



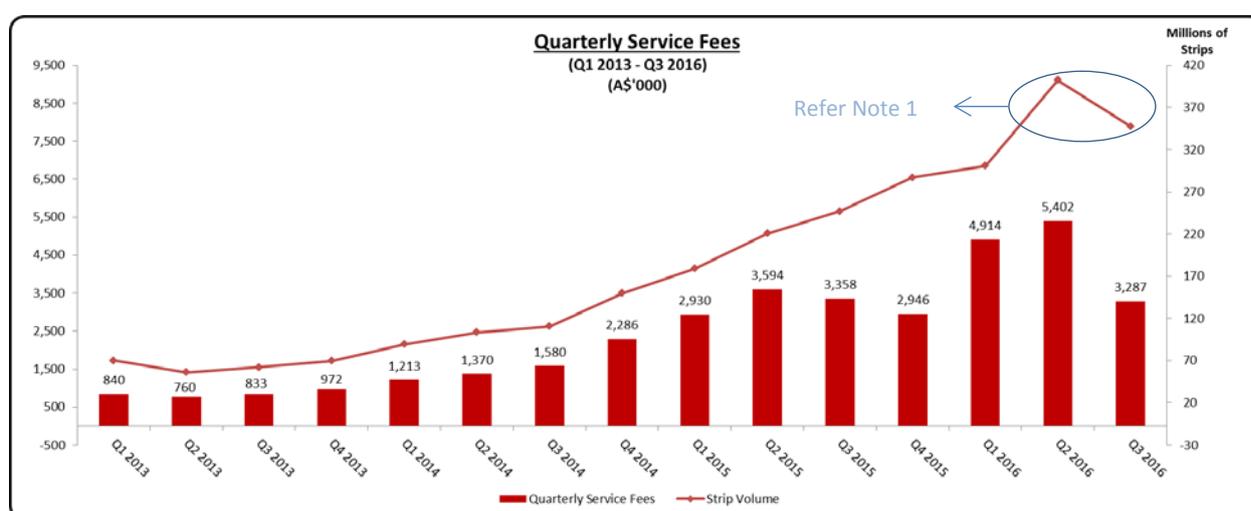
## Universal Biosensors, Inc.

### Commentary on 3<sup>rd</sup> Quarter of 2016

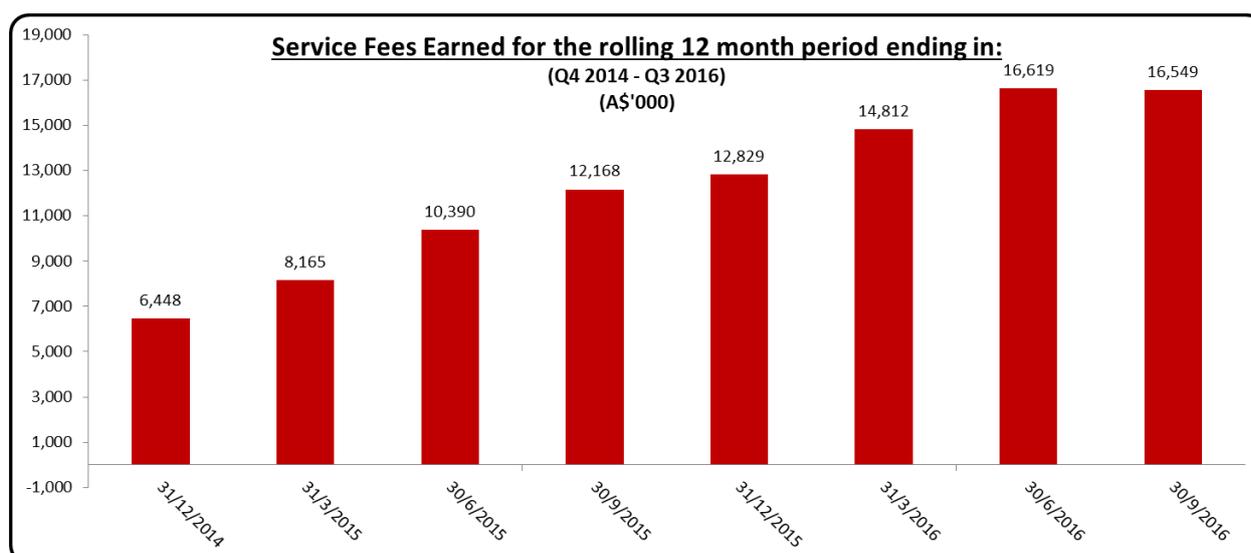
Universal Biosensors, Inc. (ASX: UBI) has today released its quarterly cash flow report (ASX Appendix 4C) for the quarter ending 30 September 2016.

- **YTD quarterly service fees up 38% on prior year**

Total quarterly service fees<sup>1</sup> generated from sales of OneTouch® Verio® blood glucose test strips were \$13.6 million (US\$10.4 million) during the nine months ended 30 September 2016, up 38% when compared to the same period in the previous financial year despite service fees being down 2% in the third quarter of 2016 when compared to the same period in the previous financial year.



Service fees from LifeScan for the rolling 12 month period ending 30 September 2016 were up 36% when compared to the rolling 12 month period ending 30 September 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 third quarter of 2016. We expect product revenues from the manufacture of these PT-INR strips to be relatively low this financial year but expect growth in FY17.

- **UBI generates positive cash flows during the current quarter and on an year to date basis**

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 Sept,		Change - Q3 (\$ M)	9 months ending 30 Sept		Change - YoY (\$ M)
	2016 (\$ M)	2015 (\$ M)		2016 (\$ M)	2015 (\$ M)	
Net cash provided by operating activities <sup>2</sup>	8.96	6.54	Increased by 37%	8.46	2.13	Increased by 297%
Net cash used in investing activities	-0.06	-0.33	Decreased by 82%	-0.31	-1.08	Decreased by 71%
Net cash used in financing activities <sup>2</sup>	-0.10	-0.55	Decreased by 82%	-0.32	-1.74	Decreased by 82%
<b>Net movement in cash at period end</b>	<b>8.42</b>	<b>6.63</b>	<b>Increased by 27%</b>	<b>7.29</b>	<b>1.02</b>	<b>Increased by 615%</b>
<b>Cash at period end</b>	<b>21.64</b>	<b>17.35</b>		<b>21.64</b>	<b>17.35</b>	

The Company's cash balance during the third quarter increased by \$8.4 million. The increase is primarily represented by:

- receipt of Q2 2016 quarterly service fees of US\$4.0 million in the current quarter; and
- receipt of R&D tax incentive of \$9.4 million in respect of the 2015 financial year.

Investing activities for the quarter were primarily related to the purchase and upgrade of various plant and equipment.

Our cash balance at 30 September 2016 was \$21.6 million.

For further information, please contact:

**Andy Denver**

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Chief Financial Officer  
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**Note**

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.

Service fees are down and are explained as follows:

- In calendar year 2015, strip sales exceeded 500 million during the third quarter and in 2016 this was achieved during the second quarter. As such, the quarterly service fees for the third quarter of 2016 are calculated using the lower per-strip fees of US0.75 cents per strip, quarterly service fees for the third quarter of 2015 were calculated using a combination of the higher per-strip fees of US1.25 cents per strip (fees applicable to the first 500 million strips) and US0.75 cents (fees applicable to sales in excess of 500 million strips).
- Timing and delivery issues relating to the supply of strips during August 2016 were reported which saw a decline in strip sales during that month. This matter has now been resolved and strip sales during September 2016 continued its upward trend.

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 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 September 2016

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	5,411	17,247
1.2 Payments for	(5,338)	(16,554)
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs		
(f) administration and corporate costs		
1.3 Dividends received (see note 3)		
1.4 Interest received	106	146
1.5 Interest and other costs of finance paid	(581)	(1,742)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	9,362	9,362
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>8,960</b>	<b>8,459</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(63)	(311)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(63)</b>	<b>(311)</b>

<b>3. 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		
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	(108)	(324)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(108)</b>	<b>(324)</b>

<b>4. 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	13,218	14,350
4.2 Net cash from / (used in) operating activities (item 1.9 above)	8,960	8,459
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(63)	(311)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(108)	(324)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(367)	(534)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>21,640</b>	<b>21,640</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	21,640	13,218
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>21,640</b>	<b>13,218</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

<b>Current quarter \$A'000</b>
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

<b>Current quarter \$A'000</b>

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
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 debt funding which was available to be drawn on or before July 31, 2015.

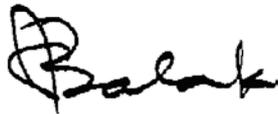
The term loan has a maturity date of December 19, 2018 and bears interest at 10.5% per annum payable in cash quarterly in arrears over the five year term, and as otherwise described in the Credit Agreement. A default interest rate of 13% per annum shall apply during the existence of a default under the 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>	\$A'000
9.1 Research and development	1,715
9.2 Product manufacturing and operating costs	116
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	2,798
9.6 Administration and corporate costs	891
9.7 Other (provide details if material: Interest to Lender (\$580k and capital expenditure \$250k)	830
<b>9.8 Total estimated cash outflows</b>	<b>6,350</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
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.



13 October 2016

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.