

Compensation system for the Management Board of Biofrontera AG May 2025 - marked change

1. Principles of the Remuneration System for the Members of the Management Board of Biofrontera AG

The compensation system for the Board of Management aims to remunerate the members of the Board of Management appropriately according to their area of responsibility and responsibilities, taking into account the performance of each member of the Board of Management and the success of the company. The structure of the remuneration system for the Management Board of Biofrontera AG is aimed at a sustainable increase in the value of the company and success-oriented corporate management. The remuneration system will apply to new contracts and contract supplements from June 2025. The performance of the members of the Board of Management is appropriately taken into account by adequately and ambitiously set performance criteria within the variable remuneration components (pay for performance). The current market practice is taken into account when designing the remuneration system.

As a matter of principle, the Supervisory Board is guided by the following guidelines when determining the remuneration levels 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 are also to be linked to the achievement of the strategic goals.*
- The remuneration system and the performance criteria of its variable components incentivise the long-term and sustainable development of the Biofrontera Group.*
- The strategic goals formulated within the framework of the variable compensation components are intended to ensure the long-term and sustainable growth of the company.*
- In addition, variable remuneration components with a multi-year character are to contribute to ensuring long-term developments, which are based on the achievement of targets for several consecutive years or on the price development of the shares of Biofrontera AG, thus linking the remuneration to the increase in earnings and to the interests of the shareholders.*

The remuneration system consists of:

- a fixed, monthly basic remuneration that takes into account the tasks and performance of the members of the Board of Management ("**basic remuneration**"),*
- short-term variable compensation in the form of an annual performance-related bonus payment ("**short-term variable compensation**"; "**STI**") and*
- a long-term remuneration that takes the form of a bonus payment in relation to the performance over several consecutive years or in the form of a Stock Appreciation Rights Programme ("**SAR Programme**") and is therefore directly related to the performance of the company and is thus intended to create an incentive for sustainable commitment to the company ("**long-term variable compensation**"; "**LTI**"),*

together. The targets for short- and long-term variable remuneration are derived from the corporate strategy of Biofrontera AG. In addition, fringe benefits customary in the market are granted. Overall, the remuneration thus contributes to the long-term development of the company.

2. Target total compensation

If the target is achieved 100%, the target total remuneration for the individual Executive Board members is based on the basic remuneration, the short-term variable remuneration and the long-term variable remuneration. In accordance with the compensation system, the Supervisory Board determines the amount of the target total compensation for each member of the Board of Management. In doing so, he takes into account not only an appropriate relationship to the tasks and performance of the Executive Board member, but also the economic situation as well as the success and future prospects of the company. The Supervisory Board must ensure that the target total remuneration does not exceed the usual remuneration without special reasons. The assessment of market practice is carried out both horizontally (external comparison/peer group comparison) and vertically (internal comparison).

2.1. Horizontal comparison

The selection of the peer group for the assessment of the market customary nature of the total remuneration is based on the requirements of the German Stock Corporation Act (in particular the German Stock Corporation Act), 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 revenue, EBIT, number of employees and market capitalization, as far as can be determined. Furthermore, the comparison group is selected from a comparison group of listed companies in the sector, as far as can be determined.

2.2. Vertical comparison

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

3. Remuneration components in detail

3.1. Fixed remuneration components

The fixed compensation components granted to the members of the Board of Management under the compensation system include basic compensation and fringe benefits. The members of the board of directors do not receive a pension commitment.

3.1.1. Basic remuneration

The members of the Board of Management receive the basic remuneration, which is paid in twelve equal parts each month.

3.1.2. Ancillary services

Fringe benefits are provided on the basis of service contracts with the individual members of the Board of Directors and may include, for example: the private use of company cars, special payments such as the payment of school fees, housing, rent and moving costs, pension insurance subsidies (except for the pension commitments presented here), accident, life and health insurance or other insurance. Fringe benefits can be granted once or repeatedly. The fringe benefits should not exceed an annual value of 10% of the annual basic salary.

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

The members of the Board of Management are entitled to short-term variable compensation, which can lead to an annual bonus payment. Short-term variable compensation is linked to the achievement of performance targets, the specific target values of which are agreed within the first three months of a financial year. The STI payment is generally due one month after the approval of the annual financial statements and the consolidated financial statements for the relevant financial 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, the STI payment does not apply for the financial

year in which the termination takes effect.

3.2.1. Target amounts

Target amounts are agreed with the board members in the service contracts, which are granted to them if 100% of the targets are achieved ("STI target amounts"). The amount of the STI target amounts should not exceed 50% of the basic remuneration if 100% of the target is achieved.

The amount of the short-term variable remuneration depends on the degree of overall target achievement in relation to the targets agreed for the short-term variable remuneration and can range from 0% to 200%. The exact payout is calculated by multiplying the degree to which the overall target has been achieved by the STI target amount of the individual Executive Board member.

If the target is exceeded (total target achievement of more than 100%), the short-term variable remuneration will be increased linearly up to a maximum of 200% of the STI target amount (cap). The Supervisory Board may set a lower percentage as a cap.

If the overall target is achieved by less than 100% to 70% (minimum), the short-term variable remuneration is reduced linearly; if the target is achieved by less than 70%, the STI payment is completely waived. The Supervisory Board may set a higher percentage as a minimum.

3.2.2. Success Goals

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 upon within the first three months of each financial year and for the current financial year in a target agreement. If no agreement is reached between the member of the Board of Management and the Supervisory Board, the Supervisory Board decides on the determination of the assessment factors at its dutiful discretion.

In addition to the company's sales, earnings and profitability indicators are to 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 correcting the earnings figure used for valuation by exceptional components.

As non-financial performance criteria, strategic criteria are to be included in the target agreement in addition to criteria such as integrity, employee satisfaction and diversity as well as sustainability/environment-social governance (ESG) aspects. 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 to take into account the contribution of the entire Board of Management and the individual members of the Board of Management to the implementation of the corporate strategy and thus also to the long-term development of the company. For the non-financial, strategic goals, the target agreement should define in a comprehensible manner the conditions under which the respective goal is fully fulfilled (100% target achievement of the individual criterion) and which parameters are used to assess the degree of target achievement.

3.2.3. Calculation of target achievement

The overall target achievement of short-term variable remuneration results from the weighted average of the individual performance criteria and the degree to which the respective target was achieved. The target agreement is to specify how the degree of target achievement of the individual agreed targets is weighted in the calculation of the overall target achievement rate. The financial performance criteria should generally account for 55% and the non-financial criteria 45% when weighting the achievement

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of the targets. The Supervisory Board may set the weighting differently, namely between 45% and 65% for the financial performance criteria and between 35% and 55% for the non-financial criteria.

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

In justified exceptional cases, the Supervisory Board may also grant the members of the Management Board a special bonus at the discretion of the Supervisory Board, which may not exceed an amount of up to EUR 50,000 (gross) per financial year and member of the Management Board. The resolution on the existence of an exceptional case, which is intended to specify the scope and quality of the extraordinary performance of the Executive Board member, also specifies the specific amount of a special bonus and the date of payment by the Supervisory Board.

3.4. Langfristige Vergütung (Long Term Incentive; „LTI“)

As a long-term component of success, the members of the Board of Management are granted bonus payments related to performance over several consecutive years ("LTI period") or stock appreciation rights ("SARs"). An annual target amount of up to 150% of the STI target amount ("LTI target amount") is agreed with the members of the Board of Management. The number of SARs granted annually is equal 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 on the basis of the non-weighted average closing prices of the Company's shares determined in the closing auction in Xetra trading on the Frankfurt Stock Exchange or in a corresponding successor system on the 15 trading days prior to the grant. The members of the Management Board receive a payout based on the company's share price performance when exercising the SARs.

3.4.1. Bonus payments based on performance over several years

In this case, bonus payments are agreed with the board members in relation to the performance for at least 3 years in a row. The assessment factors to be determined for the LTI comprise financial and non-financial performance criteria and are mutually agreed upon within the first three months of each financial year and for the current financial year in a target agreement. The assessment factors for the LTI are to be based on the assessment factors for the STI, but refer to several years. If no agreement is reached between the member of the Board of Management and the Supervisory Board, the Supervisory Board decides on the determination of the assessment factors at its dutiful 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 annually is equal 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 on the basis of the non-weighted average closing prices of the Company's shares determined in the closing auction in Xetra trading on the Frankfurt Stock Exchange or in a corresponding successor system on the 15 trading days prior to the grant. The members of the Management Board receive a payout based on the company's share price performance when exercising the SARs.

3.4.2.1. Requirements for exercising

SARs can only be exercised if:

- (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 in percentage terms compared to the issue price as well as or better than the "MSCI World Health Care Index TR" or a comparable successor index ("Reference Index") in the period from the last trading day prior to the Issue Date until the 5th trading day (in each case the last calculation of the Index on a day according to USA Eastern Standard Time (EST)) before the start of the respective exercise window ("Reference Period"). If the reference index is a so-called total return index, dividends and other*

distributions to shareholders in the amount of their gross amount are taken into account when determining 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 date of issue (both inclusive). The "Reference Price" corresponds to the unweighted average closing price of the Company's shares between the 15th and the 5th trading day (both inclusive) prior to the commencement of the respective exercise window. "Closing prices" are the prices that are 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 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 relevant trading day. "Trading Days" means 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:

$$\text{Reference rate} - \text{base amount} = \text{payout amount per SAR (gross)}$$

The "base amount" corresponds to the lowest issue price for shares of Biofrontera AG in accordance with Section 9 (1) of the German Stock Corporation Act (AktG).

3.4.2.3. Limitation of the payout amount (cap)

SARs for which the conditions for exercising are otherwise met may not be exercised if and to the extent that the gross proceeds generated from all SARs exercised granted to the member of the Board of Management would exceed the basic remuneration plus fringe benefits that the member of the Board of Management has actually received since the first SARs were granted by more than 300% without this limit.

3.4.2.4. Embargo Periods

SARs can be exercised for the first time after the expiry of a blocking period.

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

After the expiry of the respective blocking period, the SARs can be exercised until the expiry of six years after the respective date of issue. After that, the right to exercise the SARs ends and the SARs that have not yet been exercised by then expire without replacement.

3.4.2.5. Own investment

In addition, the members of the Board of Management are obliged under the SAR conditions to make an own investment in shares of the Company in such a way that:

- (i) that the own investment must be made within six months of the date of exercise of the SARs in the amount of 25% of the disbursement amount (gross), and
- (ii) that the acquired shares of the Company may not be sold until four years after the granting of the SARs at the earliest.

3.5. Share Ownership Guidelines

In order to further increase the long-term incentive effect of variable remuneration and thus its orientation towards sustainable corporate development, the members of the Board of Management

may also be obliged in the Management 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 expenses to be borne by the Executive Board member (including incidental acquisition costs) are limited to an amount of 25% of the STI payment (gross) granted to him for the previous financial year per financial year.

3.6. Embargo Periods

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

4. Possibilities for 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 retained in whole or in part and are not paid out ("claw back") if there is serious misconduct on the part of the Executive Board member. The supervisory board decides on the claw back at its dutiful discretion. Serious misconduct on the part of the member of the Board of Management in this sense is to be assumed in particular:

- a) if it has at least grossly negligently violated its obligations under Section 93 of the German Stock Corporation Act or
- b) if it has at least grossly negligently violated internal standards of conduct or internal guidelines laid down in text form that have or have had serious consequences for the company, or
- c) in the case of at least grossly negligent criminally relevant conduct in the exercise of the office as a board member or
- d) in the event of an intentional violation of other legal regulations in the exercise of the office as a board member.
- e) The same applies in the event of serious misconduct by employees of the Company or the Group, in particular in the case of at least grossly negligent violations of criminal or compliance-related provisions, which were recognized by the member of the Board of Management in his capacity as the employee's superior and did not immediately stop it, or should have been recognized and immediately prevented if a member of the Board of Management had exercised due care.

A claw back is only permissible with regard to payments from the STI for the financial year in which the misconduct occurred, but not for previous or subsequent years. With regard to payments from the LTI, a claw back is permissible if and to the extent that the serious misconduct occurred within the four years after the claim under the LTI was granted (i.e. since the SARs were granted). A claw back of the STI is also permissible in the case of grossly negligent misconduct that was discovered after the adoption and certification of the relevant annual financial statements and which led to a subsequent correction of the company's annual financial statements. In this case, the claw back is permissible to the extent that the STI was too high on the uncorrected basis. In the event of a claw back in accordance with the above provisions, amounts of the STI and/or LTI that have already been paid out and which could therefore have been retained may also be reclaimed. Such a reclaim is permissible for the year in which the Supervisory Board became aware of the facts triggering the reclaim for the year in which it became aware and for the preceding three financial years. Amounts retained as part of the claw back or repaid by the member of the Board of Management will be offset against any claim for damages by the Company resulting from the misconduct of the member of the Board of Management.

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

The Supervisory Board may determine resignation regulations for each compensation component and for each case in which the employment relationship of a member of the Board of Management or the appointment as a member of the Board of Management ends. This includes cases such as retirement or total or partial disability, death, ordinary termination of the service contract or termination of the service contract for cause, dismissal from office for cause, transfer of a service contract to the main shareholder of the company or to a company affiliated with the main shareholder of the company. In each of these cases, the Supervisory Board may determine in advance the requirements for the payment or forfeiture of any or all of the compensation components, either in full or in part, early or delayed, to the members of the Management Board or, in the event of death, to the heirs of the relevant member of the Management Board. In this context, payment of variable remuneration components is to be made exclusively in accordance with the agreed targets and comparison parameters as well as the due dates or holding periods specified in the respective plan conditions. Payments to a member of the Board of Management in the event of premature termination of his or her work on the Board of Management should not exceed the value of two years' remuneration if 100% of the targets are achieved (severance pay cap) and should not be remunerated for more than the remaining term of the employment contract. Commitments for benefits on the occasion of the 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 with members of the Management Board on a post-contractual non-competition clause for a period of up to two (2) years. If such a post-contractual non-compete clause applies, the members of the Board of Management may receive remuneration amounting to up to half of their respective basic remuneration per year of the respective period of validity of the post-contractual non-competition clause. Payments within the framework of a post-contractual non-competition clause are to be offset against any severance payments.

6. Remuneration system in the event of special and extraordinary circumstances

In special and extraordinary circumstances (e.g. in the event of a serious financial or economic crisis), the Supervisory Board has the right to temporarily deviate from the remuneration system in accordance with Section 87a (2) sentence 2 of the German Stock Corporation Act (AktG) and to amend the regulations regarding the remuneration structure and the individual remuneration components as well as the regulations relating to the respective procedure, insofar as this is necessary in the interest of the long-term well-being of the Company. Unfavourable market developments are not considered special and extraordinary circumstances that allow a deviation from the remuneration system.

7. Maximum remuneration

The maximum amounts are as follows

In Euro	Chairman of the Board	Other Board Members
Basic remuneration	500,000 p.a.	350,000 p.a.
Ancillary services	Max. 10% of the basic salary	Max. 10% of the basic salary
STI	200% of the STI target amount p.a., which should not exceed 50% of the basic salary if 100% target is achieved	200% of the STI target amount p.a., which should not exceed 50% of the basic salary if 100% target is achieved
LTI	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% target is achieved.	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% target is achieved.

	<i>In the case of the granting of SARs: SARs for which the conditions for exercising SARs are otherwise met, they may not be exercised if and to the extent that the gross proceeds generated from all SAR's exercised that have been granted to the member of the Board of Management would exceed the basic remuneration plus fringe benefits that the member of the Board of Management has actually received since the first SARs were granted by more than 300% without this limit.</i>	<i>In the case of the granting of SARs: SARs for which the conditions for exercising SARs are otherwise met, they may not be exercised if and to the extent that the gross proceeds generated from all SAR's exercised that have been granted to the member of the Board of Management would exceed the basic remuneration plus fringe benefits that the member of the Board of Management has actually received since the first SARs were granted by more than 300% without this limit.</i>
<i>Any additional short-term variable compensation in the event of exceptional developments and performance of a member of the Board of Management</i>	<i>50,000 p.a.</i>	<i>50,000 p.a.</i>

8. Procedure for defining, reviewing and implementing the remuneration system

The remuneration of the Board of Management is determined by the Supervisory Board in its entirety. If necessary, independent external consultants 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 the members of the Board of Management in accordance with the applicable laws and regulations, in particular the requirements of the German Stock Corporation Act (AktG) in its current version and regulatory requirements. He pays attention to clarity and comprehensibility. On the basis of the remuneration system, the Supervisory Board determines the specific target total remuneration. The Executive Board compensation system thus adopted by the Supervisory Board will be submitted to the Annual General Meeting for approval of the Annual General Meeting. The Supervisory Board regularly reviews the Executive Board's compensation system and the appropriateness of the compensation. At the end of a financial year, the Supervisory Board also sets the specific target values for the short-term variable remuneration of the Board of Management for the following financial year in a target agreement with the Board of Management. 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 Board of Management to the Annual General Meeting for approval in the event of material changes, but at least every four years.

9. Taking into account the remuneration and employment conditions of employees when determining the remuneration system

In determining the compensation system and the specific amount of compensation, the Supervisory Board also takes into account the employment conditions of employees in the Biofrontera Group. To this end, the Supervisory Board has defined the upper management circle in the Biofrontera Group and distinguished it from the Management Board on the one hand and the entire workforce in the Biofrontera Group on the other. As part of the regular review of the appropriateness of the remuneration of the Board of Management, the Supervisory Board examines in particular whether changes in the remuneration ratios of the Board of Management, senior management and the entire workforce result in a possible need for adjustments with regard to the remuneration of the Board of

Management. In doing so, the Supervisory Board also takes into account the development of the remuneration of the groups described over time.

10. Conflicts

The Supervisory Board shall take appropriate measures to ensure that possible conflicts of interest of the Supervisory Board members involved in the deliberations and decisions on the remuneration system are avoided and, if necessary, resolved. Each member of the Supervisory Board is obliged to disclose any conflicts of interest to the Chairman of the Supervisory Board. The Chairman of the Supervisory Board discloses any conflicts of interest affecting him to his deputy. The handling of an existing conflict of interest is decided on a case-by-case basis. In particular, a Supervisory Board member who is affected by a conflict of interest may not participate in a meeting or individual deliberations and decisions of the Supervisory Board or abstain from voting.

11. Terms of Management Board Employment Contracts

The agreed term of the employment contracts of the members of the Board of Management corresponds to the duration of the planned appointment as a member of the Board of Management. In the case of an initial appointment, the Supervisory Board will determine the duration of the appointment in a manner appropriate to the individual case and in line with the company's well-being, whereby the term of appointment should generally not exceed three years. The reappointment period is a maximum of five years, in compliance with the provisions of Section 84 of the German Stock Corporation Act. In the event of a reappointment of the Executive Board member, the employment contract will be extended in accordance with the duration of a new appointment, otherwise it will end automatically without the need for notice of termination at the end of the scheduled regular term of appointment. Any extension of the employment contract or a possible reappointment should be discussed with the member of the Board of Management no later than 15 months before the expiry of the employment contract or the term of appointment, and a decision should be made 10 months before expiry.

12. Remuneration system in the event of special and extraordinary circumstances

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

13. Temporary deviations from the remuneration system

Within the framework of the statutory provision (Section 87a (2) sentence 2 of the German Stock Corporation Act), the Supervisory Board may temporarily deviate from the components of the remuneration system under exceptional circumstances if this is necessary in the interest of the long-

term well-being of the Company.

The existence of extraordinary circumstances must be determined and substantiated by resolution of the Supervisory Board.

Once this has been done, the Supervisory Board is permitted, within the scope of its dutiful discretion, to temporarily deviate from all components of the remuneration system alternatively or cumulatively, provided that the remuneration must nevertheless be proportionate to the duties and performance of the Executive Board member as well as to the economic situation of the Company.

The temporary deviation, its reasons and the remuneration components affected by it must be reported in the remuneration report in accordance with section 162 (1) sentence 2 no. 5 of the German Stock Corporation Act (AktG).