

Universal Biosensors, Inc.

Commentary on 3rd Quarter of 2017

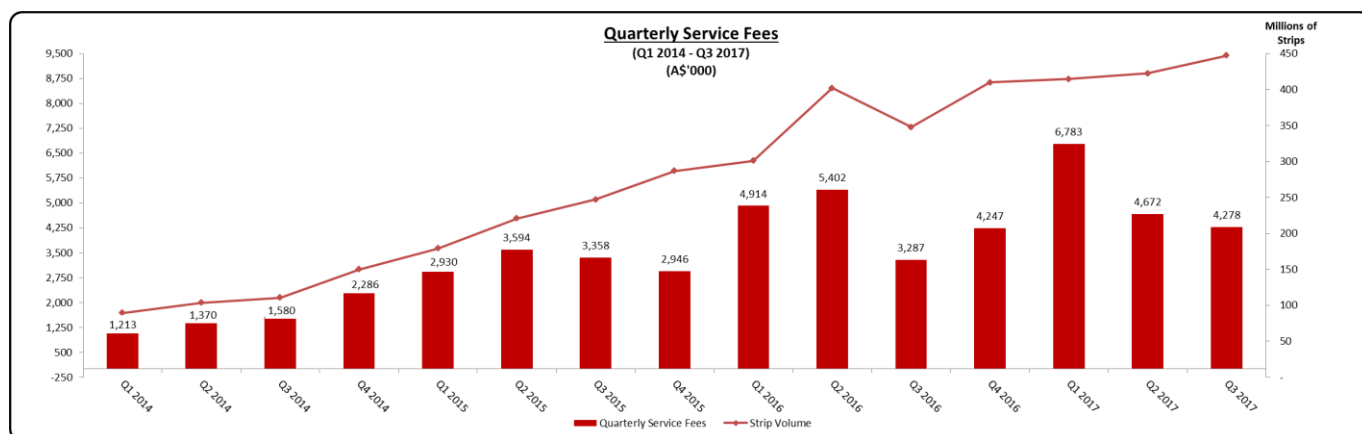
Universal Biosensors, Inc. (ASX: UBI) has today released its cash flow report (ASX Appendix 4C) for the quarter ending 30 September 2017.

Highlights

- UBI's cash on hand is \$19.83m as at 30 September 2017.
- Cash generated through operating cash flows was \$580k during the quarter and \$2.17 million for the 9 months.
- Quarterly Service Fee's (QSF's) in Q3 2017 increased 30% compared to prior comparable period (Q3 2016).
- Product revenues from the supply of the Xprecia Stride™ PT-INR test strips to Siemens was \$1.76m in Q3 2017, compared to zero revenue in Q3 2016.

Quarterly Service Fees

Despite a 6% growth in number of strips sold this quarter, there was a decline in QSF earned compared to previous quarter. The cumulative number of strips sold exceeded 500 million during Q2 2017. Accordingly, QSFs for this quarter (Q3 2017) were calculated entirely with the lower per-strip fees of US0.75 cents per strip while last quarter was calculated using a combination of the higher per-strip fees of US1.25 cents per strip (applicable to the first 500 million strips sold in a calendar year) and US0.75 cents per strip (for all strips sold thereafter in same year).



Siemens product revenue

Revenue from the sale of Xprecia Stride™ PT-INR test strips grew to \$1.76m in Q3 2017 compared to zero revenue in Q3 2016. On a quarterly basis, Xprecia Stride™ revenue increased 24% in Q3 2017 up from \$1.43m in Q2 2017.

Management expects the PT-INR test strip volume to remain volatile as they believe a portion of strips sold represents an inventory build-up at Siemens to seed the supply chain.

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 Sept,		9 months ending 30 Sept,	
	2017 (\$ M)	2016 (\$ M)	2017 (\$ M)	2016 (\$ M)
Net cash provided by/(used in) operating activities	0.58	8.96	2.17	8.46
Net cash used in investing activities	-0.27	-0.06	-1.00	-0.31
Net cash used in financing activities	-0.07	-0.11	-0.33	-0.32
Movement in exchange rates	-0.36	-0.37	-1.41	-0.53
Net movement in cash at period end	-0.12	8.42	-0.57	7.30
Cash at period end	19.83	21.64	19.83	21.64

UBI's cash balance is \$19.83m as at the end of Q3 2017, compared to \$21.64m as at the end of Q3 2016. Other factors to note include:

- Operating cash flow in Q3 2017 was \$8.38m less than Q3 2016 due largely to the timing of the receipt of the R&D tax incentive income. R&D tax incentive income of \$9.36 million for the 2015 financial year was receipted in September 2016 whilst for the 2016 financial year a sum of \$7.52 million was receipted in October 2017;
- Investing activities for scaling up manufacturing continues with the purchase and upgrade of various plant and equipment; and
- The movement in exchange rates is a non-cash currency translation adjustment caused by 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 September 2017 is \$915,620 – this represents a 38% improvement from last quarter despite the delay in receiving the 2016 R&D tax incentive income.

For further information, please contact:

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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 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,876	20,006
1.2 Payments for		
(a) research and development	(1,144)	(2,928)
(b) product manufacturing and operating costs	(593)	(1,378)
(c) advertising and marketing	-	(2)
(d) leased assets	(266)	(802)
(e) staff costs	(3,187)	(9,339)
(f) administration and corporate costs	(569)	(1,800)
1.3 Dividends received (see note 3)		
1.4 Interest received	21	102
1.5 Interest and other costs of finance paid	(558)	(1,701)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	-	13
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	580	2,171

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(273)	(998)
(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)		
2.6	Net cash from / (used in) investing activities	(273)	(998)

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	-	1
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(70)	(335)
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	(70)	(334)

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	19,958	20,402
4.2	Net cash from / (used in) operating activities (item 1.9 above)	580	2,171
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(273)	(998)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(70)	(334)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(363)	(1,409)
4.6	Cash and cash equivalents at end of quarter	19,832	19,832

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	19,832	19,958
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)	19,832	19,958

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
169

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.

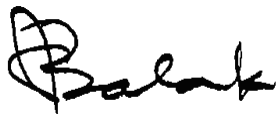
The term loan has a maturity date of December 19, 2018 and bears interest at 10.5% per annum payable in cash quarterly in arrears over the five year term, and as otherwise described in the Credit Agreement. A default interest rate of 13% per annum shall apply during the existence of a default under the 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	1,300
9.2 Product manufacturing and operating costs	200
9.3 Advertising and marketing	-
9.4 Leased assets	270
9.5 Staff costs	3,200
9.6 Administration and corporate costs	600
9.7 Other (provide details if material: Interest to Lender (\$570k, repayment of short-term borrowings \$40k and capital expenditure \$250k)	860
9.8 Total estimated cash outflows	6,430

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	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.



23 October 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.