

Universal Biosensors, Inc.

Commentary on 4th Quarter of 2016

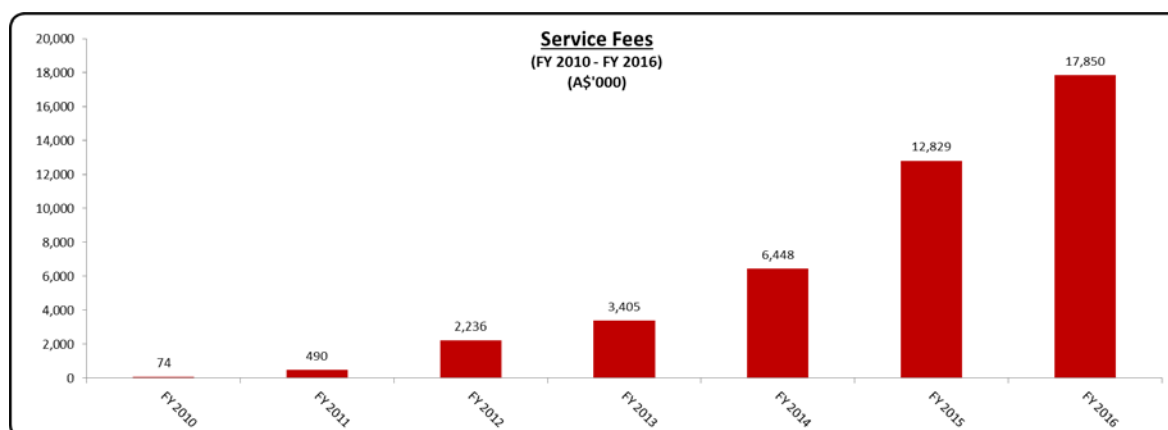
Universal Biosensors, Inc. (ASX: UBI) has today released its quarterly cash flow report (ASX Appendix 4C) for the quarter ending 31 December 2016.

Highlights

- Net profit for FY16 of approximately \$1 million¹
- Quarterly service fees of LifeScan's OneTouch Verio® of \$4.25 million (up 44% compared to the same period in the previous financial year and 29% on the previous quarter)
- Total service fees for FY2016 of \$17.85 million for FY 2016 (up 39% on prior year)
- Positive cash flows of just over \$6 million for the year
- UBI qualifies for R&D tax incentive rebate for FY16
- Acquisition of HRL which undertakes a key process in strip production and the acquisition removes scale up risk

YTD service fees up 39% on prior year

Total quarterly service fees generated from LifeScan's OneTouch Verio® blood glucose test strips for the fourth quarter of FY16 was \$4.25 million, up 29% on the previous quarter (\$3.29 million) and 44% compared to the same period in the previous financial year (\$2.95 million).



UBI generated positive cash flow for the year

Positive cash flow for the year was \$6.05 million resulting from the increase in OneTouch Verio® strip sales, receipt of R&D tax incentive of \$9.4 million, and prepaid milestones from Siemens of US\$3.75 million.

Cash at the end of the period was \$20.4 million. A summary of the net cash flows when compared to the prior year is as follows:

Cash flow comparison to prior comparable period	3 months ending 31 Dec,		12 months ending 31 Dec,	
	2016 (\$ M)	2015 (\$ M)	2016 (\$ M)	2015 (\$ M)
Net cash provided by operating activities	-1.41	-2.04	7.05	-0.53
Net cash used in investing activities	-0.96	-0.19	-1.27	-1.27
Net cash used in financing activities	0.37	-0.26	0.04	-1.38
Net movement in cash at period end	-1.24	-3.00	6.05	-1.98
Cash at period end	20.40	14.35	20.40	14.35

Siemens

Just over 300,000 Xprecia Stride™ PT-INR test strips were sold to Siemens during FY16 with a purchase order of 800,000 received for quarter one of FY17. The sales program for Xprecia Stride™ is expected to expand throughout FY17.

UBI qualifies for R&D tax incentive for FY16¹

With aggregate turnover² below \$20 million for FY16, UBI is eligible for the R&D Tax Incentive for FY2016. It anticipates receiving a cash refund of \$7.1 million in 2017 for its 2016 R&D spend³.

HRL acquisition removes scale up risk

UBI announced the acquisition of the Hemostasis Reference Laboratory business (HRL) from LifeLabs, Inc. in December to prepare for future increased production requirements of Siemens' Xprecia Stride™ test strips. Strips produced by UBI are required to be calibrated so that all PT-INR products agree with an international standard. The acquisition of HRL gives UBI more control, certainty and reduces risks in meeting expanded product demand. The amount of CAD\$50,000 paid to LifeLabs, Inc. for the acquisition was funded by existing cash reserves.

For further information, please contact:

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Note

1. Based on unaudited results.
2. Generally means an entity's total income that it derives on an accruals basis in the ordinary course of carrying on a business, subject to certain exclusions.
3. This is based on existing Australian Federal Government legislation.

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")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,186	22,433
1.2 Payments for		
(a) research and development	(1,214)	(6,696)
(b) product manufacturing and operating costs	(861)	(1,048)
(c) advertising and marketing	-	-
(d) leased assets	(227)	(903)
(e) staff costs	(3,048)	(11,442)
(f) administration and corporate costs	(709)	(2,524)
1.3 Dividends received (see note 3)		
1.4 Interest received	33	179
1.5 Interest and other costs of finance paid	(610)	(2,352)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	40	9,402
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,410)	7,049

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(902)	(1,213)
(b) businesses (see item 10)	(59)	(59)
(c) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	Net cash from / (used in) investing activities	(961)	(1,272)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings	369	369
3.6	Repayment of borrowings	0	(324)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	369	45

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	21,640	14,350
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,410)	7,049
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(961)	(1,272)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	369	45

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	764	230
4.6	Cash and cash equivalents at end of quarter	20,402	20,402

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	20,402	21,640
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	20,402	21,640

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**

159

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. Financing facilities available <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. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	1,926
9.2 Product manufacturing and operating costs	120
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	2,860
9.6 Administration and corporate costs	766
9.7 Other (provide details if material: Interest to Lender (\$580k and capital expenditure \$250k)	830
9.8 Total estimated cash outflows	6,502

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	In December 2016, Hemostasis Reference Laboratory Inc., a wholly owned subsidiary of UBS (which was incorporated on 30 November 2016), acquired the assets of LifeLabs, Inc's Hemostasis Reference Laboratory business.	
10.2	Place of incorporation or registration	Hemostasis Reference Laboratory Inc. is incorporated in British Columbia, Canada	
10.3	Consideration for acquisition or disposal	CAD\$50,000	
10.4	Total net assets	CAD\$50,000	
10.5	Nature of business	Hemostasis Reference Laboratory conducts coagulation testing and calibration services for products we manufacture as well as for other international customers in Hamilton, Canada.	

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.



24 January 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.