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**Australian Securities Exchange Announcement
Half Year Results**

Nanosonics continues steady sales growth

Highlights

- Sales revenues increased \$3.71m to \$5.08m.
- Sales growing quarter on quarter as expansion into North American market continues
- New revenue stream from service contracts of Trophon EPR in Australia and New Zealand
- Strong network of reference sites established in USA
- Production capacity reaching 6,000 units per annum
- Production output per week more than doubled
- Reduced net loss after tax from \$4.54m to \$3.05m, a decrease of 33%

Overview

The Board of Nanosonics Limited (ASX: NAN) announces that sales revenue had grown 271% to \$5.08m reflecting the rapid expansion of sales of the Trophon EPR, primarily in the North American market. Despite increased costs due the ongoing development of the Trophon EPR, increased investment in manufacturing capacity and business development costs net loss after tax decreased \$1.49m (33%) to \$3.05m.

The results show that Nanosonics is building sales momentum with its flagship product, Trophon EPR. The investment made to scale up manufacturing capacity has enabled the company to successfully meet demand. We have also recruited to strengthen the Company's business development and technical teams. The North American version of the Trophon EPR has been adopted by a number of influential reference sites.

Sales

The installed base of Trophon EPR for Australia and New Zealand exceeds 500 units. The introduction into New Zealand has been very positive with an almost immediate conversion of trial sites to commercial orders. In addition, the introduction of extended service contracts to the New Zealand market has resulted in an 80% acceptance rate.

USA sales are in line with forecasts and expected to build steadily over the next 12 months. To fast track the installation phase of the Trophon EPR and to meet the potentially large US client base, Nanosonics has developed an on-line training facility; further emphasising the ease of use of the Trophon EPR. Asian markets are continuing to develop and the Company is expecting the Hong Kong Hospital Authority recommendation to flow on to other medical units and practices.

Manufacturing

Production capacity was recently increased by around 50% and with the new purpose designed facilities that are expected to come on line in the next 12 months, capacity will be increased again significantly.

The disinfectant consumable, NanoNebulant, cartridges are produced by third parties in Australia, USA and Europe. Local production of the NanoNebulant consumable has been established in each of these major markets for Trophon EPR thus facilitating an enhanced supply chain for our customers.

To enhance growth, Nanosonics has set-up a base in Indianapolis, USA as well as Hamburg, Germany to provide technical and services support. Indianapolis was chosen specifically because it is where GE Healthcare's service operations are located as well as being the location of Applied Laboratories Inc., the US manufacturer of the NanoNebulant.

Additional revenue streams

Nanosonics currently enjoys multiple revenue streams from the Trophon EPR, These include:

- The NanoNebulant disinfectant and the chemical indicator test- both required to operate the Trophon EPR;
- Mobile carts which allow the machine to be easily moved between and within consulting rooms; and
- Wall mounts that ensure the Trophon EPR can be fixed on central wall eliminating the need for additional bench space.

Near term revenue enhancements include:

- The introduction of annual service contracts to customers of Trophon EPR. Trophon EPR is serviced annually with a major service every 5,000 disinfection cycles. Over time, revenue from service contracts is expected to contribute to in excess of 10% of product sales revenues;
- Sales of software interfaces and Trophon EPR printers to meet the increasing need for an audit trail and traceability and to provide soft and hard copy patient specific records; and
- Accessories such as pre-disinfection cleaning wipes which support the reprocessing of probes at the point of care which is a key benefit of the Trophon EPR.

Additionally Nanosonics is continuing to invest successfully in the research and development of new products. The Company has identified a number of new product opportunities derived from its platform technologies and is currently prioritising the application of its research and development efforts to those projects which will maximise shareholder returns.

The coming year

The focus is on building the distributor networks, an ongoing ramp-up of manufacturing capacity and adding new products and services to the Trophon EPR range. To support the growth of the business, Nanosonics is committing additional dedicated resources to facilitate the development of the European and North American markets. Nanosonics anticipates delivering to GE Healthcare by the end of April additional units for their Canadian sales campaign.

The continued improvement in sales revenues is being built on a strong proactive campaign supported by GE Healthcare and increasing word of mouth referral. Nanosonics will continue to grow its relationship with GE Healthcare

Healthcare Acquired Infections (HAIs) are rapidly becoming a key focus of healthcare sector. Recent changes in the USA have redefined the landscape, in that hospitals will no longer receive reimbursement for patients who are infected as a result of a procedure. Microbial control is no longer limited to patient safety but is now a health economic issue driven by risk management. The Trophon EPR is rapidly becoming the new standard of care for the reprocessing of ultrasound probes across the globe.

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About Nanosonics

Nanosonics Limited is developing a portfolio of decontamination products designed to reduce the spread of infection. The Company owns intellectual property relating to a unique disinfection and sterilisation technology which can be suited to a variety of markets.

Initial market applications are designed for the reprocessing of reusable medical instruments. The Company's first product is designed to disinfect Ultrasound Transducers. In parallel with the commercialisation of this product, Nanosonics is also developing other medical applications and exploring opportunities for its proprietary technology in other industries.

For more information about Nanosonics please visit www.nanosonics.com.au