

## Universal Biosensors, Inc.

### Cash Flow Commentary - 2<sup>nd</sup> Quarter 2013

Universal Biosensors, Inc. (ASX: UBI) has today released its quarterly cash flow report (ASX Appendix 4C) for the quarter ending 30<sup>th</sup> June 2013.

#### Commentary

Overall, during this quarter the company reduced its consumption of cash by \$600,000 to \$2.8 million when compared to the previous quarter. UBI's cash balance at 30<sup>th</sup> June 2013 was \$18.1 million.

The following developments in UBI's business provide important context for the attached cash flow report;

- *Strip sales recovering following OneTouch Verio meter recall in March 2013*  
During the quarter, Quarterly Service Fees (the key value driver for UBI) increased by 115% to \$761,000 when compared to the same period in the previous financial year. However, when compared to the previous quarter, Quarterly Service Fees decreased by 9%. Universal Biosensors management believe the decrease reflects the recent OneTouch Verio meter recall by LifeScan. The impact on strip sales caused by the OneTouch Verio meter recall was largely felt in April and May 2013, with the number of strips sold in June 2013 recovering strongly to exceed first quarter average levels.
- *Manufacturing profitable with production margins up*  
UBI generated a manufacturing profit during the quarter with production margins higher than both the previous quarter and the prior comparable period in 2012. The higher production margins during the quarter were achieved through improvements in manufacturing efficiency. This was achieved notwithstanding a decline in production levels. During the period, the company operated within the "interim costing period".
- *Increase in R&D Services revenues*  
UBI generated revenue of US\$500,000 from Siemens as reimbursement of the costs of additional meter development work undertaken on their behalf.
- *R&D spend declined by \$1.0 million*  
R&D spend decreased by \$1.0 million to \$3.4 million in the second quarter when compared to the previous quarter. Approximately 83% of the R&D costs were spent on the advanced development of the coagulation testing products leading to their release to the market. The first of these products is expected to be generating revenues from Siemens in the current financial year.

For further information, please contact:

**Paul Wright**  
Chief Executive Officer  
(03) 9213 9000

**Salesh Balak**  
Chief Financial Officer  
(03) 9213 9000

31<sup>st</sup> July, 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")

30 June 2013

### 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	5,021,767	8,990,752
1.2	Payments for (a) staff costs (b) advertising and marketing (c) research and development (d) leased assets (e) other working capital	(7,899,513)	(15,989,093)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	143,009	318,019
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	<b>Net operating cash flows</b>	<b>(2,734,737)</b>	<b>(6,680,322)</b>

+ See chapter 19 for defined terms.

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	Current quarter \$AUD	Year to date (6 months) \$AUD
1.8 Net operating cash flows (carried forward)	(2,734,737)	(6,680,322)
<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	(24,078)	(74,968)
(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>	(24,078)	(74,968)
<b>1.14 Total operating and investing cash flows</b>	(2,758,815)	(6,755,290)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	177,071	177,071
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings	-	767,471
1.18 Repayment of borrowings	(191,868)	(383,736)
1.19 Dividends paid		
1.20 Other (provide details if material)		
<b>Net financing cash flows</b>	(14,797)	560,806
<b>Net increase (decrease) in cash held</b>	(2,773,612)	(6,194,484)
1.21 Cash at beginning of quarter/year to date	20,228,545	23,649,417
1.22 Exchange rate translation adjustments to item 1.21	640,466	640,466
<b>1.23 Cash at end of quarter</b>	<b>18,095,399</b>	<b>18,095,399</b>

+ 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	110,895
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

1.24 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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**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	18,095,399	20,228,545
4.2	Deposits at call		
4.3	Bank overdraft		
4.4	Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.23)		18,095,399	20,228,545

**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: 31 July 2013

Print name: Saleshe Balak

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## 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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