

CONVENIENCE TRANSLATION – ONLY GERMAN VERSION IS BINDING



Biofrontera AG

Leverkusen

- ISIN: DE000A4BGGM7 / WKN: A4BGGM -

- ISIN DE000A409625 / WKN: A40962 -

Invitation to the Annual General Meeting

We hereby invite our shareholders to the Annual General Meeting on August 28, 2024, at 10:00 a.m. at the Wasserturm Hotel Cologne, Kaygasse 2, 50676 Cologne, Germany.

I. Agenda

- 1. Presentation of the approved annual financial statements and the approved consolidated financial statements of the combined management and group management report, the explanatory report of the Management Board on the information pursuant to §§ 289a and 315a of the German Commercial Code, and the report of the Supervisory Board for the fiscal year ended December 31, 2023**

The Supervisory Board has approved the annual financial statements and consolidated financial statements prepared by the Management Board pursuant to §§ 171 and 172 of the German Stock Corporation Act (AktG). The annual financial statements are thus established in accordance with § 172 AktG. A resolution by the Annual General Meeting to approve the annual financial statements or the consolidated financial statements pursuant to § 173 AktG is therefore not required. The aforementioned documents are to be made available to the Annual General Meeting pursuant to § 176 (1) sentence 1 AktG. Therefore, no resolution is required for Agenda Item 1.

- 2. Resolution on the discharge of the members of the Management Board for the fiscal year 2023**

The Management Board and the Supervisory Board propose that the members of the Management Board in office during the fiscal year 2023 be granted discharge.

This resolution relates only to Ms. Pilar de la Huerta Martínez, who conducted business as the sole Management Board member during the fiscal year 2023.

3. Resolution on the discharge of the members of the Supervisory Board for the fiscal year 2023

The Management Board and the Supervisory Board propose that the members of the Supervisory Board in office during the fiscal year 2023 be granted discharge.

Voting will be conducted on an individual basis for each Supervisory Board member. The Supervisory Board consisted of:

- a) Mr. Wilhelm K. T. Zours (Chairman)
- b) Dr. Jörgen Tielmann (Deputy Chairman)
- c) Dr. Helge Lubenow
- d) Dr. Heikki Lanckriet
- e) Mr. Karlheinz Schmelig
- f) Prof. Dr. Karin Lergenmüller

1. Resolution on the appointment of the auditor and group auditor for the fiscal year 2024 and the auditor for a possible review of the condensed interim financial statements and interim management report

The Supervisory Board proposes, based on the recommendation of its Audit Committee, to adopt the following resolution:

Nexia GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Georg-Glock-Straße 4, 40474 Düsseldorf, is appointed as the auditor and group auditor for the fiscal year 2024, and as the auditor for a possible review of the condensed interim financial statements and interim management report as of June 30, 2024, in accordance with § 115 (5) of the German Securities Trading Act (WpHG).

The Audit Committee has declared that its recommendation is free from undue influence by third parties and that there are no clauses restricting its choice as defined in Article 16 (6) of the EU Audit Regulation (EU) No. 537/2014.

5. Resolution on new elections to the Supervisory Board

The Supervisory Board of the company is composed according to §§ 95, 96 (1), 101 (1) of the German Stock Corporation Act (AktG) in conjunction with § 12 (1) of the Articles of Association, consisting of six members elected by the Annual General Meeting 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 determines a shorter term at the time of election. Most recently, the Supervisory Board consisted of six members who are elected until the end of the Annual General Meeting which resolves on their discharge for the fiscal year ending December 31, 2025.

Supervisory Board member Wilhelm K. T. Zours resigned his mandate on May 6, 2024. The members of the Supervisory Board, Prof. Dr. Karin Lergenmüller and Dr. Jörgen Tielmann, have resigned their mandates effective at the end of the Annual General Meeting on August 28, 2024.

Therefore, three new candidates are to be elected as members of the Supervisory Board. According to § 12 (4) of the Articles of Association, supplementary elections apply for the remainder of the term of the retired Supervisory Board member.

The Supervisory Board proposes the following resolutions:

1. *Hansjoerg Plaggemars, independent business consultant, residing in Stuttgart,*

is elected to the Supervisory Board with effect from the end of the aforementioned Annual General Meeting 2024 and for the period until the end of the Annual General Meeting which resolves on the discharge for the fiscal year ending December 31, 2025.

The proposal takes into account the Supervisory Board's goals regarding its composition and competence profile. The Supervisory Board has ensured that the proposed candidate can devote the necessary time to the position.

Disclosures pursuant to § 125 (1) sentence 5 AktG:

Memberships in other statutory supervisory boards and comparable domestic and foreign supervisory bodies of business enterprises:

- KIN Mining NL, Australia
- PNX Metals LTD, Australia
- Altech Batteries LTD, Australia
- Geopacific Resources Ltd, Australia
- Wiluna Mining Corporation, Australia

The Delphi Unternehmensberatung AG, whose Management Board member Hansjoerg Plaggemars is, is attributed 6.120% of the voting rights in Biofrontera AG according to the most recent voting rights notification. Thus, a business relationship exists between Hansjoerg Plaggemars and a significant shareholder of the company.

Furthermore, according to the Supervisory Board's assessment, Hansjoerg Plaggemars has no personal or business relationships with the company or its group companies, the company's governing bodies, or a significant shareholder of the company that need to be disclosed under C.13 of the German Corporate Governance Code.

2. *Alexander Link, member of the Management Board of Deutsche Balaton AG, residing in Frankfurt am Main,*

is elected to the Supervisory Board with effect from the end of the aforementioned Annual General Meeting 2024 and for the period until the end of the Annual General Meeting which resolves on the discharge for the fiscal year ending December 31, 2025.

The proposal takes into account the Supervisory Board's goals regarding its composition and competence profile. The Supervisory Board has ensured that the proposed candidate can devote the necessary time to the position.

Disclosures pursuant to § 125 (1) sentence 5 AktG:

Memberships in other statutory supervisory boards and comparable domestic and foreign supervisory bodies of business enterprises:

- Carus AG, Heidelberg, Supervisory Board member
- SPK Süddeutsche Privatkapital AG, Heidelberg, Chairman of the Supervisory Board
- MISTRAL Media AG, Frankfurt am Main, Deputy Chairman of the Supervisory Board
- Nordic SSW 1000 Verwaltungs AG i. L., Deputy Chairman of the Supervisory Board
- DIO Deutsche Immobilien Opportunitäten AG, Frankfurt am Main, Supervisory Board member
- Nestmedic S.A., Warsaw/Poland, Supervisory Board member

The Deutsche Balaton AG, whose Management Board member Alexander Link is, is attributed 6.120% of the voting rights in Biofrontera AG according to the most recent voting rights notification. Thus, a business relationship exists between Alexander Link and a significant shareholder of the company.

Furthermore, according to the Supervisory Board's assessment, Alexander Link has no personal or business relationships with the company or its group companies, the company's governing bodies, or a significant shareholder of the company that need to be disclosed under C.13 of the German Corporate Governance Code.

3. *Tobias Reich, Management Board member of ConBrio Beteiligungen AG, residing in Frankfurt am Main, is elected to the Supervisory Board with effect from the end of the aforementioned Annual General Meeting 2024 and for the period until the end of the Annual General Meeting which resolves on the discharge for the fiscal year ending December 31, 2025.*

The proposal takes into account the Supervisory Board's goals regarding its composition and competence profile. The Supervisory Board has ensured that the proposed candidate can devote the necessary time to the position.

Disclosures pursuant to § 125 (1) sentence 5 AktG:

Tobias Reich is currently not a member of any other statutory supervisory boards or comparable domestic and foreign supervisory bodies of business enterprises.

The Deutsche Balaton AG, the sole shareholder of ConBrio Beteiligungen AG, whose Management Board member Tobias Reich is, is attributed 6.120% of the voting rights in Biofrontera AG according to the most recent voting rights notification. Thus, an (indirect) business relationship exists between Tobias Reich and a significant shareholder of the company.

Furthermore, according to the Supervisory Board's assessment, Tobias Reich has no personal or business relationships with the company or its group companies, the company's governing bodies, or a significant shareholder of the company that need to be disclosed under C.13 of the German Corporate Governance Code.

CVs of all three proposed candidates are available on the company's website (<https://www.biofrontera.com/de/investoren/hauptversammlung>) (in each case stating their most important activities in addition to membership of the Supervisory Board of Biofrontera AG and their knowledge, skills and experience relevant to their activities on the Supervisory Board of Biofrontera AG).

In the case that the proposed candidates are elected, the Supervisory Board plans to elect Mr Alexander Link as its Chairman.

6. Resolution on the complete cancellation of the conditional capital pursuant to Section 7 (2) and (6) of the Articles of Association and the partial cancellation of the conditional capital pursuant to Section 7 (8) of the Articles of Association and on corresponding amendments to the Articles of Association

The Supervisory Board and the Executive Board propose that the following resolution be adopted:

- a) *Complete cancellation of Conditional Capital I and corresponding amendment of Section 7 (2) of the Articles of Association*

The remaining Conditional Capital I pursuant to Section 7 (2) of the Articles of Association, which has already been partially utilised and entered in the commercial register and to which no option rights are outstanding, shall be cancelled in full. Accordingly, Section 7 (2) of the Articles of Association is also cancelled and replaced by the placeholder "no longer applicable".

- b) *Complete cancellation of Conditional Capital III and corresponding amendment of Section 7 (6) of the Articles of Association*

The remaining Conditional Capital III in accordance with Section 7 (6) of the Articles of Association, which has already been partially utilised and entered in the commercial register and to which no option rights are outstanding, is cancelled in full. Accordingly, Section 7 (6) of the Articles of Association is also cancelled and replaced by the placeholder "no longer applicable".

- c) *Partial cancellation of Conditional Capital V and corresponding amendment of Section 7 (8) of the Articles of Association*

Conditional Capital V in accordance with Section 7 (8) of the Articles of Association, which still exists following the partial utilisation of the original volume and which has already been entered in the commercial register, is cancelled in the amount of EUR 1,550,907.00, as it is not required to service option rights granted until 27 August 2020 on the basis of the authorisation granted by the company's Annual General Meeting on 28 August 2015.

In Section 7 (8) of the Articles of Association, "EUR 1,554,954.00" is accordingly replaced by the amount "EUR 4,047.00" and the figure "1,554,954" is replaced by the figure "4,047".

7. Resolution on the approval of the remuneration report pursuant to Section 162 AktG

In accordance with Section 162 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board of the listed company prepare an annual report on the remuneration granted and owed to each individual current or former member of the Executive Board and Supervisory Board by the company and by companies in the same group (Section 290 of the German Commercial Code (HGB)) in the last financial year (remuneration report). The remuneration report prepared by the Management Board and Supervisory Board for the 2023 financial year was audited by the auditor in accordance with the requirements of Section 162 (3) AktG. The auditor's report is attached to the remuneration report. The Annual General Meeting of the listed company resolves to approve the audited remuneration report in accordance with Section 120a (4) AktG.

The Supervisory Board and the Management Board propose that the following resolution be adopted:

The remuneration report for the 2023 financial year prepared and audited in accordance with Section 162 AktG, which is reproduced below together with the report on the audit of the remuneration report, is approved.

Compensation Report

Remuneration system for the members of the Management Board:

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

The compensation system for the executive board aims to appropriately remunerate the executive board members in line with their duties and responsibilities, taking into account the performance of each board member as well as the success of the company. The structure of the compensation system for the executive board of Biofrontera AG aims at sustainable increase of the company's value and performance-oriented corporate management. The compensation system is effective from December 2021 for new contracts and contract extensions. The performance of the executive board members is adequately considered through appropriately and ambitiously set performance criteria within the variable compensation components (Pay for Performance). The current market practices are taken into account in designing the compensation system.

In determining the compensation levels and the compensation system, the Supervisory Board generally follows the following guidelines:

- The compensation system significantly contributes to promoting the business strategy as a whole.
- In particular, the variable compensation components should be linked to the achievement of strategic objectives.
- The compensation system and the performance criteria of its variable components incentivize long-term and sustainable development of the Biofrontera Group.
- The strategic objectives formulated within the framework of the variable compensation components should ensure long-term and sustainable growth of the company.
- To ensure long-term developments, variable compensation components with a multi-year character should further contribute, aligning with the share price performance of Biofrontera AG and thus linking compensation to profit growth and shareholder interests.

The compensation system consists of:

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

together. The goals for short- and long-term variable compensation are derived from the corporate strategy of Biofrontera AG. In addition, customary fringe benefits are provided.

Overall, the remuneration thus contributes to the long-term development of the company.

Target Total Compensation

The target total compensation for each board member results from the base salary, the short-term variable compensation, and the long-term variable compensation at 100% target achievement.

In accordance with the compensation system, the Supervisory Board determines the level of target total compensation for each board member.

In doing so, it takes into account not only an appropriate relationship to the duties and performances of the board member but also the economic situation as well as the success and future prospects of the company. The Supervisory Board ensures that the target total compensation does not exceed the customary compensation without special reasons.

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

Horizontal Comparison

The selection of the comparison group for assessing the market conformity of total compensation is based on the requirements of the Stock Corporation Act (especially industry and size as well as international orientation).

The composition of the comparison group is generally determined, as far as ascertainable, on the one hand from a comparison group of publicly traded companies in terms of revenue, EBIT, number of employees, and market capitalization. Furthermore, the selection of the comparison group is made, as far as ascertainable, from a comparison group of publicly traded industry companies.

Vertical Comparison

The compensation and employment conditions of the employees are taken into account within the framework of the vertical comparison outlined below.

Components of Compensation in Detail

Fixed Compensation Components

The fixed compensation components granted to the members of the Executive Board under the compensation system include the base salary and fringe benefits. The members of the Executive Board do not receive any pension commitments.

Basic remuneration

The Executive Board members receive the base salary, which is paid out in twelve equal parts monthly.

Fringe Benefits

Fringe benefits are granted based on employment contracts with individual members of the Executive Board and may include, for example, the following: private use of company cars, special payments such as payment of school fees, housing, rental, and relocation expenses, contributions to pension insurance (excluding pension commitments as outlined here), contributions to accident, life, and health insurance, or other insurances. Fringe benefits may be granted once or repeatedly. The annual value of fringe benefits should not exceed 10% of the annual base salary.

Short-Term Variable Compensation (Short Term Incentives; "STI")

Members of the Executive Board are entitled to short-term variable compensation, which can result in an annual bonus payment. The short-term variable compensation is linked to the achievement of performance goals, the specific target values of which are agreed upon at the end of a fiscal year.

The due date for STI payment generally occurs one month after the approval of the annual financial statements and consolidated financial statements for the respective fiscal year by the Supervisory Board of the Company. If the Company terminates the employment relationship for good cause within the meaning of § 626 of the German Civil Code (BGB), the STI payment for the fiscal year in which the termination becomes effective is forfeited.

Target Amounts

Target amounts are agreed upon with the Executive Board in the employment contracts, which are granted to them upon 100% achievement of the goals ("STI target amounts"). The amount of STI target amounts should not exceed 50% of the base salary at 100% target achievement. The amount of short-term variable compensation depends on the degree of achievement of the agreed goals and can range between 0% and 200%. The exact payout is determined by multiplying the degree of goal achievement by the STI target amount of each Executive Board member. In case of exceeding the target, an increase up to a maximum of 200% of the STI target amount (cap) takes place. If the target is achieved up to 70%, the short-term variable compensation is reduced linearly; if the target achievement is less than 70%, the STI payment is completely waived.

Performance Goals

In determining the annual target agreement, the Supervisory Board aligns with the following performance goals:

The assessment criteria for STI include financial and non-financial performance criteria, which are agreed upon in a target agreement at the end of each fiscal year for the following fiscal year. If no agreement is reached between the Executive Board

member and the Supervisory Board, the Supervisory Board decides on the determination of the assessment criteria at its reasonable discretion.

Financial performance criteria should include, besides the company's revenue, financial indicators such as earnings and profitability ratios (e.g., EBITDA - Earnings Before Interest, Taxes, Depreciation, and Amortization, EBITDA margin). The Supervisory Board has the option to adjust the financial performance measure used for evaluation by excluding extraordinary components.

Non-financial performance criteria should include criteria such as integrity, employee satisfaction, diversity, as well as sustainability/environmental-social-governance (ESG) aspects, which should account for at least 10% of the total goal achievement. Strategic criteria should also be included in the target agreement, such as achieving approvals, successful completion of studies, conclusion of significant contracts, or conducting financings.

A non-financial, strategic component should consider the contribution of the entire Executive Board as well as individual Executive Board members to the implementation of the company's strategy and thus to the long-term development of the company.

For the non-financial, strategic goals, it should be clearly defined within the target agreement under which conditions the respective goal is fully met (100% achievement of the individual criterion) and which parameters are used to assess the degree of goal achievement.

Calculation of Target Achievement

The total target achievement of short-term variable compensation is determined by the weighted average of individual performance criteria and the degree of respective goal achievement. Financial performance criteria should generally account for up to 55% of the goal achievement weighting, while non-financial criteria can account for up to 45%.

Short-Term Variable Compensation for Extraordinary Developments and Performances of an Executive Board Member

In justified exceptional cases, the Supervisory Board may grant the Executive Board members a special bonus at the discretion of the Supervisory Board, not exceeding EUR 50,000 (gross) per fiscal year and Executive Board member. The resolution on the existence of an exceptional case, which should specify the extent and quality of the extraordinary performance of the Executive Board member, also determines the specific amount of a special bonus and the timing of its payment by the Supervisory Board.

Long-Term Variable Compensation (Long Term Incentive; "LTI")

As a long-term success component, Executive Board members are granted Stock Appreciation Rights ("SARs"). An annual target amount equal to 150% of the STI target amount ("LTI target amount") is agreed upon with the Executive Board members. The number of SARs granted annually corresponds to the LTI target amount divided by the economic value of the SARs at the time of grant. The economic value per SAR to be used corresponds to the intrinsic value determined based on the unweighted average closing prices of the company's shares traded in the closing auction on the Xetra trading platform of the Frankfurt Stock Exchange or in a corresponding successor system on the 15 trading days preceding the grant. Executive Board members receive a payout based on the stock price performance of the company upon exercise of the SARs.

Exercise Conditions

SARs can only be exercised:

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

and

(ii) if, in addition, the reference price has developed proportionally the same or better than the "MSCI World Health Care Index TR" or a comparable successor index ("reference index") during the reference period from the last trading day before the issue date to the 5th trading day (each last index calculation day following USA Eastern Standard Time (EST)) before the start of the respective exercise window. If the reference index is a so-called Total Return Index, dividends and other distributions paid out by the company to shareholders during the reference period are considered in the determination of the performance.

The "**issue price**" corresponds to the unweighted average closing price of the company's shares between the 15th and the last trading day preceding the issue date (inclusive).

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

"**Closing prices**" are the prices determined in the daily closing auction on the Xetra trading platform of the Frankfurt Stock Exchange or in a corresponding successor system. If a closing auction does not take place on relevant trading days or if no closing price is determined there, the last determined price in continuous trading on the respective trading day is used as the closing price, provided that such a price was determined on the respective 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 price for Biofrontera AG shares pursuant to Section 9 (1) of the German Stock Corporation Act (AktG).

Limitation of the amount paid out (cap)

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

Lock-Up Periods

SARs may be exercised for the first time after the expiration of a lock-up period.

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

After the expiration of the respective lock-up period, the SARs can be exercised until six years after the respective issuance date. Thereafter, the right to exercise the SARs terminates, and any SARs not exercised by then expire without compensation.

Personal Investment

Additionally, according to the SAR terms, Executive Board members are required to make a personal investment in the company's shares. This investment must be made unconditionally within six months after the SAR exercise date, in an amount equal to 25% of the gross payout, and the acquired company shares may not be sold earlier than four years after the SARs were granted.

Share Ownership Guidelines

To further enhance the long-term incentive effect of variable compensation and its alignment with sustainable corporate development, Executive Board members are also obligated in their Executive Board contracts to acquire and hold a determined number of company shares, as specified by the Supervisory Board until the end of their contract term ("Share Ownership Guidelines"). The total acquisition expense to be borne by the Executive Board member (including acquisition-related costs) is limited to an amount equal to 25% of the STI payment (gross) granted to them for the preceding fiscal year.

Blocking periods

Blocking periods relating to acquired shares in the Company imposed on Management Board members end prematurely if, after the Management 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 for the Company to Reclaim Variable Compensation Components

The Supervisory Board may determine that unpaid variable compensation components of the STI and/or LTI are entirely or partially withheld and not paid out ("Clawback") in the event of serious misconduct by an Executive Board member. The Supervisory Board decides on the Clawback at its reasonable discretion. Serious misconduct by an Executive Board member in this regard is particularly assumed,

- a) if it has at least grossly negligently violated its duties under § 93 AktG or
- b) if it has at least grossly negligently violated internally documented internal behavior standards or internal guidelines that have had or could have serious consequences for the company, or
- c) in the case of at least grossly negligent behavior of a criminal nature in the exercise of office as a member of the Executive Board, or
- d) in the case of an intentional violation of other legal provisions in the exercise of office as a member of the Executive Board.
- e) The same applies in the case of serious misconduct by employees of the company or the group, especially in cases of at least grossly negligent violations of criminal or compliance-related provisions, which were recognized by the Executive Board member in their capacity as the employee's superior and were not immediately stopped or should have been recognized and immediately stopped with the due care of an Executive Board member.

A Clawback in relation to payments from the STI is only permissible for the fiscal year in which the misconduct occurred, but not for previous or subsequent years. Regarding payments from the LTI, a Clawback is permissible if and to the extent that the serious misconduct occurred within the four years following the grant of the entitlement from the LTI (i.e., since the grant of the SARs).

A Clawback of the STI is also permissible in the case of grossly negligent misconduct that has been identified and audited after the respective financial statements have been finalized and has led to a subsequent correction of the company's financial statements. In this case, the Clawback is permissible to the extent that the STI was overstated based on the uncorrected basis.

If a Clawback situation arises according to the above provisions, already paid amounts of the STI and/or LTI, which could have been withheld accordingly, can also be reclaimed. Such recovery is permissible, calculated from the time the Supervisory Board becomes aware of the triggering event, for the year of awareness and the preceding three fiscal years.

Amounts withheld or repaid as part of the Clawback are credited against any damages claim of the company arising from the misconduct of the Executive Board member.

No variable compensation components were reclaimed in the fiscal year.

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

The Supervisory Board may establish resignation arrangements for each compensation component and for each case in which the employment relationship of an Executive Board member or the appointment as a member of the Executive Board ends. This includes cases such as retirement, full or partial incapacity for work, death, ordinary termination of the employment contract, termination of the employment contract for cause, removal from office for cause, transfer of an employment contract to the company's principal shareholder, or to an entity affiliated with the company's principal shareholder. For each of these cases, the Supervisory Board can predefine the requirements for individual or all compensation components to be paid, either fully or partially, prematurely or with a delayed timing, to the Executive Board members or - in case of death - to the heirs of the respective Executive Board member, or forfeited.

Payments to an Executive Board member upon premature termination of their Executive Board activities shall not exceed the value of two annual compensations at 100% goal achievement (severance cap) and shall not compensate for more than the remaining term of the employment contract.

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

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

Compensation System in Case of Special and Exceptional Circumstances

In special and exceptional circumstances (e.g., in the event of a severe financial or economic crisis), the Supervisory Board has the right, in accordance with § 87a para. 2 sentence 2 AktG, to temporarily deviate from the compensation system and to change the regulations regarding the compensation structure and the individual compensation components, as well as the regulations for the respective procedure, if this is necessary in the interest of the long-term well-being of the company. Unfavorable market developments are not considered special and exceptional circumstances that allow deviation from the compensation system.

Maximum Compensation

The following maximum amounts apply:

	Chairman of the Executive Board	Other members of the Executive Board
Basic remuneration	500.000 p.a.	350.000 p.a.
Fringe benefits	Max. 10 % of basic compensation	Max. 10 % of basic compensation
STI	200% of the STI target amount p.a., which should not exceed 50% of the basic compensation if 100% of the target is achieved	200% of the STI target amount p.a., which should not exceed 50% of the basic compensation if 100% of the target is achieved
LTI	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 Management Board member would exceed the basic compensation plus fringe benefits actually received by the Management 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 Management Board member would exceed the basic compensation plus fringe benefits actually received by the Management Board member since the first grant of SARs by more than 300% without this limit.
Any additional short-term variable remuneration in the event of extraordinary developments and performance by a member of the Management Board	50.000 p.a.	50.000 p.a.

Relative proportion of individual components of compensation

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

Base salary	44%
STI compensation	22%
LTI compensation	33%

The proportion of the components of compensation for Executive Board members to the target total compensation based on 200% of the STI target amount and 300% of the LTI target amount is as follows:

Base salary	23.5%
STI compensation	23.5%
LTI compensation	53%

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

Procedure for determining, reviewing, and implementing the compensation system

The compensation of the Executive Board is determined by the Supervisory Board as a whole. For this purpose, the Personnel Committee of the Supervisory Board prepares appropriate recommendations. If necessary, independent external consultants are consulted. According to the Rules of Procedure for the Supervisory Board, members of the Supervisory Board are obliged to disclose any conflicts of interest immediately. The Supervisory Board designs the system for the compensation of Executive Board members, taking into account applicable laws and regulations, in particular the provisions of the German Stock Corporation Act (AktG) in its current version, regulatory requirements, and the provisions of the German Corporate Governance Code. It ensures clarity and comprehensibility. Based on the compensation system, the Supervisory Board determines the specific target total compensation. The Executive Board compensation system thus resolved by the Supervisory Board is submitted to the Annual General Meeting for approval.

The Supervisory Board regularly reviews the Executive Board compensation system, compliance with the maximum compensation of Executive Board members, and the appropriateness of the compensation. Here, too, the Personnel Committee of the Supervisory Board prepares appropriate recommendations. At the end of a fiscal year, the specific target values for short-term variable Executive Board compensation for the following fiscal year are also determined by the Supervisory Board in a target agreement with the Executive Board. In accordance with the requirements of § 120a (1) AktG, the Supervisory Board will submit the Executive Board compensation system to the Annual General Meeting for approval in the event of significant changes, but at least every four years. The present compensation system was confirmed by the Annual General Meeting on December 14, 2021.

In accordance with legal regulations (§ 87a (2) AktG), the Supervisory Board, on the proposal of the Personnel Committee, may temporarily deviate from the components of the compensation system described below in exceptional circumstances if this is necessary in the interest of the long-term well-being of the company.

Consideration of employee compensation and employment conditions when establishing the compensation system

When establishing the compensation system and determining the specific level of compensation, the Supervisory Board also takes into account the employment conditions of employees in the Biofrontera Group. For this purpose, the Supervisory Board has defined the senior management level in the Biofrontera Group and demarcated it from the Executive Board on the one hand and the total workforce in the Biofrontera Group on the other hand. In the course of the regularly conducted review of the appropriateness of Executive Board compensation, the Supervisory Board examines in particular whether changes in the relations of the compensation of the Executive Board, senior management, and the total workforce result in any need for adjustment in Executive Board compensation. In doing so, the Supervisory Board also takes into account the development of the compensations of the groups described over time.

Conflicts of interest

The Supervisory Board ensures, through appropriate measures, that any conflicts of interest of the Supervisory Board members involved in the deliberations and decisions on the compensation system are avoided and, if necessary, resolved. Each

Supervisory Board member is obliged to disclose conflicts of interest to the Chairman of the Supervisory Board immediately. The Chairman of the Supervisory Board discloses any conflicts of interest concerning him to his deputy. The handling of an existing conflict of interest is decided on a case-by-case basis. In particular, it is possible that a Supervisory Board member affected by a conflict of interest does not participate in a meeting or individual deliberations and decisions of the Supervisory Board or abstains from voting.

Duration of Executive Board employment contracts

The agreed term of the employment contracts of Executive Board members corresponds to the duration of the intended appointment as Executive Board member. In the case of an initial appointment, the Supervisory Board will determine the duration of the appointment appropriately and oriented towards the well-being of the company in the respective individual case, whereby the duration of the appointment should generally not exceed three years. The period for reappointment, in compliance with the provisions of § 84 AktG, is a maximum of five years. In the event of reappointment of the Executive Board member, the employment contract is extended in accordance with the duration of a renewed appointment; otherwise, it automatically terminates without the need for termination upon expiration of the intended regular term of appointment. A decision on any extension of the employment contract or any reappointment should be made no later than 15 months before the expiration of the employment contract or the term of appointment and finalized with the Executive Board member 10 months before the expiration.

Compensation system in case of special and exceptional circumstances

In special and exceptional circumstances (e.g., in the event of a severe financial or economic crisis, corporate restructuring of the group such as spin-offs, acquisitions, or sales of companies or similar significant M&A transactions), the Supervisory Board has the right, in accordance with § 87a (2) sentence 2 AktG, to temporarily deviate from the compensation system and to change the regulations regarding the compensation structure and the individual compensation components, as well as the regulations for the respective procedure, if this is necessary in the interest of the long-term well-being of the company. A deviation from the compensation system is only possible by a corresponding resolution of the Supervisory Board and after careful examination of the necessity. The components of the compensation system from which deviations can be made under the circumstances mentioned are the procedure, the compensation structure, the individual components of compensation, and their performance criteria. Furthermore, in this case, the Supervisory Board may temporarily grant additional components of compensation or replace individual components of compensation with other components of compensation to the extent necessary to restore the appropriateness of Executive Board compensation in the specific situation.

Executive Board compensation in fiscal year 2023

The total compensation for members of the Executive Board in fiscal year 2023 and the inventory of all shares options issued to the Executive Board members as of December 31, 2023, are allocated as follows:

Term in EUR thousands (unless otherwise indicated)	Pilar de la Huerta Martínez	
	CFO	
	September 12, 2022	incumbent
	2023	2022
Fixed component of compensation	280	86
Compensation in kind	42	4
Severance pay	0	0
Total fixed compensation	289	90
Short-term incentive (variable, STI)	47	0
Long-term incentive (variable, LTI), thereof from	0	
Stock Appreciation Rights (SARs) (maturity May 3, 2030)	0	
Fair value of SARs	0	0
Income from exercising SARs	0	0
Total LTI	0	0
Total performance-based compensation	47	0
Total compensation	336	90
Number of stock options (Dec 31)	0	0
Number of stock options granted	0	0
Fair value when granted	0	0
Number of SARs (Dec 31)	0	0
Number of SARs granted	0	0
Fair value when granted	0	0

Ms. Pilar de la Huerta was appointed as CFO to the Executive Board of the Company on September 12, 2022, and has been serving as sole Executive Board member since October 1, 2022.

The non-performance-related component of compensation for Ms. de la Huerta is 84% (100% in the previous year).

No stock options (LTI) were granted to Executive Board members in the fiscal year 2023. Furthermore, there are no promised stock options within the meaning of Section 162 (1) sentence 2 No. 3 of the German Stock Corporation Act (AktG).

The maximum compensation for Executive Board members from the non-performance-related and one-year performance-related compensation (bonus) amounts to EUR 476 thousand for Ms. de la Huerta. This was adhered to. No LTIs have been decided and contractually agreed upon for Ms. de la Huerta thus far.

The existing service contracts provide that - depending on the achievement of agreed-upon targets - an annual bonus shall be granted. The assessment factors are determined in a target agreement each year for the following fiscal year by the end of a fiscal year. The 2022 target agreement included revenue (60%) and EBITDA (earnings before interest, taxes, depreciation, and amortization) (40%) as goals. Revenue target for 2022 was set at EUR 26.5 million, and EBITDA Break-even was set at EUR 0.3 million.

The contractually agreed bonus for Ms. de la Huerta at 100% target achievement is EUR 140 thousand per year. The aforementioned performance criteria for 2022 were weighted, evaluated, and calculated pro rata based on the length of the Executive Board's tenure. The criteria for target achievement were revenue and net profit as per the consolidated income statement determined by the Supervisory Board for 2022. The goals for the fiscal year 2022 were achieved, thus a bonus payment of EUR 47 thousand was granted to Pilar de la Huerta.

For 2023, the performance criteria included a revenue target (EUR 33.7 million, weighting 20%) and achieving EBITDA (target EUR 5 million, weighting 30%) as quantitative goals. As significant qualitative goals, the definition and implementation of a medium-term strategy including a 5-year strategic plan for sustainable sales and profit growth (20%) as well as the definition of a lean organizational and infrastructure setup to achieve strategic goals (30%) were set.

No benefits or grants were promised or awarded to Ms. de la Huerta by third parties regarding her activities.

Further information on former Executive Board members of the Company:

Mr. Prof. Hermann Lübbert, as a former corporate officer, had a severance entitlement against the Company in accordance with the terms of the SAR program for Share Appreciation Rights, the lock-up period of which had not yet expired at the time of his termination. The Company paid a severance payment of EUR 112 thousand to the former Executive Board member in June 2023.

Former corporate officer Ludwig Lutter was removed from the Executive Board for good cause on August 14, 2022. In two lawsuits before the Cologne District Court, Mr. Ludwig Lutter contested his removal as a member of the Executive Board and the termination of his employment contract and claimed (partial) continuation of his compensation. We refer to the disclosures in the Group Notes regarding events after the reporting date.

Following the formal end of his Executive Board mandate, Paul Böckmann served as a consultant for the Company from October 2022 to April 2023. During this time, the Company paid EUR 61 thousand in consulting fees.

Compensation Report Supervisory Board

Compensation system for members of the Supervisory Board

The compensation of the Supervisory Board members shall, in accordance with § 113 of the German Stock Corporation Act (AktG), be in an appropriate proportion to the duties of the Supervisory Board members and to the situation of the company. The members of the Supervisory Board are not involved in operational activities. Rather, the Supervisory Board contributes to the long-term development of the company through its monitoring activities. Recruiting outstanding members is a prerequisite for the best possible supervision and advice to the Executive Board, which in turn makes a significant contribution to a successful business strategy and the long-term success of the company. Therefore, the compensation should make taking on a mandate economically attractive enough to attract and retain outstanding members, which also requires consideration of the compensation arrangements of other comparable listed companies. However, the compensation and employment conditions of the employees are not of significant importance for the compensation system of the Supervisory Board.

The Executive Board and the Supervisory Board are of the opinion that a purely fixed compensation for Supervisory Board members is best suited to ensure independent performance of the control function of the Supervisory Board, as variable compensation, especially in matters relevant to supervision, could otherwise create a conflict of interest between the Executive Board and the Supervisory Board regarding their own compensation. Differentiated compensation for individual functions in the Supervisory Board generally takes into account the workload associated with each Supervisory Board member. In practice, the chairman of the Supervisory Board and his deputy, as well as the chairman and members of the audit committee, typically have a higher workload, thus a higher compensation is provided. According to Recommendation G.17 of the German Corporate Governance Code in the version of April 28, 2022 ("Code"), the compensation of Supervisory Board members should appropriately reflect the higher time commitment of the chairman and deputy chairman of the Supervisory Board, as well as the chairman and members of committees. According to Recommendation G.18 of the Code, the compensation of the Supervisory Board should consist of a fixed compensation. These aspects are appropriately reflected in the current version of § 18 of the Articles of Association when determining the compensation of the Supervisory Board.

The compensation is to be paid at the end of each fiscal year. There are no deferral periods for the payment of compensation components.

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

There are no commitments for severance payments, pension, or early retirement arrangements. The company reimburses the Supervisory Board members for expenses incurred in the performance of their duties, including any value-added tax (VAT) attributable to compensation and reimbursement of expenses, and includes the performance of the duties of the Supervisory Board members in the coverage of a directors' and officers' liability insurance policy taken out by the company.

The compensation system of the Supervisory Board is resolved by the Annual General Meeting upon proposal of the Executive Board and the Supervisory Board, as well as a statutory compensation provision. At regular intervals, at least every four years, the Executive Board and the Supervisory Board review whether the amount and composition of the Supervisory Board compensation still appear to be market-oriented and appropriate and, if necessary, submit adjustment proposals to the Annual General Meeting.

Since the members of the Supervisory Board are involved in shaping the compensation system relevant to them and must also submit proposal resolutions to the Annual General Meeting in accordance with § 124 of the German Stock Corporation Act, an unavoidable conflict of interest arises from the application of the law. However, this is effectively counteracted by assigning the decision on the final determination of the compensation to the Annual General Meeting.

In accordance with § 113 (3) sentences 1 and 2 of the German Stock Corporation Act, the Annual General Meeting of listed companies must decide on the compensation of Supervisory Board members at least every four years, whereby a resolution confirming the compensation is permissible. The compensation of Supervisory Board members is regulated in § 18 of the Articles of Association of the company. The current version of § 18 of the Articles of Association of the company was resolved by the Annual General Meeting on June 20, 2023, and reads as follows:

" § 18 Compensation of the Supervisory Board

(1) Each member of the Supervisory Board shall receive an annual fixed remuneration of EUR 22,000. The Chairperson shall receive twice this amount, the Deputy Chairperson 1.5 times this amount.

(2) For their work on the Audit Committee of the Supervisory Board, those members of the Supervisory Board who are not simultaneously Deputy Chairman or Chairman of the Supervisory Board shall receive additional remuneration of EUR 3,000; the Chairman of the Audit Committee shall receive twice this amount.

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

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

(5) The Company shall reimburse the members of the Supervisory Board against invoice for expenses incurred in the performance of their duties, including any value added tax (VAT) payable on the remuneration and the reimbursement of expenses.

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

(7) 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."

The Annual General Meeting made use of the authorization under § 18 (3) of the Articles of Association and resolved a special compensation for the Supervisory Board member Dr. Helge Lubenow as follows on June 20, 2023:

"The member of the Supervisory Board Dr. Helge Lubenow receives an additional compensation of EUR 22,000.00 for the fiscal year 2022 for assuming special tasks and providing special services in advising the Executive Board in the area of personnel/human resources. The entitlement to compensation and its due date are subject to the registration of the amendment to § 18 of the Articles of Association according to the provisions of agenda item 5 lit. a) in the commercial register."

The suspensive condition occurred through registration of the authorization under § 18 (3) of the Articles of Association in the commercial register on July 3, 2023. The additional compensation for the fiscal year 2022 was resolved in the fiscal year 2023 and is therefore included in the following breakdown of the total compensation of the members of the Supervisory Board in the fiscal year 2023.

Compensation in fiscal year 2023

The total compensation of the members of the Supervisory Board in fiscal year 2023 is as follows:

in EUR thousands	Fixed compensation		Audit Committee activity		Total	
	in TEUR	in %	in TEUR	in %	in TEUR	in %
Wilhelm K.T. Zours (Supervisory Board: Chair)	44	100%	0	0%	44	100%
Dr. Jürgen Tielmann (Supervisory Board: Vice Chair)	33	100%	0	0%	33	100%
Dr. Heikki Lanckriet	22	100%	0	0%	22	100%
Dr. Helge Lubenow (Audit Committee: Member)	44	94%	3	6%	47	100%
Prof. Dr. Karin Lergenmüller (Audit Committee: Member, since July 5th,2023)*	22	96%	1	4%	23	100%
Karlheinz Schmelig (Audit Committee: Chair)	22	79%	6	21%	28	100%
TOTAL	187		10		197	

Vertical comparison

	Change 2023 vs. 2022	Change 2022 vs. 2021
Compensation of Executive Board members		
Pilar de la Huerta Martínez*	373%	-
Compensation Supervisory Board members		
Wilhelm K.T. Zours*	-21%	2700%
Dr. Jürgen Tielmann*	-44%	1867%
Dr. Heikki Lanckriet*	-35%	1033%
Dr. Helge Lubenow*	-8%	1600%
Prof. Dr. Karin Lergenmüller**		
Karlheinz Schmelig*	-13%	967%
Average compensation of employees		
Employees in Europe	3.8%	0.8%

*2022 partial year only

When presenting the average salary change of employees, all employees of the European group companies (excluding the Executive Board) were included. For comparison, the contractually agreed annual gross salary without special payments and ancillary wage costs was taken into account.

The basis for comparing employee compensation has been altered. Previously, the average annual compensation including wages and salaries as well as expenses for bonuses, pension provisions, severance payments, and other personnel-related costs had been considered. It was viewed as total personnel costs per year divided by the number of employees on average per year. This approach results in an average change in personnel costs of 9%. This value provides a misleading impression. On the one

hand, the workforce of the European Biofrontera companies decreased over the course of 2023, especially in the second half of the year. This trend continues. On the other hand, the company has strengthened itself with highly qualified personnel and has been able to fill some key positions that were vacant for a long time. This has had decisive effects on the increased average compensation of the workforce.

The altered presentation of the average compensation of the workforce thus more clearly and meaningfully demonstrates the development of wages and salaries in the company in vertical comparison.

REPORT OF THE INDEPENDENT AUDITOR ON THE AUDIT OF THE REMUNERATION REPORT PURSUANT TO SECTION 162 PARA. 3 AKTG

To Biofrontera AG, Leverkusen

Audit opinion

We have formally audited the remuneration report of Biofrontera AG for the financial year from 1 January 2023 to 31 December 2023 to determine whether the disclosures pursuant to Section 162 (1) and (2) AktG have been made in the remuneration report. In accordance with § 162 Abs. 3 AktG, we have not audited the content of the remuneration report.

In our opinion, the disclosures pursuant to Section 162 (1) and (2) AktG have been made in all material respects in the accompanying remuneration report. Our audit opinion does not cover the content of the remuneration report.

Basis for the audit opinion

We conducted our audit of the remuneration report in accordance with § 162 Abs. 3 AktG and IDW Auditing Standards: The Audit of the Remuneration Report in Accordance with Section 162 (3) AktG (IDW PS 870 (08.2021)). Our responsibilities under this requirement and this standard are further described in the "Auditor's Responsibilities" section of our report. As an audit firm, we have audited the requirements of the IDW Quality Management Standard: Requirements for Quality Management in the Auditing Practice (IDW QMS 1) have been applied. We have complied with the professional duties in accordance with the German Auditors' Code and the Professional Code for German Public Auditors / Chartered Accountants, including the independence requirements.

Responsibility of the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board are responsible for the preparation of the remuneration report, including the related disclosures, in accordance 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 remuneration report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the remuneration report includes, in all material respects, the disclosures required by Section 162 (1) and (2) AktG and to issue an auditor's report thereon.

We planned and performed our audit such that we can determine the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required by section 162 (1) and (2) AktG. In accordance with § 162 Abs. 3 AktG, we have not audited the content of the disclosures, the completeness of the individual disclosures or the fair presentation of the remuneration report.

Limitation of liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften" in the version dated 1 January 2017 issued by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) apply to the performance of the engagement and our responsibility and liability, including in relation to third parties.

8 Resolution on the approval of the remuneration system for members of the Executive Board

The Supervisory Board proposes that the remuneration system for members of the Executive Board, which has been in force since December 2021 and is currently valid, be amended in the passages shown below (as indicated by underlining) and that the remuneration system for members of the Executive Board, which has been updated by the Supervisory Board to include the changes shown here and adopted by the Supervisory Board in this amended form, be approved.

Remuneration system for members of the Executive Board:

1. principles of the remuneration system for members of the Management Board of Biofrontera AG

The aim of the remuneration system for the Management Board is to remunerate the members of the Management Board appropriately in accordance with their 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 management. The remuneration system applies from August 2024 for new contracts and contract amendments [instead of contract extensions]. The performance of the members of the Executive Board is appropriately recognised through adequate and ambitious performance criteria within the variable remuneration components (pay for performance). Current market practice is taken into account when designing the remuneration system.

In principle, the Supervisory Board follows the following guidelines when determining the level of remuneration and the remuneration system:

- The remuneration system as a whole makes a significant contribution to promoting the business strategy.
- To this end, the variable remuneration components in particular should also be linked to the achievement of strategic targets.
- The remuneration system and the performance criteria of its variable components incentivise the long-term and sustainable development of the Biofrontera Group.
The strategic objectives formulated as part of the variable remuneration components are intended to ensure the long-term and sustainable growth of the company.
- In addition, variable remuneration components of a multi-year nature, which are based on the achievement of targets for several consecutive years or on the performance of Biofrontera AG's share price and thus link remuneration to the increase in earnings and the interests of shareholders, are intended to contribute to ensuring long-term development.

The remuneration system consists of

- a fixed basic remuneration, payable monthly, which takes into account the tasks and performance of the members of the Management Board ("basic remuneration"),
- a short-term variable remuneration dependent on the achievement of the company's annual performance targets in the form of an annual performance-related bonus payment ("short-term variable remuneration"; "STI") and
- long-term remuneration, which takes the form of a bonus payment based on performance over several consecutive years or in the form of a stock appreciation rights programme ("SAR programme") and is

therefore directly linked to the performance of the company and is therefore intended to create an incentive for sustained commitment to the company ("long-term variable remuneration"; "LTI"), together. The targets for short-term and long-term variable remuneration are derived from Biofrontera AG's corporate strategy. In addition, standard market fringe benefits are granted. Overall, the remuneration thus contributes to the long-term development of the company.

3.4 Long-term variable remuneration (long-term incentive; "LTI")

As a long-term performance component, the members of the Executive Board are granted bonus payments based on performance over several consecutive years or stock appreciation rights ("SARs").

3.4.1 Bonus payments based on performance over several years

Bonus payments are agreed with the members of the Executive Board in relation to performance over at least three consecutive years. The assessment factors to be determined for the LTI comprise financial and non-financial performance criteria and are set by mutual agreement at the end of each financial year for the following financial year in a target agreement. The assessment factors for the LTI should be based on the assessment factors for the STI, but relate to several years. If no agreement is reached between the Executive Board member and the Supervisory Board, the Supervisory Board decides on the assessment factors at its own discretion.

3.4.2 Stock Appreciation Rights ("SARs")

An annual target amount of 150% of the STI target amount ("LTI target amount") is agreed with the members of the Executive Board. The number of SARs granted each year corresponds to the LTI target amount divided by the economic value of the SARs at the time they are granted. 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. When exercising the SARs, the members of the Executive Board receive a payment based on the performance of the company's share price.

3.4.2.1 Exercise conditions

SARs can only be exercised

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

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

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

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

"Closing prices" are the prices determined in the daily closing auction in Xetra trading on the Frankfurt Stock Exchange or in a corresponding successor system. If a closing auction does not take place on relevant trading days or if no closing price is determined there, the last price determined in continuous trading is to be used as the closing price, insofar as such a price was determined on the trading day in question.

"Trading days" are all days on which the Frankfurt Stock Exchange is open for securities trading.

3.4.2.2 Payout amount

The payout amount is calculated as follows:

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

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

3.4.2.3 Limitation of the payout amount (cap)

SARs for which the exercise conditions otherwise exist cannot be exercised if and to the extent that the gross proceeds realised from all SARs exercised that were granted to the Management Board member would exceed the basic remuneration plus fringe benefits that the Management Board member has actually received since the SARs were first granted by more than 300% without this cap.

3.4.2.4 Vesting periods

SARs may be exercised for the first time after a vesting period has expired.

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

After expiry of the respective vesting period, the SARs may be exercised up to six years after the respective issue date. Thereafter, the right to exercise the SARs ends and the SARs that have not yet been exercised expire without replacement.

3.4.2.5 Personal investment

According to the SAR conditions, the members of the Executive Board are also obliged to make a personal investment in shares of the company in such a way

(i) that the personal investment must be made within six months of the exercise date of the SARs in the amount of 25% of the amount paid out (gross) and

(ii) that the acquired shares in the company may be sold no earlier than four years after the SARs are granted.

3.5 Share Ownership Guidelines

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

7. maximum remuneration

The following maximum amounts apply:

In euros	Chairman of the Executive Board	Other Executive Board members
Basic remuneration	500,000 p.a.	350,000 p.a.
Fringe benefits	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	<p>In the case of a bonus payment: 200% of the LTI target amount, which should not exceed 75% of the basic remuneration granted in the LTI period if 100% of the target is achieved.</p> <p>In the event of SARs being granted: SARs for which the exercise conditions are otherwise met cannot be exercised if and to the extent that the gross proceeds realised from all SARs exercised that were granted to the Executive Board member would exceed the basic remuneration plus fringe benefits that the Executive Board member has actually received since the SARs were first granted by more than 300% without this limit.</p>	<p>In the case of a bonus payment: 200% of the LTI target amount, which should not exceed 75% of the basic remuneration granted in the LTI period if 100% of the target is achieved.</p> <p>In the event of SARs being granted: SARs for which the exercise conditions are otherwise met cannot be exercised if and to the extent that the gross proceeds realised from all SARs exercised that were granted to the Executive Board member would exceed the basic remuneration plus fringe benefits that the Executive Board member has actually received since the SARs were first granted by more than 300% without this limit.</p>
Any additional short-term variable remuneration in the event of extraordinary developments and performance by a member of the Executive Board	50,000 p.a.	50,000 p.a.

8 Relative proportion of the individual remuneration components

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

Basic remuneration 44%
STI remuneration 22%
LTI remuneration 33%

The share of the remuneration components of the Executive Board members in the target total remuneration based on 200% of the STI target amount and 300% of the LTI target amount (in the case of SARs being granted) is as follows:

Basic remuneration 23.5%
STI remuneration 23.5%
LTI remuneration 53%

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

9. procedure for determining, reviewing and implementing the remuneration system

The remuneration of the Executive Board is determined by the Supervisory Board as a whole. [Deleted: The Personnel Committee of the Supervisory Board prepares appropriate recommendations for this purpose]. 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 obliged to report any conflicts of interest immediately. The Supervisory Board designs the system for the remuneration of Executive Board members taking into account the applicable laws and regulations, in particular the provisions of the German Stock Corporation Act (AktG) as amended and [instead of the previous comma] regulatory requirements [deleted: and the provisions of the German Corporate Governance Code]. It pays attention to clarity and comprehensibility. The Supervisory Board determines the specific target total remuneration on the basis of the remuneration system. The Executive Board remuneration system thus determined by the Supervisory Board is submitted to the Annual General Meeting for approval.

The Supervisory Board regularly reviews the remuneration system for the Executive Board and the appropriateness of the remuneration. [Deleted: The Supervisory Board's Personnel Committee also prepares corresponding recommendations in this regard]. At the end of a financial year, the Supervisory Board also determines the specific target values of the short-term variable Executive Board remuneration for the following financial year by mutual agreement with the Executive Board in a target agreement. In accordance with the provisions of Section 120a (1) AktG, the Supervisory Board will submit the remuneration system for the members of the Management 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 provisions (Section 87a (2) AktG), the Supervisory Board [deleted: at the proposal of the Personnel Committee] may temporarily deviate from the components of the remuneration system described below in exceptional circumstances if this is necessary in the interests of the long-term well-being of the company.

II. Further information and notices

1. Total number of shares and voting rights at the time the Annual General Meeting was convened

At the time this Annual General Meeting was convened, 6,076,862 no-par value shares in the company had been issued and 6,076,862 no-par value shares were therefore entitled to participate and vote. Each share grants one vote.

The company does not hold any treasury shares at the time the Annual General Meeting is convened.

2. Requirements for participation in the Annual General Meeting

Only those shareholders who register with the company at least six days before the Annual General Meeting (not including the day of receipt and the day of the Annual General Meeting), i.e. by midnight on 21 August 2024, and who are entered in the share register on the day of the Annual General Meeting, are entitled to attend the Annual General Meeting and exercise their voting rights. The registration must be made in writing (Section 126 BGB) or in

text form (Section 126b BGB). The registration must be received by the company in German or English at the following address by letter or e-mail

Biofrontera AG
c/o GFEI Aktiengesellschaft
Ostergrube 11
30559 Hanover
E-mail: hv@gfei.de

The company will send the registration documents and notifications in accordance with Section 125 AktG by post to shareholders who request them or who are entered as shareholders in the company's share register at the beginning of the 21st day before the meeting (7 August 2024, 0:00 hours). Shareholders who are entered in the share register after this date can also register for the Annual General Meeting in accordance with the above options.

For technical processing reasons, no transfers will be made in the share register in the period from 22 August 2024 0:00 hrs to 28 August 2024 24:00 hrs. Therefore, the entry status of the share register on the day of the Annual General Meeting corresponds to the status after the last transfer on 21 August 2024.

Pursuant to Section 67 para. 2 sentence 1 AktG, rights and obligations arising from shares in relation to the company exist only for and against the person entered in the share register. Accordingly, the registration status of the share register on the day of the Annual General Meeting is decisive for the right to participate and the number of voting rights to which a person entitled to participate in the Annual General Meeting is entitled. Trading in shares is not blocked by registering for the Annual General Meeting. Shareholders can therefore continue to freely dispose of their shares even after registering. However, as a shareholder is only deemed to be a shareholder in relation to the company if they are entered as such in the share register on the day of the Annual General Meeting, a disposal can have an impact on a shareholder's right to participate.

Intermediaries and shareholders' associations, as well as institutions or persons treated as such in accordance with Section 135 (8) AktG, may only exercise voting rights for shares that do not belong to them but for which they are entered in the share register as the holder on the basis of an authorisation that must be verifiably recorded. Section 135 AktG regulates further details.

3. Authorisation of and instructions to a proxy appointed by the company

We offer our shareholders the opportunity to authorise a proxy appointed by the company and bound by instructions (voting proxy) to exercise their voting rights. This also requires timely registration in accordance with the provisions of Section II. 2 above and entry in the share register. If a proxy is authorised, he or she must be given instructions for exercising voting rights. A proxy may not exercise voting rights without corresponding instructions.

The granting of authorisation, its revocation and proof of authorisation to the company must be in text form. For the authorisation of a proxy with express instructions, the form sent to shareholders together with the invitation documents or the form available on the website

<https://www.biofrontera.com/de/investoren/hauptversammlung>

or the proxy authorisation and instruction form made available on the website.

Proxies and instructions must be received by post or e-mail at the following address by 27 August 2024, 24:00 hours at the latest, unless the proxies are issued during the Annual General Meeting:

Biofrontera AG
c/o GFEI Aktiengesellschaft
Ostergrube 11

30559 Hanover
E-mail: hv@gfei.de

The above information on the possibilities of transmission and the deadlines to be observed apply accordingly to the revocation of the authorisation of a proxy appointed by the company and to changes to instructions. If the shareholder or another third party authorised by the shareholder attends the Annual General Meeting, the proxy will not exercise the voting right unless he is granted power of attorney by the shareholder or a sub-proxy by another third party authorised by the shareholder during the Annual General Meeting.

4. Authorisation of persons other than a company proxy

Voting rights may be exercised by an authorised representative, including an intermediary or an association of shareholders. This also requires timely registration in accordance with the provisions of Section II. 2 above and entry in the share register.

The following applies to the form of proxies that are not granted to intermediaries or persons or associations treated as such in accordance with Section 135 (8) AktG (in particular shareholders' associations), but to other third parties in accordance with Section 23 of the Articles of Association: The proxy can be granted in writing or by e-mail; any other forms regulated by law for granting the proxy, its revocation and proof of authorisation vis-à-vis the company are not restricted by the Articles of Association. The granting of a proxy, its revocation and proof of authorisation vis-à-vis the company can therefore also be made in text form.

The address and e-mail address stated in Section II. 3 are available for the declaration of a proxy authorisation to the company, its revocation and the transmission of proof of a declared proxy authorisation or its revocation. If the granting or proof of a proxy or its revocation is made by declaration to the company by post, it must be received by 27 August 2024, 24:00 hours, at the latest, for organisational reasons. Transmission to the company by e-mail is possible until the end of the Annual General Meeting.

If intermediaries or equivalent persons or associations (in particular shareholders' associations) are authorised in accordance with Section 135 (8) AktG, they must record the authorisation in a verifiable manner (Section 135 AktG). We recommend that our shareholders consult with the aforementioned persons regarding the form of the authorisation.

5. Right of shareholders to request an addition to the agenda (Section 122 (2) AktG)

Shareholders whose shares together amount to one twentieth of the share capital or a proportionate amount of EUR 500,000 of the share capital (equivalent to 500,000 shares) may request that items be placed on the agenda of the Annual General Meeting and published in accordance with Section 122 (2) AktG. The request must be submitted to the Executive Board in writing (Section 126 BGB) or in the electronic form of Section 126a BGB (i.e. with a qualified electronic signature). Each new item on the agenda must be accompanied by a statement of reasons or a draft resolution. Requests from shareholders for additions to the agenda must be sent to the following address:

Biofrontera AG

Management Board

Hemmelrather Weg 201

51377 Leverkusen

or to the e-mail address ir@biofrontera.com.

Requests for additions to the agenda must be received by the company at least 30 days before the Annual General Meeting. The last possible date for receipt of a request for additions to the agenda is 28 July 2024, 24:00 hours. Applicants must prove that they have held the shares for at least 90 days prior to the date of receipt of the request and that they will hold the shares until the Management Board decides on the request. Periods of share ownership by third parties are taken into account in accordance with Section 70 AktG.

Additions to the agenda that are to be announced - insofar as they have not already been announced with the convening notice - will be published in the Federal Gazette immediately after receipt of the request and forwarded for publication to those media that can be expected to disseminate the information throughout the European

Union. They will also be published on the Internet at <https://www.biofrontera.com/de/investoren/hauptversammlung> and communicated to the shareholders.

6. Shareholders' right to announce motions and election proposals (Sections 126 (1), 127 AktG)

Every shareholder has the right to submit motions on items on the agenda and on the rules of procedure at the Annual General Meeting without this requiring any announcement, publication or other special action prior to the Annual General Meeting.

Counter-motions by shareholders against an administrative proposal on a specific agenda item in accordance with Section 126 AktG, including the name of the shareholder, any justification and any statement by the management, will be published by the company on the Internet at

<https://www.biofrontera.com/de/investoren/hauptversammlung>

if they are received by the company at least 14 days before the meeting, i.e. by 13 August 2024, 24:00 hours, at the following address:

Biofrontera AG
Management Board
Hemmelrather Weg 201
51377 Leverkusen
or at the e-mail address ir@biofrontera.com

and the other requirements for a duty of disclosure pursuant to Section 126 AktG or Section 127 AktG are met. Any statements by the management will also be made available at the aforementioned Internet address.

It should be noted that countermotions, even if they have been submitted to the company in advance in due time, will only be considered at the Annual General Meeting if they are submitted orally at the meeting.

7. Shareholders' right to information at the Annual General Meeting (Section 131 (1) AktG)

At the Annual General Meeting, every shareholder may request information from the Executive Board on company matters in accordance with Section 131 (1) AktG, provided that the information is necessary for a proper assessment of the agenda item and there is no right to refuse to provide information. The duty to provide information also extends to the company's legal and business relationships with an affiliated company.

Pursuant to Section 21 (3) of the Articles of Association, the chairman of the meeting may impose a reasonable time limit on the shareholders' right to speak and to ask questions.

8. Time details

The times stated in this convening notice are in Central European Summer Time: CEST/UTC+2.

9. Further information on shareholders' rights / publications on the company's website

Further explanations on the rights of shareholders pursuant to Section 122 para. 2, Section 126 para. 1, Section 127 and Section 131 para. 1 AktG, in particular information on further requirements in addition to compliance with the relevant deadlines, as well as the publications on the website required pursuant to Section 124a AktG will be available as soon as possible after the convening of the Annual General Meeting at

<https://www.biofrontera.com/de/investoren/hauptversammlung>

10. Information on data protection

The company processes the following categories of personal data of shareholders, shareholder representatives and guests in connection with the Annual General Meeting: name, address, email address, number of shares, class of shares, type of share ownership, admission ticket number and access data for the password-protected internet service; if applicable, name, address, email address, admission ticket number and access data for the password-protected internet service of the shareholder representative nominated by the respective shareholder, as well as the name, address and email address of guests. The processing of personal data in the context of the Annual

General Meeting is based on Art. 6 para. 1 lit. c of the General Data Protection Regulation (GDPR). This states that the processing of personal data is lawful if the processing is necessary to fulfil a legal obligation. The company is legally obliged to hold the Annual General Meeting of Shareholders. In order to fulfil this obligation, the processing of the above-mentioned categories of personal data is essential. The company's shareholders cannot register for the Annual General Meeting without providing their personal data.

The company is responsible for data processing. The contact details of the controller are
Biofrontera AG
Hemmelrather Weg 201
51377 Leverkusen
E-mail: datenschutz@biofrontera.com

Personal data relating to the company's shareholders will not be passed on to third parties. In exceptional cases, third parties will also be given access to this data if they have been commissioned by the company to provide services in connection with the organisation of the Annual General Meeting. These are typical AGM service providers, such as AGM agencies, lawyers or auditors. The service providers only receive personal data to the extent necessary for the provision of the service.

As part of the statutory right to inspect the list of participants at the Annual General Meeting, other participants and shareholders may gain insight into the data recorded about them in the list of participants. Their personal data is also published in the context of requests for additions to the agenda, countermotions or election proposals that must be published, if these motions are submitted by shareholders and shareholder representatives.

Depending on the individual case, the above-mentioned data will be stored for up to three years (but not less than two years) after the end of the Annual General Meeting and then deleted, unless further processing of the data is still necessary in individual cases for the processing of motions, decisions or legal proceedings in relation to the Annual General Meeting.

Shareholders and shareholder representatives have the right to receive information about the personal data stored about them free of charge upon request. In addition, they have the right to correct incorrect data, the right to request the restriction of the processing of excessively processed data and the right to erasure of unlawfully processed personal data or personal data that has been stored for too long (insofar as this does not conflict with any statutory retention obligation or other reasons pursuant to Art. 17 para. 3 GDPR). In addition, shareholders and shareholder representatives have the right to transfer all data they have provided to the company in a commonly used file format ("right to data portability").

To exercise these rights, simply send an email to:
datenschutz@biofrontera.com.

In addition, shareholders and shareholder representatives also have the right to lodge a complaint with a data protection supervisory authority.

Shareholders and shareholder representatives can contact the company's data protection officer at the following address

Biofrontera AG
Hemmelrather Weg 201
51377 Leverkusen
E-mail: datenschutz@biofrontera.com

Leverkusen, July 2024
The Management Board