Biofrontera AG | Half-yearly financial report as at June 30, 2016

Contents

Revenue development in the first half of 2016

- Year-on-year revenue growth of 9%
- Positive revenue development outside Germany

Operational progress in the first half of 2016

- Ameluz® and BF-RhodoLED® approved by the US FDA
- Completion of the BCC trial with outstanding results
- Reimbursement status for Ameluz® received in Switzerland
- Start of phase III trial on daylight photodynamic therapy

Financial developments in the first half of 2016

- Revenue: EUR 1.709 million (+9% year-on-year)
- Consolidated earnings: EUR -3.5 million
- Cash and cash equivalents of EUR 10.2 million
- Two successful financing measures conducted in February and April 2016

Key indicators

Key consolidated figures for the first half of the 2016 financial year in accordance with IFRS

In EUR thousand	6M 2016	6M 2015
Results of operations (earnings)		
Revenue	1,708.6	1,568.1
of which revenue in Germany	1,033.6	1,186.1
of which revenue outside Germany	635.0	382.0
of which license payments	40.0	0.0
Sales and general administrative costs	-4,204.7	-3,385.3
Research and development costs	-1,852.0	-4,497.9
Operating profit (EBIT)	-2,879.5	-6,762.9
Earnings before tax	-3,472.3	-7,322.9
Earnings after tax	-3,472.3	-7,322.9
Cash flow statement		
Cash flow from operating activities	-2,510.7	-6,535.8
Cash flow from investment activities	-143.2	-6.9
Cash flow from financing activities	8,867.4	2,159.9

In EUR thousand	6M 2016	6M 2015
Key balance sheet figures		
Total assets	15,545.7	9,551.2
Current liabilities (excluding provisions)	10,291.2	1,357.3
Non-current liabilities	3,059.9	11,321.2
Equity, subscribed capital and capital reserve	114,372.8	101,644.2
Equity ratio	6.92%	-45.01%
Cash and cash equivalents	10,172.6	4,126.6
Employees as at June 30, 2016 (average)	57	49
Biofrontera shares	**June 30, 2016**	**June 30, 2015**
Shares outstanding	30,347,813	23,573,842
Share price (Xetra closing price)	2.81	2.11
Dividend in EUR	0.00	0.00

Biofrontera's financial instruments

Key details of Biofrontera shares	
Stock exchanges	Düsseldorf, Frankfurt, Berlin, Munich, Stuttgart, Xetra, Tradegate
WKN (German Securities Code Number)	604611
ISIN	DE0006046113
Shares outstanding as at June 30, 2016	30,347,813
6-month high (May 9, 2016)*	EUR 3.70
6-month low (January 7, 2016)*	EUR 1.81
Closing price as at June 30, 2016*	EUR 2.81
Market capitalization as at June 30, 2016	EUR 85.277 million

*(Price data from Xetra)

Key details for warrant bond I with warrant*	
Stock exchanges	Düsseldorf
WKN (German Securities Code Number)	A0Z169
ISIN	DE000A0Z1690
Term, final maturity	8 years, December 31, 2017
Stepped coupon	4% (2010), 6% (2011), 8% (2012)
6-month high (H1 2016)	EUR 100.01
6-month low (H1 2016)	EUR 75.20
Closing price as at June 30, 2016	EUR 92.52

*(Price data from the Düsseldorf Stock Exchange)

Key details for warrant bond II with warrant*	
Stock exchanges	Düsseldorf
WKN (German Securities Code Number)	A1KQ9Q
ISIN	DE000A1KQ9Q9
Term, final maturity	5 years, December 31, 2016
Coupon	5%
6-month high (H1 2016)	EUR 104.00
6-month low (H1 2016)	EUR 77.10
Closing price as at June 30, 2016	EUR 93.50

*(Price data from the Düsseldorf Stock Exchange)

Group strategy

The strategic objective of Biofrontera Group is to establish the company as a pharmaceutical company specializing in the dermatological sector at a global level. In addition to further expanding the current sale of our products, the main priorities are to increase the range of indications for Ameluz® and to expand international sales activities, particularly in the USA.

Biofrontera was the first small German company to receive centralized European drug approval for a completely independently developed drug, Ameluz®. Biofrontera has been selling Ameluz® to dermatologists in Germany via its own field sales team since the product was launched in February 2012, and in Spain since March 2015. Ameluz® is available in the UK, but is not to be actively promoted by Biofrontera until after approval has been extended to basal cell carcinoma. The drug is sold in other countries of the European Union, as well as in Israel and Switzerland, via licensing partners.

Biofrontera has thus established itself as a specialist pharmaceutical company with an unusually high level of research and development expertise compared with other companies in this sector. The focus of the Group's short-term strategy is to further expand its business in Europe, achieve market entry of Ameluz® in the USA and extend the indications to include basal cell carcinoma, firstly in the EU followed by the USA at a later stage.

In May 2016, the US Food and Drug Administration (FDA) granted approval for Ameluz® in combination with the BF-RhodoLED® lamp in the USA. The company had submitted the approval application (NDA = New Drug Application) to the FDA in early July 2015. Ameluz® and BF-RhodoLED® have to be approved as a combination of a drug and a medical device in the USA, making the approval application unusually complex. The FDA performed extensive review and inspections in the months following the application. Unconditional approval was subsequently granted for the lesion-directed and field-directed treatment of mild to moderate actinic keratoses on the face and scalp. This means that Biofrontera has access to the largest healthcare market in the world, and preparations for the planned market launch in September 2016 are still well underway.

The extension of the indications for Ameluz® to include the treatment of basal cell carcinoma (BCC) was initiated in 2014. Phase III clinical testing was conducted in direct comparison with the competitor product Metvix®. Patient recruitment was completed in May 2015 and the last patient completed the clinical part of the trial in November 2015. There is then a five-year follow-up period for all patients. The results of the trial have been available since January 2016 and prove that Ameluz® is highly clinically effective for the indication of BCC. In comparison with the competitor product Metvix®, it demonstrated higher healing rates, especially for thicker and nodular carcinomas. Despite its statistically significant inferiority for the treatment of mild and moderate actinic keratosis on the face and scalp and the approval restriction as a second-choice therapy, Metvix® has had a major competitive advantage over Ameluz® until now due to its approval for the treatment of basal cell carcinoma. Particularly in other European countries, where dermatologists are based mainly in hospitals and there are fewer independent practices, the market opportunities for Ameluz® are significantly reduced by the lack of approval for BCC. The label extension that is currently being sought is therefore expected to put Biofrontera in a significantly improved market position. The application to extend the indications of Ameluz® to include basal cell carcinoma was submitted to the EMA in July 2016. The processing and inspection of the application by the European agency is expected to take six months.

In July 2016, the EMA Committee for Medicinal Products for Human Use (CHMP) also issued a positive assessment for the extension of the indications of Ameluz® to include field cancerization, i.e. the treatment of larger cancerous areas. The European Commission is expected to issue formal approval in the near future.

2016 is therefore a crucial year as Biofrontera sets its course for a successful future. In light of this and the related challenges facing Biofrontera, the company has also strengthened its workforce. The Management Board was expanded to include a Chief Commercial Officer back in November 2015. In recent weeks, Biofrontera has also started to intensively appoint suitable employees in the USA, where it has also filled key posts.

Products

Ameluz®

Ameluz® 78 mg/g Gel ("for people who love the light", development name: BF-200 ALA) received an initial centralized European approval for the treatment of mild and moderate actinic keratoses on the face and scalp in December 2011. During the phase III development, its superiority compared to its direct competitor product Metvix® was proven for this indication. Actinic keratoses are superficial forms of skin cancer, and there is a risk that they can spread to deeper layers of skin. 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® for removing all of a patient's keratoses compared to its direct competitor product.

In the phase III approval trials, Ameluz® showed excellent healing rates and demonstrated significant superiority compared to the approved comparator product, which was tested in parallel. In the first phase III trial in which the drug was combined with an LED lamp, all keratoses were completely removed in 87% of patients treated with Ameluz®, and in terms of the number of individual keratosis lesions, as many as 96% were completely eradicated (all 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 used in the treatment, Ameluz® resulted in the complete healing of actinic keratoses in 78% of patients, whereas the competitor product already approved at the time 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 requires the company to be certified in line with the ISO 9001 and ISO 13485 standards. In preparation for approval in the USA, a phase III trial was conducted with a combination of Ameluz® and BF-RhodoLED®. With this combination, keratoses were completely eradicated in 91% of patients, and in terms of the number of individual lesions, 94% were completely removed after treatment (99.1% of mild lesions and 91.7% of moderate lesions). As it has been widely reported in the literature that PDT has pronounced skin-rejuvenating properties, particularly in the case of sun-damaged skin, in this trial the drug was applied over large surface areas (field therapy) for the first time in a phase III trial of PDT anywhere in the world, and the cosmetic result was established without reference to the disappearance of the keratotic lesions. All the parameters that were tested improved significantly as a result of the treatment. The proportion of patients without rough, dry and scaly skin increased from 14.8% to 63.0% after treatment with Ameluz®. The group of patients without hyperpigmentation or hypopigmentation increased from 40.7% to 57.4% and from 53.7% to 70.4% respectively. The proportion of patients with mottled pigmentation who had both hyperpigmentation and hypopigmentation in the treated area decreased from 48.1% to 29.6%. Before treatment, 22.2% of the patients had mild scarring; this decreased to 14.8% of patients after treatment. Atrophic skin was diagnosed in 31.5% of patients before treatment but in only 16.7% of patients after the treatment.

The patients treated in the field therapy trial were observed by the trial doctors over the course of a year after the final treatment. The long-term nature of the pharmaceutical effect of Ameluz® was analyzed in terms of effectiveness, safety and the cosmetic result. 63.3% of the patients who were initially completely asymptomatic were still asymptomatic one year later. The long-term effectiveness achieved using field therapy is thus in the region of that already observed in previous long-term studies on lesion-directed PDT with Ameluz®. The improvement in the skin appearance of patients treated with Ameluz® that was 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 63% of patients were already free of such cosmetic damage twelve weeks after the last PDT, this percentage rose to 72.2% after a year. 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 percentages initially fell to 42.6%, 29.6% and 29.6%, decreasing 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 twelve months.

It is the first time that data on the aesthetic effect of PDT has been collected within the scope of a phase III approval trial. The results underline the significance of PDT with Ameluz® and BF-RhodoLED® and show that the therapy stands out clearly from many other treatment options.

Both of the phase I trials required by the American approval authority, the FDA, were already completed in 2015. These clinical trials were initiated with a total of approximately 240 patients or subjects in order 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 sensitization 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, i.e. the application of a complete tube onto the defective skin. No safety concerns were identified in either of the trials.

Actinic keratosis is classified as a tumor that requires treatment, and the international treatment guidelines list photodynamic therapy as the gold standard for the removal of actinic keratoses, particularly for patients with large keratotic areas. The latest statistics show that actinic keratosis is becoming a widespread disease, with eight million people affected in Germany alone, and that there is a marked upward trend in cases. In particular, subclinical and mild actinic keratoses can develop into life-threatening squamous cell carcinomas, and this happens to the relevant lesions within two years on average. The fact that doctors are therefore taking actinic keratosis increasingly seriously is illustrated by the fact that actinic keratosis has been recognized as an occupational disease since summer 2013. Since then, occupational insurance associations have been obliged to cover the treatment costs of patients who have worked predominantly outdoors for a long time and who fulfil certain criteria for the duration of these patients' lives. Reimbursement was determined in March 2016. Photodynamic therapy (PDT) is taken into account and can be used and invoiced for the treatment of occupational AK.

At present, actinic keratoses are treated using 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.

The market for topical creams continues to show constant growth, and medicinally and legally questionable PDT formulations continue to be used in Germany. Because Ameluz® is the market leader among independent dermatologists in Germany in the PDT proprietary medicinal product market, a significant increase in sales can and must result from the aforementioned sectors.

The overall advantages of Ameluz® in terms of effectiveness, handling, user-friendliness and skin rejuvenation effect, 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 expansion of the range of indications to include basal cell carcinoma, which the company is currently working on, as the vast majority of PDT treatments involve 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 indication basal cell carcinoma (BCC). BCCs are the most common invasive tumors affecting humans, accounting for approximately 80% of all invasive white 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 Germany but this can lead to clearly visible scarring, whereas treatment with photodynamic therapy (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. The trial was conducted under the clinical supervision of Prof. Colin Morton (UK) and Prof. Markus Szeimies (Germany) and was carried out at 27 clinical trial centers in the UK 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 results of the trial 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®. There were greater differences in the case of thicker BCCs. With Ameluz®, 89.3% of the nodular carcinomas were completely removed, compared to only 78.6% with Metvix®.

Based on the results of this phase III trial, Biofrontera applied to the European Medicines Agency for approval for the treatment of BCC with Ameluz® in July 2016. The inspection of the application by the agency is expected to take around six months.

In June 2016, the first patient was treated in a phase III clinical trial to evaluate the safety and efficacy of Ameluz® in combination with daylight photodynamic therapy (PDT) in comparison with Metvix® for the treatment of mild to moderate actinic keratosis. The head-to-head, randomized, observer-blinded, multi-center trial encompassing around 50 patients is being carried out at eight trial centers in Spain and Germany. All of the participants have between three and nine mild to moderate actinic keratoses (Olsen grade 1 and 2) in each of two comparable treatment areas on the face and/or scalp. The drug for each treatment site will be selected at random. The last patient is expected to conclude treatment by the end of 2016. Daylight PDT offers a convenient and painless alternative to PDT with a specialized lamp. The topical medication is activated by exposure to natural or artificial daylight. Among the many benefits, this saves physician office visit time for the patient. A label extension to include daylight PDT would allow Biofrontera to compete directly with patient-administered topical drugs as well as cryotherapy. We are excited to begin this clinical trial to determine additional methods of effectively treating patients with superficial skin cancer. The primary endpoint of the trial is the total clearance rate for all lesions at each treatment site twelve weeks after treatment. The secondary clinical endpoint includes evaluating the safety of the drug and supplementary efficacy parameters. The trial is being co-led by Dr. Susana Puig, Research Director at the Biomedical Research Institute August Pi I Sunyer and a professor at the University of Barcelona, as the coordinating investigator in Spain and Prof. Thomas Dirschka, founder of the private dermatology practice Centro Derm, as the coordinating investigator in Germany.

BF-RhodoLED®

BF-RhodoLED® is a lamp designed for photodynamic therapy (PDT). It uses LEDs emitting red light at a wavelength of approx. 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. The light energy and fan power settings can be adjusted during a PDT treatment session in order to reduce any discomfort 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 the purpose of sales operations in the USA, the final assembly of the PDT lamp has been transferred to Biofrontera's facilities and performed by the company itself since July 2016, meaning that Biofrontera is the responsible manufacturer from the FDA's perspective.

Belixos®

belixos® is a modern active cosmetic product specially developed for sensitive and irritated skin. The biocolloid technology patented by Biofrontera, which optimizes 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, bringing together the best of nature and science.

belixos® Cream 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® Cream, which has been available since 2009, has thus proved particularly useful as an effective basic treatment for atopic dermatitis and psoriasis.

Over the past two years, other specialist regenerative cosmetic products for skin problems have been developed. The typical deep yellow color is the unmistakable mark of quality. This is derived from the traditional medicinal plant extract obtained from the roots of *mahonia aquifolium*. belixos® products use only natural active substance extracts with clinically proven effects.

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, moisturizing oats, irritation-relieving panthenol, and a special zinc PCA complex is used.

belixos® Gel is specially 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® **Protect** is a modern daily skincare product specially developed for sun-damaged skin with an exceptional lipid matrix formulation and skin-regenerating properties. Highly concentrated niacinamide smooths the skin and helps repair skin damage. It also contains UVA and UVB broad spectrum protection with SPF15 to protect against further light-induced skin aging and hyperpigmentation.

A handy and practical on-the-go solution: **belixos® to go**, the new acute care roll-on with a specially developed stainless steel ball, has been available since July 2016, providing effective and targeted relief for itchiness, insect bites, and minor skin irritation. Inflammation and redness subside more quickly thanks to anti-inflammatory mahonia, calming sea mayweed, and the anti-irritative Sepicalm S Complex.

Irritated skin requires the highest level of care. belixos® products are manufactured in accordance with strict quality and environmental requirements. They are free of paraffins, parabens, ethyl alcohol, animal products, dyes, and fragrances that may have negative dermatological effects. Their skin-compatibility was dermatologically tested without the use of animal testing and was assessed as "very good" by the independent institute 'Dermatest'. belixos® is available at selected pharmacies, dermatological institutes, and on Amazon.

Sales and markets

With its central 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, the price and the reimbursement status have to be defined prior to market launch, which can be an extremely lengthy process. To date, the company has commenced sales in Germany, the UK, Spain, Austria, the Netherlands, Luxembourg, Belgium, Denmark, Sweden, Norway, Switzerland, and Slovenia. The drug is available in these countries at a pharmacy retail price of between just under EUR 200 and approx. EUR 270 per 2g tube.

Ameluz® is marketed in Germany and, since March 2015, also in Spain by Biofrontera's own field sales force, and in other European countries using marketing partners. In the UK, Biofrontera is currently preparing its own sales operation, and the contract with a local marketing company was terminated in mid-2015. Biofrontera is also taking over the sales operation in Slovenia, but its marketing there is supported by a local company.

Distribution to public pharmacies generally takes place via pharmaceutical wholesalers, whereas hospital pharmacies are supplied directly. In addition to regular visits by the field sales force to dermatologists, Biofrontera has presented Ameluz® at the major dermatological conferences both in Germany and in other European countries since it was introduced onto the market. The response from dermatologists has been extraordinarily positive. The market share of Ameluz® in the segment of PDT drugs dispensed by German public pharmacies is consistently over 70%. In spite of this, Ameluz® still only has a small share of the overall market for preparations used to treat actinic keratosis, because only approximately 5% of patients are treated with proprietary medicinal products for photodynamic therapy (PDT). Although PDT achieves by far the highest healing rates, the complexity of the treatment and the time required by medical practices to administer it have so far prevented significant market penetration in the statutory health insurance sector. In this sector in Germany, doctors do not usually receive any compensation from statutory health insurance for performing PDT. A film about PDT is available to view on YouTube (http://www.youtube.com/watch?v=aK4a3R5kqMA), and in English (http://www.youtube.com/watch?v=2xE08DWC08o).

The treatment of actinic keratosis using daylight therapy will play an increasingly important role in Europe in future. The competitor drug Metvix® has already obtained approval and has recently begun to be specifically marketed for daylight application under the brand name Luxerm®. As this removes the need for additional PDT treatment at the physician's office and the drug can be administered by the patient, daylight PDT can be expected to be prescribed far more frequently in future as an alternative to purely topical creams. Biofrontera is currently conducting a phase III clinical trial of daylight PDT and also expects to obtain approval in the first half of 2017.

Approval for basal cell carcinoma is a prerequisite for the widespread use of Ameluz® in hospitals, as basal cell carcinoma is mainly treated there, whereas this is only very rarely the case for actinic keratosis. This indication plays an essential role for the breakthrough of Ameluz®, particularly elsewhere in Europe, where dermatologists are predominantly based in hospitals. BCCs are the most common invasive tumors that affect humans and account for 50-80% of all invasive white skin cancers. Around 30% of all Caucasians develop at least one BCC in their lifetime, and this is a rapidly growing trend around the world due to increased exposure to UV light. BCCs are normally

removed surgically, often resulting in substantial scarring. Treatment with photodynamic therapy (PDT) is a highly effective alternative which also leads to excellent cosmetic results. According to a market study published in 2014 by Technavio, the international market for actinic keratosis medications is expected to grow by approx. 8% annually, from approx. USD 546 million to USD 942 million in 2020. During the same period, however, the market for basal cell carcinoma medications is expected to grow at a phenomenal rate, from approx. USD 236 million today to nearly USD 5 billion, because the availability of new drugs (Ameluz® is mentioned in this context) will mean that fewer and fewer patients undergo operations.

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. Biofrontera carries out its own sales activities in Slovenia and is supported in its marketing activities by PHA Farmed. The cooperation with Spirit Healthcare in the UK was terminated by Biofrontera as at July 31, 2015, and Biofrontera is currently preparing to set up its own sales operation in the UK. Sales in Spain were initially handled by Allergan SA, but Biofrontera has marketed its products itself in Spain via its own branch, Biofrontera Pharma GmbH sucursal en España, since March 2015. Louis Widmer SA has been granted the Ameluz® distribution license for Switzerland and Liechtenstein, and the Ameluz® distribution license for Israel has been allocated to Perrigo Israel Agencies LTD. In these countries, it was necessary to undergo an independent approval process, which was carried out by the aforementioned sales partners in collaboration with Biofrontera. In Switzerland, both the approval and the reimbursement approval were issued in December 2015. Market launch took place at the beginning of 2016. In Israel, approval for Ameluz® was granted by the Israeli health agency in April 2016 and marketing is expected to start in the next few months.

The contracts with the respective sales partners have been concluded in such a way that Biofrontera has received no down-payment, or only a modest down-payment, 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 revenue.

Biofrontera has already started preparations for its sales operation in the USA. With the help of a consulting firm specializing in market access and a team of medical advisors, Biofrontera started to analyze the actinic keratosis drug market and the reimbursement mechanisms in the US healthcare system last year. Biofrontera was also able to draw on the experience of DUSA Pharmaceuticals Inc. with a competitor product already sold and distributed in the USA, Levulan Kerastick®. Sales in the USA will be handled via a wholly-owned subsidiary, Biofrontera Inc., which was established for this purpose back in March 2015. Key posts in the USA have already been filled with highly qualified and experienced local employees, with further appointments to follow in the near future. After approval was granted by the FDA on May 10, 2016, the plan is to launch Ameluz® on the US market in September 2016. As the drug and lamp are approved as a combined product in the USA, the speed of market penetration in the USA will depend in particular on how quickly the BF-RhodoLED® PDT lamp is positioned on the market.

Patent and trademark developments since December 31, 2015:

Nanoemulsion

A further official communication regarding the "Nanoemulsion" patent (PCT/EP2007/011404) was issued in the USA, with a response being sent by the relevant deadline.

In Europe, the official notification in accordance with Article 71 (3) EPC on the intention to grant the patent has been received.

National validations in Europe have been commissioned for Austria, Switzerland, Germany, Spain, France, the United Kingdom, and Italy.

The patent fees and maintenance fees for the Chilean portion of the patent have been paid. The patent application will be granted under patent number CL 51771.

The patent fee has also been paid for the Israeli portion of the application, meaning that the publication of the granted patent application can be expected in the near future.

Belixos®

The patent "Pharmaceutical and/or cosmetic composition for treating the skin" (US Patent Application No. 13/081,737) is not being pursued any further.

Brand development

The European Community Trademark "Daylight-PDT" (No. 014943518) is not being pursued any further.

Economic report

For the Biofrontera Group for the first half of the 2016 financial year:

- **9% overall revenue growth compared with the first half of the previous year, with a downturn in Germany but significant revenue growth in other European countries**
- **Consolidated earnings before tax: EUR -3.5 million (previous year: EUR -7.3 million)**
- **Cash and cash equivalents as at June 30: EUR 10.2 million (previous year: EUR 4.1 million)**
- **Basic earnings per share of EUR -0.12 (previous year: EUR -0.33)**

Target attainment in the first half of 2016:

Approval of Ameluz® in the USA: On May 10, the FDA granted approval for the marketing of Ameluz® in combination with BF-RhodoLED® in the USA. No conditions to be fulfilled after approval were imposed.

Clinical trials: The phase III clinical trial on the treatment of basal cell carcinomas was completed in the first quarter with extremely good results. The application for approval to extend the indications was submitted in July 2016 and is expected to be processed by the European agency in around six months.

A phase III clinical trial on daylight therapy began in June 2016. This trial is being conducted at clinical centers in Germany and Spain. The trial is expected to be completed by the end of 2016, meaning that approval could be granted in the first half of 2017.

International marketing: Further progress was also achieved in the international marketing of Ameluz® and BF-RhodoLED®. In Switzerland, Ameluz® was approved by Swissmedic and made reimbursable. Biofrontera's partner Louis Widmer commenced marketing of the products in Switzerland in the first quarter.

Approval for Ameluz® was also granted in Israel in April 2016. Biofrontera's partner Perrigo is currently preparing for market launch.

Net assets, financial position and results of operations of the Biofrontera Group

Biofrontera Group profit/loss account (summary)

	6M 2016 in EUR thousand	6M 2015 in EUR thousand	Change in %
Revenue	1,708.6	1,568.1	9
Cost of sales	763.7	533.8	43
Research and development costs	1,852.0	4,497.9	-59
Marketing costs	2,832.3	2,037.7	39
General administrative costs	1,372.4	1,347.5	2
Other operating income and expenses	2,232.2	86.0	2,496
EBIT	-2,879.5	-6,762.9	-57
Financial result	-592.8	-560.0	6
Earnings before income tax	-3,472.3	-7,322.9	-53
Earnings after tax	-3,472.3	-7,322.9	-53

Revenue

Revenue totaled EUR 1,709 thousand in the first half of 2016, up around 9% on the same period of the previous year. At EUR 1,034 thousand, revenue in Germany was lower than we expected, falling EUR 153 thousand short of the figure for the first half of the previous year. Despite this development, pharmacist sales of Ameluz® to patients grew by 5% in the first half of the year, which suggests destocking on the part of some pharmaceutical wholesalers. Following the approval of daylight PDT for Metvix (Luxerm), we are also seeing that further market growth is currently likely to favor daylight PDT rather than lamp treatment. Although this is not currently beneficial to Biofrontera, our long-term interest is moving in this direction, as competition with patient-administered topical drugs is the only way to significantly expand the actinic keratosis market for Ameluz. As such, every success enjoyed by daylight PDT is a welcome development. Revenue outside Germany performed extremely well in the first half of the year, rising by 66% to EUR 635 thousand. The sales trend in Spain was particularly positive. License income (one-off payments) amounted to EUR 40 thousand in the first half of 2016 (previous year: 0).

Cost of sales

The gross profit from sales declined from EUR 1,034 thousand in the first half of 2015 to EUR 945 thousand in the first half of 2016. The gross margin fell from 66% in the previous year to 55% in the period under review; this was due in particular to a change in the revenue mix with proportionately lower revenue in Germany, where margins are higher than the international revenue for which Biofrontera receives only around 50% of the retail price.

The cost of sales amounted to EUR 764 thousand, or 45% of revenue, thereby improving as against the previous year relative to revenue (first half of 2015: EUR 534 thousand, 34%).

Operating costs

Biofrontera has continued to invest in research and development and the enhancement of its products. Research and development costs totaled EUR 1,852 thousand in the first half of 2016, down EUR 2,646 thousand or 59% year-on-year. This was due primarily to the payment of a submission fee ("PDUFA fee") of EUR 2,072 thousand for the submission of the approval application to the FDA in the first half of 2015. This fee is usually waived for small companies making their initial submission. In consultation with the FDA, an application for remission of the fee was lodged by Biofrontera, but this could not be processed on the filing date as the American approval authority FDA did not yet have a process for handling such applications. This fee was refunded by the FDA in March 2016 and is reported in other income.

Sales costs amounted to EUR 2,832 thousand, an increase of EUR 795 thousand or 39% on the first half of the previous year. This increase is attributable mainly to the start of sales activities and the establishment of sales structures in the USA.

Administrative costs amounted to EUR 1,372 thousand in the first half of 2016 (previous year: EUR 1,348 thousand). The increase of EUR 25 thousand or 2% compared with the previous year is mainly due to higher financing costs as a result of the capital increases conducted in the first quarter of 2016.

Financial result

The interest expenses included in the financial result, which amount to EUR 594 thousand, are almost entirely due to interest payments for the two warrant bonds and the compounding of interest on the two warrant bonds using the effective interest method. The interest payment for warrant bond I for the 2015 financial year was made at the end of December 2015, while the interest payment for warrant bond III was made at the beginning of January 2016.

Other income and expenses

The submission fee (PDUFA fee) paid to the FDA in 2015 was refunded in March 2016 in the amount of EUR 2.140 million after a small business waiver was granted. The fee was reported in the income statement for 2015 under research and development costs. The refund was reported in other income.

Net earnings before tax

Net earnings before tax for the first half of 2016 totaled EUR -3,472 thousand, an improvement of EUR 3,851 thousand on the first half of the previous year; this was due mainly to the repayment of the submission fee by the FDA.

Liquidity

The liquidity situation improved significantly in the first half of 2016. Net cash in hand amounted to EUR 10.2 million as at June 30, 2016, up EUR 6.2 million on December 31, 2015.

Share capital, capital measures

The fully paid-up share capital of the parent company, Biofrontera AG, amounted to EUR 30,347,813.00 as at June 30, 2016. It was divided into 30,347,813 bearer shares each with a notional interest in the share capital of EUR 1.00. The share capital amounted to EUR 25,490,430.00 as at December 31, 2015. It was increased by a total of EUR 4,857,383.00, divided into 4,857,383 bearer shares, by way of two capital increases conducted during the first half of the 2016 financial year.

In the context of the capital increase conducted in February 2016, the company's share capital was increased by EUR 2,357,384.00 from authorized capital in exchange for cash contributions through the issue of 2,357,384 new no-par value bearer shares. Shareholders' subscription rights were disapplied. The new shares were offered to selected institutional investors for an issue amount of EUR 1.90 per new share, i.e. for a total issue amount of EUR 4,479,029.60, and placed in full. The net issue proceeds amounted to EUR 4.4 million.

In the context of a capital increase conducted in April 2016, the company's share capital was increased by EUR 2,499,999.00 from authorized capital in exchange for cash contributions through the issue of 2,499,999 new no-par value bearer shares. Statutory subscription rights were granted to the shareholders. In addition, an "additional subscription" was offered, i.e. shareholders executing subscription rights were allowed to subscribe for unsubscribed new shares at the subscription price. The subscription price per new share was EUR 2.00, and the capital increase was placed in full. The net issue proceeds amounted to EUR 4.9 million.

Based on the most recent compulsory disclosures by the shareholders, the shares held as at June 30, 2016 were as follows:

	June 30, 2016 in %
Maruho Deutschland Co., Ltd., Osaka, Japan The total share of voting rights is assigned to Maruho Co., Ltd, Osaka, via the company Maruho Deutschland GmbH, Düsseldorf, which is controlled by the former	**14.72**
Wilhelm Konrad Thomas Zours Of this figure, 8.28% of the voting rights are assigned via the company Deutsche Balaton Aktiengesellschaft	**11.21**
Prof. Ulrich Abshagen Prof. Abshagen has a direct holding of 68,314 voting rights; he is indirectly assigned 976,056 voting rights by Heidelberg Innovation BioScience Venture II GmbH & Co.KG (in liquidation) via Heidelberg Innovation Asset Management GmbH & Co. KG, of which he is one of the managing partners	**3.84**
Universal-Investment-Gesellschaft mbH, Frankfurt am Main, Germany The share of voting rights is assigned to Universal-Investment GmbH via the company FEHO Vermögensverwaltungsgesellschaft	**3.14**
Free float	**67,09**
	100,00

Financial position

The company's capital management body regularly reviews the equity ratio of the Group and its subsidiaries. The management's objective is to ensure an appropriate equity base within the framework of the expectations of the capital markets, as well as creditworthiness with respect to national and international business partners. The Management Board of the company ensures that all Group companies have sufficient capital at their disposal in the form of equity and debt capital. The statement of changes in equity provides further information about the development of equity.

Cash flow from operating activities improved from EUR -6,536 thousand as at June 30, 2015 to EUR -2,511 thousand as at June 30, 2016.

Cash flow from interest revenue fell by EUR 62 thousand to EUR 2 thousand. Investments in fixed assets increased slightly by EUR 75 thousand. These factors led to a decrease in cash flow from investment activities of EUR 136 thousand, from EUR -7 thousand to EUR -143 thousand.

Cash flow from financing activities improved by EUR 6,707 thousand compared with the same period of the previous year, from EUR 2,160 thousand to EUR 8,867 thousand. This change is attributable primarily to proceeds from the issuance of shares in the amount of EUR 4.4 million in February 2016 and EUR 4.9 million in April 2016 compared with the smaller capital increase in the same period of the previous year.

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. The capital increases conducted in 2016 mean that the company currently has sufficient liquidity at its disposal. The planned investments in marketing in the USA and to meet obligation from the issued option bond II, payable with amount EUR 8.715 thousand as per January 1, 2017 and the interest obligations from the issued option bond I and II with EUR 394 thousand as per December 31, 2016 and for the last time EUR 436 thousand as per January 1, 2017 further capital measures during the fiscal year 2016 will be necessary.

On the basis of its previous, invariably successful experience with capital measures, the Management Board assumes that the liquidity required for business activities can be further ensured. If, contrary to expectations, these valid estimates are not realized, this could constitute a threat to the company's continued existence.

Personnel details

Management Board

The Management Board comprises Prof. Hermann Lübbert (Chief Executive Officer), Mr. Thomas Schaffer (Chief Financial Officer) and Mr. Christoph Dünwald (Chief Commercial Officer).

The remuneration of the Management Board members consists of a fixed salary that is paid in twelve equal monthly instalments. In addition, there is an annual, performance-based bonus for the directors, as well as a long-term remuneration component consisting of participation in the company's share option program. Company cars are also available to the directors for business and private use.

Employees

As at June 30, 2016, a total of 59 employees worked for the Biofrontera Group (December 31, 2015: 58). Of this figure, 17 were employed at Biofrontera AG (December 31, 2015: 17), six at Biofrontera Bioscience GmbH (December 31, 2015: six) and 35 at Biofrontera Pharma GmbH, including the Spanish office (December 31, 2015: 34). No staff are employed at Biofrontera Development GmbH or Biofrontera Neuroscience GmbH. As at June 30, 2016, one member of staff was employed by Biofrontera Inc.

Supplementary report

Significant events occurring since June 30, 2016

In July, the company announced the signature of an agreement with Maruho Co., Ltd. ("Maruho"), a Japanese pharmaceutical company specializing in dermatology, to explore opportunities to co-develop new pharmaceutical products based on Biofrontera's proprietary nanoemulsion technology. Ameluz®, Biofrontera's lead product which recently gained US FDA approval, was developed using a similar strategy based on the company's patented nanoemulsion technology. This technology stabilized the active ingredient and enhanced skin penetration, thereby increasing clinical efficacy. Under the terms of the agreement, Maruho will finance all costs associated with the exploratory research of new product candidates. It is planned that Maruho will own any successfully developed new products, with Biofrontera being granted a license to market them in Europe.

With effect from July 1, 2016, Biofrontera Inc. made appointments to key sales positions in the USA ahead of the product launch of Ameluz®. With the appointment of regional sales managers and field sales representatives, the company remains on target to initiate marketing and sales activities in the USA in September 2016. At the same time, Biofrontera Inc. made key appointments in the areas of medical affairs, finance, and operations that will help to establish the necessary structure for an efficient product launch and the expansion of business in the USA.

In July 2016, the company also announced that the European Medicines Agency (EMA) had issued a positive assessment regarding label extension for the treatment of field cancerization. The European Commission is expected to issue formal approval in the near future.

In August 2016, the Cologne Regional Court served the company with an action brought by a shareholder on June 30, 2016, claiming the invalidity of or alternatively contesting some of the resolutions adopted by the Annual General Meeting of the company on May 31, 2016. Further information can be found in the "Legal disputes" section of the following risk, opportunity, and forecast report.

Risk, opportunity and forecast report

The risks existing in the Group are described in detail in the risk report included in the published consolidated management report of December 31, 2015. No other significant changes in the risks described there with exception of the following legal disputes have occurred as at June 30, 2016.

Risk management system

The risk and opportunity management system for the Biofrontera Group applies equally to Biofrontera AG. By virtue of its holding function, Biofrontera AG controls all of the legally independent entities within the Biofrontera Group. Therefore, it is necessary to assess the risks and opportunities on a uniform basis throughout the entire Group.

The primary objective of the Biofrontera Group is to achieve long-term growth and hence increase the company's value on a consistent basis. Risk management plays a major role in achieving this objective. At Biofrontera, risk management involves the identification of risks that could have a lasting or significant adverse impact on the company's net assets, financial position, and results of operations, as well as the responsible analysis and monitoring of these risks and the adoption of suitable countermeasures. To this end, it is necessary to establish guidelines, organizational structures, and measuring and monitoring processes that are specifically geared to the Biofrontera Group's activities.

Correspondingly detailed risk prevention measures are essential in order to fully exploit the opportunities arising from Biofrontera's business activities. In the 2015 financial year, Biofrontera's existing risk management structures were enhanced within the scope of the quality management system required for pharmaceutical manufacturers and entrepreneurs and medical device manufacturers. This system incorporates sales and marketing activities, as well as the international responsibilities of license holders with regard to the manufacture and sale of drugs, medical devices and cosmetics.

Legal disputes

In August 2016, the Cologne Regional Court served the company with an action brought by a shareholder on June 30, 2016, claiming the invalidity of or alternatively contesting some of the resolutions adopted by the Annual General Meeting of the company on May 31, 2016. In particular, the election of Mr. John Borer, Mr. Jürgen Baumann, and Mr. Kevin Weber to the Supervisory Board of the company is disputed. The Cologne Regional Court has set September 16, 2016 as the date for an oral hearing. The company considers the action and the justification given for the action to be unfounded and expects the action to be rejected.

Forecast of key financial figures (report on forecast changes if applicable)

Biofrontera still expects to generate revenue of EUR 6 to 7 million in the 2016 financial year. Compared with the original forecast, however, revenue in Germany will be lower than expected due to destocking on the part of wholesalers as well as competition resulting from the launch of Luxerm® for daylight PDT. This will be offset by additional income from the development partnership with Maruho and higher revenue outside Germany.

Development and approval costs will increase from EUR 4-5 million to EUR 5-6 million as a result of the additional activities in cooperation with Maruho. Sales costs will amount to around EUR 9-10 million as opposed to the previous forecast of EUR 10-11 million.

The forecasts for the financial result and other income remain unchanged.

Accordingly, Biofrontera still expects to generate net earnings of EUR -11 to -12 million.

Leverkusen, August 31, 2016

signed Prof. Hermann Lübbert

Chief Executive Officer

signed Christoph Dünwald

Chief Commercial Officer

signed Thomas Schaffer

Chief Financial Officer

Declaration in accordance with section 37y in conjunction with section 37w (2) no. 3 of the German Securities Trading Act (WpHG) – Responsibility statement

"We affirm that, to the best of our knowledge and in accordance with the applicable accounting principles for interim financial reporting, the consolidated interim financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with the principles of proper accounting, and that the consolidated interim management report presents the business performance, including the business results, and the position of the Group, in such a way that a true and fair view is conveyed and the main opportunities and risks relating to the anticipated performance of the Group in the remaining months of the financial year are described."

Leverkusen, August 31, 2016

signed Prof. Hermann Lübbert	signed Christoph Dünwald	signed Thomas Schaffer
Chief Executive Officer	Chief Commercial Officer	Chief Financial Officer

Consolidated balance sheet as at June 30, 2016

Assets

in EUR	June 30, 2016	December 31, 2015
Non-current assets		
Tangible assets	448,217.28	372,834.23
Intangible assets	1,562,364.99	1,901,927.93
	2,010,582.27	**2,274,762.16**
Current assets		
Current financial assets		
Trade receivables	512,436.90	894,558.96
Other financial assets	942,684.03	730,440.34
Cash and cash equivalents	10,172,643.85	3,959,207.16
	11,627,764.78	**5,584,206.46**
Other current assets		
Inventories		
Raw materials and supplies	706,569.69	590,420.47
Unfinished products	110,145.93	42,723.50
Finished products and goods	859,223.44	900,505.05
Income tax reimbursement claims	32,668.04	32,220.80
Other assets	198,785.47	72,879.33
	1,907,392.57	**1,638,749.15**
	13,535,157.35	**7,222,955.61**
Total assets	**15,545,739.62**	**9,497,717.77**

Liabilities

in EUR	June 30, 2016	December 31, 2015
Equity		
Subscribed capital	30,347,813.00	25,490,430.00
Capital reserve	84,024,977.56	79,525,292.28
Capital reserve from currency translation adjustments	(555.10)	(1,188.65)
Loss carried forward	(109,823,695.69)	(98,620,285.49)
Net loss for the year	(3,472,266.81)	(11,203,410.20)
	1,076,272.96	**(4,809,162.06)**
Non-current liabilities		
Non-current financial liabilities	3,059,864.92	11,229,946.00
Current liabilities		
Current financial liabilities		
Trade payables	998,133.52	1,043,425.65
Short-term financial debt	9,157,273.08	830,174.00
Other financial liabilities	30,275.81	37,622.28
	10,185,682.41	**1,911,221.93**
Other current liabilities		
Other provisions	1,118,445.33	1,041,860.80
Other current liabilities	105,474.00	123,851.10
	1,223,919.33	**1,165,711.90**
	11,409,601.74	**3,076,933.83**
Total liabilities	**15,545,739.62**	**9,497,717.77**

Consolidated statement of comprehensive income for the first half of the 2016 and 2015 financial year

in EUR	6M 2016	6M 2015
Revenue	1,708,605.05	1,568,102.67
Cost of sales	-763,667.35	-533,797.53
Gross profit from sales	944,937.70	1,034,305.14
Operating expenses:		
Research and development costs	-1,852,008.74	-4,497,894.88
General administrative costs	-1,372,391.58	-1,347,526.21
of which financing costs	-372,366.06	-150,746.32
Marketing costs	-2,832,269.11	-2,037,748.00
Loss from operations	**-5,111,731.73**	**-6,848,863.95**
Financial result		
Interest and similar expenses	-594,479.40	-568,810.49
Interest and similar income	1,708.31	8,822.28
Other income and expenses		
Other expenses	-14,020.10	-19,929.14
Other income	2,246,256.11	105,900.86
Earnings before income tax	**-3,472,266.81**	**-7,322,880.44**
Income tax	0.00	0.00
Earnings for the period	**-3,472,266.81**	**-7,322,880.44**
Expenses and income not recognized in income		
Subsequent measurement of financial assets available for sale	0	0
Other expenses and income not recognized in income	0	0
Total earnings for the period	**-3,472,266.81**	**-7,322,880.44**
Basic (=diluted) earnings per share	-0.12	-0.33

Consolidated cash flow statement for the first half of the 2016 and 2015 financial year

	6M 2016	6M 2015
	EUR	EUR
Cash flows from operations:		
Total earnings for the period	-3,472,266.81	-7,322,880.44
Adjustments to reconcile total earnings for the period to cash flow into operations		
Financial result	592,771.09	559,988.21
Depreciation	404,278.21	404,814.52
(Gains)/losses from disposal of assets	4,836.33	115.00
Non-cash expenses and income	46,370.75	23,814.20
Changes in operating assets and liabilities:		
Trade receivables	382,122.06	21,215.11
Other assets and income tax claims	-338,600.42	-118,539.74
Inventories	-142,290.04	-215,307.00
Trade payables	-45,292.13	-155,011.31
Provisions	83,086.09	249,467.31
Other liabilities	-25,723.57	16,555.56
Net cash flow into operations:	**-2,510,708.44**	**-6,535,768.58**
Cash flows from investment activities:		
Purchase of intangible and tangible assets	-154,606.02	-79,808.74
Interest received	1,708.30	63,574.77
Revenue from the sale of intangible and tangible assets	9,671.37	9,320.71
Net cash flow from (into) investment activities	**-143,226.35**	**-6,913.26**
Cash flows from financing activities:		
Proceeds from the issuance of shares	9,303,174.28	2,990,076.90
Interest paid	-435,802.80	-830,174.00
Increase/(decrease) in long-term financial debt	-8,170,081.08	-20,663.14
Increase/(decrease) in short-term financial debt	8,170,081.08	20,663.14
Net cash flow from financing activities	**8,867,371.48**	**2,159,902.90**
Net increase (decrease) in cash and cash equivalents	**6,213,436.69**	**-4,382,778.94**
Cash and cash equivalents at beginning of period	**3,959,207.16**	**8,509,398.16**
Cash and cash equivalents at end of period	**10,172,643.85**	**4,126,619.22**
Composition of cash and cash equivalents at end of period:		
Cash and bank balances and checks	**10,172,643.85**	**4,126,619.22**

Consolidated statement of changes in equity for the first half of the 2016 and 2015 financial year

	Ordinary shares	Subscribed capital	Capital reserve	Currency translation adjustments	Accumulated loss	Total
	Number	EUR	EUR	EUR	EUR	EUR
Balance as at January 1, 2015	**22,196,570**	**22,196,570.00**	**76,402,715.36**	**0**	**-98,620,285.49**	**-21,000.13**
Capital increase	1,377,272	1,377,272.00	1,790,453.60	0	0	3,167,725.60
Cost of equity procurement	0	0	-177,648.70	0	0	-177,648.70
Increase in capital reserves from the stock option program	0	0	54,834.00	0	0	54,834.00
Net loss for the year	0	0	0	0	-7,322,880.44	-7,322,880.44
Balance as at June 30, 2015	**23,573,842**	**23,573,842.00**	**78,070,354.26**	**0**	**-105,943,165.93**	**-4,298,969.67**
Capital increase	1,916,588	1,916,588.00	1,724,929.20	0	0	3,641,517.20
Cost of equity procurement	0	0	-318,121.18	0	0	-318,121.18
Currency translation adjustments	0	0	0	-1,188.65	0	-1,188.65
Increase in capital reserves from the stock option program	0	0	48,130.00	0	0	48,130.00
Net loss for the year	0	0	0	0	-3,880,529.76	-3,880,529.76
Balance as at December 31, 2015	**25,490,430**	**25,490,430.00**	**79,525,292.28**	**-1,188.65**	**-109,823,695.69**	**-4,809,162.06**
Capital increase	4,857,383	4,857,383.00	4,621,644.60	0	0	9,479,027.60
Cost of equity procurement	0	0	-175,853.32	0	0	-175,853.32
Currency translation adjustments	0	0	0	633.55	0	633.55
Increase in capital reserves from the stock option program	0	0	53,894.00	0	0	53,894.00
Net loss for the year	0	0	0	0	-3,472,266.81	-3,472,266.81
Balance as at June 30, 2016	**30,347,813**	**30,347,813.00**	**84,024,977.56**	**-555.10**	**-113,295,962.50**	**1,076,272.96**

Selected notes to the consolidated interim financial statements as at June 30, 2016

Information about the company

Biofrontera AG (www.biofrontera.com), which is domiciled at Hemmelrather Weg 201, 51377 Leverkusen, Germany and registered with 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 and Biofrontera Inc., which is based in Wilmington, Delaware, 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") 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 centralized European and US drug approval for an independently developed drug, Ameluz®. Ameluz® was approved for the treatment of mild and moderate actinic keratoses in Europe in December 2011, with US approval granted in May 2016. In addition, a range of cosmetic products is to be expanded; the first product in this range, Belixos® Cream, 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. This was followed by Belixos® Protect, a day cream with protective anti-aging properties designed especially for photodamaged skin, in July 2015 and Belixos® to go, a practical 5ml roll-on applicator with a stainless steel ball that offers simple and hygienic application while creating an immediate cooling effect on the affected skin, in July 2016. Two further clinical development projects, a dermatological project and a project for the prevention of migraines, have been hived 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 the European approval in one phase II and two phase III clinical trials for the treatment of actinic keratosis. In preparation for approval in the USA, two further phase I trials and a phase III trial have been conducted. Ameluz® is a combination of the drug aminolevulinic acid (ALA) and a nanoemulsion (BF-200), with the latter providing chemical stabilization of 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 centralized European approval was submitted on September 1, 2010, and this approval was granted by the European Commission on December 16, 2011. Ameluz® has been sold in Germany since February 2012 and in several other European countries since autumn 2012. US approval was granted on May 10, 2016, meaning that Biofrontera now has access to the world's largest healthcare market. The launch date is scheduled for September 2016, with the first sales expected to be recorded from the start of October. In addition, Biofrontera has conducted another phase III trial for the treatment of basal cell carcinoma. This trial forms the basis for the application for an extension of the existing European approval to include this indication, which was submitted in July 2016.

In November 2012, Biofrontera's BF-RhodoLED® PDT lamp received pan-European approval for use as a medical device and has since been sold together with Ameluz®. In Europe, doctors can choose to use any of the lamps approved for PDT, whereas in the USA the approval of Ameluz® will be intrinsically linked to that of the BF-RhodoLED. This has therefore been approved along with the drug as a combination product.

The BF-Derm1 project, which is not currently being actively pursued, was tested in a three-part phase II trial for the treatment of chronic, antihistamine-resistant urticaria (hives). The trial demonstrated the good effect of the drug, 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 gut, 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, using funds that are specifically sought for and directly allocated to the development of these products. For this reason, the two projects were acquired by Biofrontera AG and incorporated into to the two subsidiaries Biofrontera Development GmbH and Biofrontera Neuroscience GmbH, which were both formed in December 2012, as shareholder contributions. 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 can be uncoupled from normal Group financing. This means that 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 principles

In accordance with the provisions of section 37y of the German Securities Trading Act (WpHG) in conjunction with section 37w WpHG, the half-yearly financial report as at June 30, 2016 consists of condensed consolidated interim financial statements, a consolidated interim management report, and a responsibility statement in accordance with the provisions of section 297 (2) sentence 3 and section 315 (1) sentence 6 of the German Commercial Code (HGB).

The half-yearly financial report of Biofrontera AG for the period from January 1 to June 30, 2016 has been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) for "Interim Financial Reporting" in accordance with IAS 34 as required to be applied in the European Union. In the opinion of the Management Board, these half-yearly financial statements contain all of the business transactions that are necessary for the presentation of the net assets, financial position, and results of operations for the periods ending June 30, 2016 and 2015.

These interim financial statements do not include all of the information and data required to prepare annual financial statements. The interim financial statements should therefore be read in conjunction with the consolidated financial statements for 2015.

In the context of the preparation of the consolidated interim financial statements, the Management Board is required to make estimates and assumptions that influence the application of accounting principles within the

Group as well as the reported amounts of the assets and liabilities and the income and expenses. The actual amounts may deviate from these estimates. The results achieved in the first half of the 2016 financial year do not allow for any forecasts to be made concerning future business performance.

With regard to the accounting and consolidation principles applied in preparing the consolidated interim financial statements of Biofrontera AG, which are essentially unchanged, and the information on the companies included in consolidation, please refer to the notes to the consolidated financial statements for the year ended December 31, 2015. Biofrontera AG formed the wholly-owned subsidiary Biofrontera Inc. in the first half of 2015 in order to prepare for the commencement of business operations in the USA. Costs of capital procurement offset against equity are presented in the consolidated statement of changes in equity.

The consolidated financial statements for the year ended December 31, 2015 contain no separate segment reporting, as the activities of the Biofrontera Group are limited to a single business segment within the meaning of 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.

The income statement is prepared using the cost of sales method. In this reporting format, net revenue is compared with the expenses incurred in achieving this revenue, broken down into cost of sales, research and development costs, distribution costs, and general administrative costs.

This half-yearly financial report of Biofrontera AG was approved for publication by resolution of the Management Board as at August 31, 2016.

Deferred taxes

The company had considerable tax loss carryforwards as at June 30, 2016.

Under the current tax regulations in Germany these tax losses have no expiry date and can be offset against the future taxable profit of the company.

The existing tax loss carryforwards were assessed as legally binding in the tax audit in the first half of 2008 and in the final assessment up to the 2003 assessment period. In addition, another audit was conducted for the years from 2003 to 2009 and the existing tax loss carryforwards were also assessed as legally binding.

Nevertheless, no deferred tax assets from temporary differences or from tax loss carryforwards have been recognized in the balance sheet. This decision has been taken as, from a current perspective, the Management Board still does not regard it as certain that the deferred tax assets will be realized in the coming years.

In accordance with IAS 12.34, the recognition of the deferred tax assets has therefore been dispensed with.

Employee stock option program 2010

So as not to be at a disadvantage regarding future staff recruitment and retention, the company must continue to be able to offer share and/or securities-based remuneration. Moreover, in accordance with the German Act on the Appropriateness of Management Board Remuneration, such schemes must be linked to the long-term success of the company. As the stock option program resolved by the company's Annual General Meeting on May 24, 2007 could not be utilized, the Annual General Meeting on July 2, 2010 granted the Management Board and the Supervisory Board the authorization to issue up to 839,500 options to directors and employees over the next five years. Further provisions concerning this action were specified in the invitation to the Annual General Meeting and are available on the company's website. The issue of the first tranche of these options is described in the consolidated financial statements for the year ended December 31, 2010. The second tranche was issued in the 2011 calendar year and is reported in the consolidated financial statements for the year ended December 31, 2011. A further 116,500 option rights (third tranche) were issued in the first half of 2012 at an exercise price of EUR 3.30 or EUR 4.09 each. On September 2, 2013, 179,500 options (fourth tranche) were issued at an exercise price of EUR 3.373. A further tranche (fifth tranche) of 159,350 option rights was issued on April 2, 2014 at an exercise price of EUR 3.43 each. A total of 123,750 options were forfeited by employees leaving the company. The amount expensed in the period under review was EUR 38 thousand (June 30, 2015: EUR 55 thousand).

The authorization to issue options under the 2010 share option program ended on July 1, 2015. By resolution of the Annual General Meeting on August 28, 2015, the conditional capital III provided to service options under this program was reduced to EUR 542,400.00.

Employee stock option program 2015

Following the end of the employee stock option program 2010, the Annual General Meeting of the company on August 28, 2015 authorized the Management Board and the Supervisory Board to issue up to 1,814,984 options for no-par value bearer shares of the company worth up to EUR 1,814,984 to directors and employees in the period until August 27, 2020 in accordance with the detailed provisions of the authorization resolution. Further provisions concerning this action were specified in the invitation to the Annual General Meeting and are available on the company's website ("Stock option program 2015").
The first 425,000 of the potential 1,814,984 options were issued in the first half of 2016 (at an exercise price of EUR 2.49 per option). Due to the vesting period, no options were exercised or expired, meaning that there were still 1,389,984 options outstanding as at June 30, 2016. The amount expensed in the first half of 2016 was EUR 16 thousand (previous year: EUR 0 thousand). There are no prior-period amounts as the stock option program was not initiated until the 2015 financial year.

Shares / earnings per share

Earnings per share are calculated in accordance with IAS 33 on the basis of the half-yearly results of the Biofrontera Group as well as on the basis of the number of ordinary shares in circulation during the relevant periods in 2016 and 2015.

	June 30, 2016	30. June 2015
Number of weighted ordinary shares in circulation (on average)	29,194,770.96	22,424,847.13
Net loss for the year in EUR	(3,472,266.81)	(7,322,880.44)
Earnings per share in EUR based on the net loss for the year	(0.12)	(0.33)

Reporting on financial instruments

In the ordinary course of business, the Group faces market price and credit risks as well as liquidity risks that could have an effect on its net assets, financial position, and results of operations.

Market price risk: The risk associated with interest rate changes is considered to be insignificant because, as a rule, the existing interest modalities for the relevant financing of the Biofrontera Group can be adjusted to reflect market conditions in the short to medium term. There is no cash flow risk for the fixed-rate warrant bonds. The fixed interest rate means there can be no adverse changes in interest payments. Since the liabilities are not accounted for at fair value, but at amortized cost, there is also no fair value risk.

Credit risk: A credit risk arises for the Group if transaction partners are unable to meet their obligations within the normal payment deadlines. On the balance sheet, the maximum default risk is represented by the carrying amount of the relevant financial asset. The situation regarding receivables is monitored so that any possible default risks can be identified at an early stage and appropriate steps taken. In the first half of 2016, no specific valuation allowances were recognized for other financial assets (June 30, 2015: EUR 0); similarly, no specific valuation allowances were recognized for trade receivables in the first half of 2016 (June 30, 2015: EUR 0).

Financial instruments measured at fair value in the consolidated balance sheet can be classified according to the following valuation hierarchy, which reflects the extent to which the fair value is observable:

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

Level 2: Fair value valuations using input data for the asset or liability that is either directly observable (as prices) or indirectly observable (derived from prices), but that does not constitute listed prices as defined for Level 1.

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

Biofrontera has financial instruments at levels 1 and 2 only. There were no reclassifications between level 1 and level 2 during the first half of 2016. All of the financial assets measured at fair value and listed below are classified as level 1. With regard to financial liabilities, the full amount of long-term and short-term financial debt (EUR

12,217 thousand; December 31, 2015: EUR 12,060 thousand) is allocated to level 2. This relates to financial debt arising from the two warrant bonds.

Biofrontera reports specific valuation allowances on trade receivables and other financial liabilities classified as "loans and receivables" in other operating expenses. The losses from currency translation from the "loans and receivables" assessment category are attributable mainly to trade payables. The net gains and losses include specific valuation allowances and currency translation effects.

The financial assets and liabilities can be broken down into valuation categories with the following carrying amounts and net gains and losses:

Financial assets as at June 30, 2016 (EUR)	Fair value	Carrying amounts					Net gains (+) or losses (-)
		Cash and cash equivalents	Loans and receivables	Financial instruments recognized at fair value through profit or loss (excluding "held for trading")	Financial assets available for sale	TOTAL CARRYING AMOUNTS	
- Financial assets							0
- Cash and cash equivalents	10,172,644	10,172,644				10,172,644	(66)
- Trade receivables	512,437		512,437			512,437	0
- Other short-term financial receivables and assets	942,684		942,684			942,684	0
TOTAL	**11,627,765**	**10,172,644**	**1,455,121**	**0**	**0**	**11,627,765**	**(66)**

Financial assets as at June 30, 2016 (EUR)	Fair value	Carrying amounts					Net gains (+) or losses (-)
		Other liabilities	Financial instruments recognized at fair value through profit or loss (excluding "held for trading")			TOTAL CARRYING AMOUNTS	
- Short-term financial debt	9,157,273	9,157,273				9,157,273	0
- Trade payables	998,134	998,134				998,134	3,878
- Other short-term financial liabilities	30,276	30,276				30,276	0
- Other long-term financial debt	3,059,865	3,059,865				3,059,865	0
TOTAL	**13,245,548**	**13,245,548**				**13,245,548**	**3,878**

Financial assets as at December 31, 2015 (EUR)	Fair value	Carrying amounts					Net gains (+) or losses (-)
		Cash and cash equivalents	Loans and receivables	Financial instruments recognized at fair value through profit or loss (excluding "held for trading")	Financial assets available for sale	TOTAL CARRYING AMOUNTS	
- Financial assets						0	0
- Cash and cash equivalents	3,959,207	3,959,207				3,959,207	104
- Trade receivables	894,559		894,559			894,559	0
- Other short-term financial receivables and Assets	730,440		730,440			730,440	0
TOTAL	**5,584,206**	**3,959,207**	**1,624,999**	**0**	**0**	**5,584,206**	**104**

Financial assets as at September 31, 2015 (EUR)	Fair value	Carrying amounts					Net gains (+) or losses (-)
		Other liabilities	Financial instruments recognized at fair value through profit or loss (excluding "held for trading")			TOTAL CARRYING AMOUNTS	
- Short-term financial debt	830,174	830,174				830,174	0
- Trade Payables	1,043,426	1,043,426				1,043,426	(21,594)
- Other short-term financial Liabilities	37,622	37,622				37,622	0
- Other long-term financial debt	11,229,946	11,229,946				11,229,946	0
TOTAL	**13,141,168**	**13,141,168**	**0**	**0**	**0**	**13,141,168**	**(21,594)**

Members of the Management Board

The members of the Management Board are:

- **Prof. Hermann Lübbert**, Chairman of the Management Board (Chief Executive Officer)
- **Christoph Dünwald**, member of the Management Board (Chief Commercial Officer)
- **Thomas Schaffer**, member of the Management Board (Chief Financial Officer)

In the first half of the 2016 financial year, the remuneration of the members of the Management Board amounted to EUR 543 thousand (previous year: EUR 343 thousand).

Members of the Supervisory Board

By resolution of the Annual General Meeting on May 31, 2016, the Supervisory Board has consisted of the following members since May 31, 2016, with these members acting as representatives of the shareholders:

Dr. Ulrich Granzer	**Chairman of the Supervisory Board, owner and managing director of Granzer Regulatory Consulting & Services, resident in Munich, Germany**
Jürgen Baumann	**Deputy Chairman of the Supervisory Board, corporate consultant, resident in Monheim, Germany**
John Borer	**Head of Investment Banking at The Benchmark Company LLC, New York, USA, resident in Montclair, NJ, USA**
Hansjörg Plaggemars	**Member of the Management Board of Deutsche Balaton Aktiengesellschaft, Heidelberg, resident in Stuttgart, Germany**
Mark Reeth	**Lawyer, resident in Maryland in Frederick, MD, USA**
Kevin Weber	**CEO of Paraffin International Inc., Phoenix, AZ, USA, resident in Scottsdale, AZ, USA**

In the first half of the 2016 financial year, the remuneration of the members of the Supervisory Board amounted to EUR 56 thousand (previous year: EUR 56 thousand).

Related party disclosures

During the period under review, the company availed itself of additional advisory services from one member of the Supervisory Board, Dr. Ulrich Granzer. These services went beyond the scope of normal Supervisory Board activities. Dr. Granzer assisted the company with key issues relating to the preparation of the applications for

approval submitted to the regulatory authorities in Europe and the USA. Advisory services amounting to EUR 2 thousand (previous year: EUR 56 thousand) were provided by Granzer Regulatory Consulting & Services in the first half of 2016. Liabilities to Granzer Regulatory Consulting & Services amounted to EUR 0 thousand as at June 30, 2016 (December 31, 2015: EUR 0 thousand). The amounts reported do not include statutory VAT at the current rate of 19%. The underlying consultancy contract was approved in consideration of the statutory provisions.

Significant events after the interim reporting date

In July, the company announced the signature of an agreement with Maruho Co., Ltd. ("Maruho"), a Japanese pharmaceutical company specializing in dermatology, to explore opportunities to co-develop new pharmaceutical products based on Biofrontera's proprietary nanoemulsion technology. Ameluz®, Biofrontera's lead product which recently gained US FDA approval, was developed using a similar strategy based on the company's patented nanoemulsion technology. This technology stabilized the active ingredient and enhanced skin penetration, thereby increasing clinical efficacy. Under the terms of the agreement, Maruho will finance all costs associated with the exploratory research of new product candidates. It is planned that Maruho will own any successfully developed new products, with Biofrontera being granted a license to market them in Europe.

With effect from July 1, 2016, Biofrontera Inc. made appointments to key sales positions in the USA ahead of the product launch of Ameluz®. With the appointment of regional sales managers and field sales representatives, the company remains on target to initiate marketing and sales activities in the USA in September 2016. At the same time, Biofrontera Inc. made key appointments in the areas of medical affairs, finance, and operations that will help to establish the necessary structure for an efficient product launch and the expansion of business in the USA.

In July 2016, the company also announced that the European Medicines Agency (EMA) had issued a positive assessment regarding label extension for the treatment of field cancerization. The European Commission is expected to issue formal approval in the near future.

In August 2016, the Cologne Regional Court served the company with an action brought by a shareholder dated June 30, 2016, claiming the invalidity of or alternatively contesting some of the resolutions adopted by the Annual General Meeting of the company on May 31, 2016. In particular, the election of Mr. John Borer, Mr. Jürgen Baumann, and Mr. Kevin Weber to the Supervisory Board of the company is disputed. The Cologne Regional Court has set September 16, 2016 as the date for an oral hearing. The company considers the action and the justification given for the action to be unfounded and expects the action to be rejected.

Leverkusen, August 31, 2016

signed Prof. Hermann Lübbert	signed Christoph Dünwald	signed Thomas Schaffer
Chief Executive Officer	Chief Commercial Officer	Chief Financial Officer

Issued by

Biofrontera AG
Hemmelrather Weg 201
51377 Leverkusen, Germany
Tel.: + 49 (0) 214 87 63 2 0
Fax: + 49 (0) 214 87 63 2 90
E-mail: info@biofrontera.com
www.biofrontera.com

Warth & Klein
Grant Thornton

Bescheinigung nach prüferischer Durchsicht

An die Biofrontera AG, Leverkusen

Wir haben den verkürzten Konzernzwischenabschluss – bestehend aus Konzernbilanz, Konzern-Gesamtergebnisrechnung, Konzern-Kapitalflussrechnung, Konzern-Eigenkapitalveränderungsrechnung sowie ausgewählten erläuternden Anhangangaben – und den Konzernzwischenlagebericht der Biofrontera AG, Leverkusen, für den Zeitraum vom 01.01.2016 bis 30.06.2016, die Bestandteile des Halbjahresfinanzberichts nach § 37w WpHG sind, einer prüferischen Durchsicht unterzogen. Die Aufstellung des verkürzten Konzernzwischenabschlusses nach den IFRS für Zwischenberichterstattung, wie sie in der EU anzuwenden sind, und des Konzernzwischenlageberichts nach den für Konzernzwischenlageberichte anwendbaren Vorschriften des WpHG liegt in der Verantwortung der gesetzlichen Vertreter der Gesellschaft. Unsere Aufgabe ist es, eine Bescheinigung zu dem verkürzten Konzernzwischenabschluss und dem Konzernzwischenlagebericht auf der Grundlage unserer prüferischen Durchsicht abzugeben.

Wir haben die prüferische Durchsicht des verkürzten Konzernzwischenabschlusses und des Konzernzwischenlageberichts unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze für die prüferische Durchsicht von Abschlüssen vorgenommen. Danach ist die prüferische Durchsicht so zu planen und durchzuführen, dass wir bei kritischer Würdigung mit einer gewissen Sicherheit ausschließen können, dass der verkürzte Konzernzwischenabschluss in wesentlichen Belangen nicht in Übereinstimmung mit den IFRS für Zwischenberichterstattung, wie sie in der EU anzuwenden sind, und der Konzernzwischenlagebericht in wesentlichen Belangen nicht in Übereinstimmung mit den für Konzernzwischenlageberichte anwendbaren Vorschriften des WpHG aufgestellt worden sind. Eine prüferische Durchsicht beschränkt sich in erster Linie auf Befragungen von Mitarbeitern der Gesellschaft und auf analytische Beurteilungen und bietet deshalb nicht die durch eine Abschlussprüfung erreichbare Sicherheit. Da wir auftragsgemäß keine Abschlussprüfung vorgenommen haben, können wir einen Bestätigungsvermerk nicht erteilen.

Auf der Grundlage unserer prüferischen Durchsicht sind uns keine Sachverhalte bekannt geworden, die uns zu der Annahme veranlassen, dass der verkürzte Konzernzwischenabschluss der Biofrontera AG, Leverkusen, in wesentlichen Belangen nicht in Übereinstimmung mit den IFRS für Zwischenberichterstattung, wie sie in der EU anzuwenden sind, oder dass der Konzernzwischenlagebericht in wesentlichen Belangen nicht in Übereinstimmung mit den für Konzernzwischenlageberichte anwendbaren Vorschriften des WpHG aufgestellt worden ist.

Ohne diese Beurteilung einzuschränken, weisen wir auf die Ausführungen im Konzernzwischenlagebericht hin. Dort ist insbesondere in dem Abschnitt „Vermögens-, Finanz- und Ertragslage des Biofrontera Konzerns“ unter „Finanzlage“ ausgeführt, dass insbesondere durch die geplanten Investitionen in die Vermarktung in den USA und die zum 01.01.2017 mit TEUR 8.715 fälligen Optionsanleihe II sowie zur Erfüllung der Zinsverpflichtungen aus den begebenen Optionsanleihen I und II mit TEUR 394 zum 31.12.2016 und letztmalig TEUR 436 zum 01.01.2017 im Laufe des Geschäftsjahres 2016 weitere Kapitalmaßnahmen nötig werden. Der Vorstand geht auf der Grundlage der bisherigen, stets erfolgreichen Erfahrungen mit Kapitalmaßnahmen davon aus, dass die für den Geschäftsverlauf erforderliche Liquidität auch weiterhin gewährleistet werden kann. Sollten sich diese begründeten Einschätzungen wider Erwarten nicht realisieren, so würde hieraus eine Bestandsgefährdung erwachsen.

Düsseldorf, den 31. August 2016

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Ralf Clemens	Renate Hermsdorf
Wirtschaftsprüfer	Wirtschaftsprüferin

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 statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and selected explanatory notes – and the interim group management report of Biofrontera AG, Leverkusen, for the period from January 1, 2016 to June 30, 2016 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.

Without qualifying this conclusion we refer to the explanations in the combined management report. In particular the Management Board clarifies under section "Opportunities and risks relating to future business performance", "Liquidity risk" that further capital measures are necessary. Particularly to the planned investments into marketing in the US and to meet obligation from the issued option bond II, payable with amount EUR 8.715 thousand as per January 1, 2017 and the interest obligations from the issued option bond I and II with EUR 394 thousand as per December 31, 2016 and for the last time EUR 436 thousand as per January 1, 2017 further capital measures during the fiscal year 2016 will be necessary. On the basis of its previous, invariably successful experience with capital measures, the Management Board assumes that the liquidity required for business activities can be further ensured. If these valid estimates are, contrary to expectations, not realised, this could constitute a threat to the company's continued existence

Düsseldorf, August 31, 2016

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Ralf Clemens
Wirtschaftsprüfer
[German Public Auditor]

Renate Hermsdorf
Wirtschaftsprüferin
[German Public Auditor]