

Biofrontera AG

Quarterly report for the first quarter of 2024



Interim statement for the first quarter of 2024

Business performance

Revenue in the first quarter fell significantly compared to the first quarter of 2023 due to a change in the inventory policy of our US licensee, Biofrontera Inc. As the sales share of our American partner accounts for more than 60% of our total sales, any change in their business behavior has a significant impact on Biofrontera AG. Total sales in the first three months amounted to a total of 3,713 TEUR a decrease of 36% compared to the previous year (5,799 TEUR).

Despite a significant decline in overall sales, the European business recorded an increase of 28% in the first quarter compared to the same period of the previous year. Revenue of EUR 3,348 thousand was generated in the first three months of 2024, compared to EUR 2,614 thousand in the first quarter of 2023. The company plans to continue expanding and diversifying its European business in order to reduce its heavy dependence on US revenue.

However, the weaker revenues have a direct impact on EBITDA, which has turned negative due to falling revenue while overheads remained more or less static. EBITDA fell to EUR -1,349 thousand in the first quarter of 2024, compared to -559 TEUR for Q1 last year. EBIT amounted to -1,555 TEUR compared to -759 TEUR in the same period of the previous year.

As already published in the forecast for the 2024 financial year, we expect both sales and earnings to be lower than the previous year. This is mainly caused by inventory policy changes of our main customer, Biofrontera Inc. Last year, Biofrontera Inc. built up a significant level of stock of Ameluz®, which is now being reduced as a liquidity-preserving action. Biofrontera Inc. intends to continue operating with reduced inventories levels going forward. As a result, our main customer will order less product from us in 2024. Importantly, the changes at Biofrontera Inc. are not caused by weakness in the US market or poor sales performance, but merely due to changes in inventory and working capital policies at Biofrontera Inc.

Following the amendment of the licence agreement with Biofrontera Inc. in February, the clinical development is being transferred to Biofrontera Inc., which is expected to be complete by 1 June 2024. These changes will lead to a significant reduction of the Biofrontera AG cost base. The clinical study programme, which includes studies to expand the market for Ameluz® in the USA, was specified in the original licence agreement. Previously, Biofrontera AG bore the responsibility and costs for the implementation of this programme and in return received a transfer price ranging from 30% to 50% of the US sales revenues of Ameluz®, depending on annual sales volume. The now agreed transfer of clinical trial responsibilities will be temporarily compensated by a decrease in revenues for Biofrontera AG. Over the next two years, Biofrontera AG will receive 25% of the US sales revenues, with this share rising again to between 30% and 35% in the following years. This agreement will allow Biofrontera Inc. to adapt its own clinical programme to the needs of the US market, while Biofrontera AG will be relieved of any further clinical development costs on these programmes, and will allow Biofrontera AG to focus its resources on portfolio expansion and market development in Europe and other regions.

For the 2024 financial year, the Group anticipates revenue of EUR 20 to 23 million. EBITDA is forecast to be in the break-even range of EUR -1 to +1 million in 2024. EBIT will be between EUR -2 million and break-even. Following a normalization of the stockpiling policy of our main customer, EBITDA growth is expected to be in line with previous years in subsequent years. In Europe, the stable growth trend is expected to continue.

The European business grew significantly in the first quarter of 2024 compared to the same quarter of the previous year, with the German market continuing to show solid growth with a 22% increase in sales. In Germany 1,946 TEUR were generated in Germany, compared to 1,593 TEUR in the same period of the previous year. The Spanish market did not record any significant increase in sales in the first quarter and remained at a similar level to the same period of the previous year. Here, sales in the amount of 480 TEUR were generated (Q1 2023: 492 TEUR). In the UK, however, with an increase of 34%, sales of 182 TEUR were achieved. In addition to the German market, which is the main driver of European sales growth, all European license partners also ordered merchandise in the first quarter, which led to a significant jump in sales. Turnover amounted to 739 TEUR compared to 392 TEUR in the same period of the previous year.

Given Biofrontera Inc. did not place any orders for Ameluz® in the first quarter of 2024, revenues from the USA decreased significantly. During this period, we recorded revenues from the USA of 309 TEUR. As explained earlier, this is due to the changes in inventory policy at Biofrontera Inc., which will continue throughout the year. Furthermore, the transfer price of new deliveries to Biofrontera Inc. will now be reduced to 25% of the anticipated US sales price, as a result of changes to the license and supply agreement between the parties.

We are currently concentrating our efforts on expanding Ameluz® sales in Europe. With the European approval of Ameluz® PDT for use with artificial daylight, Biofrontera now offers a product that better meets the needs of both patients and doctors, by expanding its range of applications. To support the use of PDT with artificial daylight, Biofrontera has partnered with two lamp manufacturers to provide effective product solutions, available either as part of a room concept or as standalone lamps.

In the spring, an extensive marketing campaign was launched, highlighting both the wide range of applications and the uniqueness of the Ameluz® formulation, alongside a simultaneous brand makeover to achieve a state-of-the-art appearance. As part of this effort, the logo and overall brand image were modernized. The PDT workshop sponsored by Biofrontera, a long-standing training opportunity in photodynamic therapy, provided an effective platform to introduce the new marketing concept to the target audience.

The Medicines and Healthcare Products Regulatory Agency (MHRA), the regulatory authority for medicinal products in the UK, also approved the extension of the marketing authorization for Ameluz® to include use with artificial daylight back in February. Since Brexit, the European Medicines Agency (EMA) is no longer responsible for drug approvals in the UK. Instead, this responsibility now falls to the MHRA to independently authorize how medicines can be marketed in the UK. The approval granted applies exclusively to Great Britain for the time being, but will be extended to the entire United Kingdom by the beginning of next year.

The revision of the license and supply agreement with Biofrontera Inc. was a seminal achievement, which supports the company's focus on the European market. This contract amendment stipulates that Biofrontera Inc. will take over the entire clinical development program with effect from June 1, 2024, which will significantly reduce the cost structure of Biofrontera AG group.

Through this agreement, Biofrontera Inc. is now in a position to manage its own clinical program, taking into account the needs of the US market. On the Biofrontera AG side, this eliminates the costs of clinical development, allowing the company to focus its available resources on expanding its portfolio and developing the market in Europe and other countries.

The agreed transfer of responsibilities for the clinical program will lead to a temporary decline in revenues for Biofrontera AG. In the next two years, Biofrontera AG will receive 25% of the US sales price, whereby this share will increase again to 30% to 35% in the following years. This means that Biofrontera will continue to benefit considerably from the positive growth of the US business in the future.

Highlights for the 1st Quarter 2024

- EUROPEAN BUSINESS GROWS BY 28%
- CLINICAL RESEARCH COST TRANSFERRED TO THE BIOFRONTERA INC
- NEW COOPERATION AGREEMENTS TO MARKET THE MULTILITE® DAYLIGHT LAMP AND THE INDOORLUX® CONCEPT FOR PDT TREATMENT WITH ARTIFICIAL DAYLIGHT
- AMELUZ® RECEIVES APPROVAL EXTENSION FOR USE WITH ARTIFICIAL DAYLIGHT IN THE EU AND UK

Key figures in accordance with IFRS

unaudited	01.01.-31.03.2024		01.01.-31.03.2023	
	in EUR thousands	% of revenues	in EUR thousands	% of revenues
Results of operations				
Sales revenue	3,713	100.00%	5,799	100.00%
Gross profit on sales	2,485	66.92%	4,548	78.42%
Result from operating activities	(1,626)	(43.79)%	(863)	(14.88)%
EBITDA	(1,349)	(36.35)%	(559)	(9.64)%
EBIT	(1,555)	(41.89)%	(760)	(13.10)%
Profit/loss before income tax	(2,708)	(72.93)%	(3,396)	(58.56)%
Profit/loss for the period	(2,708)	(72.93)%	(3,475)	(59.92)%

in EUR thousands	March 31, 2024 unaudited	December 31, 2023
Key balance sheet figures		
Balance sheet total	28,039	30,732
Non-current assets	11,656	13,012
Cash and cash equivalents	1,642	3,080
Other current assets	14,741	14,641
Current liabilities	10,206	10,073
Non-current liabilities	575	678
Equity	17,258	19,980

	March 31, 2024 unaudited	December 31, 2023
Number of employees	97	95
	0	0
Biofrontera Shares	0	0
Number of shares outstanding	63,807,058	63,807,058
Share price (Xetra closing price in EUR)	0.34	0.40

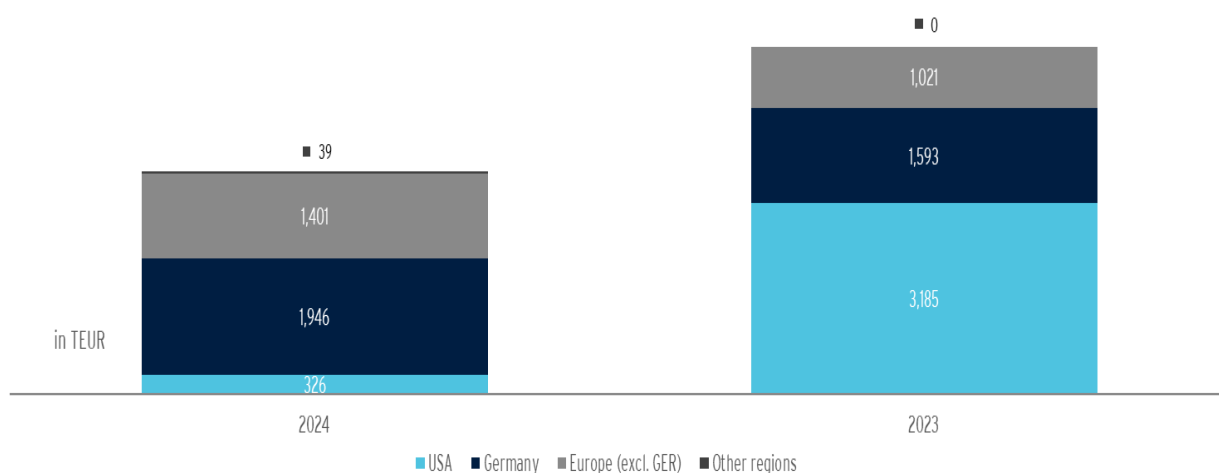
Results of operations, net assets and financial position of the Biofrontera Group

Results of operations of the Biofrontera Group

The results of operations as of March 31, 2024 are as follows:

in EUR thousands	01.01.-31.03.2024	01.01.-31.03.2023
	unaudited	unaudited
Sales revenue	3,713	5,799
Gross profit on sales	(1,228)	(1,251)
Research and development costs	(1,762)	(1,853)
General administrative costs	(1,011)	(1,740)
Sales and marketing costs	(1,336)	(1,818)
Result on operations	(1,626)	(863)
Other expenses and income	70	104
EBITDA	(1,349)	(559)
EBIT	-1,555	-759
Financial result	(1,152)	-2,637
Loss before income tax	(2,708)	-3,396
Loss after income tax	(2,708)	-3,475

Sales revenue



The Biofrontera Group achieved in the first quarter 2024 total sales of 3,713 TEUR, a decrease of 36 % compared to the previous year (previous year: 5,799 TEUR),

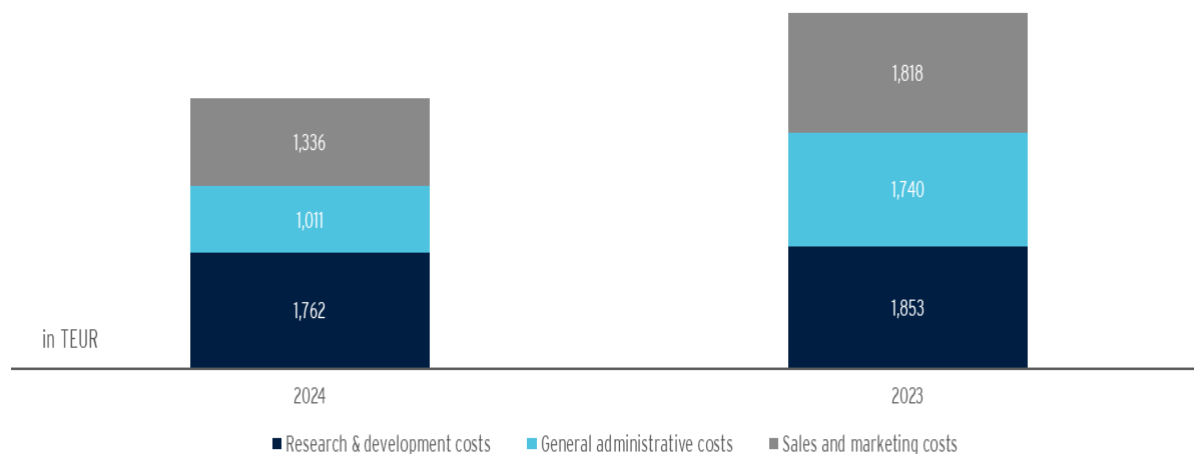
Total sales in Europe increased by 28% compared to the previous year to EUR 3,347 thousand (previous year: 2,614 TEUR). In Germany, sales in the first quarter improved by 22 % to EUR 1,946 TEUR compared to 1,593 TEUR in the same period of the previous year. Product sales in Spain amounted to EUR 480 TEUR and are therefore roughly at the same level as the previous year of 492 TEUR. In the UK, on the other hand, sales increased by 34% to EUR 182 TEUR. In the other European countries, license revenues in the amount of 739 TEUR (previous year: 392 TEUR).

License sales in the USA decreased to EUR 309 TEUR (previous year: 3,060 TEUR), which is attributable to the decline in orders in the first quarter of 2024, as previously announced. This includes services from service agreements in the amount of EUR 18 TEUR (same period of the previous year: 125 TEUR).

Sales from other regions in the first quarter amounted to EUR 39 TEUR (previous year: 0 TEUR) and include license income and revenue from the sale of study materials.

Gross profit on sale

Gross profit decreased by EUR 2,068 thousand in the first quarter of 2024 to EUR 2,485 thousand compared to EUR 4,548 thousand in the same period of the previous year. The gross margin decreased from 78 % in 2023 to 67% in the first quarter of 2024.



Research and development costs

Research and development costs decreased by EUR 91 thousand to EUR 1,762 TEUR (previous year: EUR 1,853 thousand). In addition to the costs for clinical trials, research and development costs also include expenses for regulatory affairs, i.e. for obtaining, maintaining and expanding our approvals, intellectual property, medical writing and quality assurance.

General and administrative costs

General administrative expenses in the first quarter of 2024 EUR 1,011 TEUR (previous year: EUR 1,740 TEUR) and thus decreased by a total of EUR -729 thousand compared to the previous year. This was mainly due to lower legal and consulting costs.

Sales and marketing costs

Sales and marketing expenses amounted to EUR 1,336 thousand in the first quarter of 2024 and thus decreased by EUR -482 thousand compared with the previous year (EUR 1,818 thousand). 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 790 thousand to EUR -1,349 thousand in the first quarter of 2024 compared to the prior-year period (previous year: EUR -559 thousand) due to the effects of the lower sales and comparable cost burdens described above.

EBIT includes earnings before interest and taxes and decreased accordingly compared to the prior-year period to EUR -1,555 thousand (previous year: EUR -759 thousand).

Financial result

In addition to the interest result, the financial result totaling EUR -1,152 thousand (previous year: EUR -2,637 thousand) mainly includes the impairment of the carrying amount of the investment in Biofrontera INC. in the amount of EUR -1,148 thousand (previous year's period: impairment: EUR -2,632 thousand).

Other income and expenses

Other expenses and income totaled EUR 70 thousand in the reporting period (previous year: EUR 104 thousand) and mainly include expenses and income from currency translation amounting to EUR 42 thousand (previous year: EUR 37 thousand), income from claims for damages amounting to EUR 0 thousand (previous year: EUR 15 thousand) and offset non-cash benefits amounting to EUR 25 thousand (previous year: EUR 26 thousand).

Income taxes

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

Net assets of the Group

Total assets decreased from EUR 30,732 thousand as of December 31, 2023, to EUR 28,039 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, 2024, amounted to EUR 17,258 thousand compared to EUR 19,980 thousand as of December 31, 2023.

Financial position of the Biofrontera Group

Cash and cash equivalents in the Group as at March 31, 2024 amounted to 1,642 TEUR compared to 3,080 TEUR as at December 31, 2023.

Outlook and forecast

For 2024, we expect both sales and earnings to be significantly lower than in the previous year. This largely related to changes in inventory policy at our main customer Biofrontera Inc. Last year, Biofrontera Inc. built up a significant level of stock of Ameluz®, which is now being reduced as a liquidity-preserving action. Biofrontera Inc. intends to continue operating with reduced inventory levels going forward. As a result, our main customer will order less product from us in 2024. Importantly, the changes at Biofrontera Inc. are not caused by weakness in the US market or poor sales performance, but merely due to changes in inventory and working capital policies at Biofrontera Inc.

However, the solid growth in the European markets will continue.

The Group anticipates revenue of EUR 20 to 23 million for the 2024 financial year, whereby we expect growth of 10% for the European markets, while revenue from the US licensing business will decline significantly, as described above. This decline is partly due to the change in stockpiling policy described above, and partly to an adjustment to the US license agreement that reduced the transfer price of Ameluz® for the second half of the year. However, this transfer price change is fully offset by the reduction in costs for the clinical program. In Germany, the most important European sales market, the company expects further expansion of the PDT market in the current year due to market share gains in the area of topical drugs.

Details of the forecast can be found in the 2023 Annual Report, which is published on the Biofrontera AG website at <http://www.biofrontera.de/de/investoren/finanzberichte>.

Consolidated financial statements as of March 31, 2024

Consolidated balance sheet as of March 31, 2024

Assets

in EUR thousands		March 31, 2024 unaudited	December 31, 2023
Non-current assets			
Tangible assets	(1)	3,130	3,290
Intangible assets	(1)	1,109	1,152
Deferred tax	(8)	6,818	6,818
Investments accounted for using the equity method*	(2)	0	1,718
Non-current financial assets*		0	0
Non-current contractual assets		28	33
Total non-current assets		11,656	13,012
Current assets			
Financial assets			
Trade receivables	(4)	2,033	774
Receivables from associated companies	(31)	5,253	6,365
Other financial assets	(5)	1,644	1,556
Cash and cash equivalents	(7)	1,642	3,080
Current contractual assets		18	18
Total financial assets		10,590	11,792
Other assets			
Inventories	(3)	5,040	5,077
Other assets	(6)	753	850
Total other assets		5,793	5,928
Total current assets		16,383	17,720
Total assets		28,039	30,732

*Investment in Biofrontera Inc. - changed valuation method (fair value) due to diluted investment amount

Equity and liabilities

in EUR thousands		March 31, 2024	December 31, 2023
		unaudited	
Equity	(9)		
Subscribed capital		63,807	63,807
Capital reserve		137,325	137,330
Capital reserve from foreign currency conversion adjustments		(8)	1
Loss carried forward		(181,158)	(180,789)
Loss for the period		(2,708)	(369)
Total equity		17,258	19,980
Non-current liabilities			
Financial debt	(10)	575	678
Liabilities to associated companies		0	2,642
Total non-current liabilities		575	678
Current liabilities			
Financial liabilities			
Trade payables	(12)	2,535	2,594
Liabilities to associated companies	(33)	2,757	2,747
Current financial debt	(11)	461	468
Other financial liabilities	(11)	98	71
Total financial liabilities		5,852	5,879
Other liabilities			
Income Tax	(13)	841	841
Other provisions	(14)	855	895
Other liabilities	(15)	2,658	2,458
Total other liabilities		4,353	4,194
Total current liabilities		10,206	10,073
Total equity and liabilities		28,039	30,732

Consolidated statement of comprehensive income for the first three months of the fiscal year 2024

in EUR thousands		01.01.- 31.03.2024	01.01.- 31.03.2023
		unaudited	unaudited
Sales revenue	(17)	3,713	5,799
Cost of sales	(18)	(1,228)	(1,251)
Gross profit from sales	(18)	2,485	4,548
Operating expenses			
Research and development costs	(19)	(1,762)	(1,853)
General administrative costs	(20)	(1,011)	(1,740)
Sales costs	(21)	(1,336)	(1,818)
Result from operations		-1,626	(863)
Depreciation and amortization*	(27)	206	200
Other Expenses	(24)	(99)	(47)
Other Income	(24)	170	150
EBITDA		-1,349	-559
Depreciation and amortization*	(27)	(206)	(200)
EBIT		-1,555	-759
Interest expenses	(22)	(4)	(5)
Income from investments accounted for using the equity method	(23)	(1,148)	(2,632)
Profit/loss before income tax		(2,708)	(3,396)
Income tax	(25)	0	(79)
Profit/loss for the period		(2,708)	(3,475)
Profit attributable to owners of the parent company		(2,708)	(3,475)
Other comprehensive income after income taxes			
Items which may in future be regrouped into the profit and loss statement under certain conditions.			
Translation differences resulting from the conversion of foreign business operations		0	1
Total profit/loss for the period		(2,717)	(3,475)
Basic earnings per share in EUR	(26)	(0.04)	(0.50)
Diluted earnings per share in EUR	(26)	(0.04)	(0.50)

* Inclusion of depreciation and amortization to transparently determine the EBITDA performance indicator