESEF documents. The annual financial statements and combined management report converted to the ESEF format - including the versions to be published in the Federal Gazette - are merely electronic reproductions of the audited annual financial statements and the audited combined management report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

Responsible auditor

The auditor responsible for the audit is Arndt Krüger.

Düsseldorf, April 29, 2022

Grant Thornton AG
Auditing Company

Eckhard Lewe
Certified Public Accountant

Arndt Krüger
Certified Public Accountant