
Biofrontera

Biofrontera AG | Half-Year Financial Report 2013

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Key financial indicators for the Group under IFRS for the first half of 2013

In EUR thousands	6M 2013	6M 2012
Income position		
Revenues	1,385.2	2,087.1
Thereof revenues from product sales	1,385,2	537,1
Thereof onetime license payments	0	1,550.0
Other revenues/costs	268.1	27.4
General administrative and operating costs	(2,666.4)	(1,878.3)
Research & Development	(1,163.5)	(565.1)
Operating profit (EBIT)	(3,348.0)	(887.5)
Profit before tax	(3,697.8)	(917.2)
Net profit after tax	(3,697.8)	(917.2)
Cash flow statement		
Cash flow from operating activities	(4,397.1)	(2,328.3)
Cash flow from investing activities	(117.6)	(45.9)
Cash flow from financing activities	8,217.9	7,920.5
Balance sheet figures		
Balance sheet total	13,226.9	11,469.6
Current liabilities (excluding contingencies)	1,127.9	798.7
Long-term liabilities	11,802.2	10,978.4
Equity	(146.6)	(931.3)
Equity ratio	(1.11%)	(8.12%)
Employees as of 30 June	37	32
Biofrontera share	**30.06.2013**	**30.06.2012**
Outstanding shares	17,753,168	16,143,168
Share price (Xetra closing price)	3.60	3.698
Dividend in EUR	0.0	0.0

Biofrontera's financial instruments

Key data for Biofrontera shares	
Stock exchanges	Düsseldorf, Frankfurt, Berlin, Munich, Stuttgart, Xetra, Tradegate
German securities ID number	604611
ISIN	DE0006046113
Issue price	EUR 15.00
Outstanding shares as at 30.06.2013	17,753,168
6-month high (26.03.2013)*	EUR 4.99
6-month low (25.06.2013)*	EUR 3.157
Closing price 28.06.2013*	EUR 3.60
Market capitalisation as at 28.06.2013	EUR 63.911 million

*(Price data from Xetra)

Key details for option bond I*	
Stock exchange	Düsseldorf
German securities ID number	A0Z169
ISIN	DE000A0Z1690
Duration, maturity	8 years, 31 December 2017
Coupon staggered interest	4% (2010), 6% (2011), 8% (2012)
6-month high (03.01.2013)	EUR 105.00
6-month low (15.05.2013)	EUR 94.00
Closing price 28.06.2013	EUR 99.97

*(Price data from the Düsseldorf Stock Exchange)

Key details for option bond II*	
Stock exchanges	Düsseldorf
German securities ID number	A1KQ9S
ISIN	DE000A1KQ9Q9
Duration, maturity	5 years, 31.12.2016
Coupon	5%
6-month high (21.01.2013)	EUR 109.00
6-month low (03.01.2013)	EUR 93.00
Closing price 28.06.2013	EUR 101.00

*(Price data from the Düsseldorf Stock Exchange)

Group interim management report for the period from 01.01 to 30.06.2013

1. Biofrontera Group

This is the consolidated interim management report for Biofrontera AG of Leverkusen, Germany in accordance with Section 37y in conjunction with Section 37w, (2) No. 2 of the WpHG (German Securities Trading Act) covering significant events and business performance on the basis of the consolidated accounts (IFRS) for the first half of 2013.

1.1. Structure and scope of consolidated financial statements

Biofrontera AG is a holding company with four subsidiaries. Biofrontera Bioscience GmbH, Biofrontera Pharma GmbH, Biofrontera Development GmbH and Biofrontera Neuroscience GmbH are all wholly owned subsidiaries of Biofrontera AG. While the first two are responsible for ongoing business operations, the last two operate as financial vehicles for specific clinical development projects. All companies have their headquarters in Leverkusen, Hemmelrather Weg 201. The financial year for Biofrontera AG and the Group is the calendar year.

Biofrontera Bioscience GmbH has been tasked with product research and development for the Group. It holds the patent and trademark rights to the active ingredients and is the European holder of the approval certification for Ameluz®.

Biofrontera Pharma GmbH is the second subsidiary of Biofrontera AG. It is responsible for Group (hereinafter also referred to as "Biofrontera" or "Biofrontera Group") sales and product manufacturing and represents Biofrontera in dealings with dermatologists, doctors and international distribution partners. A cooperation agreement with Biofrontera Bioscience GmbH governs the use of patent, trademark and distribution rights.

Biofrontera Development GmbH and Biofrontera Neuroscience GmbH were established as further wholly owned subsidiaries of Biofrontera AG in December 2012. The purpose of these two companies is to carry out further development of pipeline products that are not part of Biofrontera's core business and cannot therefore be adequately financed within the scope of normal business operations. BF-derm1, a product to treat severe chronic urticaria, is developed by Biofrontera Development GmbH and BF-1, a product for the preventive treatment of migraine, is developed by Biofrontera Neuroscience GmbH.

1.2. Strategy

The strategic objective of the Biofrontera Group is to establish the company as a pharmaceutical company specialising in the dermatological sector. In addition to continuing to expand the business in Germany, the company is focusing in particular on extending indications for existing products, increasing international distribution activities and developing new products and their distribution in selected European countries. In order to market the products outside Germany, the company concludes agreements with suitable partners in the countries concerned.

Biofrontera is the first small German company to receive a centralised European drug approval for a completely independently developed drug, Ameluz®. In the months before the launch of Ameluz® the company gradually expanded its own distribution and, since the launch, Biofrontera is among the 15 pharmaceutical companies with the most sales visits to German dermatology practices.

1.3. Products

1.3.1. Ameluz®

Biofrontera's Ameluz® combines 5-aminolevulinic acid (ALA) with an innovative nanoemulsion. The gel was approved Europe-wide in December 2011 for the treatment of actinic keratosis. Treatment of actinic keratosis with Ameluz® is by means of photodynamic therapy (PDT), the combination of the medication with phototherapy.

In PDT, ALA must first penetrate the diseased skin cells. 10 to 20 minutes of illumination with a strong red light then triggers a chemical reaction, killing the tumorous skin cells selectively and without scar formation. The innovative combination of Ameluz® with a nanoemulsion ensures optimised skin penetration and excellent chemical stability of the active ingredient molecule ALA. Its formulation as a nanoemulsion gel also makes it easier to use during PDT.

In the phase III trials required for approval, Ameluz® demonstrated excellent healing rates and a clear superiority over the approved comparator drug tested at the same time.

In the first phase III trial, which involved combination with an LED lamp, all keratoses were completely removed in more than 96% of patients treated with Ameluz®, and when counting individual keratosis lesions, no fewer than 99% were completely healed. The cosmetic result was outstanding.

In the second phase III trial required for approval, the effectiveness of Ameluz® in comparison to the approved standard medication was tested. The trial results confirmed the clear superiority of Ameluz® over the rival preparation available in Germany. Based on the average for all lamps used in the treatment, Ameluz® resulted in complete healing of actinic keratosis in 78% of patients, whereas the approved rival product achieved a healing rate of only 64%. With LED lamps, healing rates rose to 85% for Ameluz® and 68% for the rival product. The side-effect profile was comparable for both preparations.

With central European approval, Ameluz® can be distributed in all EU countries as well as in Norway, Iceland and Liechtenstein. Distribution in Germany started on 1 February 2012.

In Denmark, Sweden and Norway, Ameluz® is marketed by Desitin Arzneimittel GmbH, in Benelux by BiPharma N.V., in Austria by Pelpharma Handels GmbH and in England by Spirit Healthcare Limited. In Spain, where Allergan Pharmaceuticals is responsible for distribution, the product will be launched in September.

With regard to the two remaining major EU countries, Italy and France, Biofrontera has not yet been able to enter into a contractual relationship with a suitable distribution partner, but further progress is expected in the second half of the year.

Actinic keratosis is considered a tumour requiring treatment and international treatment guidelines list photodynamic therapy as the gold standard in the removal of actinic keratosis. The latest figures show that AK is developing into a widespread disease currently affecting about 8 million people in Germany alone, with a clear upward trend.

At present, actinic keratoses are treated using a wide range of methods. Lesions are treated for weeks or months with topical creams, which are often ineffective, or the degenerated skin is removed by mechanical intervention (curettage) or freezing (cryotherapy), which usually leads to scar formation or permanent pigment changes.

At present, the market for topical creams is constantly growing and the use of legally questionable PDT formulations remains at a constantly high level. As Ameluz® was already the market leader, quickly gaining a 60% market share in the PDT proprietary medicinal product sector, an increase in turnover can and must be generated from the aforementioned sectors.

By means of intensive information campaigns on the liability risks of using formulations, Biofrontera intends to break into the formulation market. Using a training plan to provide further training to doctors, doctors with a preference for topical applications will be given a better understanding of PDT as a treatment option. Both marketing concepts are aimed at long-term success.

The overall advantages of Ameluz® in terms of effectiveness, handling, user friendliness and cosmetic results as well as the clear superiority of PDT in the treatment of actinic keratosis will cause dermatologists to focus on this treatment option in the next few years.

In support of further expanding distribution of Ameluz®, Biofrontera will endeavour to extend European approval to include the indication basal cell carcinoma (BCC) and will perform a clinical trial in this respect. BCCs are the most common invasive tumours to affect humans and account for approx. 80% of all invasive white skin cancers. About 30% of all Caucasians develop at least one BCC in their lifetime, and cases are rapidly rising worldwide due to increased exposure to UV light. Surgical removal is the most frequent treatment in Germany but can lead to clearly visible scarring, whereas treatment with photodynamic therapy (PDT), which is an alternative particularly in the treatment of thin BCCs, produces excellent cosmetic results. Biofrontera will carry out a planned trial to compare Ameluz® with the rival product approved for BCC, Metvix®. It has already been demonstrated in the approval studies for the treatment of actinic keratosis that the overall

cure rates for patients treated with Ameluz® were significantly higher than those for Metvix®-patients. The clinical part of this trial should be completed by mid 2014.

At the same time, Biofrontera is initiating a trial where actinic keratoses (AK) are treated in whole areas, such as on the forehead, scalp, cheeks, etc. In this trial, Ameluz® will be combined with Biofrontera's PDT lamp, BF-RhodoLED®. This trial is intended to supplement the existing phase III trials, carried out with a range of different PDT lamps, with data from Biofrontera's own lamp. By treating whole areas, additional safety data should also be recorded in order to facilitate a better analysis of the long-term effect and cosmetic result.

The two phase I trials required by the US approval authority, the FDA, have already started. The two clinical trials with a combined total of approx. 240 patients/test persons were started to supplement the European approval package for Ameluz® with the safety data required for registration in the USA. To be precise, this is a sensitisation trial to determine the potential of Ameluz® to trigger allergies. A "maximal use trial" should also test the absorption of the Ameluz® active ingredient, aminolevulinic acid into the bloodstream after the maximum amount of treatment, i.e. after applying a complete tube onto a skin defect. The trials are currently being carried out in Hamburg, Berlin and Mönchengladbach, and Biofrontera expects them to be complete with results in Q4 2013, meaning the results will be available by the end of the year as planned.

1.3.2. BF-RhodoLED®

BF-RhodoLED® is a lamp for photodynamic therapy (PDT) with LEDs emitting red light at a wavelength of approx. 635 nm. This wavelength is ideally suited for illumination during PDT with medicinal products containing ALA or methyl-ALA. It combines a controlled and constant light output in the required wavelength with intuitive operation and energy efficiency. The modulation of light energy and blower power during a PDT treatment makes it possible to react to treatment-related pain. No other lamp on the market offers comparable performance and flexibility. BF-RhodoLED® has been CE-certified since November 2012 and is marketed throughout the EU.

1.3.3. Belixos®

The Belixos® range consists of a combination of active ingredients extracted from plants in a biocolloid formulation specially developed for this range. In October 2009, the first product, Belixos® cream, was launched onto the market through an online store.

Belixos® contains valuable ingredients obtained in a costly and particularly gentle process from Mahonia aquifolium, a plant used for centuries in traditional medicine by North American Indians.

It is supplemented by the antibacterial properties of green tea and the soothing effects of camomile to create a unique active ingredient combination.

Due to its innovative composition based on colloids, Belixos® is a balanced combination of active substances allowing particularly rapid and even dispersion into the epidermis.

The strong scientific basis and unique combination of valuable plant ingredients are expected to set new standards in the highly competitive active cosmetics market. The combination of caring and regenerating effects should reduce the need for medical treatment and its side effects in people who suffer from itchiness or chronic ailments, such as neurodermatitis or psoriasis.

Belixos® cream is currently sold in Germany at pharmacies and through an online store.

Following the approval of Ameluz®, the resources of the sales force and of the marketing department were focused exclusively on the marketing of Ameluz®. Thanks to the Belixos users who have been won over by the preparation, it was possible to maintain sales at a constant, albeit lower, level, but an expansion of the marketing had to be put on hold until now for financial reasons.

Biofrontera will now gradually push ahead with the development of the Belixos® line, and this will be accompanied by a new alignment of the marketing efforts. Belixos® will again become a renewed focus of attention at Biofrontera in the second half of the year. The first of the new products, a Belixos® hair tonic and a Belixos® gel, are scheduled to come to market later this year. A variety of measures are also intended to make increasing use of the promotional opportunities offered by new media.

1.4. Research and development

1.4.1. Ameluz®

The Ameluz® development programme is currently proceeding apace in parallel with four clinical trials. Biofrontera expects this to produce a dramatic increase in the value of Ameluz®, as the cost/risk ratio in trials of a drug that has already been approved is considerably more favourable than is the case with development programmes involving new active ingredients.

Additional indications are currently in preparation for basal cell carcinoma as well as the field-directed therapy of actinic keratosis.

A start has also been made on the approval of Ameluz® in the US. Following initial exploratory talks with the FDA in July 2012, the next steps in the process have been set out and the time frame has been estimated, along with the costs associated with the approval. The trials required by the FDA on sensitisation and pharmacokinetics will be concluded by the end of the year.

The four trials will cost around EUR 5-6 million in total.

1.4.2. BF-derm1

BF-derm1 is a tablet for the treatment of severe chronic urticaria (hives). The severe forms of this disease are difficult to treat with the drugs currently available on the market. The tablet contains an active ingredient with a completely new efficacy profile for alleviating chronic urticaria, which has not been adequately treatable up to now. A phase II trial has already been completed that has demonstrated the product's efficacy and limited side effects. As Biofrontera will focus on further developing Ameluz in the coming years, it intends to look for a partner for the further development and funding of the phase III costs and the approval expenses. No efforts to this end have been undertaken yet for due to capacity constraints, however.

1.4.3. BF-1

BF-1 is a drug candidate from Biofrontera's drug portfolio. It is intended for use in the prophylactic treatment of patients who suffer from frequent and painful migraine attacks. As this product candidate no longer fits Biofrontera's dermatological focus, it is to be out-licensed after the initial development stages.

After the first results in humans, which proved the excellent bioavailability and pharmacokinetics of the active ingredient, further pre-clinical trials have been carried out on the substance's tissue distribution, metabolism and toxicology. The trials have not produced any negative findings, so there is to date nothing to prevent further development in humans. The chemical manufacturing process has been optimised and the active ingredient required for clinical development synthesised in accordance with the Good Manufacturing Practice (GMP) quality standards.

1.5. Sales and distribution

In Germany, Ameluz® is marketed by Biofrontera's own sales force, while in other European countries it is promoted and sold with the help of marketing partners. It was successfully launched on the market in Germany on 1 February 2012 as planned. In addition to the regular sales visits to dermatologists, Biofrontera has since introduced Ameluz® at all major dermatology conferences in Germany. The feedback from dermatologists about this new product has been exceptionally positive, and Biofontera has been able to record significant growth in revenues since then.

Biofrontera has formed partnerships with other pharmaceutical companies for distribution in several other European countries. Thus the distribution of Ameluz® is managed in Spain by Allergan Pharmaceuticals, in Denmark, Sweden and Norway by Desitin Arzneimittel GmbH, in Benelux by Bipharma N.V., in Austria by Pelpharma Handels GmbH and in England by Spirit Healthcare Limited. All contracts have been concluded in such a way that Biofrontera has received no or only a moderate down-payment and the regional partners purchase Ameluz® from Biofrontera at a price that is coupled to their own sales price. Depending on the market conditions, Biofrontera's share of the sales price varies considerably from country to country, ranging between over 30% and 65% of net sales. In Great Britain, Biofrontera's share actually stands at 80%, but in return the company

makes a contribution to the sales and marketing costs, with the result that it has recorded only losses in this country to date. This contract is therefore set up for the very long term and allows Biofrontera to take over the distribution in its entirety in the associated countries.

Biofrontera has been selling the medical cosmetic Belixos®, which was launched on the German market in the autumn of 2009, for a number of years now. As well as being marketed through pharmacies, Belixos® can also be purchased from an online store operated by Biofrontera. In the long term, the Belixos® line of cosmetics should develop into a core business area independent of the uncertainties, risks and time limits associated with business involving innovative, patent-protected pharmaceuticals. Although a new medical cosmetic brand requires a lot of effort to establish and only very slow progress can be made to begin with, especially when there is no significant marketing budget, it can become a constant revenue base for the company in the long run. Marketing efforts in respect of Belixos® are to be expanded in the second half of 2013, in particular through the use of new media, such as a separate Facebook page and an advertising feature on YouTube. In addition, the product range will be expanded, initially by the introduction of a gel and a hair tonic.

1.6. Employees

As at 30 June 2013, the Biofrontera Group had a workforce 37 employees (31.12.2012: 34). Of these, 13 were employed at Biofrontera AG (31.12.2012: 13), 6 at Biofrontera Bioscience GmbH 6 (31.12.2012: 6) and 18 at Biofrontera Pharma GmbH (31.12.2012: 15). There are no employees at Biofrontera Development GmbH or Biofrontera Neuroscience GmbH.

2. Financial position, financial performance and cash flows

2.1 Capital changes

A capital increase against cash contributions was implemented in the period under review. 1,610,000 new shares were issued in the process, and the operation was registered in the commercial register on 04 April 2013. The subscription right of the shareholders was excluded, and the net proceeds from the issue amounted to EUR 7.5 million. The capital increase was subscribed in its entirety by a strategic investor, Maruho Deutschland GmbH. Its Japanese parent company, Maruho Co. Ltd., is the largest dermatological company in Japan with sales in the last financial year of around 60 billion Yen.

2.2 Equity

Based on IFRS, the group has negative shareholders' equity of EUR 147 thousand. As at 30 June 2013, Biofrontera AG has positive shareholders' equity of EUR 51,645 thousand. In legal terms, there is no overindebtedness at the two subsidiaries Biofrontera Bioscience GmbH and Biofrontera Pharma GmbH, as their balance sheet overindebtedness is remedied by qualified letters of subordination from Biofrontera AG.

2.3 Reporting on financial instruments

In the ordinary course of business, the group faces interest rate change and credit risks as well as liquidity risks that may have an effect on the financial position, financial performance and cash flows.

Interest rate risk: The interest rate change risk is regarded as insignificant, as the existing interest rate terms for the relevant financing operations of the Biofrontera Group can generally be adjusted to the market conditions in the short to medium term.

Credit risk: The Group is exposed to a credit risk when transaction partners are unable to fulfil their obligations within the usual terms of payment. The maximum default risk is presented in financial terms by the book value of the relevant financial asset. The development of the receivables is monitored in order to identify possible default risks at an early stage and initiate appropriate measures. Individual write-downs of EUR 46 thousand (31.12.12: EUR 0) have been created.

Financial instruments recognised in the consolidated balance sheet at fair value can be classified in the following valuation hierarchy, which reflects to what extent the fair value can be observed:

Level 1: fair value measurements using prices (unadjusted) quoted on active markets for identical assets or liabilities.

Level 2: fair value measurements using input data for the asset or the liability that can be observed either directly (as prices) or indirectly (derived from prices) and that does not represent quoted prices according to level 1.

Level 3: fair value measurements using input data for the asset or the liability that is not based on observable market data (unobservable input data).

Biofrontera has exclusively financial instruments of levels 1 and 2. No reclassifications between level 1 and level 2 were conducted during the first half of the 2103 financial year. All of the financial assets measured at fair value listed in the following presentations are classified as level 1. In the financial liabilities, the full amount (EUR 12,217 thousand) of the long-term and short-term financial debts belong to level 2. These involve financial debts arising from the two option bonds.

The financial assets and liabilities can be broken down into measurement categories with the following book values:

Financial Assets at 30.06.2013 (EUR)	Fair value	Book values				
		Cash and cash equivalents	Loans and receivables	Financial instruments recognised at fair value in profit or loss (excluding "held for trading")	Financial assets available for sale	TOTAL BOOK VALUES
Liquid assets	7,069,502	7,069,502				7,069,502
Trade receivables	330,135		330,135			330,135
Other short-term financial receivables and assets	190,399		190,399			190,399
TOTAL	7,590,036	7,069,502	520,534	0	0	7,590,036

Financial liabilities Liabilities at 30.06.2013 (EUR)	Fair value	Book values				
		Other liabilities	Financial instruments recognised at fair value in profit or loss (excluding "held for trading")			TOTAL BOOK VALUES
Financial debts short-term	415,087	415,087				415,087
Trade liabilities	588,310	588,310				588,310
Other financial liabilities short-term	27,993	27,993				27,993
Other financial debts long-term	11,802,155	11,802,155				11,802,155
TOTAL	12,833,545	12,833,545	0	0	0	12,833,545

Financial Assets at 31.12.2012 (EUR)	Fair value	Cash and cash equivalents	Book values			
			Loans and receivables	Financial instruments recognised at fair value in profit or loss (excluding "held for trading")	Financial assets available for sale	TOTAL BOOK VALUES
Liquid assets	3,366,233	3,366,233				3.366.233
Receivables trade accounts	251,778		251,778			251,778
Other short-term financial receivables and assets	61,981		61,981			61,981
TOTAL	3,679,992	3,366,233	313,759	0	0	3,679,992

Financial liabilities Liabilities at 31.12.2012 (EUR)	Fair value	Other liabilities	Book values			
			Financial instruments recognised at fair value in profit or loss (excluding "held for trading")			TOTAL BOOK VALUES
Financial debts short-term	435,750	435,750				435,750
Trade liabilities	749,370	749,370				749,370
Other financial liabilities short-term	8,946	8,946				8,946
Other financial debts long-term	11,170,614	11,170,614				11,170,614
TOTAL	12,364,680	12,364,680	0	0	0	12,364,680

Liquidity risk: the refinancing of the Biofrontera group companies is generally made on a central basis by Biofrontera AG. The risk arises here that the liquidity reserves are not adequate to fulfil the financial obligations on the due date. As at 30.06.2013, liquid assets and cash equivalents in the amount of EUR 7,070 thousand (2012: EUR 3,366 thousand) are available to cover the liquidity requirements.

We refer to the appropriate balance sheet notes on (undiscounted) payments from financial debts due in the next few years.

2.4 Revenues

Biofrontera succeeded in further increasing its revenues from product sales in comparison with the same period of the previous year. In total, revenues amounted to EUR 1,385 thousand in the first half of 2013. In the first half of 2012, revenues amounted to EUR 2,087 thousand in total, which, however, included one-off payments from licensing partners in the amount of EUR 1,550 thousand with the result that comparable revenues were successfully increased by EUR 848 thousand. This corresponds to an increase in revenues of 158% over the same period of the previous year.

2.5 Costs

Research and development costs, which amounted to EUR 565 thousand in the same period the previous year, rose to EUR 1,164 thousand in the first half of 2013. In line with its strategy, Biofrontera has increased its investments in research and development in order to obtain additional indications and the approval for Ameluz® in the US. The sales and administration costs rose by EUR 788 thousand to EUR 2,666 thousand set against the same period of the previous year, in particular on account of the preparations for the international launch of Ameluz®.

The interest expenses of EUR 627 thousand contained in the financial results result almost exclusively from the compounding of the two option bonds in accordance with the effective interest method. The interest payments for the 2012 calendar year arising from option bond II were made in January 2013. In the first half of the previous year, income reported in the financial results in the amount of EUR 815 thousand was obtained from the early termination of the convertible bond and the related reversal of the premium; no comparable income is contained in the financial results in the first half of 2013.

2.6 Financial performance

The loss per share amounted to EUR 0.22 (in the first half of 2012: EUR 0.07), where a positive non-recurring effect from the early repayment of the convertible bond was reflected in the financial results. Further losses will be incurred this year on account of the investments in research and

development made to enable additional indications and acquire drug approval in the US as well as on account of the expenses for the international launch of Ameluz®.

2.7 Legal disputes

The company is not involved in any significant legal disputes.

2.8 Major events in the period under review

Following the European approval of Ameluz® and the successful market launch in Germany, the company focused on cooperating with distribution partners to launch and market the product in other European countries. In Germany, the company has already been able to record an encouraging growth in revenue. The conclusion of distribution agreements for key European markets has laid the foundations for distribution of Ameluz® in these countries. However, before the product can be launched onto a market, it is necessary to conclude price and reimbursement agreements in the context of the respective national health systems. In most countries, this process has taken much longer than originally expected. As Biofrontera is also the licence holder in relation to foreign countries following the European approval of Ameluz®, the various negotiations in the first half of the year have put pressure on Biofrontera's personnel resources.

As a result of a capital increase supported by the strategic investor Maruho Deutschland GmbH (see the ad-hoc release dated 22 March 2013), the company generated net proceeds of EUR 7.5 million. Expenditure for the first half year is in line with financial forecasts.

Thomas Schaffer was appointed Chief Financial Officer with effect from 01 June 2013.

3 Opportunities and risks for the remainder of the financial year

3.1 Events since the end of the first half year

M.M.Warburg & CO was appointed new Designated Sponsor with effect from 01 August 2013.

3.2 Opportunities and risks

As the company is expected to remain loss-making in this year, the continued existence of the company will also largely depend on when the company can become profitable. In this regard, the development of own revenues, how quickly distribution partners carry out market launches and how soon new distribution partners are gained in other countries will be particularly relevant. In addition, further investment in research and development and marketing is required in order to pursue the approval of additional indications and approval in the United States. If these necessary investments exceed the profits generated by sales, it may become necessary to raise additional cash through shareholders or other investors.

Following the full repayment of the convertible bond 2005/2012 in 2012, the debt situation of the company has improved dramatically. The outstanding option bonds are due at the end of 2016 and 2017.

For further risks, please refer to the condensed notes to the group interim financial statements.

3.3 Outlook

Over the past years, Biofrontera has achieved all its major objectives. Since the approval of Ameluz®, the company has begun to generate significant sales for the first time since its inception. Further significant investment in research and development and marketing is needed to improve the company's marketing opportunities through the approval of additional indications and in particular, approval in the United States. We believe that meeting these targets will contribute significantly to the value of the business, and a temporary postponement of profitability is therefore justified.

In several meetings, the company has intensified cooperation with its European distribution partners. Intensive efforts were put into the market launch in countries with existing distribution agreements. The majority of price and reimbursement agreements have now been concluded, and marketing can start in the 3rd and 4th quarter of 2013. The number of patients suffering from actinic keratosis has steadily increased over the past years. This represents an opportunity for Biofrontera to tap into a very fast-growing market.

In Germany, most of the PDT treatment of actinic keratoses is performed using formulations prepared in pharmacies. The recent changes in the law (new Pharmacy Practice Order dated 12 June 2012; court decision of the Hamburg Higher Regional Court dated 25/07/2002 - 3 U 322/01, and the

decision of the Cologne Higher Regional Court, dated 31/03/2003 - 6 U 160/02, for the reproduction of proprietary medicinal products in the pharmacy, *"Resolution CM/ResAP(2011)1 on quality and safety assurance requirements for medicinal products prepared in pharmacies for the special needs of patients"* by the Council of Europe dated 19/01/2011) have increased the liability of doctors and pharmacists when using formulations for PDT. Following a resolution adopted by the EU Council of Ministers, the use of formulations has already been banned in most European countries when equivalent proprietary medicinal products are available in the market. Therefore, proprietary medicinal products such as Ameluz® should be increasingly used, which would in turn increase the market volume significantly.

The planned expansion of the range of medical cosmetics Belixos® should better reflect the customers' needs and provide the marketing of Belixos® with a significant boost. Furthermore, we expect marketing activities on our dedicated Facebook page to generate additional sales.

Overall, we anticipate revenue for the 2013 financial year to come in between EUR 3.5 and 4.0 million, excluding one-time payments from licensing partners. We will continue to invest in research and development to obtain approval for additional indications and approval in the United States. Distribution and administration costs are also expected to increase year-on-year, in order to support the market launches and business expansion in Europe. However, we expect these investments to make a significant contribution to shareholder value in the medium term.

Leverkusen, 09 August 2013

signed: Prof. Hermann Luebbert

Chief Executive Officer

signed: Thomas Schaffer

Chief Financial Officer

Declaration by the statutory representatives pursuant to section 37w (2) No. 3 of the German Securities Trading Act (WpHG)

"To our best knowledge, we guarantee that, in accordance with the applicable accounting principles for interim reporting, the consolidated interim financial statements convey a true picture of the financial position and performance of the Group and that the Group Interim Management Report conveys a true picture of the development and performance of the business and the position of the Group, as well as describing the principal opportunities and risks associated with the expected development of the Group."

Leverkusen, 09 August 2013

signed: Prof. Hermann Luebbert

Chief Executive Officer

signed: Thomas Schaffer

Chief Financial Officer

Consolidated Balance Sheet as at 30 June 2013

Assets

in EUR	30 June 2013	31 Dec 2012	01 Jan 2012
Non-current assets			
Tangible assets	343,066.33	288,150.56	243,481.76
Intangible Assets	3,500,345.47	3,790,207.45	4,307,277.41
	3,843,411.80	**4,078,358.01**	**4,550,759.17**
Current assets			
Current financial assets			
Trade receivables	330,135.21	251,778.17	42,600.88
Other financial assets	190,398.84	61,980.85	72,272.35
Cash and cash equivalents	7,069,502.12	3,366,232.58	553,574.60
	7,590,036.17	**3,679,991.60**	**668,447.83**
Other current assets			
Inventories			
Raw materials, consumables and supplies	926,804.63	901,450.42	376,107.84
Work in progress	205,465.46	66,080.83	19,362.85
Finished goods and merchandise	501,134.91	244,714.91	27,214.96
Income tax refund receivable	21,706.06	16,622.68	7,837.57
Other assets	138,343.90	48,200.95	47,716.89
	1,793,454.96	**1,277,069.79**	**478,240.11**
	9,383,491.13	**4,957,061.39**	**1,146,687.94**
Total assets	**13,226,902.93**	**9,035,419.40**	**5,697,447.11**

Liabilities

in EUR	30 June 2013	31 Dec 2012	01 Jan 2012
Equity			
Subscribed capital	17,753,168.00	16,143,168.00	11,240,486.00
Capital reserves	65,630,693.57	59,595,506.32	51,942,668.86
Loss carried forward	(79,832,687.98)	(75,714,590.56)	(71,070,667.49)
Net loss for the year	(3,697,809.74)	(4,118,097.42)	(4,643,923.07)
	(146,636.15)	**(4,094,013.66)**	**(12,531,435.70)**
Long-term liabilities			
Long term financial liabilities	11,802,155.24	11,170,614.38	10,626,790.40
Short-term liabilities			
Current financial liabilities			
Trade payables	588,309.66	749,369.84	702,693.06
Short-term debt	415,087.14	435,750.00	5,331,932.63
Other financial liabilities	27,992.81	8,945.00	1,007,267.78
	1,031,389.61	**1,194,064.84**	**7,041,893.47**
Other short-term liabilities			
Provision for taxes	11,863.00	11,863.00	85,834.00
Other provisions	431,597.69	653,442.03	431,365.80
Other current liabilities	96,533.54	99,448.21	42,999.14
	539,994.23	**764,753.24**	**560,198.94**
	1,571,383.84	1,958,818.08	7,602,092.41
Total liabilities	**13,226,902.93**	**9,035,419.40**	**5,697,447.11**

Consolidated statement on comprehensive income for the first half of 2013

in EUR	01.01.-30.06.2013	01.01.-30.06.2012
Revenue	1,385,150.17	2,087,141.77
Cost of sales	(903,262.06)	(531,190.67)
Gross profit	481,888.11	1,555,951.10
Operating expenses:		
Research and development costs	(1,163,519.52)	(565,127.87)
General administrative expenses	(2,666,377.57)	(1,878,274.63)
	(3,829,897.09)	**(2,443,402.50)**
Loss from operations	(3,348,008.98)	(887,451.40)
Other income (expenses):		
Financial result	(617,914.71)	(57,163.37)
Other income (expenses), net	268,113.95	27,431.29
	(349,800.76)	**(29,732.08)**
Earnings before income tax	(3,697,809.74)	(917,183.48)
Income tax	0.00	0.00
Net profit or loss for the period.	**(3,697,809.74)**	**(917,183.48)**
Accumulated expenses and income		
Subsequent valuation of financial assets available for sale	0.00	0.00
Other accumulated expenses and income	0.00	0.00
Total comprehensive income	**(3,697,809.74)**	**(917,183.48)**
Undiluted (= diluted) earnings per share	(0.22)	(0.07)

Consolidated cash-flow statement for the first half of 2013

	01.01.-30.06.2013 EUR	01.01.-30.06.2012 EUR
Operating cash flows:		
Net loss for the year	(3,697,809.74)	(917,183.48)
Adjustments to reconcile net loss to cash flows from operating activities:		
Financial result	617,914.71	57,163.37
Depreciation and amortisation	360,503.20	277,773.00
Non-cash elements of the financial result	(587,740.77)	(46,608.05)
Changes in operational assets and liabilities:		
Trade receivables	(78,357.04)	(56,326.37)
Other assets and tax receivables	(223,644.32)	(36,108.06)
Inventories	(421,158.84)	(344,161.82)
Trade payables	(161,060.18)	(381,511.78)
Provisions	(221,844.34)	106,541.44
Other liabilities	16,132.54	(987,855.50)
Net cash flow from operating activities	**(4,397,064.78)**	**(2,328,277.25)**
Cash flows from investment activities:		
Purchase of intangible and tangible assets	(125,556.99)	(66,973.28)
Interest received	7,985.39	21,074.39
Net cash from investment activities	**(117,571.60)**	**(45,898.89)**
Cash flows from financing activities:		
Proceeds from issue of shares	7,607,034.75	12,491,593.46
Interest paid	(435,756.83)	(740,217.47)
Increase/(decrease) in long-term liabilities	631,540.86	351,640.59
Increase/(decrease) in current liabilities	415,087.14	(4,182,484.36)
Net cash flow from financing activities	**8,217,905.92**	**7,920,532.22**
Net increase (decrease) in cash and cash equivalents	**3,703,269.54**	**5,546,356.08**
Cash and cash equivalents at beginning of period	3,366,232.58	553,574.60
Cash and cash equivalents at end of period	7,069,502.12	6,099,930.68
Composition of cash and cash equivalents at end of period:		
Cash in hand and at bank	7,069,502.12	6,099,930.68

Consolidated statement of changes in equity for the first half year 2013

	Ordinary shares Number	Subscribed capital EUR	Capital reserves EUR	Net loss EUR	Total EUR
Balance as at 31 December 2011	**11,240,486**	**11,240,486.00**	**51,942,668.86**	**-75,714,590.56**	**-12,531,435.70**
Capital increase[1)]	4,902,682	4,902,682.00	8,070,064.70	0.00	12,972,746.70
Capital raising costs	0	0.00	-447,905.74	0.00	-447,905.74
Change in capital reserves relating to the sale / buy-back of own option bonds I and II	0	0.00	-7,402.00	0.00	-7,402.00
Change in capital reserves due to transaction costs relating to the sale / buy-back of own option bonds I and II	0	0.00	-72.00	0.00	-72.00
Net loss for the year	0	0.00	0.00	-917,183.48	-917,183.48
Balance as at 30 June 2012	**16,143,168**	**16,143,168.00**	**59,557,353.82**	**-76,631,774.04**	**-931,252.22**
Capital increase[1)]	0	0.00	38,152.50	0.00	38,152.50
Capital raising costs	0	0.00	0.00	0.00	0.00
Change in capital reserves relating to the sale of own option bonds I and II	0	0.00	0.00	0.00	0.00
Changes in capital reserves due to transaction costs relating to the sale / buy-back of own option bonds I and II	0	0.00	0.00	0.00	0.00
Net loss for the year	0	0.00	0.00	-3,200,913.94	-3,200,913.94
Balance as at 31 December 2012	**16,143,168**	**16,143,168.00**	**59,595,506.32**	**-79,832,687.98**	**-4,094,013.66**
Capital increase[1)]	1,610,000	1,610,000.00	5,962,952.50	0.00	7,572,952.50
Capital raising costs	0	0.00	-8,798.25	0.00	-8,798.25
Change in capital reserves relating to the sale of own option bonds I and II	0	0.00	81,551.00	0.00	81,551.00
Change in capital reserves due to transaction costs relating to the sale of own option bonds I and II	0	0.00	-518.00	0.00	-518.00
Net loss for the year	0	0.00	0.00	-3,697,809.74	-3,697,809.74
Balance as at 30 June 2013	**17,753,168**	**17,753,168.00**	**65,630,693.57**	**-83,530,497.72**	**-146,636.15**

[1] Including increases in capital reserves under the stock option programme 2010. In the first half year 2013 by EUR 38,152.50 and in the first half year 2012 by EUR 25,773.25.

Selected explanatory notes to the consolidated interim financial statements for the period ended 30 June 2013

1. Company background

Biofrontera AG (www.biofrontera.com) has its registered office in Hemmelrather Weg 201, 51377 Leverkusen, Germany, and was entered into the commercial register of the Cologne District Court, Department B under No. 49717. Biofrontera AG and its wholly-owned subsidiaries, Biofrontera Bioscience GmbH and Biofrontera Pharma GmbH, Biofrontera Development GmbH and Biofrontera Neuroscience GmbH form a group of companies involved in research, development and distribution of active substances (hereinafter referred to as the "Biofrontera Group" or "the company") and specialising in the development of drugs for the treatment of skin ailments.

The Group's product portfolio is aimed at the dermatological sector and can be classified as low risk compared with others in the sector. In addition, focusing on skin offers the company an excellent opportunity to position itself as an industry expert, resulting in significant revenues. A drug from the Biofrontera group, Ameluz® has already received centralized European approval for the treatment of mild and moderate actinic keratosis on the face and scalp. The medical cosmetic Belixos has been available in an online store since October 2009 and in pharmacies since autumn 2010. As in previous years, the company has been investing in clinical development and, in particular, in the further development of Ameluz®. The development of two other drug candidates is currently suspended for financial reasons.

The Group's interim financial report for the first half year as at 30 June 2013 was released for publication by the Executive Board on 23 August 2013.

2. Accounting policy

This interim financial report of Biofrontera AG (hereinafter also referred to as "the company" for short) for the period ended 30 June 2013 includes condensed consolidated interim financial statements, a group interim management report pursuant to section 37y of the German Securities Trading Act (WpHG) in conjunction with section 37w of the WpHG and a declaration by the company's statutory representatives in accordance with the requirements of sections 297 (2) p3, 315 (1) p6 of the German Commercial Code (HGB).

These consolidated interim financial statements of Biofrontera AG for the period ended 30 June 2013 were prepared in accordance with International Financial Reporting Standards (IFRS) and the relevant interpretations of the International Accounting Standards Board (IASB) for "interim reporting" according to International Accounting Standard (IAS) 34, as applicable in the European Union. As a result, these interim financial statements contain all information and notes required for an interim financial statement under IFRS. The group

interim management report was prepared in compliance with the appropriate provisions of the WpHG.

From the perspective of the company's management, the audited interim financial statements contain all ongoing standard adjustments required to present the consolidated interim financial position.

In preparing the consolidated interim financial statements, the Executive Board has to make assumptions and estimates which influence the use of accounting standards in the Group, the statement of assets and liabilities, and the revenues and expenditure. The actual amounts may vary from these estimates. The results achieved in the first half of the 2013 financial year are not indicative of future business performance.

For the largely unchanged accounting and consolidation methods used in preparing the consolidated interim financial statements of Biofrontera AG and information about the scope of consolidation, please refer to the notes to the consolidated financial statements for the year ended 31 December 2012. The capital raising costs have been offset against equity and are shown in the consolidated statement of changes in equity.

The consolidated financial statements contain no segment-related information, as no reportable business or geographic segments have been identified.

Due to their special importance, research and development costs are shown separately in the income statement.

3. Risks to the company as a going concern

The interim financial statements have been prepared with the assumption that the company will continue its operations as a going concern. Therefore, the consolidated interim financial statements contain no adjustments which might arise if the company were not able to continue as a going concern.

As well as general risks, such as market trends and the competitive situation, the company is also subject to the particular risks of the pharmaceutical and biotechnology sectors.

It is possible that the product Ameluz® will not become established as a treatment for actinic keratosis. Because of the increased treatment cost associated with PDT, which is often not or not sufficiently reimbursed by the health systems the medical practitioners may prefer to use other products despite the higher efficacy of Ameluz®.

There is no guarantee that after the end of the development process of a project - *lasting on average 6 to 10 years* - a product can be brought to market. A lack of success in the individual stages of development could incur additional costs or project delays or even bring project development to a complete standstill. It would not be possible, or only partially, to recoup funds invested through revenues generated.

The company is attempting partially to offset these risks by selecting projects with relatively attractive risk profiles, setting up a project control and reporting system and drawing on the excellent specialist experience of its Supervisory Board members. The project control system reproduces the entire development process in detail up to approval and enables those influences to be analysed which can also cause small changes or delays to the development process and its costs, for example in clinical trials. In this way, the development risks of individual projects can be closely monitored and the necessary steps taken to minimise the development risk. The risks of individual projects are offset by the breadth of the project portfolio.

Given the company's current loss-making situation and the uncertainties relating to future business development, the company's continued existence could fundamentally depend on its ability to raise funds through shareholders or other investors.

In this respect, it is very important for investors to accept the risks associated with this sector, its reporting specifics as well as the tax framework. While these circumstances cannot be influenced by the company, they are of vital significance as long as the company is in the development phase and needs to raise equity in the financial markets.

4. Deferred taxes

For the period ended 30 June 2013, the company recorded significant tax losses carried forward.

According to the tax provisions in force in Germany, these losses carried forward are nonforfeitable and can be offset against the company's future taxable profit.

These tax losses carried forward were established as being legally binding as part of the tax audit that took place in the first half of 2008 and the final assessment up to the 2003 tax assessment period. In addition, tax losses carried forward were established as legally binding as part of another tax audit carried out for the financial years 2003 to 2009.

Nevertheless, no capitalised deferred taxes resulting from temporary differences or from tax deficits have been accounted for. The background to this is that the company's Executive Board currently takes the view that it is not yet certain that it will be possible to realize the deferred tax claims in the next few years.

The inclusion of deferred tax claims in the accounts has therefore been waived in accordance with IAS 12.34.

5. Employee share options programme 2010

In order to attract and retain employees in the future, the company must continue to be in a position to offer stock or securities-based remuneration. In addition, according to the German law on adequacy of remuneration for executive boards, this must be linked to the com-

pany's long-term success. As the option programme passed by the Annual General Meeting of the Company on 24 May 2007 could not be used, on 2 July 2010 the Annual General Meeting authorized the Executive Board and Supervisory Board to issue up to 839,500 stock options to directors and employees over the course of the next 5 years. Further provisions on this matter have been described in the invitation to the Annual General Meeting and are available on the Company's website. The issue of a first tranche of these share options is detailed in the consolidated financial statements for the year ended 31 December 2010. The second tranche took place in the 2011 calendar year and the details are provided in the consolidated financial statements for the year ended 31 December 2011. In the first half of 2012, the company issued further 116,500 options (third tranche) at an exercise price of EUR 3.30 or EUR 4.09 each. Due to the vesting period, it has not yet been possible for any of these options to be exercised or lapse. As of 30/06/2013, the company had therefore 520,200 options outstanding. In the first half of 2013, the company recorded expenses of EUR 38,000.

6. Shares / earnings per share

In accordance with IAS 33, earnings per share are calculated on the basis of the half-year net result of Biofrontera group and the number of ordinary shares in circulation during the relevant time periods in 2013 or 2012.

	First half-year As at 30 June 2013	First half-year As at 30 June 2012
Ordinary shares	17,753,168	16,143,168
Net loss for the year in EUR	(3,697,810)	(917,183)
Earnings per share in EUR based on the net loss for the year	(0.22)	(0.07)

The increase in the number of shares compared to the previous year is due to a capital increase from authorised capital. On 22 March 2013, the subscribed capital was increased by 1,610,000 shares (see ad-hoc release from 22 March 2013).

7. Notes on emissions of bonds

The option bonds I (2009/2017) and option bonds II (2011/2016) held by Biofrontera AG sold in the first half of 2013 must be treated as a new issue in accordance with IFRS. In total, the company issued 1,132 option bonds I and 3,875 option bonds II through this sale. Taking into account transaction costs, the debt component of option bond I therefore increased by EUR 106,000 and the equity component by EUR 8,000. In the case of option bond II, taking into account transaction costs, there was an increase of EUR 317,000 in the debt component and EUR 74,000 in the equity component.

8. Members of the Executive Board

The members of the Executive Board are:

- Prof. Dr. Hermann Lübbert, Chief Executive Officer
- Thomas Schaffer, member of the Executive Board (Chief Financial Officer from 01 June 2013)
- Werner Pehlemann, member of the Executive Board (Chief Financial Officer until 03 June 2013)

In the first half of 2013, the remuneration of Executive Board members amounted to EUR 296 thousand (compared with EUR 282 thousand in the first half of 2012).

9. Members of the Supervisory Board

Pursuant to a resolution adopted by the Annual General Meeting on 10 May 2011, the Supervisory Board comprises the following shareholder representatives:

Jürgen Baumann	Chairman of the Supervisory Board, expert in marketing and sales in the pharmaceutical sector, Monheim
Prof. Bernd Wetzel	Deputy Chairman of the Supervisory Board; consultant, residing in Biberach/Riss
Dr. Ulrich Granzer	Owner and Managing Director of Ulrich Granzer Regulatory Consulting & Services, residing in Krailing near Munich
Ulrike Kluge	Managing Director of klugeconcepts GmbH in Cologne, residing in Cologne
Andreas Fritsch	Managing partner of Finance System GmbH & Co KG, Munich, and Managing Director of Patenthandel Portoliofonds I Verwaltungs GmbH, Pullach, Pharma Invest I Verwaltungs GmbH, Pullach, Via Vadis Controlling GmbH, Munich and managing partner of Fritsch & Fritsch GbR, Seefeld, residing in Seefeld near Munich
Alfred Neimke	Managing Director of Kopernikus AG in Zurich, Switzerland, residing in Zurich, Switzerland

In the first half of 2013, the remuneration of Supervisory Board members amounted to EUR 56.3 thousand (compared with EUR 56.3 thousand in the first half of 2012).

10. Transactions with related parties

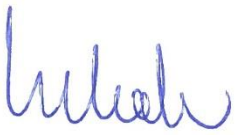
In the reporting period, additional advisory services were obtained on behalf of the company from members of the Supervisory Board, Dr. Ulrich Granzer and Ulrike Kluge. These consulting services went beyond the regular activities of a supervisory board member. Dr. Granzer has supported the company on important issues relating to the preparation of the registration application and its submission to the regulatory authorities. In the first half of 2013, consulting expenses amounted to EUR 0 (previous year: EUR 0.4 thousand), while the liabilities to Granzer Regulatory Consulting & Services amounted to EUR 3.7 thousand as of 30 June 2013 (31 December 2012: EUR 1.0 thousand). Mrs Kluge advises the company in the area of business development. In the first half of 2013, consulting expenses amounted to EUR 0 (previous year: EUR 17.3 thousand), while the liabilities to klugeconcepts GmbH amounted to EUR 0 as of 30 June 2013 (31 December 2012: EUR 3.8 thousand).

These amounts are exclusive of VAT at the applicable rate of 19%. The underlying consulting contracts have been approved in consideration of statutory regulations.

11. Significant events after the interim balance sheet date

There have been no significant events since the balance sheet date

Leverkusen, 09 August 2013



signed: Prof. Hermann Luebbert

Chief Executive Officer

signed: Thomas Schaffer

Chief Financial Officer

Warth & Klein
Grant Thornton

Bescheinigung über die prüferische Durchsicht von verkürzten Konzernzwischenabschlüssen nach den IFRS für Zwischenberichterstattung, wie sie in der EU anzuwenden sind, und Konzernzwischenlageberichten

An die Biofrontera AG, Leverkusen

Wir haben den verkürzten Konzernzwischenabschluss – bestehend aus verkürzter Bilanz, verkürzter Gesamtergebnisrechnung, verkürzter Kapitalflussrechnung, verkürzter Eigenkapitalveränderungsrechnung sowie ausgewählten erläuternden Anhangangaben – und den Konzernzwischenlagebericht der Biofrontera AG für den Zeitraum vom 1. Januar 2013 bis 30. Juni 2013, die Bestandteile des Halbjahresfinanzberichts nach § 37w Wertpapierhandelsgesetz (WpHG) sind, einer prüferischen Durchsicht unterzogen.

Die Aufstellung des verkürzten Konzernzwischenabschlusses nach den IFRS für Zwischenberichterstattung, wie sie in der EU anzuwenden sind, und des Konzernzwischenlageberichts nach den für Konzernzwischenlageberichte anwendbaren Vorschriften des WpHG liegt in der Verantwortung der gesetzlichen Vertreter der Gesellschaft. Unsere Aufgabe ist es, eine Bescheinigung zu dem verkürzten Konzernzwischenabschluss und dem Konzernzwischenlagebericht auf der Grundlage unserer prüferischen Durchsicht abzugeben.

Wir haben die prüferische Durchsicht des verkürzten Konzernzwischenabschlusses und des Konzernzwischenlageberichts unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze für die prüferische Durchsicht von Abschlüssen vorgenommen. Danach ist die prüferische Durchsicht so zu planen und durchzuführen, dass wir bei kritischer Würdigung mit einer gewissen Sicherheit ausschließen können, dass der verkürzte Konzernzwischenabschluss in wesentlichen Belangen nicht in Übereinstimmung mit den IFRS für Zwischenberichterstattung, wie sie in der EU anzuwenden sind, und der Konzernzwischenlagebericht in wesentlichen Belangen nicht in Übereinstimmung mit den für Konzernzwischenlageberichte anwendbaren Vorschriften des WpHG aufgestellt worden sind. Eine prüferische Durchsicht beschränkt sich in erster Linie auf Befragungen von Mitarbeitern der Gesellschaft und auf analytische Beurteilungen und bietet deshalb nicht die durch eine Abschlussprüfung erreichbare Sicherheit. Da wir auftragsgemäß keine Abschlussprüfung vorgenommen haben, können wir einen Bestätigungsvermerk nicht erteilen.

Auf der Grundlage unserer prüferischen Durchsicht sind uns keine Sachverhalte bekannt geworden, die uns zu der Annahme veranlassen, dass der verkürzte Konzernzwischenabschluss der Biofrontera AG in wesentlichen Belangen nicht in Übereinstimmung mit den IFRS für Zwischenberichterstattung, wie sie in der EU anzuwenden sind, oder dass der Konzernzwischenlagebericht in wesentlichen Belangen nicht in Übereinstimmung mit den für Konzernzwischenlageberichte anwendbaren Vorschriften des WpHG aufgestellt worden ist.

Düsseldorf, den 9. August 2013

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Dr. Thomas Senger
Wirtschaftsprüfer

Renate Hermsdorf
Wirtschaftsprüferin

Warth & Klein
Grant Thornton

The following repetition of the review report in English language is for translation purposes only:

Review report:

To Biofrontera AG, Leverkusen:

We have reviewed the condensed interim consolidated financial statements – comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and selected explanatory notes – and the interim group management report of Biofrontera AG, Leverkusen, for the period from January 1, 2013 to June 30, 2013 which form part of the half-year financial reporting in accordance with section 37w German Securities Trad·ing Act (Wertpapierhandelsgesetz – WpHG).

The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the German Securities Trading Act applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). This standard requires that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in ma·terial aspects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review no matters have come to our attention that cause us to believe that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, August 9, 2013

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Dr. Thomas Senger
Wirtschaftsprüfer

Renate Hermsdorf
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