

Dear shareholders,

"Success Stories" was the title of our annual report for 2016 and we are also proud to report to you on a successful first quarter of 2017.

We grew our sales revenue by one and a half times compared with the previous year to reach a level of EUR 2,616 thousand, a reflection of performance by the US sales market - a sales market which is new for us and has now become our most important market. The expected initial difficulties in reimbursement for the treatment with Ameluz[®] could largely be resolved during the first quarter. As far as the refunding of treatments in the USA is concerned, Ameluz[®] will continue to be reimbursed through a Miscellaneous Code until the end of 2017, an interim solution that is not entirely straightforward and consequently also susceptible to error. Reimbursement will become much easier once Ameluz[®] is ascribed its own refund code, which we have applied for and which we will receive prospectively in January 2018. The full potential of Ameluz[®] in the US market can only be exploited through correspondingly high investments in marketing and sales, however. In the first quarter 2017, this requirement led us to expand our US sales team to 26 staff and add a fifth region - the Midwest - to our sales activities in the USA. Since January, we have also been running our own website in the US market (www.biofrontera-us.com). By contrast with Europe, information about medications can also be provided outside specialist circles in the USA, enabling much more factual information to be provided on a pharmaceutical company's US website. We are particularly pleased that, with Randall Wilhoite, we have recruited an extremely qualified manager with many years of industry experience in both the pharmaceutical and medical product areas as COO for the US branch.

In Europe, we reached a very important milestone at the end of January, receiving expanded approval for Ameluz[®] for basal cell carcinoma. Basal cell carcinoma not only accounts for around 50-80% of all skin cancer tumours in humans but is also treated in hospitals in many European countries, which gives us greater access to the outpatient clinics business.

Another important step was completing our daylight PDT study in March, which has delivered outstanding results - including in comparison to its competitor product Metvix[®]. In the second quarter, we will submit our application for an expanded approval to treat actinic keratosis with daylight PDT to the European Medicines Agency (EMA). Once approval is issued, we will then be competing directly with products that patients can apply themselves, drawing them within the refund scope of statutory health funds in countries such as Germany, and thereby leading us to expect better distribution of Ameluz[®] in Germany and other European countries.

Finally, we have added a sixth product to our belixos[®] active cosmetic range - a body cream with active plant extracts. This cream is particularly suitable as an intensive care for irritated and itchy skin.

In January 2017, we successfully placed a EUR 4,999 thousand convertible bond, further strengthening our financing base. After the conclusion of the first quarter of 2017, we continue to anticipate total sales revenue of EUR 14-18 million for 2017 and also retain our full-year forecast in other aspects.

Key figures

EUR '000 (unless stated otherwise)	3M 2017 unaudited	3M 2016 unaudited
Sales revenue	2,616.2	1,016.8
Research and development costs	(1,127.1)	(1,004.7)
Sales costs	(3,585.7)	(1,195.6)
General administrative costs	(814.4)	(788.9)
Total result for the period	(3,459.3)	(442.0)
Cash flows from operational activities	(4,162.8)	183.6
Cash flows from financing activities	4,535.0	3,998.8
Liquid Funds	15,432.7	8,049.6
Employees as at 31 March	94	59
Shares outstanding (number as at March 31)	37,722,433	27,847,814
Share price (closing Xetra as at March 31 in EUR)	4.23	2.19

Results of operations

Sales revenue

The Group generated total sales revenue of EUR 2,616 thousand in the first quarter of the year, representing an increase of almost 160% year-on-year. Sales revenue in Germany amounted to EUR 640 thousand, reflecting a slight rise of EUR 7 thousand compared with the previous year's first quarter. Foreign revenues performed particularly well in the first quarter, driven mainly by the USA as a new sales market compared with the previous year, where sales revenue amounting to a total of EUR 1,304 thousand was generated. In Europe, sales revenue was down by 14%, chiefly reflecting a lower level of deliveries to our license partners. The development projects with Maruho generated sales revenue of EUR 393 thousand in the first quarter of 2017 (prior-year period: 0).

Operating costs

Research and development costs stood at EUR 1,127 thousand in the first quarter, an increase of EUR 122 thousand, or 12 %, year-on-year. This trend is mainly attributable to the costs incurred as part of the development partnerships.

Sales costs amounted to EUR 3,586 thousand, a rise of EUR 2,390 thousand, or 200%, compared with the previous year's first quarter. This increase chiefly reflects our investments in marketing and sales activities in the USA.

General administrative costs stood at EUR 814 thousand in the first quarter of 2017, with the year-on-year rise of EUR 26 thousand, or 3%, being almost unchanged.

Other income

After having generated other income of EUR 2,192 thousand in the first quarter 2016, mainly due to the repayment of the FDA submission fee of EUR 2,072 thousand, other income in the first quarter of 2017 amounted to EUR 53 thousand.

Consolidated net result

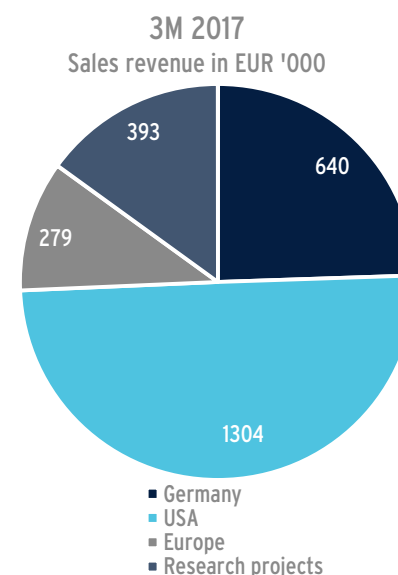
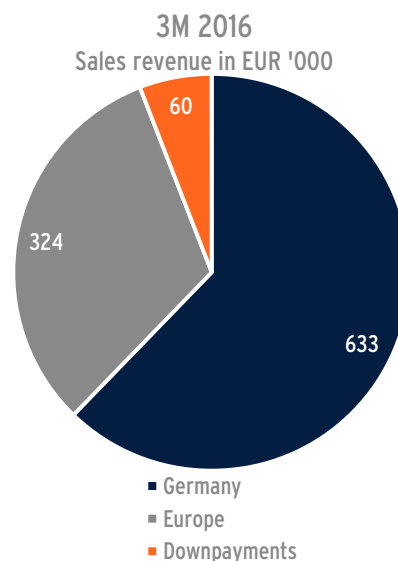
The consolidated net result was posted at EUR -3,512 thousand in the first quarter of 2017, significantly below the previous year's EUR -448 thousand and predominantly reflecting the aforementioned trends in operating expenses and other income.

Financial Position

Share capital, capital measures

The fully paid in share capital of the parent company, Biofrontera AG, amounted to EUR 37,722 thousand as of 31 March 2017 - as also on 31 December 2016. It was divided into 37,722,433 registered shares with a nominal value of EUR 1.00 each. Total equity as at 31 March 2017 stood at EUR 12,418 thousand, compared with EUR 15,842 thousand as of 31 December 2016, with the equity ratio thereby reducing from 66.3% to 50.8%.

In January 2017, a total of 49,990 subordinated convertible bonds in a total nominal amount of EUR 4,999,000 were successfully placed with investors. This convertible bond is reported under long-term financial liabilities, which amounted to EUR 8,649 thousand as of the quarter-end. Around half of the convertible bond had been converted into equity as of the balance sheet date, with such equity being recognised on the balance sheet once it has been entered in the commercial register.



Sales revenue trends by region

Liquidity

Cash flow from operating activities reduced year-on-year from EUR 184 thousand to EUR -4,163 thousand as of 31 March 2017, mainly reflecting the better net result for the previous year's period, which was positively affected by the repayment of the submission fee by the FDA and the reduction in trade payables.

Capital expenditure reduced by EUR 28 thousand compared with the previous year. Given this, cash flow from investing activities improved from EUR -92 thousand to EUR -66 thousand.

Cash flow from financing activities amounted to EUR 4,535 thousand in the first quarter of 2017, compared with EUR 3,999 thousand in the previous year, with the main influence being the rise in long-term financial liabilities as a consequence of issuing the convertible bond.

The liquidity position at the end of the first quarter of 2017 improved slightly compared with 31 December 2016 as the convertible bond issuance proceeds more than offset the high operating cash outflows. Cash and cash equivalents stood at EUR 15,433 thousand as of 31 March 2017, an increase of EUR 307 thousand compared with 31 December 2016.

Forecast

Business trends during the first quarter of 2017 lay within the scope of the Management Board's expectations. As a consequence, the Management Board is retaining in full its forecast for the 2017 financial year, which it published on 12 April 2017. Among other elements, the Management Board consequently expects sales revenue for the year of approximately EUR 14-18 million and a net result for the year of EUR -14 million to EUR -17 million. Details about the forecast are presented in the 2016 and annual report, which is publicly available on the website of Biofrontera AG at <http://biofrontera.com/en/investors/financial-reports.html>.

Consolidated balance sheet as at March 31, 2017

Assets

in EUR '000	March 31, 2017 unaudited	December 31, 2016
Non-current assets		
Tangible assets	652.4	644.7
Intangible assets	1,087.0	1,251.9
	1,739.4	1,896.6
Current assets		
Current financial assets		
Trade receivables	1,886.4	1,624.1
Other financial assets	1,223.8	1,376.9
Cash and cash equivalents	15,432.7	15,126.1
	18,542.9	18,127.0
Other current assets		
Inventories		
Raw materials and supplies	1,614.9	1,350.3
Unfinished products	523.0	477.1
Finished products and goods	1,854.3	1,818.9
Income tax reimbursement claims	32.6	33.0
Other assets	129.5	175.7
	4,154.3	3,855.1
	22,697.2	21,982.1
Total assets	24,436.6	23,878.7

Liabilities

in EUR '000	March 31, 2017 unaudited	December 31, 2016
Equity		
Subscribed capital	37,722.4	37,722.4
Capital reserve	98,711.8	98,676.8
Capital reserve from foreign currency conversion adjustments	(101.0)	(154.2)
Loss carry forward	(120,402.9)	(109,823.7)
Net loss of the year	(3,512.5)	(10,579.2)
	12,417.8	15,842.1
Long-term liabilities		
Long-term financial liabilities	8,649.3	3,596.9
Current liabilities		
Current financial liabilities		
Trade payables	974.5	2,093.2
Short-term financial debt	121.4	274.4
Other financial liabilities	53.1	58.5
	1,149.0	2,426.0
Other current liabilities		
Income tax provision	0.0	0.0
Other provisions	1,852.2	1,823.7
Other current liabilities	368.3	190.0
	2,220.5	2,013.6
	3,369.5	4,439.7
Total liabilities	24,436.6	23,878.7

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

in EUR '000	3M 2017 unaudited	3M 2016 unaudited
Sales revenue	2,616.2	1,016.8
Cost of sales	(363.2)	(361.0)
Gross profit from sales	2,253.0	655.8
Operating expenses		
Research and development costs	(1,127.1)	(1,004.7)
General administrative costs	(814.4)	(788.9)
<i>thereof financing costs</i>	(169.6)	(301.7)
Sales costs	(3,585.7)	(1,195.6)
Loss from operations	3,274.1	(2,333.3)
Interest expenses	(176.1)	(293.4)
Interest income	1.3	0.6
Other expenses	(116.2)	(14.0)
Other income	52.7	2,192.4
Profit/loss before income tax	(3,512.5)	(447.7)
Income tax	0.0	0.0
Profit or loss for the period	(3,512.5)	(447.7)
Expenses and income not included in profit/loss	0.0	0.0
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	53.2	5.7
Other income total	53.2	5.7
Total profit/loss for the period	(3,459.3)	(442.0)
Undiluted (= diluted) earnings per share in EUR	(0.09)	(0.02)

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

in EUR '000	3M 2017 unaudited	3M 2016 unaudited
Cash flows from operations		
Profit/loss for the period	(3,512.5)	(447.7)
Adjustments to reconcile profit/loss for the period to cash flow into operations		
Financial result	174.8	292.8
Depreciation	222.1	197.2
(Gains)/losses from disposal of assets	1.6	4.8
Non-cash expenses and income	277.9	21.7
Changes in operating assets and liabilities		
Trade receivables	(262.3)	244.1
Other assets and income tax assets	199.7	(334.6)
Inventories	(345.9)	63.7
Trade payables	(1,118.7)	(81.0)
Provisions	27.6	207.1
Other liabilities	172.9	15.5
Net cash flow from operational activities	(4,162.8)	183.6
Cash flows from investment activities		
Purchase of intangible and tangible assets	(73.0)	(100.9)
Interest received	0.8	0.6
Revenue from sale of intangible and tangible assets	6.5	8.3
Net cash flow from (into) investment activities	(65.7)	(92.0)
Cash flows from financing activities		
Proceeds from the issue of shares	0.0	4,434.6
Proceeds from conversions of convertible bonds 2016/2021	0.0	0.0
Proceeds from conversions of option bond 2011/2016	0.0	0.0
Interest paid	(394.4)	(435.8)
Increase/(decrease) in long-term financial debt	5,052.4	(8,280.5)
Increase/(decrease) in short-term financial debt	(123.0)	8,280.5
Net cash flows from financing activities	4,535.0	3,998.8
Net increase (decrease) in cash and cash equivalents	306.6	4,090.4
Cash and cash equivalents at the beginning of the period	15,126.1	3,959.2
Cash and cash equivalents at end of the period	15,432.7	8,049.6
Composition of financial resources at the end of the period		
Cash and bank balances and cheques	15,432.7	8,049.6

Financial calendar

May 24	General shareholders' meeting 2017
August 31	6-Month Report 2017
November 27-29	Analysts' conference, German Equity Forum 2017, Frankfurt
November 30	Report of the third quarter of 2017

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