

Biofrontera AG

Quarterly Report for the first quarter of 2023



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Business performance

At the beginning of the year, we were able to obtain the approval of our shareholders for an ordinary capital increase with the granting of subscription rights at an Extraordinary General Meeting. A securities prospectus is currently being prepared for this capital measure so that, following its approval by the Bafin, we will be able to complete the capital raising prospectively at the end of July, beginning of August. The proceeds of the financing will be mainly used to cover the costs of the expected increased order intake in the manufacturing area. After the Corona pandemic already had a significant negative impact on production and transportation worldwide, the stability of supply chains was additionally threatened by the Ukrainian war. This has led to restrictions at Biofrontera in the manufacturing of BF-RhodoLED® lamps, but also in the production of Ameluz®.

Sales revenues in the first quarter dropped compared to the first quarter of 2022. Total sales in the first three months amounted to EUR 5.799 million, down 12% on the previous year's figure (EUR 6.566 million).

Sales of EUR 3.060 million were generated by our license partner in the USA. In the same period of the previous year, the sales contribution from the USA was EUR 4.573 million, which corresponds to a decline of 33%. This decline was due to a transitory supply chain problem. There was a delay in the delivery of 4 production batches, representing 6M euros in revenues, to US in the first quarter. This planned delivery could not be made until the second quarter of this year. The problem has been solved for the future by stockpiling Ameluz® and production components.

The four delayed batches have been delivered during April and May, so by the end of May the company revenues are completely in line with its budget.

In the German market, sales were up 36% year-on-year in the first quarter. EUR 1.593 million were recorded in the first three months, compared to EUR 1.169 million in the same period of the previous year. The previous year's figure was still significantly impacted by the reimport issue, but German sales also increased by 13% compared to Q1 2021.

At EUR 1.021 million, sales generated in Europe in the reporting period represent a significant increase of 60% compared to the prior-year period value of EUR 637 thousand. In the Spanish market, slight growth was realized in January to March 2023 despite the price increase and the expiry of goods for reimport purpose goods. The market in the UK also continued to recover and double-digit growth was recorded. The largest jump in sales and thus also the substantial percentage growth was achieved in the rest of Europe. As a result of deliveries to our sales partners in Switzerland and Scandinavia, we were able to generate a total of EUR 392 thousand.

Europe thus holds great growth potential, which Biofrontera intends to successively tap. Further European markets are currently being analyzed and Ameluz® is being examined with regard to reimbursement and related pricing.

Major efforts are currently being focused on the territorial expansion of Ameluz® sales within Europe. The central European approval of the Ameluz® PDT means that the European market is open to Biofrontera, and thus the company will focus on evaluating these new commercialization options in the coming months.

There was also further progress on the R&D side in the first quarter of this year. Biofrontera received notice of allowance for a US patent describing a novel treatment method of PDT using a photosensitizer in combination with light treatment at two different wavelengths. The invention describes two illumination steps, where the application of a photosensitizing substance is followed first by exposure to a broader wavelength (e.g., daylight) and then to narrow-band light (e.g., the BF-RhodoLED®). The patent is part of a broad patent strategy to protect Ameluz® from generic competition.

Another milestone was also reached in clinical development with the start of the US trial on the efficacy and safety of Ameluz® PDT in the treatment of actinic keratosis on the extremities, trunk and neck. The trial is being conducted with the novel RhodoLED® XL and it is expected that most of the 165 patients will be enrolled in the trial this year. The trial is part of a clinical development program designed to broaden the treatment options for Ameluz® PDT. Also part of this development plan is a safety study on the simultaneous use of 3 tubes of Ameluz®, where patient recruitment has now been completed and we expect to file the dossier to FDA before the end of the year.

Highlights for the 1st Quarter 2023

- Biofrontera receives notice of allowance for U.S. patent on innovative photodynamic treatment
- Start of phase 3 clinical trial in the U.S. for the treatment of Actinic Keratosis of the extremities, neck and trunk
- Biofrontera completes patient recruitment of the phase 1-trial to investigate the safety and tolerability of Ameluz® PDT with 3 tubes of Ameluz®.
- Approval of an ordinary capital increase by the extraordinary shareholders' meeting
- Confirmation of Prof. Dr. Lergenmüller as member of the Supervisory Board

Key figures in accordance with IFRS

unaudited	01.01.-31.03.2023		01.01.-31.03.2022	
	in EUR thousands	% of revenues	in EUR thousands	% of revenues
Results of operations				
Sales revenue	5,799	100.00%	6,566	100.00%
Gross profit on sales	4,548	78.43%	5,455	83.08%
Result on operations	(863)	(14.88)%	1,152	17.55%
EBITDA	(559)	(9.64)%	1,278	19.46%
EBIT	(760)	(13.10)%	1,093	16.65%
Profit/loss before income tax	(3,396)	(58.56)%	(28,100)	(427.97)%
Profit/loss for the period	(3,475)	(59.92)%	(28,100)	(427.97)%

in EUR thousands	March 31, 2023 unaudited	December 31, 2022
Net assets		
Total assets	26,904	32,725
Non-current assets	15,058	17,669
Cash and cash equivalents	3,293	6,376
Other current assets	8,553	7,301
Non-current liabilities	8,751	8,387
Current liabilities	1,282	4,002
Equity	16,871	20,336

	March 31, 2023 unaudited	December 31, 2022
Number of employees	108	110
	0	0
Biofrontera Shares	0	0
Number of shares outstanding	63,807,058	63,807,058
Share price (Xetra closing price in EUR)	1.080	1.53

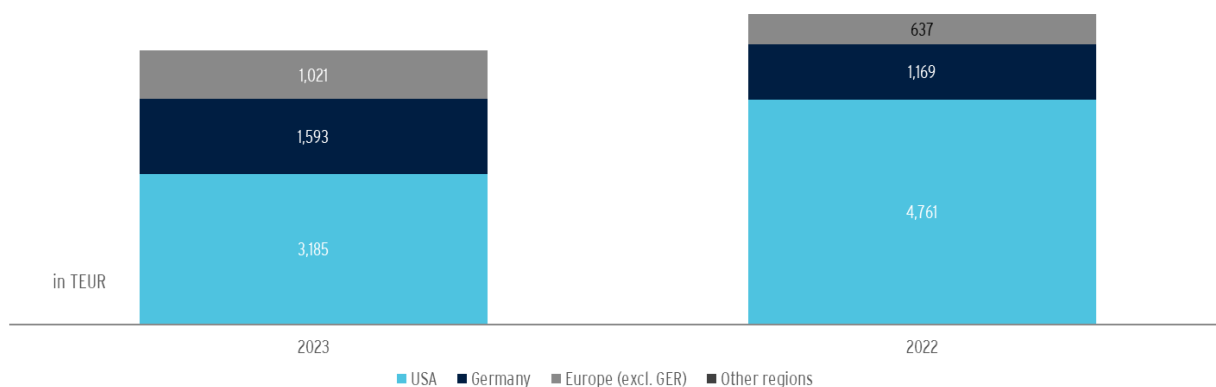
Biofrontera Group financial position and performance

Results of operations of the Biofrontera Group

The results of operations as of March 31, 2023 are as follows:

in EUR thousands	01.01.-31.03.2023	01.01.-31.03.2022
	unaudited	unaudited
Sales revenue	5,799	6,566
Gross profit on sales	(1,251)	(1,111)
Research and development costs	(1,842)	(1,601)
General administrative costs	(1,751)	(1,036)
Sales and marketing costs	(1,818)	(1,665)
Result on operations	(863)	1,152
Other expenses and income	104	(59)
EBITDA	(559)	1,278
EBIT	-759	1,093
Financial result	(2,637)	(29,193)
Loss before income tax	(3,396)	(28,100)
Loss after income tax	(3,475)	(28,100)

Sales revenue



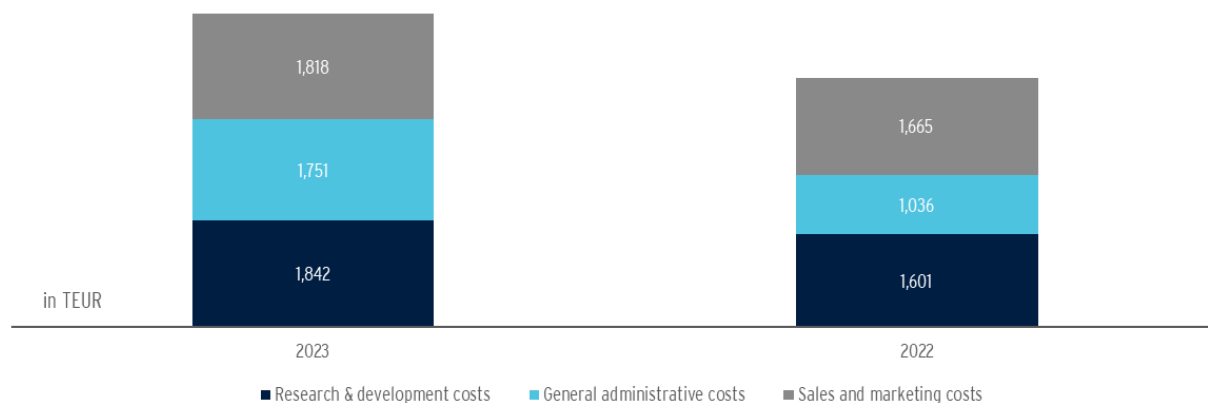
The Biofrontera Group generated total revenues of EUR 5,799 thousand in the first quarter of 2023, a decrease of 12% compared to the prior-year figure (previous year: EUR 6,566 thousand), this decrease is mainly due to the delay of the delivery to Biofrontera INC. into the second quarter because of a supply chain problem already solved.

In Germany, sales in the first quarter improved by 36% to EUR 1,593 thousand compared to EUR 1,169 thousand in the same period of the previous year. Product sales in Europe amounted to EUR 629 thousand and were thus at approximately the same level as in the prior-year period of EUR 604 thousand. Furthermore, license revenues in the other European countries amounted to EUR 392 thousand (prior-year period: EUR 32 thousand).

License revenues in the USA decreased by 33% to EUR 3,060 thousand (prior-year period: EUR 4,573 thousand) due to a production-related delay in a shipment of Ameluz® scheduled for the first quarter.

Gross profit on sale

Gross profit decreased by EUR 907 thousand in the reporting year 2023 to EUR 4,548 thousand compared to EUR 5,455 thousand in the prior-year period. The gross margin decreased from 83% in 2022 to 78% in fiscal year 2023. This was mainly due to the temporary change in the product mix caused by the postponement of the US delivery.



Research and development costs

Research and development costs increased by EUR 241 thousand to EUR 1,842 thousand (previous year: EUR 1,601 thousand). This increase is mainly due to the intensified research activities associated with the progress of the clinical trials. In addition to the costs for clinical trials, research and development costs also include regulatory expenses, i.e., for the granting, maintenance, and expansion of our approvals.

General and administrative costs

General and administrative costs amounted to EUR 1,751 thousand in fiscal year 2023 (previous year: EUR 1,036 thousand) and thus increased by a total of EUR 715 thousand compared with the previous year. The main reasons for this were increased legal and consulting costs.

Sales and marketing costs

Sales and marketing expenses amounted to EUR 1,818 thousand in fiscal year 2023 and thus increased by EUR 153 thousand compared with the previous year (EUR 1,665 thousand), mainly due to preparations to intensify and expand sales in Europe. Sales and marketing costs include the costs of our own sales force in Germany, Spain, and the United Kingdom as well as marketing expenses.

EBITDA and EBIT

The Group's EBITDA includes earnings before interest, taxes, depreciation of property, plant and equipment and amortization of intangible assets and decreased by EUR 1,837 thousand to EUR -559 thousand in fiscal year 2023 compared to the prior-year period (previous year: EUR 1,278 thousand) due to the effects on costs and revenues described above.

EBIT includes earnings before interest and taxes and decreased accordingly compared to the prior-year period to EUR -759 thousand (previous year: EUR 1,093 thousand).

Financial result

In addition to the interest result, the financial result totaling EUR -2,637 thousand (previous year: EUR -29,193 thousand) mainly includes the adjustment of the carrying amount of the investment in Biofrontera INC. by the share of earnings in the amount of EUR -2,632 thousand (previous year's period: impairment: EUR -29,139 thousand).

Other income and expenses

Other expenses and income totaled EUR 104 thousand in the reporting period (previous year: EUR -59 thousand) and mainly include expenses and income from currency translation amounting to EUR 37 thousand (previous year: EUR -92 thousand), income from claims for damages amounting to EUR 15 thousand (previous year: EUR 0 thousand), and offset non-cash benefits amounting to EUR 26 thousand (previous year: EUR 25 thousand).

Income taxes

This item includes actual income taxes of EUR 7 thousand (prior-year period: EUR 0 thousand) and deferred tax expenses of EUR 72 thousand (prior-year period: EUR 0 thousand) from the reduction of tax-deductible loss carryforwards at Biofrontera Pharma GmbH.

Net assets of the Group

Total assets decreased from EUR 32,725 thousand as of December 31, 2022 to EUR 26,904 thousand as of March 31, 2023, mainly due to the decrease in the carrying amount of the investment in Biofrontera Inc and the decrease in cash and cash equivalents.

The fully paid-in share capital of the parent company, Biofrontera AG, amounted to EUR 63,807,058 as of March 31, 2023. It was divided into 63,807,058 registered shares with a notional value of EUR 1.00 each. Total equity as of March 31, 2023 amounted to EUR 16,871 thousand compared to EUR 20,336 thousand as of December 31, 2022.

Financial position of the Biofrontera Group

Cash and cash equivalents in the Group amounted to EUR 3,293 thousand as of March 31, 2023, compared to EUR 6,376 thousand as of December 31, 2022.

Taking into account the expected results, the capital increase resolved on January 9, 2023 and a cash and cash equivalents balance of EUR 3.3 million, the Group has sufficient liquidity as of March 31, 2023 for the coming 12 months from the date of preparation. If, against expectations, the resolved capital increase cannot be implemented, the Company also has authorized capital in the amount of 12.7 million new shares to be created.

Outlook and forecast

Business development in the first quarter of 2023 is in line with the expectations of the Management Board. The Management Board therefore fully maintains its forecast for the financial year 2023 published on April 27, 2023. Among other things, the Management Board thus anticipates annual sales of EUR 27 to 33 million, positive EBITDA of EUR 3 to 5 million and positive EBIT of EUR of 2 to 4 million. Details on the forecast can be found in the Annual Report 2022, which is published on the website of Biofrontera AG at <http://www.biofrontera.com/en/investors/financial-reports>.

Consolidated financial statements as of March 31, 2023

Consolidated balance sheet as of March 31, 2023

Assets

in EUR thousands		March 31, 2023 unaudited	December 31, 2022
Non-current assets			
Tangible assets	(1)	3,060	3,012
Intangible assets	(1)	1,252	1,198
Deferred tax	(8)	4,303	4,375
Investments accounted for using the equity method	(2)	6,350	8,982
Non-current contractual assets		92	101
Total non-current assets		15,058	17,669
Current assets			
Financial assets			
Trade receivables	(4)	1,307	691
Receivables from associated companies	(31)	382	1,344
Other financial assets	(5)	1,317	878
Cash and cash equivalents	(7)	3,293	6,376
Current contractual assets		35	35
Total financial assets		6,334	9,324
Other assets			
Inventories	(3)	4,688	4,794
Other assets	(6)	824	938
Total other assets		5,512	5,732
Total current assets		11,846	15,056
Total assets		26,904	32,725

Equity and liabilities

in EUR thousands		March 31, 2023	December 31, 2022
		unaudited	
Equity	(9)		
Subscribed capital		63,807	63,807
Capital reserve		137,328	137,318
Loss carried forward		(180,789)	(136,623)
Loss for the period		(3,475)	(44,166)
Total equity		16,871	20,336
Non-current liabilities			
Financial debt	(10)	972	1,055
Liabilities to associated companies		0	2,642
Total non-current liabilities		1,282	4,002
Current liabilities			
Financial liabilities			
Trade payables	(12)	1,470	1,984
Liabilities to associated companies	(33)	2,648	2,653
Current financial debt	(11)	448	446
Other financial liabilities	(11)	31	26
Total financial liabilities		4,597	5,109
Other liabilities			
Income Tax	(13)	163	156
Other provisions	(14)	588	603
Other liabilities	(15)	3,403	2,518
Total other liabilities		4,154	3,277
Total current liabilities		8,751	8,387
Total equity and liabilities		26,904	32,725

Consolidated statement of comprehensive income for the first three months of the fiscal year 2023

in EUR thousands		01.01.- 31.03.2023	01.01.- 31.03.2022
		unaudited	unaudited
Sales revenue	(17)	5,799	6,566
Cost of sales	(18)	(1,251)	(1,111)
Gross profit from sales	(18)	4,548	5,455
Operating expenses			
Research and development costs	(19)	(1,842)	(1,601)
General administrative costs	(20)	(1,751)	(1,036)
Sales costs	(21)	(1,818)	(1,665)
Result from operations		-863	1,152
Depreciation and amortization*	(27)	200	184
Other Expenses	(24)	(47)	(137)
Other Income	(24)	150	78
EBITDA		-559	1,278
Depreciation and amortization	(27)	(200)	(184)
EBIT		-759	1,093
Interest expenses	(22)	(5)	(54)
Income from investments accounted for using the equity method	(23)	(2,632)	(29,139)
Profit/loss before income tax		(3,396)	(28,100)
Income tax	(25)	(79)	0
Profit/loss for the period		(3,475)	(28,100)
Profit attributable to owners of the parent company		(3,475)	(28,100)
Other comprehensive income after income taxes			
Items which may in future be regrouped into the profit and loss statement under certain conditions.			
Total profit/loss for the period		(3,475)	(28,100)
Basic earnings per share in EUR	(26)	(0.05)	(0.50)
Diluted earnings per share in EUR	(26)	(0.05)	(0.50)