



ASX Announcement

Melbourne, 25 February 2009

Half year maiden profit result and full year guidance

Highlights:

- **Half year NPAT of \$1.29 million on revenue of \$3.92 million**
- **Revenue increase of 135%**
- **Contracts already in place will generate \$3.4 million of revenue in future periods**
- **Forecast revenue for the second half of the financial year in the range of \$3.0 - \$3.5 million, of which \$2 million is already under contract**
- **Full year NPAT guidance of \$1.50 - \$1.75 million, based on the above revenue forecast**

Half Year Result

CogState Ltd (ASX: CGS) today released its Appendix 4D and Half Year Financial Report for the period ended 31 December 2008.

CogState recorded its maiden profit result during the half year, posting a net profit after tax (NPAT) of \$1.29 million. The profit result was driven by a strong increase in revenues, up 135% to \$3.92 million (2007: \$1.67 million).

CogState, which prices its sales contracts in US dollars, also benefited from the falling Australian dollar, recording a net gain on foreign exchange of \$0.65 million for the half year.

During the half year to 31 December 2008, CogState signed sales contracts with a combined value in excess of A\$4.2 million, a 75% increase in the value of contracts signed for the half year to 31 December 2007 (2007: A\$2.4 million).

Industry Conditions

CogState's customers are predominantly large pharmaceutical companies, such as Pfizer, AstraZeneca, GlaxoSmithKline, Merck and Dainippon Sumitomo, among others. In light of the continuing impact of the macro economic conditions, some large pharmaceutical companies, including some of CogState's customers, are reviewing their operations and planned research and development expenditure.

On the back of this, CogState expects that it will see a reduction in the number of smaller, exploratory, phase 1 clinical trials that are conducted by pharmaceutical companies in the coming months.



In respect of planned and budgeted phase 2 and 3 clinical trials, particularly in lead indications such as Alzheimer's disease and Schizophrenia, CogState anticipates some reduction in research and development expenditure. However, because of their importance to the future revenue base of pharmaceutical companies, many of these planned phase 2 and 3 clinical trials must proceed.

Even in the current environment, CogState has continued to see new sales opportunities for the use of its technology and services, particularly in larger, later stage (phase 2 and 3) clinical trials.

Expansion Plans

Following the decision not to renew the agreement with United Biosource Corporation, CogState will add operational resources to support the conduct of existing and new clinical trials. A small number of additional staff will be added to the current headcount, with a mix of staff located in the United States and the United Kingdom. It is expected that the new staff will be added progressively over the next six months. The cost of new operational resources will be offset by the additional revenue that will be retained by CogState, following the end of the UBC agreement and associated revenue sharing between the two companies.

In addition, CogState will focus on technological automation, designed to deliver operational efficiencies and, over time, reduce the number of resources required to manage a given number of clinical trials.

Revenue and Profit Guidance for the Financial Year

CogState currently has contracts in place that will generate \$3.4 million of revenue in future periods. Of that future revenue, approximately \$2 million of revenue from existing contracts is expected to be recognised during the half year to 30 June 2009.

CogState expects to record revenue in the range of \$3.0 - \$3.5 million for the half year ending 30 June 2009. This forecast is based on the \$2 million revenue currently under contract in addition to new contracts that are expected to be executed during the half year.

CogState is forecasting a NPAT in the range of \$1.50 - \$1.75 million for the year ending 30 June 2009, based on forecast revenue and budgeted costs.



About CogState

CogState Ltd (ASX: CGS) specialises in the development and commercialisation of rapid, computerised tests of cognition (brain function). 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, Abbott Laboratories, Centres for Disease Control (USA), ALZA Corporation (a member of the Johnson and Johnson group), Lundbeck and Organon USA. CogState is currently expanding its existing activities in the US and European clinical trial markets. For additional information:

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