



Universal Biosensors, Inc.

Commentary on FY 2018

Universal Biosensors, Inc. (ASX: UBI) has today released its cash flow report (ASX Appendix 4C) for the quarter ending 31 December 2018 (Q4 FY 2018). Unless otherwise noted, all references to “\$” are references to Australian dollars.

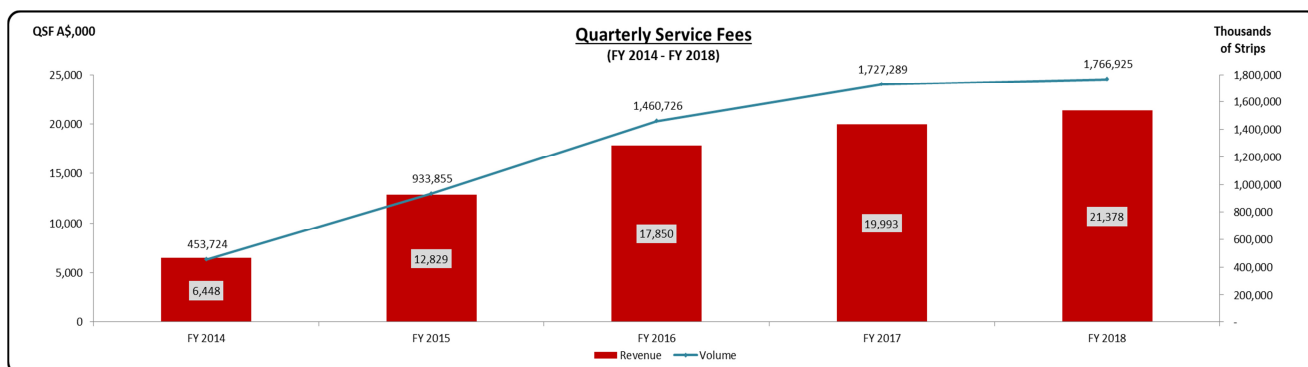
Highlights

- Cash on hand was \$12.13m as at 31 December 2018
- Repayment of US\$15m secured loan on 26 November 2018. No further secured debt obligations outstanding
- Quarterly Service Fees (QSF) for the full financial year (FY 2018) increased 6.9% to \$21.38m compared to the prior comparable period (FY 2017)
- Lump sum service fee of US\$31.50m (\$44.64m) expected to be received from LifeScan on or before 15 February 2019. No further QSF to be received by UBI beyond Q4 FY 2018
- Product revenues from the supply of the Xprecia Stride™ PT-INR test strips to Siemens declined 58.9% to \$1.67m in FY 2018
- Positive operating cash flows delivered due to increased QSFs and our focus on operating cost management
- Research and development activities in the coagulation market continue

LifeScan revenues

(a) Quarterly Service Fees (QSF)

QSF generated from the sale of LifeScan’s OneTouch Verio blood glucose strips for Q4 2018 were \$4.93m, up 15.8% when compared to the prior comparable period (Q4 2017). QSF for the 12-months to 31 December 2018 were \$21.38m, representing a 6.9% increase over the prior full year (FY 2017:\$19.99m).



(b) Lump Sum Service Fees

UBI received notice from LifeScan in Q3 2018 that it had exercised its right to convert or “buyout” its obligation to pay QSF to UBI under the terms of the Master Services & Supply Agreement between the parties. Following completion of the 2018 LifeScan financial year (12 months to 31 December 2018), the amount of the lump sum service fee has been determined, being a multiple of two times the total QSF paid to UBI over this period. This lump sum service fee is US\$31,503,880 (or A\$44,635,704 based on the A\$/US\$ FX rate on 31 December 2018). The lump sum service fee is expected to be received by UBI on or before 15 February 2019.

No further QSF will be received by UBI beyond Q4 2018.

**Siemens product revenue**

Revenue from the sale of Xprecia Stride™ PT-INR test strips was \$1.67m for FY 2018, 58.9% lower than FY 2017 revenues of \$4.07m.

As previously foreshadowed, FY 2018 Xprecia Stride™ strip sales are lower given a portion of strips sold in prior comparable year represented customer inventory build-up to seed the supply chain. Management expects the PT-INR test strip volume to remain volatile until the Xprecia Stride™ product gains meaningful global market share.

Cash flow

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

Cash flow comparison to prior comparable period	12 months ending 31 Dec,	
	2018 (\$ M)	2017 (\$ M)
Net cash provided by operating activities	1.76	8.71
Net cash used in investing activities	-0.36	-1.02
Net cash used in financing activities	-20.95	-0.37
Movement in exchange rates	2.18	-1.44
Net movement in cash at period end	-17.37	5.88
Cash and restricted cash at period end	12.13	29.50

UBI's cash balance is \$12.13m as at the end of FY 2018, compared to \$29.50m as at the end of FY 2017, primarily as a result of the repayment of the US\$15m secured loan during the period.

Other relevant factors to note include:

- The operating cash flow surplus in FY 2018 of \$1.76m was delivered as a result of increased QSFs, operating cost reductions and a contained and focused R&D investment program;
- The operating cash surplus in FY 2017 includes \$7.52m of R&D tax incentive (in respect of R&D expenditure incurred in FY 2016, where UBI's revenues were less than \$20 million);
- R&D investment in new products is funded from UBI's operating cash flows. UBI's in-house coagulation testing program has been suspended during Q4 FY 2018 with resources redirected to the Siemens development program; and
- The movement in exchange rates is a non-cash currency translation adjustment caused by the fluctuation of the USD against the AUD.

UBI's Net Cash position (cash on hand less short and long term debt) as at 31 December 2018 is \$12.13 m – this represents an improvement of \$1.66m from 31 December 2017.

For further information, please contact:

Rick Legleiter

Chief Executive Officer
(03) 9213 9000

Salesh Balak

Chief Financial Officer
(03) 9213 9000

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")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,704	24,061
1.2 Payments for		
(a) research and development	(323)	(3,983)
(b) product manufacturing and operating costs	(338)	(1,195)
(c) advertising and marketing	0	(4)
(d) leased assets	(271)	(1,124)
(e) staff costs	(3,293)	(12,844)
(f) administration and corporate costs	(472)	(1,608)
1.3 Dividends received (see note 3)		
1.4 Interest received	165	498
1.5 Interest and other costs of finance paid	(312)	(2,077)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	40	40
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	900	1,764

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(51)	(360)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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	(51)	(357)

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	(20,690)	(20,690)
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	(20,690)	(20,946)

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	31,767	29,495
4.2 Net cash from / (used in) operating activities (item 1.9 above)	900	1,764
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(51)	(357)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(20,690)	(20,946)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	207	2,177
4.6	Cash and cash equivalents at end of quarter	12,133	12,133

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	11,798	28,531
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	335	3,236
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	12,133	31,767

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		
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 entered into a term loan facility of US\$15 million with Athyrium Opportunities Fund (A) LP, as administrative agent and as a lender, and Athyrium Opportunities Fund (B) LP as a lender. This term loan was repaid in November 2018. Interest was charged at 10.5% per annum and the term loan was secured by substantially all of UBI, UBS' and HRL's assets.

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	500
9.2	Product manufacturing and operating costs	300
9.3	Advertising and marketing	-
9.4	Leased assets	280
9.5	Staff costs	2,750
9.6	Administration and corporate costs	500
9.7	Other (provide details if material: capital expenditure \$150k)	150
9.8	Total estimated cash outflows	4,480

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.



29 January 2019

Sign here:
(Chief Financial Officer)

Date:

Print name:Salesh 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.