

Dear shareholders,

An eventful year draws to a close and we look back with satisfaction on the first nine months of 2017, during which we have achieved much - operationally, strategically and on the financing side.

Compared with the prior-year period, we have increased our sales revenue by one and a half times to reach EUR 7,334 thousand, largely thanks to the successful and rapid market launch of Ameluz® in the USA. During the first nine months of 2017, we have introduced additional momentum into our US marketing with further measures: we have expanded our US team from 24 to 45 staff in the areas of our field sales force, our medical department, as well as support and management. In August, we integrated our marketing and sales support areas into Biofrontera Inc., enabling us to offer our customers cost-efficient support at the highest level. In September, we appointed Jeffrey Holm, an extremely experienced marketing manager with a broad network in the US dermatology market, to be Vice President Marketing. He will play a significant role in further developing our marketing strategy for the USA and make strategic preparations for communication between our field sales force and physicians' practices. We meanwhile count a total of over 500 dermatology practices in the USA as our customers. From 2018, we anticipate a further significant increase in both our customer base and sales figures after we launch a specific reimbursement code for Ameluz®, as well as an improvement in lump-sum reimbursement amounts for PDT in the USA.

We have also made crucial progress in the first nine months in expanding the application possibilities of Ameluz® in the USA. At the end of July, we reached agreement with the FDA concerning the development plan to expand the approval of Ameluz® to include superficial basal cell carcinomas. Our gaining access to an additional group of patients that is important to us - American war veterans - represented a highlight of the third quarter. Ameluz® PDT to treat actinic keratosis was included in the catalogue of the Federal Supply Service, from which the latest healthcare products and services can be drawn upon for war veterans.

In the third quarter, we also took important steps to extend our presence in Europe and Israel. In August, we introduced Ameluz® for actinic keratosis in the market in Israel through our partner Perrigo. Discussions with Israel's health ministry about expanding approvals to field cancerisation and basal cell carcinoma are already underway. We expect approval for daylight PDT with Ameluz® in Europe to be awarded in early 2018. We have received a positive signal in this context from the EMA following its first review. We had filed the new drug application in the second quarter. As part of daylight PDT, Ameluz® in Germany would fall into the reimbursement area of statutory healthcare funds as a self-applied topical medication.

The loan agreement with the European Investment Bank (EIB) helped us further support our company's financing. In July 2017, the first tranche of the EIB loan of EUR 10 million was drawn down. Use of these proceeds included, among others, the early repayment of the 2009/2017 warrant bond.

Key figures

EUR '000 (unless stated otherwise)	9M 2017 unaudited	9M 2016 unaudited	Q3 2017 unaudited	Q3 2016 unaudited
Sales revenue	7,334.0	2,881.4	2,327.6	1,172.8
Research and development costs	(3,232.9)	(3,358.4)	(1,047.5)	(1,506.4)
Sales costs	(12,586.1)	(4,937.4)	(4,310.8)	(2,105.1)
General administrative costs	(3,625.9)	(2,080.8)	(1,930.3)	(708.4)
Total result for the period	(13,730.1)	(7,163.1)	(5,589.4)	(3,691.5)
Cash flows from operational activities	(12,313.7)	(6,885.0)	(4,226.8)	(4,374.3)
Cash flows from financing activities	10,740.7	8,867.1	6,136.1	(0.3)
Liquid Funds (end of period)	13,307.3	5,733.3	13,307.3	5,733.3
Employees (number, end of period)	125	81	125	81
Shares outstanding (number, end of period)	38,416,428	30,347,813	38,416,428	30,347,813
Share price (closing Xetra, end of period in EUR)	3.51	3.02	3.51	3.02

Results of operations

Sales revenue

The Group generated total sales revenue of EUR 7,334 thousand in the first nine months of the year, representing an increase of 154,5% year-on-year. Sales revenue in Germany amounted to EUR 1,661 thousand, reflecting a slight rise of EUR 185 thousand compared with the previous year's first nine months. Revenues generated abroad performed particularly well in the first nine months, with significant progress being achieved especially in the USA, generating total sales revenues of EUR 3,363 thousand. In Europe, sales revenue increased by 61% to EUR 1,214 thousand. The development projects with Maruho generated sales revenue of EUR 1,096 thousand in the first nine months of 2017 (prior-year period: EUR 613 thousand).

Operating costs

Research and development costs stood at EUR 3,233 thousand in the first nine months, a decrease of EUR 125 thousand, or 4 %, year-on-year.

Sales costs amounted to EUR 12,586 thousand, a rise of EUR 7,649 thousand, or 155%, compared with the previous year. This increase chiefly reflects our investments in marketing and sales activities in the USA.

General administrative costs stood at EUR 3,626 thousand in the first nine months of 2017, with a year-on-year rise of EUR 1,545 thousand, or 74%. The increase reflects not only higher financing costs incurred on the EIB loan, but also a rise in expenses for legal advice, triggered by shareholder lawsuits.

Other income and expenses

After having generated other income of EUR 2,297 thousand in the first nine months of 2016, mainly due to the repayment of the FDA submission fee of EUR 2,072 thousand, other income in the first nine months of 2017 amounted to EUR 169 thousand. Other expenses rose by EUR 1,039 thousand in the first nine months of 2017 to reach EUR 1,074 thousand. This change chiefly reflects currency differences due to the US Dollar's appreciation to the Euro.

Consolidated net result

The total loss for the period was posted at EUR -13.730 thousand in the first nine months of 2017, significantly below the previous year's EUR -7,163 thousand and predominantly reflecting the aforementioned trends in operating expenses and other income.

Financial Position

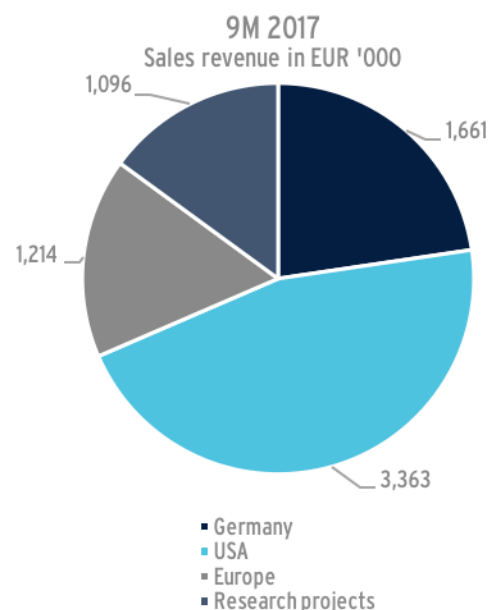
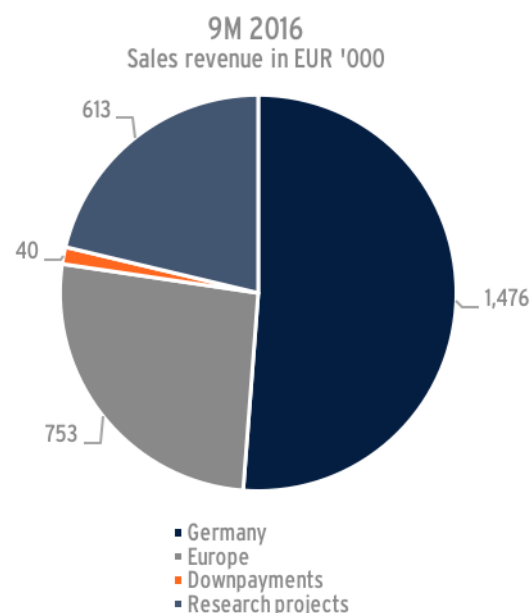
Share capital, capital measures

The fully paid in share capital of the parent company, Biofrontera AG, amounted to EUR 38,416 thousand as of 30 September 2017 and is divided into 38,416,428 registered shares with a nominal value of EUR 1.00 each. The share capital amounted to EUR 37,722 thousand on 31 December 2016, and was increased by EUR 693,995 during the course of the first nine months 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.

Liquidity

Cash flow from operating activities reduced year-on-year from EUR -6,885 thousand to EUR -12,314 thousand as of 30 September 2017, mainly reflecting the better net result for the previous year's period.

Capital expenditure increased by EUR 31 thousand compared with the previous year. Given this, cash flow from investing activities decreased from EUR -208 thousand to EUR -246 thousand.



Sales revenue trends by region

Cash flow from financing activities amounted to EUR 10,741 thousand in the first nine months of 2017, compared with EUR 8,867 thousand in the previous year. The main factors in this context include the proceeds from issuing new shares totalling EUR 9.3 million in the prior-year period compared with proceeds from issuing the EUR 5.0 million 2017/2022 convertible bond and the first loan tranche of EUR 10 million from the European Investment Bank. Short-term financial debt reduced by EUR 3.6 million thanks to the early repayment of the 2009/2017 warrant bond in August 2017.

Cash and cash equivalents stood at EUR 13,307 thousand as of 30 September 2017, a decrease of EUR 1,819 thousand compared with 31 December 2016.

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 or provision of debt funding. 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 however 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.

Forecast

Business trends in the third quarter of the 2017 financial year confirm the assessment that the Management Board already communicated in the half-year report, whereby sales revenues might lie below the 2017 financial year forecast published on 12 April 2017 of at least EUR 14 million. Sales revenues in October and November already point to a pleasing trend turnaround, with sales revenues of approximately EUR 1.5 million being generated in October alone. This performance will prospectively prove insufficient, however, to meet the full-year forecast. For this reason, from today's perspective we assume sales revenue for the year of around EUR 12 million and a net result for the year of EUR -18 million. Our consolidated net result is additionally burdened by book losses on currency translation due to the US dollar's appreciation against the Euro. Please refer to our ad hoc announcement that we published on 14 November 2017.

Consolidated balance sheet as at September 30, 2017

Assets

in EUR '000	September 30, 2017 unaudited	December 31, 2016
Non-current assets		
Tangible assets	672.3	644.7
Intangible assets	800.6	1,251.9
	1,472.9	1,896.6
Current assets		
Current financial assets		
Trade receivables	1,266.1	1,624.1
Other financial assets	1,009.9	1,376.9
Cash and cash equivalents	13,307.3	15,126.1
	15,583.4	18,127.0
Other current assets		
Inventories		
Raw materials and supplies	1,510.9	1,350.3
Unfinished products	463.5	477.1
Finished products and goods	1,972.7	1,818.9
Income tax reimbursement claims	51.7	33.0
Other assets	117.1	175.7
	4,116.0	3,855.1
	19,699.4	21,982.1
Total assets	21,172.3	23,878.7

Liabilities

in EUR '000	September 30, 2017 unaudited	December 31, 2016
Equity		
Subscribed capital	38,416.4	37,722.4
Capital reserve	100,715.4	98,676.8
Capital reserve from foreign currency conversion adjustments	730.1	(154.2)
Loss carry forward	(120,402.9)	(109,823.7)
Net loss of the year	(14,614.3)	(10,579.2)
	4,844.7	15,842.1
Long-term liabilities		
Long-term financial liabilities	12,745.4	3,596.9
Current liabilities		
Current financial liabilities		
Trade payables	931.4	2,093.2
Short-term financial debt	131.1	274.4
Other financial liabilities	100.0	58.5
	1,162.6	2,426.0
Other current liabilities		
Other provisions	2,040.6	1,823.7
Other current liabilities	379.1	190.0
	2,419.6	2,013.6
	3,582.2	4,439.7
Total liabilities	21,172.3	23,878.7

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

in EUR '000	9M 2017 unaudited	9M 2016 unaudited	Q3 2017 unaudited	Q3 2016 unaudited
Sales revenue	7,334.0	2,881.4	2,327.6	1,172.8
Cost of sales	-899.7	-1,028.9	-264.4	-265.2
Gross profit from sales	6,434.3	1,852.6	2,063.2	907.6
Operating expenses				
Research and development costs	-3,232.9	-3,358.4	-1,047.5	-1,506.4
General administrative costs	-3,625.9	-2,080.8	-1,930.3	-708.4
<i>thereof financing costs</i>	-1,490.5	-485.0	-979.7	-112.6
Sales costs	-12,586.1	-4,937.4	-4,310.8	-2,105.1
Loss from operations	-13,010.7	-8,524.0	-5,225.5	-3,412.2
Interest expenses	-703.9	-904.0	-374.3	-309.5
Interest income	4.9	2.4	0.7	0.7
Other expenses	-1,074.0	-35.5	-333.1	-21.4
Other income	169.3	2,297.3	54.4	51.1
Profit/loss before income tax	-14,614.3	-7,163.8	-5,877.7	-3,691.5
Income tax	0.0	0.0	0.0	0.0
Profit or loss for the period	-14,614.3	-7,163.8	-5,877.7	-3,691.5
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	884.3	0.6	288.3	0.0
Other income total	884.3	0.6	288.3	0.0
Total profit/loss for the period	-13,730.1	-7,163.1	-5,589.4	-3,691.5
Undiluted (= diluted) earnings per share in EUR	-0.38	-0.25	-0.38	-0.25

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

in EUR '000	9M 2017 unaudited	9M 2016 unaudited	Q3 2017 unaudited	Q3 2016 unaudited
Cash flows from operations				
Profit/loss for the period	(14.614.3)	(7.163.8)	(5.887.7)	(3.691.5)
Adjustments to reconcile profit/loss for the period to cash flow into operations				
Financial result	699.0	901.7	373.6	308.9
Depreciation	674.1	606.7	230.3	202.4
(Gains)/losses from disposal of assets	0.0	4.8	0.0	0.0
Non-cash expenses and income	3.455.1	88.5	114.2	42.2
Changes in operating assets and liabilities				
Trade receivables	357.9	379.5	(64.1)	(2.7)
Other assets and income tax assets	406.9	(990.3)	34.5	(651.7)
Inventories	(300.9)	(1,049.8)	(112.7)	(907.5)
Trade payables	(1,161.7)	(306.0)	482.9	(260.7)
Long-term and current financial liabilities	(2,357.7)	0.0	194.0	0.0
Provisions	297.2	659.9	231.1	576.8
Other liabilities	230.6	(16.2)	167.2	9.6
Net cash flow from operational activities	(12.313.7)	(6.885.0)	-4.226.8	(4.374.3)
Cash flows from investment activities				
Purchase of intangible and tangible assets	(260.2)	(229.5)	(56.5)	(74.9)
Interest received	4.7	2.4	3.0	0.7
Revenue from sale of intangible and tangible assets	9.7	19.2	0.0	9.5
Net cash flow from (into) investment activities	(245.7)	(208.0)	(53.5)	(64.8)
Cash flows from financing activities				
Proceeds from the issue of shares	0.0	9,303.2	0.0	0.0
Proceeds from conversions of convertible bonds 2016/2021				
Proceeds from conversions of option bond 2011/2016	4,999.0	0.0	0.0	0.0
Interest paid	(622.2)	(436.1)	(227.8)	(0.3)
Increase/(decrease) in long-term financial debt	10,000.0	(8,280.7)	10,000.0	(110.6)
Increase/(decrease) in short-term financial debt	(3,636.1)	8,280.7	(3,636.1)	110.6
Net cash flows from financing activities	10.740.7	8.867.1	6.136.1	(0.3)
Net increase (decrease) in cash and cash equivalents	(1,818.8)	1,774.1	1,855.8	(4,439.4)
Cash and cash equivalents at the beginning of the period	15,126.1	3,959.2	11,451.5	10,172.6
Cash and cash equivalents at end of the period	13.307.3	5.733.3	13.307.3	5.733.3
Composition of financial resources at the end of the period				
Cash and bank balances and cheques	13,307.3	5,733.3	13,307.3	5,733.3

Financial calendar

November 28, 2017	Analysts' conference, German Equity Forum 2017, Frankfurt
November 29, 2017	Shareholders' evening Biofrontera AG, Leverkusen
December 14, 2017	Benchmark's Annual Micro Cap Discovery One on One Conference, Chicago, USA

Published by

Biofrontera AG
Hemmelrather Weg 201
D-51377 Leverkusen
Telephone: +49 (0) 214 87 63 2 0
Fax: +49 (0) 214 87 63 2 90
Email: info@biofrontera.com
www.biofrontera.com

Investor Relations

Thomas Schaffer
Anke zur Mühlen
Telephone: +49 (0) 214 87 63 2 0
Email: press@biofrontera.com

Design

Instinctif Partners
www.instinctif.com