



ASX Announcement

Melbourne, 22 February 2011

Half Year Report

Summary results

- **Sales revenue of \$4.0m** (AGM guidance: \$3.5 - \$4m)
- **Loss from operations of \$0.2m** (AGM guidance: loss of approx. \$1m)
- **Net loss after tax for the period of \$0.9m** (AGM guidance: loss of \$1.6m)
- **Cash position \$2.4m at 31 December 2010**
- **Clinical trial sales prospects improving**

Financial Results

CogState Ltd (ASX: CGS) today released its Appendix 4D and Half Year Financial Report for the period ended 31 December 2010, recording a net loss of \$0.9 million. This compared to a net profit after tax of \$0.5 million for the corresponding half last year.

Revenue for the December 2010 half year was 22% less than the same period last year, reflecting slower than expected sales contracts in addition to the effects of a high Australian dollar relative to the US dollar. On a constant currency basis, the decrease in revenue was 14% compared to the previous corresponding period - see below for more detailed analysis.

The net loss for the half year is inclusive of the following items that do not pertain to the core clinical trials business:

- Share of joint venture loss (Axon Sports) \$0.4 million
- Foreign exchange loss \$0.3 million
- Termination fees \$0.1 million

Sales Contracts

Sales contracts signed for the half year to 31 December 2010 were \$4.0 million (US\$3.8m), 36% less than the previous corresponding half when CogState signed sales contracts to the value of \$6.3 million (US\$5.5m). However, the December 2010 half year result was an improvement on the most recent June 2010 half year when \$3.7 million of sales contracts were signed.

Clinical Trial Sales Prospects Improving

Sales activity has improved noticeably over the last three months, with \$2.1 million of sales contracts signed in December 2010 and January 2011. During the same time, the level of quotes issued by CogState has increased substantially – CogState currently has \$6.1 million of quotes outstanding, which compares to \$3.8 million at the same time last year. Of the current sales opportunities, \$1.6 million of the outstanding quotes have been formally awarded to CogState with final contracts being prepared currently.



Analysis of Impact of Foreign Currency Movement

	US\$ Revenue	A\$ Revenue
31 December 2010 half year	\$3.7m	\$4.0m
31 December 2009 half year	\$4.3m	\$5.1m
% decrease in sales revenue	14%	22%

Measured in Australian dollars, CogState recorded a 22% decrease in revenue compared to the previous corresponding half year. However, on a constant currency basis, the decrease in revenue was 14%, as shown above.

CogState sales contracts are predominantly denominated in US dollars and therefore CogState revenue recognition and cash receipts have been impacted by the rising value of the Australian dollar relative to the US dollar.

Over recent months, CogState has undertaken a thorough review of pricing to ensure that gross profit margins can be maintained at current exchange rates.

Additionally, in May 2010 CogState put in place forward exchange contracts to manage foreign exchange risk. The forward contract provides CogState with partial hedging of its exposure to foreign currency fluctuations. This forward exchange contract produced a gain on derivatives of \$0.16 million during the half year to 31 December 2010.

Axon Sports Update

Axon Sports is CogState's USA based joint venture in the sports concussion market. Axon Sports was formed in June 2010 and was officially launched in August 2010. General comment about state of market

CogState's partners in Axon Sports bring extensive sports marketing experience obtained at companies such as Nike, Footlocker and SPARQ Training (now a division of Nike).

More detail in respect of Axon Sports can be obtained at www.axonsports.com or by viewing the investor presentation lodged with the ASX on 27 August 2010 at www.cogstate.com/recentnews

Axon Sports generated a loss for its first half year. CogState's share of the Axon Sports loss, \$0.4 million, contributed to CogState's net loss for the half year.

At present, all resources at Axon Sports are heavily focused on sales and marketing activities in preparation for the start of the US school year in August 2011. Over the course of the next few months, CogState expects to be in a position to announce a number of initiatives involving Axon Sports.



About CogState

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CogState Ltd (ASX: CGS) specialises in the development and commercialisation of rapid, computerised tests of cognition (brain function). CogState revenue stream has historically been primarily generated from sales of the tests are sold to pharmaceutical, biotechnology, nutraceutical and functional food companies to quantify the effect of drugs or other interventions on human subjects participating in clinical trials.

Since sales into the clinical trials market began in 2004, CogState has secured agreements with organisations including Pfizer, AstraZeneca, GlaxoSmithKline, Merck, Johnson & Johnson, Novartis, Lundbeck, Dainippon Sumitomo, Otsuka, Servier, along with a number of other organisations.

In the area of sports related concussion, CogState's technology has been used by a small number of highly regarded institutions and sporting organisations around the world for almost 10 years. Current users include, University of Notre Dame, University of Michigan, English Rugby League, English Jockey Club, and a number of Australian Football League, Australian Rugby League and Australian Rugby Union clubs.

Axon Sports has an exclusive license to market and sell the CogState technology in the area of sports and related concussions within North America (USA, Canada, Mexico).

For further information:

Brad O'Connor
Chief Executive Officer
CogState Ltd.
03 9664 1300
Mob: 0411 888 347
boconnor@cogstate.com