



## Universal Biosensors, Inc.

### Commentary on 4th Quarter of 2013

Universal Biosensors, Inc. (ASX: UBI) has today released its quarterly cash flow report (ASX Appendix 4C) for the quarter ending 31 December 2013.

- ***Quarterly Service Fees continue strong growth trajectory***

Quarterly Service Fees (QSFs) generated from sales of OneTouch® Verio® blood glucose test strips were \$972,457 in the fourth quarter. This represents an increase of 46% over the fourth quarter of 2012. Despite the impact of a meter recall early in 2013 year, total QSFs for the year were \$3.4 million, up 52% on 2012 levels.

LifeScan has recently launched OneTouch® VerioSync® a meter that sends blood glucose results wirelessly to an iPhone. The OneTouch® VerioSync® further expands the family of devices that utilise OneTouch® Verio® strips and gives us confidence in ongoing QSF growth from the sale of strips.

The FDA has also recently issued draft revised guidelines for the improved accuracy and performance of blood glucose monitoring systems that raise the bar for the industry – a positive move for diabetes patients and for products that offer high performance.

- ***Restructuring completed as glucose strip production is transferred to LifeScan's in-house operations***

UBI ceased glucose strip manufacturing at the end of 2013, following the decision by LifeScan to transition all production volume to their in-house facilities. As a consequence, there was continued reduction in strip manufacturing revenues at UBI and the restructuring of the company's operations in the fourth quarter to eliminate associated costs where appropriate. Cash flows related to operating activities include \$405k paid in termination costs to staff. UBI continues to receive the QSF on all OneTouch® Verio® strip sales, regardless of where they are manufactured.

- ***Continued investment in new products with focus on launch of coagulation testing business***

Investment in new product launches continued in the fourth quarter as the company looks to develop a portfolio of valuable new products for the \$1 billion point-of-care coagulation market via its partnership with Siemens as well as its internal initiative aimed at the growing patient self-testing market.

Operating cash flows for the fourth quarter reflected this ongoing investment.

- ***US\$25M loan facility anticipated to fund UBI to positive cash generation and profitability***

In December 2013, the company accessed new capital via a loan facility for up to US\$25M that is anticipated to fund the company through to positive cash generation and profitability. US\$15M (A\$16.9M) of these funds was drawn immediately. As a result of this financing activity:

- Cash flows relating to operating activities include \$2.6M transferred to a term deposit account to satisfy the financial covenant pursuant to the credit agreement, and \$290k of expenses incurred in the transaction
- Cash flows related to financing activities include \$930k paid to the lender for fees and expenses

Excluding one-off payments associated with loan funding arrangements and restructuring costs incurred in December, the cash consumed by operations during the fourth quarter of 2013 was around \$3.15M, a reduction of 15% on the previous quarter.

UBI ended 2013 with \$23.7 million in cash.

For further information, please contact:

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Chief Executive Officer  
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Chief Financial Officer  
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31 January, 2014

# 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 2013

### 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	2,767,530	15,644,090
1.2	Payments for (a) staff costs (b) advertising and marketing (c) research and development (d) leased assets (e) other working capital	(6,706,340)	(30,209,972)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	89,542	537,306
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material) - refer 1.26	(2,600,000)	(2,600,000)
<b>Net operating cash flows</b>		<b>(6,449,268)</b>	<b>(16,628,576)</b>

+ See chapter 19 for defined terms.

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	Current quarter \$AUD	Year to date (12 months) \$AUD
1.8 Net operating cash flows (carried forward)	(6,449,268)	(16,628,576)
<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	(24,185)	(159,437)
(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>	(24,185)	(159,437)
<b>1.14 Total operating and investing cash flows</b>	(6,473,453)	(16,788,013)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	165,837	360,598
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings - refer 1.26	16,909,029	17,676,500
1.18 Repayment of borrowings	(127,912)	(767,471)
1.19 Dividends paid		
1.20 Other (provide details if material) - refer 1.26	(929,997)	(929,997)
<b>Net financing cash flows</b>	16,016,957	16,339,630
<b>Net increase (decrease) in cash held</b>	9,543,504	(448,383)
1.21 Cash at beginning of quarter/year to date	14,670,902	23,649,417
1.22 Exchange rate translation adjustments to item 1.21	(471,984)	541,388
1.23 <b>Cash at end of quarter</b>	23,742,422	23,742,422

+ 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	89,491
1.25	Aggregate amount of loans to the parties included in item 1.11	

#### 1.26 Explanation necessary for an understanding of the transactions

1.7, 1.17, 1.20 & 3.1

On December 19, 2013 Universal Biosensors, Inc. (UBI) and Universal Biosensors Pty Ltd (UBS) entered into a credit agreement with Athyrium Opportunities Fund (A) LP, as administrative agent (the “Administrative Agent”) and as a lender, and Athyrium Opportunities Fund (B) LP as a lender (Athyrium A and Athyrium B together with any other lenders party thereto from time to time, the “Lenders”) (the “Credit Agreement”) pursuant to which the Lenders agree to provide term loans to UBS in the principal amount of up to US\$25,000,000. A first tranche loan of US\$15,000,000 (equivalent to A\$16,909,029) was drawn on December 19, 2013 and a further two tranches each of US\$5,000,000 may be drawn within 30 days of any fiscal quarter ending on or before January 30, 2015 in which the UBS satisfies certain conditions. The term loan 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. Unless the facility is otherwise terminated earlier pursuant to the terms of the Credit Agreement, UBS is required to repay the outstanding principal amount of the loans drawn down, together with all accrued and unpaid interest thereon and all other obligations on December 19, 2018 (the “Maturity Date”). The Credit Agreement is secured by substantially all of the assets of UBS and UBI, including the stock in UBS held by UBI. The obligations of UBS under the Credit Agreement are guaranteed by UBI.

Pursuant to the Credit Agreement, the minimum cash balance that needs to be retained by UBS during the term of the loan is US\$2,000,000. An amount of A\$2,600,000 has been set aside by UBS in a term deposit account to meet this financial covenant.

An amount of US\$825,000 (equivalent to A\$929,997) was deducted from the initial loan and relates to reimbursement of legal fees incurred by the lender and payments towards other charges.

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

+ See chapter 19 for defined terms.

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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 - refer 1.26	US\$25,000,000	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	23,742,422	14,670,902
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)	23,742,422	14,670,902

**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: 31 January 2014

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 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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