

Employees' Opinion
pursuant to Section 27 (2) WpÜG
concerning the voluntary public tender offer in the form of a partial offer
by
Deutsche Balaton Biotech AG
Heidelberg, Deutschland,
to the shareholders of
Biofrontera AG

to acquire up to 6,250,000 ordinary registered shares against payment of a cash consideration of EUR 1.00 as well as the transfer of a warrant pursuant to the terms of the offer document

The employees of Biofrontera AG and, to the extent specified below, its subsidiaries (together referred to as the "**Biofrontera Group**"), hereby issue their own Employees' Opinion pursuant to Section 27 (2) of the German Securities Acquisition and Takeover Act (WpÜG) ("**Opinion**") concerning the voluntary public purchase offer in the form of a partial offer ("**Offer**") of Deutsche Balaton Biotech AG ("**Bidder**") to the shareholders of Biofrontera AG to acquire up to 6,250,000 ordinary registered shares of Biofrontera AG against payment of a consideration per share in cash of EUR 1.00 as well as the transfer of a warrant according to the offer document ("**Offer Document**"):

We wholly reject the Offer as well as the targeted changes to the management of Biofrontera AG it contains.

In our eyes, the offer is nothing other than a further attempt by the Bidder and persons acting together with it, namely Deutsche Balaton AG, VV Beteiligungen AG, DELPHI Unternehmensberatung AG and finally Mr. Wilhelm K. T. Zours, to gain control over the business activities of the Biofrontera Group.

In our assessment, however, the Bidder, Deutsche Balaton AG and the other aforementioned parties fail to possess either the business expertise or the required credibility to manage Biofrontera AG. This impression is confirmed by the fact that, apart from vehement polemics directed against individual Management Board members and Supervisory Board members of

Biofrontera AG, including in so-called open letters from Mr. Zours in his capacity as Supervisory Board Chairman of Deutsche Balaton AG, substantial and strategic proposals for the future orientation and further development of the Biofrontera Group have not been made in either the aforementioned offer or in the other publications of Mr. Zours' corporate group. Instead, changes, which are unfounded in terms of content, are to be made to the Management and Supervisory boards of Biofrontera AG.

For us, this can only lead to the conclusion that the Bidder, Deutsche Balaton AG and the further aforementioned parties essentially have no corresponding plan and also fail to possess the expertise to develop such a plan within the business area of Biofrontera AG.

Deutsche Balaton AG entered into its significant investment in Biofrontera AG in early 2016. Since then, we have been appalled to observe its behavior and tactical maneuvering, including the fact that Biofrontera AG has been confronted with a large number of legal cases. We also interpret the events at the 2016 General Meeting of Shareholders as an attempt, already then, to appoint, through "jiggery-pokery", a majority of the Supervisory Board of Biofrontera AG with individuals selected by Mr. Zours. To this are added the constant public accusations and abuse directed at our Management and Supervisory board members, including in the aforementioned open letters from Mr. Zours on behalf of Deutsche Balaton AG. The open letters from Mr. Zours on behalf of Deutsche Balaton AG are also especially remarkable for the fact that, at Deutsche Balaton AG, it is clearly not the Management Board members that issue public statements, but that instead another party is in charge. We are convinced that this approach and the underlying structures stand in contradiction with the respectful and values-based corporate philosophy we cultivate within the Biofrontera Group. A collaboration with bodies installed by Mr. Zours, in other words, potentially "front-men and front-women", is out of the question for a considerable proportion of the employees and will potentially even lead to a mass exodus, especially of key business performers, in a manner that could jeopardize the company as a going concern.

The strategic management of our pharmaceutical company requires multifaceted and far-reaching knowledge at a number of levels, such as:

- Pharmaceutical, preclinical and clinical development according to GCP in Europe and the USA
- Regulatory affairs for pharmaceuticals and medical products in Europe and USA
- Production according to GMP and logistics according to GDP
- Reimbursement management in different healthcare systems

- Medical affairs and knowledge/information management in accordance with local pharmaceutical legislation
- Pharmacovigilance
- Data protection
- Patents and intellectual property
- Marketing and sales
- Quality management
- Financial management of a company listed in both Germany and the USA

The Biofrontera Group knows how to cover this broad operative spectrum with highly motivated staff of many years' experience, who work together closely, and on a coordinated and trusting basis with the Management Board. The past years' successes are the result of the efficiency, commitment and professionalism of this comparatively small workforce. This generates a team spirit across the entire company, which also encompasses all Management Board members. The efforts with which Mr. Zours and Deutsche Balaton AG are endeavoring, in our opinion, to secure control over the company confirms how valuable and unique the Biofrontera Group is.

The intended, forced modifications to the management structure against the will of the employees and the Management Board runs directly counter to the successful basis of the company established over many years.

For this reason, we appeal to our shareholders to be aware of these aspects and risks, as, according to the Bidder's proposal, you are the ones who, also by accepting the offer, are to continue to bear those risks.

In the selection of the intended new additions and new appointments proposed by the Bidder for the Supervisory and Management boards, we cannot identify an improved expertise in relation to the strategic controlling and consulting of a globally operating pharmaceutical company. Out of their own interests, the employees only accept collaboration with Management Board members who serve the company's sustainable objectives and are appointed on grounds of their expertise. Through the restructurings to the Management Board as proposed by the Bidder, we believe the company will be significantly weakened, as the Management Board members' different competences are not taken into consideration. The way in which Deutsche Balaton AG repeatedly appoints a particular group of individuals to its portfolio companies in order to manage them, enhances such concern.

Many employees of the Biofrontera Group are small shareholders themselves. None of the signatories to this opinion, who at the same time is a shareholder of Biofrontera AG, will accept the Bidder's offer. We, who with our daily effort contribute to structure the progress and success of the Biofrontera Group, back the Company's active management, and appeal to all shareholders in our company to do likewise and not accept the offer.

We confirm this with our signatures below.

Leverkusen, 5 June 2018

Signatures to the Employees' Opinion pursuant to Section 27 (2) of the German Securities Acquisition and Takeover Act (WpÜG)

| Name/signature | Employee of (please state the company for which you work) |
|------------------------------------|--|
| 100% of the employees* | Biofrontera AG |
| 100% of the employees* | Biofrontera Bioscience GmbH |
| 100 % of the employees in Germany* | Biofrontera Pharma GmbH |

* Signature pages are physically present at the company's office.