Universal Biosensors

Universal Biosensors, Inc.

ARBN 121 559 993

ASX Spotlight Series

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Universal Biosensors

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UBI investment case

- ✓ Targeting the attractive **Point-of-Care diagnostics (POCD)** market
- ✓ With a **powerful POCD technology** platform
- ✓ Profitable business with world leader **LifeScan (J&J)** in diabetes care
- ✓ Partnered with world leader **Siemens** in POC coagulation testing
- ✓ Pipeline of high value future product opportunities
- ✓ Experienced, high-calibre management team
- ✓ **Generating revenues** from worldwide sales
- ✓ ASX-listed, SEC compliant, US Company

Universal Biosensors

Contents

- **UBI Overview**
- Blood Glucose Monitoring
- Coagulation Testing
- Future Opportunities

The future of diagnostics is at Point-of-Care





Healthcare Challenges:

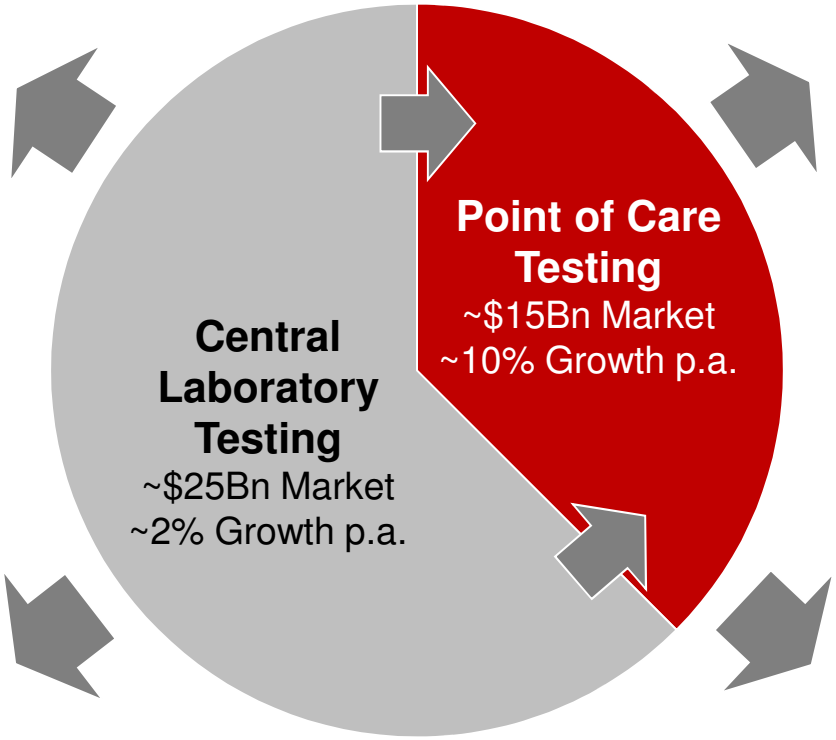
- Aging populations, living longer with chronic conditions
- Skills shortages
- Exploding healthcare costs
- Variable standards of care in
  - Remote / regional areas
  - Developing economies

Point of Care Diagnostics (POCD) Technology:

- ✓ Supports more timely and frequent diagnosis
- ✓ Simpler to use
- ✓ Empowers the patient
- ✓ Reduces logistics challenge
- ✓ Better health economics

UBI targets the $15Bn, growing POC market

Global In-Vitro Diagnostics Market
(2012 estimate)

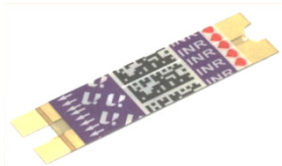


Source: Espicom, POC Diagnostics – 2011; Management Estimates

Using UBI's powerful diagnostic technology

- **Well suited to Point-of-Care**
  - ✓Easy to use
    (requires small drop of blood from finger-prick)
  - ✓Accurate results
    (results that are accurate for each individual)
  - ✓Low cost to manufacture
    (supports fully automated, scale manufacturing)
- **Broad application**
- **Annuity-based business model**
  - ✓Strips tied to readers
  - ✓Meter installed base pulls strip sales
- **Patent protected**
  (44 patent families)

Disposable Test Strips

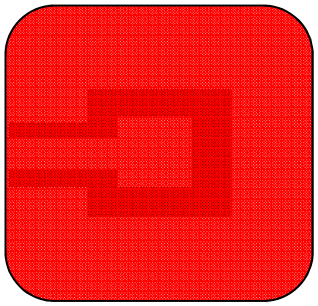


Handheld Readers

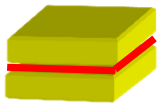


A paradigm shift in electrochemical sensors

Co-Planar Electrodes

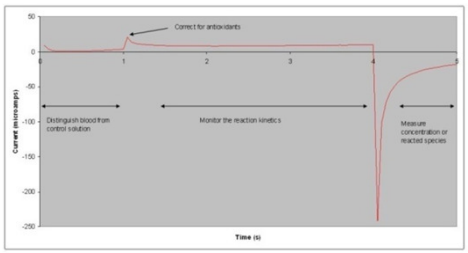


Opposing Electrodes

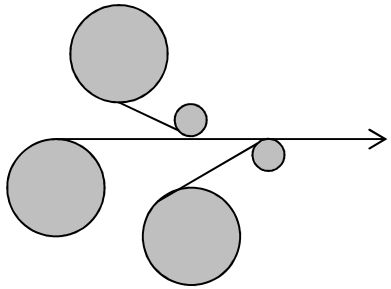


Smaller sample volume

Greater Accuracy



Simpler to manufacture



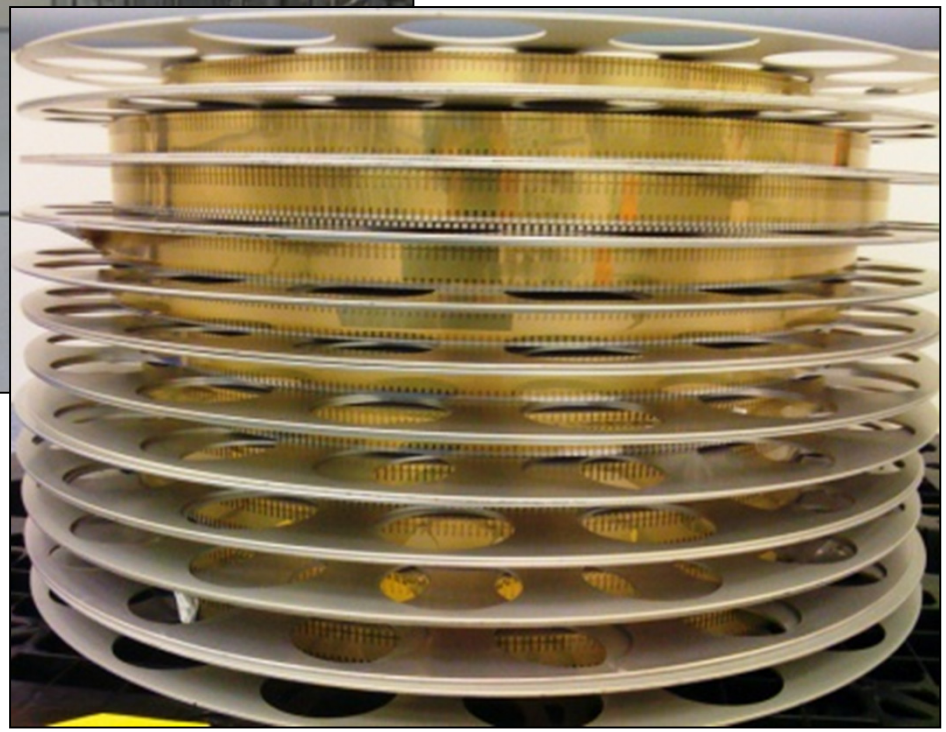
Broad IP protection



…and low cost, scale manufacturing



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



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

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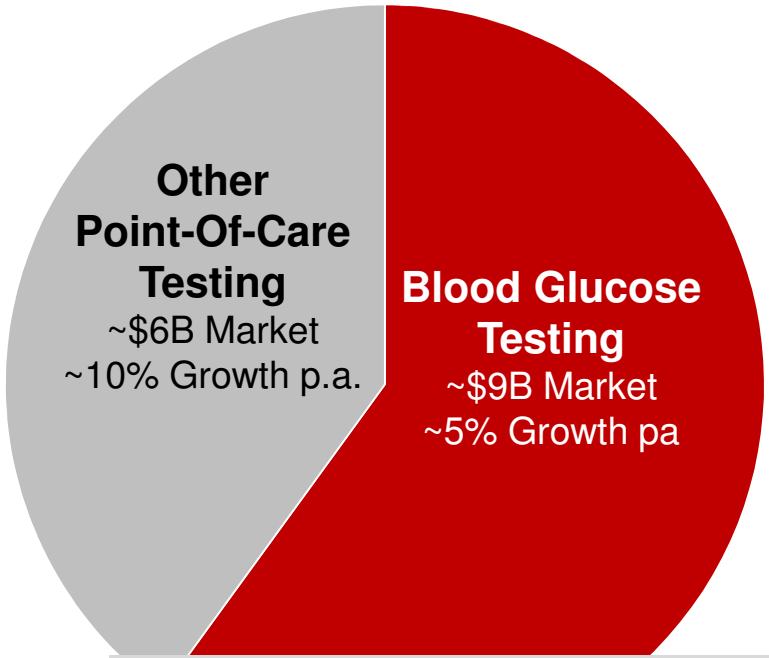
1st target: the $9B blood glucose segment

Global Point of Care Diagnostics Market
(2013 estimate)



Blood Glucose Growth Drivers

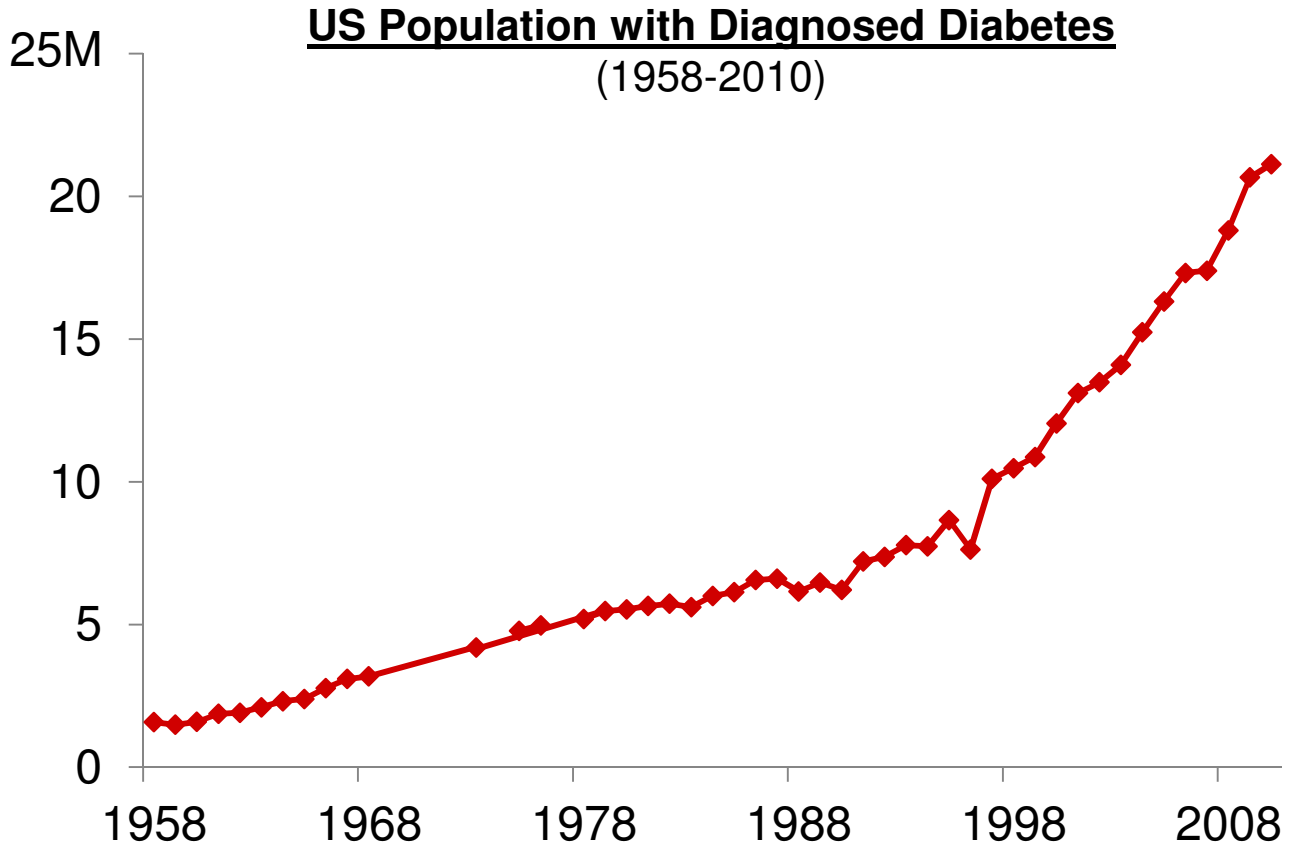
- Increased life expectancy of diabetes sufferers
- Growing incidence of diabetes in all geographies
- Technology improvements
- Increasing patient awareness

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;*
- *Economic burden of diabetes in US ~$245Bn per annum (up 41% in 5 years)*

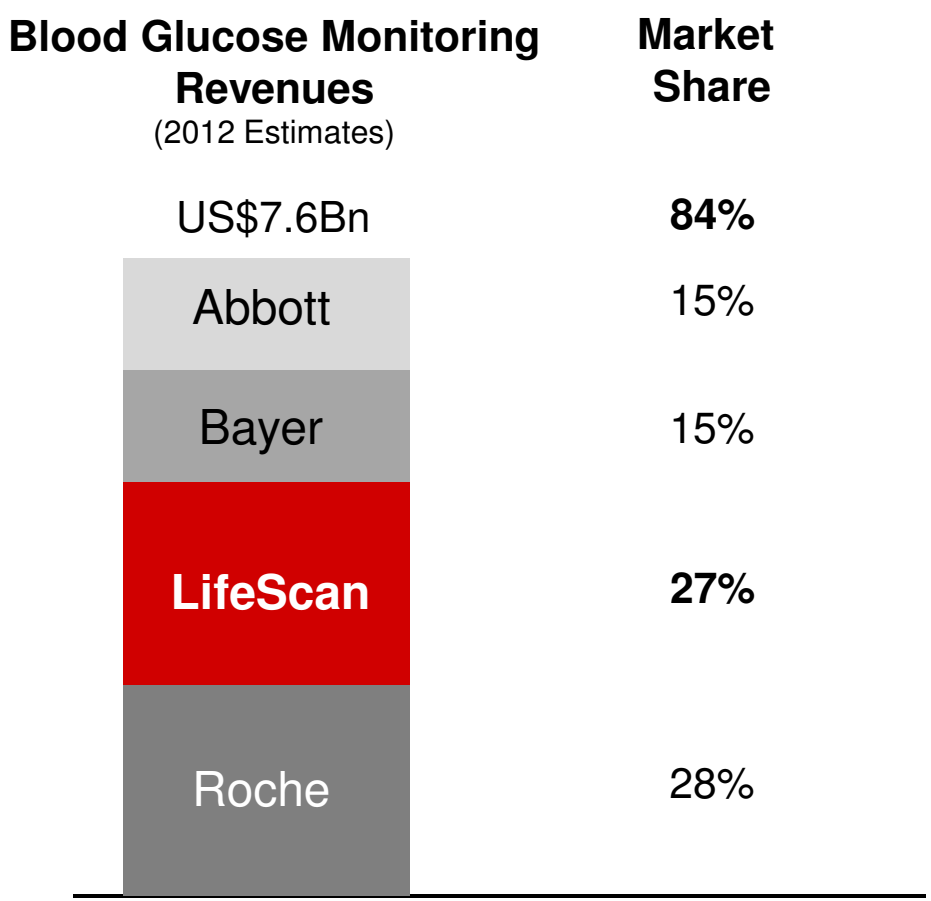
Source: Espicom, POC Diagnostics – 2011; Management Estimates; Global Data SMBG Market Study - Nov 2009; National Diabetes Information Clearing House - 2011

Growth in diabetes drives glucose testing



Source: Centre for Disease Control & Prevention - National Diabetes Surveillance System

The “Big 4” blood glucose players dominate



Estimated World Market

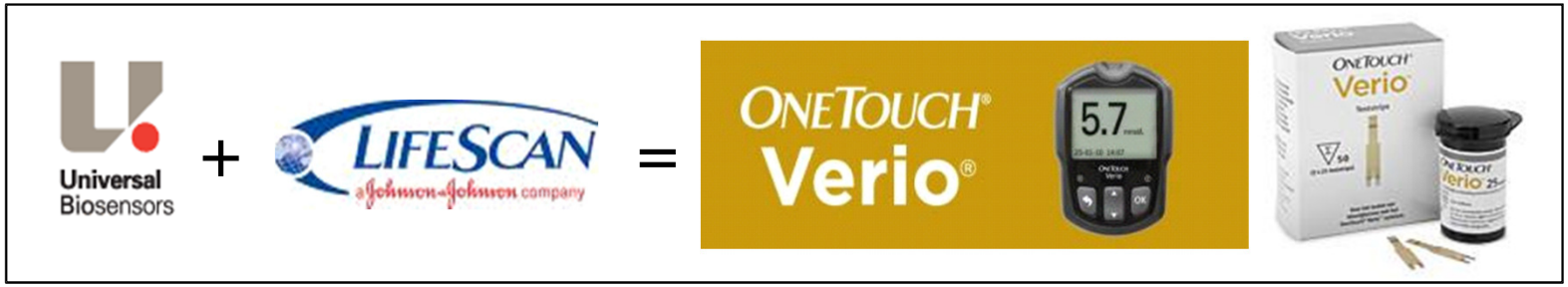
~17Bn tests / annum

Estimated LifeScan Share

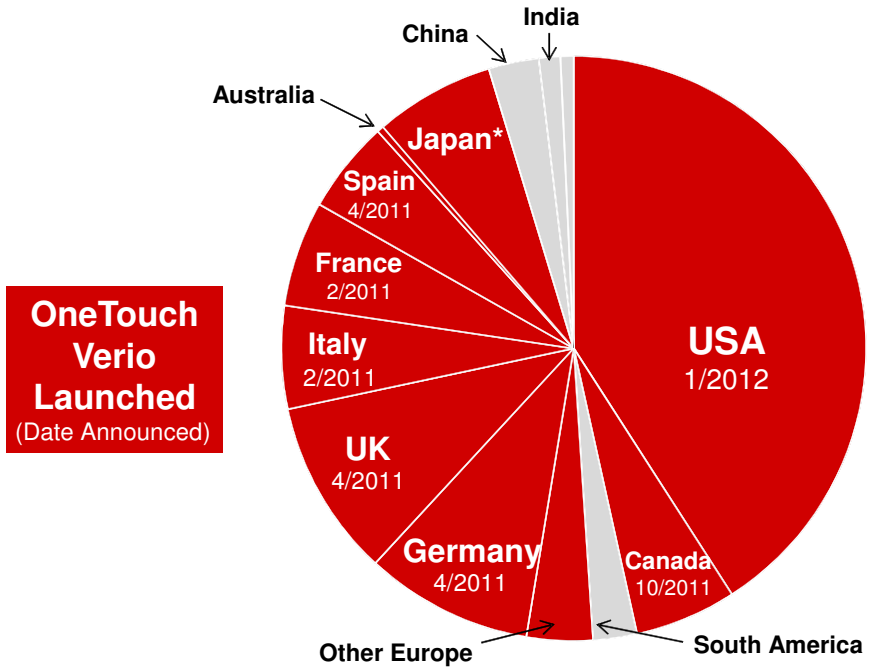
~4.5Bn tests / annum

Source: Company Financial Reports, analyst estimates, management estimates

OneTouch Verio global roll-out continues…



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.
**Product launched in Japan is aimed at Healthcare Professionals, rather than Self Monitored Blood Glucose*

…demonstrating substantial commitment

Expanding range of OneTouch Verio Meters

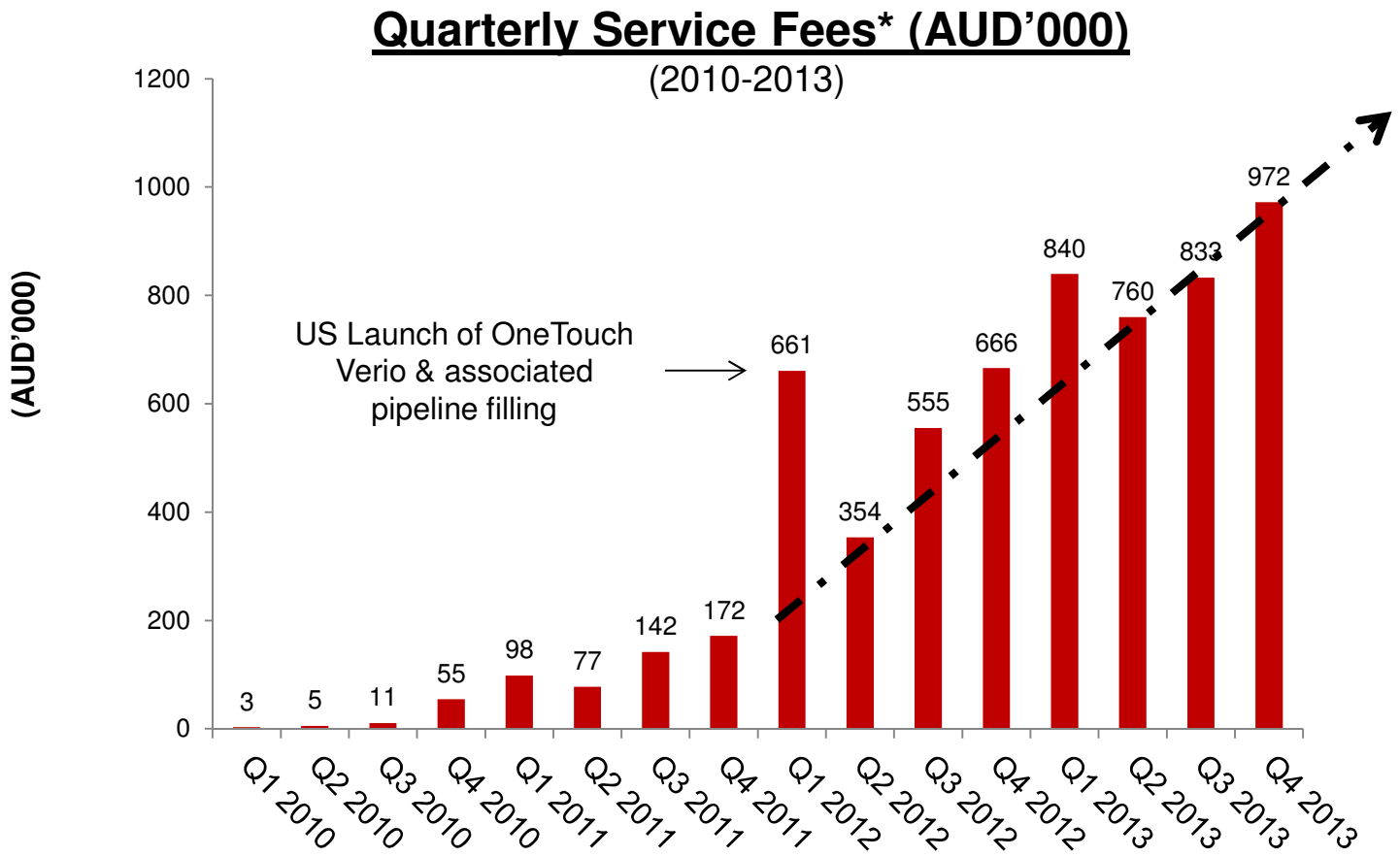


Expanding strip manufacturing capacity



Fees from strip sales have grown rapidly

UBI is paid ~US1cent for each OneTouch Verio strip sold by LifeScan. These Quarterly Service Fees (QSFs) grew by ~52% in 2013, substantially faster than the overall market.



**Quarterly Service Fees are based on the number of Verio strips sold by LifeScan*
Source: UBI accounts - for important details relating to the terms of our commercial relationship with LifeScan, refer to our most recent Form 10K and agreements filed with the SEC.

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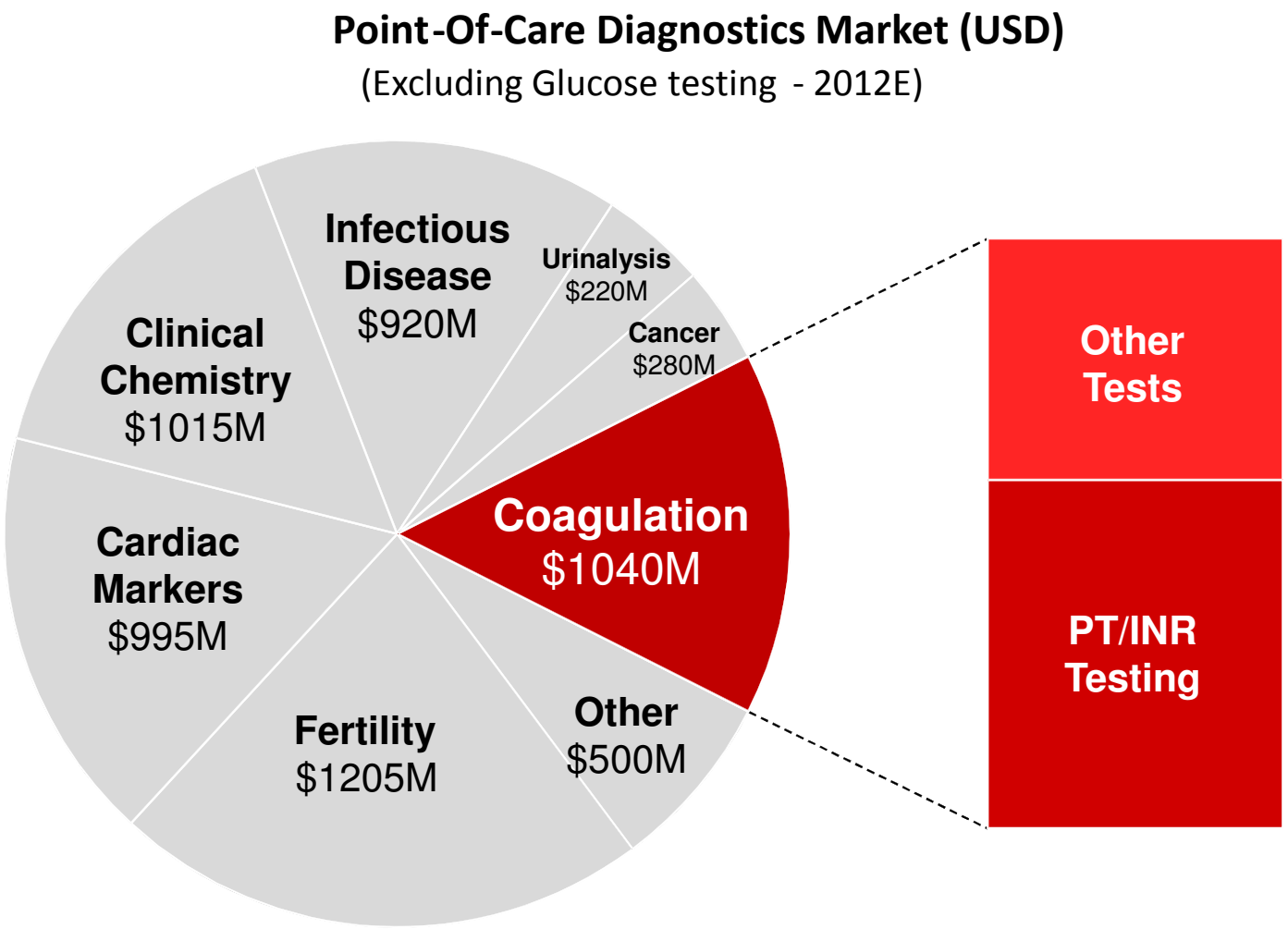
Next opportunity: POC coagulation testing

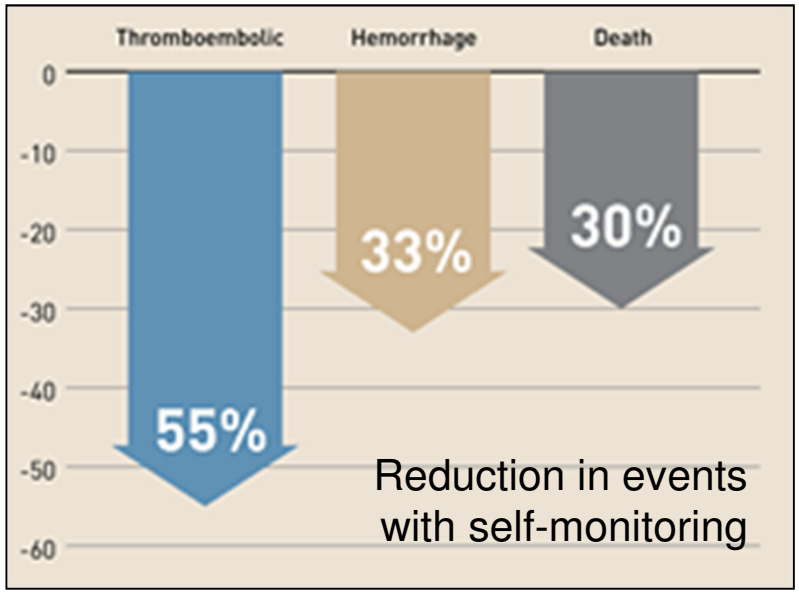


Source: Espicom Business Intelligence, 2011; Industry analysis; Management estimates

What is a PT/INR test?

- Prothrombin Time (PT) measures the clotting tendency of blood and is reported as an International Normalised Ratio (INR)
- Frequent INR testing is used to ensure that Warfarin patients remain in the Target Therapeutic Range (TTR)



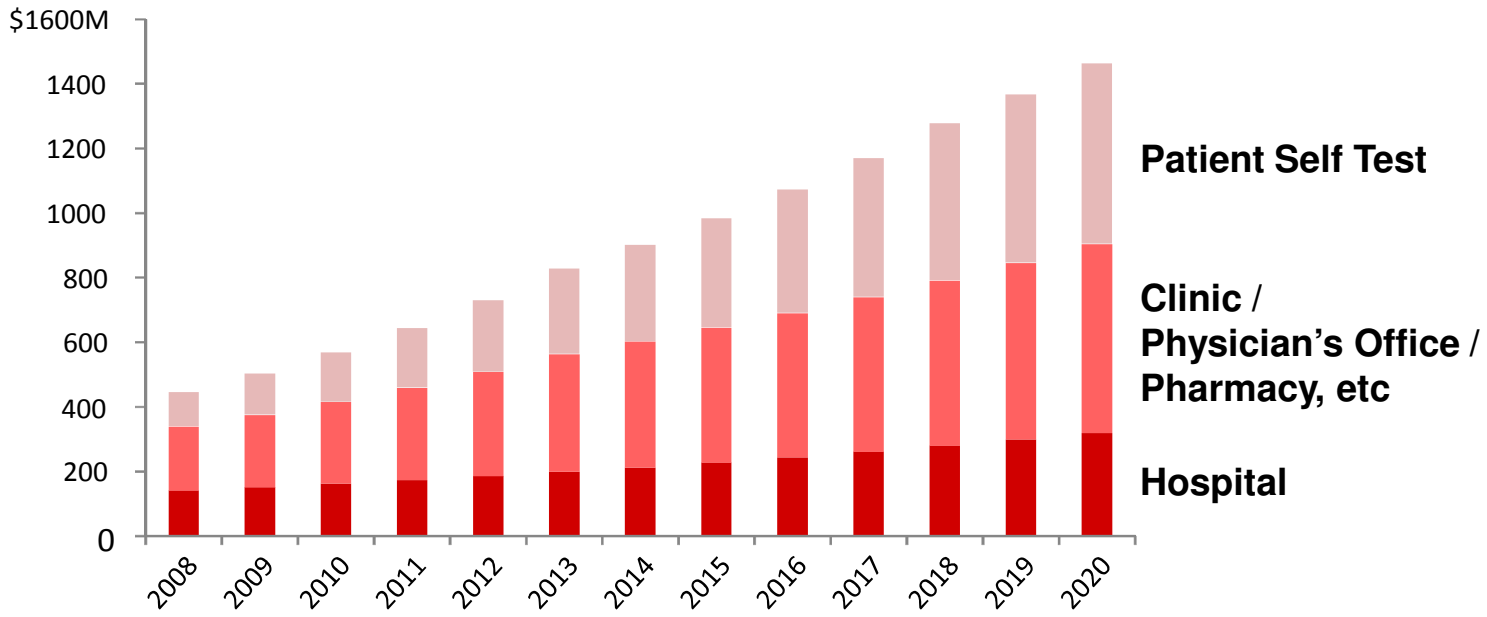


Heneghan C, Alonso-Coello P, Garcia-Alamino JM, et al. Self-monitoring of oral anticoagulation: a systematic review and meta-analysis. *Lancet.* 2006;367:404-411.

- More frequent monitoring improving patient outcomes as patients remain within TTR longer
- Point of Care (POC) testing is required for more frequent monitoring

POC PT-INR testing will grow 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 (towards weekly)
- ✓ US Medicare reimbursement of weekly test at ~US$5.53 / test

Source: Management estimates; Kalorama, The Worldwide Market for In Vitro Diagnostic Tests, 6th Ed., 2008; Trimark, "Point of Care Diagnostic Testing World Markets", April 2011

Partnered with Siemens in POC coagulation

Universal Biosensors + SIEMENS



PT-INR testing system:
- in development
- launch expected in 2014



Coagulation test #2:
- feasibility achieved June 2012
- launch expected in 2015



Coagulation test #3:
- feasibility achieved July 2012
- launch expected in 2015

- Worldwide partnership in "professional" markets for Point-of-Care Coagulation testing
- UBI will be the exclusive manufacturer of 3 coagulation test strips for Siemens
- Siemens to register, market and distribute products worldwide
- Siemens contributes to development costs: ~US$8.5M received to date, with 4 milestone payments to come
- UBI returns via margin on strip manufacturing & upside profit share

Siemens POC coagulation: PT-INR

- **Target timetable:**
  - ✓ launch of Siemens POC PT-INR testing system is expected in 2014
  - ✓ revised strategy targets launch before end of Q3 2014
  - ✓ Siemens & UBI focused on achieving earliest possible launch
- **Siemens demonstrating high commitment to launch:**
  - ✓ high involvement in an integrated project team
  - ✓ driving a high quality, competitive specification



- **Jointly working to:**
  - ✓ obtain sufficient high-INR clinic data to complete system performance validation
  - ✓ address residual risks and improvement opportunities
  - ✓ manage the logistics of launch preparations
- **After completion of clinical trials, product approvals be based on:**
  - ✓ self-certification for CE Mark and European launch
  - ✓ FDA 510K process prior to US market launch

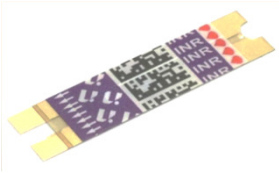
UBI-owned home PT-INR test to follow

Opportunity:

- ✓ UBI-owned PT-INR testing system for decentralised settings including patient self-testing (PST), sold through specialist distributors in key markets
- ✓ $200-300M market opportunity today, with potential for double-digit growth
- ✓ Opportunity for higher margin business under UBI control
- ✓ Distribution network provides channel for future UBI products

Target timetable:

- ✓ Targeting launch in 2015





Illustrative purposes only

Project status:

- ✓ 2nd generation prototype system nearing completion
- ✓ Distributor engagement accelerating
  - ➢ Lead candidates identified in key markets
  - ➢ Detailed MOUs being finalised for initial markets
- ✓ 3rd party meter manufacturing establishment underway



PT/INR offers good economic potential

Annual revenue opportunity:

- Consider a target audience of ~7 million Warfarin patients worldwide
- Assume, conservatively, that each patient tests 30 times per annum, on average
- Assume, conservatively, that UBI's price per test strip lies between US$0.50-1.50

Annual UBI Revenue Opportunity (USD)	Transfer Price per Strip (USD)		
Market Share	$0.50	$1.00	$1.50
10%	$10M	$21M	$32M
20%	$21M	$42M	$63M
30%	$32M	$63M	$95M

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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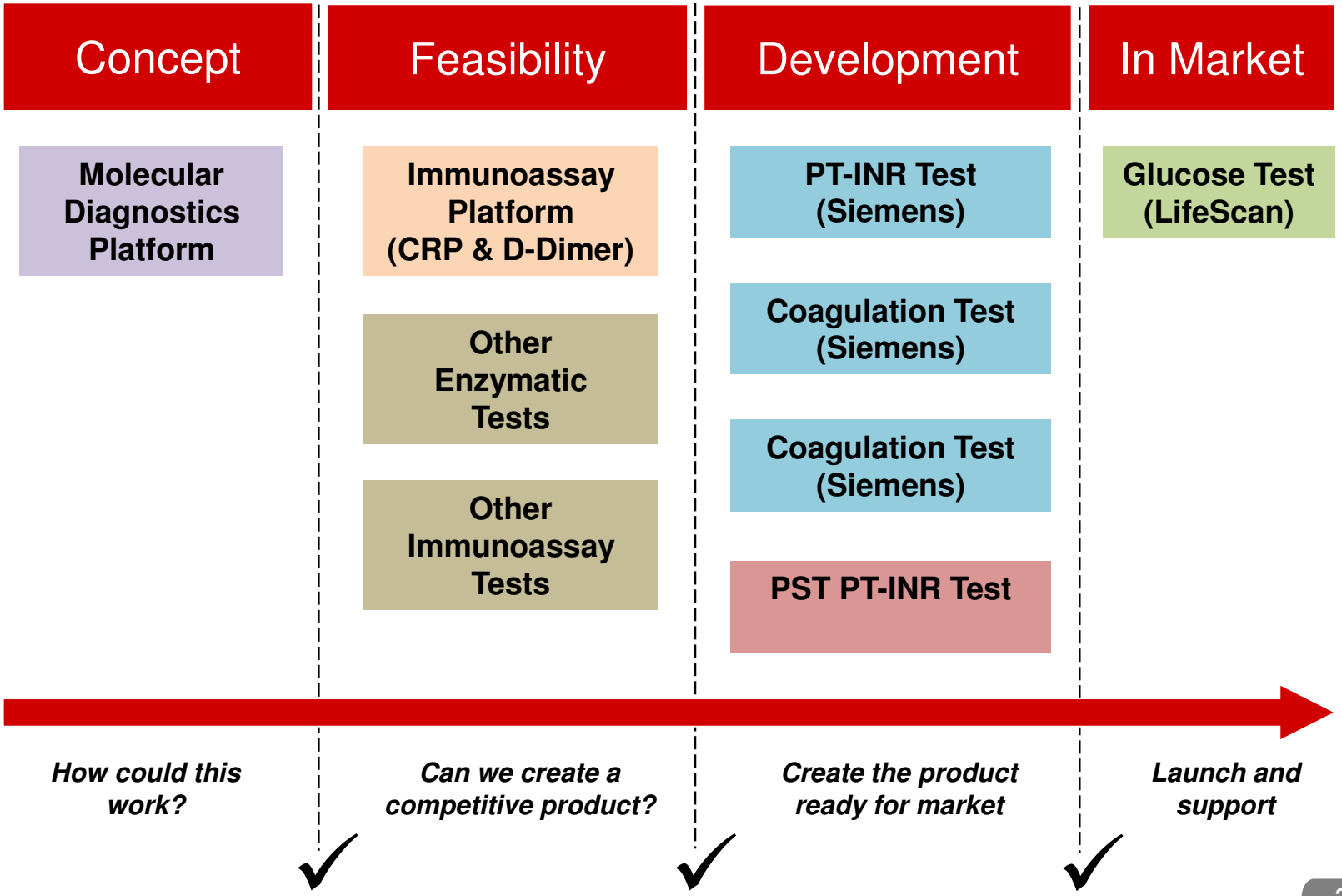
A pipeline of future POCD products



Building a powerful diagnostics company

Blood Glucose

- ✓ Core technology platform (strip & meter)
- ✓ Low-cost, scale manufacturing
- ✓ Early cash flow
  - ➢ Contract R&D
  - ➢ Strip production
  - ➢ Quarterly Service Fees
- ✓ **Validation by a world leader**

LIFESCAN a Johnson & Johnson company

Coagulation

- ✓ Demonstrated broader capability of UBI technology
- ✓ Diversification reduces business risk
- ✓ Long term strip manufacturing secured by contract
- ✓ **Second validation by a world leader**

SIEMENS

POC Diagnostics Leadership

- Build out POC Diagnostics test menu
- Leverage core capabilities (development & manufacturing)
- Leverage & expand route-to-market partnerships
- **Extract greater returns from the value chain**

Value Drivers

- **Ongoing growth in Quarterly Service Fees (quarterly filings)**

- **Siemens POC PT-INR test**
  - ✓ Commercial production
  - ✓ Regulatory approvals
  - ✓ Launch (2014)

- **Other Siemens POC coagulation tests**
  - ✓ Commercial production
  - ✓ Regulatory approvals
  - ✓ Launch (2015)

- **UBI-owned PT-INR test for patient self-test & decentralised settings**
  - ✓ Distribution agreements
  - ✓ Commercial production
  - ✓ Regulatory approvals
  - ✓ Launch (2015)

UBI investment case

- ✓ Targeting the attractive **Point-of-Care diagnostics (POCD)** market
- ✓ With a **powerful POCD technology** platform
- ✓ Profitable business with world leader **LifeScan (J&J)** in diabetes care
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Appendix: Financial Statements

Financial metrics (FY2013)

	12 months ended December 31st			
	2013 (A$'M)	**2012** (A$'M)	**Change**	**Comments**
Quarterly Service Fees	3.4	2.2	**Up 52%**	Ongoing market penetration
Revenue from Products	10.2	19.4	Down 47%	Transfer of glucose strip manufacturing to LifeScan's own facility in 2013
Revenue from Services*	1.5	8.0	Down 81%	No milestone payments or major contract R&D in 2013
Total Revenue	**15.1**	**29.6**	**Down 49%**	
Cost of Goods Sold & Services	11.6	18.7	Down 38%	
Contribution from Products & Services	**3.4**	**11.0**	**Down 69%**	
R&D Expense (net)	9.2	13.5	Down 32%	4 products in development stage, offset by ~$6M in R&D Tax Rebates in 2013
G&A Expense	6.2	6.8	Down 9%	Spending restricted on non-core activities
Financing costs	0.8	0	Up $0.8k	Related to structured financing
Net Loss after Tax	**11.6**	**9.1**	**Up $2.5M**	
Net Increase in Cash	**0.1**	**8.6**	**Down $8.5M**	Cash burn offset by additional funding received in Dec 2013

**Excludes Quarterly Service Fees shown separately*

Financial summary: balance sheet

Balance Sheet as at 31 December 2013

	A$
Currrent Assets (excluding cash)	12,047,157
Cash	23,742,422
Property, Plant & Equipment (net)	15,910,120
Other Non-Current Assets	2,920,000
Total Assets	54,619,699
Current Liabilities	5,422,287
Non-Current Liabilities	19,513,472
Stockholders' Equity	29,683,940
Total Liabilities & Stockholders' Equity	54,619,699

Financial summary: capital structure

Number of shares on issue	175,600,605
Market capitalization (at 20th February 2013)	A$70 million
Number of options on issue	10.6 million
Cash (at 31st December 2013)	A$23.7 million
Equity raised since inception	A$83.7 million

Top 5 UBI shareholders

Shareholder	31st December 2013 Holding
National Nominees Ltd	10.6%
Talu Ventures Pty Ltd	10.1%
The Principals Cornerstone Fund Pty Ltd	9.9%
Australian Executor Trustees SA Ltd	8.0%
RBC Investor Services	5.3%

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