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ASX ANNOUNCEMENT

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UNCERTAINTY SURROUNDING ADP PROTEIN PLANT

Probiotec Limited (ASX: PBP) advises that there has been a significant change of circumstances in regards to the Group's ADP Protein Plant ("ADP").

ADP operates under a long term agreement in place with United Dairy Power ("UDP"), whereby UDP supplies whey (the primary input for the production of Lactoferrin) in exchange for a supply fee. Recently, the holding company of UDP has been placed in receivership with the receivers subsequently commencing a sale process of the assets of the company. Probiotec understands that this process is ongoing at the time of this announcement.

This rapid and significant change of circumstances outside of the control of Probiotec has raised considerable uncertainty over the future of ADP as in the event that a suitable purchaser of UDP is not found, ADP would be unable to operate in its current location.

At this time, ADP is continuing to operate and produce Lactoferrin albeit at sub-optimal whey volumes given UDP's current situation. However, there is not a verifiable level of certainty as to the future prospects of the ADP Plant in its current location. While these circumstances persist, there remain a number of potential outcomes available that would result in the Group needing to reassess the carrying value of the ADP assets and the Group is making all efforts to achieve the most beneficial outcome possible.

As a result of this change in circumstances, the Group has taken the prudent decision to significantly impair the ADP assets with a reduction in carrying value from \$21.7 million to \$3.0 million, being an estimate of the recoverable value of the assets if not in use for their prescribed function. This results in the recognition of an impairment expense in the amount of \$18.8 million. It should be noted that the revised carrying value does not represent the underlying value in use of this asset and in the event that a suitable supply partner is found, it would be expected that part or all of the original carrying value would be reinstated. As a result of this impairment expense, Probiotec has sought and obtained waivers from its financiers in regards to several financial undertakings that would otherwise have not been met.

Despite this potentially adverse event, Probiotec remains committed to its research and development work involving high grade dairy proteins and the investigation of their health benefits. We continue to pursue this program and the two clinical trials previously announced remain on track.