

## Universal Biosensors, Inc.

### Commentary on 2<sup>nd</sup> Quarter of 2017

Universal Biosensors, Inc. (ASX: UBI) has today released its cash flow report (ASX Appendix 4C) for the quarter ending 30 June 2017.

#### Highlights

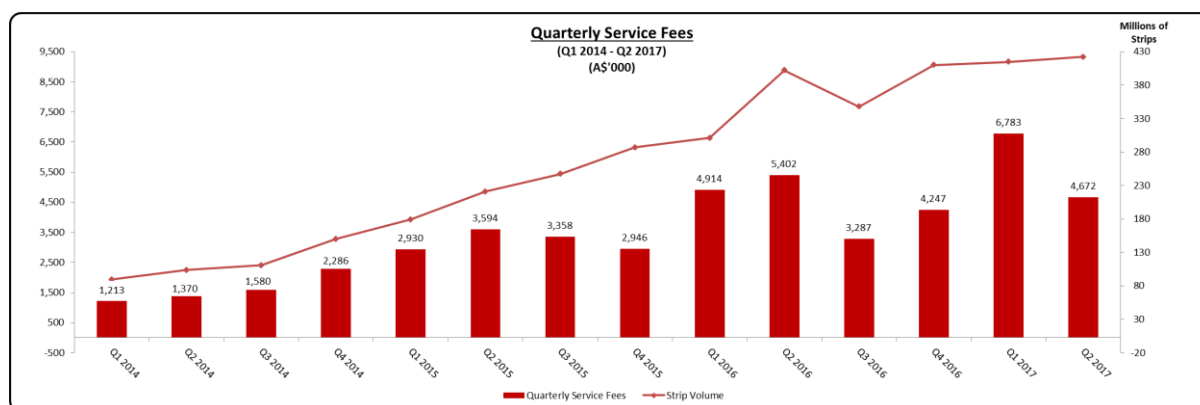
- UBI's cash on hand increased to \$19.96m as at 30 June 2017, an improvement of \$6.74m when compared to cash on hand as at 30 June 2016 of \$13.22m.
- Quarterly Service Fee's (QSF's) in Q2 2017 declined 14% despite 5% volume growth in One Touch Verio® strips in Q2 2017 compared to prior comparable period (Q2 2016).
- Importantly, there was growth in product revenues from the supply of the Xprecia Stride™ PT-INR test strips to Siemens, with \$1.43m in Q2 2017, compared to zero revenue in Q2 2016.

#### Quarterly Service Fees

QSF's generated from the sales of OneTouch Verio® blood glucose test strips in Q2 2017 declined 14% to \$4.67m compared to \$5.4m in Q2 2016. This was despite volume growth in Q2 2017 of 5% (to 422m strips) compared to PCP and occurred because of the volume pricing threshold under the terms of the Master Services & Supply Agreement with LifeScan being reached earlier in 2017 than in 2016.

Under the terms of the agreement, UBI receives a US1.25c service fee for the first 0.5B strips sold each year, and a US0.75c service fee for each strip sold thereafter during that year. A larger proportion of strips sold in Q2 2016 utilised the higher pricing of US1.25c per strip when compared to Q2 2017 given quarter on quarter volume growth meant the volume threshold was reached earlier in 2017.

On a quarterly basis, QSF's in Q2 2017 decreased by 31% when compared to Q1 2017 despite volume growth of 2%, again impacted by the lower strip pricing volume threshold being exceeded early in Q2 2017.



## Siemens product revenue

Revenue from the sale of Xprecia Stride™ PT-INR test strips grew to \$1.43m in Q2 2017 compared to zero revenue in Q2 2016. On a quarterly basis, Xprecia Stride™ revenue increased 63% in Q2 2017 up from \$872,444 in Q1 2017.

During the quarter, Siemens Healthineers announced that they commenced sales activities of the Xprecia Stride™ Coagulation Analyser in the US market following the receipt of FDA approval in Q4 2016.

## Cash flow

A summary of the net cash flows compared to prior comparable periods is as follows:

Cash flow comparison to prior comparable period	3 months ending 30 Jun,		6 months ending 30 Jun,	
	2017 (\$ M)	2016 (\$ M)	2017 (\$ M)	2016 (\$ M)
Net cash used in operating activities	2.74	1.83	1.59	-0.50
Net cash used in investing activities	-0.20	-0.23	-0.73	-0.25
Net cash used in financing activities	-0.12	-0.11	-0.26	-0.22
Movement in exchange rates	-0.24	0.40	-1.05	-0.16
<b>Net movement in cash at period end</b>	<b>2.18</b>	<b>1.89</b>	<b>-0.45</b>	<b>-1.13</b>
<b>Cash at period end</b>	<b>19.96</b>	<b>13.22</b>	<b>19.96</b>	<b>13.22</b>

UBI's cash balance has increased to \$19.96m as at the end of Q2 2017, compared to \$13.22m as at the end of Q2 2016. The key factors affecting the Q2 2017 cash flow performance include:

- Operating cash flow in Q2 2017 improved by \$0.91m compared to Q2 2016, reflecting the impact of continued revenue growth and cost containment;
- Investing activities largely relate to the scale up of activities such as the purchase and upgrade of various plant and equipment; and
- The movement in exchange rates is a non-cash currency translation adjustment which has arisen because of the AUD strengthening against the USD compared to the previous quarter. UBI plan to build USD cash reserves to provide for the repayment of the US\$15m denominated loan in December 2018.

UBI Net Cash position (cash on hand less short and long term debt) as at 30 June 2017 is \$663,964.

In addition to normal cash flows, the company expects to receive a cash inflow of \$7.52m during Q3 2017 associated with the R&D Tax Credit receivable in respect of the 2016 financial year.

For further information, please contact:

**Rebecca Wilson or Amanda Loh**  
Investor and Media Relations  
(03) 9866 4722

**Salesh Balak**  
Chief Financial Officer  
(03) 9213 9000

**Andy Denver**  
Executive Chairman  
(03) 9213 9000

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

UNIVERSAL BIOSENSORS, INC.

**ABN**

67 950 836 446

**Quarter ended ("current quarter")**

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	8,340	13,130
1.2 Payments for		
(a) research and development	(652)	(1,784)
(b) product manufacturing and operating costs	(505)	(785)
(c) advertising and marketing	-	(2)
(d) leased assets	(265)	(536)
(e) staff costs	(3,010)	(6,152)
(f) administration and corporate costs	(625)	(1,231)
1.3 Dividends received (see note 3)		
1.4 Interest received	16	81
1.5 Interest and other costs of finance paid	(576)	(1,143)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	13	13
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>2,736</b>	<b>1,591</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(196)	(725)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property		
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(196)</b>	<b>(725)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options	1	1
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(117)	(265)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	<b>Net cash from / (used in) financing activities</b>	<b>(116)</b>	<b>(264)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	17,780	20,402
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,736	1,591
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(196)	(725)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(116)	(264)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(246)	(1,046)
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>19,958</b>	<b>19,958</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	19,958	17,780
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>19,958</b>	<b>17,780</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

162

6.1

Executive chairman's and non-executive directors' fees and salaries, including superannuation.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities	15,000	15,000
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

On December 19, 2013, Universal Biosensors, Inc. ("UBI") and its wholly owned subsidiary, Universal Biosensors Pty Ltd ("UBS") entered into a credit agreement with Athyrium Opportunities Fund (A) LP, as administrative agent and as a lender, and Athyrium Opportunities Fund (B) LP as a lender for a secured term loan of initially up to US\$25 million, which was amended on January 30, 2015 ("Credit Agreement"). Of this amount, US\$15 million has been drawn but UBI decided not to draw down the balance of the available debt funding which was available to be drawn on or before July 31, 2015.

The term loan has a maturity date of December 19, 2018 and bears interest at 10.5% per annum payable in cash quarterly in arrears over the five year term, and as otherwise described in the Credit Agreement. A default interest rate of 13% per annum shall apply during the existence of a default under the Credit Agreement. Other than as detailed in the Credit Agreement, UBS is not required to make payments of principal for amounts outstanding under the term loan until maturity, December 19, 2018. The term loan under the Credit Agreement is secured by substantially all of UBI and UBS' assets. UBI (together with any future subsidiaries) guarantees all of UBS's obligations under the term loan.

9. <b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	1,000
9.2 Product manufacturing and operating costs	400
9.3 Advertising and marketing	-
9.4 Leased assets	270
9.5 Staff costs	3,100
9.6 Administration and corporate costs	625
9.7 Other (provide details if material: Interest to Lender (\$580k, repayment of short-term borrowings \$110k and capital expenditure \$500k)	1,190
<b>9.8 Total estimated cash outflows</b>	<b>6,585</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



17 July 2017

Sign here: .....  
(Chief Financial Officer)

Date: .....

Print name: .....Saleshe Balak.....

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.