

Universal Biosensors, Inc.

Cash Flow Commentary - 4th Quarter 2012

Universal Biosensors, Inc. (ASX: UBI) has today released its quarterly cash flow report (ASX Appendix 4C) for the quarter ending 31st December 2012.

Commentary

UBI's cash balance at the end of the 2012 financial year was \$23.6 million. As at year end, \$1.4 million was tied up in working capital (inventories and receivables less creditors and accruals).

Cash outflows from operations consumed \$3.3 million over the past year compared to \$7.2 million during the 2011 financial year. In terms of financing cash flows, UBI issued 14.6 million shares and raised \$12.5 million (net of related transaction costs) by way of a Placement and Share Purchase Plan.

During the financial year ended 31st December 2012, UBI's receipts increased by 70% from \$17.8 million to \$30.2 million. Overall 83% of the total revenue of \$29.6 million in 2012 was generated from LifeScan. We expect to generate revenue from product sales to Siemens commencing in 2013.

The increase in receipts during the year is principally the result of:

- *Increase in Product Sales to LifeScan*
Following the launch of the OneTouch Verio in the US market in January 2012, the product is now available in over 85% of the global self-monitored blood glucose market. Revenue from product sales increased to \$19.4 million in 2012 from \$12.1 million in 2011.
- *Increase in Quarterly Service Fees from LifeScan*
Due to the growth in worldwide sales of the OneTouch Verio test strips, Quarterly Service Fees during the three and 12 month period ended 31st December 2012 increased by 288% and 311% to \$666,000 and \$2.2 million respectively as compared to the same period in 2011.
- *Increase in R&D Service Revenues*
Revenue from Services increased to \$8 million in 2012 from \$2.1 million in 2011. The 2012 revenues were principally from milestone payments associated with the Siemens development program and R&D services provided to LifeScan.

Payments for operating expenses for the year ended 31st December 2012 totalled \$33.9 million, an increase of 32% when compared to 2011. This increase is driven by growth in manufacturing costs associated with higher volumes, and additional research and development investment related to the development of three point-of-care coagulation tests for Siemens.

This additional research and development expense, which covers internal and external contract resources, is likely to continue as we move towards the launch and commercial production of the three coagulation tests for Siemens, including Prothrombin Time test, which is targeted for launch in 2013.

Investing activity during the year was primarily related to the purchase of plant and equipment.

For further information, please contact:

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Chief Executive Officer
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Chief Financial Officer
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22nd January, 2013

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")

31 December 2012

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$AUD	Year to date (12 months) \$AUD
1.1	Receipts from customers	8,110,491	30,249,484
1.2	Payments for (a) staff costs (b) advertising and marketing (c) research and development (d) leased assets (e) other working capital	(10,694,798)	(33,944,398)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	61,871	394,157
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net operating cash flows	(2,522,436)	(3,300,757)

+ See chapter 19 for defined terms.

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

	Current quarter \$AUD	Year to date (12 months) \$AUD
1.8 Net operating cash flows (carried forward)	(2,522,436)	(3,300,757)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(144,028)	(687,245)
(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)		
Net investing cash flows	(144,028)	(687,245)
1.14 Total operating and investing cash flows	(2,666,464)	(3,988,002)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	12,534,392	12,548,210
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings	0	921,725
1.18 Repayment of borrowings	(153,621)	(921,725)
1.19 Dividends paid		
1.20 Other (provide details if material)		
Net financing cash flows	12,380,771	12,548,210
Net increase (decrease) in cash held	9,714,307	8,560,208
1.21 Cash at beginning of quarter/year to date	13,935,110	15,089,209
1.22 Exchange rate translation adjustments to item 1.21		
1.23 Cash at end of quarter	23,649,417	23,649,417

+ 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	117,312
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

- | | |
|------|--|
| 1.15 | Primarily represented by \$12.5 million raised (net of related transaction costs) by way of a Placement and Share Purchase Plan. |
| 1.24 | Non-Executive directors fees and salaries, including superannuation. |

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

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- 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

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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	-	-
3.2 Credit standby arrangements	-	-

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Appendix 4C
Quarterly report for entities
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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	23,649,417	13,935,110
4.2	Deposits at call		
4.3	Bank overdraft		
4.4	Other (provide details)		
Total: cash at end of quarter (item 1.23)		23,649,417	13,935,110

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	

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: 22 January 2013

Print name: Sales Balak

+ See chapter 19 for defined terms.

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.

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