



EXTENDING

OUR REACH



ABAXIS ANNUAL REPORT 2013

REACHING OUT

To Our Shareholders:

Fiscal year 2013 was a significant year for Abaxis, as we delivered strong financial results in all areas of the company and further demonstrated the strength of our business model. We achieved an increase of 19% in sales and generated solid operating cash flow. We built a successful foundation to serve the needs of clinicians and patients with in-clinic services and technologies while continuing to **extend** our customer reach. Our achievements position us for growth in fiscal 2014 and beyond.

Highlights for fiscal 2013 include:

- Worldwide revenues grew 19% to \$186.0 million. Revenues in North America grew 18% to \$152.8 million and international revenues increased to \$33.2 million.
- Total medical and veterinary instrument revenues rose to \$46.0 million.
- Consumable sales increased to \$127.5 million from \$113.8 million in fiscal 2012.
- Medical and veterinary reagent disc sales increased to \$99.3 million.
- Veterinary market revenues, including Abaxis Veterinary Reference Laboratories (AVRL), grew to over \$150.0 million, an increase of 23% from fiscal 2012.
- Gross profit increased 15% to \$98.2 million.

- Net income was \$27.5 million, a 110% increase from \$13.1 million in fiscal 2012 due to instrument and consumable sales and gain from a legal settlement. Diluted earnings were \$1.23 per share in fiscal 2013 compared with \$0.58 in fiscal 2012.
- We entered into a strategic partnership with Abbott Point of Care to distribute our medical diagnostic products and with MWI Veterinary Supply to market, sell and distribute our animal health products.
- Operating cash flow increased to \$29.2 million, and we had total cash, cash equivalents and investment balance at year end of \$95.3 million.
- We paid a special cash dividend of \$1.00 per share to our shareholders, totaling \$22.0 million.

We ended fiscal year 2013 on a strong note and achieved solid growth in reagent disc sales, revenue and net earnings, and we finished the year with another record in instrument placements that positions us for continued growth in fiscal 2014.

Medical Market Segment

In the medical market, we are very pleased with the steps that we have taken to **extend** our customer reach. During fiscal 2013, we began selling our Piccolo Xpress® analyzers to pharmaceutical companies, contract research organizations and central laboratories in support of clinical trials. In the third quarter of fiscal 2013, we formed a strategic partnership with Abbott Point

IN EVERY DIRECTION



of Care to market and distribute our Piccolo products in the United States, China and Hong Kong. We will continue to sell our Piccolo products directly in other specified market segments. We also **extended** our reagent disc menu with the addition of the Lactate assay. Lactate is positioned on a new disc called MetLac 12, further increasing our total to 16 available reagent discs. We are excited about the potential that our business strategy adds for long-term growth.

Veterinary Market Segment

In fiscal 2013, we saw a 23% revenue growth in the veterinary market. We continued to **extend** our customer reach through our Abaxis Veterinary Reference Laboratories (AVRL) and our on-site diagnostic systems, which include a comprehensive rapid test line. During the second quarter of fiscal 2013, we signed a distribution agreement with MWI Veterinary Supply, a national distributor in the United States, to distribute our animal health products. We also **extended** our reagent disc offerings by offering the Kidney Profile Plus panel with our VetScan VS2 chemistry analyzer, further increasing our reagent profiles to a total of 10 available tests. As a result, we are excited about our expanding product line, increased customer base and new distribution channels that allow for our continued success in animal health.

Looking at fiscal 2013, I believe that Abaxis successfully completed a range of strategic changes across the company, setting the stage for the next phase of Abaxis' growth. With the new fiscal year upon us, Abaxis has the forward momentum for continued growth and continued ability to make a difference in the quality and efficiency of healthcare. We remain dedicated in our efforts to **extend** our customer reach, deliver profitable growth and generate long-term shareholder value.

We gratefully acknowledge the contributions of the Abaxis team and distribution partners. With our financial resources, technology and products, and our talented and committed employees, we strive to continue to **extend** our reach. Thank you for your continued support and we look forward to making fiscal 2014 rewarding for all of us.

Sincerely,

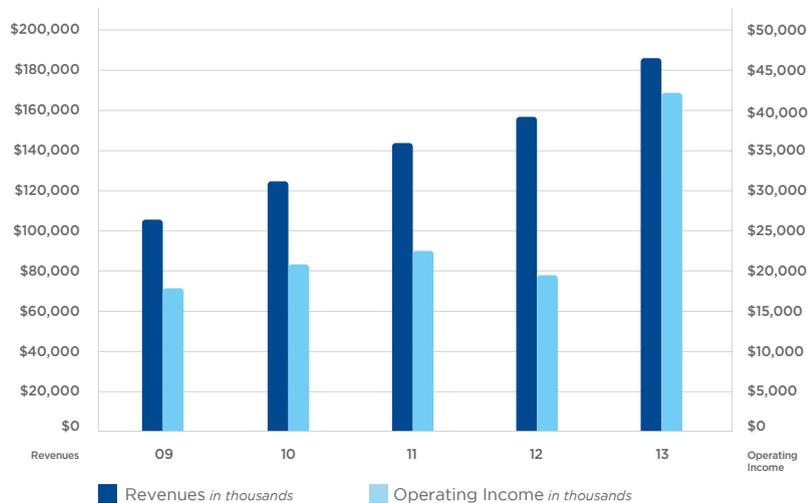


Clint H. Severson

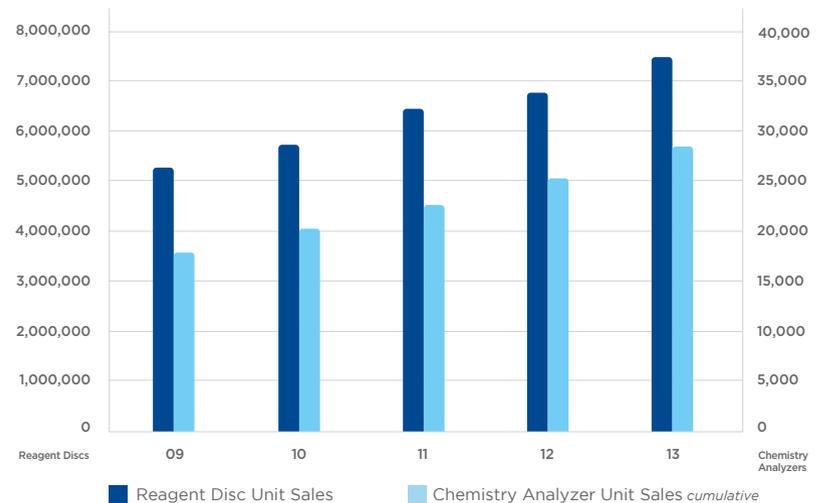
Chairman, President and Chief Executive Officer



Revenues/Operating Income



Reagent Disc/Chemistry Analyzer Sales



Better + Better

There's Nowhere Better Can't Go

The Abaxis Animal Health business delivered another year of significant growth and expansion of products, services and veterinary offerings.

Growing The Base

The rapid growth of the Abaxis brand has long been the result of providing customers with superior value, innovation and customer service in point-of-care diagnostics. With Abaxis seeing is believing. And now thanks to a major new Tier 1 distribution partner, Abaxis point-of-care veterinary products will extend to over 85% of target veterinary practices—virtually doubling our reach.

Growing The Offering

Since the launch of Abaxis Veterinary Reference Laboratories (AVRL), more than 2000 facilities have made the switch to AVRL and integrated their in-house and out-of-house veterinary diagnostics into a single, seamless Abaxis solution.

This year Abaxis signed a **major Tier 1 distributor**, expanding market coverage significantly in the United States.

\$186 million in worldwide sales in 2013

Abaxis Veterinary Reference Laboratories (AVRL) has served over **2000 customers** in fiscal 2013.



Better Gets **Bigger**

Reaching A Whole New Audience

The Piccolo Xpress point-of-care diagnostic system facilitates better and more convenient patient care by providing real-time clinical information to physicians right in their practice. It's a valuable asset in today's managed-care environment that can reduce costs while increasing patient throughput. In fiscal 2013, Abaxis initiated the first use of Piccolo products in the clinical trials market. And the word is out.

Delivering Results Today

With the Piccolo's 12-minute test time, healthcare providers can diagnose and treat within the span of a single office visit, thereby increasing the efficiency of care, reducing costs, improving patient management and boosting revenues. The Piccolo menu features 31 blood chemistry tests that range from liver, kidney and metabolic functions to lipids, electrolytes and other specialty analytes. These 31 tests are conveniently configured into 16 completely self-contained reagent discs, 11 of which are CLIA waived.

Extending Our Potential For Tomorrow

The launch of MetLac 12, which includes our Lactate assay, continues to expand the ever-growing Piccolo diagnostic test portfolio. And in fiscal 2013, Abaxis entered into a partnership with Abbott Point of Care to market and distribute our Piccolo products. Our partnership improves the market penetration of the human healthcare market in the United States, China and Hong Kong.

Piccolo Xpress Sales of **1072 Units**

31% growth in instrument sales

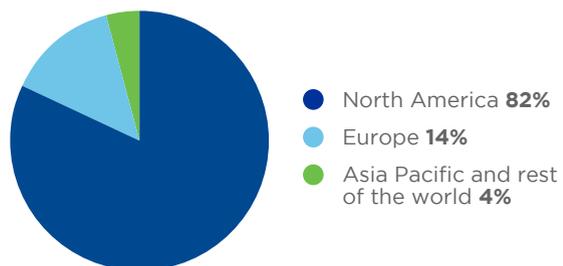
7.5 million units of reagent discs sold in 2013

This year Abaxis signed an **exclusive distribution agreement** with Abbott Point of Care to sell Piccolo products in the United States, China and Hong Kong.

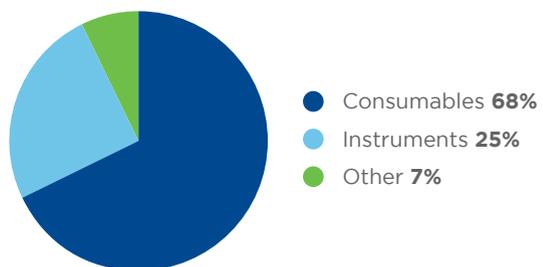


Revenues by Geography, Product and Service and Segment

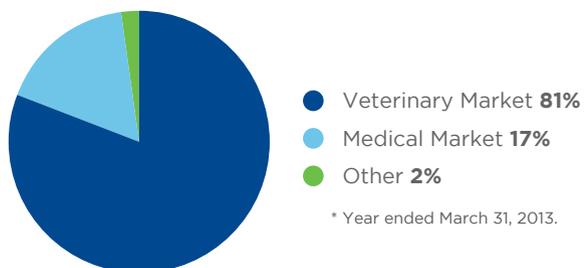
Revenues by Geographic Region*



Revenues by Product and Service*



Revenues by Segment*



* Year ended March 31, 2013.

Financial Highlights

Consolidated Statements of Income Data

(in thousands, except per share data)

| Year Ended March 31, | 09 | 10 | 11 | 12 | 13 |
|---|-----------|-----------|-----------|-----------|-----------|
| Revenues | \$105,562 | \$124,557 | \$143,676 | \$156,596 | \$186,025 |
| Cost of revenues | \$46,937 | \$52,435 | \$63,884 | \$71,493 | \$87,794 |
| Income from operations | \$17,795 | \$20,775 | \$22,472 | \$19,457 | \$42,136 |
| Net income | \$12,013 | \$13,023 | \$14,537 | \$13,091 | \$27,459 |
| Diluted net income per share | \$0.54 | \$0.58 | \$0.64 | \$0.58 | \$1.23 |
| Shares used in calculating diluted net income per share | 22,324 | 22,606 | 22,858 | 22,462 | 22,381 |

Consolidated Balance Sheets Data

(in thousands)

| As of March 31, | 09 | 10 | 11 | 12 | 13 |
|---|-----------|-----------|-----------|-----------|-----------|
| Cash and cash equivalents and investments | \$74,899 | \$96,519 | \$105,689 | \$90,974 | \$95,264 |
| Working capital | \$101,815 | \$89,327 | \$107,542 | \$109,966 | \$132,944 |
| Total assets | \$140,711 | \$167,816 | \$188,260 | \$181,836 | \$201,763 |
| Non-current liabilities | \$2,270 | \$1,682 | \$3,090 | \$4,620 | \$5,550 |
| Total shareholders' equity | \$126,892 | \$147,119 | \$168,648 | \$159,785 | \$176,194 |

Corporate Directory and Related Shareholder Information

Board of Directors

Clinton H. Severson

Chairman of the Board

Vernon E. Altman

Senior Advisor, Bain & Company, Inc.

Richard J. Bastiani, PhD

Retired

Most recently Chairman of Response
Biomedical Corporation

Michael D. Casey

Retired

Most recently Chairman and Chief Executive
Officer of Matrix Pharmaceutical, Inc.

Henk J. Evenhuis

Retired

Most recently Chief Financial Officer of
Fair Isaac Corporation

Prithipal Singh, PhD

Retired

Most recently Chairman of ChemTrak, Inc.

Management Team

Clinton H. Severson

President, Chief Executive Officer

Alberto R. Santa Ines

Chief Financial Officer

Kenneth P. Aron, PhD

Chief Technology Officer

Donald P. Wood

Chief Operations Officer

Martin V. Mulroy

Chief Commercial Officer for North America
Animal Health

Vladimir E. Ostoich, PhD

Founder, Vice President of Government Affairs and
Vice President of Marketing for the Pacific Rim

Achim Henkel

Managing Director of Abaxis Europe GmbH

Corporate Headquarters

Abaxis, Inc.

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Union City, CA 94587
(510) 675 6500
www.abaxis.com

Abaxis European Subsidiary

Abaxis Europe GmbH

Stock Exchange Listing

Abaxis, Inc.'s common stock is traded on the
NASDAQ Global Market under the symbol ABAX.

Transfer Agent and Registrar

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Providence, RI 02940-3078
(877) 373 6374
www.computershare.com

Independent Registered Public Accounting Firm

Burr Pilger Mayer, Inc.

San Jose, California

Legal Counsel

Cooley LLP

San Francisco, California

Form 10-K

The Company's complete filings with the Securities
and Exchange Commission, including the Form 10-K
included in this report and all exhibits, are available
without charge on the Company's Web site at
www.abaxis.com under "Investor Relations-SEC
Filings" as well as on the SEC's Web site at **www.sec.gov**.



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