LEADER IN INFECTION CONTROL SOLUTIONS

2014 Half Year Update

Michael Kavanagh, CEO and President
24 February 2013
Disclaimer

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Company Overview

- We aim to improve the safety of patients, clinics and their staff
- Proprietary automated system for low temperature, high level disinfection
- First product, trophon® EPR for disinfection of ultra sound probes
- Approved for sale by: US FDA, TGA(AU), CE mark notified body (TUV Rheinland), Health Canada, Medsafe (NZ) & South Korean FDA
- 110 Staff across Australia, US, UK, Germany & France
- GE Healthcare exclusive distributor in North America
- Toshiba and GEHC - UK distributors

Key Corporate Data

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share price*</td>
<td>$0.80</td>
</tr>
<tr>
<td>Shares on issue</td>
<td>263.1 million</td>
</tr>
<tr>
<td>Market capitalisation*</td>
<td>$210 million</td>
</tr>
<tr>
<td>Cash (31 Dec 2013)</td>
<td>$21.7 million</td>
</tr>
</tbody>
</table>
| Share register breakdown        | Founders and Related Parties 22.2%
|                                 | Institutions 33.1%
|                                 | Private 40.6%
|                                 | Corporate 4.1%                 |

* Close of trade: 20 February 2014
Fundamentals for the business continue to strengthen

- Growing awareness of the Healthcare Acquired Infection risk associated with Imaging
- Regulation / Guidelines – Trends towards stricter controls (HLD) and Automation.
- Risk mitigation growing in importance under Accountable Healthcare models
- Clinical evidence for trophon® EPR mounting
- Growing recognition and adoption as we implement global expansion strategy
- Current toxic HLD solutions progressively being rejected by customers and regulators
- Trend towards Point of Care adoption
Imaging procedure HAIs

- Imaging procedure HAIs – a critical subset of HAIs that are not often discussed.
- 0.9 - 9% of barrier sheaths and condoms leak.\(^1\)
- A meta-analysis has shown that 12.9% of transducers are contaminated with pathogenic bacteria following routine disinfection.\(^2\)
- HPV, a known cause of cervical cancer, has been found on up to 7.5% of transvaginal ultrasound transducers following routine disinfection.\(^3\)
- A fatal case of hepatitis B and non-fatal case of hepatitis C have been attributed to improper ultrasound transducer disinfection.\(^4,5\)
- Ultrasound transducer handles are not routinely disinfected and can harbour pathogens including MRSA.\(^6\)

5. Medicines and Healthcare products Regulatory Agency (UK), Medical Device Alert Ref: MDA/2012/037
The case for automation

The following national bodies recommend automated reprocessing over manual methods.\(^1\)\(^-\)\(^3\)

1. **Centers for Disease Control (USA).**\(^1\)

   *Guideline for Disinfection and Sterilization in Healthcare Facilities, 2008*

   Rutala W., Weber DJ., 2008, Centers of Disease Control and Prevention

2. **Robert Koch Institute (Germany).**\(^2\)

   *Anforderungen an die Hygiene bei der Aufbereitung von Materialprodukten*


3. **Department of Health (UK).**\(^3\)

   *Decontamination Health Technical Memorandum 01-01: Decontamination of reusable medical devices*

   Department of Health, Estates & Facilities Division, HTM01-01 2007


   DGKH, DGSV and ZENTRALSTERILISATION, Suppl. 2, 2007 May Volume 15, International Journal

- Manual disinfection is known to lead to reduced protocol compliance.\(^4\)
- Any disinfection method must be thoroughly validated to give safe, consistent and reproducible results.\(^3\)\(^,\)\(^5\)
- Manual methods are more difficult to validate increasing compliance risk.
A new solution being embraced......

The CEO of a group of radiology practices in Canada captures the issue perfectly:

“Here we are, with a new $150K ultrasound machine and $15K probes to go with it that we’re cleaning with 1960s glutaraldehyde soaking technology.”

Feisal Keshavjee, CEO, Radiology Consultants Associated

Any solution needs to mitigate risks to patients, staff and the environment by having the following attributes:

- Proven efficacy
- Automation
- Easy method compliance
- Process controls
- Straight-forward validation
- Cost effectiveness
- Non-toxic to patients and staff
- Avoid production of toxic waste products
trophon® EPR at the forefront of imaging related infection control
2014 H1 Financial Results
### Nanosonics: Financial Results 2014 H1

<table>
<thead>
<tr>
<th></th>
<th>H1 F14 $million</th>
<th>H1 F13 $million</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>7.994</td>
<td>3.034</td>
<td>↑ 163%</td>
</tr>
<tr>
<td>Aus/NZ*</td>
<td>1.094</td>
<td>1.213</td>
<td>↓ 10%</td>
</tr>
<tr>
<td>Europe +ROW</td>
<td>.592</td>
<td>.173</td>
<td>↑ 242%</td>
</tr>
<tr>
<td>Total Sales Revenue</td>
<td>9.68</td>
<td>4.42</td>
<td>↑ 119%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>10.3</td>
<td>9.4</td>
<td>↑ 10%</td>
</tr>
<tr>
<td>Operating Loss</td>
<td>3.482</td>
<td>6.027</td>
<td>↓ 42%</td>
</tr>
</tbody>
</table>

* Due to order timing

### Cash Balance at Dec 31
$21.65 million
Regional Update
North America

Ron Bacskai
President & CEO, Nanosonics Inc.

Keith Koby
Vice President Sales

Donna Fiorentino
Northeast Regional Sales Manager

Norm Rich
Western Regional Sales Manager

Kevin Markham
Southeast Regional Sales Manager

Lisa Davis
Business Development Manager

Ray Beams
South Central Regional Sales Manager

Tom O’Neill
North Central Regional Sales Manager

John Corbett
Program Manager

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GE investment builds and gaining traction

- Non-dilutive investment for *trophon*® *EPR* sales and increased marketing activities continues
- GE funded dedicated *trophon*® *EPR* sales team supporting the full North American ultrasound sales force in place
- Strategic Marketing investment continues
38 of the top 50 Hospitals as of Jan 2014
1286 USA locations as of Jan 2014

locations may have multiple units installed
United Kingdom

- Number of key hospitals adopting trophon EPR
- Health Boards reviews nearing completion
- Awareness activities progressing
**Medical Device Alert Ref: MDA/2012/037 Issued: 28 June 2012**

<table>
<thead>
<tr>
<th>Device</th>
<th>Problem</th>
<th>Action</th>
</tr>
</thead>
</table>
| • Reusable transoesophageal, echocardiography, transvaginal and transrectal ultrasound probes (transducers).  
  • All models.  
  • All manufacturers | • The MHRA is aware of an incident where the death of a patient from hepatitis B infection may have been associated with a failure to appropriately decontaminate a transoesophageal echocardiography probe between each patient use.  
  • The MHRA is issuing this alert to advise users to appropriately decontaminate all types of reusable ultrasound probes | • Review, and if necessary update, local procedures for all ultrasound probes that are used within body cavities to ensure that they are decontaminated appropriately between each patient use, in accordance with the manufacturer’s instructions.  
  • Ensure that staff who decontaminate medical devices are appropriately trained and fully aware of their responsibilities. |

**Medical Device Alert Ref: MDA/2013/019 Issued: 27 March 2013**

<table>
<thead>
<tr>
<th>Device</th>
<th>Problem</th>
<th>Action</th>
</tr>
</thead>
</table>
| • Detergent and disinfection wipes used on reusable medical devices with plastic surfaces  
  • All manufacturers | • Detergent and disinfection wipes can damage plastic surfaces of medical devices if they are not compatible with the surface material.  
  • Damaged surfaces may compromise the ability to decontaminate medical devices adequately and / or may interfere with device function | • Ensure detergent and disinfectant wipes are compatible with the device.  
  • Always follow the device manufacturer’s decontamination instructions.  
  • Look for signs of damage to the medical device and follow local reporting procedures as appropriate.  
  • If the manufacturer’s decontamination instructions are inadequate, report this fact to the MHRA and the manufacturer. |
Health Boards review nearing completion

News
Ultrasound Probe Decontamination - National Survey Launched

4th October 2012

In August HFS launched a national survey of current decontamination practice of reusable transrectal (TRU), transvaginal (TVU) and transoesophageal echocardiography (TOE) ultrasound probes/transducers.

Full review of TV and TR reprocessing services in order to establish clear National Recommendations underway.
Growing Market Awareness

TOSHIBA
Leading Innovation

Queen Elizabeth Hospital Birmingham NHS Foundation Trust

PROBE DECONTAMINATION:
A MULTIDISCIPLINARY APPROACH

A ONE-DAY COURSE – TUESDAY 17TH JUNE 2014

About the course
This programme has been designed to equip delegates with the knowledge to understand risks and provide information on protecting patients and staff from infection and to enable staff to identify responsibilities in relation to decontamination.

9.30 Registration and refreshments
9.30 Welcome
10.00 Infection – risk assessment for intracavity probes by Paul Culpin
10.40 What are the day to day issues with probe decontamination? By Ann Allen
11.10 Tea/Coffee
11.40 How can these risks be minimised? The basics of infection control. By Peter Jerks
12.20 What is decontamination? By Tina Bradley
13.00 Lunch
14.00 Quality - traceability, documentation, training, audit. Why is it important? By Kim Jacobson
14.40 Panel Discussion
15.10 Depart

To be held at
Keele Hall, Keele University
Keele, Staffordshire ST5 5BG

Cost: £80.00 including lunch and tea/coffee

Faculty:
Ann Allen - Clinical Lead Sonographer – King’s Mill Hospital, Sutton in Ashfield
Tina Bradley - Laboratory Manager - Hospital Infection Research Laboratory
Queen Elizabeth Hospital, Birmingham
Dr Paul Dubbins - Consultant Radiologist - Derriford Hospital, Plymouth
Dr Kim Jacobson - Consultant Medical Microbiologist - North Bristol NHS Trust
Dr Peter Jerks - Consultant Medical Microbiologist - Derriford Hospital, Plymouth

Putting you first
Toshiba Medical Systems UK
Whittington Hospital

In light of the serious cost pressures facing UK NHS Trust Hospitals there is a recognition of the potential issues which may result from inappropriate U/S probe care

Trophon approved by Whittington Hospital

4. Cost Pressures

4.1. It has been agreed by the Executive Committee that only cost pressures which are absolutely unavoidable will be agreed, in these instances Executive team approval and Chief Executive sign off is required. In 2013/14 unavoidable cost pressures which total £191k have been approved, the equivalent value for 2014/15 being a saving of £359k. This is further illustrated in the following figure:

**FIGURE 10: Unavoidable Cost Pressures Approved in 2013/14**

<table>
<thead>
<tr>
<th>Division / Service</th>
<th>Description</th>
<th>2013/14 Cost Pressure £000's</th>
<th>2014/15 Cost Pressure £000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate - E&amp;F</td>
<td>Purchase of Trophon Decontamination Units</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Germany

- Clinical studies continue – nearing completion
- Awareness strategies continue
- Units in a number of key luminary sites
New Published evidence supporting trophon® EPR

Automatic, validated, non-toxic high-level disinfection (HLD) of ultrasound transducers

A novel approach to minimize the risk of infectious disease transmission

The present study has shown Trophon® EPR is the only software-controlled, automated, one touch, validated device currently available in Germany proven to provide HLD within 7 min time per disinfection cycle and therefore suitable to be used for routine HLD disinfection of medical devices Category A such as ultrasound transducers in daily clinical practice. The new device fulfils all requirements for HLD as requested by the German Law for Infection Prevention and the Law on Medical Devices (MPG) (2, 3) in combination with the Medical Device Operator Ordinance (MPBetVO) (4) and based on the medical device risk assessment and in compliance with the Joint Guideline of the Commission for Hospital Hygiene and Prevention of Infection (KRINKO) at the Robert Koch Institute (RKI) and the Federal Institute for Drugs and Medical Products (BfArM) (2, 3).
trophon® EPR a Finalist for M&K Award 2014

Management & Krankenhaus (M&K)

- the leading newspaper for decisionmakers in German health care market
- trophon® EPR a finalist in Hygiene Sector
M&K Management & Krankenhaus
AWARD 2014
WINNER

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France – Awareness of risk continues to grow

Poor infection control practices in France may cause up to **30,000 people** to develop an infection from intracavity ultrasound procedures.

Of the four million yearly intracavity examinations the following transmissions could occur:

- 63 HIV cases
- 1,624 hepatitis B cases
- 239 hepatitis C cases
- 14,840 HPV cases
- 14,920 herpes cases.

1 Dr Sandrine Leroy (CHU Nimes and Montpellier, service Biostatistics, Clinical Epidemiology, Public Health), in press study.
Major share in Australian/NZ Market

- Over 452 sites in Australia with trophon EPR
- Australia’s largest medical imaging clinic network, I-MED, expanding adoption nationally
- Adopted in 17 sites in NZ
Summary

- Fundamentals for the Business continue to strengthen
- Momentum continuing to build in North America
- Europe gaining traction
- First have revenue up 119% on PCP and net loss reduced by 42%
- Strong balance sheet with $21.65 million
- Accelerating sales growth expected