

Quarterly announcement for the third quarter of 2022

Summary of the business performance in the third quarter 2022

Following the deconsolidation of Biofrontera Inc. in December 2021, the revenue contribution from the US business is now recognized as revenue from an external license partner, similar to the revenue generated via the European license partners. Biofrontera AG continues to generate sales from the commercialization of its proprietary products in Germany, Spain and the United Kingdom. Also due to the deconsolidation, a direct comparison of the income statement with the previous year is not conclusive, as the previous year's figures include Biofrontera Inc.

Biofrontera generated total revenues of EUR 21,908 thousand in the period from January 01 to September 30, 2022, which corresponds to an increase of 19% compared to the previous year (9M 2021: EUR 18,473 thousand). There was also a significant increase in revenues in the quarterly comparison, with Biofrontera generating EUR 6,832 thousand in the third quarter of 2022, which corresponds to an increase of 27% compared to the same quarter of the previous year (Q3 2021: EUR 5,379 thousand).

For the first 9 months, licensing revenues of EUR 15,246 thousand were recorded with the former subsidiary Biofrontera Inc. In the same period of the previous year, the sales revenue contribution from the USA amounted to EUR 12,334 thousand, thus impacting total revenues with an increase of 24%.

In Germany, sales decreased by 22% to EUR 3,083 thousand compared to the previous year's figure of EUR 3,931 thousand due to the previously reported effect of reimported stock. Although reimports in the mean-time returned to normal as expected following the reversal of the reduction in the Spanish selling price in April, the sales of reimported stock still had a negative impact on revenues in the last 9 months. As a result, sales performance in July, August and September 2022 was subdued year-on-year: revenues in Germany amounted to EUR 1,001 thousand, compared to EUR 1,213 thousand in the third quarter of 2021, a decrease of around 17%. After the re-imported tubes have been sold off Biofrontera expects German sales figures to recover in the last quarter of the current financial year.

Revenue generated in European countries outside Germany during the reporting period were at EUR 2,804 thousand, a significant increase of 27% over the previous year's figure of EUR 2,208 thousand. In the third quarter, sales in European countries outside Germany amounted to EUR 719 thousand, compared to EUR 489 thousand in the third quarter of 2021, an increase of almost 47% mainly due to the sales increase in UK as well as a shipment to our license partner in Austria. After setting new all-time records in monthly sales in Spain in March and April 2022, product sales slowed slightly again by September 30, although this was offset by the higher selling price. In the UK, the market recovered as sales increased by 21% during the first 9 months of the year and showed an increase of 30% to EUR 226 thousand (previous year: EUR 173 thousand) during the third quarter.

From the license agreement concluded in December 2021 between Biofrontera Pharma GmbH and Maruho Ltd. for the transfer of the patent "Illumination for photodynamic therapy" in Japan, revenues in the amount of EUR 200 thousand were realized after the completion of the patent transfer.

From service agreements with the former subsidiary Biofrontera Inc., revenues of EUR 182 thousand were recognized in the third quarter of 2022.

The gross profit increased in the first nine months by EUR 2,289 thousand to EUR 18,050 thousand, compared to EUR 15,761 thousand in the same period of the previous year. The gross margin thus decreased from 85% to 82%. This is mainly due to the fact that the Company no longer is consolidating the U.S. revenues and is only reporting the license portion in the income statement.

Sales to Biofrontera Inc. accounted for almost 70% of total revenues, enabling the Biofrontera Group to continue to participate in sales growth in the USA. Due to the increase in sales and the deconsolidation of Biofrontera Inc. which led to a reduction in costs, the Biofrontera Group has reached the profitability zone for the first time. Also due to the deconsolidation, a direct comparison of the income statement with the previous year is not conclusive, as the previous year's figures include Biofrontera Inc.

At EUR 4,712 thousand, the operating result was significantly better than in the previous year (minus EUR 12,574 thousand including Biofrontera Inc), a trend that is also reflected in the quarterly comparison, where a significant plus was generated at EUR 1,460 thousand compared to minus EUR 4,991 thousand in 2021. EBITDA improved year-on-year to EUR 5,008 thousand in the first nine

months (previous year: EUR minus 9,680 thousand) and was EUR 1,641 thousand in the third quarter compared to EUR minus 3,912 thousand in the third quarter of 2021.

On intellectual property certain patents were granted during the third quarter of this year. Biofrontera received a notice of grant for the patent application "Nano emulsion formulation with improved stability and cell penetration" (US12/520759) from the US Patent and Trademark Office (USPTO) at the beginning of September. The granted patent protects the formulation technology of the drug Ameluz® in the U.S. and is thus an important building block in the patent strategy for Ameluz® in the United States. In addition, the patent "Photodynamic therapy comprising two light exposures at different wavelengths" (AU 2018/437303B2) was granted by the Australian Patent Office in July. The patent protects a number of innovations related to new illumination protocols for treating skin diseases with photodynamic therapy (PDT). It covers a treatment protocol that combines the lower levels of discomfort of Daylight PDT with the higher cure rates and lower recurrence rates of conventional therapy. In the claims of the patent, this innovative illumination approach is tied to the performance of PDT with a drug containing a photosensitizer or its precursor. To this extent, the use of the illumination combination claimed in this patent also protects Biofrontera's drug Ameluz®.

Regarding the clinical development program, patient recruitment for the basal cell carcinoma (BCC) study and the acne study made further progress. After patient recruitment in the BCC study was delayed due to the demanding protocol, 82% of the planned 186 patients have now been included in the study; in the phase III study for the treatment of moderate to severe acne using Ameluz®-PDT, just under 17% of the 126 required patients have been included to date. In the phase-I-safety study for actinic keratosis, which aims to increase the number of Ameluz® tubes used per treatment to three tubes, approximately 74% of patients have been recruited.

In addition, a first batch of investigational medication was delivered to our Asian licensing partner Maruho in the third quarter, a key component of the clinical development program.

There were also various personnel changes on the Management Board and Supervisory Board in the reporting period. The contract of Mr. Paul Böckmann as interim member of the Executive Board was extended until September 30. On August 13, Mr. Ludwig Lutter left his Management Board position and Ms. Pilar de la Huerta Martínez was appointed Chief Financial Officer effective September 12, 2022. Following the departure of Mr. Böckmann effective October 01, 2022, Ms. de la Huerta Martínez is now the sole Management Board member of Biofrontera AG. In the management of the wholly owned subsidiaries, Ms. de la Huerta Martínez is supported by Dr. Foguet as Managing Director of Biofrontera Pharma and Bioscience GmbH.

At the Annual General Meeting 2022, which took place on August 23, 2022, Prof. Karin Lergenmüller was elected to the Supervisory Board of Biofrontera AG. The previously vacant sixth position on the Supervisory Board could therefore be filled again. However, this vote has been legally challenged on September 23, 2022 by Maruho Deutschland GmbH before the Regional Court of Cologne.

A takeover offer was also made during the reporting period by Deutsche Balaton Aktiengesellschaft to the shareholders of Biofrontera AG to acquire Biofrontera shares at a price of EUR 1.18. The offer was accepted within the takeover period for a total of 326,136 Biofrontera AG shares, corresponding to 0.58 % of the current share capital. After conclusion of the takeover offer, Deutsche Balaton Aktiengesellschaft directly and indirectly holds a total of 30.79% of the outstanding Biofrontera shares (as of September 05, 2022).

After the Annual General Meeting resolution to increase the share capital on April 7, 2022, was initially blocked by Maruho Deutschland GmbH filing an action for annulment and revocation, Biofrontera filed an application for release pursuant to Section 246a of the German Stock Corporation Act (AktG) with the Higher Regional Court (OLG), which was granted in September. The company has already started in October with the implementation of the capital increase with expected gross proceeds of EUR 7 million by the end of November, so that the registration of the capital increase can also be completed in time.

Year-to-date Highlights 2022

- Sales increase of around 19% compared to the same period of the previous year
- Positive EBITDA and EBIT from operations due to the sales increase and the restructuring of the Biofrontera Group and the associated cost relief for Biofrontera AG
- Ms. Pilar de la Huerta Martínez appointed new Chief Financial Officer of Biofrontera AG
- Annual General Meeting appoints Prof. Dr. Karin Lergenmüller to the Supervisory Board
- Biofrontera receives notice of grant for US patent on nanoemulsion formulation
- Biofrontera receives notice of grant for Australian patent on innovative PDT treatment protocol
- Biofrontera AG achieves further progress in phase III trials for the treatment of SBCC and acne with Ameluz®.

Key figures in accordance with IFRS

	9M 2022		9M 2021		Q3 2022		Q3 2021	
	unaudited		unaudited*		unaudited		unaudited*	
	in EUR thousands	% of revenue	in EUR thousands	% of revenue	in EUR thousands	% of revenue	in EUR thousands	% of revenue
Results of operations								
Sales revenue	21,908	100.00%	18,473	100.00%	6,832	100.00%	5,379	100.00%
Gross profit on sales	18,050	82.39%	15,761	85.32%	5,743	31.09%	4,680	25.33%
Result from operating activities	4,712	21.51%	(12,574)	(68.07)%	1,460	7.91%	(4,991)	(27.02)%
EBITDA	5,008	22.86%	(9,680)	(52.40)%	1,641	8.88%	(3,912)	(21.18)%
EBIT	4,437	20.25%	(12,139)	(65.71)%	1,447	7.83%	(4,748)	(25.70)%
Profit/loss before income tax	(40,673)	(185.66)%	(14,629)	(79.19)%	(4,612)	(24.97)%	(5,795)	(31.37)%
Profit/loss for the period	(41,847)	(191.02)%	(14,672)	(79.43)%	(5,103)	(27.62)%	(5,800)	(31.40)%

* Figures include Biofrontera Inc.

in EUR thousands	September 30, 2022 unaudited	December 31, 2021**
Net assets		
Total assets	29,042	76,699
Non-current assets	17,212	62,322
Cash and cash equivalents	1,177	6,908
Other current assets	10,653	7,469
Current liabilities	11,374	17,467
Non-current liabilities	1,476	1,235
Equity	16,191	57,997

** Figures do NOT include Biofrontera Inc.

	September 30, 2022 unaudited	December 31, 2021
Number of employees	102	99
Biofrontera Shares		
Number of shares outstanding	56,717,385	56,717,385
Share price (Xetra closing price in EUR)	0.00	0.00

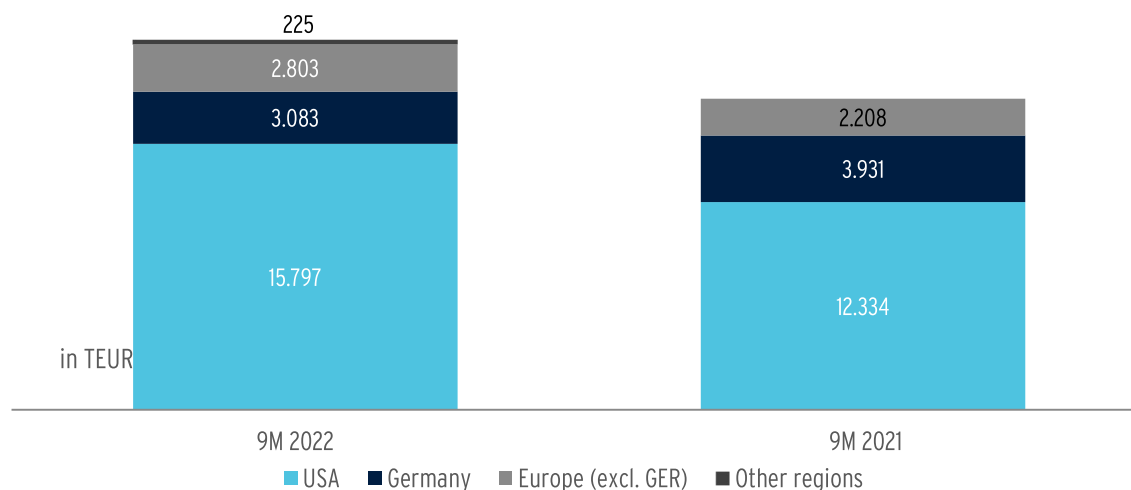
Biofrontera Group financial position and performance

Results of operations of the Biofrontera Group

The results of operations as of September 30, 2022 are as follows:

	9M 2022 unaudited	9M 2021 unaudited*	Q3 2022 unaudited	Q3 2021 unaudited*
Sales revenue	21,908	18,473	6,832	5,379
Gross profit on sales	18,050	15,761	5,743	4,680
Research and development costs	(4,944)	(4,516)	(1,809)	(1,595)
General administrative costs	(3,670)	(7,557)	(1,107)	(2,004)
Sales and marketing costs	(4,724)	(16,263)	(1,367)	(6,072)
Result from operations	4,712	(12,574)	1,460	(4,991)
Other expenses and income	(275)	435	(14)	243
EBITDA	5,008	(9,680)	1,641	(3,912)
EBIT	4,437	(12,139)	1,447	(4,748)
Financial result	(45,110)	(2,490)	(6,059)	(1,046)
Loss before income tax	(40,673)	(14,629)	(4,612)	(5,795)
Loss after income tax	(41,847)	(14,672)	(5,103)	(5,800)

* Figures include Biofrontera Inc.



Sales revenue

The Biofrontera Group generated total revenues of EUR 21,908 thousand in the first nine months of 2022, an increase of 19 % compared to the prior-year figure (previous year: EUR 18,473 thousand). As a result of the deconsolidation of Biofrontera Inc. the Group's revenues from Biofrontera Inc. are recognized as revenues from licensing income starting with this financial year. Consequently, license revenues increased by EUR 15,555 thousand year-on-year to EUR 16,488 thousand (previous year: EUR 933 thousand), whereas revenues from product sales decreased by EUR 12,671 thousand year-on-year to EUR 4,869 thousand (previous year: EUR 17,540 thousand).

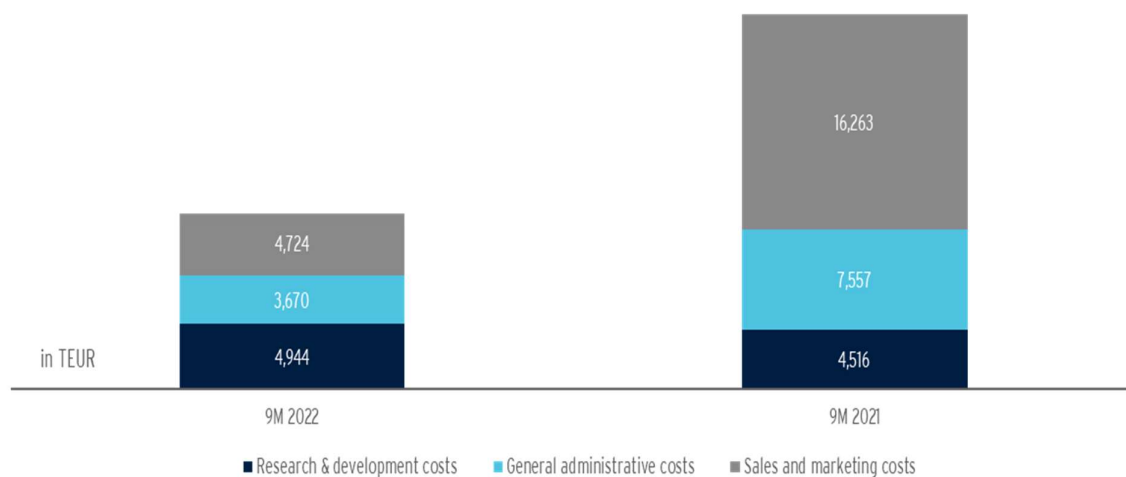
Sales in Germany decreased by 22% year-on-year to EUR 3,083 thousand (previous year: EUR 3,931 thousand). Although reimports returned to normal as expected following the reversal of the reduction in the Spanish selling price in April, the sales of reimported stock had a negative impact on revenues in the last 9 months.

In the other European countries, product sales increased by 40% to EUR 1,786 thousand (previous year: EUR 1,275 thousand), due not only to the increase in sales volumes, but also to the reversal of the officially ordered price reduction in Spain. License sales in other European countries increased by EUR 134 thousand to EUR 1,017 thousand (previous year: EUR 883 thousand).

In addition, license sales from other regions in the amount of EUR 225 thousand (previous year: EUR 0 thousand) were generated in the first nine months of 2022; resulting from the transfer of a patent right and from deliveries of BF-RhodoLED® lamps.

Gross profit on sale

Gross profit improved by EUR 2,289 thousand in the first nine months of 2022 to EUR 18,050 thousand compared to EUR 15,761 thousand in the prior-year period. The gross margin decreased to 82% compared to 85% in the prior-year period. This is mainly due to the fact that the Company no longer is consolidating the U.S. revenues and is only reporting the license portion in the income statement.



Research and development costs

Research and development costs increased by 9% to EUR 4,944 thousand in the reporting period compared to EUR 4,516 thousand in the previous year. In addition to clinical trial costs, research and development costs also include regulatory expenses, i.e., the costs of obtaining, maintaining, and expanding our marketing authorizations.

General and administrative costs

General and administrative expenses amounted to EUR 3,670 thousand in the first nine months of 2022 (previous year: EUR 7,557 thousand) and decreased thus by a total of EUR 3,887 thousand compared to the previous year. The previous year's figure included a cost component of EUR 3,575 thousand attributable to the former subsidiary Biofrontera Inc. which left the scope of consolidation.

Sales and marketing costs

Sales and marketing expenses amounted to EUR 4,724 thousand in the first nine months of 2022 and thus decreased by EUR 11,539 thousand compared to the previous year (EUR 16,263 thousand), mainly due to the cost component of EUR 11,884 thousand included in the previous year's figure, which relates to the former subsidiary Biofrontera Inc. Selling expenses include the costs for our own sales force in Germany, Spain, and the United Kingdom, as well as marketing expenses.

EBITDA and EBIT

The Group's EBITDA includes earnings before interest, taxes, depreciation of property, plant and equipment and amortization of intangible assets and improved by EUR 14,688 thousand to EUR 5,008 thousand in the first nine months of the 2022 financial year compared with the same period of the previous year (minus EUR 9,680 thousand), mainly due to the increase of sales as well as the previously described impact of the deconsolidation of Biofrontera Inc. as of December 31, 2021.

These effects also had a corresponding impact on EBIT, which improved year-on-year to EUR 4,437 thousand (prior-year period: minus EUR 12,139 thousand). EBIT includes earnings before interest and taxes.

Other income and expenses

Other expenses and income totaled minus EUR 275 thousand in the reporting period (previous year: EUR 435 thousand) and mainly include expenses and income from currency effects.

Financial result

In addition to the interest result, the financial result totaling minus EUR 45,110 thousand (previous year: minus EUR 2,490 thousand) mainly includes non-cash expenses from the impairment of the investment in Biofrontera Inc. amounting to minus EUR 44,979 thousand (previous year: EUR 0 thousand). The recoverable amount relevant for the impairment was based on the share price of Biofrontera Inc. at the reporting date.

Net interest expense amounts to minus EUR 132 thousand (previous year: minus EUR 2,490 thousand) and mainly includes interest expenses for overdue payments to Biofrontera Inc. in connection with a settlement with DUSA Pharmaceuticals Inc.

Income taxes

This item includes current income taxes of EUR 501 thousand (prior-year period: EUR 43 thousand) and deferred tax expenses of EUR 673 thousand (prior-year period: EUR 0 thousand) from the reduction of tax-deductible loss carryforwards at Biofrontera Pharma GmbH.

Net assets of the Biofrontera Group

The net assets position as of September 30, 2022 is as follows:

in EUR thousands	September 30, 2022	December 31, 2021**
	unaudited	
Non-current assets	17,212	62,322
Current financial assets	5,912	8,171
Other current assets	5,918	6,206
Total assets	29,042	76,699
Equity	16,191	57,997
Non-current liabilities	1,476	1,235
Current financial liabilities	4,242	10,478
Other current liabilities	7,132	6,990
Total equity and liabilities	29,042	76,699

** Figures do NOT include Biofrontera Inc.

Non-current assets

Non-current assets as of September 30, 2022 totaling EUR 17,212 thousand (December 31, 2021: EUR 62,322 thousand) include recognized deferred tax assets on tax loss carryforwards at Biofrontera Pharma GmbH in the amount of EUR 5,074 thousand

(December 31, 2021: EUR 5,747 thousand), property, plant and equipment in the amount of EUR 2,829 thousand (December 31, 2021: EUR 2,281 thousand), and intangible assets (EUR 1,133 thousand; December 31, 2021: EUR 1,139 thousand). This also includes the investment in Biofrontera Inc. accounted for using the equity method in the amount of EUR 8,176 thousand (December 31, 2021: EUR 53,154 thousand). In the reporting period an impairment loss of minus EUR 44,979 was recognized on the investment.

Current financial assets

Current financial assets totaled EUR 5,912 thousand as of September 30, 2022 (December 31, 2021: EUR 8,171 thousand). This includes cash and cash equivalents of EUR 1,177 thousand (December 31, 2021: EUR 6,908 thousand), trade receivables of EUR 944 thousand (December 31, 2021: EUR 793 thousand) and receivables from associates of EUR 3,356 thousand (December 31, 2021: EUR 413 thousand), as well as other current financial assets of EUR 436 thousand (December 31, 2021: EUR 57 thousand).

Other current assets

Other current assets mainly contain inventories. These increased to EUR 5,213 thousand (December 31, 2021: EUR 4,814 thousand). No impairment losses were recognized on inventories in the reporting period (December 31, 2021: EUR 172 thousand).

Equity

The Group reports equity of EUR 16,191 thousand under IFRS (December 31, 2021: EUR 57,997 thousand). The equity ratio decreased to 63% compared to 76% in the previous year.

Non-current liabilities

Non-current liabilities amounted to EUR 1,476 thousand as of September 30, 2022 (December 31, 2021: EUR 1,235 thousand). This includes liabilities from leases of EUR 1,118 thousand (December 31, 2021: EUR 851 thousand), to be recognized in accordance with IFRS 16, under financial liabilities, and liabilities under the SAR program (EUR 358 thousand; December 31, 2021: EUR 384 thousand) reported under other non-current financial liabilities.

Current financial liabilities

Current financial liabilities include mainly trade payables of EUR 1,737 thousand (December 31, 2021: EUR 2,735 thousand) and liabilities to associated companies of EUR 327 thousand (December 31, 2021: EUR 5,279 thousand) as well as current financial liabilities of EUR 2,158 thousand (December 31, 2021: EUR 2,449 thousand).

Current financial debt mainly includes current liabilities from the issue of a bond in the amount of EUR 1,717 thousand and from leases in accordance with IFRS 16 in the amount of EUR 441 thousand (December 31, 2021: EUR 357 thousand).

Other current liabilities

Other current liabilities amounted to EUR 7,132 thousand (December 31, 2021: EUR 6,990 thousand) and include in particular provisions of EUR 1,283 thousand (December 31, 2021: EUR 1,012 thousand) and other accrued liabilities of EUR 5,695 thousand (December 31, 2021: EUR 5,840 thousand).

Financial position of the Biofrontera Group

Cash and cash equivalents

Cash and cash equivalents in the Group amounted to EUR 1,177 thousand as of September 30, 2022 (previous year: EUR 6,908 thousand).

Taking into account the expected results and the current capital measure with expected gross proceeds of EUR 7 million, from today's perspective the Biofrontera Group has sufficient liquidity to fund its operating business. However, due to the current economic turmoil, especially in our procurement markets and the currently existing supply chain problems, additional funding might be required and further capital measures might become necessary.

Outlook

At the time of publication of this interim statement, the Company continues to adhere to the general conditions published in the "Outlook and Forecast" section of the 2021 Annual Report as well as the forecast of the key performance indicators relevant to management for the 2022 financial year. Thus, the Group continues to expect sales of EUR 24 to 27 million in fiscal year 2022. Sales by our own sales teams as well as our licensing partners in the U.S.A. and Europe, and thus business operations, are highly dependent on the further regional recovery from the COVID-19 pandemic and the impact of the Ukraine crisis.

Under the above-mentioned conditions, Biofrontera AG expects positive EBITDA in 2022, provided that the encouraging business performance of the first nine months will continue. If the markets continue to recover, the company also expects to generate further sales increases and positive EBITDA and EBIT in the low single-digit million range from 2023 onwards.

Consolidated interim balance sheet as of September 30, 2022

Assets

in EUR thousands	September 30, 2022 unaudited	December 31, 2021
Non-current assets		
Tangible assets	2,829	2,281
Intangible assets	1,133	1,139
Deferred tax	5,074	5,747
Investments accounted for using the equity method	8,176	53,154
Total non-current assets	17,212	62,322
Current assets		
Financial assets		
Trade receivables	944	793
Receivables from associated companies	3,356	413
Other financial assets	436	57
Cash and cash equivalents	1,177	6,908
Total financial assets	5,912	8,171
Other assets		
Inventories	5,213	4,814
Other assets	705	1,392
Total other assets	5,918	6,206
Total current assets	11,830	14,377
Total assets	29,042	76,699

Equity and liabilities

in EUR thousands	September 30, 2022 unaudited	December 31, 2021
Equity		
Subscribed capital	56,717	56,717
Capital reserve	137,373	137,332
Loss carried forward	(136,052)	(169,909)
Loss for the period	(41,847)	33,857
Total equity	16,191	57,997
Non-current liabilities		
Financial debt	1,118	851
Other financial liabilities	358	384
Total non-current liabilities	1,476	1,235
Current liabilities		
Financial liabilities		
Trade payables	1,737	2,735
Liabilities to associated companies	327	5,279
Current financial debt	2,158	2,449
Other financial liabilities	21	14
Total financial liabilities	4,242	10,478
Other liabilities		
Other provisions	1,283	1,012
Other liabilities	5,849	5,977
Total other liabilities	7,132	6,990
Total current liabilities	11,374	17,467
Total equity and liabilities	29,042	76,699

Consolidated interim statement of comprehensive income for the first nine months of the fiscal years 2022 and 2021

in EUR thousands	9M 2022	9M 2023	Jul 1-Sep 30, 2022	Jul 1-Sep 30, 2021
	unaudited	unaudited	unaudited	unaudited
Sales revenue	21,908	18,473	6,832	5,379
Cost of sales	(3,858)	(2,712)	(1,089)	(699)
Gross profit from sales	18,050	15,761	5,743	4,680
Operating expenses				
Research and development costs	(4,944)	(4,516)	(1,809)	(1,595)
General administrative costs	(3,670)	(7,557)	(1,107)	(2,004)
Sales costs	(4,724)	(16,263)	(1,367)	(6,072)
Result from operations	4,712	(12,574)	1,460	(4,991)
Depreciation and amortization	571	2,459	194	836
Other Expenses	(585)	(203)	(70)	(61)
Other Income	310	638	57	305
EBITDA	5,008	(9,680)	1,641	(3,912)
Depreciation and amortization	(571)	(2,459)	(194)	(836)
EBIT	4,437	(12,139)	1,447	(4,748)
Effective interest expenses	0	(700)	0	(502)
Interest expenses	(132)	(1,802)	(21)	(547)
Interest Income	0	11	0	3
Income from investments accounted for using the equity method	(44,979)	0	(6,038)	0
Profit/loss before income tax	(40,673)	(14,629)	(4,612)	(5,795)
Income tax	(1,174)	(43)	(491)	(6)
Profit/loss for the period	(41,847)	(14,672)	(5,103)	(5,800)
Profit attributable to owners of the Parent Company	(41,847)	(14,672)	(5,103)	(5,800)
Other comprehensive income after income taxes				
Items which may in future be regrouped into the profit and loss statement under certain conditions.				
Translation differences resulting from the conversion of foreign business operations	0	2,219	0	68
Total profit/loss for the period	(41,847)	(12,453)	(5,103)	(5,732)
Basic earnings per share in EUR	(0.74)	(0.26)	(0.09)	(0.10)
Diluted earnings per share in EUR	(0.66)	(0.26)	(0.08)	(0.10)