Biofrontera AG | quarterly financial report as of 31 March 2014

Contents

Financial developments in the first quarter of 2014

- Capital increase of 4,438,292 shares in total successfully placed. The net revenue from the issue amounted to EUR 15.3 million.
- Further sales growth of 20% in Germany.

Most important activities in the first quarter of 2014

- Clinical part of the safety trials required by the FDA completed. Trial reports are currently being compiled.
- Patient recruitment in phase III trial for field therapy of actinic keratosis completed
- Patient recruitment in phase III trial for basal cell carcinoma started
- Preparations for the FDA approval application continued to progress according to schedule.
- Conclusion of a licensing agreement for Israel with Perrigo Israel Agencies LTD.
- Market launch of Belixos® Liquid.

Key indicators

Key consolidated (unaudited) figures for the first quarter of the 2014 financial year in accordance with IFRS

In EUR thousands	3M 2014	3M 2013
Results of operations		
Sales revenue	649.5	634.1
of which sales in Germany	543.8	454.4
Other income/expenses	26.9	113.4
General administrative and operating costs	(1,687.0)	(866.6)
Research and development	(1,140.5)	(581.5)
Operating profit (EBIT)	(2,330.9)	(1,292.9)
Profit/loss before tax	(2,637.8)	(1,559.3)
Profit/loss after tax	(2,640.9)	(1,559.3)
Cash flow statement		
Cash flow from operating activities	(2,448.8)	(2,510.7)
Cash flow from investment activities	15.5	(29.5)
Cash flow from financing activities	13,696.3	7,871.2
Key balance sheet figures		
Total assets	20,619.3	15,107.9
Current liabilities (excluding provisions)	842.1	870.9
Long-term liabilities	10,820.9	11,654.7
Equity (subscribed capital & capital reserve)	98,510.8	83,373.1
Equity ratio	38.66%_	13.11%
Employees as of 31 March	39	35
Biofrontera share	**31 March**	**31 March**
	2014	2013
Outstanding shares	22,196,570	17,753,168
Share price (Xetra closing price)	3.20	4.70
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
Shares outstanding as at 31 March 2014	22,196,570
3-month high (19 February 2014)*	EUR 4.08
3-month low (31 March 2014)*	EUR 3.20
Closing price 31 March 2014*	EUR 3.20
Marked capitalisation as at 31 March 2014	EUR 71.0 million

*(Price data from Xetra)

Key details for warrant bond I*	
Stock exchanges	Düsseldorf
WKN (German securities ID number)	A0Z169
ISIN	DE000A0Z1690
Duration, maturity	8 years, 31 December 2017
Coupon staggered interest	4% (2010), 6% (2011), 8% (2012)
3-month high (17 March2014)	EUR 97.50
3-month low (3 January 2014)	EUR 89.01
Closing price 31 March 2014	EUR 93.01

*(Price data from the Düsseldorf Stock Exchange)

Key details for warrant bond II with warrant*	
Stock exchanges	Düsseldorf
German securities ID number	A1KQ9S
ISIN	DE000A1KQ9Q9
Duration, maturity	5 years, 31 December 2016
Coupon	5%
3-month high (7 March2014)	EUR 96.00
3-month low (7 January 2014)	EUR 91.00
Closing price 31 March 2014	EUR 93.52

*(Price data from the Düsseldorf Stock Exchange)

Consolidated interim management report for the first quarter of the 2014 financial year

Fundamentals of the Group

1 Group structure

This report describes the the business performance of the group (also referred to in the following as "Biofrontera" or the "Biofrontera Group") in the first quarter of the 2014 financial year. The group consists of a parent company, Biofrontera AG, and four wholly owned subsidiaries, Biofrontera Bioscience GmbH, Biofrontera Pharma GmbH, Biofrontera Development GmbH and Biofrontera Neuroscience GmbH. All the companies are based at Hemmelrather Weg 201, 51377 Leverkusen.

The listed public limited company (AG in German) has a holding function in the group of companies and ensures the necessary financing for the group. Biofrontera Bioscience GmbH assumes responsibility for research and development tasks for the group and is the holder of patents and the approval for Ameluz®. Based on a licence agreement with Biofrontera Bioscience GmbH, Biofrontera Pharma GmbH is responsible for the manufacturing and also the further licensing and marketing of the Biofrontera Group's approved products.

Biofrontera Development GmbH and Biofrontera Neuroscience GmbH were established as additional 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 development. To this end, the two projects BF-derm1 and BF-1 were purchased from Biofrontera Bioscience GmbH by Biofrontera AG, with purchase and transfer agreements dated 31 December 2012, and then transferred to the two new subsidiaries as part of a partner's investment, with the contribution agreement being effective from 31 December 2012. The product BF-derm1, which is intended for the treatment of severe chronic urticaria, is now the responsibility of Biofrontera Development GmbH, while the product BF-1, which is intended for the prophylactic treatment of migraines, is the responsibility of Biofrontera Neuroscience GmbH. This outsourcing of development candidates has created a structure through which the financing of the further development of these two products can be uncoupled from the normal group financing.

2. Group 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 the further expansion of business in Germany, the main priorities are to increase the range of indications for existing products and to expand international sales activities. In order to market the company's products outside Germany, agreements are concluded with suitable partners in the countries concerned.

Biofrontera was the first small German company to receive a centralised European drug approval for a completely independently developed drug, Ameluz®. In the months prior to the market launch of Ameluz®, the company's own sales division was gradually developed, and since its launch in February 2012, Biofrontera has been selling Ameluz® to dermatologists in Germany through its own field sales team. The drug is distributed in other European countries and in Israel by licensing partners.

Biofrontera, which was initially focused exclusively on research, has thus been successfully transformed into a specialist dermatological pharmaceutical company with a level of internal research and development expertise that is unusually high in the industry. The group's strategy is now focusing on the further expansion of the business in Germany and in other European countries. To this end, Biofrontera is looking for distribution partners in other European countries, e.g. France or Italy. The approval application for Ameluz® in the US is currently being prepared. After the conclusion of the clinical trials and the completion of the approval package, Biofrontera is planning to submit the approval application ideally in the first quarter of 2015. Once the approval has been issued, which is expected approximately 12 months after submission of the application, Biofrontera will have access to the largest healthcare market in the world.

3. Products

Ameluz® and BF-RhodoLED®

Ameluz® 78 mg/g gel ("for those who love light," development name BF-200 ALA) received a first centralised European approval for the treatment of mild and moderate actinic keratoses on the face and scalp in December 2011. Actinic keratoses are superficial forms of skin cancer, and there is a risk that they can spread to deeper layers of skin. The combination of Ameluz® with light treatment is an innovative approach that constitutes a form of photodynamic therapy (PDT). The product information approved by the European Medicines Agency (EMA) explicitly mentions the significant superiority of Ameluz ® compared to direct competitors regarding the removal of all of a patient's keratoses. During the treatment, the active substance 5-aminolevulinic acid (ALA) penetrates into the affected cells, assisted by an innovative nano-emulsion, where it is first converted into a second substance, particularly in tumour cells. This second substance, protoporphyrin IX, serves as a photo-sensitiser that can be stimulated by a 10 to 15-minute exposure to high-intensity red light. The molecule stimulated in this way causes the formation of cytotoxic amounts of highly reactive oxygen, which induces tumour cell death via oxidation processes. In the phase III trials required for approval, Ameluz® demonstrated excellent healing rates and a clear superiority over the approved comparator preparation tested at the same time. In the first phase III trial, which involved the drug being combined with an LED lamp, all keratoses were completely removed for more than 96% of patients treated with Ameluz®. When counting individual keratosis lesions, no fewer than 99% were completely eradicated. In the second phase III trial relevant to approval, the effectiveness of Ameluz® was tested in comparison with an already approved standard medication. The results of the trial provided evidence that Ameluz® was clearly superior to the competitor drug available in Europe. Based on the average for all lamps used in the treatment, Ameluz® resulted in complete healing of actinic keratoses 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.

In addition to the excellent efficacy of PDT, it is also worth mentioning the cosmetic results achieved with the large-scale application of this medication. In this case, not only do the visible keratoses disappear: the healthy skin also looks better after the treatment. This is because PDT stimulates collagen synthesis in the dermis, which makes the skin appear younger and fresher.

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

Ameluz® is marketed by Desitin Arzneimittel GmbH in Denmark, Sweden and Norway, by BiPharma N.V.in Benelux, by Pelpharma Handels GmbH in Austria, by Spirit Healthcare Limited in England, and by Allergan Pharmaceuticals in Spain.

For the two remaining large EU countries, Italy and France, Biofrontera has so far been unable to conclude contracts with satisfactory distribution partners under commercially acceptable conditions, a fact which is primarily attributable to the difficult conditions in their respective local health systems.

Within the reporting period, a licensing agreement was concluded with Perrigo Israel Agencies LTD, which means that, for the first time, a licensing partner is selling Ameluz® in a country not covered by the central European drug approval. With Biofrontera's support, Perrigo will apply for its own approval in Israel.

Actinic keratosis is classified as a tumour that requires treatment, and the international treatment directives list photodynamic therapy as the gold standard for the removal of actinic keratosis, particularly for patients with large areas of keratoses. The latest statistics show that actinic keratosis is becoming a widespread disease, that 8 million people are affected in Germany alone, and that there is a marked upward trend in cases. Subclinical and mild actinic keratosis can develop into life-threatening spine cell carcinomas, and this happens to the relevant lesions within two years on average. The fact that doctors are taking actinic keratosis more and more seriously is illustrated by the fact that actinic keratosis has been recognised as an occupational illness since summer 2013. Since then, occupational insurance associations have been obligated to cover the treatment costs of patients who have primarily worked outdoors for a long period and who fulfil certain criteria, for the duration of these patients' lives.

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 consistently high level. Because Ameluz® is the market leader in the PDT proprietary medicinal product market, with over 65% of the market, an increase in sales can and must result from taking market share from the above-mentioned sectors.

Through an intensive programme of education concerning the manufacturing and liability risks associated with the use of extemporaneous products, Biofrontera intends to break into the extemporaneous product market. Using an awareness plan to provide further training to doctors, physicians 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 keratoses, will encourage dermatologists to focus on this treatment option in the future. This will be helped by the expansion of the range of indications to include basal cell carcinoma, which the company is currently striving to achieve, as most PDT treatments are for this indication, particularly in England and Spain.

Biofrontera has begun the implementation of a phase III trial in order to have the European approval extended to include the indication basal cell carcinoma (BCC). BCCs are the most common invasive tumours to affect

humans and account for approximately 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. In the clinical trial, Biofrontera will compare Ameluz® with the competitor 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 phase of this study is to be completed towards the end of 2014, and the recruitment of patients began in early February 2014 in Germany. Recruitment in UK can only start in May 2014 due to a longer approval process for clinical trials.

In parallel to this, Biofrontera has initiated an additional phase III trial in which actinic keratoses covering entire areas, e.g. on the forehead, the bald pate, the cheeks etc., will be treated. In this trial, Ameluz® is combined with Biofrontera's PDT lamp, BF-RhodoLED®. This trial is intended to supplement the existing phase III trials, which were carried out with a range of different PDT lamps, with data from Biofrontera's own lamp. By treating entire areas, the intention is to obtain additional safety data and data related to the skin rejuvenation effect of PDT, in order to facilitate a better analysis of the long-term effects of the treatment and to provide proof of its excellent cosmetic results. The recruitment of patients for this trial was completed in early February 2014. Since patients are in the clinical phase of the study for a maximum of six months, the last patient will leave the trial by early August at the latest. The results of the study are therefore expected for September/October.

The clinical parts of the two phase I trials required by the FDA, the American approval authority, have already been concluded, and the trial reports are currently being completed. The two clinical trials were initiated with a total of approximately 240 patients or subjects in order to obtain the safety data required for registration in the USA and add it to the European approval package for Ameluz®. Specifically, one of the trials is a sensitisation study, which determines the potential of Ameluz® to trigger allergies, and the other is a maximal use trial, which tests the absorption in the blood of the active ingredient in Ameluz®, aminolevulinic acid, in cases of treatment with the maximum quantity, i.e. the application of a complete tube to the defective skin.

BF-RhodoLED®

BF-RhodoLED® is a lamp designed for photodynamic therapy (PDT), and features LEDs emitting red light at a wavelength of approx. 635 nm. Light at this wavelength is ideally suited for PDT illumination with drugs containing ALA or methyl ALA. It is red but is still outside the warming infrared range. The BF-RhodoLED® lamp combines a controlled and consistent emission of light at the required wavelength with simplicity, user-friendliness and energy efficiency. The modulation of light energy and fan power during PDT treatment also makes it possible to adapt to and thereby ameliorate possible 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.

Belixos®

The Belixos® range consists of a combination of active ingredients extracted from plants in a biocolloid formulation developed especially for this range of products. In October 2009, Belixos® cream was the first product to be launched in this range - it was initially available only from an online shop, but was later also sold in pharmacies.

Belixos® contains valuable ingredients extracted in a complex and very gentle process from the plant *Mahonia aquifolium*, a medicinal plant that has been used for centuries 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® provides a balanced combination of active substances allowing a particularly rapid and also very even dispersion into the epidermis.

The sound 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 regenerative effects should reduce the need for medical treatment and its side effects in people who suffer from itchiness or chronic ailments, such as atopic dermatitis or psoriasis.

Following the approval of Ameluz®, the resources of the sales force and of the marketing department have been focused exclusively on the marketing of Ameluz®. Thanks to convinced Belixos users, sales of the drug have remained at a consistent but low level, but an increase in marketing activity was delayed until late 2013 for financial reasons.

The Belixos® range is now gradually being expanded, accompanied by a realignment of the marketing efforts. The first of the new products, a scalp tonic called Belixos® Liquid, was launched at the beginning of 2014, and additional products are to follow in the course of this year. A variety of measures are also intended to make increasing use of the opportunities offered by new media channels for promotional purposes. For example, Belixos® is now also being promoted on its own Facebook page, and the online shop has been reworked and modernised.

4. Sales and marketing

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 launched in Germany on 1 February 2012. Dermatologists have been briefed about the properties of Ameluz® and trained to perform photodynamic therapy. The new medication is available in Germany with a pharmacy sale price of just under EUR 200 per 2g tube. Distribution to public pharmacies takes place via pharmaceutical wholesalers, and hospital pharmacies are supplied directly. In addition to regular sales force visits to dermatologists, Biofrontera has presented Ameluz® at all the major dermatological conferences in Germany since it was launched. The response from dermatologists has been extraordinarily positive. A comparison of 2012 and 2013 shows that Biofrontera has achieved a significant increase in sales of more than 38% in Germany. And it was again possible to increase sales in Germany in the first quarter of 2014, by a further 20% when compared with the figures from the first quarter of 2013. The company's various sales and marketing endeavours have definitely made a crucial contribution to this increase. As well as continuously targeting dermatologists, the company also started to in-

form patients of the benefits of photodynamic therapy, within the strict legal limitations in this area. For example, an educational video on the subject has been posted on YouTube. If you are interested, you can view this video in German at http://www.youtube.com/watch?v=aK4a3R5kqMA or in English at http://www.youtube.com/watch?v=2xEO8DWCO8o.

Within a few months, Ameluz® became a market leader in Germany in terms of sales by pharmaceutical wholesalers to public pharmacies, overtaking the previous gold standard, Metvix®. The market share of tube-based Ameluz® in Germany is now between 65% and 70%, with the remaining 30-plus % being held by the competitors, Metvix® and Alacare®. In spite of this, Ameluz® still only has a small share of the actinic keratosis market as a whole, because, according to Biofrontera's own estimate, only approximately 5% of patients are treated with proprietary medicinal products for photodynamic therapy (PDT). PDT achieves the highest cure rates by a large margin. However, the complexity of the treatment and the time required by medical practices to administer it have so far prevented better market penetration. Biofrontera's sales and marketing activities are intended to further increase the use of PDT and thus expand the market. Particularly important for this is the approval for basal cell carcinoma, since hospitals remuneration is better for treatment of this infiltrating tumour than for that of superficial tumours. Basal cell carcinomas are the most frequent infiltrating tumours in human. Just in the US there are 2.8 million treatments every year and similar numbers are seen in Europe. This number increases constantly since basal cell carcinoma is also induced by life-long UV-exposure.

Biofrontera has formed partnerships with other pharmaceutical companies to enable distribution in several other European countries. As a result, 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 down-payment, or only a modest down-payment, and the regional partners purchase Ameluz® from Biofrontera at a price that is coupled to their own sales price. Biofrontera's share of the sale price varies significantly depending on the market conditions in a country and lies between 35% and 65% of net sales. In Great Britain, Biofrontera's share stands at 80%, but in return the company itself makes a contribution to the sales and marketing costs, with the result that it has recorded 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 Great Britain. In Israel, Ameluz® is to be sold and distributed by Perrigo Israel Agencies LTD. Because Israel is not covered by the central European drug approval, however, Perrigo must first apply for its own approval there. Sales outside Germany is lagging behind due to higher hurdles for market launch, caused by in some countries year-long price and reimbursement negotiations and by a larger share of PDT treatments of basal cell carcinoma, for which Ameluz® is not yet approved.

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. As well as being marketed through pharmacies, Belixos® can also be purchased from an online store operated by Biofrontera. In order to support marketing endeavours, a promotional campaign has been started using new media channels: Belixos has its own Facebook page with discussions on the product, and competitions have been set up. In the long term, the Belixos® range should develop into a trade name oriented core business area that is not affected by uncertainties, risks and time limits associated with business activities involving innovative, patent-protected pharmaceuticals, which are very strictly regulated by state healthcare systems. 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 source of revenue for the company in the long run. Marketing activities for Belixos® has been expanded since the beginning of 2014. In addition to having its own Facebook page, Belixos is now being promoted in a video posted on YouTube (http://www.youtube.com/watch?v=WIJoZMZj_oc). The product range is also being expanded. A scalp tonic, Belixos® Liquid, was launched on the market in February 2014. A Belixos® gel and Belixos® Protect, a day cream with protective anti-aging properties specially for photodamaged skin for permanent application, are to follow in the course of the year.

5. Research and development

Ameluz®

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

At the present time, the two trials described above, for the inclusion of basal cell carcinoma in the range of indications and for field therapy of actinic keratosis, are in progress.

In addition, Biofrontera has begun intensive preparatory work on the application for approval of Ameluz® in the USA. Following initial exploratory talks with the FDA in July 2012, the next steps in the process have been defined and the time frame along with the costs associated with the approval have been estimated. The clinical parts of the trials required by the FDA regarding sensitisation and pharmacokinetics have already been completed, and the trial reports are currently being compiled. A Pre-NDA meeting (NDA = New Drug Application) with the American health authority, the FDA, is scheduled for Summer 2014. In this meeting, the intention is to clarify and resolve all the significant issues relating to the submission of the approval application.

Total costs for the four clinical trials will amount to approximately EUR 6 million. In addition, it is expected that considerable costs will be incurred during the approval process in the US.

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 IIa study has already been completed that has demonstrated the product's efficacy and also its 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 reasons of capacity, however.

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 studies 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 has been synthesised, in accordance with the Good Manufacturing Practice (GMP) quality standards.

Patent and trademark developments since the end of 2013

Three new European Community trademarks were applied for in October 2013. These are a word mark "Gefühlt mir" ("Like the feeling") and the figurative mark "Natural Heritage with Herbal Biocolloids" in two different designs.

The marks were published in the European Community Trade Marks Bulletin no. 2014/049 on 13 March 2014 after the deadline for opposition expired. The trademarks have thus been legally registered and can be enforced against third parties.

ALA

Further official communications for the European and the Japanese parts of the "Nanoemulsion" PCT application (PCT/EP2007/011404) were received in the first quarter of 2014 and were answered within the deadlines that had been set.

Migraines

A new PCT application (PCT/EP2014/051863) was submitted to the European Patent Office as the receiving office in January 2014 claiming priority for WO patent application no. PCT/EP2013/052060 of 1 February 2013.

All states that were contracting states at the time of the PCT application were named in this subsequent application.

Economic report

For the first quarter of the 2014 financial year for the Biofrontera group:

- **20% increase in sales in Germany**
- **Low quarterly sales in the rest of Europe, as Ameluz will be produced in the second quarter**
- **EBIT: EUR -2.3 million (first quarter previous year: EUR -1.3 million)**
- **Consolidated profit/loss before tax: EUR -2.6 million (first quarter previous year: EUR -1.6 million)**
- **Undiluted earnings per share amounted to EUR -0.13 (first quarter previous year: EUR -0.09)**

Achievement of objectives as at 31 March 2014

Sales of Ameluz®: Sales increased by approximately 20% in Germany. That is less than the increase expected for the whole year in German sales of approximately 30%. The forecast is being maintained, however, as the sales relevant for the planning from the wholesale trade to pharmacists nevertheless increased by 38%. The difference is a result of postponements in the wholesale sector arising from the varying stockkeeping levels. Only low sales were recorded in the rest of Europe, as our distribution partners are having to order ever greater production volumes with labelling in their respective national languages. Although the orders are in place, production will only follow in the second quarter, which is when the deliveries can therefore be booked.

Belixos®: the Belixos® Liquid scalp tonic has been available at pharmacists and in Biofrontera's online shop since February. Advertising on Facebook is being carried out at the same time in order to boost sales. Although sales of the Belixos® range are visibly increasing following the start of the online advertising and are even exceeding the internal planning figures, they are so far of little relevance for the overall sales.

Preparation of the approval application for Ameluz® in the US: Three clinical trials have been commenced in preparation for the submission of the approval application file to the FDA (Food and Drug Administration). The clinical part of two of the safety trials required by the FDA were completed at the end of last year and the trial reports are expected shortly. The last patient was included in the phase III trial for field treatment of actinic keratosis using the combination of Ameluz® with the PDT lamp BF-RhodoLED® at the beginning of February, and the clinical part will now be concluded no later than six months after that time. As a result of the reformatting of the clinical data required on account of FDA rules after the data became available and also of the joint evaluation of all clinical results, it is expected to take somewhat longer than originally planned before the file is submitted. This is now envisaged for March 2015. The approval is expected to be issued about one year later.

Sales and licensing agreements: Biofrontera concluded a licensing agreement with Perrigo Israel Agencies LTD for the approval application and the sale of Ameluz® in Israel in January 2014. Because of Israel's relatively small population, a not very sizeable down payment was agreed here, which will be paid in several instalments. Biofrontera will subsequently receive a transfer price for Ameluz® in the amount that is also obtained in Europe.

Financial position, cash flows and results of operations of the Biofrontera Group

Biofrontera Group profit/loss account (summary)

	31 March 2013 in EUR thousands unaudited	31 March 2014 in EUR thousands unaudited	Change in %
Sales revenue	634	650	2.4
Cost of sales	592	180	(69.6)
Research and development costs	581	1,140	96.1
General administrative costs	867	1,687	94.7
Other operating income and expenses	113	27	(76.3)
EBIT*	(1,293)	(2,331)	80.3
Financial result	(266)	(307)	15.2
Profit/loss before income tax	(1,559)	(2,638)	69.2
Income tax	0	3	100.0
Profit/loss after tax	(1,559)	(2,641)	69.4
of which attributable to other shareholders	0	0	

Sales

The Biofrontera Group recorded sales in the first quarter of the 2014 financial year of EUR 650,000 (first quarter of 2013: EUR 634,000), corresponding to an increase of 2%. These figures resulted from the sales of our products in Germany to a value of EUR 544,000 (first quarter of previous year: EUR 454,000) as well as international sales of EUR 66,000 (first quarter of previous year: EUR 180,000) and down payments worth EUR 40,000 (first quarter of previous year: 0).

Cost of sales

The cost of sales experienced a considerable reduction of 70% from EUR 592,000 to EUR 180,000, resulting in an improvement in the gross profit from sales from EUR 42,000 in the first quarter of 2013 to EUR 470,000 in the first quarter of 2014. This was primarily due to the expenses incurred in 2013 for the qualification of new production methods and producers, which was carried out on the basis of requirements of the EMA. In addition, in the first quarter of 2013 the cost of sales incurred was significantly higher with respect to lamp production as part of the launch of Ameluz® by the European distribution partners and the related initial equipping with the BF-RhodoLED®.

Research and development costs, distribution and administration costs

The research and development costs, which amounted to EUR 581,000 in the first quarter of the 2013 financial year, rose by 96.1% to EUR 1,140,000 in the first quarter of the 2014 financial year. This significant increase is in line with Biofrontera's strategy, which provides for investments in research and development for extending the range of indications (basal cell carcinoma and broad area therapy) and the approval application for Ameluz® in the US. Primarily because of the international market launches of Ameluz®, the distribution and administration costs increased as planned by EUR 820,000 compared with the previous year to EUR 1,687,000.

Financial result

The interest expenses included in the financial result, which amount to EUR 318,000, are almost entirely the result of the interest payments for the two warrant bonds and the compounding of interest on them using the effective interest method. The payment of interest on Warrant Bond II for the 2013 calendar year was made in January 2014, and the payment of interest on Warrant Bond I for 2013 was made in December 2013.

Share capital

On 31 March 2014, the fully paid-up share capital of the parent company, Biofrontera AG, amounted to EUR 22,196,570.00. It was divided into 22,196,570 registered shares, each with a nominal value of EUR 1.00.

On 31 December 2013, the share capital amounted to EUR 17,753,168.00, and it was increased in the course of the first quarter of the 2014 financial year by EUR 4,443,402.00, divided into 4,443,402 registered shares (see the "Corporate actions" section). The Biofrontera AG shares were listed on the regulated market of the Düsseldorf Stock Exchange in 2006. Likewise, approval was granted for trading on the regulated market of the Frankfurt Stock Exchange in August 2012. The company's shares are also traded on the computer trading system Xetra and all other German stock exchanges.

The shares held by the shareholders as at 31 March 2014, based on the most recent compulsory disclosures of the shareholders, are valued as follows:

	31 March 2014 EUR
Maruho Deutschland GmbH, Düsseldorf The total share of voting rights is assigned to Maruho Co., Ltd., Osaka, Japan in accordance with section 22(1) sentence 1 no. 1 of the Wertpapierhandelsgesetz (WpHG - German Securities Trading Act) by the company Maruho Deutschland GmbH, Düsseldorf, Germany, which it controls.	4,467,143
MM Familien KG, Hanover, Germany MM Familien KG has a direct holding amounting to 200,497 voting rights, and 2,018,680 voting rights are directly assigned to it pursuant to section 22(1) sentence 1, no. 1 WpHG by Alternative Strategic Investments GmbH, Hanover. All of the above voting rights are moreover assigned to Dr Cartsen Maschmeyer pursuant to section 22(1) sentence 1 no. 1 WpHG by the company MM Familien KG that he controls and Strategic Alternative Investment GmbH.	2,282,177
Professor Ulrich Abshagen, Germany Professor Abshagen has a direct holding of 52,293 voting rights, and he is indirectly assigned 976,056 voting rights, pursuant to § 22, paragraph 1, sentence 1, no. 1 WpHG (German Securities Trading Act), by Heidelberg Innovation BioScience Venture II GmbH & Co.KG (in liquidation) via Heidelberg Innovation Asset Management GmbH & Co. KG, of which he is one the managing partners.	1,028,349
Universal-Investment-Gesellschaft mbH, Frankfurt	981,438
Professor Hermann Lübbert, Leverkusen	685,512
Free float	12,751,951
	22,196,570

Cash flows:

The company's capital management body regularly reviews the equity ratio of the group and of the group subsidiaries. The management's aim is to keep the appropriate equity base in line with capital market expectations and to maintain creditworthiness in relation to domestic and international business partners. The Management Board of the company ensures that all group companies have sufficient capital at their disposal in the form of equity and debt capital. Another round of financing took place in February 2014.

For more details of the development of the company's equity capital, see the equity reconciliation statement. The company carried out a capital market transaction during the period under review in order to secure financing for development costs.

The cash flow to the operating activities improved in comparison with the first quarter of the previous year from EUR -2,511,000 to EUR -2,449,000.

Because of several disposals of the PDT lamps held in the company's own fixed assets, cash flow from the investment activity increased by EUR 45,000 from EUR -30,000 to EUR 15,000.

In the first quarters of both 2013 and 2014, capital increases were implemented in order to provide further financing for the company. The cash flow from financing activities rose, essentially on account of higher net proceeds from capital increases, from EUR 7,871,000 to EUR 13,696,000.

For more details of the consolidated cash flow statement, see Annexe 4.

The company was able to meet its payment obligations at all times, but it may also be dependent on further financing measures in future.

According to IFRS, the group has positive equity amounting to EUR 7,971,000. As at 31 March 2014, Biofrontera AG had positive equity amounting to EUR 65,926,000.

Personnel details

Staff

On 31 March 2014, 39 (31 December 2013: 38) employees worked for the Biofrontera Group. Of these, 13 were employed at Biofrontera AG (31 December 2013: 13), 4 at Biofrontera Bioscience GmbH (31 December 2013: 4) and 22 at Biofrontera Pharma GmbH (31 December 2013: 21). No staff are employed at Biofrontera Development GmbH or Biofrontera Neuroscience GmbH.

Key developments

Corporate actions

A capital increase was implemented in the period under review. In a pre-emptive rights offering, all shareholders were given the opportunity to subscribe for new shares, with the possibility of an additional subscription. 4,438,292 new shares were issued in this process, and the increase was registered in the commercial register on 6 February 2014. The net revenue from the issue amounted to EUR 15.3 million. On the basis of subscription shares issued from the exercise of warrants from the 2011/2016 warrant bond further new shares were issued with a nominal value of EUR 5,110 Euro and registered in the commercial register on 13 March 2014.

Supplementary report

Events of special significance since 31 March 2014

No significant events occurred after the interim balance sheet date.

Risk and forecast report

Risk report

The consolidated interim financial statements have been drawn up on the assumption that the company will continue its business activity.

In addition to general risks, such as market developments and the competitive situation, the company is also subject to specific risks associated with the pharmaceutical and biotechnology sectors.

It is possible that the product Ameluz® will not prevail among the treatment options available for actinic keratosis. Despite the better effectiveness of Ameluz®, doctors may revert to other products more often than expected because of the higher treatment costs associated with PDT, for which they frequently do not obtain any or sufficient remuneration from the healthcare systems.

There is no guarantee that the extensions currently pursued by the company of the approval of Ameluz® to basal cell carcinoma, broad area therapy or the US market will be obtained in the time frames sought by the company or even at all. A lack of success in the extension of the approval may have a significant adverse impact on the company's market opportunities and its stock market value.

There is no guarantee that a product will be launched on the market at the end of a project's development period – which is 6 to 10 years on average. A lack of success in the various stages of development may lead to additional costs, project delays or may even halt the project development completely. Invested funds may not be recovered or may only be partly recovered from the achieved turnover.

The company seeks to partially offset these risks by choosing projects with relatively attractive risk profiles, by setting up a project control and reporting system and by relying on the Supervisory Board members' outstanding professional experience. The project control and reporting system monitors in detail the entire development process through to final approval and enables the analysis of the influence of small changes or delays, for instance during clinical trials, on the development and the costs associated herewith. In this way, the development risk of individual projects can be monitored closely, and any necessary steps can be taken to minimize the development risks. A diversified project portfolio offsets the risks associated with individual projects.

As a result of the present loss-making situation and the uncertainty concerning the future business structure, the continued existence of the company could largely depend on the allocation of further cash and cash equivalents by the shareholders or other investors.

To this end, investor acceptance for this industry and the associated risks as well as the balance-sheet anomalies and fiscal framework conditions are of great importance. The company cannot influence such circumstances, although they are of crucial importance for the company as long as it is in the development phase and reliant on the allocation of the necessary equity from the financial markets.

A supplier with whom the business relationship has been ended is asserting claims against Biofrontera AG, primarily for compensation of damages that convert to approximately EUR 600,000. Court proceedings are not currently pending. It is the opinion of the Management Board that the claims of the supplier are unjustified and without foundation; the risks from the claims that have been asserted are judged to be low. No provisions have therefore been created.

The risks existing in the group are described in detail in the risk report included in the published group management report of 31 December 2013. No other significant changes in the risks described there have occurred as at the key date of 31 March 2014.

Risk management system

Biofrontera's management counters the risks existing in the group using a comprehensive risk management system. For a description of this system, please refer to the group management report most recently published.

Forecast of key tax figures

For the 2014 financial year, Biofrontera continues to expect to generate sales of EUR 5 to 6 million, though this is still subject to significant planning uncertainties relating primarily to the speed of market penetration in the rest of Europe. Further progress in sales also depends on whether Biofrontera can successfully conclude licensing agreements with distribution partners in other countries. The conclusion of contracts with a US distributor and the associated down payments have not yet been taken into account in the planning for 2014.

The company will continue to intensify its sales efforts in the remaining months of the 2014 financial year in order to achieve the targets that have been set.

Leverkusen, 19 May 2014

Biofrontera AG

Professor Hermann Lübbert | Thomas Schaffer

Consolidated balance sheet as at 31 March 2014

Assets

in EUR	31 March 2014 unaudited	31 Dec 2013
Non-current assets		
Tangible assets	415,402.52	467,323.63
Intangible assets	3,042,210.62	3,202,208.62
	3,457,613.14	**3,669,532.25**
Current assets		
Current financial assets		
Trade receivables	319,514.73	578,410.60
Other financial assets	943,801.18	767,224.80
Cash and cash equivalents	14,196,550.95	2,933,578.47
	15,459,866.86	**4,279,213.87**
Other current assets		
Inventories		
Raw materials and supplies	805,629.44	819,912.99
Work in progress	141,723.44	141,723.44
Finished products and merchandise	607,968.41	623,559.71
Income tax reimbursement claims	20,440.16	22,280.71
Other assets	126,035.64	80,908.61
	1,701,797.09	**1,688,385.46**
	17,161,663.95	**5,967,599.33**
Total assets	**20,619,277.09**	**9,637,131.58**

Liabilities

in EUR	31 March 2014 unaudited	31 Dec 2013
Equity		
Subscribed capital	22,196,570.00	17,753,168.00
Capital reserve	76,314,276.86	65,598,778.57
Loss carried forward	(87,899,306.51)	(79,832,687.98)
Net loss for the year	(2,640,868.25)	(8,066,618.53)
	7,970,672.10	**(4,547,359.94)**
Long-term liabilities		
Long-term financial liabilities	10,820,892.43	12,030,950.38
Current liabilities		
Current financial liabilities		
Trade payables	526,572.23	713,098.17
Short-term financial debt	207,543.57	435,750.00
Other financial liabilities	23,891.13	22,608.18
	758,006.93	**1,171,456.35**
Other current liabilities		
Income tax provisions	0.00	11,863.00
Other provisions	985,658.12	879,226.67
Other current liabilities	84,047.51	90,995.12
	1,069,705.63	**982,084.79**
	1,827,712.56	2,153,541.14
Total liabilities	**20,619,277.09**	**9,637,131.58**

Consolidated statement of comprehensive income for the first quarter of 2014

in EUR	01.01.-31.03.2014 unaudited	01.01.-31.03.2013 unaudited
Sales revenue	649,530.32	634,059.92
Cost of sales	(179,841.33)	(592,282.68)
Gross profit from sales	469,688.99	41,777.24
Operating expenses:		
Research and development costs	(1,140,462.18)	(581,474.72)
General administrative costs	(1,686,963.32)	(866,571.58)
	(2,827,425.50)	**(1,448,046.30)**
Loss from operations	(2,357,736.51)	(1,406,269.06)
Other income (expenses):		
Financial result	(306,937.35)	(266,409.03)
Other income (expenses), net	26,867.60	113,364.03
	(280,069.75)	**(153,045.00)**
Profit/loss before income tax	(2,637,806.26)	(1,559,314.06)
Income tax	3,062.00	0.00
Profit or loss for the period	**(2,640,868.25)**	**(1,559,314.06)**
Expenses and income not included in profit/loss		
Subsequent valuation of financial assets available for sale	0.00	0.00
ther expenses and income not included in profit/loss	0.00	0.00
Total result for the period	**(2,640,868.25)**	**(1,559,314.06)**
Undiluted (= diluted) earnings per share	(0.13)	(0.09)

Consolidated cash flow statement for the first quarter of 2014

	01.01.-31.03.2014 unaudited	01.01.-31.03.2013 unaudited
	EUR	EUR
Cash flows from operations		
Net loss for the year	(2,640,868.25)	(1,559,314.06)
Adjustments to reconcile the net loss with the cash flow into operations:		
Financial result	306,937.35	266,409.03
Depreciation	195,440.50	178,719.00
(Gains) / losses on the disposal of assets	2,632.00	0.00
Non-cash items of the financial result	(284,260.81)	(250,366.11)
Changes in operating assets and liabilities:		
Trade receivables	258,895.87	(90,284.37)
Other assets and income tax assets	(219,862.86)	(246,192.20)
Inventories	29,874.85	(551,121.72)
Trade payables	(186,525.94)	(186,620.59)
Provisions	94,568.45	(64,079.30)
Other liabilities	(5,664.66)	(7,806.22)
Net cash flow into operations:	**(2,448,833.50)**	**(2,510,656.54)**
Cash flows from investment activities:		
Purchase of intangible and tangible assets	(16,834.95)	(32,550.38)
Interest received	1,635.46	3,033.33
Revenue from the sale of intangible and tangible assets	30,681.56	0.00
Net cash flow from (into) investment activities	**15,482.07**	**(29,517.05)**
Cash flows from financing activities:		
Proceeds from the issue of shares	15,134,588.29	7,615,363.75
Interest paid	(454,416.67)	(435,750.00)
Increase / (decrease) in long-term financial debt	(1,210,057.95)	484,082.43
Increase / (decrease) in short-term financial debt	226,210.24	207,543.57
Net cash flow from financing activities	**13,696,323.91**	**7,871,239.75**
Net increase (decrease) in cash and cash equivalents	**11,262,972.48**	**5,331,066.16**
Cash and cash equivalents at beginning of period	**2,933,578.47**	**3,366,232.58**
Cash and cash equivalents at end of period	**14,196,550.95**	**8,697,298.74**
Composition of cash and cash equivalents at end of period:		
Cash and bank balances	**14,196,550.95**	**8,697,298.74**

Consolidated statement of changes in equity for the first quarter of 2014 (unaudited)

	Ordinary shares Number	Subscribed capital EUR	Capital reserve EUR	Accumulated loss EUR	Total EUR
Account balance 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	5,943,876.25	0.00	7,553,876.25
Cost of capital procurement	0	0.00	-469.25	0.00	-469,25
Changes in the capital reserve associated with the sale of own Warrant Bonds I and II	0	0.00	81,551.00	0.00	81,551.00
Changes in the capital reserve resulting from transaction costs in connection with the sale of own Warrant Bonds I and II	0	0.00	-518.00	0.00	-518.00
Net loss	0	0.00	0.00	-1,559,314.06	-1,559,314.06
Account balance at 31 March 2013	**17,753,168**	**17,753,168.00**	**65,619,946.32**	**-81,392,002.04**	**1,981,112.28**
Capital increase[1)]	0	0.00	69,299.75	0.00	69,299.75
Cost of capital procurement	0	0.00	-90,467.50	0.00	-90,467.50
Changes in the capital reserve associated with the sale of own Warrant Bonds I and II	0	0.00	0.00	0.00	0.00
Changes in the capital reserve resulting from transaction costs in connection with the sale / repurchase of own Warrant Bonds I and II	0	0.00	0.00	0.00	0.00
Net loss for the year	0	0.00	0.00	-6,507,304.47	-6,507,304.47
Account balance at 31 December 2013	**17,753,168**	**17,753,168.00**	**65,598,778.57**	**-87,899,306.51**	**-4,547,359.94**
Capital increase[1)]	4,443,402	4,443,402.00	11,130,262.00	0.00	15,573,664.00
Cost of capital procurement	0	0.00	-215,725.71	0.00	-215,725.71
Changes in the capital reserve associated with the repurchase of own Warrant Bonds I	0	0.00	-198,939.00	0.00	-198,939.00
Changes in the capital reserve resulting from transaction costs in connection with the repurchase of own Warrant Bonds I	0	0.00	-99.00	0.00	-99.00
Net loss for the year	0	0.00	0.00	-2,640,868.25	-2,640,868.25
Account balance at 31 March 2014	**22,196,570**	**22,196,570.00**	**76,314,276.86**	**-90,540,174.76**	**7,970,672.10**

[1] including increases in the capital reserve as a result of the 2010 stock option programme. In the first quarter of 2014 by EUR 24,312.00 and in the first quarter of 2013 by EUR 19,076.25.

Selected notes on the consolidated interim financial statements at 31 March 2014

1 Information about the company

Biofrontera AG (www.biofrontera.com), with its head office at Hemmelrather Weg 201, 51377 Leverkusen, Germany, registered in the Commercial Register of Cologne District Court, Department B under no. 49717, and its wholly-owned subsidiaries Biofrontera Bioscience GmbH, Biofrontera Pharma GmbH, Biofrontera Development GmbH and Biofrontera Neuroscience GmbH, research, develop and market dermatological products. The main focus is on the discovery, development and distribution of dermatological drugs and dermatologically-tested cosmetics for the treatment and care of diseased skin. Biofrontera AG (hereinafter also the "company") pursues this goal along with its subsidiaries. All the companies together form the "Biofrontera Group".

The Biofrontera Group was the first German startup company to receive a centralised European drug approval for an independently developed drug, Ameluz®. In December 2011, Ameluz® was approved for the treatment of mild and moderate actinic keratosis. Two further clinical development projects, one dermatological project and one for the prevention of migraines, are in the pipeline but are not being actively pursued at the present time. In addition, a range of cosmetic products is to be expanded; the first product in this range, Belixos®, was launched in the autumn of 2009. In early 2014, a Belixos® hair tonic was launched, and a Belixos® gel is to be launched during 2014.

The product Ameluz® (development name BF-200 ALA), which was approved at the end of 2011, has been tested in one phase II and two phase III clinical trials for the treatment of actinic keratosis. Ameluz® is a combination of the drug aminolevulinic acid (ALA) and a nanoemulsion (BF-200), which chemically stabilises the ALA and promotes good skin penetration. The clinical results regarding the treatment of actinic keratosis have shown its clear superiority to the competitor product against which it was compared in the phase III trials. An application for centralised European approval was submitted on 1 September 2010, and this approval was granted by the European Commission on 16 December 2011. Ameluz® has been sold in Germany since February 2012 and in several other European countries since autumn 2012.

In November 2012, Biofrontera's BF-RhodoLED® PDT lamp was approved for use as a medical device and is sold in parallel with Ameluz®.

The project BF-derm1 is not currently being actively developed, but it has been tested in a three-part phase II trial for the treatment of chronic, antihistamine-resistant urticaria (hives). The trial demonstrated the good effect of the drug, which reduced the intensity of urticaria rashes and itching, as well as reducing the amount of drowsiness-inducing antihistamines required by patients.

The third project (BF-1) is an innovative substance intended for use as a migraine prophylaxis. The substance was administered to healthy subjects for the first time towards the end of 2006, by intravenous injection and in tablet form. The company received the results of this trial in early 2007. They showed that the substance is almost completely absorbed in the intestine and after about two days is 50% degraded or excreted. These results provide excellent conditions for the development of the substance as a drug to be administered in tablet form. As this project has huge market potential but is not related to the field of dermatology, it is to be licensed out for further development at the latest at the end of the phase II clinical trials.

The development of both BF-derm1 and BF-1 shall be financed independently of Biofrontera's normal budget, by funds that are specifically sought for and directly allocated to the development of these products. For this reason, the two projects were acquired by the holding company Biofrontera AG and then transferred as a partner's investment in December 2012 to two newly established subsidiaries - Biofrontera Development GmbH and Biofrontera Neuroscience GmbH. The product BF-derm1, which is intended for the treatment of severe chronic urticaria, is now the responsibility of Biofrontera Development GmbH, while the product BF-1, which is intended for the prophylactic treatment of migraines, is the responsibility of Biofrontera Neuroscience GmbH. This outsourcing of development candidates has created a structure through which the financing of the further development of these two products can be uncoupled from the normal group financing. As a result, the short-term financial plans can focus on the market launch of Ameluz® in North America and the expansion of its areas of application, as well as the establishment of the group as a specialist pharmaceutical company.

2 Accounting and valuation principles

The consolidated interim financial statements of Biofrontera AG from 1 January 2014 to 31 March 2014 have been prepared in accordance with the applicable International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) recognised by the European Union (EU) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC). In addition, the regulations of commercial law to be applied pursuant to section 315a(1) of the Handelsgesetzbuch (HGB - German Commercial Code) have been observed. These unaudited quarterly financial state-

ments have been prepared in compliance with the accounting standard IAS 34 "Interim Financial Reporting", which has been adopted in the EU.

In the opinion of the Management Board, these quarterly financial statements reflect all the business transactions that are necessary for the presentation of the financial position, cash flows and results of operations for the periods ending on 31 March 2014 and 2013.

These interim financial statements do not include all the information and data that is required to prepare annual financial statements. The interim financial statements should therefore be read in conjunction with the consolidated financial statements for 2013.

In the context of the preparation of the consolidated interim financial statements, the Management Board has to make estimates and assumptions that influence the use of accounting principles in the Group and the disclosure of the assets and liabilities as well as of the income and expenses. The actual amounts can deviate from these estimates. The results achieved in the first quarter of the 2014 financial year do not permit any forecasts to be made on the development of the further course of business.

Concerning the accounting, valuation and consolidation principles used in the preparation of the consolidated interim financial statements of Biofrontera AG, which are essentially unchanged, and the information on the reporting entity structure, please refer to the notes to the consolidated financial statements of 31 December 2013. Costs of capital procurement offset against equity are presented in the consolidated statement of changes in equity.

The consolidated interim financial statements do not contain any segment information, as no business or geographical segments subject to reporting requirements have been identified.

Due to the special importance of the research and development costs, these are shown as a separate section in the profit and loss account.

These interim financial statements of Biofrontera AG have been approved by the Management Board for publication on 15 May 2014.

3 Deferred taxes

As at 31 March 2014, the company has a considerable amount of tax loss carryforwards.

In accordance with the tax regulations applicable in Germany, these tax loss carryforwards are vested and can be offset against the future taxable profits of the company.

The existing tax loss carryforwards were assessed as legally binding in the tax audit in the first half of 2008 and in the final assessment up to the 2003 assessment period. In addition, another audit was conducted for the years from 2003 to 2009 and the existing tax loss carryforwards were also assessed as legally binding.

Nevertheless, no deferred tax assets from temporary differences or from tax loss carryforwards have been recognised in the balance sheet. This decision has been taken against the

background that, from the current perspective, the Management Board still does not regard it as certain that the deferred tax claims can be realised in the next few years.

In accordance with IAS 12.34, the recognition of the deferred tax claims has therefore been dispensed with.

4 Employee stock option programme 2010

In order not to be at a disadvantage in the future regarding staff recruitment and retention, the company must continue to be able to offer share and/or securities-based remuneration. Moreover, in accordance with the German act concerning the appropriateness of management board remuneration, such schemes must be linked to the long-term success of the company. As the stock option programme approved by the Annual General Meeting of the company on 24 May 2007 could not be used, the Annual General Meeting held on 2 July 2010 granted the Management Board and Supervisory Board the authorisation to issue, within the next 5 years, up to 839,500 options to directors and employees. Further provisions governing this action were specified in the invitation to the Annual General Meeting and are available on the company's website. The issue of a first tranche of these options is described in the consolidated financial statements of 31 December 2010. The second tranche took place in the 2011 calendar year and is noted in the consolidated financial statements of 31 December 2011. A further 116,500 option rights (third tranche) were issued in the first half of 2012 at an exercise price of EUR 3.30 or EUR 4.09 each. On 2 September 2013, 179,500 options (fourth tranche) were issued with an exercise price of EUR 3.373. On account of the vesting period involved, none of these can be exercised or have lapsed as yet. There were therefore still 340,700 options outstanding on 31 March 2014. In the period under review, the expenditure booked was EUR 24,000 (31 March 2013: EUR 19,000).

5 Shares / earnings per share

The earnings per share is calculated in accordance with IAS 33 on the basis of the quarterly results of the Biofrontera Group as well as on the basis of the ordinary shares outstanding during the relevant periods in 2014 and 2013.

	1st quarter as at 31 March 2014 unaudited	1st quarter as at 31 March 2013 unaudited
Ordinary shares	22,196,570.00	17,753,168
Net loss for the year in EUR	(2,640,868)	(1,559,314)
Earnings per share in EUR, related to the net loss for the year	(0.13)	(0.09)

The increase in the number of shares in comparison with the previous year can be attributed to a capital increase from authorised capital. The subscribed capital was increased on 6 Feb-

ruary by 4,438,292 shares (cf. ad hoc announcements of 4 February 2014). A further capital increase was implemented on the basis of the conditional increase in the share capital resolved on 10 May 2011. Subscription shares from the exercise of warrants from the 2011/2016 warrant bond were issued with a nominal value of EUR 5,110 Euro and registered in the commercial register on 13 March 2014.

6 Notes on repurchases of bonds

As a result of the repurchase of 15,000 warrant bonds I (2009/2017) of Biofrontera AG at a price of EUR 100 per unit, the fees paid and the transaction costs for the repurchase are to be allocated in accordance with IFRS to the borrowed capital and equity capital components at the time of the transaction. Taking the transaction costs into consideration, the borrowed capital components were reduced by EUR 1,301,000 and the equity capital components by EUR 199,000 in this process.

7 Members of the Management Board

The members of the Management Board are:

- Prof. Hermann Lübbert, chairman of the Management Board (Chief Executive Officer)
- Thomas Schaffer, member of the Management Board (Chief Financial Officer)

In the first quarter of 2014, the remuneration of the members of the Management Board amounted to EUR 134,000 (first quarter of 2013: EUR 141,000).

8 Members of the Supervisory Board

As a result of the resolution passed by the Annual General Meeting held on 10 May 2011, the Supervisory Board has consisted of the following members since 10 May 2011, with these members acting as representatives of the shareholders:

Jürgen Baumann	Chairman of the Supervisory Board, expert in the field of sales and marketing of pharmaceuticals, Monheim, Germany
Prof. Bernd Wetzel	Deputy chair of the Supervisory Board, advisor, resident in Biberach/Riss, Germany
Dr Ulrich Granzer	Owner and managing director of Ulrich Granzer Regulatory Consulting & Services, resident in Krailling near Munich, Germany
Ulrike Kluge	Managing Director of klugeconcepts GmbH in Cologne, resident in Cologne, Germany

Andreas Fritsch	Managing director of Finance System GmbH & Co. KG, Munich, and managing director of Fritsch & Fritsch GbR, Seefeld; resident in Seefeld near Munich, Germany
Alfred Neimke	Managing director of Kopernikus AG in Zurich, Switzerland, resident in Zurich, Switzerland

In the first quarter of 2014, the remuneration of the members of the Supervisory Board amounted to EUR 28,000 (first quarter of 2013: EUR 28,000).

9 Transactions with related persons

During the period under review, additional advisory services were called on by the company from two members of the Supervisory Board, Dr Ulrich Granzer and Ms Ulrike Kluge. These services went beyond the normal activity of a Supervisory Board member. Dr Granzer assisted the company with key issues relating to the preparation of the application for approval by the supervisory authorities. Consultancy services provided by Granzer Regulatory Consulting & Services in the amount EUR 30,000 (previous year's period: EUR 4,000) were used in the course of the first quarter of the 2014 financial year. The accounts payable to Granzer Regulatory Consulting & Services as at 31 March 2014 amounted to EUR 12,800 (31 December 2013: EUR 6,100). Ms Kluge advises the company in the area of business development. In the 2013 financial year, the consultancy services amounted to EUR 5,100 (previous year: EUR 0) in the first quarter of 2014, and the accounts payable to klugeconcepts GmbH as at 31 March 2013 amounted to EUR 6,100 (31 December 2013: EUR 4,400).

The amounts stated here do not include statutory VAT at the current rate of 19%. The underlying consultancy contracts were approved in consideration of the statutory provisions.

10 Significant events since the interim balance sheet date

No significant events occurred after the interim balance sheet date.

Leverkusen, 19 May 2014

Professor Hermann Lübbert
Chairman of the Management Board

Thomas Schaffer
Chief Financial Officer

Issued by

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