



24 December 2019

\$100 Million Binding Agreement for Sale of Ellex Lasers & Ultrasound Business to Lumibird Group SA

Transaction Highlights:

- **A\$100 million in cash, representing 1.5x Lasers & Ultrasound FY19 revenues¹ and 10.6x FY19 EBITDA²**
- **Net cash proceeds of approximately \$97 million, after adjustments for Ellex iTrack, 2RT and allocated corporate expenditure prior to the completion date**
- **Ellex shareholders to vote on the proposed sale, with transaction close expected by late March 2020**
- **Ellex Board of Directors unanimously recommend the transaction³**
- **Ellex Board committed to returning majority of net funds received to shareholders**
- **Post transaction, Ellex will be debt-free and will be primarily focused on devices to treat glaucoma in a growing, underpenetrated global market and 2RT for macular degeneration**

Adelaide, Australia, 24 December 2019 – Ellex Medical Lasers Limited (ASX:ELX; OTCQX: ELXMY, ELXMF)(**Ellex or the Company**), a world leader in medical technologies for the diagnosis and treatment of eye disease, today announces the execution of a binding Share Sale and Purchase Agreement (**SPA**) for the sale of the Ellex Lasers & Ultrasound business (**Business**) for A\$100 million in cash to Lumibird Group SA (**Lumibird**) subject to adjustments relating to Ellex's iTrack, 2RT and assigned corporate costs at completion (**Proposed Transaction**). The Proposed Transaction specifically excludes the Ellex 2RT[®] and Ellex iTrack[™] business segments.

Lumibird is headquartered in Lannion, France and is one of the world's leading specialists in lasers, with more than 500 employees globally and over €100 million in revenues in 2018. Lumibird is listed on the Euronext Paris Exchange (ENXTPA:LBIRD) with a market capitalisation of approximately €230 million. In ophthalmology, Lumibird lasers and ultrasounds are sold under the Quantel Medical brand and in 2018 delivered revenues of €34 million. Quantel Medical has an installed base of over 30,000 lasers, over 140 employees and a presence in over 110 countries globally.

The key terms of the Proposed Transaction are shown in Appendix 1.

¹ FY19 recorded Ellex L&U revenues of \$65.522 million

² EBITDA – Earnings before interest, tax, depreciation and amortisation; FY19 EBITDA of \$9.469 million

³ Subject to there being no superior proposal for Ellex Medical Lasers Limited and an Independent Expert concluding the Transaction is fair and reasonable for Ellex shareholders

Ms Maria Maieli, CEO of Ellex Medical Lasers said “The proposed sale of the Ellex Lasers & Ultrasound business to Lumibird, which includes our state of the art manufacturing facilities in Adelaide, Australia highlights the value of our brand, the dedication of our employees, the strategic importance of our global sales and distribution network, and the many doctors and patients we serve. Lumibird will make an excellent strategic fit for Ellex’s market leading range of lasers and ultrasound to treat a range of important eye diseases.”

Mr Previn, Chairman of Ellex Medical Lasers said: “The new Ellex, which will be subject to a change in name post-transaction completion, will focus on the rapidly growing glaucoma surgery device market with its core iTrack™ franchise. Although Ellex 2RT for age-related macular degeneration is also not part of the sale to Lumibird, we will be in a position to outline our preferred strategic approach for future development of this innovative laser platform following a meeting with the FDA in early first quarter 2020.”

Marc Le Flohic, Chairman and CEO of Lumibird said: “To truly create a difference in the lives of as many people afflicted by laser treatable blindness as possible, it is vital for companies such as QM and Ellex to come together in order to reach a critical mass and make the most of their respective strengths; be that in diagnostic devices such as ultrasound or in treatments based on laser products.”

Jean-Marc Gendre, CEO of Quantel Medical said: “Quantel Medical and Ellex know one another very well, which will facilitate their integration. Quantel Medical and Ellex have complementary assets, with strong brands and ophthalmic market expertise. Their alliance will enable us to offer a wider range of products across all levels of pricing in order to better meet clients’ diverse needs.”

Overview of the Proposed Transaction

The Proposed Transaction with Lumibird represents a significant milestone for Ellex shareholders and acknowledges that as a leader within the global market for high quality ophthalmic lasers, Ellex has built an enviable track record of innovation, quality and market share within this segment of the overall ophthalmic market.

If the transaction is successfully completed, Lumibird will acquire all Ellex Lasers & Ultrasound products:

- Tango™ and Tango Reflex™ Selective Laser Trabeculoplasty (SLT) lasers used in the treatment of glaucoma (FY19 revenues: \$32.4 million),
- Ultra Q™ and Ultra Q Reflex™ lasers used in the treatment of secondary cataracts and vitreous floaters (FY19 revenues: \$12.6 million);
- Integre Pro™ and Integre Pro Scan™ lasers used in the treatment of diabetic eye disease (FY19 revenues \$14.4 million);
- Ellex Eye Prime™, Eye One™ and Eye Cubed™ ultrasound products (FY19 revenues: \$4.3 million); collectively
- \$66.5 million in FY19 revenues, \$9.5 million in FY19 EBITDA

Additionally, Lumibird will also assume ownership of the Ellex manufacturing facility in Adelaide, Australia.

The transaction is subject to all applicable conditions being met or waived. As the disposal of the Business would constitute the disposal of a major asset, Ellex will be seeking the approval of shareholders under ASX Listing Rule 11.2 for the Proposed Transaction at an extraordinary general meeting to be convened in late March 2020, with completion of the Proposed Transaction anticipated to occur before April 2020. The Directors of Ellex unanimously recommend the Proposed Transaction subject to no superior offer for Ellex Medical Lasers Limited and an Independent Expert concluding the Transaction is fair and reasonable for Ellex shareholders.

The Proposed Transaction is also subject to Ellex completing a restructure of the business to facilitate the sale to Lumibird of the required Ellex subsidiaries and customary closing conditions, including adjustments for Ellex iTrack, 2RT and allocated corporate expenditure prior to completion date. If required, certain other regulatory approvals are also conditions of the Proposed Transaction. As indicated, the Proposed Transaction is subject to Ellex shareholder approval, but is not subject to approval from Lumibird shareholders.

An explanatory memorandum, including the Independent Expert Report will be dispatched to Ellex shareholders ahead of the extraordinary general meeting.

Indicative Timetable

Ellex shareholders do not need to take any action at this time. An indicative timetable for the transaction, which is subject to change, is set out below:

EVENT	EXPECTED DATE
Signing of binding Share Sale and Purchase Agreement (SPA)	24 December 2019
Notice of Meeting dispatched to shareholders, including Independent Expert Report	Mid-Late February 2020
Extraordinary General Meeting to approve transaction	Late March 2020
Transaction settlement / receipt of funds	Late March 2020

Post Transaction Events

The Ellex Lasers & Ultrasound segment contributed approximately 80% of group sales and represented 77% of group assets as at 30 June 2019. The sale of the Business will significantly reduce the Company's revenue and asset base.

If the Proposed Transaction completes, the Ellex pro-forma net cash position is estimated to be approximately \$97 million. Ellex will be debt-free following the transaction.

Following the completion of the transaction, the Ellex Board intends to undertake a rigorous assessment of the working capital and investment needs for iTrack moving forward and making a determination on the preferred strategic approach to maximise shareholder value following the outcome of the FDA meeting for 2RT. Notwithstanding the above, at this early stage, the Board has made a determination that a majority of transaction funds received (net of tax and costs of the transaction) will be returned to shareholders in a form to be determined, but may include a special dividend, capital return, share buy-back, or some combination thereof. The Company will seek expert advice as to the most effective means of returning surplus funds to shareholders.

Post completion, Ellex Medical Lasers Limited intends to remain an ASX listed company, with a primary focus on glaucoma disease via the iTrack business with manufacturing in Fremont, California and a sales network across the USA, Europe and Asia Pacific (primarily China).

ELX has sought, and has received, in-principle advice from the ASX that the Proposed Transaction is not one with respect to which ASX would require ELX to comply with Listing Rule 11.1.3 (that is, apply for re-admission of ELX and satisfy the other extensive associated obligations with such an application).

Ellex will require a change of name to comply with the transfer of the Ellex brand to Lumibird as part of the Proposed Transaction.

In FY19, the combined Ellex iTrack and 2RT businesses generated revenues of \$16.1 million and an EBITDA loss (before unallocated costs) of \$5.7 million.

Ellex has appointed Thomson Geer as legal advisers to the transaction.

This release dated 24 December 2019 has been authorised for lodgement to ASX by the Board of Directors of Ellex Medical Lasers Limited and lodged by Kimberley Menzies, Company Secretary.

- ENDS -

ABOUT ELLEX

Ellex designs, develops, manufactures and sells innovative product that help eye surgeons around the world to effectively and efficiently treat eye disease. Ellex is a world leader in this field. Headquartered in Adelaide, Australia, Ellex has ophthalmic lasers and devices that treat glaucoma, retinal disease primarily caused by diabetes, secondary cataract and vitreous opacities, as well as age-related macular degeneration. Manufacturing is carried out in Adelaide, Australia and Fremont, California. Sales and service directly to eye surgeons is conducted via subsidiary offices in Minneapolis, Lyon, Berlin and Tokyo. A network of more than 50 distribution partners around the world services other markets.

For additional information about Ellex and its products, please visit www.ellex.com

ABOUT LUMIBIRD GROUP SA

Lumibird is one of the world's leading laser specialists. With 50 years of experience and expertise in solid state laser, laser diode and fiber laser technologies, the Group designs, manufactures and distributes high-performance lasers for scientific (laboratories and universities), industrial (manufacturing, defence / space, Lidar sensors) and medical (ophthalmology) markets. Created through the combination of the Keopsys and Quantel Groups in October 2017, LUMIBIRD has more than 500 employees and over €100 million of revenues and is present in Europe, America and Asia.

Lumibird shares are listed on Euronext Paris Compartment B. FR0000038242 - LBIRD

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Appendix 1

Summary of the Ellex Lasers & Ultrasound Share Sale and Purchase Agreement (SPA)

Parties	<p>Ellex Medical Lasers Limited</p> <p>Lumibird</p>
Purchase Price	<p>A\$100 million, adjusted for iTrack, 2RT and corporate costs at Completion and subject to customary “locked box” provisions.</p>
Conditions Precedent	<p>(Restructure) Execution of the Restructure Documents and completion of the Restructure by Ellex on the Restructure Date, on terms reasonably satisfactory to the Buyer.</p> <p>(FIRB Approval) If required, the Treasurer of the Commonwealth of Australia:</p> <ul style="list-style-type: none"> (a) gives (either personally or through a delegate) an approval under the <i>Foreign Acquisition Takeovers Act 1975</i> (Cth) (FATA) to the Buyer acquiring the Shares, and that approval is not subject to conditions, or is subject only to conditions that the Buyer reasonably considers to be acceptable; (b) provides (either personally or through a delegate) written advice or confirmation that there is no objection to the Buyer acquiring the Shares under the FATA or the foreign investment policy of the Australian Government, and that advice or confirmation is not subject to conditions, or is subject only to conditions that the Buyer reasonably considers to be acceptable; or (c) ceases to be empowered to make any order under Part II of the FATA in respect of the Buyer acquiring the Shares. <p>(ACCC Approval) If required, the Transaction receiving clearance by the Australian Competition and Consumer Commission and any other relevant anti trust regulators.</p> <p>(Independent Expert Report) Ellex obtaining an Independent Expert's Report which concludes that the Transaction is fair and reasonable to Ellex shareholders.</p> <p>(Shareholder Approval) Ellex obtaining the shareholder approvals required for the transactions contemplated by this Agreement, including the</p>

	<p>approval of its shareholders for the sale of the Shares and Business for all purposes, including ASX Listing Rules 11.1 and 11.2.</p> <p>(ANZ Facility) Written lender consent in respect of the transactions contemplated by this Agreement is obtained under the ANZ Facility.</p> <p>(Deed of Cross Guarantee) the each Target Group Member is released from the Deed of Cross Guarantee with effect from Completion.</p> <p>(Environmental certificate) an Environment Protection Authority certificate relating to the Owned Property under Section 7 of the <i>Land and Business (Sale and Conveyancing) Act 1994</i> is received on terms reasonably satisfactory to the Buyer.</p>
<p>Exclusivity</p>	<p>Company means Adele Ellex SPV Pty Ltd.</p> <p><i>Adele Ellex SPV Pty Ltd is the special purpose vehicle established by Ellex to facilitate the restructure and the sale to Lumibird of the required Ellex subsidiaries.</i></p> <p>Competing Proposal means any expression of interest or intent, proposal, offer, transaction, agreement or arrangement which:</p> <ul style="list-style-type: none"> (b) if entered into or completed in accordance with its terms, would result in a third party (either alone or together with one or more other parties) directly or indirectly: <ul style="list-style-type: none"> (i) acquiring Control of Ellex (other than on the basis that any acquisition of Control of Ellex would take place following completion of the Transaction); (ii) acquiring an interest (including an economic interest by way of an equity swap, contract for difference or similar transaction or arrangement) or a Relevant Interest in 15% or more of the shares in Ellex; or (iii) acquiring, becoming the holder of or having a right to acquire or an economic interest in all or a substantial part of the Business, or any of the Business Assets,

whether by way of takeover bid, members' or creditors' scheme of arrangement, shareholder approved acquisition, capital reduction, buy-back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement; or

- (c) if entered into with one or more members of Ellex Group would require the abandonment of, or otherwise result in the failure to proceed with, the Transaction;

Completion means completion of the sale and purchase of the Shares.

Completion Date means the date on which Completion occurs, being the first month end date after satisfaction or waiver of the final Condition, or such other date as agreed by the Parties in writing in accordance with the provisions of this Agreement.

Shares means all of the shares in the capital of the Company.

No-shop

Until Completion, Ellex must not, and must ensure that its Representatives do not, except with the prior written consent of the Buyer:

directly or indirectly solicit, initiate or invite enquiries, discussions or proposals in relation to, or which may reasonably be expected to lead to, a Competing Proposal; or

communicate to any person any intention to do any of the things referred above

No-talk

Subject to a fiduciary exception, until Completion, Ellex must not, and must ensure that its Representatives do not, except with the prior written consent of the Buyer:

directly or indirectly participate in or continue any discussions or negotiations in relation to, or which may reasonably be expected to lead to, a Competing Proposal;

provide or make available to any third party any non-public information relating to any member of Ellex Group in connection with such third party formulating, developing or finalising, or assisting in the

	<p>formulation, development or finalisation of, a Competing Proposal; or</p> <p>communicate to any person any intention to do any of the things referred to above</p> <p>No due diligence</p> <p>Until Completion, Ellex must not, except with the prior written consent of the Buyer:</p> <p>solicit, initiate, facilitate or encourage any party (other than the Buyer or its Representatives) to undertake due diligence on Ellex or any member of Ellex Group for the purposes of enabling that person to make or assess a Competing Proposal; or</p> <p>subject to a fiduciary exception, make available to any other person (other than the Buyer or its Representatives) or permit such person to receive any non-public information relating to Ellex or any member of Ellex Group for the purposes of enabling that person to make or assess a Competing Proposal.</p> <p>This does not prevent Ellex from providing information to ASX, ASIC or Ellex's auditors and advisers in the ordinary course of business, in compliance with its continuous disclosure obligations or to otherwise effect the negotiation and entry into this Agreement.</p> <p>Notification obligation</p> <p>Until Completion, Ellex must notify the Buyer in writing if it is approached, or if any of its Representatives are approached, by any person in relation to an actual or potential Competing Proposal, and that notice must include details of the terms of the actual or potential Competing Proposal including the identity of the proponent(s) of any Competing Proposal.</p> <p>Such notice is to be provided by Ellex within 48 hours after the approach.</p> <p>Fiduciary exception</p> <p>In respect of a bona fide Competing Proposal received by Ellex or a potential or proposed Competing Proposal, which in each case was not brought about as a result of any breach by Ellex of its obligations Ellex may undertake any action that would otherwise be prohibited by the No-talk and No due diligence clauses if (and only to the extent that) Ellex Board determines, acting in good faith after receiving advice from its financial and legal advisers, that:</p>
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	<p>where there is a Competing Proposal, that the Competing Proposal is, or may reasonably be expected to lead to, a Superior Proposal; and</p> <p>not taking that act would be likely to constitute a breach of the fiduciary or statutory duties owed by any Ellex Director.</p> <p>Matching right</p> <p>Ellex must procure that no Seller Director publicly recommends a Competing Proposal, and must not enter into any agreement or arrangement in relation to or in connection with the implementation of a Competing Proposal, unless:</p> <p>the Competing Proposal is a Superior Proposal;</p> <p>Ellex has given the Buyer written notice (Matching Right Notice) of the key terms of the Competing Proposal (including the identity of the person(s) who made the Competing Proposal); and</p> <p>the Buyer does not, within 5 Business Days after Ellex gives the Matching Right Notice, make a written proposal to Ellex to alter the Transaction that Ellex Board determines, acting in good faith, would produce an outcome for Seller shareholders that is at least as favourable to them as the outcome that would be produced by the Competing Proposal.</p> <p>Presentations and other disclosures</p> <p>Nothing in the Exclusivity clause will prevent Ellex from:</p> <p>providing information to its Representatives acting in that capacity in connection with the Transaction;</p> <p>providing information to ASX or any other Government Agency; or</p> <p>providing information to its auditors, advisers, customers, and suppliers acting in that capacity in the ordinary course of business.</p>
<p>Shareholder Approval</p>	<p>Ellex Medical will seek shareholder approval for the Transaction at an Extraordinary General Meeting.</p>
<p>Break Fee</p>	<p>Ellex has agreement to pay Lumibird a break fee of A\$1,000,000.</p> <p>No reverse break fee is payable by Lumibird to Ellex.</p> <p>Ellex must pay Lumibird the Break Fee, without set-off or withholding and within 5 Business Days after receipt of a written demand from the Buyer, if at any time after the date of this deed:</p>

	<p>(a) a Competing Proposal is made or announced by a third party before Completion (whether or not such proposal is stated to be subject to any preconditions) and within 12 months thereafter:</p> <p>(i) the third party proposing the Competing Proposal or any associate of that third party completes the Competing Proposal in the same or substantially the same form as made or announced (disregarding any differences in consideration or structure); or</p> <p>(ii) another third party acquires Control of Ellex or the Business;</p> <p>(b) Ellex enters into any agreement with a third party in respect of a Competing Proposal; or</p> <p>(c) any Ellex Director publicly:</p> <p>(i) withdraws or adversely changes their Recommendation or Voting Intention, unless permitted to do so</p> <p>(ii) recommends a Competing Proposal</p> <p>and this Agreement is terminated or the Transaction does not proceed</p>
<p>Restraint</p>	<p>Ellex has agreed to not, either directly or indirectly</p> <p>(a) engage in a business or an activity that is:</p> <p>(i) the same or similar to the Business or any material part of the Business; and</p> <p>(ii) in competition with the Business or any part of the Business;</p> <p>(b) solicit, canvass, approach or accept an approach from a person who was at any time during the 24 months ending on the Completion Date a customer or client of the Business with a view to obtaining their custom in a business that is the same or</p>

	<p>similar to the Business and is in competition with the Business;</p> <p>(c) interfere with the relationship between the Business and its customers, clients, employees or suppliers; or</p> <p>(d) induce or help to induce an employee of the Group to leave their employment.</p> <p>The restraint is global and lasts for a period of up to three years.</p> <p>Lumibird has agreed to not, either directly or indirectly engage in the use of nanopulse lasers to treat the retina and neural tissue, which is necessary to protect the goodwill and value of the excluded businesses, specifically 2RT.</p>
Locked Box	<p>Ellex has agreed to a locked box arrangement with Lumibird from the period commencing 30 June 2019 to the Completion Date.</p> <p>The locked box arrangement allows for an interest rate adjustment on the purchase price and adjustments for iTrack, 2RT and certain other corporate expenditure commencing 30 June 2019 until the Completion Date. Similarly, Ellex indemnifies the Buyer if any of a customary list of prescribed 'leakages' occur in the relevant period.</p>
Specific Indemnities	<p>Ellex has agreed to provide specific indemnities that reflect a transaction of this nature for the implementation of the restructure necessary to complete the Transaction.</p>
Warranties & Indemnities	<p>Ellex has agreed to a package of warranties and indemnities, with associated limitation of liability provisions that reflect a transaction of this nature.</p> <p>Lumibird has package of warranties and indemnities, with associated limitation of liability provisions that reflect a transaction of this nature and include Lumibird having sufficient debt and/or cash to pay the Purchase Price.</p>
Transitional Service Arrangement	<p>The parties have agreed a Transitional Services Agreement will be prepared based on the following key commercial points and otherwise will be prepared on terms reasonably acceptable to the parties in their discretion:</p> <p>(a) Assets related to 2RT will be owned by Ellex R&D Pty Ltd.</p> <p>(b) The Target Group will supply quality, regulatory and factory service</p>

	<p>systems at cost plus a margin to be agreed between the Parties.</p> <ul style="list-style-type: none">(c) Direct material costs for 2RT will be at cost plus 10% administrative mark up.(d) The parties have agreed in principle that manufacturing will have a per unit price, with indexed price increases accounting for inflation (CPI).(e) The Target Group will supply product development services on a quote and approval basis, as agreed from time to time.(f) All transitional services to be provided at a service level no greater than that which was maintained between entities within the Ellex Group in the 12 months prior to Completion.
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