

ASX ANNOUNCEMENT

19 AUGUST 2015

2015 FINANCIAL YEAR RESULTS

MET GUIDANCE WITH POSITIVE EBITDA FOR 2H 2015 FINANCIAL YEAR
 POSITIVE EBIT FORECAST FOR FY16

SUMMARY OF 2015 FINANCIAL YEAR RESULTS

- Revenue from ordinary activities up 30% to A\$16.2m (PCP A\$11.5m)
- Clinical Trials revenue up 42% to A\$15.2m (PCP A\$10.7m)
- EBITDA loss of A\$2.3m (PCP loss of A\$3.9m), delivered positive EBITDA of A\$0.2m in 2H FY2015
- Net loss after tax of A\$5.1m, which includes A\$2.2m impairment of assets (PCP loss of A\$3.9m, no impairment charge)
- Record Clinical Trials sales contracts signed totalling US\$23.7m, an increase of 165% (PCP US\$9.0m)
- Contracted future Clinical Trials revenue currently A\$27.2m to be recognised in future periods, of which A\$14.9m will be recognised in FY16¹
- Guiding to a return to positive EBIT in FY16²

MELBOURNE, AUSTRALIA: Leading cognitive science company, Cogstate (ASX.CGS), has today released its Appendix 4E and full year financial results for the financial year ended 30 June 2015.

FINANCIAL RESULTS OVERVIEW FOR THE YEAR ENDED 30 JUNE 2015

| Metric | FY15 (A\$m) actual | FY14 (A\$m) actual | % change |
|-------------------------|--------------------|--------------------|----------|
| Clinical Trials Revenue | 15.2 | 10.7 | 42% |
| Total Revenue | 16.2 | 11.5 | 30% |
| EBITDA | (2.3) | (3.9) | 40% |
| Net Loss After Tax* | (5.1) | (3.9) | (30%) |

*FY15 includes -A\$2.2m impairment of internally generated intellectual property, which has no tax effect. There were no asset impairments in FY14

(1) Contracts are denominated in US\$. The A\$ equivalent is based on the prevailing spot rate at the time of signing the individual contracts

(2) EBIT from continuing operations at 30 June 2015 exchange rates.

Cogstate reported a substantial increase in year-on-year revenue, with underlying revenue (excluding pass-through cost recoveries) for FY15 of A\$16.2 million, up 30% on A\$11.5 million in FY14.

The main revenue driver was the increase in revenue from the Clinical Trials business, which accounted for A\$15.2 million of underlying revenue. The increase was a direct result of new contracts, with a record US\$23.7 million (A\$27.5m) signed in FY15, representing an increase of 165% compared to US\$9 million (A\$9.6m) in the previous year.⁽¹⁾

Cogstate reported a net loss after tax of A\$5.1 million, compared to A\$3.9 million in the previous year. The loss in the second half was A\$2.4 million, which was impacted by a A\$2.2 million impairment of assets. See below for further details in respect of the impairment charge.

In line with guidance, Cogstate reported a positive EBITDA of A\$0.2 million for the second half, excluding impairment of assets. The improved financial performance in the second half was due to increased Clinical Trials revenue, the divestment of the Axon Sports training business (which provided for a reduction in costs) and initial revenues from Precision Recruitment.

The company is guiding a return to positive EBIT from continuing operations in FY16, at 30 June 2015 exchange rates.

“We are very pleased with the strong momentum demonstrated by these results in terms of revenue growth,” said Brad O’Connor, Chief Executive of Cogstate. “We enter the 2016 financial year with a record contracted revenue pipeline, and we are on track to return to positive earnings before interest and tax from continuing operations this year, based on 30 June 2015 exchange rates.

“Over the past 12 months our strategy has been to focus on the core business. In recognition of the scientific credibility that we have developed over the last ten years, we were able this year to move from a science-based sales team to a commercial business development team that is supported by those same scientific experts. In October 2014 we began the process of building a commercial business development team, and I am pleased to say that we have seen immediate results from that team with a material improvement in our contracted revenue pipeline that will benefit earnings in the 2016 financial year and beyond. During the 2015 financial year the business development team delivered US\$23.7 million of Clinical Trials sales contracts; an improvement of 165% on the previous year.

Cogstate also completed the divestment of the Axon Sports training business during the financial year, which delivered immediate cost reductions.

Cogstate enters FY16 with a record revenue pipeline. As of today’s date, Cogstate has A\$27.2 million of contracted clinical trials revenue to be recognised in future periods; further detail is provided in the table below. As in the past, Cogstate expects that total revenue in the 2016 financial year will exceed the amount contracted as at today’s date (e.g. at 14 August 2014 contracted Clinical Trials revenue for FY15 was A\$9.1m, actual Clinical Trials revenue recorded for FY15 was A\$15.2m).

Contracted Clinical Trials – Revenue³

| | As at 14 August 2015 | | As at 30 June 2015 | | As at 14 August 2014 | |
|--------------------|----------------------|-----------------|--------------------|-----------------|----------------------|-----------------|
| Year 1 | FY16 | A\$14.9m | FY16 | A\$10.9m | FY15 | A\$9.1m |
| Year 2 | FY17 | A\$7.3m | FY17 | A\$6.5m | FY16 | A\$5.3m |
| Years 3 – 5 | FY18 – FY20 | A\$5.0m | FY18 – FY20 | A\$4.0m | FY17 – FY20 | A\$5.3m |
| Total | | A\$27.2m | | A\$21.4m | | A\$19.7m |

(3) Contracts are denominated in US\$. Spot rate at respective dates have been used to calculate the A\$ equivalent. The rate used at 14 August 2015 was 0.733, 30 June 2015 was 0.765 and 14 August 2014 was 0.9.

“At the date of this announcement, we have already secured A\$14.9 million of new Clinical Trials revenue for the 2016 financial year, which is equivalent to 98% of the Clinical Trials revenue that was recorded for the 2015 financial year (A\$15.2 million). Also, our sales prospects have seen a ten-fold increase compared to the same time last year. These leading indicators allow us to say with great confidence that Cogstate will continue the growth of clinical trials revenue in this 2016 financial year. As revenue grows, overhead costs will decrease as a percentage of revenue,” said Mr O’Connor.

As previously reported, the company returned to positive net operating cash flow in the quarter ended 30 June 2015 and has cash holdings of A\$5.4m as of 30 June 2015.

SUMMARY FINANCIAL RESULTS

| | 1ST HALF \$'000,000 | 2ND HALF \$'000,000 | FY15 \$'000,000 | FY14 \$'000,000 |
|--|------------------------|------------------------|--------------------|--------------------|
| Clinical Trials | | | | |
| · Revenue | 5.56 | 9.62 | 15.18 | 10.69 |
| · Cost of Sales | (2.87) | (3.57) | (6.44) | (5.22) |
| Gross Margin | 2.69 | 6.05 | 8.74 | 5.47 |
| · Net Recovery of Pass-through Costs | 0.09 | 0.07 | 0.16 | 0.11 |
| Total Clinical Trials Contribution | 2.78 | 6.12 | 8.90 | 5.58 |
| Precision Recruitment Contribution | 0.23 | 0.21 | 0.44 | 0.06 |
| Healthcare Contribution | (0.10) | (0.13) | (0.23) | (0.37) |
| Sport Contribution | (0.09) | (0.02) | (0.11) | (0.23) |
| Total Business Unit Contribution | 2.82 | 6.18 | 9.00 | 5.04 |
| Overhead Costs – Continuing Operations | (5.42) | (6.60) | (12.02) | (8.38) |
| Overhead Costs – Discontinued Operations | (0.34) | - | (0.34) | (0.84) |
| Other Income | 0.41 | 0.64 | 1.05 | 0.31 |
| EBITDA | (2.53) | 0.22 | (2.31) | (3.87) |
| Amortisation & Depreciation | (0.33) | (0.41) | (0.74) | (0.68) |
| Impairment of Assets - Refer Notes 16 & 17 | 0.00 | (2.16) | (2.16) | 0.00 |
| Income Tax Benefit | 0.20 | (0.05) | 0.15 | 0.66 |
| Loss After Tax | (2.66) | (2.40) | (5.06) | (3.89) |

IMPAIRMENT OF ASSETS

The financial result for the 2015 financial year was impacted by a A\$2.2 million impairment of assets charge.

The carrying value of the intellectual property for the Healthcare market was considered impaired during the financial year ended 30 June 2015 and was written down to a zero carrying value. The initial recognition of intellectual property for the Healthcare market occurred during the 2012 financial year, when Cogstate purchased the remaining 50% interest in the Axon Sports joint venture. As a result of the purchase, the accounting standards required a balance to be taken up in the consolidated financial statements for Intellectual Property. Whilst the recognition was related to the purchase of 50% of the Axon Sports joint venture, the actual Intellectual Property related to the core Cogstate technology that was being deployed in the Healthcare market, in both concussion management as well as Cognigram in Canada. Given the uncertainty of future revenue from the Healthcare market, a decision was made at 30 June 2015 to write down the carrying value of the intellectual property from \$1.5 million to a zero value. The write-down of carrying value of the intangible asset will reduce amortization expense to nil in FY16 (FY15 \$0.3m).

In addition, software development costs of \$0.7 million, which had been capitalised in accordance with AASB138: Intangible Assets, was written off at 30 June 2015 in accordance with a more consistent treatment of expensing all software development costs in the year in which they are incurred.

If not for the Impairment Charge, the total value of the assets (\$2.2 million) would have been amortised over future periods.

ABOUT COGSTATE

Cogstate Ltd (ASX:CGS) is a leading cognitive science company delivering software and services to optimise the measurement of cognition in clinical trials, academic research, healthcare and brain injury. Cogstate is a pioneer in commercialising rapid, reliable and highly sensitive computerised cognitive tests and provides expert support for traditional neurological assessments to drive higher quality outcome measures. Cogstate clients include the world's leading biopharmaceutical companies; military and elite sporting organisations; physicians and patients; renowned academic institutions and public-private partnerships. With more than 90 employees and a global network of expert neurophysiologist consultants across 25 countries, the unique intersection of science, innovation and delivery is at the core of everything we do.

In our clinical trials business, Cogstate provides both software and professional services for clinical research programs seeking to demonstrate a drug's impact on cognition. Cogstate solutions span the clinical trial process from study design to final statistical analysis; and our latest innovation, Precision Recruitment™, is an online pre-screening portal that accelerates the identification of qualified clinical trial participants in high-need indications such as Alzheimer's disease.

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