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# Universal Biosensors, Inc.

ARBN 121 559 993

Investor Presentation

March 2012



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# UBI in summary

## Powerful technology for growing POC diagnostics markets

- Point-of-care (“POC”) diagnostics is \$15Bn market with 11% growth
- Electro-chemical sensor technology, protected by 44 patent families...
- ...enables easy-to-use, accurate, low cost diagnostics using a handheld reader & disposable test strips, ideal for POC applications

## World-scale strip manufacturing plant in operation

- ISO13485 certified, fully automated, world-scale manufacturing in place
- Includes capacity to produce >750M glucose test strips p.a.

## 1<sup>st</sup> product, used to manage diabetes, now being sold in major world markets by LifeScan

- Blood glucose self-testing market is \$10Bn worldwide, growing at ~10%
- LifeScan (J&J) sells 4-5Bn glucose test strips p.a. (~27% market share)
- LifeScan now selling UBI-developed glucose strips in key world markets
- UBI earns ~US1c per OneTouch Verio strip sold, and a margin on supply
- LifeScan paying UBI \$4.5M to prove feasibility of a novel glucose product

## 2<sup>nd</sup> product, for POC PT-INR testing, planned to launch in 2013 with Siemens

- UBI partnership with Siemens in “professional” POC coagulation testing
- PT-INR testing market estimated at >\$700M today, growing at >15% p.a.
- Aim to launch PT-INR test in 2013; other POC coagulation tests to follow
- UBI earns revenue from R&D milestone payments & strip manufacturing

## R&D will broaden UBI’s test menu

- UBI will apply its strip technology to immunoassay & molecular tests...
- ...while using proven strip designs to expand test “menu” cost effectively

## UBI aims to be a leader in POC diagnostics

- UBI’s capability has now been validated by 2 world-leading companies
- UBI’s early glucose business generated positive gross margin in FY2011
- New products will leverage manufacturing investment and build profits
- Cash balance: \$15M (31/12/11), with H2 2011 cash burn of \$2.4M
- UBI is ASX-listed with market capitalisation of ~\$120M (26<sup>th</sup> March 2012)



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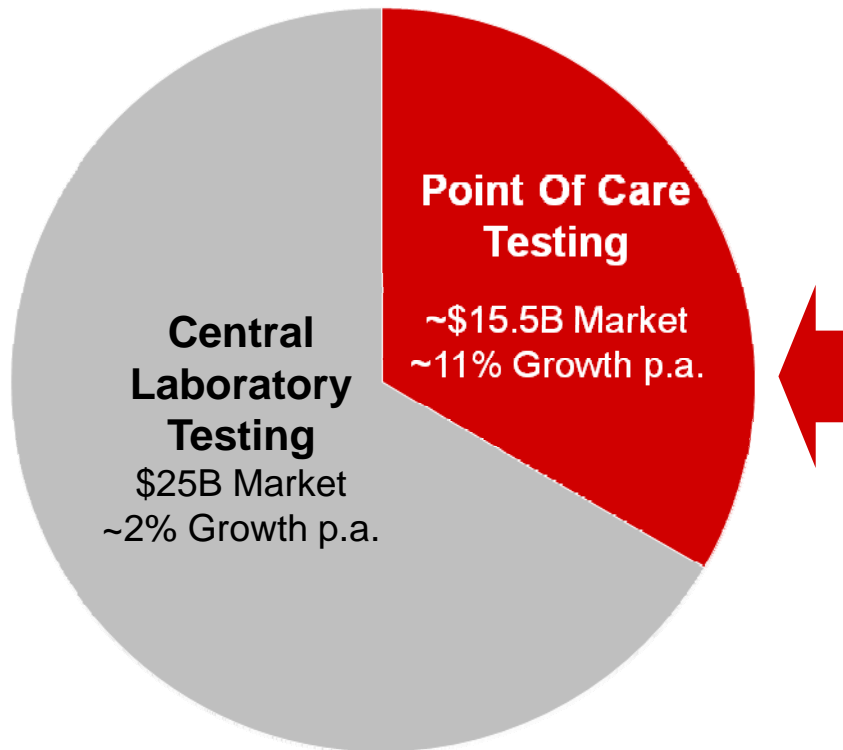
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- ➔ • **UBI Overview**
  - Blood Glucose Monitoring
  - Coagulation Testing
  - Future opportunities
  - Financials



# UBI targets the \$15B, growing POC market

## Global In Vitro Diagnostics Market (2010 estimate)



### Point of Care Growth Drivers

- ✓ Improved Health Economics (lower cost and better outcomes)
- ✓ Supports:
  - more timely diagnosis
  - increased frequency of testing for improved health outcomes
    - Management of chronic disease
    - Monitoring the effectiveness of a therapy
  - distributed healthcare for regional & remote areas as well as emerging economies



# Using UBI's powerful diagnostic technology

- **Well suited to Point-of-Care**

- ✓ **Accurate results**

- (key variables in whole blood are “calculated” for each sample, rather than “assumed”)*

- ✓ **Easy to use**

- (requires small drop of blood from finger-prick)*

- ✓ **Low cost to manufacture**

- (supports fully automated, scale manufacturing)*

- **Broad application**

- ✓ **Across analytes**

- (enzymes, immunoassay, molecular)*

- ✓ **Across geographies**

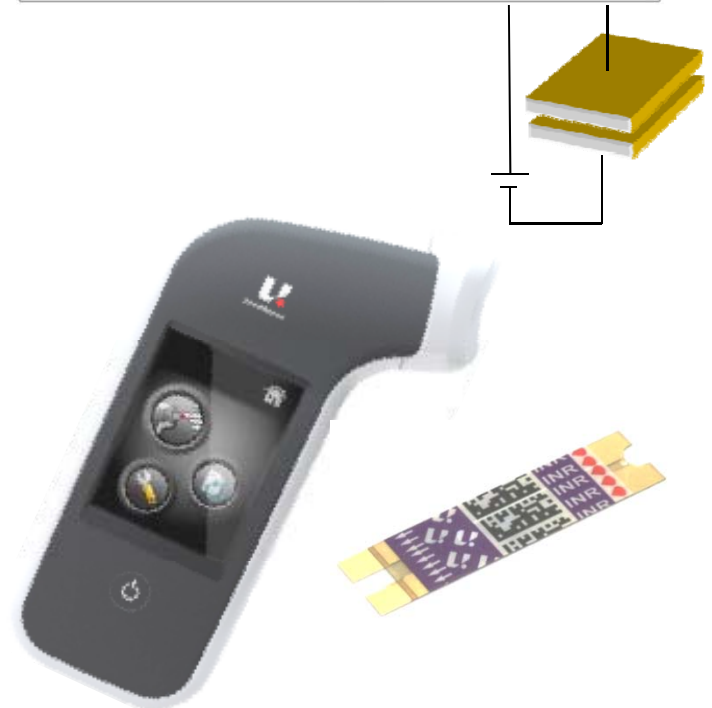
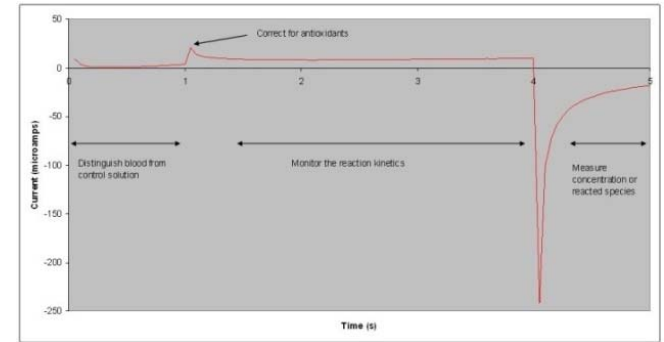
- (mature & emerging markets)*

- ✓ **Across diagnostic settings**

- (home-use, hospital, clinic)*

- **Patent protected**

- (44 patent families)*





# ...and low cost, world-scale manufacturing



- ISO 13485
- Fully automated
- Custom designed
- Scale appropriate

- Existing capacity to produce >750M glucose strips p.a.





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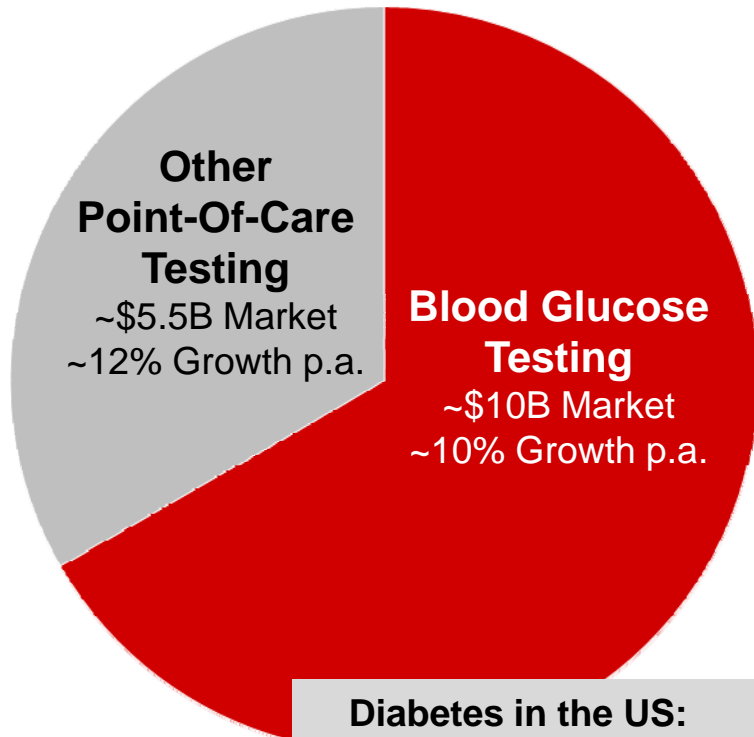
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# 1<sup>st</sup> target: the \$10B blood glucose segment

## Global Point-Of-Care Diagnostics Market (2010 estimate)



### Blood Glucose Growth Drivers

- Increased life expectancy of diabetes sufferers
- Growing incidence of diabetes in all geographies
- Technology improvements
- Increasing patient awareness

### Diabetes in the US:

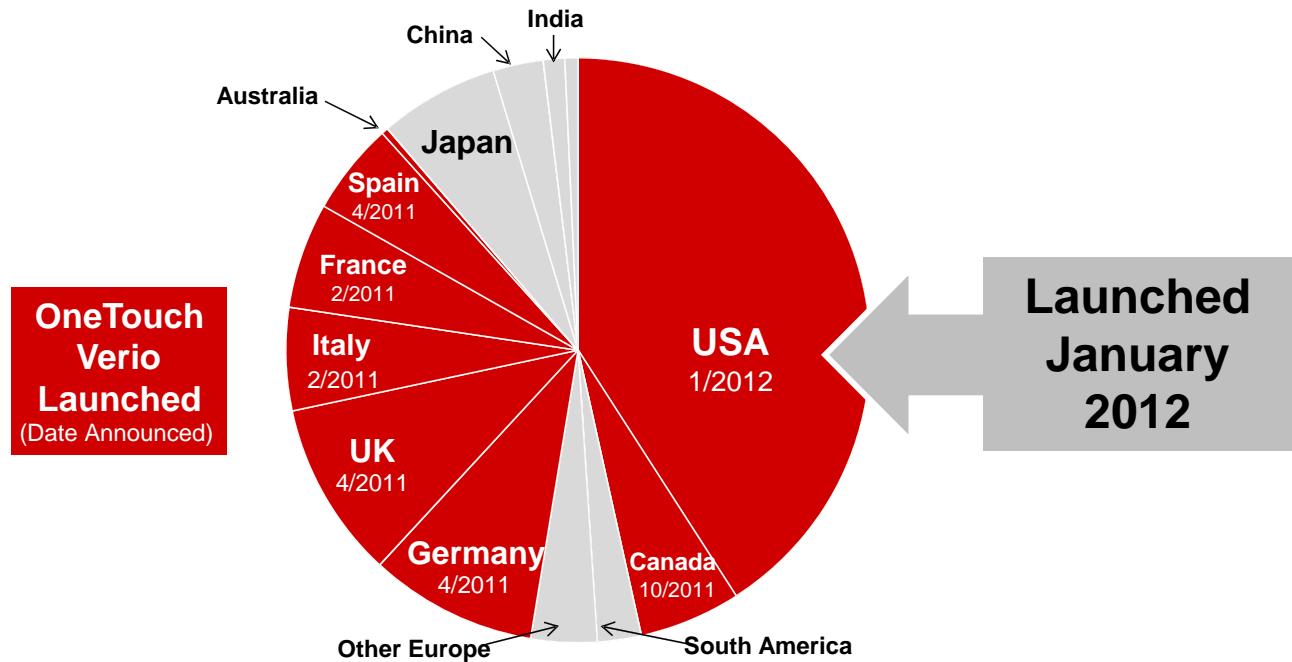
- *Type II prevalence doubled in US from 1990 to 2005;*
- *~8.3% of US population affected;*
- *~7 million people in US undiagnosed today;*



# Global roll-out in \$10B SMBG market



## Self Monitored Blood Glucose Market (2015 estimate\*)



Source: Global Data, SMBG Market Study Nov 2009

Note: images on this page are not representative of actual products approved in all markets.



# Well placed to succeed in the SMBG market

- LifeScan market strength
  - 27% worldwide share of \$10B SMBG market (2010)
  - 33% US market share in SMBG (2010)
- Competitive product features
  - Accuracy
  - Glucose specificity
  - Small blood volume
  - No “coding” requirement
  - Meter functionality (data storage & analysis, user interface, etc)





# LifeScan / blood glucose - economics

Revenue Source	Revenue Detail
<b>Service Fees</b> <i>("Revenue from Services" in published financial statements)</i>	<b>~ US1c received for each Verio strip <u>sold</u> by LifeScan</b> <ul style="list-style-type: none"><li>• Irrespective of source of manufacture</li><li>• LifeScan sells 4-5 Bn strips / annum based on "pre-Verio" technology</li></ul>
<b>Product Revenues</b> <i>("Revenue from Products")</i>	<b>Received for all strips <u>supplied from UBI factory</u></b> <ul style="list-style-type: none"><li>i) At low volumes ("Interim Costing Period"): fixed overhead contribution</li><li>ii) At higher volumes: Standard Cost + modest margin</li></ul>
<b>R&amp;D Services</b> <i>("Revenue from Services")</i>	<b>Received for <u>R&amp;D / services</u> provided by UBI</b> <ul style="list-style-type: none"><li>• Typically time &amp; materials cost plus margin</li></ul>
<b>Milestones</b> <i>("Milestone Payments")</i>	<b>Received on hitting <u>R&amp;D or Regulatory milestones</u></b> <ul style="list-style-type: none"><li>• Typically where UBI has taken some level of technical risk</li></ul>



# The “glucose business” is already profitable

	<u>Profit &amp; Loss Statement - 2011</u>	<u>AUD</u>
<b>Diabetes Segment</b>	Revenue from products*	12,063,582
	Revenue from services**	2,632,870
	Cost of goods sold and services	13,018,451
	<b>Gross Margin</b>	<b>1,678,001</b>
<b>Investment in Future Products / Earnings</b>	Research and development	9,812,396
	General and administrative	7,271,488
	<b>Profit/(loss) from operations</b>	<b>(15,405,883)</b>
	Other income	713,766
	Income tax benefit	-
	<b>Net profit/(loss)</b>	<b>(14,692,117)</b>

\* Revenue earned from strips sold to LifeScan, manufactured by UBI

\*\* Includes ~US1c Service Fee earned on every Verio strip sold by LifeScan + fees earned providing R&D Services to LifeScan



# The “glucose business” has momentum

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- OneTouch Verio IQ (launched in US market on 9<sup>th</sup> Jan 2012) now has European (CE Mark) approval
- OneTouch Verio strip manufacturing expected to increase in 2012
  - UBI production volumes in 2012 expected to be higher than 2011 levels
  - LifeScan has commenced commercial manufacturing of OneTouch Verio strips in Inverness
  - Note: UBI earns ~US1c Service Fee for each Verio strip sold by LifeScan regardless of the manufacturer
- LifeScan continues to demonstrate its commitment to the Verio technology as Insulet announces global agreement with LifeScan to integrate Verio technology with a future version of their Omnipod Personal Diabetes Manager (Feb 2012)
- \$4.5M, 12 month technology feasibility program with LifeScan for novel blood glucose testing product is on track



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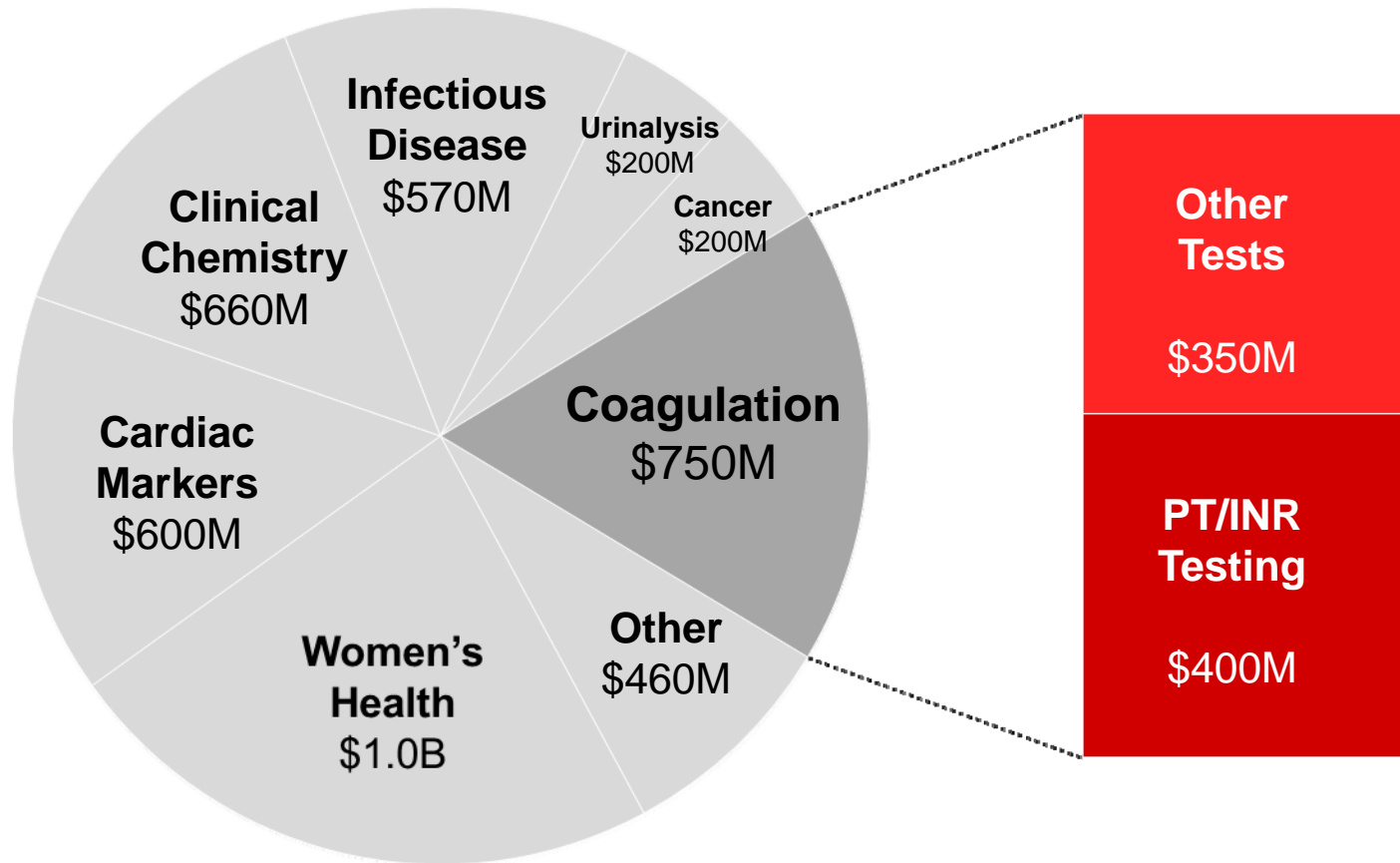
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# Next opportunity: POC coagulation testing

## Point-Of-Care Diagnostics Market (Excluding Glucose testing - 2008)



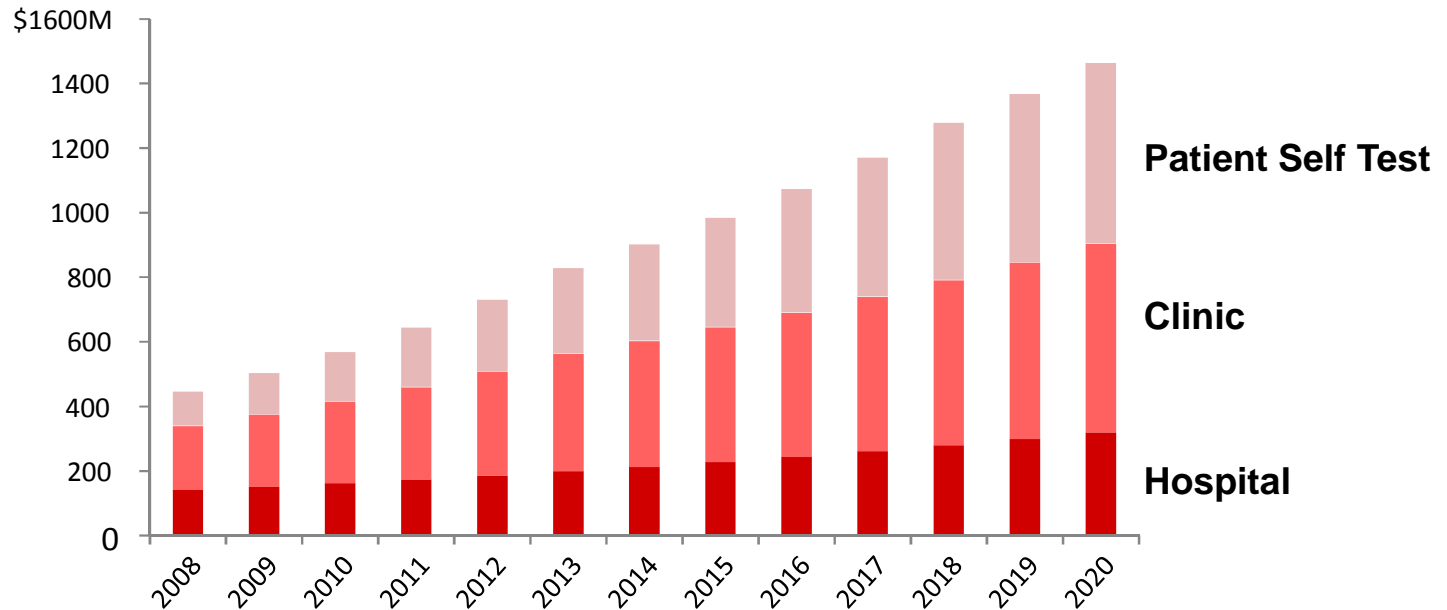
Source: Management estimates; Kalorama, *The Worldwide Market for In Vitro Diagnostic Tests*, 6<sup>th</sup> Ed., 2008.; Trimark, "Point of Care Diagnostic Testing World Markets", June 2009; Espicom, *POC Diagnostics* – Nov 2009





# POC PT-INR testing is growing strongly

## Global POC PT/INR Market Projection (US\$M)



### Market growth driven by:

- ✓ growing patient population
- ✓ ongoing Warfarin use (>7 million users in 2010)
- ✓ health benefits of increasing testing frequency (weekly)



# Initial target: professional POC PT-INR

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- **Competitive product**

- ✓ Strip cost
- ✓ Meter cost
- ✓ Feature set
- ✓ Ease-of-use

+

- **Competitive channel**

- ✓ Global healthcare brand
- ✓ Global distribution
- ✓ Technical & customer support



# Siemens – a powerful new partner for UBI



- Partnership in the worldwide Coagulation market
  - ✓ Excludes patient-self-testing segment which UBI is free to pursue separately
- Multiple coagulation products to be developed
  - ✓ PT/INR product first to launch (planned for 2013)
  - ✓ Further products to follow
- Initial technology fee of \$3 million and a series of 6 payments tied to product development milestones to fund a significant portion of the R&D effort
- UBI will manufacture test strips exclusively
- Siemens to sell & distribute the products worldwide



# PT/INR offers good economic potential

## Maximum annual earnings opportunity (at 100% market share):

- Consider a target audience of >7 million Warfarin patients worldwide
- Assume 100% of this market
- Consider PT/INR monitoring frequency ranging from 4-weekly to weekly
- Consider earnings per test strip ranging from \$0.50 to \$1.50

Annual Earnings Opportunity <i>(at 100% market share)</i>	Indicative Earnings per Strip		
Indicative Testing Frequency	\$0.50	\$1.00	\$1.50
Once every 4 weeks (~91M tests/annum)	\$45M	\$91M	\$136M
Once every 2 weeks (~182M tests/annum)	\$91M	\$182M	\$273M
Once every week (~364M tests/annum)	\$182M	\$364M	\$546M

*Note: this analysis is intended to illustrate the scale of the opportunity within PT/INR testing across a range of input assumptions and in no way represents a forecast of likely UBI earnings.*



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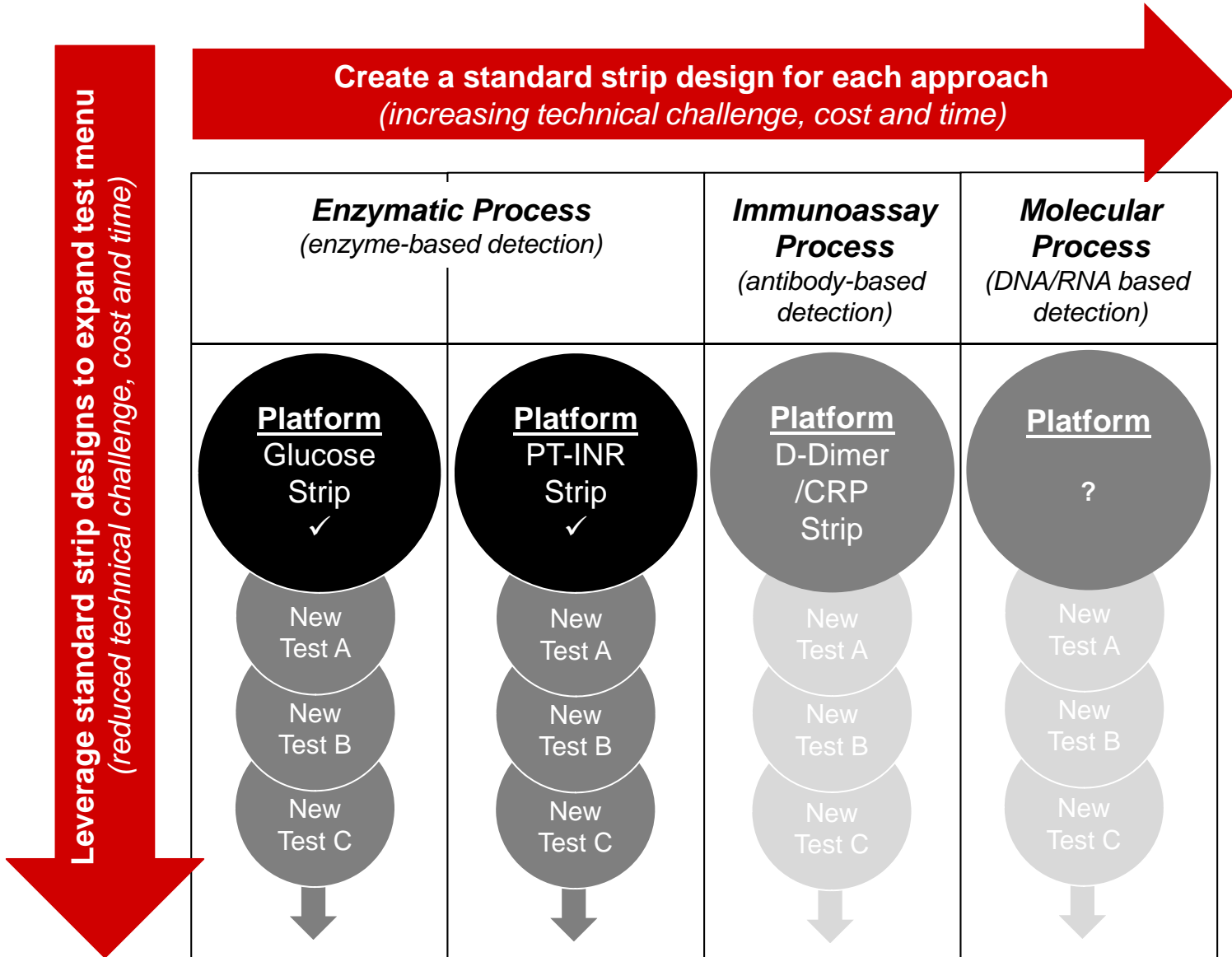
# Broadening the technology opens markets

<b>PoC Testing Market</b> <i>(excluding blood glucose)</i>	<b>World Sales</b> <i>(2016E - USD'M)</i>	<b>CAGR</b> <i>(2010-16E)</i>	<b>Typical Analysis Methods</b>
<b>Coagulation</b>	1,320	7%	Physical (eg viscosity), Enzymatic
<b>General Immuno, DoA, Clinical Chemistry</b>	1,385	8%	<b>Immunoassay</b> & many others
<b>Cardiac Markers</b>	1,460	11%	<b>Immunoassay</b>
<b>Cancer Markers</b>	380	8%	<b>Immunoassay, Molecular</b>
<b>Infectious disease</b>	1,480	12%	<b>Immunoassay, Molecular</b>
<b>Cholesterol</b>	700	10%	Enzymatic

Source: Management Estimates; Espicom PoC Diagnostics May 2011



# R&D balances strip design vs menu expansion





# Future near term milestones

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Verio (US1c) Quarterly Service Fees increasing	Quarterly
\$4.5M technology feasibility program for LifeScan completed	2012
First R&D milestones for Siemens completed	2012
Launch of PT-INR product with Siemens	2013
Immunoassay platform feasibility demonstrated	2012
Rapid DNA detection using UBI strip technology demonstrated	2013





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# Income Statement

	Years Ended December 31,			
	2011	2010	2009	2008
	A\$	A\$	A\$	A\$
<b>Revenue</b>				
Revenue from products	\$ 12,063,582	\$ 11,760,009	\$ 132,733	\$ -
Revenue from services	2,632,870	6,420,027	4,187,196	4,291,944
Milestone payment	-	-	17,722,641	-
Total revenue	14,696,452	18,180,036	22,042,570	4,291,944
<b>Operating costs &amp; expenses</b>				
Cost of goods sold and services	13,018,451	12,282,736	627,403	3,121,754
Research and development	9,812,396	6,482,150	14,898,072	11,585,258
General and administrative	7,271,488	7,185,550	5,635,569	5,510,127
Total operating costs & expenses	30,102,335	25,950,436	21,161,044	20,217,139
Profit/(loss) from operations	(15,405,883)	(7,770,400)	881,526	(15,925,195)
Other income	713,766	1,159,875	548,937	3,929,103
Net profit/(loss) before tax	(14,692,117)	(6,610,525)	1,430,463	(11,996,092)
Income tax benefit	-	-	-	206
Net profit/(loss)	(14,692,117)	(6,610,525)	1,430,463	(11,995,886)



# Balance Sheet

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## **Balance Sheet as at 31 December 2011**

	<b>A\$</b>
Current Assets (excluding cash)	9,512,078
Cash	15,089,209
Property, Plant & Equipment (net)	20,295,180
Non-current receivables	320,000
Total Assets	<u>45,216,467</u>
Current Liabilities	7,016,764
Non-Current Liabilities	3,177,097
Stockholders' Equity	35,022,606
Total Liabilities & Stockholders' Equity	<u>45,216,467</u>



# Capital Structure

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Number of shares on issue (current)	159,146,213
Market capitalization (at 26 <sup>th</sup> March 2012)	~A\$116 million
Number of options on issue (current)	11,258,290
Cash (at 31 December 2011)	~A\$15 million
Equity raised since inception	~A\$78 million



# Top 5 UBI shareholders

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<b>Shareholder</b>	<b>1 March 2012 Holding</b>
The Principals Cornerstone Fund Pty Ltd	11.7%
CM Capital Investments Pty Ltd	11.2%
HSBC Custody Nominees (Australia) Ltd	9.4%
PFM Cornerstone Ltd	7.5%
Cogent Nominees Pty Ltd	5.3%

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