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ANNUAL GENERAL MEETING 2012
9 November 2012

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Update and Progress

Maurie Stang
Non-Executive Chairman

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IN THE BLACK

with John Beveridge

**Ultrasound
sterilisation
company
infectious**



Herald Sun

Tuesday, November 06, 2012

While a whole lot of barely understandable early-stage science might make investors and management sound more knowledgeable around the barbecue, it rarely pays the bills.

Nanosonics is one of those simple stories with a focus on the sterilisation of ultrasound probes using a fine hydrogen peroxide mist inside a custom-made Trophon device.

In an era of common cross-infections due to improperly cleaned instruments, this is a device whose time has come and the take-up in Australia and the US in its first full year has been encouraging.

2012: A Year of Transformation

Commercial Momentum

- ✓ Launch and first full year of sales in US
- ✓ Entry to the Canadian market
- ✓ Approval by the Hong Kong Hospital Authority
- ✓ Growth of accessory revenue streams

Strengthened Financial Position

- ✓ In excess of \$27 million cash on hand following share placement, SPP and strategic investment by GE Healthcare
- ✓ No debt, 'clean' balance sheet

Expanded Board

- ✓ Appointment of Michael Kavanagh

Recognition of Achievements

PREMIER'S NSW EXPORT AWARDS

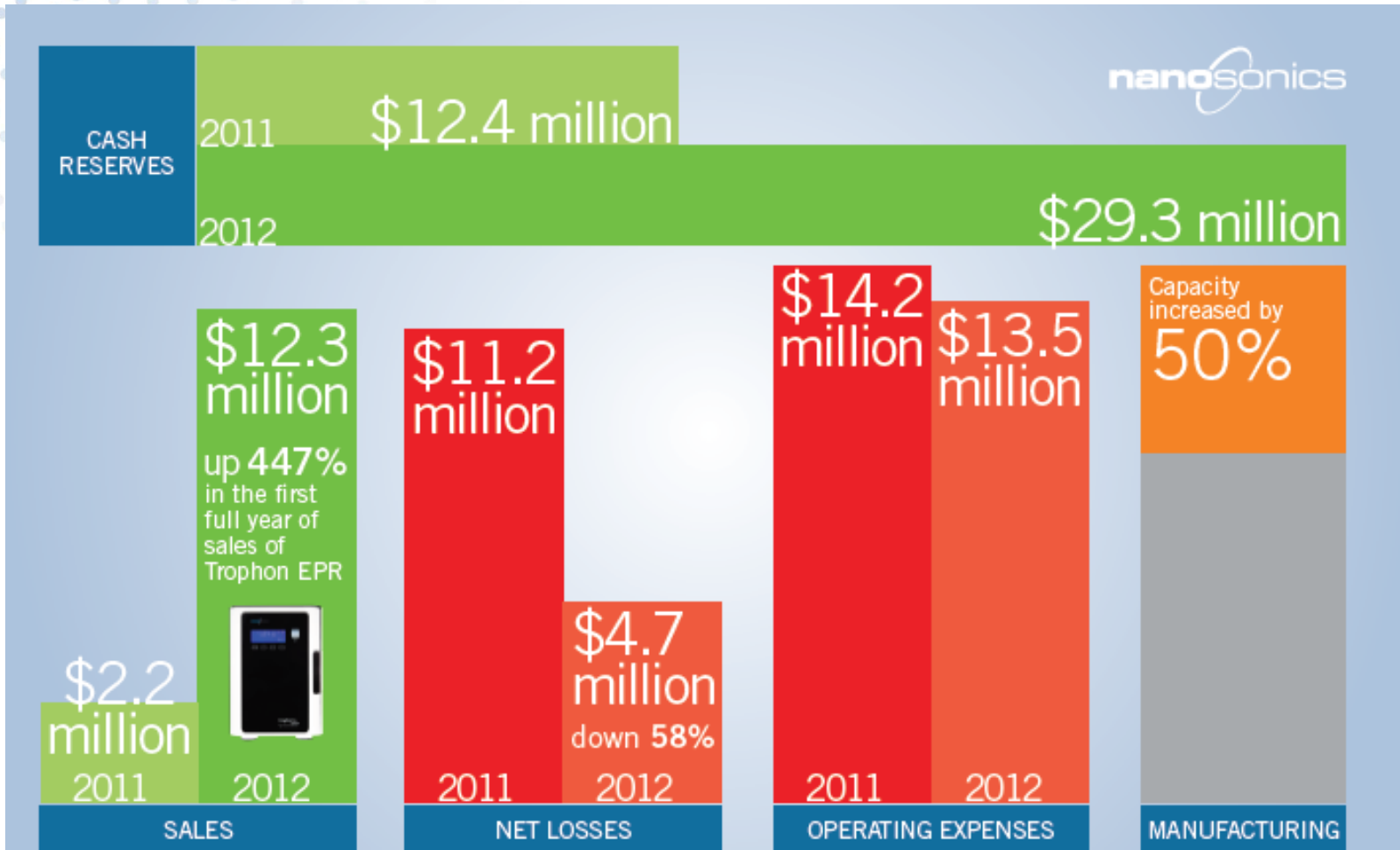
Export Council of Australia

2012 Category Winner
Emerging Exporter



FY12 Financial Snapshot

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GE Healthcare: Strategic investment

GE – Global leader in ultrasound equipment worldwide

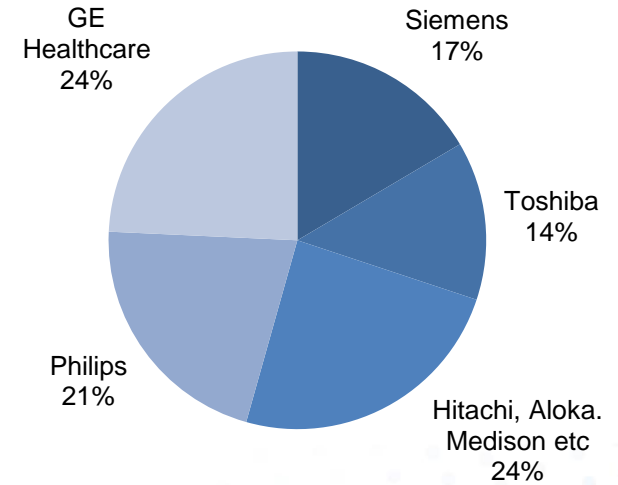
Strategic investor in Nanosonics via GE's healthmagination fund

- The healthmagination fund invests in technologies proven to improve quality, patient outcomes and lower cost of healthcare delivery
- trophon EPR one of the first non-branded products to be endorsed by the fund
- Underlines GE's commitment to infection control

A strong vote of confidence in Nanosonics' growth potential

- \$7.5 million investment via a four year convertible note
- Issue price 75c per share – a 50% premium to issue price
- Ensures alignment along supply, distribution and strategic lines

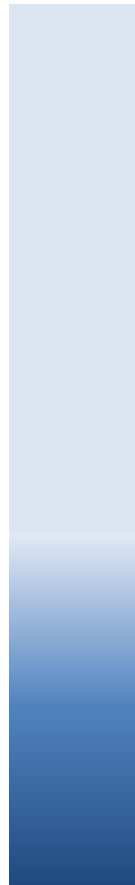
Ultrasound Manufacturer Market Share



Potential total trophon EPR market opportunity

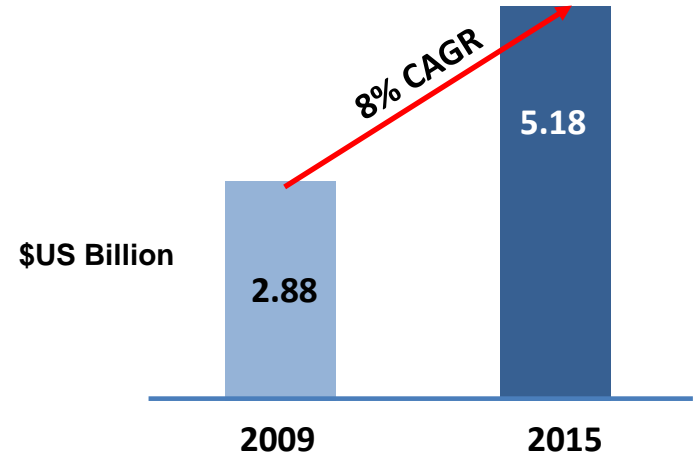
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A\$1.8B



- 500,000 U/S machines
- 600 million procedures
- Ultrasound procedures growing at 8% per annum

Ultrasound machine market



Source: GlobalData 2009 global market forecast

10% - 20% Other HLD
mandated procedures

20% Ob/Gyn

Initial focus: **\$700M**

Competitive advantage

High barriers to entry

- ✓ Strong family of patents
- ✓ First mover advantage
- ✓ First internationally approved automated probe re-processor
- ✓ Partnership with major player creates barrier for entrants
- ✓ Unique technology and value proposition

No near term competitor

- ✓ Increased regulation pushing change; existing chemicals do not comply
- ✓ No other low temperature, point of care HLD system on the market

Customer and distributor power

- ✓ Strong acceptance of value proposition – trophon is the only “safe” option
- ✓ Multiple drivers for demand including economics, productivity and safety and environmental compliance

What's driving uptake of trophon EPR?

- New environmental standards for ultrasound probe disinfection, a **shift from toxic chemicals**
- The rising cost of **healthcare acquired infections (HAIs)**
- **Regulatory change** driving investment in infection control
- International **operator safety** legislation



The information in this infographic is taken from U.S data but illustrates the size of the issue and the potential value in delivering next generation solutions for this market. *Diagram courtesy of GE Healthcare.*

New product opportunities based on strong IP

2nd generation trophon

- Interface with OEM ultrasound machines.
- Extend use for surface probes (most probes approved for use in trophon). Settings for two cycles
- Expansion to ENT market

Other types of ultrasound probes

- Transoesophageal Echocardiography probes – Strong trade interest. Recent UK death from cross infection

Expand applications for NanoNebulant within the healthcare market

- General purpose disinfection – large market unmet need.

Expand applications for NanoNebulant beyond healthcare (environmental, food, domestic appliances)

Strong intellectual property portfolio surrounding the NanoNebulant technology

Summary: Investment Highlights

A validated opportunity....

- ✓ Meets an unmet need for safe, fast and eco-friendly high level disinfection in growing market
- ✓ Best-in-class product: only system to meet FDA best practice guidelines / no competitor
- ✓ Strong revenue growth in first full year of sales – up 447% to A\$12.3m in FY12
- ✓ Sufficient cash to support growth plans
- ✓ Validation by an industry leader – GE Healthcare
- ✓ Export Awards: recognition of achievements
- ✓ High calibre management team, experienced in manufacturing, global rollout and service

.... Driving for success

- ✓ Global rollout being executed
- ✓ Market dynamics driving increased investment in trophon[®] EPR
- ✓ Revenue increasing as new products rolled out
- ✓ Strong IP position and pipeline of new product opportunities

Total in-field customer acceptance of the benefits of trophon EPR

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Update and Progress

Ron Weinberger
Managing Director and CEO

Current High Level Disinfection (HLD) methods–time for change

Disinfection processes unchanged in 20+ years

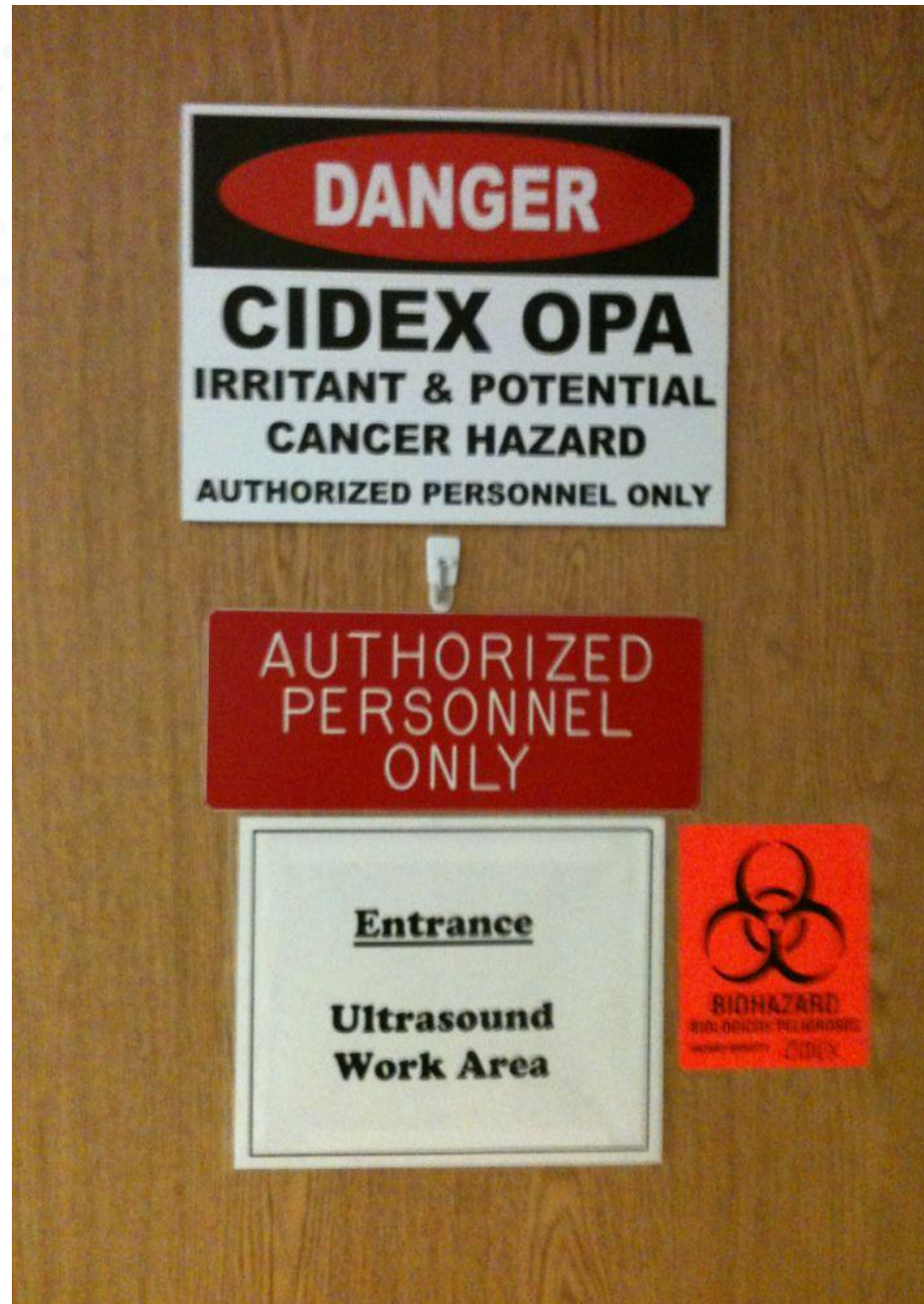
Existing methods have many shortfalls



The old methods: soak, spray or wipe

- Chemical spills, vapour control present OH&S risks
- High risk of cross contamination
- Wipes and spray not approved by the FDA for HLD

trophon EPR offers a safer, quicker, quality assured method of disinfecting intracavity ultrasound probes



trophon EPR

First fully automated system for disinfection of ultrasound probes
- compatible with all major ultrasound probe manufacturers.



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FY12 Review

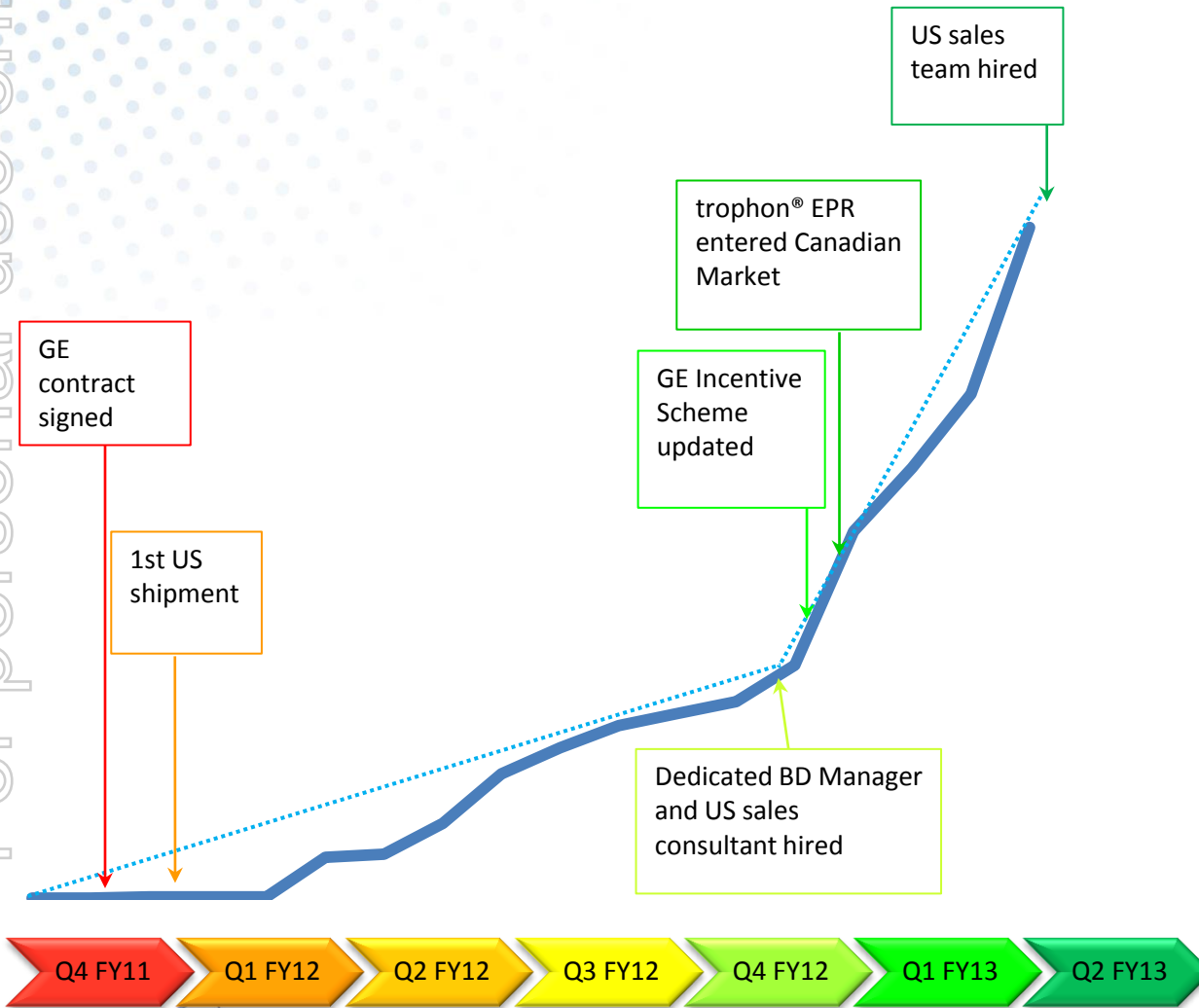
*Strong commercial launch
trophon EPR: the emerging 'gold standard'*

FY12 Review of operations

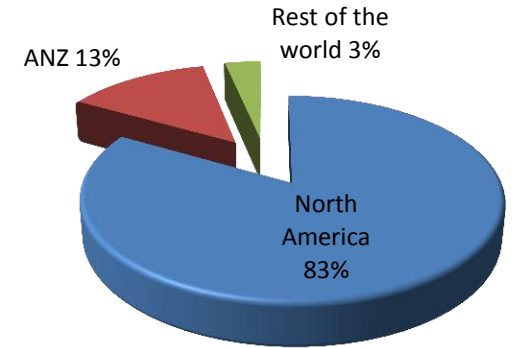
Our objectives	What we've delivered
Driving sales growth in the US and Canada	<ul style="list-style-type: none">✓ Consolidated relationship with GE✓ Appointment of US based team to drive business development✓ Increased presence at key industry events✓ Engagement with KOLs
Created supplementary revenue streams and consumables	<ul style="list-style-type: none">✓ Introduction of service contracts and online training provides recurring annual revenue✓ Traceability solutions pack – printer launched
Expanded global roll-out	<ul style="list-style-type: none">✓ Appointment of senior sales staff in UK, France and Germany✓ Hong Kong Hospital Authority granted
Raised capital	<ul style="list-style-type: none">✓ \$23 million raised
Increased manufacturing capacity	<ul style="list-style-type: none">✓ Expanded premises to increase manufacturing capacity by 50%

Accelerating customer sales in North America

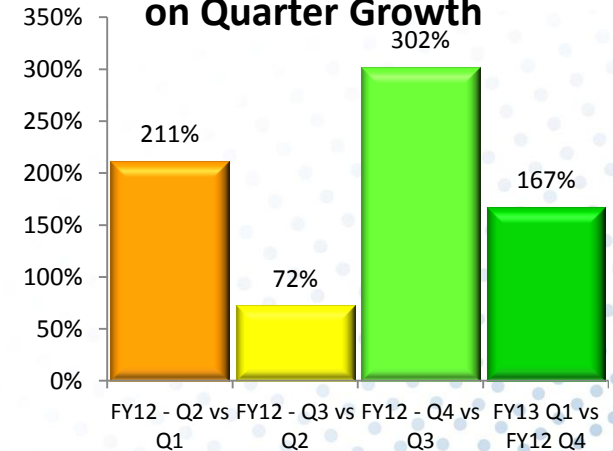
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Revenue by Market



North America Quarter on Quarter Growth



Driving growth in North America

- ✓ Hired Regional Sales Managers with extensive sales experience from Philips, Olympus, Baxter, Sonosite.
 - Driving sales into the non-GE customer base (~65% market)
 - Supporting the GE sales team
- ✓ Bundling is now the primary sales mechanism
- ✓ Rolling out GE sub distributor network in calendar 2013
- ✓ Expanding “Try it and Buy it program”
 - 247% success on the trial program across 80+ customer sites: One device trial results in 2.5 units sold.
- ✓ Key Opinion Leader program developed.

Luminary sites lead the way

Institution	Units	Location
BRIGHAM AND WOMAN'S	21	Boston, MA
MASSACHUSETTS GENERAL	26	Boston, MA
JOHNS HOPKINS	20	Baltimore, MD
BETH ISRAEL DEACONESS MEDICAL CENTER INC	23	Boston, MA
WALTER REED NATIONAL MILITARY MEDICAL CENTER	8	Bethesda, MD
MONTEFIORE MEDICAL CENTER - EINSTEIN DIVISION	23	Bronx, NY
KAPIOLANI MEDICAL CENTER FOR WOMEN & CHILDREN	11	Honolulu, HI
ALBERT EINSTEIN MEDICAL CENTER	6	Philadelphia, PA
MOUNT SINAI HOSPITAL	8	New York, NY
CALGARY RADIOLOGY	52	Calgary, Canada

What our customers are saying

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- ✓ **EFFICIENT:** “At each of our sites we’ve noticed a great improvement in workflow” (Sydney IVF)
- ✓
- ✓ **SAFE:** “trophon EPR has answered our OH&S concerns – our staff are no longer exposed to hazardous fumes (Sydney IVF)
- ✓ **EFFECTIVE:** “It’s a whole new feeling of clean” (South Georgia Medical Centre, US)

Independent validation of the cost/benefit of trophon

Bluth E, Radiological Society of North America, November 2012:

“The Cidex manual disinfection system took 32 minutes versus 14 minutes (cleaning, preparation etc. included) for the trophon system. The trophon system saves on average 7.5 hours per week per trophon unit. The cost of the trophon system and weekly maintenance pays for itself if one and a half more ultrasounds are performed each week”

CONCLUSION

“The trophon disinfection system was proven to be more efficient and viewed to be easier and safer to use than the Cidex disinfection process. The adoption of the trophon system led to higher satisfaction among ultrasound technologists”

- ✓ Similar findings identified in analyses by large Group Purchasing Organisations and US military
- ✓ Beth Israel Deaconess Hospital, Boston: 47% improvement in work flow efficiency leading to one less sonographer on staff

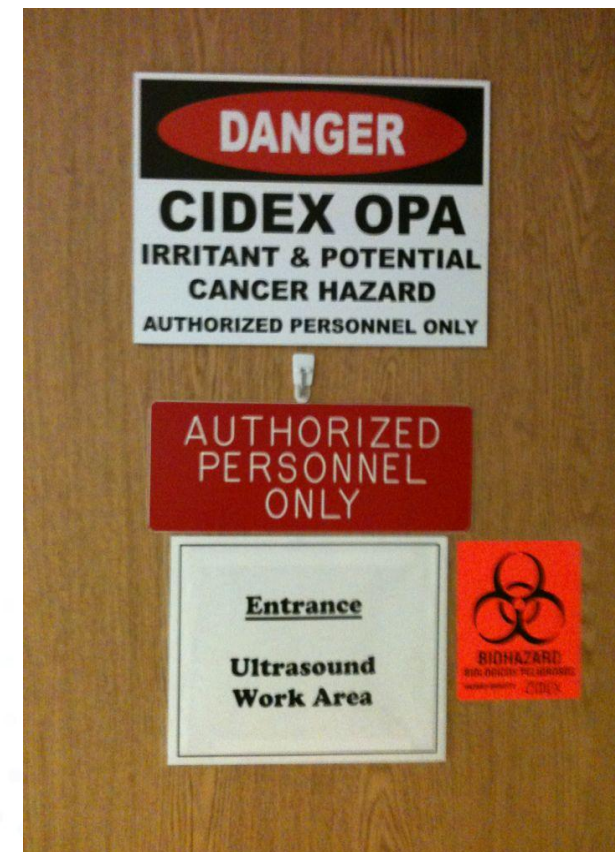
Regulatory drivers promoting trophon as the “Gold Standard of Care” Internationally

USA: FDA Communication:

- “(1) No high level disinfectant (HLD) or sterilant process can be effective unless it achieves complete device contact for the appropriate period of time and temperature*
- (2) If a probe is not completely immersed in an HLD, it will not be high level disinfected and yes, it then poses a risk for others”*

trophon is the only product that meets FDA best practice and ultrasound manufacturer recommendations.

- ## UK:
- Scottish government enquiry into ultrasound probe reprocessing following the ultrasound probe cross infection death June 2012.
 - Medical Health and Regulatory Alert disseminated across the UK.
 - trophon asked to be presented to the Scottish Health Services as the standard of care.



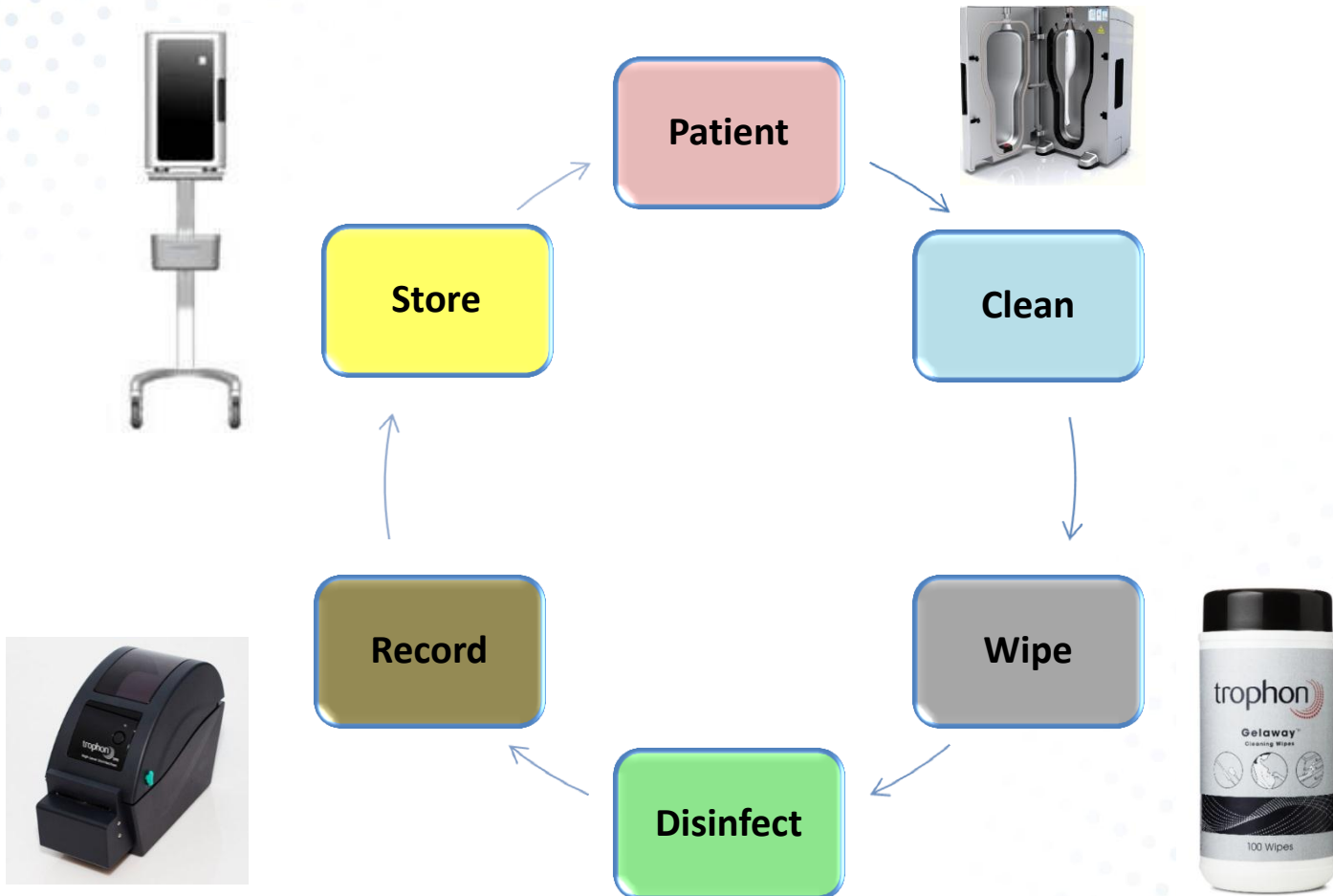
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OUR OPPORTUNITY

trophon EPR: A transformational product in a rapidly changing industry

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Our objective: Own the ultrasound probe reprocessing market



Building multiple revenue streams

trophon EPR:
240 and 110 volt models



36% of revenues

**Consumables: NanoNebulant
and Chemical Indicator**



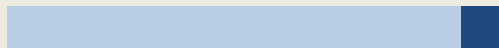
52% of revenues

**Accessories: Carts, Wall
Mounts, Printer, Software**



5% of revenues

Service Contracts



8% of revenues



- Margins in line with similar medical devices
- Manufactured locally by Nanosonics
- Multi-lingual option

- High margin products
- R&D in house
- Production outsourced

- High margins
- Low capital investment

- Annual fees
- Major service required after 5,000 disinfection cycles

trophon lifetime revenue

Revenue \$A	Year 1	Year 2	Year 3	Year 4	Total
trophon	5,000				5,000
Consumables					
Sonex	1,671	1,671	1,671	1,671	6,686
Chemical Indicator	195	195	195	195	780
	1,866	1,866	1,866	1,866	7,466
Accessories					
Wall Mount / Cart	700				700
Printer	500				500
Software	400				400
	1,600	-	-	-	1,600
Service	1,000	1,000	1,000	1,000	4,000
Total Annual Revenue Potential	9,466	2,866	2,866	2,866	18,066
Average GM%	66.4%	80.0%	80.0%	80.0%	72.9%

- Revenue and margin to NAN based on sales to distributors

New revenue streams for FY13

Software and Printer

- ✓ Patient audit trail and traceability of probes and use
- ✓ Software for patient specific records;
- ✓ trophon EPR specific printer to print immediate patient record

Pre-disinfection wipes – Unique IP to dissolve ultrasound gel

- ✓ Cleaning and drying of probe prior to disinfection essential.
- ✓ Moving disinfection of probes to point-of-care creates need for other probe cleaning options



Date	Time	Event	Cycle Number	Probe Cleaned	Result	Notes
06/12/2011	09:11:12	Disinfection Cycle	1	Yes	Successful	
06/12/2011	09:12:12	Disinfection Cycle	2	Yes	Successful	
06/12/2011	09:13:12	Disinfection Cycle	3	Yes	Successful	
06/12/2011	09:14:12	Disinfection Cycle	4	Yes	Successful	



Continuing to innovate....

Leveraging a strong intellectual property portfolio.

- Only mist disinfection technology for medical devices in the global healthcare market
- Looking to expand into new healthcare opportunities and develop the trophon portfolio:
 - Small non lumened flexible endoscopes such as ENT and larger endoscopes such as TEE
- Novel IP around “self-deactivation” chemistries that enable rapid decontamination & remediation of healthcare environments.
- New “two part” sterilant chemistry patent application that is aimed at the highest levels of material compatibility, safety and efficacy. Potential for application into other manufacturer devices as well as new trophon derivatives.

Delivering focus....

FY13 Priorities

Building our commercial footprint
Delivering further revenue growth

FY13 priorities

- ✓ Leverage investment in sales resources to accelerate growth in key markets of North America and Europe
- ✓ Maximise penetration in home market – Australia and New Zealand
- ✓ Build on early momentum in Hong Kong; launch in Singapore
- ✓ Actively pursue Key Opinion Leader engagement and capitalise on regulatory opportunities in Europe
- ✓ Obtain additional regulatory approvals, in particular in Asia
- ✓ Identify new product opportunities
- ✓ Stronger 2013 investor relations program to promote the successes of the business

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