

Memorandum of Understanding Signed with Soft Lines International Ltd. (SLI) for the Development, Production and Marketing of a Hair Removal System with Ultrasound Technology for the Home Consumer Market

Rehovot, Israel August 2, 2010, Applisonix (TASE.: Apls) a company that develops innovative technological systems based on ultrasound for the aesthetics market is pleased to announce that the company's board of directors has confirmed that on August 1, 2010 an exclusive agreement, Memorandum of Understanding, has been signed for the development, production and distribution (subject to the schedule of agreement terms and minimum quantity) of a device for the removal of hair based on ultrasound technology for the home consumer market with the company Soft Lines International Ltd. (SLI).

According to Uri Amir, CEO at Applisonix, "We are taking a significant step to implement the company's vision by entering into the home consumer market and moving towards mass marketing of a hair removal appliance. The appliance will be developed for SLI, in the framework of a Memorandum of Understanding signed by both parties. The appliance will be based on ultrasound technology and will be a breakthrough into the home consumer market. The agreement is a combination of Applisonix's abilities in innovative development together with SLI, a well-established company that is a leader in the field of hair removal in the home consumer market and whose products are sold worldwide under the well-known quality brand Emjoi."

Soft Lines International Ltd. manufactures and markets the brand Emjoi, well-known throughout the world for its high quality brands in the field of epilation. The company is in the forefront of technology well over twenty years in the area of hair removal consumer appliances for the home market. The brand Emjoi and SLI products are sold directly or via large well-known companies in the area of epilation. These products are sold world-wide and are considered to be amongst the best appliances in the epilator home market. SLI is amongst the three leading companies selling epilation appliances to the American home consumer market, and is one of the two leaders in sales in the home consumer market in Germany, France and Australia.ⁱ Under the brand Emjoi epilation devices are manufactured for more than forty companies, many of whom are major quality brands that are well-known worldwide. Over the years, Emjoi's technologies have received impressive awards and mentions, honoring its technologies. SLI is the arm of marketing and business, responsible for the global sales of Emjoi's brand and technology worldwide. SLI has branches in the USA, England, Hong Kong, China and distributors in over 90 countries worldwide.ⁱⁱ

The framework of the agreement includes mutual intentions that in the first stage Applisonix will develop an ultrasound technology for hair removal that will be integrated into the Emjoi brand. Upon completion of the first stage, the new appliances that have been developed and produced by SLI will be sold worldwide by SLI to the home consumer market through global marketing channels.ⁱⁱⁱ The agreement includes an

advance payment of 250,000 US Dollars, that will be paid at specified milestones and upon future sales invoices, and the total amount will predetermined for each system sold (according to the various types of systems). The mutually agreed upon intentions, according to the Letter of Intentions is that Applisonix will receive 4 US Dollars, for each system sold by SLI and if the system should include more than one “head” (for example, a system that includes a “head” for single-strand hair removal, and an additional “head” for the treatment of removing groups of hair), the company will receive 1 US Dollar for each additional “head” for hair removal in the same appliance so it will amount to a total of 5 US Dollars per system sold. Also, Applisonix will receive an additional 1 US Dollar for each disposable “head”. The agreement obligates SLI for the initial five year period to commit to a minimum quantity of 150,000 to 600,000 units per year (quantity will increase throughout the years) and Applisonix grants brand exclusivity based on these quantities.

Therefore, the agreement will include a sales forecast based on SLI’s forecast appearing in the Memorandum of Understanding on the quantities between 500,000 (in the first year following the signing of the contract) to 1,000,000 units in the third year following the signing of the contract.^{iv} Also included in the agreement will be future developments by Applisonix for the home consumer market in ultrasound technology for additional innovative applications that will be integrated into the Emjoi brand and sold in the same framework throughout the world. The parties mutual intentions are that the agreement will be signed for a five year period and then once the agreement terms^v are fulfilled, it will be renewed for an additional five year period.

Applisonix estimates that the mutual intentions of the two companies is to continue negotiations during the coming month (or a period that will be determined and mutually agreed upon) arriving at the signing of the committed agreement. In the event that the negotiations are not successful, each party will return the confidential information received, in the event that information has been exchanged, and each party will continue on its way without any financial compensation or return of any expenditure.

ⁱ According to the Soft Lines International Ltd (SLI) company profile.

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ⁱⁱⁱ The information described above is forecasted information, that is required by the stock exchange, 1968, that may or may not be attained or attained by other means compared to the company’s forecast, a result not dependent upon the company only

^{iv} See comments in number 3 above.

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