

## Universal Biosensors, Inc.

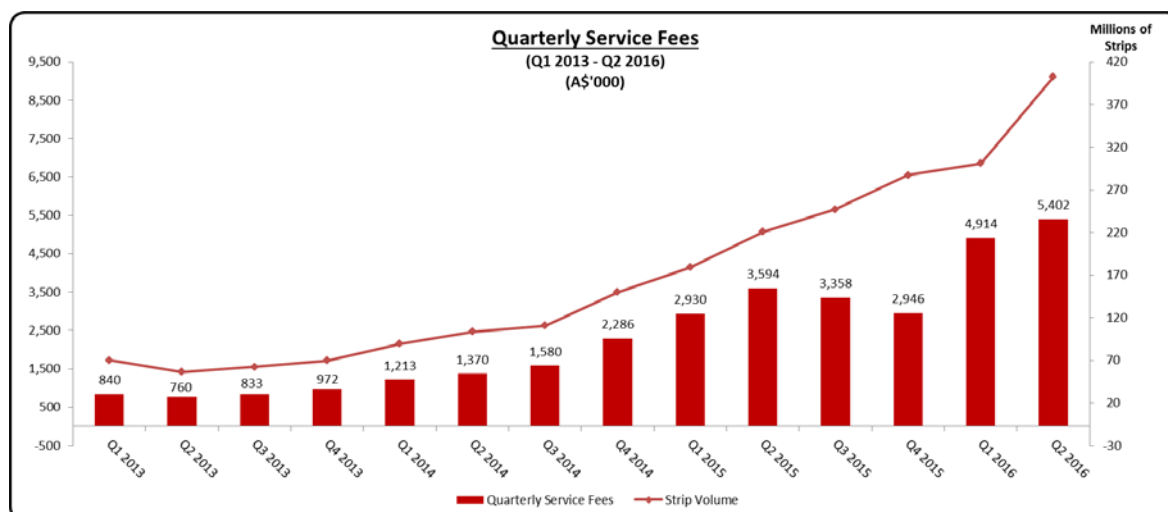
### Commentary on 2<sup>nd</sup> Quarter of 2016

Universal Biosensors, Inc. (ASX: UBI) has today released its quarterly cash flow report on Appendix 4C for the quarter ending 30 June 2016.

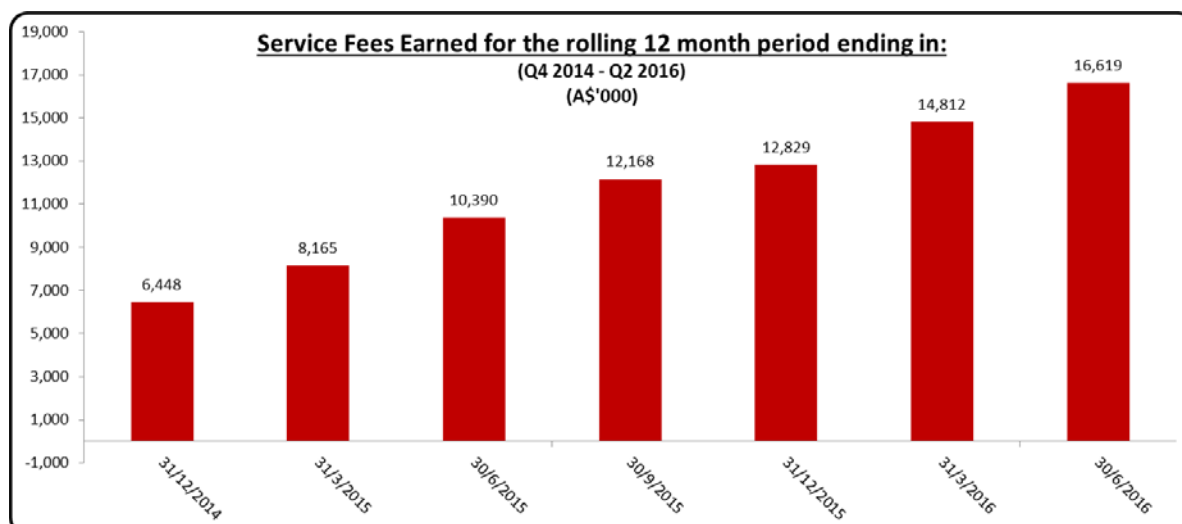
- Quarterly service fees continue to increase**

Total quarterly service fees<sup>1</sup> generated from sales of OneTouch® Verio® blood glucose test strips were \$5.4 million (US\$4.0 million), up 50% in the second quarter of 2016 when compared to the same period in the previous financial year.

This increase comes on the back of a presentation by Johnson & Johnson in May 2016 that included statements that **Verio was the fastest growing blood glucose monitoring (“BGM”) volume in 2015** and that the company was **moving away from Ultra to Verio**. Verio and Ultra are the two BGM platforms for J&J’s LifeScan.



Service fees from LifeScan for the rolling 12 month period ending 30 June 2016 were up 60% when compared to the rolling 12 month period ending 30 June 2015 as depicted in the chart below.



- **Siemens product revenue**

Product revenues from the manufacture of the PT-INR test strips for Siemens were nil in the second quarter of 2016. UBI is of the view that Siemens have adequate inventory and are unlikely to order more strips until they run low of stock. We expect product revenues from the manufacture of these PT-INR strips to be relatively low this financial year but begin growing again in FY17.

- **UBI generates positive cash flows during the current quarter**

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 30 June,		Change - Q2 (\$ M)	6 months ending 30 June		Change - YoY (\$ M)
	2016 (\$ M)	2015 (\$ M)		2016 (\$ M)	2015 (\$ M)	
Net cash provided by/(used in) operating activities <sup>2</sup>	1.83	-3.40	Improved by 5.23	-0.50	-4.42	Improved by 3.92
Net cash used in investing activities	-0.23	-0.47	Decreased by 0.24	-0.25	-0.75	Decreased by 0.50
Net cash used in financing activities <sup>2</sup>	-0.10	-0.26	Decreased by 0.16	-0.22	-1.18	Decreased by 0.96
<b>Net movement in cash at period end</b>	<b>1.89</b>	<b>-4.09</b>	<b>Improved by 5.98</b>	<b>-1.13</b>	<b>-5.61</b>	<b>Decreased by 4.48</b>
<b>Cash at period end</b>	<b>13.22</b>	<b>10.72</b>		<b>13.22</b>	<b>10.72</b>	

The Company's cash balance during the second quarter increased by \$1.9 million. The increase is primarily represented by:

- receipt of Q1 2016 quarterly service fees of US\$3.8 million in the current quarter; and
- prepayment of milestones totalling US\$2.5 million from Siemens.

Investing activities for the quarter were primarily related to the purchase and upgrade of various plant and equipment in preparation for anticipated growth in coagulation test strip manufacturing volumes.

Our cash balance at 30 June 2016 was \$13.2 million noting that we expect to receive during the third quarter of 2016 ~\$9.2 million from a R&D tax incentive payable in respect of the 2015 financial year.

For further information, please contact:

**Andy Denver**

Interim Chief Executive Officer  
(03) 9213 9000

**Salesh Balak**

Chief Financial Officer  
(03) 9213 9000

**Footnote**

1. Service fees are US1.25 cents per strip for the first 500 million strips and thereafter US0.75 cents per strip for sales in excess of 500 million within that calendar year.

In calendar year 2015, strip sales exceeded 500 million in quarter 3 and in 2016 this was achieved in quarter 2.

2. Interest expense relating to our secured term loan now forms part of operating activities (previously formed part of financing activities).

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

UNIVERSAL BIOSENSORS, INC.

ABN

67 950 836 446

Quarter ended ("current quarter")

30 June 2016

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$AUD	Year to date (6 months) \$AUD
1.1	Receipts from customers	8,421,390	11,836,173
1.2	Payments for (a) staff costs (b) advertising and marketing (c) research and development (d) leased assets (e) other working capital	(6,034,865)	(11,215,935)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	25,372	39,744
1.5	Interest and other costs of finance paid – refer 1.26	(581,359)	(1,161,178)
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	<b>Net operating cash flows</b>	<b>1,830,538</b>	<b>(501,196)</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$AUD	Year to date (6 months) \$AUD
1.8 Net operating cash flows (carried forward)	1,830,538	(501,196)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(227,161)	(248,232)
(e) installment payments to acquire plant and equipment		
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other (investments held to maturity now converted as cash and cash equivalents)		
<b>Net investing cash flows</b>	(227,161)	(248,232)
<b>1.14 Total operating and investing cash flows</b>	1,603,377	(749,428)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.		
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings - refer 1.26	(108,153)	(216,306)
1.19 Dividends paid		
1.20 Other (provide details if material)		
<b>Net financing cash flows</b>	(108,153)	(216,306)
<b>Net increase (decrease) in cash held</b>	1,495,224	(965,734)
1.21 Cash at beginning of quarter/year to date	11,331,799	14,350,307
1.22 Exchange rate translation adjustments to item 1.21	391,307	(166,243)
<b>1.23 Cash at end of quarter</b>	13,218,330	13,218,330

+ See chapter 19 for defined terms.

## Payments to directors of the entity and associates of the directors

## Payments to related entities of the entity and associates of the related entities

		Current quarter \$AUD
1.24	Aggregate amount of payments to the parties included in item 1.2	133,259
1.25	Aggregate amount of loans to the parties included in item 1.11	
1.26	Explanation necessary for an understanding of the transactions	
	<p><u>1.5</u> Represents interest payments made to the lenders pursuant to the Athyrium Credit Agreement.</p> <p><u>1.18</u> UBI took out a loan of \$360,510 in FY 2015 to prepay its annual insurances for FY 2016. Seven out of a total of ten repayments had already been made as at 30 June 2016.</p> <p><u>1.24</u> Executive chairman's and non-executive directors' fees and salaries, including superannuation.</p>	

## Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

--

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

--

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

---

**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		US\$15,000,000
3.2 Credit standby arrangements	-	-

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$AUD	Previous quarter \$AUD
4.1 Cash on hand and at bank	13,218,330	11,331,799
4.2 Deposits at call		
4.3 Bank overdraft		
4.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.23)</b>	<b>13,218,330</b>	<b>11,331,799</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

---

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:   
(Chief Financial Officer)

Date: 14 July 2016

Print name: Satesh 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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

---

+ See chapter 19 for defined terms.