



14 February 2008

The Manager Companies  
Australian Stock Exchange Limited  
20 Bridge Street  
SYDNEY NSW 2000

(3 pages by email)

Dear Madam

**BMDI ACCELERATES GROWTH WITH TUTA HEALTHCARE ACQUISITION**  
**FY09 sales expected to exceed \$15m with earnings per share of 2c**  
**\$1.0 million fully underwritten share placement**

The Directors are pleased to advise that BMDI International Limited (BMDI) has agreed to acquire the medical devices business of TUTA Healthcare Pty. Limited (TUTA).

TUTA is a developer, manufacturer and distributor of quality medical devices, with a specialty in intravenous plastic products. TUTA has supplied the Australian health care market for nearly 50 years, and is headquartered in Lane Cove, Sydney.

TUTA's main shareholder, Phebra Pty Ltd (formerly PharmaLab), specialises in the manufacture and distribution of specialty and critically needed pharmaceutical products and is divesting its medical devices business to focus on its core pharmaceutical businesses.

The purchase price is \$3.3 million payable through the issue of 60 million new BMDI shares at 5.5 cents per share. These new shares will be subject to voluntary escrow for two years from date of issue. The acquisition will significantly strengthen BMDI's revenue and profitability, with sales expected to exceed \$15 million in FY2009 and earnings per share of 2c (fully diluted).

BMDI's managing director, Gary Lewis, said, *"This acquisition accelerates our growth and brings the combined company immediately into profitability. Our businesses are highly complementary and together will benefit from financial scale and a strategic growth path that includes an expanded product range, product development for high-margin niche markets, and an enhanced global supply chain. We are excited by the growth opportunities of joining TUTA's strong brand and 2,600-strong Australian customer base with BMDI's growing international sales and distribution network in Asia, Europe and the United States."*

Chairman of BMDI Keith Cadell said *"I am delighted to welcome pharmaceutical industry doyen Dr Mal Eutick OAM to the board of BMDI. His 25 years' experience and public company experience will be tremendous assets to us as we continue to develop high-end innovative products for Australian and international markets."*

BMDI is raising \$1.0 million through an underwritten placement of 20 million shares at 5 cents per share to sophisticated and professional investors. The placement will strengthen BMDI's balance sheet as BMDI prepares to take advantage of strategic growth opportunities through consolidation within the global medical devices industry.

Closing of the acquisition is subject to due diligence and BMDI shareholder approval, with completion expected in March 2008. The placement will also require approval by BMDI shareholders.

### **Strategic and financial synergies**

The acquisition leverages the strengths of the TUTA and BMDI businesses, which are highly complementary in terms of customer base, manufacturing processes, sales and marketing and technical capability. Together, the combined businesses have a strong opportunity to improve margins and increase sales. Highlights of the transaction include:

- Improved financial scale and profitability.
- Broadened, lower cost manufacturing capability, with operations in Australia, China, India, and Thailand.
- Two strong brands, linking BMDI's global supply chain and TUTA's established brand of nearly 50 years in a diversified and highly competitive product portfolio.
- Complementary R&D.
- Benefits from improved management of financial, operational and management processes.
- Strengthened management team and skilled personnel.
- Expanded and more experienced board.

Mr Lewis said, *"This is a great opportunity to acquire a business at the beginning of its development cycle and at an attractive valuation which offers substantial upside for shareholders. TUTA has a quality management team and a significant in-house technical capability that complements our existing resources. Streamlining manufacturing offers benefits to both businesses through the removal of supply chain costs. We will also benefit from improved financial systems, quality control and product development processes."*

BMDI will acquire selected fixed assets and the brand names of the TUTA business, and an option to purchase the state of the art TGA and CE Mark accredited manufacturing facility in Thailand. Thailand has a free trade agreement with Australia and the facility is based in a free economic zone, attracting tax advantages and other privileges.

TUTA director and chief executive officer Dr Mal Eutick OAM will be one of two TUTA representatives invited to join the BMDI Board. Dr Eutick was a co-founder of the Pharmalab Group in 1993 and was instrumental in the acquisition of TUTA from Otsuka Pharmaceuticals of Japan in 2000. He is a non-executive director of ASX and NASDAQ-listed oncology company Progen Pharmaceuticals Limited. Dr Eutick was awarded the Medal of the Order of Australia for services to biotechnology, for the creation and later sale of the highly successful BioQuest Group in the early 1990s.

### **TUTA background**

TUTA Healthcare is a developer, manufacturer and distributor of sterile and non-sterile medical plastics for the Australian healthcare market, and specialises in intravenous plastic disposable products.

It has supplied the Australian health care market for almost 50 years and its product range covers 16 product groups and over 150 listed products. Customers include hospitals and critical care services such as ambulance services and the defence forces.

The Pharmed Group (now Phebra) acquired a majority interest in the company in 2004, revitalising the business with capital investment in equipment and improvements to manufacturing.

TUTA has a 2,700 square metre fully integrated design, component manufacture and assembly plant and warehouse in Lane Cove, Sydney, where devices can be prototyped, manufactured and assembled under Good Manufacturing Practice (GMP) clean room conditions.

For further information, please contact Gary Lewis, Managing Director of BMDI on +61 2 8249 4381 or Ashley Rambukwella, Financial & Corporate Relations on +61 2 8264 1004 or 0407 231 282.

Yours faithfully

A handwritten signature in black ink, appearing to be 'G. Lewis', with a long horizontal stroke extending to the right.

Gary L. Lewis  
Managing Director

pjn4278