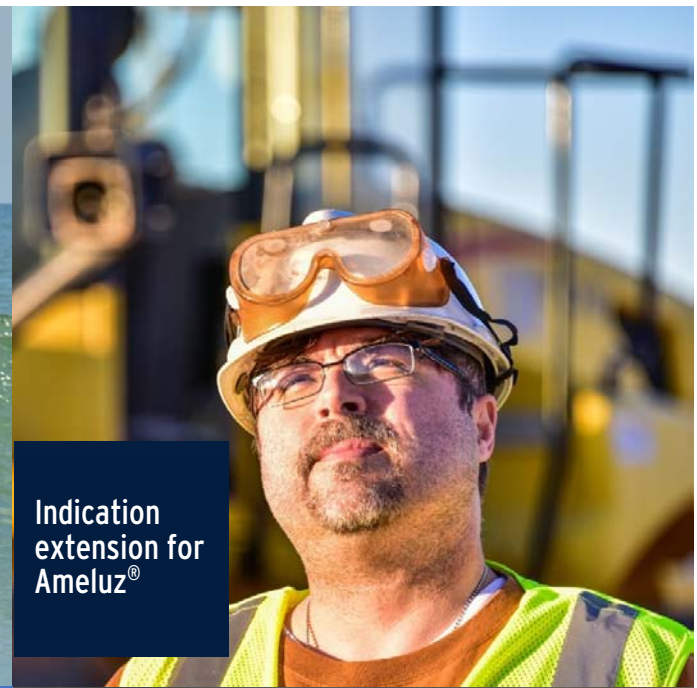
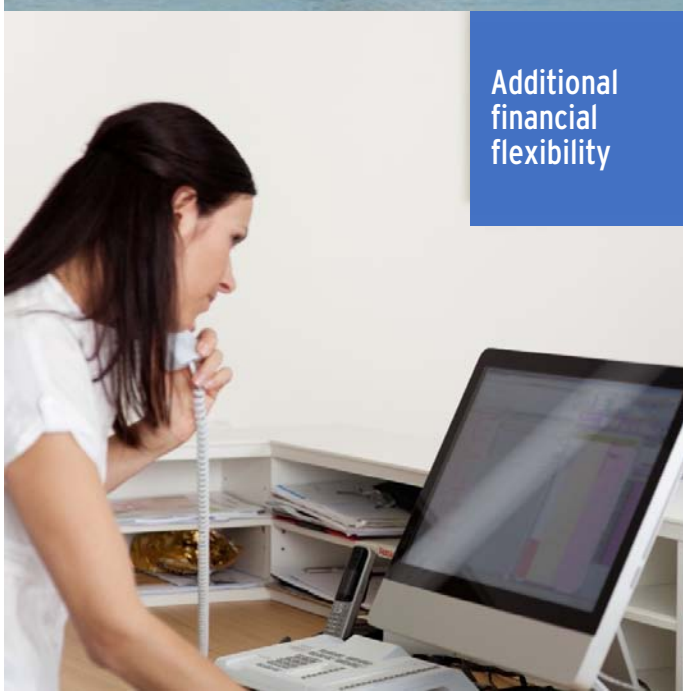
Biofrontera

Experts in dermatology

Half-year financial report

as at June 30, 2017





Contents

Key figures and highlights in the first half of 2017

Revenue development

- Sales revenue leaps 193 % year-on-year
- US sales revenue trend in line with expectations

Operational progress

- European Commission approves basal cell carcinoma as new indication for Ameluz®.
- Conclusion of Phase III trial on daylight PDT and application for European indication extension for Ameluz® to treat actinic keratosis and field cancerisation of daylight PDT
- Agreement with FDA on development plan for BCC approval in USA
- Expansion of sales and marketing activities in the USA; sales team grows to 32 staff
- Randall Wilhoite appointed Chief Operating Officer of US operations.
- Sixth product added to Belixos® active cosmetic range

Financial developments

- Sales revenue: EUR 5.0 million (+193 % on H1 2016)
- Consolidated net result: EUR -8.1 million
- Cash and cash equivalents of EUR 11.5 million
- Convertible bond successfully placed in January 2017
- Significant strengthening of liquidity after signing a loan agreement of up to EUR 20 million with the European Investment Bank (EIB) in May 2017

Key consolidated figures calculated in accordance with IFRS

In kEUR	6M 2017	6M 2016
Profit & Loss		
Sales revenue	5,006.4	1,708.6
sales revenue from product sales	4,221.5	1,033.6
sales revenue from development projects	784.9	0.0
down payments	0.0	40.0
Research and development costs	(2,185.4)	(1,852.0)
Sales costs	(8,275.3)	(2,832.3)
General administrative costs	(1,695.5)	(1,372.4)
Loss from operations	(7,785.2)	(5,111.7)
Total result for the period	(8,140.6)	(3,471.7)
Cash flow		
Cash flows from operational activities	(8,087.0)	(2,510.7)
Cash flows from investment activities	(192.2)	(143.2)
Cash flows from financing activities	4,604.6	8,867.4

In kEUR (unless stated otherwise)	6M 2017	6M 2016
Balance sheet		
Balance sheet total	19,347.9	15,545.7
Current liabilities (w/o provisions)	4,425.0	10,291.2
Long-term liabilities	2,654.0	3,059.9
Equity	10,388.9	1,076.3
Liquid funds	11,451.5	10,172.6
Employees as at 30 June	124	59
Biofrontera share		
Shares outstanding (number as at 30 June)	38,416,428	30,347,813
Share price (closing Xetra as of 30 June in EUR)	3.68	2.81

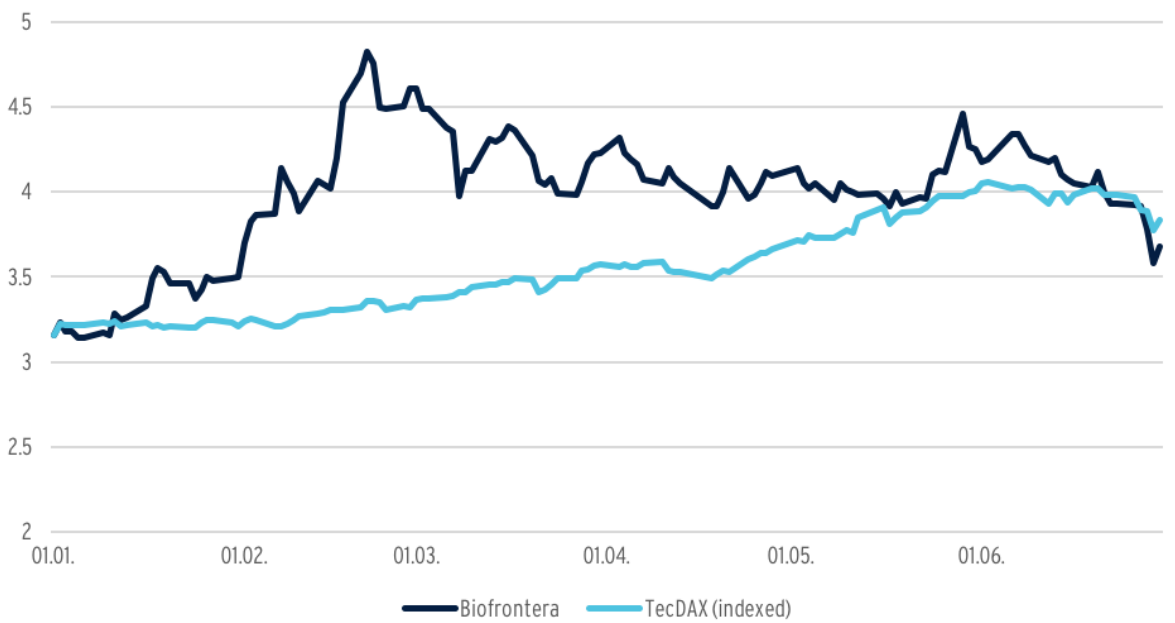
The Biofrontera share

Key share data

Share class	Registered shares (no par value)
Stock exchange	Frankfurt Stock Exchange
Other trading platforms	XETRA, Berlin, Düsseldorf, Munich, Stuttgart, Tradegate
Transparency level	Prime Standard
Shares in issue as of 30 June 2017	38,416,428
Share capital	EUR 38,416,428
ISIN	DE0006046113
WKN (German Securities Identification)	604611
Ticker symbol	B8F
Designated Sponsor	Lang & Schwarz Broker GmbH
Share price as of 30 June 2017	EUR 3.68
6-month high* (21 February 2017)	EUR 4.82
6-month low* (06 January 2017)	EUR 3.14
Market capitalisation as of 30 June 2017	EUR 141 million

* All share prices based on XETRA closing prices

Share price performance



Annual general meeting

This year's Ordinary AGM of Biofrontera AG was held on 24 May 2017. Around 57.7 % of the share capital was represented and voted on the resolutions that the company published in due time in advance in the German Federal Gazette (Bundesanzeiger). The Management Board was discharged for its work in the 2016 financial year, and Warth & Klein Grant Thornton Wirtschaftsprüfungsgesellschaft was appointed as the auditor for Biofrontera AG and for the Biofrontera Group for the 2017 financial year. At the motion of one shareholder, voting on the discharge of the Supervisory Board was held as an individual vote. The former Supervisory Board members Prof. Dr. Bernd Wetzel, Mr. Andreas Fritsch, Mr. Alfred Neimke and Mrs. Ulrike Kluge as well as current members Dr. Ulrich Granzer, Jürgen Baumann, John Borer and Kevin Weber were discharged in this context. No discharge was granted to Mr. Hansjoerg Plaggemars and Mr. Mark Reeth. Furthermore, two resolutions on approved capitals were passed with the requisite majority of 75 % of the vote present. The shareholder Deutsche Balaton AG had submitted a countermotion to one of the two resolutions, which failed to achieve the requisite majority from the AGM. Moreover, the representative of Delphi Unternehmensberatung AG submitted an application for a special audit to investigate contractual contents

of the cooperation agreement with Maruho Co. Ltd., which it is alleged are disadvantageous for the company. This motion also failed to reach a majority.

The shareholder Deutsche Balaton AG subsequently brought a lawsuit against two of the resolutions approved by the AGM. For more information about this lawsuit, please refer to the section "Litigation".

Conferences

Representatives of Biofrontera AG participated in the following capital market conferences during the first half of 2017:

Date	Conference
09-12 January 2017	J.P. Morgan 35th Annual Healthcare Conference (San Francisco)
22-23 February 2017	McGuire Woods 14th Annual Healthcare and Life Sciences Finance Conference (Chicago)
06-08 March 2017	Cowen 37th Annual Healthcare Conference (Boston)
09 May 2017	8. DVFA Spring Conference (Frankfurt)
15-16 June 2017	Marcum Micro Cap Conference (New York)
20 June 2017	Prior Capital Market Conference (Frankfurt)

Further financial instruments

Key data for warrant bond with warrants I*	
Stock exchange	Düsseldorf
WKN (German Securities ID)	A0Z169
ISIN	DE000A0Z1690
Term, final maturity date	8 years, 31/12/2017 (repaid early on 03/08/2017)
Step coupons	4 % (2010), 6 % (2011), 8 % (2012)
Par/denomination	EUR 100.00
6 month-high* (20/02/2017)	EUR 107.50
6 month-low * (02/01/2017)	EUR 101.50
Closing price 30/06/2017	EUR 104.75

*Price data: Düsseldorf Stock Exchange

Key data for the 2016-2021 Convertible Bond	
Stock exchange	Not admitted to trading
WKN (German Securities ID)	A2BPFQ
ISIN	DE000A2BPFQ5
Term, final maturity date	4 years, 31/12/2020
Coupon	6 %
Par/denomination	EUR 100.00
Total volume	EUR 4,999,000
of which converted as of 30/06/2017	EUR 4.916.000
Initial conversion price	EUR 3.00
Conversion price from 01/01/2017	EUR 4.00
Conversion price from 01/01/2018	EUR 5.00

Key data for the 2017-2022 Convertible Bond	
Stock exchange	Düsseldorf, since February 2017
WKN (German Securities ID)	A2BPDE
ISIN	DE000A2BPDE6
Term, final maturity date	5 years, 31/12/2021
Coupon	6 %
Par/denomination	EUR 100.00
Total volume	EUR 4.999.000
of which converted as of 30/06/2017	EUR 2.335.600
Initial conversion price	EUR 3.50
Conversion price from 01/04/2017	EUR 4.00
Conversion price from 01/01/2018	EUR 5.00

Consolidated interim management report for the first half of the 2017 financial year

Group strategy

The strategic objective of the Biofrontera Group is its global positioning as a pharmaceuticals company specialising in dermatology. Focus areas of activity include further expanding our products' sales, especially in the USA, as well as extending the approvals of Ameluz® to include further indications to enhance its market potential. Biofrontera enjoys a worldwide positioning unlike any other company, and aims to leverage the potential of photodynamic therapy within dermatology.

Biofrontera is the first smaller German company to receive centralised approval for a completely independently developed medication, which was initially marketed under the Ameluz® brand to treat actinic keratosis (AK), and is meanwhile also marketed for field cancerisation and basal cell carcinoma (BCC). Since its launch in February 2012, Biofrontera has been deploying its own sales force to market Ameluz® among dermatologists in Germany, as well as in Spain since March 2015. Ameluz® is also available in the United Kingdom, although Biofrontera will not actively market it there until from the second half of 2017, as the expansion of the indication in January 2017 to include basal cell carcinoma (BCC) represents an important precondition for sales in the UK market. Licensing partners distribute the drug in other European Union countries, as well as in Israel and Switzerland. Ameluz® has been available in the US market since October 2016 after the FDA granted its approval in May 2016. The subsidiary Biofrontera Inc. is responsible for sales in the USA.

The European Commission's first approval of Ameluz® was issued in December 2011 for mild and moderate actinic keratosis on the face and scalp. Biofrontera has since been endeavouring to expand the range of indications. In September 2016, the European Commission expanded the approval of Ameluz® to the treatment of field cancerisation. As the skin-rejuvenating effects of Ameluz® were also measured in the specially conducted trial on field-directed treatment, these results have also been included in the approved new product information. In 2014, Biofrontera started with the expansion of the indication for Ameluz® for the treatment of basal cell carcinoma (BCC). The Phase III clinical trial was conducted in direct comparison with competitor product Metvix®. The trial's results show the very high clinical efficacy and low recurrence rates of Ameluz® in the BCC indication, too. The competitive position of Ameluz® has improved considerably thanks to EU approval in January 2017 for the treatment of superficial and modular BCCs. Until then, the competitor product of relevance for Europe, Metvix®, had enjoyed a major competitive advantage against Ameluz®, despite statistically significant inferiority in the treatment of mild and moderate actinic keratosis, as well as in the restriction of its approval to just mild keratosis, and as a second therapy choice with its approval to treat BCCs. In 2016, Biofrontera conducted a Phase III clinical trial on so-called "daylight PDT". With the results that were generated, approval for this treatment in the EU was applied for in June 2017. The direct comparison with the competitor product Metvix® that was also conducted in this trial further documented the outstanding efficacy of Ameluz®. Three major problem areas of PDT can be eliminated by harnessing daylight PDT, with patients spending two hours outdoors 30 minutes after applying Ameluz®, utilising daylight as a replacement for illumination with a special lamp. Firstly, the treatment is almost painless. Secondly, almost the full effort of the treatment is not incurred in the specific physician's practice. Thirdly, it thereby eliminates problems of reimbursement in Germany, as the medication no longer forms part of a procedure evaluated by the joint German government committee. For this reason, Biofrontera hopes that PDT will achieve a breakthrough with AK patients, who were previously treated with self-applied medications for reasons of cost reimbursement or to make work in physicians' practices easier.

In May 2016, the US Food and Drug Administration (FDA) issued unrestricted US approval for Ameluz® in combination with the BF-RhodoLED® lamp for the lesion-directed and field-directed PDT (photodynamic therapy) of actinic keratosis without any post-approval obligations. In early July 2015, the company had submitted a new drug application (NDA) to the FDA. The world's largest healthcare market was consequently open to Biofrontera. Biofrontera established a US subsidiary, Biofrontera Inc., based in Wakefield, Massachusetts, for marketing within the USA. All requisite structures were created for the market launch in the USA in October 2016. Ameluz® was produced for the US market in Switzerland, and imported into the USA. To avoid the Biofrontera Group's destiny being dependent on a PDT lamp manufacturer passing an FDA inspection, production of the lamp was transferred to the company's own management at Biofrontera's headquarters in Leverkusen. The company passed the FDA inspection that fell due during the approvals process without any problems. Biofrontera meanwhile employs around 50 staff in, and related to, sales in the USA. The issuing of an individual J-code for Ameluz®, which is expected for January 2018, will comprise an important milestone for sales in the USA. Invoicing for physicians' practices will become easier and more predictable with this specific J-code for Ameluz®.

For the USA, too, Biofrontera is aiming for the approval of Ameluz® for the treatment of basal cell carcinoma. This approval should open up a further market for Ameluz® and document its superiority compared to the competitor product Levulan Kerastick®, which was already approved in the USA before Ameluz®. Levulan® is only approved for the lesion-directed therapy of AK on the face and scalp. In July 2017, Biofrontera coordinated the approval path for Ameluz® with the FDA to treat basal cell

carcinoma, for which it received written confirmation in August. The FDA is expecting only a single pivotal trial where Ameluz® is compared with a placebo. Biofrontera is currently preparing the submission of the IND (Investigational New Drug).

Biofrontera has thereby established itself as an internationally operating specialist pharmaceutical company, and is in the process of optimising its market opportunities and sales revenues. The Group strategy focuses in the short term on further expanding business in Europe and the USA, as well as on the indication expansions for daylight PDT in Europe and for basal cell carcinoma in the USA.

For Biofrontera, the first half of 2017 was characterised by the establishment of sales structures in the USA. Initial difficulties in reimbursement were resolved, but reimbursement will remain time-consuming and costly for the physician, thereby negatively affecting sales until a specific J-code is allocated to Ameluz®, which will simplify billing. The J-code is expected to be allocated in early January 2018. In the USA, 2017 is a year of preparation overall, whose various issues should be resolved by early 2018 when sales conditions are optimised with the company's own billing code and other sales-promoting structures.

Products

Ameluz®

Ameluz® 78 mg/g Gel ("love the 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. Its superiority compared to its direct competitor product Metvix® was demonstrated for this indication during Phase III development. Actinic keratoses are superficial forms of skin cancer, with the risk that they spread to deeper layers of the skin, consequently transitioning to potentially fatal squamous carcinoma. 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 with the parallel-tested comparator product Metvix® in the removal of all of a patient's keratoses.

In the Phase III approval trials, Ameluz® showed excellent healing rates and demonstrated marked and statistically significant superiority compared to the approved comparator product tested in parallel. In the first Phase III trial in which the drug was combined with an LED lamp, in 87 % of patients treated with Ameluz®, all keratoses were completely removed, and in terms of the number of individual keratosis lesions, as many as 96 % were completely eradicated (all the values stated are ITT – *intent to treat* – values). In the second Phase III approval trial, the effectiveness of Ameluz® was tested in comparison with the approved standard medication. The results of the trial provided evidence that Ameluz® was clearly superior to the competitor product already available in Europe at the time. Based on the average for all lamps, Ameluz® resulted in the complete healing of actinic keratoses in 78 % of patients, whereas the approved competitor product achieved a healing rate of only 64 %. With LED lamps, the healing rates increased to 85 % for Ameluz® and 68 % for the competitor product. The side effect profile was comparable for both products.

As approval in the USA requires a combination of drug and lamp, Biofrontera has developed its own PDT lamp, BF-RhodoLED®, and has had it CE-certified in the EU, which also required the entire company to be certified pursuant to the ISO 9001 and ISO 13485 standards. In preparation for the approval in the USA, a Phase III trial was performed with a combination of Ameluz® and BF-RhodoLED®. With this combination, 91 % of patients were cleared from all keratoses, and in terms of the number of individual lesions, 94 % were completely removed after treatment (99.1 % of mild and 91.7 % of moderate lesions).

The patients treated in the field therapy trial were observed by the trial doctors over the course of a year after the final treatment. Here, the long-term nature of the pharmaceutical effect of Ameluz® was analysed in terms of effectiveness, safety and cosmetic result. A total of 63.3 % of the patients who were initially completely asymptomatic were still asymptomatic a year later. The long-term effectiveness achieved applying field-directed therapy consequently lies in the data range already observed in previous long-term studies on lesion-directed PDT with Ameluz®, which is significantly higher than that of all alternative treatments.

As it has been widely reported in the specialist literature that PDT enjoys pronounced skin-rejuvenating properties, particularly in the case of sun-damaged skin, and in this trial – for the first time in a Phase III trial of PDT anywhere in the world – the drug was applied over large surface areas (field-directed therapy), the cosmetic result was measured without taking the disappearance of the keratotic lesions into account. All the parameters that were tested improved significantly as a result of the treatment. An improvement in the skin appearance of patients treated with Ameluz® observed immediately after PDT continued to develop during the follow-up period. Before PDT, only 14.8 % of patients had no impairments to the surface of the skin. Whereas twelve weeks after the last PDT, 63 % of patients were already free of such cosmetic damage, this percentage rose after a year to 72.2 %. Similar results were also observed for pigment disorders. Before PDT, hyperpigmentation occurred in 59.3 % and hypopigmentation in 46.3 % of patients, with 48.1 % exhibiting irregular pigmentation. Twelve weeks after Ameluz® PDT, these

rates initially fell to 42.6 %, 29.6 % and 29.6 %, and decreased over the course of a year to 24.1 %, 11.1 % and 18.5 %. These results clearly show that the skin rejuvenation effect achieved using photodynamic therapy with Ameluz® is long-lasting, and the repair processes triggered by the therapy remain active for at least 12 months.

The results on skin-appearance improvement have meanwhile been included in the official product information in the EU.

Both of the Phase I trials required by the American approval authority, the FDA, were also already completed in 2015. These clinical trials were initiated with a total of approximately 240 patients or test persons to add the safety data required for registration in the USA to the European approval package for Ameluz®. Specifically, one of the trials was a sensitisation study, which determines the potential of Ameluz® to trigger allergies, and the other was a maximal use trial, which tests the absorption in the blood of the active ingredient in Ameluz®, aminolevulinic acid, and the light-activated metabolite protoporphyrin IX in cases of treatment with the maximum quantity, in other words, the application of a complete tube onto the defective skin. No safety concerns were identified in either of the trials.

The overall advantages of Ameluz® in terms of effectiveness, handling, user-friendliness and skin rejuvenation effects, as well as the high healing rates of PDT in the treatment of actinic keratoses, will increasingly bring this treatment option to the attention of dermatologists over the next few years. This will be helped by the recent expansion of the range of indications to include basal cell carcinoma, as the vast majority of PDT treatments are conducted for this indication, particularly in the UK and Spain. Biofrontera has conducted a Phase III trial for the extension of the European approval to include the BCC indication. BCCs are the most common invasive tumours that affect humans and account for approximately 50 % to 80 % of all skin cancers. Around 30 % of all Caucasians develop at least one BCC in their lifetime, and cases are increasing rapidly worldwide due to increased exposure to UV light. Surgical removal is the most frequent treatment currently used in the USA but this can lead to clearly visible scarring, whereas treatment with PDT, which is an alternative particularly in the treatment of thin BCCs, gives rise to excellent cosmetic results. In the pivotal Phase III trial, a total of 278 patients were treated. This trial was under the clinical management of Prof. Colin Morton (UK) and Prof. Markus Szeimies (Germany) and was conducted at 27 clinical trial centres in England and Germany. Patient recruitment for the trial, which was conducted in direct comparison with the competitor product Metvix®, was completed in May 2015 and the last patient completed the trial in November 2015. The trial's results have been available since January 2016. The results confirm the company's positive expectations. In the clinical trial, the effectiveness and safety of Ameluz® were compared with that of Metvix®, a drug already approved in the EU for the treatment of BCC. Non-aggressive (superficial and nodular) BCCs with a thickness of up to 2 mm were included in the trial. Ameluz® achieved the complete elimination of all BCCs from the patient in 93.4 % of cases compared to 91.8 % with Metvix®. Greater differences occurred with thicker BCCs. For example, 89.3 % of nodular carcinomas were removed entirely with Ameluz®, and just 78.6 % with Metvix®. Recurrence rates after 12 months were higher for Metvix® than for Ameluz®.

Based on the results of this Phase III trial, Biofrontera applied to the European regulator in July 2016 for approval to treat BCC with Ameluz®, which the European Commission issued in January 2017.

In July 2017, Biofrontera reached agreement with the US FDA on the approval procedure for BCC in the USA, for which it received written confirmation from the FDA in August. According to the agreed development plan, the approval expansion for superficial basal cell carcinoma can be applied for based on a single supplementary Phase III trial conducted in the USA, comparing Ameluz® with a placebo. The FDA expects a combined evaluation of the clinical and histological healing rates from Biofrontera. The clinical investigation of patients with different ethnic backgrounds or children is not required. Due to the high efficacy of Ameluz® (approximately 95 % healing rate in superficial basal cell carcinomas in the European trial) and the low recurrence rates (5.4 % after 12 months), the requisite placebo-controlled trial can be conducted with relatively few patients, thereby minimising the time required and costs incurred. As far as safety information and long-term data are concerned, the FDA has accepted the existing European trial for review. The application for an Investigational New Drug (IND) that is required for this purpose is to be submitted to the FDA by autumn 2017. After a special review of the trial memorandum to which the FDA has committed itself, we will be able to estimate the further costs and timing of the approval process.

Between June and September 2016, patients were treated as part of a Phase III clinical trial, in which the efficacy and safety of Ameluz® in combination with PDT in daylight were measured in comparison with Metvix® in treating mild and moderate actinic keratosis. This comparative, randomised, observer-blind multicentre trial was conducted at seven trial centres in Spain and Germany with a total of 52 patients. Each patient had between 3 and 9 mild to moderate actinic keratoses (Olsen grades 1 and 2) on each of two comparable treatment areas on the face and/or scalp. The selection medication for the respective treatment side was random. The last patient completed the clinical phase of the trial in December 2016. The trial's results prove the non-inferiority (relevant from a regulatory standpoint) of Ameluz® compared with Metvix®. All relevant secondary endpoints produced comparable or higher cure rates for Ameluz® in relation to Metvix®.

Daylight PDT comprises a favourable and pain-free alternative to PDT treatment with a special lamp. Here, the topically applied medication is activated by natural or artificial daylight. The clinical endpoint of the trial is the total cure rate for all lesions on each treatment side 12 weeks after treatment. The secondary clinical endpoint comprises determining medication safety and additional efficacy parameters. The trial was jointly directed by Dr. Susana Puig, Research Director at the Biomedical Research Institute August Pi i Sunyer and professor at the University of Barcelona as the main research director in Spain, and Prof. Thomas Dirschka, founder of the private dermatology practice CentroDerm as the main research director in Deutschland. As treatment in daylight PDT does not need to be administered at a physician's practice it competes directly with the self-applied topical medications that are much more widely disseminated in Europe, and is consequently also reimbursed by statutory healthcare funds in Germany.

Biofrontera applied for approval for daylight PDT in May 2017 and anticipates initial feedback from the European regulator by the end of 2017.

BF-RhodoLED®

BF-RhodoLED® is a lamp designed for PDT, and utilises LEDs emitting red light at a wavelength of approximately 635 nm. Light at this wavelength, which is ideally suited for PDT illumination with drugs containing ALA or methyl ALA, is red but is still below 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. In the European version, light energy and fan power settings can be adjusted during a PDT treatment session to reduce any pain caused by the treatment. No other lamp on the market offers comparable power and flexibility. BF-RhodoLED® has been CE-certified since November 2012 and is distributed throughout the EU. For marketing in the USA, the final assembly of the PDT lamp was relocated to Biofrontera's premises, and Biofrontera itself has been performing final assembly since July 2016. From the FDA's perspective, Biofrontera is consequently the manufacturer responsible for the product.

Belixos®

Belixos® is a modern active cosmetic product specially developed for sensitive and irritated skin. The biocolloid technology patented by Biofrontera, which optimises epidermal penetration, makes the products unique: pure plant biocolloids are combined with medicinal plant extracts to form an extraordinary combination of active substances with proven depth penetration, drawing together the best of nature and science. The typical deep yellow colour of some Belixos® products is an unmistakable quality characteristic deriving from the traditional medicinal plant extract from the roots of Mahonia aquifolium. Belixos® products use only natural active substance extracts with clinically proven effects.

Belixos® Creme rapidly and reliably soothes itching and is the ideal basic treatment for inflamed, reddened and flaky skin. It soothes the skin, reduces scratching and allows the skin to regenerate naturally. Belixos® Creme, which has been available since 2009, has consequently proved particularly useful as an effective basic treatment for atopic dermatitis and psoriasis.

Belixos® body cream has been created in response to significant demand for larger packaging of the Belixos® cream, and is ideal for application on larger body areas.

Belixos® Liquid is an innovative scalp tonic with a practical pipette for dosing, which soothes scalps irritated by psoriasis or eczema, for example, and restores their balance. For itchy and flaky scalps, a combination of anti-inflammatory mahonia, moisturising oats, irritation-relieving panthenol and a special zinc PCA complex is used.

Belixos® Gel is specially cosmetically formulated for skin that is inflamed, reddened and prone to skin blemishes, providing an effective treatment for rosacea and acne. The gel texture is formulated to be extra grease-free, has a complex of active substances consisting of anti-inflammatory mahonia and Sepicontrol A5, is antibacterial, removes hardened skin and regulates sebum.

Belixos® to go is a roll-on acute care product available since July 2016, which utilises a highly precise stainless-steel ball to deliver care for itchy skin, insect bites and minor skin irritations. Anti-inflammatory mahonia, calming beach chamomile and the anti-irritative Sepicalm S Complex lead to faster relief for irritations and inflammation.

Belixos® Protect is ideal for individuals with skin suffering overexposure to UV radiation, and the only Belixos® product that does not include Mahonia extract and consequently does not have a yellow colour. It is a modern daily care product specially developed for sun-damaged skin. With its skin-regenerative properties deriving from highly concentrated niacinamide, it leaves skin smooth and helps repair damaged skin. It also contains UVA and UVB broad spectrum protection with SPF15 to protect against further light-induced skin ageing and hyperpigmentation. This light protection factor is optimal for daily use, without being a specialised suncream for application on the beach or ski track.

Belixos® products are manufactured according to stringent quality and environmental regulations. They are free of paraffins, parabens, ethyl alcohol, animal products, dyes and fragrances that may have negative dermatological effects. Its skin compatibility was certified as "very good" by the independent Dermatest Institute. Belixos® is obtainable in selected pharmacies, dermatological institutes and from the online retailer Amazon.

Sales and markets

Actinic keratosis (AK) is a disease that is most frequent in the Caucasian, light-skin population. It has been estimated that AK affects up to 10 % of the entire Caucasian population worldwide. Only a fraction of these patients is currently being treated. Several drugs are available, but patients may also be treated with cryotherapy (freezing) or simple curettage. In particular, subclinical and mild actinic keratoses can develop into life-threatening squamous cell carcinomas, and this occurs to the relevant lesions within two years on average. Actinic keratosis is categorised as a tumour requiring mandatory treatment. At present, actinic keratoses are treated applying a wide range of methods. Lesions are treated, sometimes for weeks, with topical creams, which are often ineffective, or the diseased skin may be removed by mechanical intervention (curettage) or freezing (cryotherapy), which very often leads to scar formation or permanent pigment disorders, besides offering little efficacy. The fact that doctors are taking actinic keratosis increasingly seriously is illustrated by the fact that actinic keratosis has been recognised in Germany as an occupational disease since summer 2013. Since then, occupational insurance associations have been obligated to cover the treatment costs of patients who have mainly worked outdoors for a long time and who fulfil certain criteria, for the duration of such patients' lives. The related payment modalities were set in March 2016, with PDT being included as a treatment method. PDT can be used to treat actinic keratosis in the context of an occupational disease, and can be billed accordingly.

In the EU, the number of destructive treatments (cryotherapy or curettage) is not available, since they are not covered in databases, but it is assumed that only a minor percentage of the patients are treated by physical manipulations. Most patients are treated with various available medications, which can be assessed through the number of prescriptions. All over Europe, there are more than 2 million prescriptions per year, and their number has been growing by about 10 % annually in recent years. The company estimates that about 33 % of all prescriptions for AK drugs occur in Germany, followed by the UK (15 %), France (12 %), Italy (12 %), Spain (10 %) and Switzerland (3 %). The remaining European countries are responsible for 15 % of prescriptions.

The total AK drugs market in Europe is currently around EUR 120 million, with about EUR 22 million for PDT drugs. Most of the prescriptions in Europe are for self-applied topical drugs, for which the driver seems to be the minimal amount of time required by the doctor. Almost half of all prescriptions go to Solaraze (45 %), which according to a meta-analysis of clinical trials by Vector and Tolley (2014) has a comparably low efficacy. This reinforces the assumption that another driver, such as time spent in consultation, determines treatment selection besides efficacy. Solaraze prescriptions are followed by Aldara (18 %), Picato (16 %) and Actikerall (7 %).

Only a minor part of all prescriptions, about 120,000 prescriptions in 2016, representing sales of EUR 22 million, are for PDT drugs. Since PDT drugs generally have a higher price than the self-applied topical drugs, their percentage of revenues is higher than that of prescription numbers (18.3 % vs. 5.7 %, respectively). With the advent of daylight PDT, which eliminates the procedures in doctor's offices and allows easier reimbursement (Biofrontera has filed an approval application in the EU) we see the potential for PDT to significantly grow its share of the AK market. The PDT sector was growing slightly faster, by about 15 % per year, than the total AK market, but still represents below 6 % of all prescriptions in Europe. This market size may, however, be a slight underestimation since in many countries PDT drugs may be sold directly into hospitals and thereby are not tracked by regular market research sources. Available PDT drugs in Europe include Ameluz® gel, Metvix® cream, AlaCare® adhesive plaster and Luxerm® cream. Metvix® has been on the market since 2002, and is still the most frequently used PDT drug throughout the EU. In our phase III trial, we compared the efficacy of Ameluz® with that of Metvix® and showed significant superiority in the treatment of actinic keratosis. AlaCare is a 2x2 cm adhesive plaster that is commercially less relevant. Luxerm® is identical to Metvix®, but its use is restricted to daylight PDT. It is on the market in Germany only, and was launched in 2016. Throughout Europe, Metvix® had 74 % market share, followed by Ameluz® with 21 %, Luxerm® with 3 % and AlaCare® with 2 % in 2016. In Germany, where Biofrontera has been active with its own sales force, the market share of Ameluz® for conventional (with a lamp) PDT products rose to >70 %. It then declined with the Metvix® approval for daylight PDT in 2016 to about 50 %, but has increased again to 55 % in July 2017. Also in July 2017, for the first time more units of the specific daylight PDT product Luxerm® were sold than all conventional PDT products combined. In Spain, where Biofrontera markets Ameluz® on its own since 2015, its share of the PDT products market has been growing from <5 % in 2014 to 12 % in 2015 and 23 % in 2016.

The AK market in the US differs greatly from the European market, since the US reimbursement system favours procedures, for which physicians in Europe may not get payed. By quite some distance, the most frequently used treatment option is cryotherapy. In 2013, Medicare (the public insurance for the elderly) alone has paid for the cryotherapy of 5.977 million patients. This had

been growing by 2-3 % per year from 2008. If the 2013 number is therefore extrapolated to 2016 with an assumed 2 % growth, we estimate that about 6.4 million Medicare patients were treated with cryotherapy in 2016. An analysis of "National Ambulatory Medical Care Survey" and "Medicare Current Beneficiary Survey" data with respect to the frequency and cost of actinic keratosis treatment concluded that about 60 % of AK patients were covered by Medicare, 40 % of treatments are reimbursed by private payers (Dermatology Surgery 2006 Aug;32(8):1045-9). Thus, we assume that the latter 40 % of cryotherapy treatments have to be added to the above number for cryotherapies of Medicare patients.

Sun Pharma has reported for 2016 annual Levulan® revenues of USD 106 million (Source: Sun Pharma, Annual Report). With an approximated annual average sales price of USD 309 per Levulan Kerastick®, this refers to 343,000 prescriptions. Ameluz® sales in 2016 can be disregarded here due to their still low numbers. We estimate that there were an additional 1.65 million prescriptions for self-applied topical drugs in the US. The latter are distributed over multiple products, the most frequently prescribed ones are drugs with the active ingredient 5-fluorouracil (44 % generic plus 4 % branded), followed by imiquimod (31 %), diclofenac (16 %) and ingenol mebutate drugs (5.5 %).

Altogether, based on the above assumptions the cryotherapy treatments and the topical products including PDT drugs add up to an estimated 12.6 million AK treatments in 2016. According to these numbers, PDT is only applied in about 3 % of all AK treatments, and there is substantial uncovered market potential and room for growth. Some of our conclusions, which are based on various sources potentially providing outdated or misleading information, may be not precise or incorrect, potentially rendering the market size less than we assume, which may reduce the revenue potential for Ameluz®. However, since PDT represents only a minor part of the AK market both in the EU and the US, there is ample room for growth.

BCCs are the most frequent infiltrating tumours in man, and responsible for 50-80 % of all skin cancers. About 30 % of all Caucasians develop at least one BCC in their lifetime, with strongly increasing incidence due to rising exposure to UV light. In the US, where more reliable numbers are available, there are >4 million BCC treatments annually, of which 1 million could potentially be treated with PDT as an alternative to surgery. In Europe, the approval for BCC was elementary for increased use of Ameluz® in hospitals, where BCCs are treated more frequently than AKs. In particular in those European countries where dermatology is mostly a hospital discipline, this indication was elementary for the commercial success of Ameluz®.

Basal cell carcinoma treatment is mostly based on surgery or, for infiltrating forms, Mohs micrographic surgery. While this is clearly the gold standard, there are conditions where surgery is not appropriate due to patient morbidity or not desired for cosmetic reasons. Mohs surgery is cost-intensive and therefore contraindicated for non-aggressive, thin forms of BCC. For thin BCCs, PDT is an excellent alternative and listed as such in international treatment guidelines. The most relevant non-aggressive forms of BCC are superficial and nodular tumours, which together represent more than 25 % of all BCCs. The recently approved systemic hedgehog inhibitor drugs are directed to the upper end of the BCC severity scale, and therefore no competition to PDT.

According to a market trial published in 2014 by Technavio, the international market for actinic keratosis medications is expected to grow by approximately 8 % annually, from approximately USD 546 million to USD 942 million in 2020. However, the market for BCC medications is expected to grow to a multiple of its current size, from approximately USD 236 million today to nearly USD 5 billion over the same period, because the availability of new drugs (Ameluz® is also mentioned in this context) will mean that increasingly fewer patients undergo operations.

With its centralised European approval, Ameluz® can be sold and distributed in all EU countries as well as in Norway, Iceland and Liechtenstein. In many European countries, however, price and reimbursement status have to be defined before market launch, which can entail a very protracted process. To date in Europe, the company has started sales and distribution in Germany, the UK, Spain, Austria, the Netherlands, Luxembourg, Belgium, Denmark, Sweden, Norway and Switzerland. The drug is available in these countries at a pharmacy retail price of between just under EUR 200 and approximately EUR 270 per 2g tube. With the coming into force of the new counterfeiting directive and related serialisation – in other words, the capability to track every tube – some small European markets are no longer profitable, and Biofrontera has consequently withdrawn Ameluz® from the market in Slovenia with effect as of 31 August 2017.

Ameluz® is marketed in Germany, Spain and the United Kingdom by Biofrontera's own field sales force, and in other European countries through marketing partners. In the German market, Biofrontera has been present in the market with its own field sales force since the outset, and still generates most of its European sales revenues there. Sales in Spain were initially handled by Allergan SA, but since March 2015 Biofrontera has marketed its products itself in Spain through its own branch operation, Biofrontera Pharma GmbH sucursal en España. After the successful approval for BCC, Biofrontera will also be active in the UK from the second half of 2017, initially with one sales force staff member based in the London area.

In Denmark, Sweden and Norway, Ameluz® is marketed by Desitin Arzneimittel GmbH, in Benelux by Bipharma N.V., and in Austria by Pelpharma Handels GmbH. Louis Widmer SA has been granted the Ameluz® distribution licence for Switzerland and Liechtenstein, and the Ameluz® distribution licence for Israel has been allocated to Perrigo Israel Agencies Ltd. It was necessary to undergo an independent approval process in these countries, which was conducted by the aforementioned distribution partners in collaboration with Biofrontera. Market launch in Switzerland occurred at the start of 2016, and in Israel in July 2017.

The contracts with the respective sales partners have been concluded in such a way that Biofrontera has received no downpayment, or only a modest downpayment, and the regional partners purchase Ameluz® from Biofrontera at a price that is linked to their own sales price. Biofrontera's share of the sales price varies considerably depending on the market conditions in each country, ranging from 35 % to 60 % of net sales.

Biofrontera launched Ameluz® in the US market to treat actinic keratosis in October 2016. In advance, with the help of a consulting firm specialising in market access and a team of medical advisors, a start was made with analysing the actinic keratosis drug market and reimbursement systems in the American healthcare system. For this, Biofrontera also drew on the experience of DUSA Pharmaceuticals Inc. with a competitor product already sold and distributed in the USA, Levulan Kerastick®. Marketing in the USA is occurring through the company's own subsidiary, Biofrontera Inc., which was founded for this purpose in March 2015. Very qualified and experienced local staff were hired for important key positions in the USA. Some of the staff have switched from direct competitors to join Biofrontera. Until an individual reimbursement code is issued – which Biofrontera applied for in January 2017 and will prospectively come into force in January 2018 – Ameluz® is being reimbursed in the USA through a so-called "miscellaneous code". Although this is a normal procedure for any newly launched medication due to the prescribed application periods, this still makes it difficult to process reimbursement in physicians' practices, and is consequently continuing to hamper sales revenue growth in 2017. This is particularly relevant in the case of Ameluz®, as Biofrontera is not dispensed in pharmacies like most other medications, but is instead purchased directly by physicians, who pay the costs themselves and then become personally dependent on reimbursement.

For market access in the USA, Ameluz® must first assert itself against its direct competitor product Levulan Kerastick®. Along with better clinical data for AK and easier application, the planned expansion of approval for basal cell carcinoma, in particular, should also make Ameluz® the leading PDT medication in the USA. Ameluz® must subsequently increasingly gain further market shares at the cost of medications applied by patients themselves, and, in particular, cryotherapy. The US subsidiary is meanwhile organised so professionally that the collaboration with Biofrontera's warehousing was recently scaled down from a supply chain management function to a "3rd party logistics (3-PL)" connection. The precondition for this was registering and licensing Biofrontera Inc. as the distributor of medications in all the individual federal states of the USA. Along with lower costs long-term, the advantage for Biofrontera with this structure lies in direct contact with customers, whose orders can be processed directly and flexibly through Biofrontera. In particular, the appointment of Randall Wilhoite as Chief Operating Officer of Biofrontera Inc. has significantly strengthened the US team.

Further development projects

In July 2016, the company agreed a research partnership with Maruho Co., Ltd, ("Maruho"), a Japanese company specialising in dermatology, as part of which possibilities to jointly develop pharmaceutical products based on Biofrontera's proprietary nanoemulsion technology are to be researched. Ameluz® was developed with a similar strategy. The nanoemulsion technology stabilised the active substance and improved skin penetration, leading to greater clinical efficacy. According to the agreement, Maruho will bear all costs connected with the exploratory research of for new product candidates. It is planned that Maruho will be the owner of the new products and that Biofrontera will receive the licence to market in Europe. In some cases of a change of control Maruho has the right but not an obligation to terminate the cooperation agreement.

Patent and trademark developments since 31 December 2016

Nanoemulsion

The response to a further office decision for Argentina was ordered for the "Nanoemulsion" patent.

Migraine

A "Notice to Allowance" has been submitted for the patent "Antimigraine compounds and their use" (US Patent Application No. 14/765,176), prompting the expectation that the patent for the USA will be awarded soon. The company has instigated the order for the issuance fee to be paid on the due date.

A further office decision has been awarded for the European part of the patent, which was responded to by the due date.

Economic and business report
For the first half of the 2017 financial year for the Biofrontera Group:

- Sales revenue: EUR 5.0 million (prior-year period: EUR 1.7 million), sales revenue growth of 193 % compared with the first half of the previous year.
- Operating result: EUR -7.8 million (previous-year period: EUR -5.1 million)
- Consolidated result before tax: EUR -8.7 million (prior-year period: EUR -3.5 million)
- Cash and cash equivalents as of 30 June: EUR 11.5 million (previous-year period: EUR 10.2 million)
- Undiluted earnings per share amounted to EUR -0.23 (prior-year period: EUR -0.12)

Operative highlights in the first half of 2017

Marketing Ameluz® in the USA:

Ameluz® has been marketed in the USA in combination with BF-RhodoLED® since October 2016. This generated sales revenues of EUR 2.4 million during the first half of 2017.

Approval and clinical trials

The approval of Ameluz® to treat basal cell carcinoma was issued by the European Commission in January 2017.

A clinical Phase III trial on daylight therapy was completed in the first quarter of 2017, and the application for an expanded approval was submitted to the European Medicines Agency in May 2017.

Financing

In January 2017, a further convertible bond was placed successfully in a volume of EUR 5.0 million.

In May 2017, a loan agreement for up to EUR 20 million was arranged with the European Investment Bank.

Biofrontera Group financial position and performance

Biofrontera Group profit & loss account (summary)

In kEUR	6M 2017	6M 2016	Change in %
Sales revenue	5,006.4	1,708.6	193
Cost of sales	635.4	763.7	(17)
Research and development costs	2,185.4	1,852.0	18
Sales and marketing costs	8,275.3	2,832.3	192
Administrative costs	1,695.5	1,372.4	24
Other income and expenses	(626.0)	2,232.2	(128)
EBIT	(8,411.2)	(2,879.5)	(192)
Financial result	(325.4)	(592.8)	(45)
Earnings before income tax	(8,736.6)	(3,472.3)	(152)
Earnings after tax	(8,736.6)	(3,472.3)	(152)

Sales revenue

Revenue of EUR 5,006 thousand was generated overall during the first half of 2017, reflecting 193 % year-on-year growth. Sales revenues in Germany increased slightly compared with the prior-year period, by EUR 70 thousand, to reach EUR 1,103 thousand. Revenues from abroad performed particularly well during the first half of 2017, mainly driven by the new sales market, the USA, where sales revenue totalling EUR 2,386 thousand was achieved (previous year: 0). Sales revenues in Europe were up by 15 % to EUR 732 thousand. Revenue of EUR 785 thousand was achieved from development projects with Maruho during the first half of 2017 (previous-year period: 0).

Cost of sales, gross profit

The gross profit on sales improved from EUR 945 thousand in the prior-year period to EUR 4,371 thousand in the first half of 2017. The gross margin increased to 87 %, compared to 55 % in the same period of the previous year.

The cost of sales amounted to EUR 635 thousand, or 13 % of the sales revenue, improving relative to sales revenue compared with the prior-year period (EUR 764 thousand, or 45 %). The improvement in the gross margin is a consequence of a higher level of propriety sales revenue compared to sales revenue generated through licence partners.

Development costs

Research and development costs amounted to EUR 2,185 thousand in the first half of 2017, up 18 % compared with the previous year. This trend is chiefly attributable to costs incurred as part of the development partnership with Maruho.

Sales and marketing costs

Sales and marketing costs totalled EUR 8,275 thousand in the first half of 2017, more than doubling compared with the prior-year period (EUR 2,832 thousand). Sales and marketing costs include the costs of our own field sales team in Germany, Spain and the USA, as well as marketing expenses. This increase mainly reflects our investments in marketing and sales activities in the USA.

Administrative costs

Administrative costs rose by EUR 324 thousand year-on-year to EUR 1,696 thousand in the first half of 2017 (previous year: EUR 1,372 thousand). Financing costs shown under administrative costs include primarily consultancy and placement fees in connection with support in the search for investors.

Financial result

The financing costs of EUR 330 thousand included in the financial result arise almost exclusively from interest payments for the bonds with warrants and the two convertible bonds, as well as the reversal of discounts applied to these bonds in accordance with the effective interest method.

The interest for the 2016 financial year for Warrant Bond I was paid at the start of January 2017.

Other income and expenses

After other income of EUR 2,246 thousand was generated in the first half of 2016, mainly due to the repayment of the FDA submission fee of EUR 2,140 thousand, other income in the first half of 2017 stood at EUR 115 thousand. Other expenses rose by EUR 727 thousand in the first half of 2017 to reach EUR 741 thousand. This change mainly reflects currency differences.

Share capital

The fully paid in share capital of the parent company, Biofrontera AG, amounted to EUR 38,416,428.00 on 30 June 2017. It was divided into 38,416,428 registered shares with a nominal value of EUR 1.00 each. The share capital amounted to EUR 37,722,433.00 on 31 December 2016, and was increased by EUR 693,995.00, divided into 693,995 registered shares, during the first half of the 2017 financial year through the exercise of conversion rights from the 2016/2021 convertible bond as well as from the 2017/2022 convertible bond.

The numbers of shares held by the shareholders on 30 June 2017 based on shareholders' most recent mandatory disclosures are as follows:

	30.06.2017 EUR
Maruho Deutschland Co., Ltd., Osaka Japan The total share of voting rights is assigned to Maruho Co., Ltd, Osaka, through the company Maruho Deutschland GmbH, Düsseldorf, which is controlled by the former.	7,631,586
Wilhelm Konrad Thomas Zours The voting rights through the chain of subsidiaries listed below are attributed to Mr. Zours: • DELPHI Unternehmensberatung AG • VV Beteiligungen AG • Deutsche Balaton AG • ABC Beteiligungen AG • Heidelberger Beteiligungsholding AG	3,400,907
Universal-Investment-Gesellschaft mbH, Frankfurt am Main, Germany The share of voting rights is attributed to Universal-Investment GmbH through the company FEHO Vemögensverwaltungsgesellschaft.	799,463
Free float	26,584,472
Total	**38,416,428**

Financial position

The company's capital management body regularly reviews the equity ratio of both the Group and the parent company. The management's objective is to ensure an appropriate equity base within the context of capital market expectations, and credit-worthiness with respect to national and international business partners. The company's Management Board ensures that all Group companies have sufficient equity and debt funding at their disposal.

Cash flow from operating activities reduced compared with the first half of the 2016 from EUR -2,511 thousand to EUR -8,087 thousand as of 30 June 2017.

Cash flow from investing activities decreased slightly, by EUR 49 thousand, to EUR -192 thousand.

Cash flow from financing activities diminished by EUR 4,262 thousand year-on-year, from EUR 8,867 thousand to EUR 4,605 thousand. This change arises especially from cash inflows from issuing new shares with total issue proceeds of EUR 9.3 million in the prior-year period, compared with cash flows from issuing the 2017/2022 convertible bond of EUR 5.0 million during the first half of 2017.

Liquidity

The liquidity position in the first half of 2017 reduced by EUR 3,675 thousand compared with 31 December 2016. Cash and cash equivalents stood at EUR 11,451 thousand as of 30 June 2017.

The company was able to meet its payment obligations at all times, but will continue to depend on additional financing measures in the future. To date, Biofrontera has always succeeded in providing the necessary financing for its business operations through injections of equity. As a result of several capital measures in 2016 and 2017, the company currently has sufficient liquidity at its disposal. However, the planned investments in marketing in the USA will necessitate further capital measures.

Based on its previous, invariably successful experience with capital measures, the Management Board assumes that the liquidity required for business activities can be further ensured. Should – contrary to expectations – these valid estimates not be realised, a going concern risk would ensue.

Staff

As of 30 June 2017, 124 employees worked for the Biofrontera Group (31 December 2016: 94). Of these, a total of 47 staff were employed by Biofrontera Inc. (31 December 2016: 24).

Supplementary Report

Significant events occurring since 30 June 2017

For related information, please refer to the section "Significant events after the interim reporting date" on page 30 of the notes to the consolidated financial statements.

Risk, opportunity and forecast report

Risk and opportunity report

The risks existing within the Group are described in detail in the risk report in the Group management report published for the financial year ending 31 December 2016. Compared with the opportunities and risks that it describes, no further significant changes have arisen as of the 30 June 2017 reporting date, except for the litigation described below.

Litigation

Deutsche Balaton AG brought a lawsuit for rescission and nullity against the resolutions passed by the company's Ordinary AGM on 24 May 2017 under agenda item 2 (resolution concerning the discharge of the Management Board members for the 2016 financial year) and agenda item 6 (resolution concerning adding a new section 7 (3b) to the company's bylaws (Approved Capital II with the possibility to exclude subscription rights for fractional amounts and pursuant to Section 186 (3) Clause 4 of the German Stock Corporation Act [AktG])). The lawsuit pending before the Cologne District Court is registered under file reference 82 O 66/17.

Forecast report (outlook)

Forecast of key financial figures

The competitive situation has stabilised for Biofrontera in Germany as well as in other European countries. From today's perspective, sales revenues in these regions in the full 2017 year will lie within the range of expectations. In the USA, we anticipate continuous sales revenue growth during 2017, although initial system-related difficulties in the reimbursement of the medication through a so-called Miscellaneous Code prompt the expectation of somewhat slower sales revenue growth than previously anticipated. The receipt of an individual reimbursement code for the medication Ameluz® in January 2018 will significantly simplify and accelerate the acquisition of market shares and related sales revenue growth. Overall, however, sales growth remains very difficult to forecast, continuing to generate a considerable fluctuation range of achievable revenues. Total revenue are expected to be at the lower end of the outlook range, depending on sales development in the US maybe even slightly below the range.

To extend the range of indications, Biofrontera will make further significant investments in research and development as well as in regulatory affairs in 2017. The forecast for development and approval costs remains at between approximately EUR 6 million and EUR 7 million. The establishment of the sales and marketing organisation in the USA is largely occurring to plan, so that sales and marketing costs remain largely unchanged compared with the last forecast report at between approximately EUR 18 million and EUR 21 million. Compared with the last forecast, administrative costs will rise slightly due to additional costs for financing measures, and amount to between around EUR 4 million and EUR 5 million.

The company continues to plan no significant investments in property, plant and equipment in 2017.

The financial result reflects the interest payments and compounding of interest applying the effective interest method for the still outstanding warrant bond on a proportional basis until the repayment date in August 2017. This item also shows the interest payments from the EIB loan from the date when the loan was granted. The 2011/16 bond with warrants was already repaid December 2016. Taking all the aforementioned effects into account, the financial result will lie approximately at the previous year's level. We also anticipate a non-cash burden on earnings of between EUR 0.5 million and EUR 1.0 million from translating balance-sheet items due to changes in the US dollar exchange rate to the euro.

With the aforementioned conditions and forecasts, the company will achieve a result in 2017 in the lower end of the outlook range. The achievement of this result depends significantly on sales revenue trends.

Leverkusen, 31 August 2017
Biofrontera AG

Prof. Dr. Hermann Lübbert
Chief Executive Officer

Thomas Schaffer
Chief Financial Officer

Christoph Dünwald
Chief Commercial Officer

Responsibility Statement

Affirmation of the legal representatives pursuant to Section 37y of the German Securities Trading Act (WpHG) in conjunction with Section 37w (2) No.3 WpHG

We affirm that, to the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statement gives a true and fair view of the financial position, cash flows and results from operations of the Group, and that the combined company and Group management report presents the business performance, including the business results and the position of the Biofrontera Group and of Biofrontera AG, in such a way that a true and fair view is conveyed, and that the main opportunities and risks relating to the anticipated performance of the Biofrontera Group and Biofrontera AG are described.

Leverkusen, 31 August 2017
Biofrontera AG

Prof. Dr. Hermann Lübbert
Chief Executive Officer

Thomas Schaffer
Chief Financial Officer

Christoph Dünwald
Chief Commercial Officer

Condensed interim IFRS consolidated financial statements as of 30 June 2017

Consolidated balance sheet as of 30 June 2017

Assets

in kEUR	30 June 2017	31 December 2016
Non-current assets		
Tangible assets	662.3	644.7
Intangible assets	984.5	1,251.9
	1,646.7	**1,896.6**
Current assets		
Current financial assets		
Trade receivables	1,202.0	1,624.1
Other financial assets	1,135.8	1,376.9
Cash and cash equivalents	11,451.5	15,126.1
	13,789.3	**18,127.0**
Other current assets		
Inventories		
Raw materials and supplies	1,573.1	1,350.3
Unfinished products	427.7	477.1
Finished products and goods	1,833.7	1,818.9
Income tax reimbursement claims	32.9	33.0
Other assets	44.6	175.7
	3,911.9	3,855.1
	17,701.2	**21,982.1**
Total assets	**19,347.9**	**23,878.7**

Liabilities

in kEUR	30 June 2017	31 December 2016
Equity		
Subscribed capital	38,416.4	37,722.4
Capital reserve	100,670.1	98,676.8
Capital reserve from foreign currency conversion adjustments	441.8	(154.2)
Loss carry forward	(120,402.9)	(109,823.7)
Net loss of the year	(8,736.6)	(10,579.2)
	10,388.9	**15,842.1**
Long-term liabilities		
Long-term financial liabilities	2,654.0	3,596.9
Current liabilities		
Current financial liabilities		
Trade payables	448.5	2,093.2
Short-term financial debt	3,664.6	274.4
Other financial liabilities	48.1	58.5
	4,161.3	**2,426.0**
Other current liabilities		
Other provisions	1,880.0	1,823.7
Other current liabilities	263.7	190.0
	2,143.7	2,013.6
	6,305.0	**4,439.7**
Total liabilities	**19,347.9**	**23,878.7**

Consolidated statement of comprehensive income for the first half of the 2017 and 2016 financial year

in kEUR	6M 2017	6M 2016
Sales revenue	5,006.4	1,708.6
Cost of sales	(635.4)	(763.7)
Gross profit from sales	4,371.1	945.0
Operating expenses		
Research and development costs	(2,185.4)	(1,852.0)
General administrative costs	(1,695.5)	(1,372.4)
thereof financing costs	(510.8)	(372.4)
Sales costs	(8,275.3)	(2,832.3)
Loss from operations	**(7,785.2)**	**(5,111.7)**
Interest expenses	(329.6)	(594.5)
Interest income	4.2	1.7
Other expenses	(740.9)	(14.0)
Other income	114.9	2,246.3
Profit/loss before income tax	**(8,736.6)**	**(3,472.3)**
Income tax	0.0	0.0
Profit or loss for the period	**(8,736.6)**	**(3,472.3)**
Expenses and income not included in profit/loss		
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	596.0	0.6
Other income total	596.0	0.6
Total profit/loss for the period	**(8,140.6)**	**(3,471.7)**
Non-diluted (=diluted) earnings per share	(0.23)	(0.12)

Statement of changes in equity for 2016 for the first half of the 2017 and 2016 financial year

	Ordinary shares number	Subscribed capital kEUR	Capital reserve kEUR	Capital reserve from foreign currency conversion adjustments kEUR	Accumulated loss kEUR	Total kEUR
Balance as at 01 January 2016	**25,490,430**	**25,490.4**	**79,525.3**	(1.2)	**(109,823.7)**	**(4,809.2)**
Capital increase	4,857,383	4,857.4	4,621.6	0.0	0.0	9,479.0
Costs of equity procurement	0	0.0	-175.9	0.0	0.0	(175.9)
Foreign currency conversion adjustment	0	0.0	0.0	0.6	0.0	0.6
Increase in capital reserve from the stock option programme	0	0.0	53.9	0.0	0.0	53.9
Net loss of the year	0	0.0	0.0	0.0	(3,472.3)	(3,472.3)
Balance as at 30 June 2016	**30,347,813**	**30,347.8**	**84,025.0**	**(0.6)**	**(113,296.0)**	**1,076.3**
Capital increase	5,012,950	5,013.0	10,025.9	0.0	0.0	15,038.9
Conversion from convertible bond 2016/2021	1,603,050	1,603.0	3,231.3	0.0	0.0	4,834.4
Conversion from option bond 2011/2016	758,620	758.6	1,486.9	0.0	0.0	2,245.5
Foreign currency conversion adjustment	0	0.0	0.00	(153.6)	0.0	(153.6)
Costs of equity procurement	0	0.0	(145.5)	0.0	0.0	(145.5)
Changes in capital reserves pursuant to the issuance of the convertible bond 2016/2021	0	0.0	(4.2)	0.0	0.0	(4.2)
Increase in capital reserve from the stock option programme	0	0.0	57.4	0.0	0.0	57.4
Net loss of the year	0	0.0	0.0	0.0	(7,106.9)	(7,106.9)
Balance as at 31 December 2016	**37,722,433**	**37,722.4**	**98,676.8**	**(154.2)**	**(120,402.9)**	**15,842.1**
Conversion from convertible bond 2016/2021	26,700	26.7	74.5	0.0	0.0	101.2
Conversion from convertible bond 2017/2022	667,295	667.3	1,836.0	0.0	0.0	2,503.3
Foreign currency conversion adjustment	0	0.0	0.0	596.0	0.0	596.0
Increase in capital reserve from the stock option programme	0	0.0	82.8	0.0	0.0	82.8
Net loss of the year	0	0.0	0.0	0.0	(8,736.6)	(8,736.6)
Balance as at 30 June 2017	**38,416,428**	**38,416.4**	**100,670.1**	**441.8**	**(129,139.5)**	**10,388.9**

Consolidated cash flow statement for the first half of the 2017 and 2016 financial year

in kEUR	6M 2017	6M 2016
Cash flows from operations		
Profit/loss for the period	(8,736.6)	(3,472.3)
Adjustments to reconcile profit/loss for the period to cash flow into operations		
Financial result	325.4	592.8
Depreciation	443.8	404.3
(Gains)/losses from disposal of assets	0.0	4.8
Non-cash expenses and income	3,340.8	46.4
Changes in operating assets and liabilities		
Trade receivables	422.0	382.1
Other assets and income tax assets	372.4	(338.6)
Inventories	(188.1)	(142.3)
Trade payables	(1,644.6)	(45.3)
Long-term and short-term financial debt	(2,551.7)	0.0
Provisions	66.1	83.1
Other liabilities	63.4	(25.7)
Net cash flow from operational activities	**(8,087.0)**	**(2,510.7)**
Cash flows from investment activities		
Purchase of intangible and tangible assets	(203.7)	(154.6)
Interest received	1.8	1.7
Revenue from sale of intangible and tangible assets	9.7	9.7
Net cash flow from (into) investment activities	**(192.2)**	**(143.2)**
Cash flows from financing activities		
Proceeds from the issue of shares	0.0	9,303.2
Proceeds from conversions of convertible bonds 2017/2022	4,999.0	0.0
Interest paid	(394.4)	(435.8)
Net cash flows from financing activities	**4,604.6**	**8,867.4**
Net increase (decrease) in cash and cash equivalents	(3,674.6)	6,213.4
Cash and cash equivalents at the beginning of the period	15,126.1	3,959.2
Cash and cash equivalents at the end of the period	**11,451.5**	**10,172.6**
Composition of financial resources at the end of the period		
Cash and cash balances and cheques	11,451.5	10.172.6

Notes to the consolidated financial statements as of 30 June 2017

Information about the company

Biofrontera AG (www.biofrontera.com), 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, Biofrontera Neuroscience GmbH, all with head office at Hemmelrather Weg 201, 51377 Leverkusen, Germany, and Biofrontera Inc., which is based in Wakefield, Massachusetts, USA, 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" or "Biofrontera") pursues this goal along with its subsidiaries. All the companies together form the "Biofrontera Group".

The Biofrontera Group was the first small German pharmaceutical company to receive centralised European and US drug approval for an independently developed drug, Ameluz®. In December 2011, Ameluz® was approved in Europe to treat light and moderate actinic keratosis. In September 2016, European approval was expanded to treat field cancerisation, and in January 2017 to treat basal cell carcinoma. In May 2016, the FDA issued approval in the USA for lesion-directed and field-directed treatment of actinic keratosis in combination with the red-light lamp BF-RhodoLED®. In addition, a range of cosmetic products is to be expanded. The first product in this range, Belixos® Creme, was launched in the autumn of 2009. A hair tonic, Belixos® LIQUID, was introduced in the spring of 2014 and a Belixos® Gel skin care for rosacea and acne was launched at the beginning of December 2014. Belixos® Protect, a day cream with protective anti-aging properties designed especially for photodamaged skin, followed in July 2015, as well as in July 2016 Belixos® to go, a practical 5 ml roll-on applicator with a stainless-steel roller, with simple and hygienic application leading to an immediate cooling effect for the affected skin. Belixos® body cream has arisen due to significant demand for larger packaging of the Belixos® cream, and is ideal for application on larger body areas. Two further clinical development projects, one a dermatological project and one for the prevention of migraines, have been spun off into dedicated subsidiaries and are not being actively pursued at the present time.

The product Ameluz® (development name BF-200 ALA), which was approved in Europe at the end of 2011, has been tested for European approval in one Phase II and two Phase III clinical trials to treat actinic keratosis. In preparation for approval in the USA, two Phase I trials and a further Phase III trial were conducted. Ameluz® consists of a combination of the drug aminolevulinic acid (ALA) and a patent-protected nanoemulsion (BF-200), with the latter chemically stabilising the ALA and enhancing its 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 September 2016, approval was expanded to treat field cancerisation, in other words, larger related areas permeated by tumour cells. Approval in the USA occurred on 10 May 2016, which now opens up the world's largest healthcare market to Biofrontera. Market launch occurred in October 2016. A further Phase III trial to treat basal cell carcinoma formed the basis for the expansion of the existing EU approval for this indication, which was issued in January 2017. Furthermore, Ameluz® was tested in a Phase III trial for the application of daylight PDT in a direct comparison with the competitor product, and this trial formed the basis for filing for approval for this therapy type in June 2017. In August 2017, the FDA confirmed in writing the approval procedure that was agreed with Biofrontera at a formal meeting for the treatment of basal cell carcinoma with Ameluz®.

In November 2012, Biofrontera's BF-RhodoLED® PDT lamp received pan-European approval for use as a medical device and has since been sold in parallel with Ameluz®. In Europe, doctors can opt to use any of the lamps approved for PDT, whereas in the USA the approval of Ameluz® is combined with utilisation of the BF-RhodoLED® lamp. It is consequently approved as a combination product along with Ameluz®.

In July 2016, the company agreed a research partnership with Maruho Co., Ltd, ("Maruho"), a Japanese company specialising in dermatology, in which possibilities to jointly develop pharmaceutical products for the European market based on Biofrontera's proprietary nanoemulsion technology are to be researched. This corresponds to the same strategy with which Ameluz® was also developed. The nanoemulsion technology stabilised the active substance and improved skin penetration, leading to greater clinical efficacy. This principle is also to be applied to other substances as part of the partnership with Maruho. According to the agreement, Maruho will bear all costs connected with the exploratory research of four new product candidates. It is planned that Maruho will be the owner of the results, but that all new inventions are to belong to both companies jointly. As part of the agreement, Biofrontera does not issue to Maruho any licence for the utilisation of the nanoemulsion or other existing intellectual property. The licence to market the new products in Europe shall be allocated to Biofrontera. The agreement does not cover other markets.

The BF-derm1 project, which is currently not being actively pursued, was tested in a three-part Phase II trial for the treatment of chronic, antihistamine-resistant urticaria. The trial demonstrated the drug's good efficacy, which reduced the intensity of urticaria rashes and itching as well as reducing the amount of drowsiness-inducing antihistamines required by patients.

The BF-1 project is an innovative substance that is intended to be used for 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 show that the substance is almost completely absorbed in the intestine, and that it takes around two days for 50 % of the substance to be broken down or excreted. These results are an excellent starting point for developing the substance for administration in tablet form.

The intention is to finance the development of both BF-derm1 and BF-1 independently of Biofrontera's normal budget by seeking funding providers who will benefit directly from the development of these products. For this reason, the two projects were acquired by Biofrontera AG and transferred as shareholder contributions to the two subsidiaries Biofrontera Development GmbH and Biofrontera Neuroscience GmbH, which were formed in 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 was uncoupled from the normal Group financing. As a result, the company's short-term financial plans can focus on the market launch of Ameluz® in North America and the extension of its range of indications, as well as the establishment of the Group as a specialist pharmaceutical company.

Accounting policies

Pursuant to the regulations of Section 37y of the German Securities Trading Act (WpHG), in combination with Section 37w WpHG, this half-year financial report as of 30 June 2017 comprises condensed interim consolidated financial statements, an interim Group management report and a responsibility statement pursuant to the regulations of Section 297 (2) Clause 4, Section 315 (1) Clause 6 of the German Commercial Code (HGB).

The condensed interim consolidated financial statements as of 30 June 2017 of Biofrontera AG were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as well as the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) for "Interim Financial Reporting" in accordance with IAS 34, as applicable in the European Union. As a consequence, they do not include all information and disclosures required for consolidated financial statements, and for this reason should be read in connection with the consolidated financial statements for the financial year ending 31 December 2016.

As part of preparing the interim consolidated financial statements, the Management Board must make assumptions that affect the application of accounting policies within the Group, and the reporting of assets and liabilities as well as income and expenses. Actual amounts can differ from such estimates. The results achieved during the first half of the 2017 financial year do not allow any predictions to be made about trends during the further course of business.

The accounting policies applied to prepare the consolidated financial statements as of 31 December 2016 continued to be applied on an unmodified basis for the preparation of the condensed interim consolidated financial statements. In this connection, please also refer to the notes to the consolidated financial statements as of 31 December 2016.

The consolidated financial statements for 31 December 2016 contain no separate segment-based reporting, as the activities of the Biofrontera Group are limited to a single business segment in terms of the definition in IFRS 8. All business operations focus on the product Ameluz®, including the supplementary products BF-RhodoLED® (PDT lamp) and Belixos®, and are internally monitored and managed accordingly.

This half-year financial report of Biofrontera AG was approved for publication by a Management Board resolution on 31 August 2017.

Rounding differences can arise in the tables due to commercial rounding.

Convertible bond 2017/2022

The company's Management Board passed a resolution to issue a further convertible bond on 23 December 2016. This EUR 5.0 million bond was fully placed in January 2017. The initial conversion price for the bond amounts to EUR 3.50, to EUR 4.00 from 1 April 2017 and to EUR 5.00 from 1 January 2018. The bonds carry 6 % annual interest on their par value from 1 February 2017. The bond will be redeemed in cash on 1 January 2022 unless it is converted previously. As of 30 June 2017, bonds with a nominal amount of EUR 2,335,600 had been converted into the company's shares.

Loan agreement with the European Investment Bank

In May 2017, a loan agreement for up to EUR 20 million was arranged with the European Investment Bank (EIB). The loan is unsecured and guaranteed by our main subsidiaries. It is available in tranches over a two-year period. In July 2017, the company drew down a first tranche of EUR 10 million. Two further tranches of EUR 5 million each can be drawn down after certain milestones have been achieved. Each tranche must be repaid five years after it was made available. The loan incurs standard market interest, whereby some of the interest payments must be paid in cash quarterly, some of the interest payments are initially deferred and are to be paid at the end of the term, and a further portion of the interest payments are also to be paid at the end of the term depending on the company's market capitalisation.

Employee stock option programme 2015

After the end of the 2010 employee share option programme, the company's Annual General Meeting on 28 August 2015 authorised the Management and Supervisory boards until 27 August 2020 to issue to Management Board members and employees up to 1,814,984 subscription rights to up to EUR 1,814,984 of the company's ordinary registered shares according to the more detailed specifics of the authorisation resolutions. Further related provisions were specified in the invitation to the Annual General Meeting and are available on the company's website (2015 option programme).

On 18 April 2016, a total of 425,000 options were issued for the first time from the potential 1,814,914 share options (exercise price: EUR 2.49 per option). On 1 December 2016, a further 130,500 options (second tranche) were issued with an exercise price of EUR 3.28 each. On 28 April 2017, a further 329,000 options (third tranche) were issued at an exercise price of EUR 4.02 each. A total of 38,500 options were forfeited by employees leaving the company. Due to the blocking period, no options have yet been exercised or forfeited. As a consequence, 891,983 options are still outstanding on 30 June 2017. The cost expensed in the reporting period amounted to EUR 56 thousand (prior-year period: EUR 16 thousand).

Shares / Earnings per share

Earnings per share are calculated by dividing net consolidated income by the weighted average number of outstanding shares during the year in accordance with IAS 33 ("Earnings per Share").

	30 June 2017	30 June 2016
Number of weighted ordinary shares in circulation (on average)	37,730,066	29,194,771
Net loss for the year in kEUR	(8,736.6)	(3,472.3)
Earnings per share in EUR based on the net loss for the year	(0.23)	(0.12)

Reporting on financial instruments

In the course of its operating activities, the Group is exposed to market price and credit risk, as well as liquidity risk, which could have an effect on its financial position and performance.

Market price risk: Interest-rate risk is deemed minor as existing interest-rate modalities for the Biofrontera Group's relevant financing facilities can generally be adapted to market conditions short-term to medium-term. No cash flow risk exists in relation to fixed interest warrant bonds. Due to the fixing of interest, no disadvantageous changes can occur to the interest payments. As the liabilities are not recognised at fair value but instead at amortised cost, there is also no fair value risk.

Credit risk: A credit risk arises for the Group if transaction partners cannot meet their obligations within the normal payment deadlines. On the balance sheet, the maximum non-payment risk is represented by the carrying amount of the relevant financial asset. The situation regarding receivables is monitored so that any possible non-payment risks can be identified at an early stage and appropriate steps taken. In the first half of 2017, no individual value adjustments were made for other financial assets (prior-year period: EUR 0); in addition, no individual value adjustments were applied to trade receivables in the first half of 2017 (prior-year period: EUR 0).

Based on the input factors used at the valuation methods fair values are divided into different steps of the fair value hierarchy:

Level 1: Fair value valuations using prices listed on active markets (not adjusted) for identical assets or liabilities.

Level 2: Fair value valuations using inputs for the asset or liability that are either directly observable (as prices) or indirectly observable (derived from prices), but which do not constitute listed prices pursuant to Level 1.

Level 3: Fair value valuations using inputs for the asset or liability that are not based on observable market data (unobservable input data).

Biofrontera only has financial instruments at levels 1 and 2. During the first half of 2017, no reclassifications between the individual levels of the fair value hierarchy were implemented. With regard to financial liabilities, the full amount of non-current and current financial liabilities (EUR 6,319 thousand; 31 December 2016: EUR 3,871 thousand) is allocated, except for the residual value of warrant bond 2016 (EUR 81 thousand), to Level 1. This involves financial debt arising from warrant and convertible bonds.

The financial assets and liabilities can be subdivided into measurement categories with the following carrying amounts, and net gains and losses:

Financial assets on 30.06.2017 (EUR)	Fair value	Carrying amounts					
			Loans and receivables	Financial instruments recognised at fair value in profit or loss (excluding "held-for-trading")	Financial assets available-for-sale	TOTAL CARRYING AMOUNTS	
Financial assets						0	
Liquid assets	11,451,466		11,451,466			11,451,466	
Trade receivables	1,202,029		1,202,029			1,202,029	
Other current financial receivables and assets	1,135,803		1,135,803			1,135,803	
TOTAL	**13,789,298**		**13,789,298**			**13,789,298**	

Financial liabilities on 30.06.2017 (EUR)	Fair value	Carrying amounts					
		Other liabilities	Financial instruments recognised at fair value in profit or loss (excluding "held-for-trading")			TOTAL CARRYING AMOUNTS	
Financial liabilities current	3,593,239	3,664,640				3,664,640	
Trade payables	448,508	448,508				448,508	
Other financial liabilities current	48,142	48,142				48,142	
Other financial liabilities non-current	2,927,910	2,654,018				2,654,018	
TOTAL	**7,017,799**	**6,815,308**				**6,815,308**	

Financial assets on 31.12.2016 (EUR)	Fair value	Carrying amounts					
			Loans and receivables	Financial instruments recognised at fair value in profit or loss (excluding "held-for-trading")	Financial assets available-for-sale	TOTAL CARRYING AMOUNTS	
Financial assets						0	
Liquid assets	15,126,096		15,126,096			15,126,096	
Trade accounts receivable	1,624,067		1,624,067			1,624,067	
Miscellaneous current financial receivables and assets	1,376,870		1,376,870			1,376,870	
TOTAL	**18,127,033**		**18,127,033**			**18,127,033**	

Financial liabilities on 31.12.2016 (EUR)	Fair value	Carrying amounts					
		Other liabilities	Financial instruments recognised at fair value in profit or loss (excluding "held-for-trading")			TOTAL CARRYING AMOUNTS	
Financial liabilities current	274,424	274,424				274,424	
Trade accounts payable	2,093,154	2,093,154				2,093,154	
Other financial liabilities current	58,458	58,458				58,458	
Other financial liabilities non-current	3,596,897	3,596,897				3,596,897	
TOTAL	**6,022,933**	**6,022,933**				**6,022,933**	

Members of the Supervisory Board

One change relating to the following Supervisory Board member occurred during the first half of 2017:

Hansjörg Plaggemars is a Supervisory Board member of Biofrontera AG and to date has been employed as a member of the Management Board of Deutsche Balaton Aktiengesellschaft, Heidelberg, resident in Stuttgart, and is now a member of the Management Board of Delphi Unternehmensberatung AG, Heidelberg, resident in Stuttgart.

Related party disclosures

In July 2016, Biofrontera AG signed a research cooperation partnership (a collaboration and partnership agreement) with Maruho Co., Ltd, as part of which possibilities to jointly develop pharmaceutical products based on Biofrontera's proprietary nanoemulsion technology are to be researched. According to this agreement's provisions, Biofrontera, as part of research services, will conduct the requisite work for the exploratory research of these product candidates. Maruho is bearing the related costs.

This development partnership generated revenue of EUR 785 thousand in the first half of 2017 (prior-year period: EUR 0 thousand). Receivables due from Maruho amounted to EUR 187 thousand as of 30 June 2017 (31 December 2016: EUR 472 thousand).

During the reporting period, the company availed itself of additional advisory services from Supervisory Board member Dr. Ulrich Granzer. Dr. Granzer assisted the company with key issues relating to the preparation of the applications for approval submitted to the supervisory authorities in Europe and the USA. During the first half of 2017, advisory services amounting to EUR 33 thousand (previous-year period: EUR 2 thousand) were provided by Granzer Regulatory Consulting & Services. Accounts payable to Granzer Regulatory Consulting & Services amounted to EUR 0 thousand on 30 June 2017 (31 December 2016: EUR 7 thousand). The amounts stated here do not include statutory VAT at the current rate of 19 %. The underlying consultancy contract was approved in consideration of the statutory provisions.

In the first half of 2017, no further significant reportable transactions or relationships with related parties existed beyond the aforementioned facts and circumstances.

Significant events after the interim reporting date

In July 2017, the Cologne District Court served a lawsuit on the company dated 23 June 2017 and brought by Deutsche Balaton AG for the rescission and nullity of two resolutions passed at the AGM on 24 May 2017.

In August 2017, the company received the written opinion of the American drugs regulator, the FDA, on the terms for the approval of Ameluz® for basal cell carcinoma in the USA, on which the company had reached agreement with the FDA at a formal meeting in July. According to the agreed development plan, the approval expansion for superficial basal cell carcinoma can be applied for based on a single supplementary Phase III trial conducted in the USA, comparing Ameluz® with a placebo. The FDA expects from Biofrontera a combined evaluation of the clinical and histological healing rates. The clinical investigation of patients with different ethnic backgrounds or children is not required. As far as safety information and long-term data are concerned, the FDA has accepted the existing European trial for review.

July 2017, a first tranche of EUR 10 million from the loan from the European Investment Bank was drawn down.

In July 2017 a further patent for the development project BF-1 was granted by the United States Patent and Trademark Office.

Following a resolution by the supervisory board on 19 July 2017 the service contract with Christoph Dünwald and his appointment to the management board have been extended until 30 November 2020.

The 2009/2017 bond with warrants with stepped interest rates and with final maturity on 31 December 2017 was repaid early on 3 August 2017.

On 2 August 2017, the company announced the market launch of Ameluz® and BF-RhodoLED® in Israel by its partner Perrigo Israel Ltd.

Marketing activities in Slovenia were discontinued as of 31 August 2017 due to low market volume.

No further events subject to mandatory reporting occurred after the interim balance sheet date.

Leverkusen, Germany, 31 August 2017

Prof. Dr. Hermann Lübbert
Chief Executive Officer

Thomas Schaffer
Chief Financial Officer

Christoph Dünwald
Chief Commercial Officer

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

Review report:

To Biofrontera AG, Leverkusen:

We have reviewed the condensed interim consolidated financial statements – comprising the condensed statement of financial position, the condensed statement of comprehensive income, the condensed statement of cash flows, the condensed statement of changes in equity and selected explanatory notes – and the interim group management report of Biofrontera AG for the period from January 1, 2017 to June 30, 2017 which form part of the half-year financial reporting in accordance with section 37w German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

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

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

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

Düsseldorf, August 31, 2017

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Wirtschaftsprüfungsgesellschaft

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Concept and Design

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Financial calendar

27-29 November	Analysts' conference, German Equity Forum 2017, Frankfurt
30 November	Report on the third quarter of 2017

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