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Universal Biosensors

26 February 2018

Universal Biosensors releases FY2017 results - strong revenue growth and cash generation continues

All figures contained in this announcement are reported in A$, unless otherwise stated

FY2017 Highlights

- Total revenue of $25.2M, an increase of 34% compared to FY2016
- Quarterly Service Fees paid to UBI by LifeScan for OneTouch® Verio® blood glucose test strips of $20.0M, up 12% on the pcp
- Aggregate Quarterly Service Fees received from LifeScan exceeded US$45M during Q4 2017
- Xprecia Stride™ revenues of $4.1M up from $0.6M in FY2016, as Siemens commenced US market sales activities
- Adjusting for the impact of R&D Tax Incentive rebates, EBITDA of $3.8M in FY2017 was up from ($1.5M) in FY2016 (no R&D Tax Incentive claimed in FY2017 following revenues exceeding $20M)
- High cash conversion with positive operating cash inflow of $8.7M in FY2017 (FY2016: $7.0M)
- Closing cash balance at 31 December 2017 of $26.3M and extension of US$15M term loan, providing additional flexibility
- Product development program over next 12 months focused on leveraging knowledge acquired from existing partner-funded development programs

FY2017 Result Commentary

Universal Biosensors, Inc. (**UBI** or the **Company**) (UBI.ASX) today released its financial results for the 12 months ended 31 December 2017 (**FY2017**). Total revenue increased 34% to $25.2M in FY2017, up from $18.8M in FY2016 (the **pcp**) supported by strong revenue growth from UBI's lead products – OneTouch® Verio® blood glucose and Xprecia Stride™ Coagulation Analyser test strips.

Quarterly Service Fees (**QSF**) received by UBI, from the sale of OneTouch® Verio® strips by UBI's partner LifeScan, increased 12% to $20.0M as a result of ongoing market share gains in the blood glucose market. Test strip volumes increased 18% over the period, with the smaller revenue percentage increase due to the strengthening AUD over the period. UBI received in excess of US$45M in aggregate QSF from LifeScan in November 2017 enabling LifeScan to give notice to buy out its obligation to pay QSF.

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Revenue from the supply of test strips for the Siemens Xprecia Stride™ Coagulation Analyser grew to $4.1M in FY2017, up from $0.6M in the pcp. This strong revenue performance reflects Siemens' Xprecia Stride™ Coagulation Analyser transition from a limited market release to full commercial sales activities in the US market in May 2017. While this growth provides endorsement for Xprecia Stride™ and its market opportunity, management expect the FY2018 revenue and contribution from Xprecia Stride™ test strips to decline and remain volatile during this initial market entry and production phase.

FY2017 R&D expenditure declined by 15% to $10.8M from $12.7M in the pcp. This decline was predominantly due to pausing the previous in-house PT-INR self-testing device R&D program to focus on commercial scale up of other products. UBI's management has re-assessed the market potential for this product and internal resources required for development. Consequently, UBI will resume development of its consumer PT-INR self-test device and associated test strip during FY2018.

General and administration expenditure increased 6% to $6.7M in FY2017 partly reflecting the HRL acquisition. Management will continue with their disciplined cost focus.

Reported EBITDA of $3.9M in FY2017 was down from $6.1M in FY2016, with the pcp benefiting from a $7.6M R&D Tax Incentive rebate. UBI was not eligible for the R&D Tax Incentive rebate in FY2017 as the Company's revenues exceeded $20M. Adjusting for the R&D Tax Incentive rebate, EBITDA of $3.8m in FY2017 was up from ($1.5M) in FY2016.

Over FY2017, UBI continued its strong cash flow performance, having now generated positive cash flows for the past two consecutive financial years. UBI's strong cash flows reflect management's disciplined cost focus and phasing of development activities in line with operational cash flow requirements.

As at 31 December 2017, UBI had a cash balance of $26.3M and is well placed to fund its development activities. Subsequent to the balance date, the Company announced it had extended the maturity date of the term loan provided by investment funds managed by Athyrium Capital Management, LP from 19 December 2018 until 1 July 2019. The extension provides UBI additional flexibility to manage its cash resources.

UBI's Chief Executive Officer, Mr Rick Legleiter said "UBI's two lead products, OneTouch® Verio® strips and Xprecia Stride™ strips, continue to deliver strong revenue and operating cash inflows for the Company."

"UBI's sound financial position, relationships with leading global healthcare companies and the management team's proven track record of medical product commercialisation leaves UBI well placed to execute on our planned product development pipeline."

"We believe there are exciting opportunities ahead of us, and in the next twelve months believe we can leverage significant knowledge and past development activities to support the design of a proprietary device and importantly, deliver value for our shareholders."

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Ends

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About Universal Biosensors

For additional information in relation to Universal Biosensors, refer to http://www.universalbiosensors.com/announcements.

Universal Biosensors is a specialist medical diagnostics company, founded in 2001, that is focused on the development, manufacture and commercialisation of a range of in vitro diagnostic tests for point-of-care use. These tests capitalise on a technology platform which uses a novel electrochemical cell that can be adapted for multiple analyses and provide for enhanced measurements in whole blood.

Forward-Looking Statements

The statements contained in this release that are not purely historical are forward-looking statements within the meaning of the Exchange Act. Forward-looking statements in this release include statements regarding our expectations, beliefs, hopes, intentions or strategies regarding the proposed offering. All forward-looking statements included in this release are based upon information available to us as of the date hereof, and we assume no obligation to update any such forward-looking statement as a result of new information, future events or otherwise. Our actual results could differ materially from our current expectations. We cannot assure you when, if at all, the proposed offering will occur, and the terms of any such offering are subject to change. Factors that could cause or contribute to such differences include, but are not limited to, factors and risks disclosed from time to time in reports filed with the SEC.

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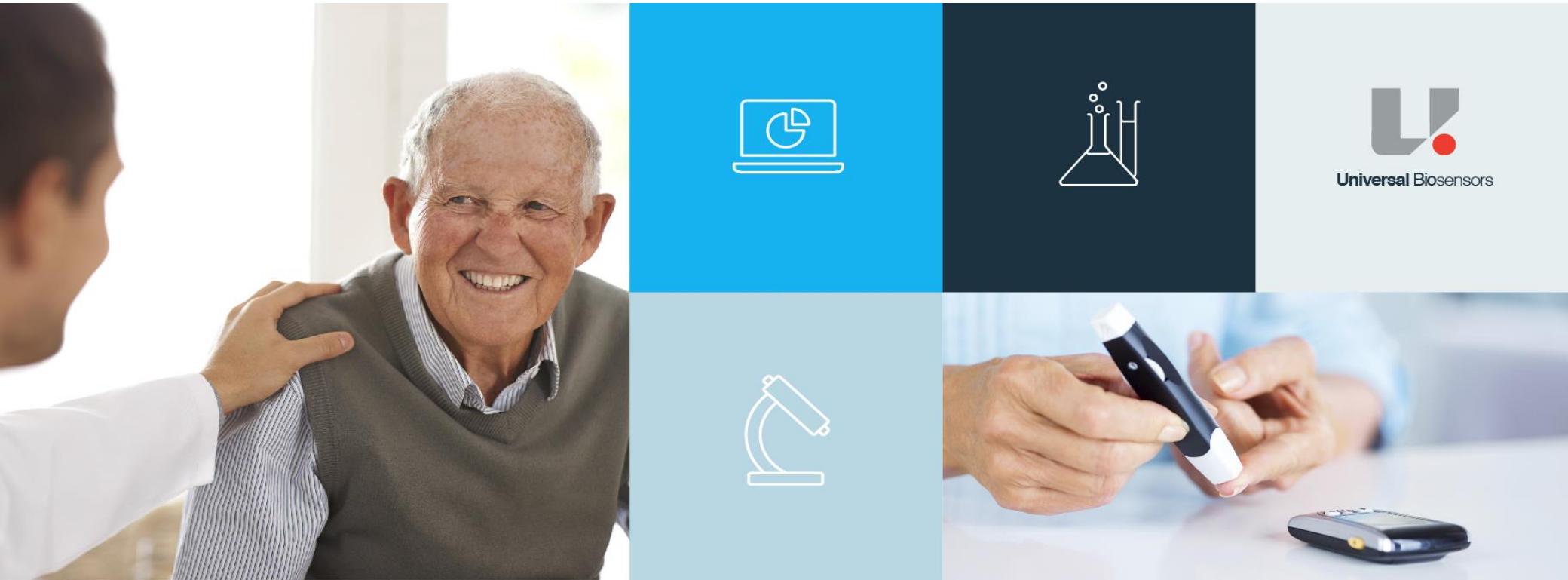
2017 Financial Results

Mr. Rick Legleiter – Chief Executive Officer
Mr. Salesh Balak – Chief Financial Officer



Important Disclaimer

- This presentation is intended to provide a general outline only and is not intended to be a definitive statement on the subject matter. This presentation is not financial advice and has been prepared without taking into account the objectives, financial situation or needs of a particular person.
- Neither the Company, nor its officers or advisors or any other person warrants the accuracy of the analysis herein or guarantees the investment performance of the Company. Investors must make their own independent assessment of the Company and undertake such additional enquiries as they deem necessary or appropriate for their own investment purposes.
- The statements contained in this presentation that are not purely historical are forward-looking statements within the meaning of the United States Exchange Act. Forward-looking statements in this presentation include statements regarding our expectations, beliefs, hopes, intentions or strategies. All forward-looking statements included in this presentation are based upon information available to us as of the date hereof, and we assume no obligation to update any such forward-looking statement as a result of new information, future events or otherwise. Our actual results could differ materially from our current expectations.
- The Company is subject to a number of risks. For a summary of key risks, refer to the Company's most recent Form 10-K filed with the United States Securities and Exchange Commission and the Australian Securities Exchange.
- Under applicable United States securities laws all of the shares of our common stock are "restricted securities" as that term is defined in Rule 144 under the Securities Act of 1933, as amended. Restricted securities may be resold in the public market to United States persons as defined in Regulation S only if registered for resale or if they qualify for an exemption from registration under the Securities Act. We have not agreed to register any of our common stock for resale by security holders.

1. Corporate Overview

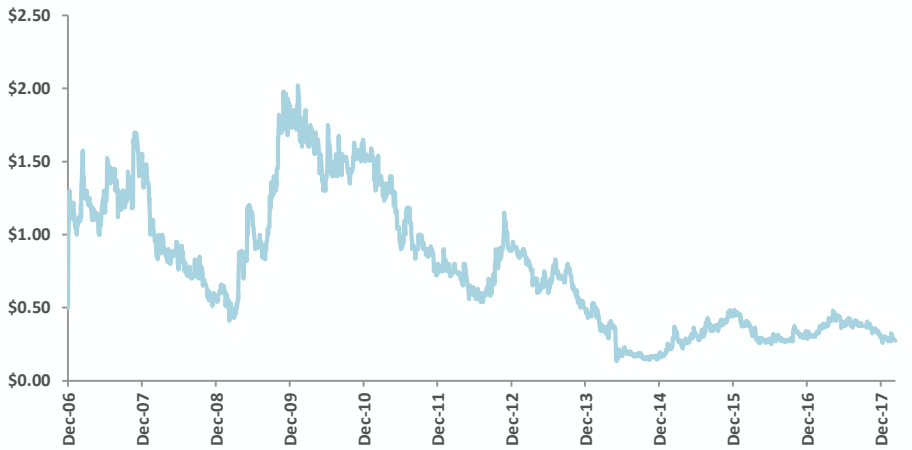
Corporate Summary

For four years stock price trading in the lower tier of the historical range since the IPO

Capital Structure	
Last price as at 22 February 2018	A$0.275
CHESS Depositary Interests on issue	176.2m
Market Capitalisation	A$48.5m
+ Total Debt[1] (as at 31 December 2017)	A$19.2m
- Cash (as at 31 December 2017)	A$26.3m
Enterprise Value	A$41.4m

Board and Senior Management	
Mr Craig Coleman	Non-Executive Chairman
Mr David Hoey	Non-Executive Director
Ms Judith Smith	Non-Executive Director
Mr Marshall Heinberg	Non-Executive Director
Mr Rick Legleiter	Chief Executive Officer
Mr Salesh Balak	Chief Financial Officer

Share Price Since IPO



CHESS Depositary Interest Holder (22 February 2018)	Holding	Ownership
Viburnum Funds	31,525,653	17.9%
KFT Investments Pty Ltd	17,975,043	10.2%
Mr Denis Hanley	7,509,766	4.3%
Mr Andrew Denver	7,227,108	4.1%
CVC Limited	6,173,999	3.5%
Other holders of CHESS Depositary Interests	105,812,487	60.0%
Total CHESS Depositary Interests on issue	**176,224,056**	**100.0%**

1. *Based on US$15.0m total debt*

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History

Converting technology into regulatory body approved products for the global healthcare market

2006	*Initial Public Offering, no products in market*
2007	*Entered into agreement with LifeScan, a Johnson & Johnson affiliate, for provision of services and products relating to blood glucose monitoring*
2009	*LifeScan OneTouch® Verio®, product developed in conjunction with UBI, receives CE Mark*
2010	*LifeScan launches OneTouch® Verio® in Europe*
2011	*OneTouch® Verio® receives U.S. Food and Drug Administration 510(k) clearance*
2011	*Entered into partnership with Siemens for product development and commercialisation relating to the Point-of-Care coagulation testing market*
2014	*CE Mark and Siemens launch of Xprecia Stride™ Coagulation Analyser in Europe, a product developed in conjunction with UBI*
2016	*Xprecia Stride™ Coagulation Analyser receives U.S. Food and Drug Administration 510(k) clearance*
2016	*Acquired Hemostasis Reference Laboratory, Canadian-based laboratory coagulation testing business*

Recent Events

Structural renewal setting the stage to leverage assets for a deeper commercial view

Aug'17	*Strategic Board renewal process with the retirement of Mr Andrew Denver as Chairman and interim-Chief Executive Officer, and Mr Denis Hanley as Non-Executive Director*
Aug'17	*Mr Craig Coleman appointed as Non-Executive Chairman - Craig is Executive Chairman of Viburnum Funds, a ~17.9% UBI shareholder*
Oct'17	*Mr Rick Legleiter commences as Chief Executive Officer - Rick has 16 years of international healthcare and medical technology experience including 14 years in senior roles at Siemens Healthcare in global sales and service roles*
Oct'17	*Received $7.5 million R&D Tax Incentive for FY16*
Nov'17	*Aggregate quarterly service fees received from LifeScan exceeded US$45 million, creating the option for LifeScan to give notice to buy out its obligation to pay quarterly service fees for a one-time lump sum amount*
Jan'18	*Extended the US$15 million term loan maturity date to July 2019*

2. Products and Services

Overview

Established med-tech products with a potentially ascendant service line

	PRODUCTS		SERVICES
	Blood Glucose Monitoring	**Coagulation Testing**	**Hemostasis Reference Laboratory (HRL)**
Overview	▪ Blood glucose test strips are used in the daily management of diabetes, with 20 billion tests estimated globally each year[1]	▪ Prothrombin Time (**PT-INR**) test strips are used to measure coagulation levels in warfarin users, with 200 million tests estimated globally each year[1]	▪ UBI acquired Canada based HRL in December 2016 for CAD$50,000 ▪ HRL provides laboratory testing services for quality assurance and accreditation purposes
Product and Service Offering	▪ Initial product development commenced with LifeScan in 2002 with market launch in 2010 ▪ UBI has a license to exploit intellectual property owned by LifeScan relating to OneTouch® Verio® blood glucose test device, in other fields	▪ Initial product development commenced with Siemens in 2011 with market launch in 2014 ▪ UBI retains the right to PT-INR Point-of-Care market	▪ Over 20 years coagulation testing experience with a diversified test menu of over 40 assays ▪ In-house laboratory supports manufacturing and product development
Addressable Market	▪ OneTouch® Verio® operates in the global blood glucose Point-of-Care market ▪ Annual A$12 billion global strip market estimate[1] ▪ OneTouch® Verio® has a leading market position with 1.7 billion strips sold globally in FY17	▪ Xprecia Stride™ operates in the global PT-INR Point-of-Care market ▪ Annual A$1.2 billion global market estimate[1] ▪ UBI is developing proprietary products to address the PT-INR Patient Self Test market with an estimated A$400 million global market annually[1]	▪ Internally, HRL provides UBI with full control over important components of the supply chain ▪ Externally, HRL provides services to industries including: - IVD original equipment manufacturers - Pharmaceutical companies - Contract research organisations
Business Model	▪ LifeScan manages OneTouch® Verio® test strip manufacturing ▪ UBI receives a service fee for each strip sold covered by at least one valid claim of certain of the patents licensed to UBI by LifeScan	▪ UBI manages Xprecia Stride™ test strip manufacturing and receives a fee for each strip sold to Siemens	▪ New business development opportunity to absorb our internal costs ▪ Transition cost center to breakeven ▪ Future opportunity to supplement the top line with attractive service margins

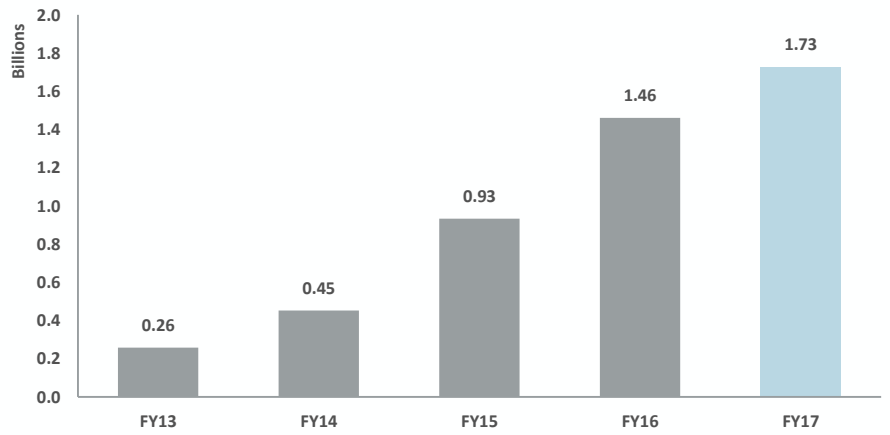
1. *Projected from 2012 based on UBI Estimates; Industry Experts; Various Industry Reports; and Primary Research*

Products - Blood Glucose Monitoring

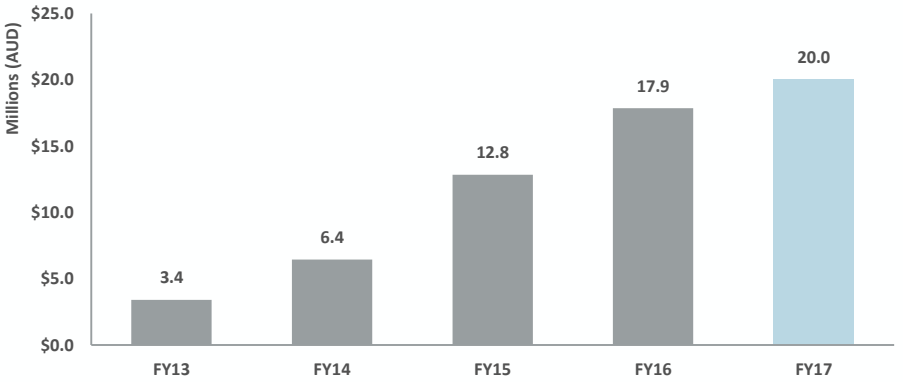
Revenue stream growing at reduced rate

	Comment
Opportunities	▪ Test strip volumes linked to global diabetes management ▪ High growth business evidenced by OneTouch® Verio® strip volume four year compound annual growth rate of 61%
LifeScan Lump Sum Agreement	▪ Aggregate quarterly service fees received from LifeScan exceeded US$45 million in 4QFY17, enabling LifeScan to give notice to buy out its obligation to pay quarterly service fees ▪ If LifeScan exercises the buy out option, it is obliged to: - continue to pay quarterly service fees for the balance of the applicable calendar year in which such notice is given; and - pay a one-time lump sum, calculated as two times the quarterly service fees earned for the full calendar year in which notice is given ▪ If LifeScan does not exercise the option, the quarterly service fees will be paid until the expiry of the relevant patents unless earlier bought out or otherwise terminated in accordance with agreement terms

OneTouch® Verio® Strip Volumes



Quarterly Service Fees



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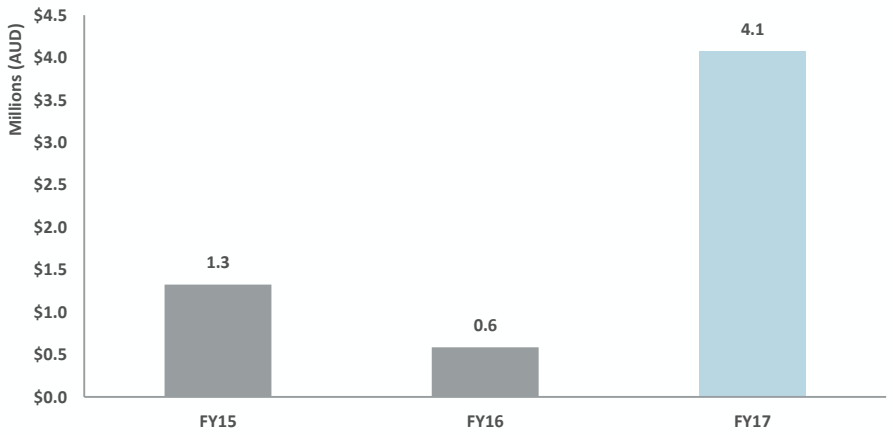
Products - Coagulation Testing

FY17 revenue spike from one-time supply chain ramp-up in the US

	Comment
Opportunities - Siemens Products	▪ Test strip volumes linked to global warfarin management ▪ UBI is developing a new device and associated test strip in conjunction with Siemens, to expand PT-INR functionality and penetration in the Point-of-Care coagulation market ▪ Scope exists to develop a deeper relationship with Siemens
Opportunities - Proprietary Products	▪ UBI is leveraging significant knowledge acquired from existing partner-funded development activities with development of a proprietary PT-INR device and associated test strip ▪ Proprietary products will address the PT-INR Patient Self Test market, valued at A$400 million annually[1] ▪ Scope exists to explore several distribution partnerships with discussions underway
Other Opportunities	▪ Continue improvements in assay performance and cost reduction initiatives to lower strip manufacturing costs ▪ UBI has rights to apply its biosensor technology outside of Point-of-Care coagulation markets and will consider development subject to appropriate investment return hurdles and partner-funding commitments

Coagulation Testing Revenue



1. *Projected from 2012 based on UBI Estimates; Industry Experts; Various Industry Reports; and Primary Research*

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Existing Technology Platform

Electrochemical technology has a history of value-added application

- ***UBI's biosensor platform produces diagnostic sensors offering speed, ease of use, reliability and accuracy at a low cost***
- ***Parallel facing electrodes require smaller sample volume and provides faster fill time with hydrophilic coated metal electrodes***
- ***Scope for further technology extensions are possible***
- ***Technology resulted in partnership agreements and in-market sales with global, tier-one healthcare industry participants providing verification of UBI's capabilities***
- ***Existing agreements with LifeScan and Siemens preclude UBI from competing in the global blood glucose and certain Point-of-Care coagulation markets***

3. FY17 Results (Year ended 31 December)

Summary

Revenue growth delivers positive EBITDA and net cash flows

- ***FY17 LifeScan OneTouch® Verio® quarterly service fees of $20.0 million up 12.0% on pcp***
- ***Siemens Xprecia Stride™ strip revenue of $4.1 million up from $0.6 million in the pcp, reflecting commencement of Siemens' US sales activities and associated pipeline filling***
- ***FY17 EBITDA of $3.8 million[1] up from -$1.5 million[1] in the pcp***
- ***FY17 net cash of $7.2 million, up from $0.3 million net debt in the pcp***
- ***Extended US$15 million term loan maturity date to July 2019, providing flexibility in repayment***

1. *Excluding E&D cash rebate*

Profit and Loss

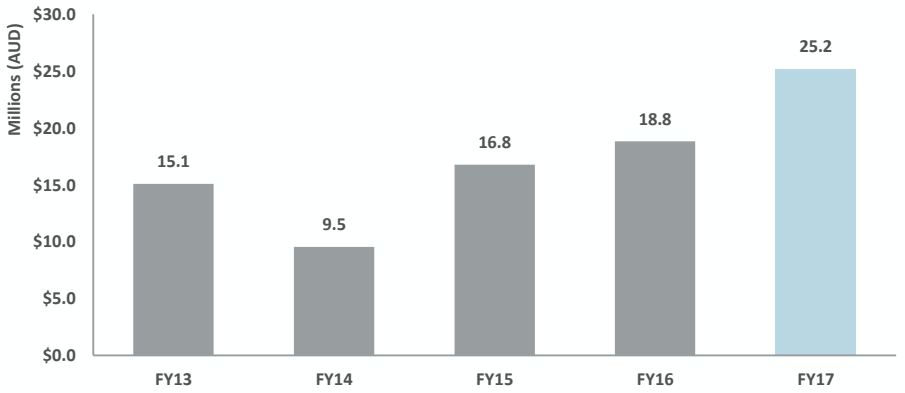
And introducing EBITDA reporting

A$m, 12 months ended 31 Dec	2017	2016	Change
Blood Glucose	20.1	18.0	11.5%
Coagulation Testing	4.6	0.8	441.9%
HRL	0.5	0.0	nmf
Total Revenue	**25.2**	**18.8**	**33.8%**
Cost of Goods Sold and Services	4.0	1.2	243.1%
Research and Development	10.8	12.7	-14.6%
Selling, General and Administrative	6.7	6.3	6.4%
Financing costs	2.8	2.9	-3.5%
R&D cash rebate	(0.1)	(7.6)	-98.4%
Other	1.8	2.0	-14.7%
Total Expenses	**26.0**	**17.5**	**47.6%**
NPAT	**(0.8)**	**1.3**	**-161.2%**
Reconciliation: NPAT to EBIT and EBITDA excluding R&D cash rebate			
Add Back Net Interest[1]	2.1	2.2	-2.6%
EBIT	**1.3**	**3.5**	**-60.4%**
Add Back Depreciation and Amortisation[2]	2.6	2.6	-2.1%
EBITDA	**3.9**	**6.1**	**-35.0%**
Add Back R&D cash rebate income	(0.1)	(7.6)	-98.4%
EBITDA excluding R&D cash rebate	**3.8**	**(1.5)**	**357.1%**

Commentary

- Blood Glucose revenue growth supported by ongoing market share gains
- Coagulation Testing revenue reflects commencement of Siemens' US sales activities and associated pipeline filling
- FY18 coagulation test strip volume expected to decline and remain volatile representative of a new product entrant within this market
- First full year contribution from HRL following acquisition in December 2016, including non-UBI revenue generated
- Cost of Goods Sold includes Siemens coagulation test strip manufacture
- Decline in research and development predominately related to pausing of previous proprietary PT-INR self-testing activities
- Selling, General and Administrative expenses partly reflecting HRL acquisition
- R&D cash rebate eligibility impacted by turnover in excess of $20 million

Total Product and Services Revenue



1. *Included in 'Financing costs' and 'Other' lines in the Profit and Loss statement*
2. *Included in 'Cost of Goods Sold and Services' and 'Other' lines in the Profit and Loss statement*

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Cash Flow

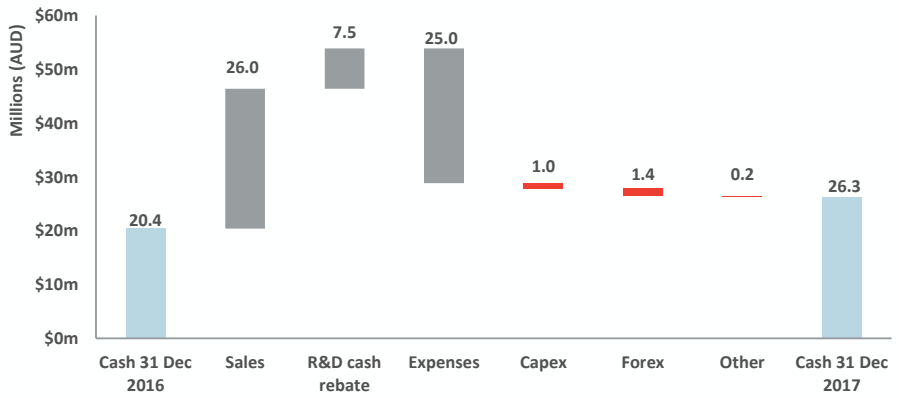
Building our cash position beyond debt repayment

A$m, 12 months ended 31 Dec	2017	2016	Change
Net cash provided by operating activities	**8.7**	**7.0**	**23.3%**
Net cash used in investing activities	**-1.0**	**-1.3**	**-19.7%**
Net cash provided by/(used) in financing activities	**-0.4**	**0.1**	**nmf**
Movement in exchange rates	-1.4	0.2	nmf
Net movement in cash at period end	5.9	6.0	-3.2%
Cash at period end	**26.3**	**20.4**	**28.7%**

Commentary

- Positive operating cash flow and net movement in cash includes increased sales of OneTouch Verio® blood glucose and Xprecia Stride™ PT-INR test strips, R&D cash rebate receipt, scaling of R&D activities, and initial HRL contribution
- Investing activities for scaling up manufacturing continued with the purchase and upgrade of various plant and equipment
- US denominated currency held as at 31 December 2017 was US$17.6m to provide for the repayment of the US$15m denominated loan in July 2019

Cash Reconciliation



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Balance Sheet

Working capital position temporally improves by debt extension

A$m, as at 31 Dec	2017	2016	Change
Cash and cash equivalents	26.3	20.4	28.7%
Trade and other receivables	4.4	4.8	-9.3%
Prepayments	0.9	1.1	-17.7%
Other current assets	1.5	8.9	-82.7%
Current Assets	**33.1**	**35.2**	**-6.1%**
Property, plant and equipment	10.0	11.6	-13.6%
Other non current assets	3.2	3.2	0.0%
Non Current Assets	**13.2**	**14.8**	**-10.6%**
Total Assets	**46.3**	**50.0**	**-7.5%**
Short term borrowings	0.0	0.4	-100.0%
Trade and other payables	1.8	2.3	-22.7%
Deferred revenue	2.4	0.0	nmf
Other current liabilities	4.2	3.2	29.0%
Total Current Liabilities	**8.4**	**5.9**	**40.3%**
Long term borrowings	19.0	20.3	-6.2%
Deferred revenue	3.4	6.4	-45.6%
Other non current liabilities	2.7	4.1	-35.7%
Total Non Current Liabilities	**25.1**	**30.8**	**-18.3%**
Total Liabilities	**33.5**	**36.7**	**-8.8%**
Net Assets	**12.8**	**13.3**	**-3.7%**
Total Equity	**12.8**	**13.3**	**-3.7%**

Commentary

- Aggregate quarterly service fees received from LifeScan exceeded US$45 million in 4QFY17, enabling LifeScan to give notice to buy out its obligation to pay quarterly service fees
  - If LifeScan exercises the buy out option, it is obliged to continue to pay quarterly service fees for the balance of the applicable year in which such notice is given; and pay a one-time lump sum, calculated as two times the quarterly service fees earned for the full year in which notice is given
  - If LifeScan does not exercise the option, the quarterly service fees will be paid until the expiry of the relevant patents unless earlier bought out or otherwise terminated in accordance with agreement terms
- Decline in Other current assets reflects change in R&D cash rebate eligibility status
- Extended US$15 million term loan maturity date to July 2019
  - 10.5% interest per annum payable in cash quarterly in arrears

4. Strategic Considerations

Strengths

Assets to leverage

- ***Advanced core technology platform protected with patents, licenses, and know how***
- ***Proven ability to partner with world-leading, healthcare companies to commercialise products globally***
- ***Demonstrated capability to support partners for CE Mark and 510k regulatory clearances***
- ***ISO 13485 certified for coagulation and blood glucose***
- ***Significant knowledge and IP access acquired from existing partner-funded development activities***
- ***HRL acquisition fortifies product portfolio and provides customer and product line diversification***
- ***Net cash balance sheet position; positive EBITDA and operating cash flows***
- ***Strong alignment and continuity between Board and shareholders***

Opportunities

Linkage in the value creation chain

1. ***Unleash knowledge in the organisation for new commercial opportunities***
2. ***Develop relationships with other healthcare industry participants supported by proven development, technical and partnership skills***
3. ***Build market penetration to capitalize on scalable manufacturing***
4. ***Increase commercial awareness through internal quality improvement and cost reduction initiatives***
5. ***New capital management discipline and initiatives subject to operational requirements***
6. ***Explore business refresh with strategic deals and partnerships for overall shareholder value creation***

FY18 Priorities

Focus on time-to-market initiatives and revenue increasing measures

1. ***Complete and confirm new PT-INR assay design meets FDA expectations***
2. ***Identify new PT-INR product clinical trial sites and enter into site agreements***
3. ***Submit FDA pre-submission and complete first prototype for the consumer, patient self-test product***
4. ***Within the current capital structure and investment prospects, manage expenditures based on revenue available to spend from increase quarterly service fees projected to be 7% in USD offsetting lower Stride strip revenue and the R&D Tax Incentive rebate***
5. ***Develop and execute Stride strip cost reduction initiative to improve market competitiveness***
6. ***Manufacturing verification and validation production for new assay in development***
7. ***Manufacturing Operational and Process Qualification production for new PT-INR assay***
8. ***Execute business development plan to grow current and new customer revenue to transition HRL from a cost centre to a profit centre in the mid-term***