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18 July 2024

Intelligent Ultrasound Group plc
("Intelligent Ultrasound" or the "Group" or the "Company")

Proposed sale of the Clinical AI Business to GE HealthCare for £40.5 million
Notice of General Meeting
Trading update

Intelligent Ultrasound Group plc (AIM: IUG), the ultrasound AI software and simulation company, is pleased to announce it has entered into a conditional sale and purchase agreement for the sale of its Clinical AI business (Intelligent Ultrasound Limited and certain other clinical AI related assets) to GE HealthCare for an enterprise value of £40.5 million on a cash free/debt free basis (the "Proposed Transaction"). The Proposed Transaction excludes the NeedleTrainer and NeedleTrainer Plus products which will remain within the Company along with the Simulation Business.

Transaction highlights:

- Sale of the Clinical AI Business to GE HealthCare agreed for an enterprise value of £40.5 million.
- Disposal excludes the NeedleTrainer/Trainer Plus product which will be retained within the remaining Simulation Business which generated total revenues of £10.0 million in the financial year ended 31 December 2023 (including £0.8m relating to the NeedleTrainer product).
- The consideration represents a implied value of 12.4p per Ordinary Share on current issued share capital and a premium of 70.9 per cent to the Ordinary Share price on 17 July 2024 and a premium of 30.9 per cent to the volume weighted share price for the last 12 months. The Proposed Transaction also values the Clinical AI Business at 33.8 times full year 2023 revenues of that business.
- The transaction is subject to shareholder approval under AIM Rule 15, as well as confirmations from the Competition and Markets Authority under the Enterprise Act, and the Investment Security Unit under the National Security and Investment Act, that they do not oppose the transaction (the "Regulatory Consents")
- It is the Board's intention to make a material return of capital following a review of the growth potential and capital requirements of the post-transaction business and taking legal and tax advice on structure of a return. An announcement detailing the proposed use of funds and future strategic direction for the post-transaction business is expected to be made by the time of completion of the Proposed Transaction, which, dependent on the timing of the Regulatory Consents, is expected to be in September/October this year.
- The Company has received irrevocable undertakings and letters of intent from certain Shareholders (including the Directors) representing approximately 54.6 per cent of the Ordinary Share capital to vote in favour of the Resolution.

Further details of the Proposed Transaction are set out below.

The Board of Intelligent Ultrasound is committed in its duty to provide value to shareholders and therefore has continually sought to evaluate strategic options available to the Company to do so. For some time the Board has been considering how best to optimise and accelerate the growth of the Clinical AI Business. The Company acquired its Clinical AI Business in October 2017 through its purchase of Intelligent Ultrasound Limited, a University of Oxford spin-out company, for £3.6 million and has committed capital to it to date of approximately £12.2 million (as adjusted to remove NeedleTrainer development costs but including the £3.6 million initial purchase price).

Whilst the Board takes great pride in the development capability that has been created in the Clinical AI Business, to date, the growth of the ScanNav related AI revenue streams has been slower than was originally forecast. Furthermore, the Company has not yet reached commercial terms with GE HealthCare for all the future products on its women's health roadmap. Materially growing the value of the Clinical AI Business therefore relies on also developing products outside the existing relationship with GE HealthCare, including ScanNav FetalCheck (for gestational age estimation) and ScanNav Liver (to support hepatologists diagnose and monitor MASH and MAFLD).

Although the Company has supportive Shareholders, it has never been able to achieve the up-front funding levels of its competitors and, with financing conditions for small growth companies uncertain, the probable additional investment required must be balanced against ongoing execution risk and the Company's goal of reaching profitability on current cash resources.

When assessing the value of the Clinical AI Business, the Board has taken into account the following elements:

- the current and expected revenues from royalties paid by GE HealthCare for the use of the ScanNav Assist ultrasound AI software under the Women's Healthcare Licence;
- the current and potential value of the ScanNav Anatomy PNB product;
- the potential value of the ScanNav FetalCheck gestational age product; and
- the value of the Group's future products such as ScanNav Liver, as well as the value of the broader technology and capabilities of the business and its team.

The Board considers that GE HealthCare's offer represents a fair net present value for these revenue streams, taking into account

the current value accorded to the Company by the capital markets, the expected execution risk and potential dilution required to make the requisite investment in the Clinical AI Business.

Notice of General Meeting

The Company will shortly post a Circular to Shareholders regarding the Proposed Transaction, which sets out a Notice of General Meeting, and a Form of Proxy for the proposed resolutions. These documents will also be available on the Company's website.

Current Trading and Outlook:

The Company today also issues a trading update for the period ended 30 June 2024. Unaudited revenue in the first half of the year declined by 18% to £5.1 million (H1 2023: £6.1 million), with simulation sales (excluding NeedleTrainer) down 34% to £3.5 million (H1 2023: £5.3 million).

This results from a decline in the UK and North American markets

- The decline in UK sales was expected, due to previously flagged NHS budget pressure, reducing sales almost 60% to £0.8 million (H1 2023: £1.9 million)
- However, the 23% decline in North America sales to £2.2 million (H1 2023: £2.8 million) was not anticipated, with nearly £0.8 million of expected sales held in delivery backlog or last-minute purchase order delays.

Positives in the first half were:

- ROW reseller sales growing over 30% to £1.6 million (H1 2023: £1.1 million); and
- Clinical AI related revenue doubling to £1.5 million (2023: £0.7 million) of which NeedleTrainer increased to £1.0 million (H1 2023: £0.5 million).
- Cash overheads in the business were £4.3 million (H1 2023: £4.9 million) and reflect a number of cost saving across the Group.
- Cash burn reduced significantly in H1 2024 to £2.0 million (H1 2023: £3.8 million) leaving cash as at 30 June of £1.0 million (31 December 2023: £3.0 million).

Irrevocable undertakings

Completion is conditional upon, inter alia, the passing of the Resolution by Shareholders at the General Meeting. The Company has received irrevocable voting undertakings and letters of intent to vote in favour of the Resolution from certain Shareholders (including the Directors) representing approximately 54.6 per cent of the Ordinary Share capital.

Amendment to the M&A Bonus arrangement

The Remuneration Committee proposes to make the following changes to the M&A Bonus that it put in place for executives in December 2020 following consultation with its major shareholders:

- Thresholds to be adjusted in line with the Company's benchmark index, the FTSE AIM All Share.
- The threshold will be determined by gross total shareholder return per share ie including all gross amounts returned to shareholders.
 - Following Completion, Nick Sleep, the Chief Technology Officer, will transfer with the Clinical AI Business and leave the M&A Bonus.

If the minimum threshold is reached the minimum bonus payment will be 50% of annual salary.

The participation of the Executive Directors, Stuart Gall and Helen Jones in the M&A Bonus scheme constitutes a 'related party transaction' under the AIM Rules. The independent Directors (being the Directors other than Stuart Gall and Helen Jones) consider (having consulted with the Company's nominated adviser, Cavendish) that the terms of the M&A Bonus and the proposed amendment are fair and reasonable insofar as the Company's Shareholders are concerned.

Commenting on the Proposed Transaction, Riccardo Pigliucci, Chairman of Intelligent Ultrasound said:

"At Intelligent Ultrasound Plc we have spent the last seven years successfully creating first-to-market AI products and have built a strong capability in real-time automated ultrasound image analysis.

When GE HealthCare offered us £40.5 million to acquire our Clinical AI Business, we were pleased that our achievements were recognised but it presented us with the very difficult decision to exit the main market we had chosen for our future growth.

To date, the growth of our current ScanNav related clinical AI revenues has been slower than we had originally expected and, most importantly, insufficient to fund the developments needed to materially increase the value of the Clinical AI Business. We have had to recognise that developing products such as ScanNav FetalCheck for gestational age estimation and ScanNav Liver is costly and would require the sort of funding levels that are outside the Group's current cash resources or capital raise capabilities. The Board has therefore concluded that accepting GE HealthCare's offer is in the best interest of the Company's shareholders and represents a fair net present value for these potential future revenue streams and recommends it to shareholders for their approval.

The remaining Simulation Business, which will be boosted by the inclusion of the NeedleTrainer range previously reported in our Clinical AI business, is a solid one and the Board will use the time between signing and completion of this Proposed Transaction to conduct a comprehensive review of the business. It is the Board's intention to make a material return of capital following a review of the growth potential and capital requirements of the post-transaction business and taking legal and tax advice on structure of a return. An announcement detailing the proposed use of funds and strategic direction for the Company is expected to be made by the time the Proposed Transaction completes."

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The following is an extract from the Company's shareholder circular to be sent to shareholders in connection with the Proposed Transaction.

Introduction

The Board of Intelligent Ultrasound announces that it had entered into a conditional sale and purchase agreement for the sale to the Buyer of the entire issued share capital of Intelligent Ultrasound Limited and certain other assets which together form the Group's Clinical Artificial Intelligence business. The Proposed Transaction excludes the NeedleTrainer and NeedleTrainer Plus products which will remain within the Simulation Business in the Group.

The consideration for the Disposal is £40.5 million in cash on a cash free/debt free basis, subject to any final adjustments for working capital, cash and indebtedness as at Completion. Further details on the structure of the consideration payable to the Group are set out below.

The consideration of £40.5 million for the Clinical AI Business represents an implied value of 12.4p per Ordinary Share on current issued share capital and a premium of 70.9 per cent to the Ordinary Share price on 17 July 2024 and a premium of 30.9 per cent to the volume weighted share price for the last 12 months. The 12.4p implied value also represents a premium to the issue price of all four of the Company's equity raises since 2018. Finally, the Proposed Transaction values the Clinical AI Business at 33.8 times full year 2023 revenues of that business.

Immediately following Completion of the Proposed Transaction, the Group will have a significantly strengthened balance sheet and continue to own the Simulation Business which generated total revenues of £10.0 million in the financial year ended 31 December 2023 (including £0.8m relating to the NeedleTrainer product).

The Board will be conducting a comprehensive review of the growth potential and capital requirements of the post-transaction business following which it intends to make a material return of capital. An announcement detailing the proposed use of funds and strategic direction for the post-transaction business is expected to be made by the time of completion of the Proposed Transaction. Subject to the timing of receipt of Regulatory Consents, Completion is expected to be in September/October this year.

In accordance with AIM Rule 15, the Disposal constitutes a fundamental change of business of the Company, which requires the approval of a majority of Shareholders voting in person or by proxy at the General Meeting.

Accordingly, Completion is conditional upon, *inter alia*, the passing of the Resolution by Shareholders at the General Meeting. The Company has received irrevocable voting undertakings and letters of intent to vote in favour of the Resolution from certain Shareholders (including the Directors) representing approximately 54.6 per cent of the Ordinary Share capital.

In addition, the Proposed Transaction is subject to confirmations from the Competition and Markets Authority under the Enterprise Act, and the Investment Security Unit under the National Security and Investment Act, that they do not oppose the transaction (the "Regulatory Consents"), as set out in the summary below.

A notice convening a General Meeting for 10.00 a.m. (London time) on 6 August 2024 at the offices of Cavendish Capital Markets at One Bartholomew Close, London EC1A 7BL, will be sent to shareholders.

About Intelligent Ultrasound

Intelligent Ultrasound is a 'classroom to clinic' ultrasound company, specialising in real-time hi-fidelity virtual reality simulation for the ultrasound training market ('classroom') and artificial intelligence-based clinical image analysis software tools for the diagnostic medical ultrasound market ('clinic').

With operations in the UK and Atlanta, USA, the Group's current trading activity comprises two operating segments, Simulation and Clinical AI.

Simulation

Intelligent Ultrasound designs and develops real-time hi-fidelity ultrasound education and training simulators. The Group currently offers ultrasound simulation platform technologies focused on the following verticals:

- ScanTrainer - obstetrics and gynecology (OBGYN)
- HeartWorks - echocardiography and anesthesiology (ECHO)
- BodyWorks - emergency medicine, critical care, intensive care, and point-of-care (PoCUS)
- BabyWorks - neonate and pediatrics
- NeedleTrainer - ultrasound-guided needling

Historically the NeedleTrainer product was accounted for in the Clinical AI Business given its incorporation of the trainer version of the ScanNav Anatomy Peripheral Nerve Block (PNB) AI software but will be transferred out of IUL prior to Completion. The ScanNav Anatomy PNB trainer software will continue to be incorporated in the NeedleTrainer Plus system, under a 10-year royalty agreement with GE HealthCare. The NeedleTrainer range represented c£0.8 million of revenue for the year ended 31 December 2023.

In the year ended 31 December 2023, the Simulation Business, including the NeedleTrainer sales, generated total revenues of £10.0 million (2022: £9.8 million) including the NeedleTrainer sales. The Company has grown the Simulation Business at 21 per cent compound annual growth since 2014 and to date it has over 1700 systems installed in over 800 medical institutions around the world.

Clinical AI

The Group's Clinical AI Business develops software built on deep learning-based algorithms to make ultrasound machines smarter and more accessible to the medical profession.

The Group's Clinical AI offering comprises the following suite of products:

- ScanNav Assist ultrasound image analysis AI software - currently utilised by GE HealthCare's SonoLyst software that is incorporated in their Voluson Expert, Signature and SWIFT ultrasound machines; and
- ScanNav Anatomy Peripheral Nerve Block (PNB) - an FDA and CE cleared medical device that plugs into an existing ultrasound machine with a second display screen that provides the user with real-time AI-based anatomy highlighting for a range of needling procedures.

In addition, the Company is currently developing two additional products within its Clinical AI Business:

- ScanNav FetalCheck - proprietary diagnostic AI software which enables a non-skilled or skilled user to automatically establish the gestational age (GA) accurately with minimal training and without the need for an expensive high-end ultrasound machine. The first pre-regulatory approval systems are being used in the largest ever trial on the use of aspirin to prevent pre-eclampsia in Africa funded by the Bill & Melinda Gates Foundation; and
- ScanNav Liver - the Company is in the early proof of concept stage of developing machine-learning models that make it easier to determine stage liver disease and monitor disease progression.

Background to Intelligent Ultrasound Limited

In October 2017, Intelligent Ultrasound (then known as MedaPhor Group) acquired Intelligent Ultrasound Limited for £3.6 million. Intelligent Ultrasound Limited was a University of Oxford spin-out company that developed image analysis software for ultrasound. Over the period since acquisition the Company has invested c.£12.2 million in Intelligent Ultrasound Limited (note this is adjusted to remove NeedleTrainer development costs and includes the £3.6 million purchase price).

In July 2019, the Company announced that it had signed its first long-term licence and co-development agreement for its AI software with GE HealthCare, giving first look rights to all of the ultrasound AI products developed by the Company in the field of Women's Health. In September 2020, GE HealthCare launched the product as SonoLyst XIR as an optional feature on the Voluson SWIFT ultrasound machine. In September 2023 GE HealthCare launched the fully automated version of the software, ScanNavLive as a standard on the Voluson Expert Series 22 and 20 and in April 2024 included the software as a standard feature on the Voluson Signature 20 ultrasound machines.

The terms of the Company's royalty-based software licence are undisclosed.

In the year ended 31 December 2023, the total Clinical AI Business generated revenues for all products was £1.2 million (2022: £0.3 million), excluding the revenues from the NeedleTrainer product range which will be retained within the Group going forward.

Background to and reasons for the Proposed Transaction

The Board is committed in its duty to provide value to shareholders of Intelligent Ultrasound and therefore has continually sought to evaluate strategic options available to the Company to do so. For some time the Board has been considering how best to optimise and accelerate the growth of the Clinical AI Business having committed capital to date of approximately £12.2 million (as adjusted to remove NeedleTrainer development costs and include the £3.6 million purchase price).

Current revenue in the Company's Clinical AI Business is generated in two main areas: Women's Health through the current exclusive first look Women's Healthcare Licence with GE HealthCare, (the "Women's Health Licence") and the ScanNav FetalCheck trial unit sales, and Regional Anaesthesia from the Company selling its NeedleTrainer and ScanNav Anatomy PNB products with its own sales teams.

Whilst the Board takes great pride in the development capability that has been created in the Clinical AI Business, to date, the growth of the ScanNav related AI revenue streams has been slower than was originally forecast. Furthermore, the Company has not yet reached commercial terms with GE HealthCare for all the future products on its women's health roadmap. Materially growing the value of the Clinical AI Business therefore relies on also developing products outside the existing relationship with GE HealthCare, including ScanNav FetalCheck (for gestational age estimation) and ScanNav Liver (to support hepatologists diagnose and monitor MASH and MAFLD).

Although the Company has supportive Shareholders, it has never been able to achieve the up-front funding levels of its competitors and, with financing conditions for small growth companies uncertain, the probable additional investment required must be balanced against ongoing execution risk and the Company's goal of reaching profitability on current cash resources.

Value of the Proposed Transaction

The consideration of £40.5 million for the Clinical AI Business represents an implied value of c.12.4p per Ordinary Share based on current issued share capital and a premium of 70.9 per cent to the Ordinary Share price on 17 July 2024 and a premium of 30.9 per cent to the volume weighted share price for the last 12 months. The 12.4p implied value also represents a premium to the issue price of all four of the Company's equity raises since 2018. Finally, the

value also represents a premium to the issue price of an hour of the Company's equity raises since 2016. Finally, the Proposed Transaction values the Clinical AI Business at 33.8 times full year 2023 revenues of that business.

When assessing the value of the Clinical AI Business, the Board has taken into account the following elements:

- the current and expected revenues from royalties paid by GE HealthCare for the use of the ScanNav Assist ultrasound AI software under the Women's Healthcare Licence;
- the current and potential value of the ScanNav Anatomy PNB product;
- the potential value of the ScanNav FetalCheck gestational age product; and
- the value of the Group's future products such as ScanNav Liver, as well as the value of the broader technology and capabilities of the business and its team.

The Board considers that GE HealthCare's offer represents a fair net present value for these revenue streams.

When making its decision, the Board also took the following matters into consideration:

1. Timing and size of the royalty revenues from the existing AI agreement with GE HealthCare

When the Women's Healthcare Licence was entered into in July 2019, the parties expected that revenue levels would ramp up more quickly than has been the case. The Women's Healthcare Licence with GE HealthCare runs until 2029 and a portion of the value of the offer reflects the benefit of the acceleration of these revenues.

2. Assessment of other potential interest and comparator transactions

The Board and its advisers have, in the past and as part of this process, undertaken discussions with a small number of relevant potential buyers. From these discussions, the Directors believed that GE HealthCare both from its positioning in the market and based on its strategic rationale of being able to integrate current products from the Women's Health Licence into its existing ultrasound business would be best placed to make the most attractive offer.

Whilst there have been a limited number of other transactions for similar businesses, the Board's advisors considered that like-for-like comparisons cannot be easily made given the exclusivity granted by the GE HealthCare agreement and that the Clinical AI Business's near-term outlook includes a significant proportion of its revenues from this agreement. However, the Board considers that the price of 34 times FY 2023 Clinical AI revenue (excluding NeedleTrainer) represents an attractive multiple for the Clinical AI Business.

3. Execution risk of the Clinical Business' current strategy and competition

The current commercialised products of the Group include ScanNav Assist and ScanNav Anatomy PNB as well as some pre-regulatory sales of the ScanNav FetalCheck gestational age systems.

ScanNav Assist has now been integrated into GE HealthCare's Voluson Expert, Signature and SWIFT range of ultrasound machines. The Directors believe that the execution risk to realising the revenue stream for the existing products is relatively low, with high margin revenues dependent on GE HealthCare ultrasound machine sales. However, the Directors believe that the execution risk of growing these revenue streams through the introduction of new SonoLyst extension products is considerably higher, as the Company has not yet agreed mutually acceptable commercial terms for the development of all the new products on GE HealthCare's women's health roadmap.

ScanNav PNB is being sold direct to market by the Company in the UK and USA. Sales since product introduction have been below forecast and there remains a material execution risk to growing this product to significant annual revenues.

ScanNav FetalCheck, while developed, is pre-regulatory approval in advance of commercialisation and is currently only being used for academic and research purposes. ScanNav Liver is at an early stage of its development.

The Directors believe that there therefore remains a significant execution risk both on the commercialisation of the Group's current products and on the development of new products. In addition, given the current share price, any need for additional growth capital could have a material dilutive effect on current shareholders.

In addition, there is a risk that better funded competitors may also develop new products faster than the Clinical AI Business, which may erode value.

4. Reliance on GE HealthCare's women's health development roadmap

Taking into account the Company's proven technology across the GE HealthCare obstetrics ultrasound product range, this deal allows GE HealthCare to ascribe full value to the Clinical AI Business' current and future women's health development roadmap. There is no certainty that in future the Company's technologies will remain aligned with the GE HealthCare women's health development roadmap and the current timing of the transaction therefore is considered by the Board to maximise shareholder value.

Summary

Based on the valuation metrics outlined and the assessment of the additional influencing considerations above, the Board believes that the transaction is in the best interest of the Company and its Shareholders. In coming to this conclusion, the Board has taken into account future market uncertainty and the high level of execution risk associated with delivering expected future performance, should the Clinical AI Business remain within the Group.

By retaining the Simulation Business, the Group has the potential for future value upside from a business that generated c. £10.0m revenue in 2023. Retaining the NeedleTrainer product (which fits well with the Group's existing product portfolio and sales network), gives additional growth potential from both the current and future customer base. Finally, immediately following Completion of the Proposed Transaction, the Group will have a significantly strengthened balance sheet.

Use of proceeds

Following Completion, the Group expects to have approximately £39.5 million of cash net of transaction-related fees.

Given the Regulatory Consents, which are conditions to Completion, it is not expected that Completion will occur before September or October this year.

The Board intends to make a material return of capital in due course and will use this time to conduct a comprehensive review of the growth potential and capital requirements of the post-transaction business of the Group including taking appropriate legal and tax advice regarding making a return of capital. An announcement detailing the proposed use of funds and strategic direction for the post-transaction business is expected to be made by the time of completion of the Proposed Transaction.

Summary of the main transaction documents

SPA

The Company entered into a conditional sale and purchase agreement with the Buyer on 18 July 2024.

Pursuant to the SPA, the Company is proposing to sell to the Buyer the entire issued share capital of IUL, and certain other assets that form part of the Clinical AI Business will be transferred to IUL by Completion. The enterprise value payable for the Disposal is £40.5 million, subject to customary final adjustments, to be satisfied by the payment of £40.5 million in cash (of which approximately £9.5 million will be treated as repayment of an intercompany loan to the Company and MedaPhor as part of the structuring). It is the Board's view that any final working capital, cash and indebtedness adjustments will not be material in the context of the Proposed Transaction as a whole, further details of such adjustments are set out below.

The principal terms of the SPA are as follows:

1. Conditions - Completion of the SPA is conditional, *inter alia*, upon certain conditions ("**Conditions**"): (a) the passing of the Resolution at the General Meeting; and (b) the Regulatory Consents having been received. Further, there are termination rights for each of the parties in certain circumstances (see paragraphs 4 and 5 below).
2. Completion of the SPA - Completion must occur by the Long Stop Date (being 6 months from signing of the agreement) for the fulfilment of the Conditions or such other time as may be agreed between the Company and the Buyer.
3. Automatic termination of SPA - The SPA automatically terminates if any of the Conditions have not been satisfied or waived by the Long Stop Date.
4. Termination by the Buyer - The Buyer may terminate the SPA at any time prior to Completion if: (a) there is a material breach of the warranties given by the Company; (b) there has been a material adverse effect on the financial condition, business or results of operations of the Clinical AI Business (excluding any effect from certain force majeure circumstances); or (c) if the Company is subject to an insolvency event.
5. Termination by the Company - The Company may terminate the SPA at any time prior to Completion if the Buyer is subject to an insolvency event.
6. Pre-Completion undertakings - The SPA contains customary pre-Completion undertakings relating to conducting the Clinical AI Business in the ordinary course during the period between exchange and Completion and listing certain matters that require the consent of the Buyer including that prior to Completion the Company shall procure that the Clinical AI Business shall not: (a) acquire or dispose of any material assets; (b) change its share capital; (c) amend its constitutional documents (d) incur any indebtedness or grant any security interests; (e) declare any dividends or distributions; (f) incur any material capital expenditure; (g) commence any material litigation or disputes and (h) engage or dismiss any key employees.
7. Key separation steps - The Company shall procure the implementation of certain separation steps as soon as practicable prior to Completion, including transferring those assets from the Seller Group to IUL which relate to the business of IUL and novating certain contracts and employees to IUL from MedaPhor.
8. Consideration - The consideration for the Disposal is £40.5 million in cash (structured as approximately £31

million consideration for the shares of IUL and the repayment of approximately a £9.5 million intercompany loan owed by IUL to MedaPhor and the Company).

9. Adjustments to Consideration - the Consideration is subject to potential adjustment based on the following amounts at Completion:

- a. working capital;
- b. cash;
- c. indebtedness;
- d. a deduction of £100,000 as a contribution in connection with the service line relating to the ScanNav™ Anatomy Peripheral Nerve Block system installed base.

10. Warranties and Indemnities - the SPA contains standard warranties and tax indemnities typical for a transaction of this nature, subject to matters fairly disclosed by the Company.

11. Tax Covenant - The SPA contains a tax covenant in a usual form for transactions of this nature.

12. R&D tax credits - between entry into the SPA and Completion, the Company will procure that IUL files its research and development claims for the accounting period ending 31 December 2023, and the Company will receive an amount equal to these credits as part of the consideration from the Buyer if such amount has not received from HMRC prior to Completion. The amount of the credit is anticipated to be approximately £265,000.

13. Post-Completion restrictions - For a period of 2 years after Completion, the Company and any subsidiary undertaking (and in the case of a below, the Directors) cannot:

- a. seek to solicit or entice away any employee of IUL or induce or attempt to induce any IUL employee to terminate their employment;
- b. own, operate, lease, or manage any business which is carried on in competition with the Clinical AI Business;
- c. own, operate, lease, manage, control, engage in or invest in any business anywhere in the United States, Canada, the United Kingdom, Austria, Belgium, China, Denmark, Finland, France, Germany, Ireland, Italy, Japan Luxembourg, Netherlands, Norway, Portugal, Puerto Rico, Romania, Spain, Sweden, Switzerland, the United Arab Emirates, Kenya, Ghana and South Africa which is carried on in competition with any part of the Clinical AI Business;
- d. interfere or seek to interfere with the continuance of purchases from IUL by any customer who has been purchasing goods or services from IUL at any time for 12 months preceding Completion;
- e. interfere or seek to interfere with the continuance of supplies to IUL from any supplier who has been supplying goods or services to IUL at any time for 12 months preceding Completion; and
- f. (other than in respect of any retained branding), use, for any purposes which is competitive with the business of IUL, any company name, trade or business name or mark, style or logo owned and used by IUL at any time during the 6 months up to and including Completion,

subject to certain agreed carve outs.

In addition, as part of the terms agreed with GE HealthCare, the Remuneration Committee of the Company has agreed that the unvested options under the Share Options Scheme held by those employees who will transfer out of the Group as part of the Proposed Transaction will vest in full on Completion. This relates to share options over 3,436,583 ordinary shares, with a weighted average exercise price of 11.2 pence. In addition, all transferring employees will be permitted to exercise their share options at their original exercise prices during the period of 89 days following Completion and, should they each so wish, during an extended period of up to one year following Completion.

Completion will take place, if the last of the Conditions is satisfied or waived in accordance with the SPA at least 3 Business Days prior to a month end, on the first Business Day of the first month after which the last Condition is satisfied or waived or if not, the first Business Day of the second month after which the last of the Conditions is satisfied or waived.

TSA

The Company's subsidiary, MedaPhor and its US subsidiary, have agreed to provide certain services to IUL on a transitional basis following Completion subject to the terms of the TSA. The Company has agreed to guarantee the performance by MedaPhor of these services.

Pursuant to the terms of the TSA, MedaPhor has agreed to provide services to a standard of care no lower than to which the equivalent services were provided to IUL in the twelve months prior to completion. MedaPhor's total liability to IUL shall not exceed £1,000,000.

The services to be provided by MedaPhor to IUL include, payable-related services (such as handover assistance with invoice cost allocation, payment request creations and processing of invoices), 12 months support for the PNB-C systems and Gestational Age estimation systems ("**GA**") sold by IUL prior to Completion and 12 months support for the MediScan simulator units. Most services are to be charged on an hourly rate basis, but support for PNB-C, GA and Mediscan is to be provided free of charge.

The TSA anticipates that MedaPhor will provide services to IUL for no longer than twelve months, but IUL has the right to terminate the TSA in part or in whole for convenience on not less than one month's notice.

Trademark Assignment

MedaPhor is to partially assign the trademark 'Intelligent Ultrasound' (the "**Trademark**") to IUL on Completion, subject to IUL warranting that it shall use the Trademark on clinical products, the packaging for such products, marketing materials, or instructional materials relating to such products. The partial assignment is also subject to IUL warranting that it shall not register, or apply to register the Trademark, or any similar trademarks in relation to medical diagnostic simulators or software therefor.

ScanNav licence

MedaPhor (as licensee) and IUL (as licensor) are to enter into a ten-year global license and distribution agreement on Completion relating to the license and distribution of the ScanNav™ Anatomy Peripheral Nerve Block training software that is currently incorporated in the NeedleTrainer Plus product. MedaPhor is to pay IUL a fixed royalty fee per unit sold, with no minimum sales targets.

Information on the Buyer

GE HealthCare is a global healthcare provider serving over one billion patients annually. GE HealthCare has a broad product and service portfolio spanning imaging, diagnostics, ultrasound, performance analytics and healthcare IT systems utilised across a wide range of medical applications.

Description of the Group following Completion

Following completion of the Proposed Transaction, the Group will be focussed on the existing ultrasound simulation business based in Cardiff and Alpharetta, USA. The on-going business has five ultrasound simulator platforms - ScanTrainer, BodyWorks, HeartWorks, BabyWorks and NeedleTrainer, which will also include the ScanNav Anatomy PNB Training AI software.

The direct sales operations in the UK and US and the reseller network of over 20 resellers remain unchanged. Post transaction, the Group will have 48 employees. In 2023, this business generated c£10.0m of revenue.

As discussed above, the Board proposes to undertake a comprehensive strategic review of the growth potential and capital requirements of the post-transaction business and an announcement detailing the proposed use of funds and strategic direction for the post-transaction business will be made by the time of completion of the Proposed Transaction.

Proposed Board Change

Concurrent with the completion of the Proposed Transaction, Nicholas Sleep, Chief Technology Officer and Director of Intelligent Ultrasound Group Plc, will join GE HealthCare and resign from Intelligent Ultrasound Group Plc Board of Directors.

Irrevocable undertakings/letters of intent

Each of the Directors who hold Ordinary Shares in the Company has agreed to provide an irrevocable undertaking to vote in favour of the Resolution at the General Meeting to approve the Disposal. These irrevocable undertakings remain binding in all circumstances. Directors hold 2,965,823 Ordinary Shares representing approximately 0.9 per cent of the ordinary share capital of the Company in issue as at the Last Practicable Date.

In addition to the irrevocable undertakings given by the Directors described above, the Buyer has also received irrevocable undertakings from IP Venture Fund II (GP) LLP, IP2IPO Limited, IP2IPO Portfolio (GP) Limited and Parkwalk Advisors Limited to vote (or procure votes) in favour of the Resolution at the General Meeting in respect of 103,824,241 Ordinary Shares in total, representing approximately 31.8 per cent of the ordinary share capital of the Company in issue as at the Last Practicable Date.

In addition, the Buyer has also received non-binding letters of intent from Amati Global Investors Limited, Canaccord Genuity Asset Management Limited and Octopus Investments Limited to vote (or procure votes) in favour of the Resolution(s) at the General Meeting, in respect of, in aggregate, 71,643,652 Ordinary Shares, representing approximately 21.9 per cent of the ordinary share capital of the Company in issue as at the Last Practicable Date.

The Buyer has therefore received irrevocable undertakings and letters of intent in respect of a total of 178,433,716 Ordinary Shares representing, in aggregate, approximately 54.6 per cent of the Company's issued share capital in issue as at the Last Practicable Date.

Taxation

Any person who is in any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom, is strongly recommended to consult with his or her professional tax adviser immediately.

AIM Rule 15 and General Meeting

In accordance with AIM Rule 15, the Disposal constitutes a fundamental change of business of the Company and is therefore conditional on Shareholder approval at a General Meeting being convened for 10.00 a.m. on 6 August 2024. Accordingly, Shareholders are asked to vote at the General Meeting in favour of the Resolution to approve the Disposal. On Completion, the Company will consist of the trading business, activities and assets of the Simulation Business together with the cash proceeds from the Disposal. The Company will not be treated as a "cash shell" for the purposes of AIM Rule 15.

A notice convening the General Meeting to be held at the offices of Cavendish Capital Markets at One Bartholomew Close, London EC1A 7BL on 6 August 2024 at 10.00 a.m. (London time) is set out in the Circular, at which the following Resolution will be proposed:

The Resolution is an ordinary resolution that the Disposal be approved. If it is not passed, Completion under the SPA will not occur.

Importance of your vote

The Resolution must be passed by Shareholders at the General Meeting in order for the Proposed Transaction to proceed. If Shareholders do not approve the Resolution, the Proposed Transaction cannot be implemented, and in such circumstances, the Board will continue to operate the business in the way it has to date.

Copies of documents

A copy of the Circular and the Form of Proxy are and will be available free of charge for inspection on Intelligent Ultrasound's website at <https://www.intelligentultrasound.com>.

Action to be taken

Shareholders will find a Form of Proxy enclosed with their Circular for use at the General Meeting. Whether or not they intend to be present at the General Meeting, shareholders are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon as soon as possible. To be valid, completed Forms of Proxy must be received by the Company's Registrars, Link Asset Services, by not later than 10.00 a.m. (London time) on 2 August 2024, or, if the General Meeting is adjourned, 48 hours (excluding any part of a day that is not a Business Day) before any adjourned meeting. Completion of the Form of Proxy will not preclude a shareholder from attending the meeting and voting in person if they so wish.

Recommendation

The Board considers the Proposed Transaction to be in the best interests of the Company and its Shareholders as a whole.

Accordingly, the Board recommends that you vote in favour of the Resolution, as those Directors who hold Ordinary Shares intend to do in respect of their own beneficial Shareholdings.

Forward-looking statements

This announcement contains statements about Intelligent Ultrasound Group plc that are or may be deemed to be "forward-looking statements".

All statements, other than statements of historical facts, included in this document may be forward-looking statements. Without limitation, any statements preceded or followed by, or that include, the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "should", "anticipates", "estimates", "projects", or words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements include, without limitation, statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects and (ii) business and management strategies and the expansion and growth of the operations of Intelligent Ultrasound Group plc.

These forward-looking statements are not guarantees of future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of any such person, or industry results, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. Investors should not place undue reliance on such forward-looking statements and, save as is required by law or regulation (including to meet the requirements of the AIM Rules, the Code, the Prospectus Regulation Rules and/or the FSMA), Intelligent Ultrasound Group plc does not undertake any obligation to update publicly or revise any forward-looking statements (including to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based). All subsequent oral or written forward-looking statements attributed to Intelligent Ultrasound Group plc or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements contained in this document are based on information available to the Directors of Intelligent Ultrasound Group plc at the date of this document, unless some other time is specified in relation to them, and the posting or receipt of this document shall not give rise to any implication that there has been no change in the facts set forth herein since such date. Figures contained in this document have been rounded up to the nearest one decimal place.

DEFINITIONS

The following definitions apply throughout this announcement unless the context requires otherwise:

"Announcement"	the announcement issued by the Company on 18 July 2024 in relation to the Proposed Transaction.
"AIM"	AIM, a market operated by the London Stock Exchange
"AIM Rules"	the AIM Rules for Companies published by the London Stock Exchange from time to time
"Board" or "Directors"	the directors of the Company
"Business Day"	any day on which banks are usually open in England and Wales for the transaction of sterling business, other than a Saturday, Sunday or public holiday
"Buyer"	One GE Healthcare UK, a company registered in England and Wales with number 07475142 and whose principal place of business is at Pollards Wood, Nightingales Lane, Chalfont St. Giles, Buckinghamshire, HP8 4SP
"Cavendish" or "Broker"	Cavendish Capital Markets Limited, nominated adviser and broker to the Company
"certificated" or "in certificated form"	a share or other security not held in uncertificated form (that is, not in CREST)

"Intelligent Ultrasound Group plc" means the company whose name appears in the title of this announcement

"Clinical AI Business"	IUL and certain other assets relating to clinical AI in the Group to be transferred to IUL by completion
"Code"	the City Code on Takeovers and Mergers
"Company"	Intelligent Ultrasound Group plc, a company incorporated in England and Wales with registered number 09028611
"Completion"	completion of the SPA in accordance with its terms
"Completion Date"	the date of Completion
"Conditions"	the conditions to Completion as set out in the SPA
"Consideration"	the amount of £40.5 million in cash on cash free/debt free basis
"CREST"	a relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations)
"CREST Regulations"	the Uncertified Securities Regulations 2001 (SI 2001/3755) as amended from time to time
"Disposal"	the disposal of the Clinical AI Business
"Euroclear"	Euroclear UK & International Limited, the operator of CREST
"Financial Conduct Authority" or "FCA"	the Financial Conduct Authority in its capacity as the competent authority for the purposes of Part VI of FSMA
"Form of Proxy"	the form of proxy for use by Shareholders in connection with the General Meeting
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"General Meeting"	the general meeting of the Company to be held at 10.00 a.m. on 6 August 2024 (or any reconvened meeting following any adjournment of the general meeting) at the offices of Cavendish Capital Markets at One Bartholomew Close, London EC1A 7BL
"Group" or "Group Company"	the Company and/or any or all of its existing subsidiaries and subsidiary undertakings
"IUL"	Intelligent Ultrasound Limited, a private limited company registered under the laws of England and Wales with company number 08107443, and whose registered office is at Floor 6a, Hodge House, 114-116 St. Mary Street, Cardiff, Wales, CF10 1DY
"Last Practicable Date"	17 July 2024
"Link Asset Services" or "Link"	a trading name of Link Market Services Limited
"London Stock Exchange"	London Stock Exchange plc
"Long Stop Date"	6 months from signing of the SPA, or such other time as may be agreed between the Company and the Buyer
"Market Abuse Regulation"	the Market Abuse Regulation (2014/596/EU) (incorporating the technical standards, delegated regulations and guidance notes, published by the European Commission, London Stock Exchange, the FCA and the European Securities and Markets Authority) as retained in the UK pursuant to section 3 of the European Union (Withdrawal) Act 2018
"MASH"	Metabolic dysfunction-associated steatohepatitis
"MAFLD"	Metabolic dysfunction-associated fatty liver disease
"MedaPhor"	MedaPhor Limited, a private limited company registered under the laws of England and Wales with company number 05176992, and whose registered office is at Floor 6a, Hodge House, 114-116 St. Mary Street, Cardiff, Wales, CF10 1DY
"Notice" or "Notice of General Meeting"	the notice of the General Meeting to be included in the Circular
"Ordinary Shares"	ordinary shares of 1 pence each in the share capital of the Company

"Proposals"	the Proposed Transaction and the subsequent plans
"Proposed Transaction"	the proposed Disposal
"Registrar"	Link Asset Services, registrars to the Company
"Regulatory Consents"	confirmations from the Competition and Markets Authority under the Enterprise Act, and the Investment Security Unit under the National Security and Investment Act, that they do not oppose the transaction
"Regulatory Information Service"	one of the regulatory information services authorised by the FCA acting in its capacity as the UK listing authority to receive, process and disseminate regulatory information
"Resolution"	the resolution to be proposed at the General Meeting, as set out in the Notice of General Meeting
"Share Option Schemes"	the Company's share option schemes adopted by the Company on 2020; and 2023;
"Shareholders"	holders of Ordinary Shares
"Simulation Business"	the business selling the Company's simulation products including ScanTrainer, HeartWorks, BodyWorks and BabyWorks ultrasound training simulators which will include the NeedleTrainer/NeedleTrainer Plus product following the Proposed Transaction
"SPA"	the conditional sale and purchase agreement dated 18 July 2024 for the disposal of the Clinical AI Business to the Buyer
"TSA"	the transitional services agreement to be entered into by the Company's Group and IUL on Completion relating to services to be provided to IUL following Completion
"uncertificated" or "in uncertificated form"	recorded on the register of members of the Company as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"USA"	the United States of America
"£", "pounds sterling", "penny" or "pence"	UK pounds sterling, the lawful currency of the United Kingdom
"\$" or "dollars"	USA dollars, the lawful currency of the USA

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