

Universal Biosensors, Inc. Announces Q3 Appendix 4C Cash Flow Summary

Universal Biosensors, Inc. (ASX: UBI) has today released its cash flow report (ASX Appendix 4C) for the quarter ending 30 September 2018.

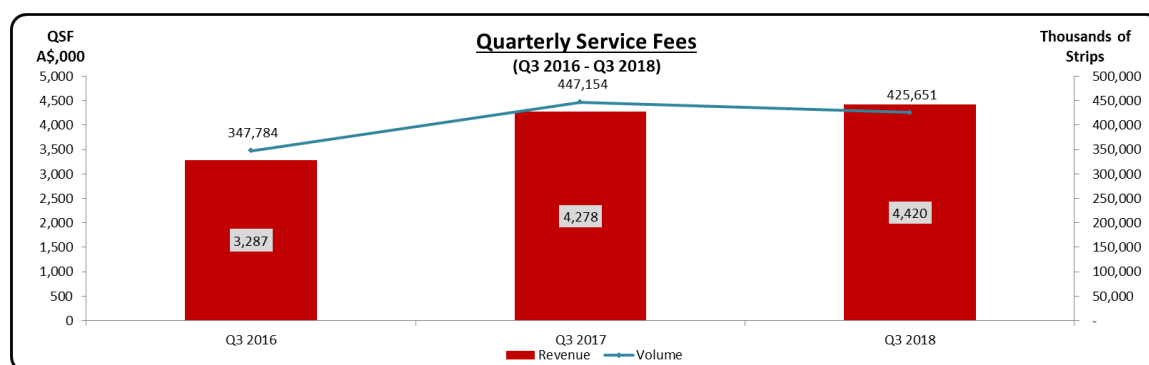
Summary

- UBI's cash on hand and restricted cash as at 30 September 2018 was \$31.77m, an increase of \$8.70m compared to the prior comparable period (PCP) (30 September 2017: \$23.07m)
- Quarterly Service Fees (QSF) for YTD 2018 increased by 5% to \$16.45m compared to YTD Q3 2017
- UBI received notice from LifeScan that it had exercised its right to convert or "buyout" its obligation to pay QSFs to UBI under the terms of the Master Services & Supply Agreement between the parties
- LifeScan is obliged to pay QSFs to UBI with respect to the remainder of the 2018 calendar year
- Revised estimate for the lump sum service fee in accordance with the terms of the Agreement between UBI and LifeScan is \$42.16m
- Research & development activities in the coagulation testing market continue to be a key focus for UBI, funded by operating cash flows
- Net cash (after accounting for the US\$15m Athyrium term loan facility) improved by \$6.96m to \$11.11m as at 30 September 2018 (compared to Q3 2017)

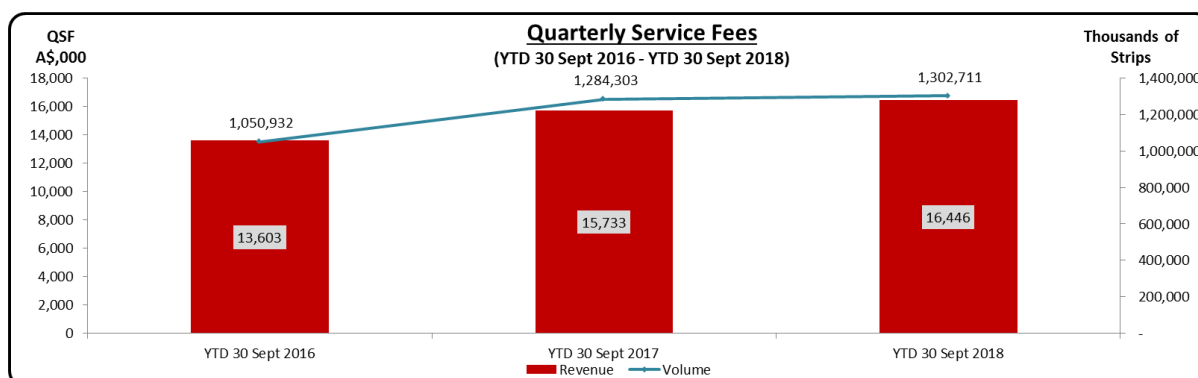
Quarterly Service Fees from LifeScan

- QSF for Q3 2018 of \$4.42m increased by 3% compared to the prior comparable quarter (Q3 2017)
- QSF of \$4.42m for Q3 2018 is less than the QSF for the immediately preceding quarter Q2 FY2018 (\$5.09m) as a result of softening of the strip volume during Q3 2018 and also given the lower per-strip fees of US0.75 cents per strip applied for the whole quarter once the volume threshold pricing was reached in Q2 (US1.25 cents per strip for the first 500 million strips sold in a calendar year)
- QSF for the 9 months ending 30 September 2018 of \$16.45m increased by 5% when compared to the PCP

Based on current QSF growth rates, UBI estimate the lump sum service fee to be \$42.16m (assuming current exchange rates). There a number of factors which could cause actual QSFs for Q4 FY2018 and the lump sum service fee to differ.



* Unless otherwise noted, all references to "\$" are references to Australian dollars.



Siemens Xprecia Stride revenue

- Revenue from the sale of Xprecia Stride™ PT-INR test strips was \$0.23m for Q3 2018 (Q3 2017: \$1.76m)
- Revenue from the sale of Xprecia Stride™ PT-INR test strips was \$1.13m for YTD Q3 2018 (YTD Q3 2017: \$4.06m)
- Lower Xprecia Stride™ strip revenues are consistent with earlier management guidance indicating high levels of inventory build-up orders from Siemens during Q1 to Q3 2017 to seed the supply chain. As per previous guidance, UBI’s management expects that PT-INR test strip volume and revenues will be sequentially lower for 2018 until the Xprecia Stride™ product gains meaningful global market share

Cash flow

A summary of the net cash flows for Q3 2018 compared to prior comparable periods is as follows:

Cash flow comparison to prior comparable period	3 months ending 30 September,		9 months ending 30 September,	
	2018 (\$ M)	2017 (\$ M)	2018 (\$ M)	2017 (\$ M)
Net cash provided by operating activities	0.05	0.58	0.86	2.19
Net cash used in investing activities	-0.03	-0.27	-0.31	-1.00
Net cash used in financing activities	0.00	-0.07	-0.26	-0.33
Movement in exchange rates	0.60	-0.36	1.97	-1.41
Net movement in cash and restricted cash at period end	0.62	-0.12	2.26	-0.55
Cash and restricted cash at period end	31.77	23.07	31.77	23.07

UBI’s cash and restricted cash balance is \$31.77m as at the end of Q3 2018, compared to \$23.07m as at the end of Q3 2017. Key factors to note include:

- Increased revenues and cost management has delivered an operating cash flow surplus;
- Investment in new products, via research and development, is currently funded from operating cash flows;
- The movement in exchange rates is a non-cash current financial year translation adjustment caused by the fluctuation of the USD against the AUD. UBI has built cash reserves in USD in anticipation of the Athyrium loan repayment (due prior to 1 July 2019) and will continue to hold such reserves. As at 30 September 2018, funds held in US denominated currency were US\$19.92m; and
- UBI’s Net Cash position after accounting for its debt obligations as at 30 September 2018 was \$11.11m – this represents an improvement of \$6.96m from the PCP (30 September 2017: \$4.15m).

UBI intends to finalise and announce its plan for the surplus cash and term loan repayment prior to 2018 year end, having regard to business performance, strategic developments and the actual amount of quarterly service fees received.

* Unless otherwise noted, all references to “\$” are references to Australian dollars.

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Chief Financial Officer

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Forward-Looking Statements

The statements contained in this release that are not purely historical are forward-looking statements within the meaning of the US Securities Exchange Act of 1934. Forward-looking statements in this release include statements regarding our expectations, beliefs, hopes, intentions or strategies. All forward-looking statements included in this release are based upon information available to us as of the date hereof, and we assume no obligation to update any such forward-looking statement as a result of new information, future events or otherwise. Our actual results could differ materially from our current expectations. We cannot assure you when, if at all, the proposals outlined in this release will occur, and the terms of any such proposal are subject to change. Factors that could cause or contribute to such differences include, but are not limited to, factors and risks disclosed from time to time in reports filed with the SEC.

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 2018

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	5,738	18,357
1.2 Payments for		
(a) research and development	(1,645)	(3,660)
(b) product manufacturing and operating costs	(499)	(857)
(c) advertising and marketing	0	(4)
(d) leased assets	(276)	(853)
(e) staff costs	(2,365)	(9,551)
(f) administration and corporate costs	(463)	(1,136)
1.3 Dividends received (see note 3)		
1.4 Interest received	176	333
1.5 Interest and other costs of finance paid	(612)	(1,765)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	54	864

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(26)	(309)
(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	0	3
(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	(26)	(306)

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		
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings	0	(256)
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	0	(256)

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	31,138	29,495
4.2 Net cash from / (used in) operating activities (item 1.9 above)	54	864
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(26)	(306)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	0	(256)

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	601	1,970
4.6	Cash and cash equivalents at end of quarter	31,767	31,767

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	28,531	27,903
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details) – The Company maintains restricted cash which includes tenant security deposits, credit card security deposits and cash collateral for its borrowings	3,236	3,235
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	31,767	31,138

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**

93

6.1

Non-executive directors' fees and salaries, including allowances and 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 up to US\$25 million, which was amended on January 30, 2015 ("Credit Agreement"). Of this amount, US\$15 million had been drawn at December 31, 2013 with a further US\$10 million available to be drawn down on or before July 31, 2015, which UBS determined not to draw down.

The credit agreement was amended again on December 29, 2017 ("Amendment"). Subject to the terms of the Amendment, the Amendment modifies the Credit Agreement to (i) extend the maturity date to July 1, 2019 ("Maturity Date"), (ii) add the Borrower's wholly owned subsidiary, Hemostasis Reference Laboratory, Inc. ("HRL"), as a guarantor of the Borrower's obligations under the Credit Agreement and (iii) subject to the prior written consent of the Lenders in their sole discretion, permit UBI to repurchase shares in an aggregate amount up to US\$2,000,000 within 12 months after the date Lenders provide any such consent.

The term loan bears interest at 10.5% per annum payable in cash quarterly in arrears over the 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, July 1, 2019. The term loan under the Credit Agreement is secured by substantially all of UBI, UBS' and HRL's assets. UBI and HRL (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	2,265
9.2 Product manufacturing and operating costs	336
9.3 Advertising and marketing	-
9.4 Leased assets	284
9.5 Staff costs	2,250
9.6 Administration and corporate costs	389
9.7 Other (provide details if material: Interest to Lender (\$588k, and capital expenditure \$150k)	738
9.8 Total estimated cash outflows	6,262

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.



22 October 2018

Sign here:
(Chief Financial Officer)

Date:

Print name: Sales 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.