

Universal Biosensors Ltd

Move to Manufacturing boosts Profit Outlook

After 8 years to development, UBI is now in a strong growth position, with:

- The launch of its first product, a consumable for the "Onetouch Verio" blood glucose meter through LifeScan (Johnson & Johnson) in 8 European countries and Australia. LifeScan also has regulatory approval for the imminent launch in the major US market, with the prospect of a progressive rollout of Verio across LifeScan's global operations.
- UBI received a A\$17.7m milestone payment with regulatory approval in Europe in December 2009 and will receive escalating revenue from the sale of consumables through LifeScan and an ongoing volume based service fee.
- An ongoing relationship with LifeScan for R&D and the development of additional products.
- UBI's second product, a coagulation test system is in the final stages of development. With the conclusion of agreements for sales and marketing with a major global healthcare group, it is expected to be released in CY2012.
- A further 3 prospective testing systems in various stages of development.

Testing Growth Opportunities

The 'in vitro' diagnostic testing market is a large and rapidly expanding market, estimated at US\$42b pa. Within this market, the Point-of-Care sector (UBI's target market) is the fastest growing sector at US\$15.3b pa, with the blood glucose testing the largest segment, estimated at US\$10b pa and growing at 11% pa. Through LifeScan, UBI will have access to around 27.2% of this market.

UBI's second target market, the US\$500m PT/INR segment of the blood coagulation testing market is growing segment at over 12% pa. This growth is a result of regulatory and reimbursement changes and increasing incidence of warfarin use. The remaining target sectors, while small, are growing rapidly.

Forecasts

With escalating cash flow from recent launches of its blood glucose product and expected new launches by LifeScan, we expect a reduced loss in CY2011 moving to a profit in CY2012 and substantial growth in CY2013.

The level of growth will be depend on the timing of further country launches of the blood glucose system, especially the US, and a further quantum increase with the commercialisation of its blood coagulation meter system, expected in CY2012.

Reasons to BUY

Growth Markets – Exposure to large rapid growth Healthcare sectors, initially the blood glucose market, through an exclusive relationship with Lifescan.

Industry Position – Leading edge technology, a strong IP position, backed by a strong R&D team position and successful management and Board.

Opportunities - Substantial global market potential for a second and subsequent product, underpinned by the successful launch of its first product.

Balance Sheet Strength - A strong Balance Sheet, with net cash of \$23m and no capitalised R&D or goodwill.

Valuation – Current trading at a 38.8% discount to our valuation of \$2.16 ps.

UBI.ASX

Buy

27 April 2011

Price	1.35				
Target price	2.16				
Valuation method	DCF				
GICS sector	Healthcare				
12 Mth Price Range	\$1.23 - 1.75				
Avg monthly t/o	2m				
Market Capitalisation	\$214m				
Shares on issue	159m				
Enterprise value	\$191m				
Previous rating	Initiating Coverage				
Year Ended Dec 30		09A	10A	11E	12E
Operating Revenue	\$m	22	18	37.5	64.8
EBITDA	\$m	3.5	-4.8	0.6	11.7
EBITDA margin	%	495.7	32.4	30.9	33.6
EBIT	\$m	0.6	-7.8	-2.7	8.2
EBIT margin	%	14.6	-42.9	-7.3	12.6
NPAT	\$m	1.4	-6.6	-1.3	6.3
EPS	cps	0.9	-4.2	-0.8	4.0
EPS growth	%	-111.9	-560.5	-81.2	na
DPS	cps	0.0	0.0	0.0	1.5
Franking	%	0.0	0.0	0.0	0.0
PER	x	na	-36.2	na	33.8
Dividend yield	%	0.0	0.0	0.0	1.1
NTA/share	\$ ps	32.7	28.5	27.7	31.7
EV/EBITDA	x	51.9	-39.7	333.6	15.8
Gearing (D:E)	%	0.0	0.0	0.0	0.0
P/OCF	x	49.5	-37.3	343.7	21.2
ROA	%	1.2	-14.5	-5.2	13.7
ROE	%	2.9	-13.7	-2.8	13.4
Interest cover	x	na	na	na	na

v XSI (S&P/ASX Small Industrial Index)



Source: IRESS

Activities

Development & commercialisation of medical diagnostic devices, especially for point of care in vitro tests.

www.universalbiosensors.com

Brent Mitchell 03 86054830

bmitchell@veritassecurities.com.au

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Investment Case

Leading edge products with a strong IP position

Product Development— UBI develops new leading edge patented products in the 'in vitro' diagnostic (IVD) market, with a defined advantage over existing products. These products are supported by a strong patent position, either owned or exclusively licensed to UBI.

Strong growth markets, increasing at over 10% pa

Growth Markets – The 'in vitro' diagnostic (IVD) is a major growth market, currently estimated at over US\$42b. Within this market, the Point-of-Care diagnostic market (UBI's target market) represents around 36% or US\$15.3b pa, growing at 10% to 12% pa. UBI's initial product has been launched in the blood glucose market, the largest sector at around US\$10b pa, growing at a rate of 10% pa.

Partnership with J&J, gives a strong immediate market position

Partnership with LifeScan - For its blood glucose system, UBI has an exclusive partnership with LifeScan (a Johnson & Johnson division) with a relevant global market share of the blood glucose markets of 27.2% and revenue of over US\$2.5b. UBI continues with additional R&D for LifeScan.

Successfully completed product launch

Successful Product launch – UBI has successfully developed and launched its blood glucose meter system through LifeScan and established ongoing consumable manufacturing, validating UBI's technology, business strategy and organisational capabilities. Following the successful launch in Europe and Australia, the system will be progressively rolled out globally, including the imminent launch in the US (approved in February 2011).

UBI will receive a rapidly escalating cash flow from the sale of consumables (test strips) to LifeScan in countries where it has been launched, and a service fee based on the total sales of test strips by LifeScan.

Significant new product potential

Development potential – UBI has the opportunity to repeat the development cycle, with a second product in the final development stage. This product targets the US\$400m PT/INR testing segment with the blood coagulation testing market, the fastest growing sector at over 12% pa. UBI has an additional 2 products under development, both with strong growth profiles.

Abundance of resources to drive development

Resources - UBI has impressive resources, comprising:

- A long established and successful R&D team and a State of the Art ISO 13485 certified manufacturing facility, capable of handling near term anticipated capacity.
- A strong, experienced and well-credentialed Board and management, both with a record of success.
- A strong Balance Sheet with no debt, net cash of \$23.3m (14.7¢ ps) and no capitalised R&D.

Moving to profit in CY2012

Improving Financials – UBI is experiencing strong growth in cash flow and revenue from the rollout of the blood glucose meter, which will escalate in CY2011 and CY2012 with the recent and anticipated country launches. With a boost from its second product, UBI is expected to be cash flow positive and profitable in CY 2012, escalating sharply in CY2013.

Substantial discount to valuation of \$2.35 ps

Valuation - UBI is currently trading at a 38.8% discount to our valuation of \$2.16 ps (\$342m), based on a Discounted Cash Flow Model.

Risks

Major risks centre around product development and rollout and reliance on partners

Development risk – UBI needs to continue its development success with its current development projects and additional products for LifeScan, although the risks have reduced with recent developmental success.

The LifeScan Link – UBI is reliant on LifeScan for the timing and successful rollout of the blood glucose meter in the US, a key market, and other key global markets.

Market Place success – Revenue growth is dependent on the level of market acceptance and sales, especially with multinational competitors with competing products.

Regulatory requirements and Reimbursements – The meter systems require regulatory approval through the FDA (USA), TGA (Australia) and other bodies, with varying clearance requirements. Demand is also reliant on the maintenance or positive changes to the current reimbursement regimes.

Collaborative Agreements – The need to establish partnerships for the sales and distribution for its subsequent test systems.

Normal manufacture and supply risks – This includes the currency impacts and the cap on the charge per strip to LifeScan. In December 2010, Abbott Diabetes Care recalled 379m strips, due to false readings.

EQUITY RESEARCH



Universal Biosensors

FINANCIAL PERFORMANCE

Year ended 31-Dec	2009A	2010A	2011E	2012E	2013E
Sales Revenue	\$m 22.0	18.2	37.5	64.8	89.5
Cost of Goods Sold	\$m -0.6	-12.3	-25.9	-43.0	-56.4
Gross Operating Profit	\$m 21.4	5.9	11.6	21.8	33.1
R&D	\$m -14.9	-6.5	-5.8	-5.0	-5.0
Administration Costs	\$m -2.8	-4.2	-5.2	-5.1	-5.3
EBITDA	\$m 3.5	-4.8	0.6	11.7	22.8
Depreciation	\$m -2.9	-3.0	-3.3	-3.5	-3.5
EBIT	\$m 0.6	-7.8	-2.7	8.2	19.3
Interest	\$m 0.8	1.2	0.9	0.9	1.2
Pre Tax Profit	\$m 1.4	-6.6	-1.8	9.1	20.5
Tax	\$m 0.0	0.0	0.5	-2.7	-6.2
Reported Profit	\$m 1.4	-6.6	-1.3	6.3	14.4

GROWTH

	2009A	2010A	2011E	2012E	2013E
Revenue	% 0.7	320.8	106.0	72.9	38.3
COGS	% -79.9	1857.7	110.7	66.1	31.3
Gross Operating Profit	% 830.5	-72.5	96.3	88.2	52.0
R&D	% 28.4	-56.5	-10.5	-13.8	0.0
EBITDA	% -128.4	-238.2	-112.0	1924.0	95.2
EBIT	% -104.3	-1337.4	-65.1	-400.7	135.9
Reported Profit	% -111.9	-562.1	-81.0	-605.9	126.3
EPS	% -111.9	-560.5	-81.2	-605.4	126.3

P&L RATIOS

	2009A	2010A	2011E	2012E	2013E
Gross Operating Profit / Sales	495.7	32.4	30.9	33.6	37.0
EBITDA / Sales	% 80.6	-26.5	15	18.0	25.5
EBIT / Sales	% 14.6	-42.9	-7.3	12.6	21.6
Effective Tax Rate	% 0.0	0.0	30.0	30.0	30.0
Interest Cover	x na	na	na	na	na

Per SHARE

	2009A	2010A	2011E	2012E	2013E
Issued Shares (Wt Avg)	m 157.0	157.6	158.8	158.9	158.9
EPS	¢ps 0.9	-4.2	-0.8	4.0	9.0
EPS (dil C/Notes & Opts)*	¢ps 0.9	-4.2	-0.8	4.1	9.1
Operating Cash Flows	cps 3.7	-4.1	0.4	6.4	10.2
Free Cash Flow	¢ps 1.8	-5.5	-0.9	5.1	8.9
DPS	¢ps 0.0	0.0	0.0	1.5	4.0
Franking	% 0.0	0.0	0.0	0.0	0.0
Dividend Payout Ratio	% 0.0	0.0	0.0	37.6	44.3

PARAMETERS

	2009A	2010A	2011E	2012E	2013E
PE Ratio	x 203.1	-36.2	-163.3	32.3	14.3
Enterprise Value / EBITDA	x 49.2	-37.7	317.1	15.0	7.2
Enterprise Value / Profit	x 119.8	-27.5	-146.0	27.6	11.4
Cash Flow ratio	x 49.5	-37.3	328.4	20.3	12.7
Dividend Yield	% 0.0	0.0	0.0	1.2	3.1

SEGMENTS

	2009A	2010A	2011E	2012E	2013E
Sales Revenue					
Product Sales	\$m 0.1	11.8	26.4	50.8	72.5
Service Revenue	\$m 2.9	6.4	11.1	14.0	17.1
R&D	\$m 1.3	0.0	0.0	0.0	0.0
Milestone Payments	\$m 17.7	0.0	0.0	0.0	0.0
EBIT					
Product Sales	\$m -0.3	1.0	4.9	12.6	21.3
Service Revenue	\$m 2.7	4.9	6.7	9.2	11.9
R&D	\$m -13.6	-6.5	-5.8	-5.0	-5.0
Milestone Payments	\$m 17.7	0.0	0.0	0.0	0.0
EBIT Growth					
Product Sales	% 0.0	-394.7	408.4	158.8	68.5
Service Revenue	% 0.0	84.2	35.7	36.8	29.3
R&D	% 30.2	-52.2	-10.5	-13.8	0.0
EBIT Margin					
Product Sales	% -245.2	8.2	18.5	24.8	29.3
Service Revenue	% 94.1	76.9	60.4	65.6	69.5

Current Price: \$1.29 ps

CASH FLOW

Year ended 31-Dec	2009A	2010A	2011E	2012E	2013E
Operating EBITDA	\$m 3.5	-4.8	0.6	11.7	22.8
Net Interest Received/Paid	\$m 0.8	1.2	0.9	0.9	1.2
Tax Paid	\$m 0.0	0.0	0.0	0.5	-2.7
Change Working Capital	\$m -0.9	-4.7	-0.9	-3.0	-5.1
Other	\$m 2.5	4.7	0.0	0.0	0.0
Operating Cash Flow	\$m 3.4	-8.3	0.6	10.1	16.2
Capex	\$m -3.0	-2.3	-2.0	-2.0	-2.0
Free Cash Flow	\$m 0.4	-10.7	-1.4	8.1	14.2
Acquisitions/Asset Sales	\$m 0.0	0.0	0.0	0.0	0.0
Dividends Paid	\$m 0.0	0.0	0.0	0.0	-2.4
Equity Change	\$m 0.1	0.7	0.1	0.0	0.0
Debt Change	\$m 0.0	0.0	0.0	0.0	0.0
Change in Net Cash	\$m 0.5	-9.9	-1.3	8.1	11.8

BALANCE SHEET

	2009A	2010A	2011E	2012E	2013E
Cash	\$m 31.3	23.3	22.0	30.1	41.9
Receivables	\$m 0.4	3.6	5.2	9.5	13.1
Inventory	\$m 0.3	3.2	5.8	7.5	10.4
Other Current Assets	\$m 2.8	0.7	0.8	0.9	1.0
Current Assets	\$m 34.8	30.7	33.8	48.0	66.4
Property, Plant & Equipment	\$m 21.3	21.1	19.8	18.3	16.8
Intangibles	\$m 0.0	0.0	0.0	0.0	0.0
Other NC Assets	\$m 0.0	0.0	0.0	0.0	0.0
Non Current Assets	\$m 21.3	21.1	19.8	18.3	16.8
Total Assets	\$m 56.1	51.8	53.6	66.3	83.2
Payables	\$m 0.4	1.8	5.1	8.1	9.5
Current Debt	\$m 0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	\$m 2.2	2.7	3.5	4.5	6.0
Current Liabilities	\$m 2.6	4.5	8.6	12.6	15.5
Non Current Debt	\$m 0.0	0.0	0.0	0.0	0.0
Other NC Liabilities	\$m 2.1	2.2	1.0	3.3	5.3
Non Current Liabilities	\$m 2.1	2.2	1.0	3.3	5.3
Total Liabilities	\$m 4.7	6.6	9.6	15.9	20.8
Shareholder Funds	\$m 51.4	45.2	44.0	50.4	62.3

BALANCE SHEET RATIOS

	2009A	2010A	2011E	2012E	2013E
Receivables turn	x 19.3	9.1	8.5	8.8	7.9
Inventory turn	x 2.1	7.0	5.8	6.5	6.3
Net Debt	\$m 0.0	0.0	0.0	0.0	0.0
Gearing (D:D+E)	% 0.0	0.0	0.0	0.0	0.0
Current Ratio (CA / CL)	x 13.5	6.9	3.9	3.8	4.3
Net Assets	¢ps 32.7	28.5	27.7	31.7	39.2
Net Tangible Assets	¢ps 32.7	28.5	27.7	31.7	39.2
Cash	¢ps 19.9	14.7	13.8	18.9	26.3
Price to Book Value	x 3.9	4.5	4.7	4.1	3.3
Return On Assets	% 1.2	-14.5	-5.2	13.7	25.8
Return on Equity	% 2.9	-13.7	-2.8	13.4	25.5

VALUATION

Valuation Method	\$	Premium/Discount (%)
DCF	2.16	67.1
Current Price	1.29	

MAJOR SHAREHOLDERS

Directors	m 22.7	14%
Johnson & Johnson	m 17.4	11%
CM Capital Investments	m 17.8	11%
PFM Cornerstone	m 11.7	7%
Top 20 (16/3/2011)	m 110.4	70%

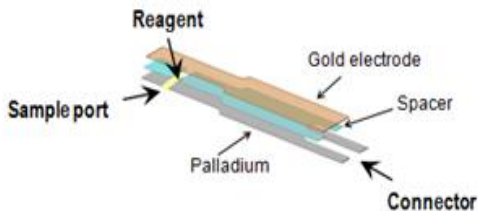
DIRECTORS

Andrew Denver	N-E Chair	Andrew Jane	N-E Dir
Paul Wright	MD & CEO	Denis Hanley	N-E Dir
Dr Colin Adam	N-E Dir	Dr Jane Wilson	N-E Dir
Denis Hanley	N-E Dir	Marshall Heineberg	N-E Dir

Products & Technology Base

Key patented novel technology

UBI multi-layer strip with opposing electrodes



Technology has advantage over existing products

UBI's products are in the 'in vitro diagnostic' market, based on a patented novel configuration of the electrochemical cells in test strips and the proprietary signal processing in the test meters. These are based on technology either owned by UBI or exclusively licenced to UBI by LifeScan.

UBI's end products comprise a novel disposable test strip and a reusable meter. The test strips developed by UBI use 2 cofacial (or opposing) electrodes, utilising the "electrical inference" between electrodes to provide additional information about the sample.

The convention test strips use a 'co-planar' layout, which minimizes the electrical interference between the electrodes and limits the ability to correct for chemical interferences or patient to patient variations in haematocrit.

In the case of the UBI's blood glucose meter, information such as the diffusion coefficient and kinetic factor is used to correct for patient to patient variations in red blood cells (haematocrit) and interfering chemical substances present in a blood sample.

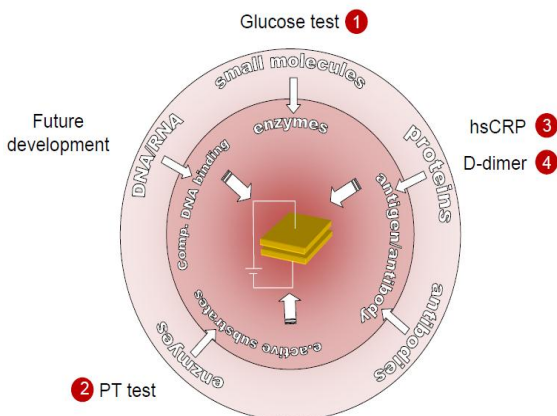
Additional attractions of the technology include:

- Greater information, increased accuracy and consistency of results.
- Ease of manufacture, with a simple manufacturing process for the consumables (test strips).
- The technology allows the expansion of electrochemical cell technology to the testing of a variety of substances.

UBI's products are specifically designed for the Point-of-Care blood diagnostic market, mainly in the testing for small molecules, such as enzymes (1 Glucose and 2 PT/INR), proteins (3 hsCRP and 4 D-dimer), DNA/RNA (nucleic acids) and antibodies in the blood stream. The Point-of-Care testing (POC) is medical testing at or near the site of patient care.

The POC Meters are used in conjunction with or in place of 'in laboratory' or clinic testing. Generally they have significant advantages over in laboratory testing, in terms of:

- Smaller volumes of blood are required, usually less than 0.5 µL for a blood glucose test, through a single finger prick.
- Convenience and ease of use, with the test able to be conducted on a 24/7 basis, with the result posted quickly, within 5 seconds. The meters also don't require calibration.
- Cost advantages.



Strong patent position

UBI has the rights to 44 patent families (13 owned by UBI, 31 owned by LifeScan), covering 255 granted patents, with a further 280 patents pending. UBI first product, a blood glucose test meter, was developed for LifeScan, while subsequent products are being developed on UBI's own account.

Under the agreement with LifeScan, UBI has exclusive licence/rights to all relevant LifeScan patents, relating to blood glucose testing. While additional patents for blood glucose remain the property of LifeScan, all existing and new patents on non-blood glucose products remain the property of UBI.

Modern certified production facility

UBI has a 5,000m² ISO 13485 certified laboratory, testing and production facility in Melbourne, with a staff of around 100. The R&D team is the developer of the technology and has a successful background extending over 10 years with Memtec, US Filter, Vivendi, Veolia and LifeScan, prior to joining UBI in 2002.

The facility has three production lines, one currently use for blood glucose strips, one under commissioning for blood coagulation and a line used for product development and testing. The third line can be converted to production for either strip, if required.

Key Markets

UBI's target market is the Point of Care segment of the Global "in vitro" Diagnostic (IVD) market., particularly the Point of Care testing (POC) market.

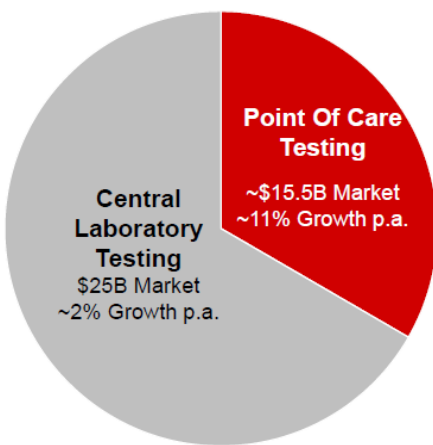
Market Size

The IVD market is a large global healthcare market, currently estimated to be around US\$42b, growing at around 7% pa. This growth reflects:

- An aging population and changes in lifestyle.
- An increased focus on prevention, through early diagnosis.
- Cost advantages, through the avoidance of hospital visits or stays.

IVD market is increasingly important

Global In Vitro Diagnostics Market (2010 estimate)



Within the IVD market, the Point-of-Care markets is an increasing important element at around \$15.5b, comprising over 38% of the current market, growing at around 11% pa.

The POC market comprises consumer testing (ie diabetics in their home), or testing by professionals in clinics, physician's office or laboratories and emergency departments.

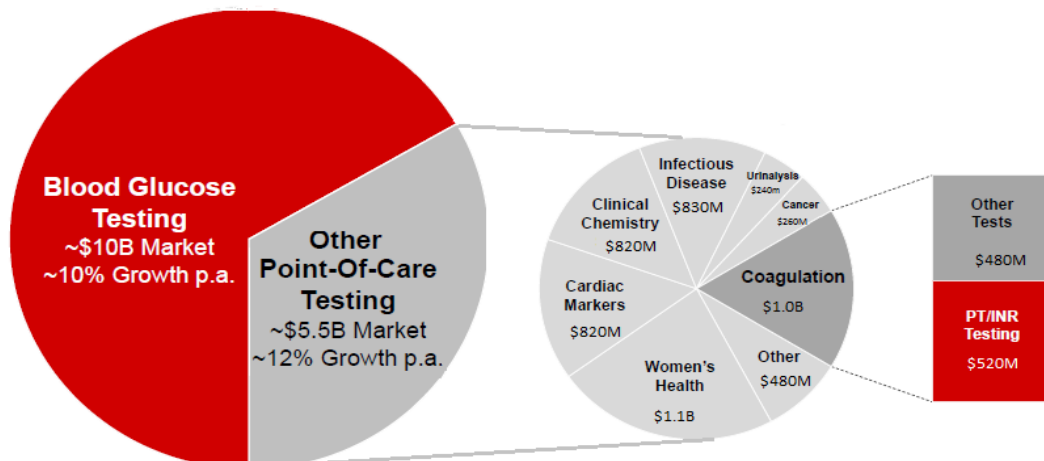
While traditionally biological testing has been undertaken with specialised equipment on a dedicated site (laboratories), the POC market is centered around the use of small portable meters.

The growth in POC is due to the escalating costs of healthcare, increasing accuracy of meters, convenience, the avoidance of time delays with in-laboratory testing and cost considerations. This can allow more immediate or appropriate treatment and an improved medical/economic outcome.

Blood Glucose is the largest POS sector

Within the Point-of-Care market, the Blood Glucose testing sector is the largest, estimated globally at around US\$10b or 64% of the total, but growing at a CAGR of over 8%.

Global Point-of-Care Diagnostics Market (2010 Estimates)



Source: Espicom, POC Diagnostics – Nov 2009; Management Estimates; Global Data SMBG Market Study - Nov 2009; ¹Kalorama, The Worldwide Market for In Vitro Diagnostic Tests, 6th Ed., 2008; Boston Biomedical Consultants, The Worldwide In Vitro Diagnostic Test Product Market Segment Discussions 2006, 2007 and 2012 Estimate, August 21, 2008; ²Titmink, "Point of Care Diagnostic Testing World Markets", June 2009; Espicom, POC Diagnostics – Nov 2009

Blood Coagulations testing is fastest growing POC sector

Of the balance of Point-of-Care, the blood coagulation market is the second largest and fastest growing market at over \$1.0b and growing at 12% pa. The other targeted areas, CRP and D-dimer are smaller but the number of tests is forecast to grow at a CAGR of 7% and 10%.

Current Product

1. Blood Glucose

OneTouch Verio (Verio), the first product developed by UBI, was first introduced in January 2010 by UBI's development partner, LifeScan (a Johnson & Johnson company). Verio is a reusable meter and novel disposable test strip for the testing of glucose levels in the blood by diabetes sufferers.



The technology is based around a core electrochemical cell technology owned by LifeScan, but exclusively licenced to UBI.

While UBI developed a prototype and the first generation Verio for the Netherlands and Australian markets, the second generation Verio for Italy, France, US other new markets has been developed by LifeScan.

LifeScan is now responsible for the device manufacture, regulatory approval and commercialisation, including location and timing of any country launch. UBI manufactures the sensor strip for the Verio product at its Rowville headquarters in Victoria, Australia, supplied to LifeScan on a non-exclusive basis.

Verio has an advantage over competing products, being accurate, precise, and cost effective. For example, the result of a test is unaffected by the presence of unrelated sugars such as maltose and galactose which interfere with the results in a number of other blood glucose systems.

Verio received regulatory approval in Europe in December 2009 and has since been rolled out by LifeScan in the Netherlands (January 2010), Italy and France (January 2011), and Germany, the UK, Ireland, Spain and Portugal (April 2011), as well as Australia (September 2010).

LifeScan has received regulatory approval from the FDA for the USA, with a product launch expected in 2H CY2011. LifeScan also has applications with various other regulatory authorities.

Its anticipated that LifeScan will progressively launch the Verio range across its country base, replacing its "Ultra" range. Under an agreement with LifeScan, UBI undertakes R&D on blood glucose systems, with a view to technological improvement and development of meters for different applications. This may include the OneTouch® SureStep® Brand, which will be removed from the Hospital Point-of-Care blood glucose testing market in the USA, Puerto Rico and Canada in March, 2013.

Universal Biosensors is also helping LifeScan install its own manufacturing capability at Inverness, Scotland to supply some key markets for the Verio strip, using UBI designed equipment. This confirms a recent statement on LifeScan's commitment to the Verio rollout.

Revenue Base

The revenue base of UBI related to Verio is centred on:

- **Contract R&D** – UBI has undertaken contract R&D for LifeScan in the area of diabetes management and blood glucose testing for diabetes, totalling \$14.4m up to December 2009. The agreement is automatically reviewed yearly, requiring 9 months' notice for termination. With the commercialisation of Verio, this revenue in CY2010 onwards is included in service revenue.
- **Milestone payments** – Receives upfront and milestone payment on achieving a certain event in projects. UBI received a milestone payment of US\$16m (A\$17.7m) with the first regulatory approval for Verio in December 2009.
- **Service revenue** – UBI receives revenue based on sales of test strips by LifeScan on the basis of 1¢ per strip on all test strips and contract R&D for diabetes management. The fee also covers assistance and supervision with the establishment of manufacturing facilities for LifeScan, to be commissioned in the 2H CY2011. Revenue is realised on completion of R&D and strip sales by LifeScan.
- **Product sales** – UBI manufactures test strips which it supplies to LifeScan at a fixed price on a non-exclusive basis. UBI has installed capacity of 750m strips pa (on a 3 shift basis), sufficient to handle the expected rollout over the next few years. Revenue is realised on delivery to LifeScan.

Verio launched in 8 European countries & Australia

Imminent launch in key US market

To be progressively rolled out to LifeScan's global customer base

Product sales to Lifescan and volume base fee are the key revenue drivers

Market Size

The Blood Glucose is the largest market Point-of-Care market, increasing from \$3.8b in 2000 to US\$10.0b currently, but forecast to grow at a compound rate of 10.8% to US\$19.7b in 2015.

World Prevalence of Diabetes - 2000 (act) and 2030 (est)

Region	2000 (m)	2030 (m)	Ch (%)
Africa	7.0	18.2	160.0
Eastern Mediterranean	15.2	42.6	180.3
Americas			
USA	17.7	30.3	71.2
Brazil	4.5	11.3	151.1
Other	10.8	25.2	133.3
Total	33.0	66.8	102.4
Europe			
Italy	4.3	5.4	25.6
France	1.7	2.6	52.9
Germany	2.6	3.8	46.2
Russia	4.6	5.3	15.2
UK	1.8	2.7	50.0
Other	18.3	28.1	53.6
Total	33.3	47.9	43.8
SE Asia			
India	31.7	79.4	150.5
Indonesia	8.4	21.3	153.6
Other	6.8	18.8	176.5
Total	46.9	119.5	154.8
Western Pacific			
China	20.8	43.3	108.2
Japan	6.8	8.9	30.9
Australia	0.9	1.7	88.9
Other	7.2	17.2	138.9
Total	35.7	71.1	99.2
Total All Regions	171.1	366.1	114.0

Source: World Health Organisation

This growth is due to:

- An increased incidence of diabetes. The World Health Organization forecasts the worldwide diabetes population to grow from 171 million in 2000 to 366 million by 2030. This growth is driven by the obesity epidemic in the United States, overall world population growth and the aging of the population in many developed countries (in which type 2 diabetes is more likely to occur) and expanding economies and growing affluence in China, India, and other countries of the Pacific Rim.
- Growth is also strong in countries with a highly insured population, such as Japan, Korea, Taiwan and Brazil.
- Attempts by health care professionals, insurance companies, and disease management companies to educate diabetes patients on the importance of testing. While changing, the majority of diabetes patients still test less frequently than recommended by the National Institutes of Health.
- Advances in testing technology that make it easier and more convenient to perform testing.
- Wider availability of diabetes software programs that allow medical professionals to easily download patient data from glucose meters.

US a key market in terms of size and penetration

The USA is the global largest market at around 40% (US\$4b), with Europe at around 30% (US\$3b). However, the fastest growth for diabetes is in countries of Asia and Central and South America, with forecasts of growth of 15.2% and 13% respectively. While China and India are the most diabetic populous countries, the penetration of glucose monitoring systems is low.

Strip sales comprise over 85% of the market

While the Blood Glucose market is around US\$10.0b, this is spread across the sale of meters, strips, lancets and related peripherals. Of this market, a large element can be attributed to the sale of test strips, which usually retail in the US between \$0.40 and \$1.00 per strip (Verio RRP \$0.58 per strip). This compares to meters, which range between US\$19.95 and US\$80.

Accordingly, we estimate the relevant global sector for UBI (test strips) is estimated at around 85% (US\$8.3b) of the total blood glucose market, although growing at a higher rate of around 12.1% pa. By 2015, test strips are expected to represent US\$17.9b (91%) of a US\$19.7b market.

With an estimate of over 16b test strips sold annually in LifeScan’s markets, this equates to test strip sales of around 50¢ a strip and LifeScan sales 4.4b strips pa.

Competition

The global Blood Glucose testing market is dominated by major healthcare groups. Lifescan is the second largest with a global market share of 27.2% across 75 countries, behind Roche (AccuChek) with 30% and ahead of Bayer (Contour and Breeze) and Abbott (Freestyle), each with around 15%. These majors are expected to continue to dominate the industry, due to barriers to entry, such as:

- Competitive bidding on US managed care organisation’s pharmacy requirements.
- Difficulty in obtaining shelf space in pharmacies and other retail distributors.
- Problems in achieving product differentiation.

LifeScan market share of 27.2%

LifeScan generated revenue from diabetes products in CY2010 of US \$2.6b, with around 50% of this revenue generated from within the US, where it’s sold through distributors. While the US market is increasing strongly and LifeScan is maintaining a 40% market share, it’s increasingly targeting the higher growth markets.

50% of LifeScan revenue from the US

Increasing supply of consumables to LifeScan

Product Sales – UBI supply test strips to LifeScan at a fixed price, following UBI reaching a financially sustainable production level. While UBI is currently the sole supplier to LifeScan, LifeScan will commence its own manufacture in late CY2010, with supply mainly aimed at the US market. We expect UBI to continue to supply strips to LifeScan for the existing markets and some of the soon to be launched markets.

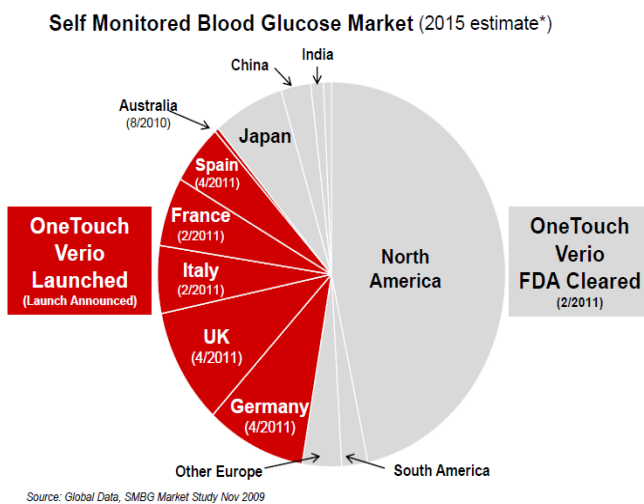
Service revenue to grow with each country launch

Service Sales - With LifeScan holding around 27.2% of global markets comprising over 16b strips pa, the total possible market share from a full rollout by LifeScan would be around 4.4b test strips pa across its product range, generating potential revenue to UBI of \$44m.

However, the initial market will be significantly lower as:

- The OneTouch Ultra range comprises the UltraMini, the Ultra2, the UltraSmart and the UltraLink, with the Verio to initially replace part of this range. Included in the US LifeScan range is the OneTouch SureStep hospital product, which is to be discontinued in March 2012.
- The Verio will be progressively rolled out to key sophisticated markets, particularly the US and the rest of Europe, Asia and the Rest of World (ROW).

The initial markets where Verio has been launched are estimated at:



Country	Launched	Market		
		Current US\$m	CAGR %	2015 US\$m
Germany	Apr-11	1,000	5	1,270
UK	Apr-11	560	19	1,340
France	Jan-11	475	11	800
Italy	Jan-11	500	9	780
Spain	Apr-11	450	9	700
Netherlands	Jan-10	80	8	130
Portugal	Apr-11	65	7	90
Ireland	Apr-11	30	6	40
Europe Launched		3,160	10	5,150
Australia	Sep-10	80	8	130
Total Launched markets		3,240		5,280
USA	Approved ¹	4,000	11	6,700
Total launched/approved		7,240	10	11,980

Source: Global Data, Global Self Monitoring Blood Glucose Market, Nov 2009
¹ Approved in February, yet to be launched

It should be noted:

- Australia - The Australian launch was the first entry of LifeScan into Australia. To combat a lack of market presence, LifeScan is undertaking education programs with involved health professionals.
- US – The US is the key market, being the largest global market, LifeScan holding a market share of over 40% and comprising over 50% of LifeScan’s revenue. With diabetes population of over 23.6m, 1.6m (0.5%) new diagnosis annually and an increasing prevalence of undiagnosed diabetics, the market is expected to grow at around 7%.

LifeScan has received regulatory approval for the US, although no announcement has been released on a launch date. We expect a launch in the US market in 2H CY2011.

- While the US market is increasing, LifeScan is increasingly targeting the higher growth markets.

Products under Development

UBI has three products under developments utilising the technology and patents developed by the UBI's R&D team. UBI's strategy is to develop prototype meters and test strips, but establish collaborative partnerships with major healthcare multinationals for sales and marketing, with an aim to be a leader in key clinical and market segments. These partners will be determined by clinical area/platform.

2. prothrombin time/International Normalised Ratio (PT/INR) Strip and Meter

The PT/INR meter developed by UBI performs a prothrombin time (PT) assay on a fingerprick blood sample to measure the clotting tendency of blood, reporting the results as an International Normalised Ratio to support immediate therapy or dose adjustments for anticoagulants.

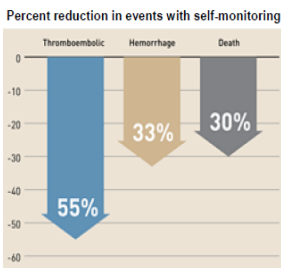
While the PT test can be used for a number of screenings (hereditary deficiencies, lupus anticoagulants and vitamin K deficiency), the test is mainly used by patient measuring the level of blood thinners, such as warfarin in the blood stream, ensuring levels remain within a target therapeutic range (TTR).

The meter and strips use a similar technology to the blood glucose meter, process and algorithms, based on patents owned by UBI. UBI commenced development in early 2005, developing a prototype in CY2010. The advantages of the test are

- The ability to test more often with faster results, allowing continual monitoring and the maintenance of patients on a safe and effective dose. Too much warfarin in the blood stream increases the risk of serious bleeding events, while too little increases the risk of thrombosis. A review of anticoagulation self-monitoring results has shown a 55%, 33% and 30% reduction in the incidence of Thromboembolic, Haemorrhage and Death.
- It allows physicians to adjust patient doses for diet and lifestyle change.
- Cost advantages, both in terms of reduced length of stay in emergency rooms and ongoing testing.

A clinical study comparing its prototype PT/INR system with Roche CoaguChek XS (the market leader) in the US and Australia demonstrated a strong performance correlation and reproducibility of results.

Second product in advanced development stage

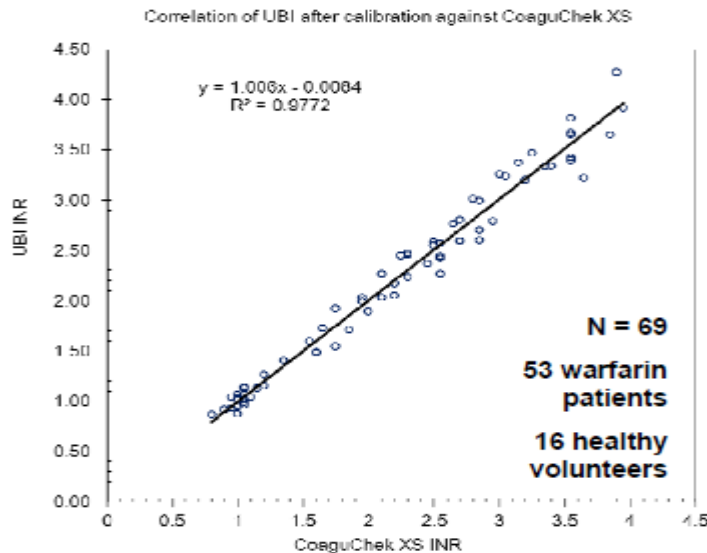


Heneghan C, Alonso-Coello P, Garcia-Alamino JM, et al. Self-monitoring of oral anticoagulation: a systematic review and meta-analysis. *Lancet*. 2006;367:404-411.

Product has high performance correlation with category leader



Correlation: UBI & CoaguChek XS®



Source: UBI

With success the clinical study, UBI is:

- Identifying a major healthcare multinational partner to handle the distribution, sales and marketing.
- Preparing for commercialisation, with a production line for the strips already under commissioning at its Melbourne facility, although any production of the meter will be outsourced.
- UBI is expected to apply for EU regulatory approval during Q1 CY2012, to be followed by a US application. Entry into the EU is faster, due to the possibility of Self Certification.

While the process to commercialization will follow the path of the blood glucose meter, the production and revenue model will probably differ, with UBI solely responsible for strip manufacture and possibly the meter, depending on the optimum outcome.

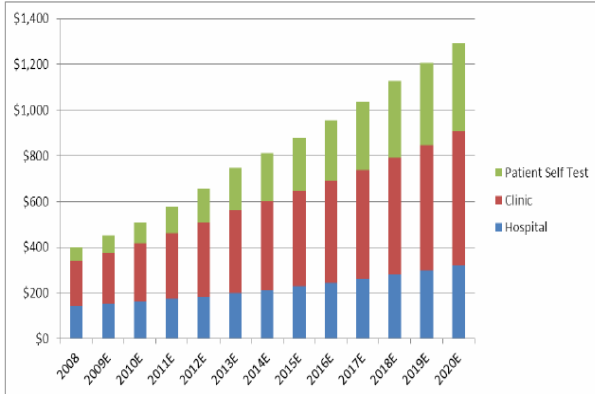
Market Size

Coagulation is the second largest Point of Care IVD segment after blood glucose, estimated at over US\$1.0b, but growing at a compound annual rate of over 12%. While there are a range of PT tests currently available, only a few are cleared for patient self-testing.

Within this market, the PT/INR sector is currently around US\$500m, but expected to reach \$1.3b by 2020.

Blood coagulation market growing at 12% pa

Global Point of Care PT/INR Market Projections (US\$m)



While the market can be split into 3 components, UBI’s test is applicable for all 3 markets, aimed mainly at users of warfarin, ensuring warfarin levels remain within target therapeutic ranges (TTRs). Its use has increased with:

- A change in US re-imbursement in 2007, with an expansion in Medicare reimbursement of coagulation testing for patients taking warfarin to include uses in atrial fibrillation (~2m US patients), venous thromboembolism (~2m) and mechanical heart valves (~0.4m).
- Increasing incidence of DVT and PE, with the number of patient taking warfarin continuing to grow. Within the US, 30m prescriptions for warfarin are filled annually, with nearly 2m new patients every year. There are also estimates of 1% of the population in non-developing countries taking warfarin.
- Replacement of existing technology by lower cost Point-of-Care devices.

The Point-of-Care/Self-Test is expected to be the fastest growing area, due to the convenience and cost. However, the growth rate will vary with regions, with a high take-up expected in the US, Sweden, Germany and the Netherlands and slower in other regions/countries. For example, it remains uncommon in the UK with only around 18,000 of approximately 1.2 million patients in 2009 using a warfarin self-test.

Market leader achieving revenue growth of 19%

More than 400 million PT tests worldwide are currently conducted each year. Roche’s CoaguChek (the market leader) increased sales by 20% in CY2009 and 19% in CY2010 to around \$370m with robust demand in the EU and expanded Medicare reimbursement for home coagulation testing in the US.

The costs associated with the PT/INR market are significantly higher than blood glucose, with CoaguChek meters and strips selling in the US for around US\$1,000 per meter and between US\$5 and US\$6 per test strip. We believe this is a function of a smaller market, in terms of volume, a lower level of R&D and less direct competition and a US Medicare reimbursement of US\$5.53 per test

Competition

The main competition is from approved and marketed products and products under development, both for Point-of-Care (Roche Diagnostics, Alere and Abbott) and central laboratory Groups with automated analysers (Siemens, Diagnostica, Beckman Coulter and Pharmnetics). The market leader in Point-of-Care is Roche CoaguChek XS with a market share of around 66%.

Market dominance by rival opens opportunities for initial penetration

As UBI’s prototype system achieved a high correlation to CoaguChek in a US clinical study. We believe success with further testing as development continues and a global healthcare partner with sales and marketing expertise opens an opportunity for UBI to achieve a significant market share following its release, based on:

- An attractive alternative, with its meter achieving a high correlation to CoaguChek in a US clinical study.
- Advantages over the present competing systems in terms of costs, size and weight and functionality.

Immunoassay

Immunoassay is the measurement of blood borne biomarkers using ligand binding, the measurement of enzyme activity and other techniques.

3. C-reactive protein (CRP)

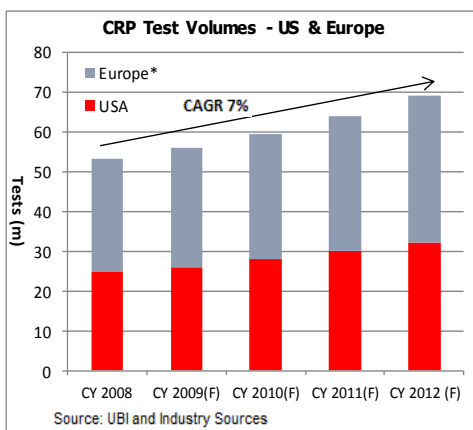
CRP tests are used in systemic inflammation cases, testing for elevated C-reactive protein (CRP) in the blood serum through the presence of key inflammatory cytokines. Key diseases include atherosclerosis, rheumatoid arthritis and other autoimmune diseases, cancer, COPD and Alzheimer's disease.

The CRP tests are increasing in importance, with a number of drug companies now developing products to address the inflammatory component of certain autoimmune diseases (rheumatoid arthritis) and a range of cancers, including multiple myeloma and pancreatic cancer. As millions of patients worldwide are affected by these conditions, the accurate monitoring of C-reactive protein levels at the point-of-care would be valuable in managing these patients.

Development work commenced in CY2004, with UBI reaching the stage of the development of a prototype device and strip. UBI is continuing development with:

- Optimization and improvement work, to develop new design formats.
- The establishment of collaborative arrangements or strategic alliances with a third party.

CRP expected to grow at 7% pa



* Europe comprises Germany, UK, France, Italy, Spain & Scandinavia

In CY2008 an estimated 65m to 70m CRP tests were conducted in the US and Europe. This is expected to grow at a CAGR of 7% to 68m to 70m in CY2012.

While the CRP test is well accepted in the US and reimbursed by Medicare and other health insurance companies, there is no direct reimbursement in Europe, except for Scandinavia. Globally, Scandinavia is an important and the fastest growing market, conducting 7m to 8m tests in CY2008, due to a high level of acceptance among GPs and specialists use in monitoring antibiotic usage.

However, the Point-of-Care market is underdeveloped, comprising only 5% to 6% of US tests, compared to Scandinavia which conducts around 35% of global POC.

A CRP meter system would face competition from Cholestech (Alere) Roche Diagnostics, Orion Corporation and Axis Shields plc, and automated analysers, mainly in central laboratories.

4. D-dimer

D-dimer test are used to detect hypercoagulability and monitor conditions associated with thrombotic disease. A positive test indicating a high level of fibrin degradation may be associated with deep vein thrombosis (DVT) and pulmonary embolism (PE). The incidence of thrombotic disease continues to increase with aging and is associated with rising mortality in Western society.

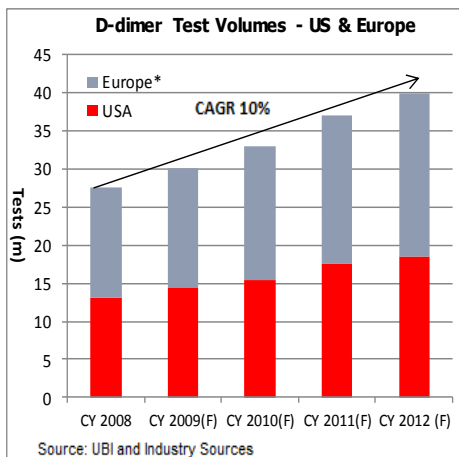
The advantages of the test are:

- It eliminates the use of Spiral CT VQ scans, linked to an increased incidence of cancer.
- The ability to test more often with faster results.
- Reduces length of stay in emergency rooms.

Development work commenced in CY2008 and is still at an early stage, with a minimum of 2 further years of development or product validation required. This includes:

- Development of a working prototype meter.
- Commencing product validation in CY2012.
- Establishment of a suitable manufacturing process.
- Establishment of collaborative arrangements or strategic alliances with a third party.

D-dimer tests expected to grow at 10% pa



* Europe comprises Germany, UK, France, Italy, Spain & Scandinavia

The incidence of thrombotic disease continues to increase with aging and is associated with rising mortality in Western society.

D-dimer test is one of the fastest growing laboratory tests globally. In CY2008 an estimated 27m to 29m D-dimer tests were conducted in the US and Europe, with expectations of CAGR of 10% to 39m to 41m in CY2012.

While Europe is the largest market, conducting around 45% of global tests, due to a high level of acceptance by physicians, the US is an important market, due to its size and reimbursement by Medicare and other health organisations.

Any developed product would compete with path labs and existing competitors such as Biosite (Alere inc) and pathology laboratories, such as Siemens, Roche, Instrumentation Laboratory, Diagnostica Stago and Biomerieux.

Future Developments

Nucleic Acid - RNA DNA and Other Enzyme-Substrate (small molecule Patents)

UBI has undertaken early stage feasibility work assessing the possibility of using DNA binding chemicals to build a strip test for DNA or RNA, and as a possible alternative method for improving the sensitivity of protein assays.

Outlook

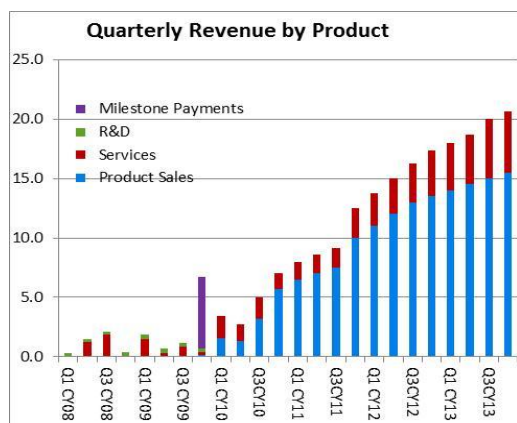
Strong revenue growth is expected in CY2011 escalating in CY2012, with:

- Increased Products sales from:
 - Continued growth in sales in the Netherlands and initial contributions from Italy and France (11 months), and Germany, UK, Spain, Portugal and Ireland (8 months).
 - A full year contribution from Australian sales (CY2010 - 5 months).
 - Launch in further European countries and additional countries following regulatory approval.
- Growth in Services Revenue with:
 - Increased sales of strips in various countries by LifeScan, boosted by the expected launch of 'One Touch Verio' in the US in the 2H CY2011. UBI receives this revenue irrespective of product sales.
 - Continued R&D development activities for LifeScan.

Over the medium term, UBI will benefit from:

- Development of additional blood glucose products for LifeScan.
- The rollout into the remainder of countries currently serviced by LifeScan.
- The launch of the Coagulation test meter, expected in CY 2012.

Over the longer term from the completion of development and launch of the D-dimer and CRP meters.



SEGMENTS 2011E 2012E 2013E

Sales Revenue

Product Sales	\$m	26.4	50.8	72.5
Service Revenue	\$m	11.1	14.0	17.1

EBIT

Product Sales	\$m	4.9	12.6	21.3
Service Revenue	\$m	6.7	9.2	11.9
R&D	\$m	-5.8	-5.0	-5.0
Corporate	\$m	-8.5	-8.6	-8.8

EBIT Growth

Product Sales	%	408.4	158.8	68.5
Service Revenue	%	35.7	36.8	29.3
R&D	%	-10.5	-13.8	0.0

EBIT Margin

Product Sales	%	18.5	24.8	29.3
Service Revenue	%	60.4	65.6	69.5

DCF valuation of \$2.16 ps

Forecasts

Near term profit forecasts are difficult for UBI, as they are highly dependent on the launch date of the blood glucose meter in the US, still expected in 2H CY2011 and the rollout in remaining European countries, Asia and globally, and the launch of the coagulation test system.

Our Revenue and Operating Profit Model is outlined in Appendix 1 on Page 15.

These forecasts are conservative, based on:

Product Sales

Product sales in Europe building to around a 20% market share in the first 12 months following the launch, as LifeScan fills the distribution pipeline. Growth in Year 2 of around 5%, below market growth as Verio wins acceptance, and 10% in Year 3, with market and replacement increases.

Product sales building to around 5% of the Australian markets, then increasing by around 5% pa to around 20%.

While growth in product sales in the US market is expected to be similar, these will be met by LifeScan's new production line, although there may be some initial sales to the US while production at their new facility builds.

Service Revenue

Similar to product sales in Europe, Australia and ROW, and inclusion of the US. For the US, test strip sales progressively increasing to around 20% of the US market.

Blood Coagulation (PT/INR)

Initial market penetration of 5%, increasing by 5% each year to around 25%.

Exchange Rates

Constant Exchange Rates for US\$1.00.

Valuation

We have a Discounted Cash Flow valuation for UBI of \$342m, or \$2.16 ps, using a discount rate of 11%. This is based on the forecasts for the Blood Glucose and Blood Coagulation systems, taking no account of other potential products.

Appendix 1 Market Forecasts

Blood Glucose Market - Forecasts

Country	Total Blood Glucose Market Size (US\$m)	Test Strip Market				Verio Strip Sales					
		Test Strips ^{1,2}		LifeScan		Verio % of LifeScan Sales ³			Total Verio Sales		
		(US\$m)	m	%	m	CY 11 %	CY 12 %	CY13 %	CY 11 m	CY 12 m	CY13 m
Netherlands	80	68	124	25	31	25	30	35	8	9	11
Australia	80	68	170	5	9	100	100	100	9	9	9
Italy	500	425	773	25	193	20	25	35	39	48	68
France	475	404	734	25	184	20	25	35	37	46	64
Germany	950	808	1,468	25	367	15	25	35	55	92	128
UK	470	400	726	20	145	10	20	30	15	29	44
Spain	420	357	649	20	130	10	20	30	13	26	39
Portugal & Ireland	50	43	77	20	15	10	20	30	2	3	5
Launched Markets	3,025	2,571	4,721	23	1,074				176	262	367
USA ⁴	4,000	3,400	6,182	40	2,473	20	25	30	495	618	742
Other Europe ⁵	600	510	927	20	185		20	25	0	37	46
Approved & Launched	7,625	6,481	11,784	32	3,732				670	917	1,155
Rest of World ⁶	2,175	1,849	4,108	15	616			5	0	0	31
Total	9,800	8,300	15,939	27	4,348				670	917	1,186
UBI strip Sales to LifeScan⁷									176	299	444

UBI Forecasts

Verio Sales	Revenue ⁸			EBIT ⁸			Margin		
	CY 11	CY 12	CY 13	CY 11	CY 12	CY 13	CY 11	CY 12	CY 13
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	%	%	%
Product Sales ⁷	26.4	44.8	55.5	4.9	9.6	12.8	18.5	21.5	23.0
Service Revenue - Strips	6.7	9.2	11.9	6.7	9.2	11.9			
Service Revenue - R&D	4.4	4.8	5.2	1.3	1.5	1.6	29.5	30.2	30.8
Total	37.5	58.8	72.6	12.9	20.3	26.2	34.4	34.5	36.1

Source : Veritas Forecasts and Industry Sources

Assumes ¹ Test Strip market comprises 85% of Total Market

² Average Price per strip sold of \$0.55

³ Initial 20% of LifeScan Sales on Country Launch - to fill supply chain

⁴ US Launch Q3 CY2011

⁵ Other European Launch Q3 CY2012

⁶ ROW Launch Q1 CY2013

⁷ Covers Europe, ROW & Australia

⁸ Strip sales to LifeScan at 15c / strip, margin of 5c /strip

Blood Coagulation Market - Forecasts

Country	COAG Market			UBI Market Share ²		Revenue ³		EBIT ⁴		Margin ⁴	
	Total	Strips ¹	Meters ¹	CY 12	CY 13	CY2012	CY2013	CY2012	CY2013	CY2012	CY2013
	US\$m	US\$m	US\$m	%	%	US\$m	US\$m	US\$m	US\$m	%	%
Europe ⁵	170	136	34	5.0	7.5	6.0	8.9	3.0	4.5	50.0	50.0
USA ⁶	230	184	46		5.0	0.0	8.1	0.0	4.0		50.0
Other	100	80	20			0.0	0.0	0.0	0.0		
Total	500	400	100			6.0	17.0	3.0	8.5		50.0

Source: Industry Sources & Veritas Forecasts

Assumes ¹ Test Strips represent 80% of Market

² Expected UBI Penetration

³ Partner Sales & Marketing 30% (ie UBI 70%)

⁴ Margins of 60% on Test Strips & 15% on Meters

⁵ Launch in Europe in 2H CY2012

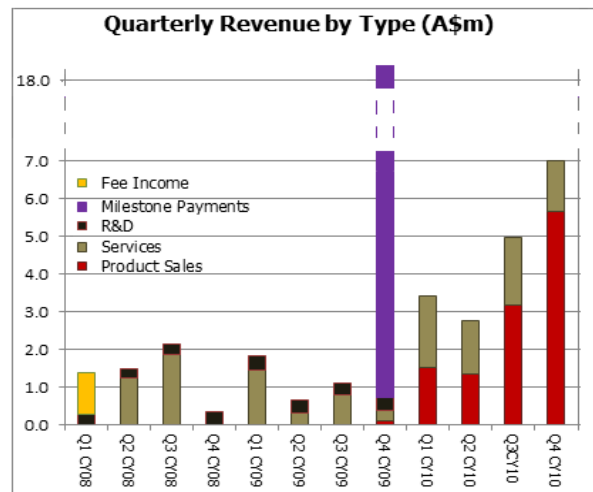
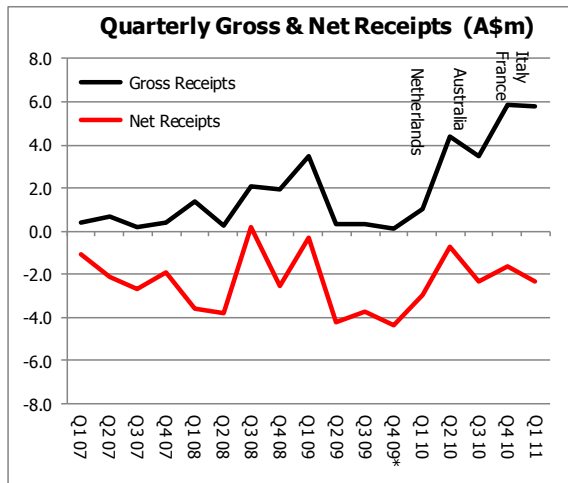
⁶ Launch in US 2H in CY2013

Financial Results

Until CY2010, the majority of revenue was derived from R&D and Service revenue, mostly related to the development of the blood glucose monitor for LifeScan, with a A\$17.7m milestone payment in Q4 CY2009.

From Q1 CY2010, revenue escalated, derived from:

- Product sales (test strips) to LifeScan, with the launch in the Netherlands in Q1 CY2009 and Australia in Q3 CY2009 and some initial sales in Italy and France ahead of the launch in January CY2011.
- Increased service revenue, from a charge of 1c per strip sold by LifeScan, as well as ongoing and contract R&D on diabetes management and blood glucose testing for diabetes.



* Receipts for Q4 CY09 exclude a Milestone payment of A\$17.7m (US\$16m)

CY 2010 Result

For CY2010, UBI reported a loss of (\$6.6m), compared to an Underlying Loss of (\$13.3m) in CY2009. The Reported Profit of \$1.4m in CY2010 includes the \$17.7m milestone payment.

No debt or intangibles on Balance Sheet

Profit & Loss				Balance Sheet			
Year ended 31-Dec (\$m)	2009	2010	% Ch	As at 31-Dec (\$m)	2009	2010	% Ch
Product Sales	0.1	11.8	8759.9	Current Assets	34.8	30.7	
Service Revenue	2.9	6.4	125.3	Non Current Assets	21.3	21.1	
R&D	1.3	0.0	-100.0	Total Assets	56.1	51.8	-7.6
Total Revenue	4.3	18.2	320.8	Current Liabilities	2.6	4.5	
Cost of Goods Sold	-0.6	-12.3	1857.7	Non Current Liabilities	2.1	2.2	
Operating Profit	3.7	5.9	59.7	Total Liabilities	4.7	6.6	41.6
R&D	-14.9	-6.5	-56.5	Shareholder Funds	51.4	45.2	-12.0
Other Expenses	-3.0	-4.2	39.3	Return on Equity (%)	2.9	-13.7	
EBITDA	-14.2	-4.8	-66.2	Net Debt (\$m)	0.0	0.0	
Depreciation	-2.9	-3.0		Net Cash (\$m)	31.3	23.3	
EBIT	-17.1	-7.8	-54.3	Net Cash (¢ ps)	19.9	14.7	
Interest (Net)	0.8	1.2		NTAV (cps)	32.7	28.5	-12.9
Pre-Tax profit	-16.3	-6.6	-59.4	Gross Margin	495.7	32.4	
Tax	0.0	0.0		Effective Tax Rate (%)	0.0	0.0	
Net Profit	-16.3	-6.6	-59.4	EPS (cps)	0.9	-4.2	-560.5
Milestone Payment	17.7	0.0		Cash Flow (cps)	3.7	-4.1	-208.9
Reported Profit	1.4	-6.6	-562.1	DPS (cps)	0.0	0.0	

EQUITY RESEARCH

Revenue boosted by product sales

Key Takes from the result were:

- The sharp increase in revenue was due to initial product sales (strips) with the launch in the Netherlands and Australia. This accelerated in 2H CY2010, with inclusion of Australia and some initial sales in Italy and France ahead of the launch in January 2011.
- The increase in COGS, reflects products sales, and inclusion of ongoing R&D on the blood glucose meter with completion of development. As a result, R&D fell by 56.5%.
- The leverage opportunities from increased revenue are evident in only a 39% increase in Expenses. Corporate costs in 2H CY2010 only increased over 1H CY2010 by 32.3%, despite the 207% increase in Revenue.
- The decline in cash flow was due to the A\$17.7m milestone payment in CY2009. Adjusting for this one-off, the cash flow deficit fell from (\$11.3m) to (\$6.4m).
- The Balance Sheet remains strong and transparent, with no debt and net cash of \$23.3m (14.7¢ ps) and no capitalised R&D or intangibles on the Balance Sheet.

Margins growth demonstrates leverage

Half Yearly Breakdown

Division	Revenue (\$m)			EBITDA (\$m)			Margin (%)	
	1H CY10	2H CY10	% ch	1H CY10	2H CY10	% ch	1H CY10	2H CY10
Product Sales	2.9	8.9	207.7	-0.6	1.5		-20.5	17.5
Service Revenue	3.3	3.1	-5.3	2.8	2.1	-23.9	85.0	68.4
R&D	0.0	0.0		-3.4	-3.1	-6.7		
Corporate				-1.8	-2.4	32.3		
Total	6.2	12.0	94.1	-2.9	-1.9	-34.4		

- UBI moved from an interim costing basis (a recovery of manufacturing costs) for strips in the 2H CY2010, with quarterly production volumes moving above a specified level. With the different costing basis and increased volume, UBI generated a profit from manufacturing activities.
- The fall in revenue in Service Revenue reflected a lower level of contract R&D revenue subsequent to the various launches.
- Corporate costs increased by 32.3%, despite the 94% increase in revenue, highlighting the leverage from an expansion in activities.

Q1 CY2011 Cash Flow Report

Cash receipts for the Quarter increased by 478% over the pcq to A\$5.8m, but steady on Q4 CY2010. This was a reflection of:

- Sales of test strips to LifeScan ahead of the launch in 5 European countries in April 2011.
- Continued supplies to recently launched countries.
- Continued growth in Service revenue from contract R&D on blood glucose products and increasing volume based revenue for LifeScan strip sales.

Cash Receipts in Q1 CY2011 increase by 478%

Costs increased by 105% to \$8.1m, with the increased activity. As a result, the Operating cash flow deficit fell by 21% to (\$2.3m).

Operating cash deficit declining rapidly

Background

UBI was incorporated in 2001 in Delaware in the US, although its main operating vehicle was incorporated in Australia. Accordingly its shares are in the form of CHESS Depository Interests (CDIs), although only traded in Australia.

UBI was founded by the Principals Funds Management Group (PFM), associated with Andrew Denver, Denis Hanley, Charles Kiefel and Colin Adam (initial directors) and supported by CM Capital Investments (a specialist venture capitalist), raising \$19.1m from 2001 up to its listing in December 2006. UBI raised a further A\$22m (36m shares at \$0.50 ps) in the IPO, comprising a \$18m Australian offer and a \$4m US private Placement.

Johnson & Johnson took an initial 13.1m (15.6%) holding, increasing to 18.2m (11.5%) currently. The principals of PFM had a successful track records with Memtec and currently with a range of Australian biotechs, including Pharmaxis, CathRx. Memtec was a successful Australian based global filtration and purification group, acquired by US Filter in 1997.

UBI was established as a specialist medical diagnostics company focused on the research, development and manufacture of in vitro diagnostic test devices for consumer and professional point-of-care use. These devices are based on UBI's novel electrochemical cell technologies and comprise a novel disposable test strip and reusable meter and are based on technology and patents held by UBI or licenced from LifeScan (an affiliate of Johnson & Johnson).

Its research and development and manufacturing are based in Melbourne with around 100 employees, with its R&D based around a core scientific and technical team involved in developing the novel electrochemical cell technology. This team had worked together since 1995 and are inventors of the key patents owned by UBI and licences by LifeScan, having experience in all aspects of diagnostic test development, manufacturing and commercialisation.

LifeScan has been a Johnson & Johnson Company since November 1986. LifeScan pioneered the modern era of blood glucose monitoring with the introduction of OneTouch® Technology, which includes blood glucose meters, test strips, lancing devices and diabetes management software. LifeScan products are sold in 75 countries, currently generating US\$2.5b in revenue and holding a global market share of 27.2%.

Major events include:

- In 2002, UBI signed a licence agreement with LifeScan granting UBI a worldwide, royalty free, exclusive licence (with limited sub-licence rights) to its electrochemical cell technologies in all fields, excluding diabetes and blood glucose management (retained by LifeScan).
- In 2002 UBI signed a Development and Research Agreement with LifeScan to undertake contract research and development for LifeScan in the area of diabetes management and blood glucose testing for diabetes.
- In 2003, UBI acquired certain plant and equipment, including pilot scale manufacturing equipment for R&D, from Memcor. Subsequently, UBI has outlaid \$27.9m on manufacturing, R&D and ancillary equipment.
- In 2007, UBI signed a Master Services and Supply Agreement (MSSA) with LifeScan. This umbrella agreement, UBI receives:
 - > A Milestone payment on regulatory approval. UBI received a milestone payment of US\$16m on 2009.
 - > A fixed price per test strip manufactured by UBI and sold to LifeScan on a non-exclusive basis.
 - > A service fee from LifeScan for support for the establishment of test strip manufacture by LifeScan, based on total test strips sold to consumers
- In November 2007, UBI officially opened its new facility at Rowville, Victoria.
- In December 2007, UBI completed a \$34.2m rights issue, comprising 28.5m shares at \$1.20 ps.
- On November 2009, LifeScan received initial Regulatory Clearance to sell the 'OneTouch Verio' Blood Glucose Product.
- In January 2010, One Touch Verio was initially launched in the Netherlands, followed by Australia (August 2010), France and Italy (February 2011).
- On 21/2/2011, Regulatory approval was received for the 'OneTouch Verio' for the USA.
- On 13/4/2011, One Touch Verio was launched in Germany, the UK, Spain, Portugal and Ireland.

The Board

Andrew Denver BSc (Hons), MBA, FAICD - (Non-Executive Chairman)

A founder of UBI, with an extensive background in life sciences and the commercialization of technology companies, through senior positions in Pall Corporation, Memtec, and Baxter Healthcare. Andrew was a founding member and director of the Australian Environmental Management Export Corporation and a founding member and director of the Environment Management Industry Association of Australia, and also a non-executive director of ASX listed CathRx Ltd and Anzon Australia Ltd.

Dr Colin Adams BE (Met), PhD – Non-Executive Director

A founder of UBI, with an extensive background in technology management positions Senior, including Executive positions with the CSIRO, Pratt & Whitney Aircraft, the Materials, Metals and Ceramics Laboratories for Allied Corporation. Colin has served on various scientific, research and development bodies for the Australian Governments, the Prime Minister and the Victorian Premier. Colin was previously a non-executive director of Memtec, Ausmelt, Ceramic Fuel Cells and Tele-IP and is currently a director of CathRx.

Denis Hanley AM, MBA, FCPA, FAICD – Non-Executive Director

A founder of UBI, with an extensive background in the management of technology based businesses, including Baxter International and Memtec. 14 years Denis led Memtec Ltd, first as Managing Director and later as Chairman and CEO Denis has also extensive experience in the commercialisation of several Australian technologies, and is non-executive Chairman of Pharmaxis and CathRx.

Andrew Jane BSc (Hons), MSc– Non-Executive Director

A principle of CM Capital a venture capital group, a seed and substantial shareholder of UBI, with a background in academic research, venture capital and entrepreneurial technology companies in Australia, Japan and the US. This includes management experience with AGEN, Lake Technology and Advent Pharmaceuticals

Dr Elizabeth (Jane) Wilson MBBS, MBA, FAICD– Non-Executive Director

A professional company director with a background in medicine and finance. Currently Jane is Chair of IMBcom Ltd (Institute of Molecular Bioscience), a Director of CathRX, UQ Holdings and the National Archives Council. Previously Jane served on the Queensland Government Biotechnology Taskforce, and the Boards of Energex, Workcover Queensland, Agen Biomedical and Horticulture Australia

Marshall Heiberg B.S. (Hons), J.D. – Non-Executive Director

A background in global capital markets and experience with life science, environment, industrial and technology companies. Currently Marshall is head of Investment Banking Department and a Senior Managing Director of Oppenheimer & Company, with previous experience as Head of US Investment banking at CIBC

Paul Wright MA, FAICD– Executive Director and CEO

A background in global commercial technology development and international strategy consulting as CEO of Vision Biosystems (a subsidiary of Vision Systems) and Invetech, with senior management experience with TNT Logistics and Bain & Co.

Key Management

Salesh Balak B.A., C.A. – Chief Financial Officer

A background in accounting and finance through various roles at KPMG and as CFO of Pearl Healthcare, before joining UBI in 2006.

Cameron Billingsley L.L.B. (Hons.), B.A. Company Secretary

A background on corporate law and secretariat through piper Alderman Solicitors and as company secretary to a several life science companies and PFM Cornerstone. Cameron has been UBI's corporate attorney since incorporation and company secretary since 2006.

Gary Chambers – Vice President of Operations and head of Engineering

A continuing member of the core R&D team that developed the blood glucose sensor technology. Previously a senior engineer with Medisense (UK) a producer of mass market biosensors, before joining Memtec in 1991

Dr Alastair Hodges BSc (Hons), Ph.D – Chief Scientist

A continuing member of the core R&D team that developed the blood glucose sensor technology. A background in electrochemistry with the Defence Science and Technology Organisation and the CSIRO, before joining Memtec in 1995.

Dr Adrian Oates BSc, MSc, Ph.D. – Vice President, Quality & Regulation

A 20 year background in the device, biological and pharmaceutical health care industries, including CSL and Cochlear, before joining UBI in 2007.

Sales

Tony Bonello +61 2 8252 3230
 Robert Scappatura +61 2 8252 3240
 Andrew McCauley +61 2 8252 3260
 Patrick Ford +61 2 8252 3211
 Sam Streeter +61 2 8252 3235
 Clay Melbourn +61 2 8252 3220
 Bryce Reynolds +61 2 8252 3215
 Stephen Murphy +61 8 9380 8351

Research

Industrials
 Brent Mitchell +61 3 8605 4830

Resources
 Piers Reynolds +61 3 8601 1196

RATING

BUY – anticipated stock return is greater than 10%
 SELL – anticipated stock return is less than -10%
 HOLD – anticipated stock return is between -10% and +10%
 SPECULATIVE – High risk with stock price likely to fluctuate by 50% or more

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Veritas Securities Limited	Sydney	Melbourne	Perth
A.B.N. 94 117 124 535	Level 4, 175 Macquarie Street	Level 8, 350 Collins Street	Suite 5, 531 Hay Street
AFSL No. 297 043	Sydney, NSW, 2000	Melbourne, VIC, 3000	Subiaco, WA, 6008
GPO Box 4877, Sydney, NSW, 2001	Tel: (02) 8252 3200	Tel: (03) 8601 1196	Tel: (08) 9380 8351
www.veritassecurities.com.au	Fax: (02) 8252 3299	Fax: (03) 8601 1180	Fax: (08) 9380 8300