

Altium Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Altium Limited
ACN:	009 568 772
Reporting period:	For the half-year ended 31 December 2016
Previous period:	For the half-year ended 31 December 2015

2. Results for announcement to the market

			US\$'000
Revenues from ordinary activities	up	14.1% to	48,694
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	up	18.3% to	12,545
Earnings Before Interest and Tax (EBIT)	up	13.6% to	10,806
Profit from ordinary activities after tax attributable to the owners of Altium Limited	up	7.8% to	9,862
Profit for the half-year attributable to the owners of Altium Limited	up	7.8% to	9,862

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2016	10.000	-

On 24 August 2016, the Directors declared a final dividend of AU 10 cents per share (99% franked) for the year ended 30 June 2016. The dividend was paid on 17 October 2016 and amounted to US\$9.8m.

The directors have declared an interim unfranked dividend of AU 11 cents per share (2015: AU 10 cents) for the half-year ended 31 December 2016. The dividend will be paid on 4 April 2017 based on a record date of 14 March 2017. This amounts to a total dividend of US\$10.9m based on the total number of shares outstanding.

Comments

The profit for the consolidated entity after providing for income tax amounted to US\$9,862,000 (31 December 2015: US\$9,147,000).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>74.38</u>	<u>74.71</u>

4. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

5. Attachments

Details of attachments (if any):

The Interim Report of Altium Limited for the half-year ended 31 December 2016 is attached.

6. Signed

Signed _____



Date: 20 February 2017

Aram Mirkazemi
Chief Executive Officer
Sydney

Altium Limited

ACN 009 568 772

Interim Report - 31 December 2016

Altium Limited
Directors' report
31 December 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Altium Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

The following persons were directors of Altium Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Samuel Weiss (Chairman)
Carl Rooke
Dr David Warren
Aram Mirkazemi
Raelene Murphy (appointed 21 September 2016)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of the development and sales of computer software for the design of electronic products. There were no significant changes in the nature of these activities during the half-year.

Review of operations

Overview

Altium achieved a record result for the first half of fiscal 2017. Worldwide revenue grew by 14% to US\$48.7 million and sales increased by 14% to US\$47.0 million. This top-line growth combined with Altium's disciplined fiscal management resulted in profit before tax (PBT) of US\$10.8 million (up 11%) and earnings before interest, tax, depreciation and amortisation (EBITDA) of US\$12.5 million (up 18%.) Altium increased its EBITDA margin to 25.8% in the first half of fiscal 2017 from 25.0% in the first half of fiscal 2016.

Altium maintained a strong balance sheet with cash of US\$36.3 million, after paying dividends of US\$9.8 million (2016: US\$7.6m;) it completed one acquisition for with up-front cash consideration of US\$0.5 million and paid an additional US\$0.6 million of a potential US\$1.3 million in contingent consideration in the first half of fiscal 2017.

During the first half of fiscal 2017 Altium acquired Transfer B.V., a long-time reseller of Altium products based in the Netherlands with responsibility for Belgium, Netherlands and Luxemburg. In January 2017, Altium acquired its long-time reseller in the United Kingdom Premier EDA Solutions Ltd. Altium intends to assimilate these businesses into the Altium EMEA operations and to implement in them the transactional sales methodologies of the Board and Systems division.

Key Financial Results

- Revenue worldwide increased by 14% to US\$48.7 million, including a 9% increase in Altium Designer license revenue.
- Operating expenses, excluding depreciation, amortisation and interest increased by 13% over the prior year, resulting in an 18% increase in EBITDA.
- Profit after income tax increased by 8% to US\$9.9 million compared to the prior period.

Key Financial Results

	31 Dec 2016 US\$'000	31 Dec 2015 US\$'000	Change %
Revenue (excluding interest)	48,650	42,594	14%
Operating expenses (excluding depreciation, amortisation and interest)	(36,105)	(31,940)	13%
EBITDA	12,545	10,654	18%
EBITDA margin	25.8%	25.0%	
Depreciation and amortisation	(1,739)	(1,301)	
EBIT	10,806	9,729	11%
Net Interest	(21)	11	
Profit before income tax	10,785	9,740	11%
Income tax expense	(923)	(593)	
Profit after income tax	9,862	9,147	8%
Earnings per share	7.64	7.12	7%

	31 Dec 2016 US\$'000	31 Dec 2015 US\$'000	Change %
Product Revenue			
Altium Designer software licenses	16,075	14,803	9%
Altium Designer subscriptions	20,605	18,743	10%
TASKING software licenses	2,971	3,353	(11%)
TASKING maintenance	1,812	1,716	6%
Service revenue	1,692	2,212	(29%)
Search advertising	3,485	1,412	147%
Other	1,759	355	500%
Total Product Revenue	48,399	42,594	14%

For more details on revenue, refer to Note 4 of the interim report.

	31 Dec 2016 US\$'000	31 Dec 2015 US\$'000	Change %
Product Sales			
Altium Designer licences	17,211	15,354	12%
Altium Designer subscriptions	17,917	15,296	17%
TASKING licenses	2,810	4,409	(36%)
TASKING maintenance	1,723	1,249	38%
Service sales	1,621	1,906	(15%)
Search advertising	3,576	1,412	153%
Other	2,145	1,466	46%
Total Sales	47,003	41,092	14%

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Net Profit after tax

Net profit after tax increased by 8% to US\$9.9 million from US\$9.1 million in the previous period.

The effective tax rate for the period was 9% compared to 6% in the previous period. The current period tax rate of 9% reflects the tax effect of the utilisation of the deferred tax asset recognised as a result of temporary differences arising on relocation of Altium's core business assets to the USA during fiscal 2015 and the effect of permanent differences associated with the transaction. Altium will continue to utilise these tax benefits in future periods.

Operational Highlights

Altium continued the successful delivery of its "line and length" strategy to achieve double-digit growth while expanding its profit margin. During the first half of fiscal 2017, Altium increased worldwide sales by 14% and revenue by 14% compared with the previous corresponding period. Having achieved an EBIDTA margin of 25.8% in the first half, Altium is on track to attain its goal of an EBITDA margin of 30% or greater for the full year.

Altium is also set to exceed its revenue target of US\$100 million in revenue for the full year (a goal that the company set for itself in August 2014.) Altium's strong financial performance also positions the company well to achieve definitive PCB market leadership by 2020. Altium is confidently moving towards its 2020 goals of US\$150 million in PCB revenue and US\$200 million in total revenue.

Altium Board and Systems revenue grew to US\$39.3 million during the first half of fiscal 2017 (up 10%) and sales to US\$38.3 million (up 14%) compared with the previous corresponding period. This result was supported by a solid performance in EMEA, which delivered a 14% increase in revenue. Altium has restructured its EMEA region to build capacity and to sell direct to customers in key markets, after the acquisition of long-term resellers in the Netherlands and, subsequent to 31 December 2016, the United Kingdom. Altium now sells direct in Germany, Switzerland, Austria, Netherlands, Benelux, the United Kingdom and Ireland. As the company expands its multi-product strategy, Altium will increase its direct presence in EMEA.

China and APAC also delivered strong performances over the first half of fiscal 2017, with revenue growth of 27% and 26% respectively compared with the same period one year earlier. Altium has transformed its China operations to directly influence frontline sales. This will allow Altium to scale in an unimpeded way and move Altium's business towards a recurring revenue model in China. In the APAC region, we have moved from an indirect to a direct sales model in Japan to take advantage of opportunities there.

In the America's Board and Systems, revenue grew by 5% from a strong first half base in fiscal 2016. This reflected solid momentum in the first half in the region for renewals, upgrades and add-on licenses, however, Americas new logo sales did not quite reach the levels achieved in the strong first half fiscal 2016 performance. Altium management added capacity into the sales organisation in the Americas through structural adjustments to add more power to our direct sales teams in the second half of fiscal 2017. This includes leveraging Altium's sales management and creating dedicated new logo "hunting teams" to increase the company's new logo sales. Market demand in the Americas continues to be strong.

Altium's TASKING business (Microcontroller and Embedded Systems) delivered revenue of US\$5.2 million in the first half of fiscal 2017, almost the level achieved in the first half of fiscal 2016 when TASKING closed its largest ever multi-year transaction of US\$2.7 million with a tier one automotive supplier. This strong result, coupled with Altium's modernization of TASKING R&D during the first half, prepared the business to take full advantage of the opportunities in the growing automotive market for TASKING's compiler technology.

Altium's TASKING business R&D achieved highly sought industry accreditation to support the sale of TASKING's compiler technology in the automotive industry.

Octopart has continued to grow in strength following its acquisition 18 months ago. During the first half of fiscal 2017, Octopart delivered revenue of US\$3.5 million (up 65% on the same period one year earlier).

Altium's partnership with Dassault Systems SolidWorks, which expands Altium's influence and market reach resulted in a new electronic CAD PCB design tool that is tightly integrated with the SolidWorks mechanical CAD design tool that was released on 1 July 2016. It is early days and SolidWorks is significantly investing to empower its reseller channel to sell the new product.

Strategy

PCB market leadership is critical for Altium's long-term vision to bring fundamental change to the Electronics Design Automation (EDA) industry. This change will come through the democratization of electronics design, disintermediation and the commoditization of high-end technology, the transformation and deregulation of enterprise solutions and practices, and the formation of a circle of partnership between EDA and the wider Electronics Products engineering community.

Altium is committed to the delivery of consistent financial performance based on the successful execution of its "line and length" strategy and the achievement of double-digit sales and revenue growth while expanding margin.

Altium has set itself the goal of achieving definitive PCB market leadership by 2020, defined by US\$150 million in pure PCB revenue and US\$200 million in total revenue. This will come through organic growth and expanding our market reach with partnerships and acquisitions.

Outlook

Altium's strong operating leverage is underpinned by its value discipline culture, unique transactional selling model and its high-release R&D culture. These factors will support Altium's drive to achieve an EBITDA margin of 30% or greater in fiscal 2017.

Altium's business is being positively impacted by the rise of smart connected devices and the emerging market for the Internet of Things.

Looking ahead, specific drivers of growth for Altium will include:

- Creation of a range of PCB tools that provide more targeted solutions for Altium customers.
- Expanded product range from the low-end to the high-end of the PCB software design market.
- Pursuit of strategic partnerships and acquisitions to expand market reach.
- Systematization of Altium's transactional sales model.
- Going direct in key markets in EMEA.
- Rigorous adherence to a high performance culture throughout the Company.

Risk

Factors that may impact sales growth include foreign currency fluctuations, delays in product development, commercial viability of new products, delays in the establishment of a high performance sales organisation and disruption in the global economy.

The major currency risk is the EUR/USD due to the large proportion of sales made in Europe. A depreciation of the EUR against the USD would have a negative impact on group sales and revenue.

The timing of new product releases is a key factor in new license and subscription growth. New technology in releases carries inherent risks of delay and quality. Forward planning of the technology requirements for each release and disciplined project management and quality assurance processes mitigate these risks.

As the company diversifies the product base the risk of the commercial viability of new products increases. This risk will be mitigated through in depth market research, as well as continued investment in R&D and a nimble approach to product development to keep pace with market demands.

Sales of PCB and TASKING software solutions require sophisticated engagement with customers. Failure to recruit, hire and train the Altium direct sales force, an enterprise sales team and re-seller partners in a timely and effective manner could reduce revenue growth. This risk is mitigated through the due diligence process prior to appointing a new sales representative or reseller and comprehensive training, once appointed.

New financial risks can arise from expanding the geographic reach of the company, broadening the customer base through acquired product lines or new services, and inheriting new or unique contract terms through merger and acquisition activity. Additionally, acquired financial instruments can change the interest rate risk profile of the consolidated group or can introduce credit risk, liquidity risk, and other additional risks that did not previously exist prior to acquisition. This risk is mitigated through

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Directors' report
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the due diligence process undertaken when considering and executing acquisitions as well as regular review and revision of the risk management strategy of the group to accommodate the changing risk profile of the combined entity.

Significant changes in the state of affairs

On 30 August 2016, the company acquired Transfer B.V., a reseller of Altium products. Please refer to note 11 for business combinations disclosure.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off.' Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Samuel Weiss
Chairman

20 February 2017
Sydney



Aram Mirkazemi
Chief Executive Officer



Auditor's Independence Declaration

As lead auditor for the review of Altium Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Altium Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Eliza Penny', is written over a light blue horizontal line.

Eliza Penny
Partner
PricewaterhouseCoopers

Sydney
20 February 2017

Altium Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

	Note	Consolidated 31 Dec 2016 US\$'000	31 Dec 2015 US\$'000
Revenue	4	48,694	42,658
Expenses			
Employee benefits expense		(23,779)	(21,230)
Travel expense		(2,257)	(1,964)
Restructuring costs	5	(1,811)	-
Rental and occupancy expense		(1,779)	(1,631)
Depreciation and amortisation expense	5	(1,739)	(925)
Shared based payments		(1,233)	(455)
Marketing expense		(1,136)	(1,297)
Software and equipment expense		(1,133)	(943)
Professional advice expense	5	(1,028)	(2,036)
Communication expense		(891)	(756)
Cost of services		(301)	(621)
Finance costs		(65)	(53)
Net foreign exchange gain		441	289
Other expenses		(1,198)	(1,296)
Profit before income tax expense		10,785	9,740
Income tax expense		(923)	(593)
Profit after income tax expense for the half-year attributable to the owners of Altium Limited		9,862	9,147
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(508)	(448)
Other comprehensive income for the half-year, net of tax		(508)	(448)
Total comprehensive income for the half-year attributable to the owners of Altium Limited		9,354	8,699
		Cents	Cents
Basic earnings per share		7.64	7.12
Diluted earnings per share		7.64	7.12

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Altium Limited
Statement of financial position
As at 31 December 2016

	Note	Consolidated 31 Dec 2016 US\$'000	30 Jun 2016 US\$'000
Assets			
Current assets			
Cash and cash equivalents		36,348	38,139
Trade and other receivables		25,098	29,840
Tax receivables		754	566
Other assets		2,083	1,548
Total current assets		<u>64,283</u>	<u>70,093</u>
Non-current assets			
Trade and other receivables		3,669	5,379
Property, plant and equipment		6,512	5,091
Intangible assets	6	34,699	33,508
Deferred tax assets		81,871	82,301
Total non-current assets		<u>126,751</u>	<u>126,279</u>
Total assets		<u>191,034</u>	<u>196,372</u>
Liabilities			
Current liabilities			
Trade and other payables		6,362	7,188
Tax liabilities		1,461	2,713
Provisions	7	6,071	3,568
Deferred revenue		31,269	32,234
Total current liabilities		<u>45,163</u>	<u>45,703</u>
Non-current liabilities			
Deferred tax liability		4,687	4,793
Provisions	8	1,474	4,230
Deferred revenue		7,390	9,038
Other liabilities		768	1,813
Total non-current liabilities		<u>14,319</u>	<u>19,874</u>
Total liabilities		<u>59,482</u>	<u>65,577</u>
Net assets		<u>131,552</u>	<u>130,795</u>
Equity			
Contributed equity	9	125,177	125,177
Reserves		11,119	10,394
Accumulated losses		(4,744)	(4,776)
Total equity		<u>131,552</u>	<u>130,795</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Altium Limited
Statement of changes in equity
For the half-year ended 31 December 2016

Consolidated	Contributed equity US\$'000	Reserves US\$'000	Accumulated losses US\$'000	Total equity US\$'000
Balance at 1 July 2015	122,460	9,307	(10,165)	121,602
Profit after income tax expense for the half-year	-	-	9,147	9,147
Other comprehensive income for the half-year, net of tax	-	(448)	-	(448)
Total comprehensive income for the half-year	-	(448)	9,147	8,699
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	455	-	455
Contributions of equity, net of transactions costs	2,717	-	-	2,717
Dividends paid (note 10)	-	-	(7,644)	(7,644)
Balance at 31 December 2015	<u>125,177</u>	<u>9,314</u>	<u>(8,662)</u>	<u>125,829</u>
Consolidated	Contributed equity US\$'000	Reserves US\$'000	Accumulated losses US\$'000	Total equity US\$'000
Balance at 1 July 2016	125,177	10,394	(4,776)	130,795
Profit after income tax expense for the half-year	-	-	9,862	9,862
Other comprehensive income for the half-year, net of tax	-	(508)	-	(508)
Total comprehensive income for the half-year	-	(508)	9,862	9,354
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	1,233	-	1,233
Dividends paid (note 10)	-	-	(9,830)	(9,830)
Balance at 31 December 2016	<u>125,177</u>	<u>11,119</u>	<u>(4,744)</u>	<u>131,552</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Altium Limited
Statement of cash flows
For the half-year ended 31 December 2016

		Consolidated	
	Note	31 Dec 2016	31 Dec 2015
		US\$'000	US\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		54,397	43,919
Payments to suppliers and employees (inclusive of GST)		(39,268)	(37,366)
Payment for expenses relating to acquisitions		(72)	(839)
		<u>15,057</u>	<u>5,714</u>
Interest received		44	64
Interest and other finance costs paid		(65)	(26)
Net income taxes paid		(1,320)	(862)
		<u>13,716</u>	<u>4,890</u>
Net cash from operating activities	13	<u>13,716</u>	<u>4,890</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	11	(2,939)	(10,767)
Payments for property, plant and equipment		(2,548)	(1,779)
		<u>(5,487)</u>	<u>(12,546)</u>
Net cash used in investing activities		<u>(5,487)</u>	<u>(12,546)</u>
Cash flows from financing activities			
Dividends paid	10	(9,830)	(7,644)
Repayment of borrowings		(28)	(30)
		<u>(9,858)</u>	<u>(7,674)</u>
Net cash used in financing activities		<u>(9,858)</u>	<u>(7,674)</u>
Net decrease in cash and cash equivalents		(1,629)	(15,330)
Cash and cash equivalents at the beginning of the financial half-year		38,139	61,906
Effects of exchange rate changes on cash and cash equivalents		(162)	(223)
		<u>36,348</u>	<u>46,353</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>36,348</u></u>	<u><u>46,353</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Altium Limited
Notes to the financial statements
31 December 2016

Note 1. General information

The financial report covers Altium Limited as a consolidated entity consisting of Altium Limited and its controlled entities. The financial report is presented in US dollars, which is Altium Limited's presentation and functional currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Altium Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 6.03, Level 6,
Tower B, The Zenith,
821 Pacific Highway,
Chatswood, NSW 2067
Australia

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 20 February 2017. The directors have the power to amend and reissue the financial report.

Altium makes extensive use of internet-enabled communications to ensure that its corporate reporting is timely, complete and available globally at minimum cost to the company with maximum immediacy for shareholders and other stakeholders. All press releases, financial reports and other information are available at the investors section on the Altium website: www.altium.com. For queries in relation to Altium's reporting, please email investor.relations@altium.com.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. At this stage, the group is not able to estimate the effect of the new rules on the group's financial statements. The group will make more detailed assessments of the effect over the next twelve months.

Note 3. Operating segments

Description of segments

Management has determined the operating segments based on the reports used by the chief operating decision maker (Board and Executive Team) to make strategic decisions and review operational performance.

Note 3. Operating segments (continued)

The Board and Executive Team consider the financial performance of the business based on product types and the overall economic characteristics of industries in which the company operates and, as such, have identified three operating segments:

- Board and Systems;
- Micro-controllers and Embedded Systems; and
- Makers and Content.

The Board and Systems segment includes the PCB business for the Americas, EMEA, APAC and Emerging Markets regions as well as other products sold through partner channels. The Emerging Markets region includes the PCB business for China, Russia and India.

The Micro-controller and Embedded Systems segment includes results from TASKING sales, operations and research and development.

The Makers and Content segment includes Octopart.

The Board and Executive Team continue to consider the financial position of the business from a geographical perspective; consequently, the assets and liabilities of the group are presented by geographical region for both years ended 30 June 2016 and the comparative period.

Segment sales represent invoiced sales. These are subsequently adjusted for the deferred component which is recognised over the service period to arrive at revenue. Revenue is management's key metric in understanding the results by segment.

Types of products and services

Revenue from segments comprise:

- Software license revenue
- Subscription and maintenance revenue
- Search advertising
- Service revenue
- Hardware revenue

The Board and Executive Team assesses the performance of individual segments on earnings before interest expense, tax expense, depreciation and amortisation (EBITDA).

Intersegment transactions

Transactions between segments are excluded from the segment information and do not form part of the reports used by the Board and Executive Team.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Altium Limited
Notes to the financial statements
31 December 2016

Note 3. Operating segments (continued)

Operating segment information

Consolidated statement of financial performance to 31 December 2016	Board and Systems US\$'000	Micro-controller and Embedded Systems US\$'000	Makers and Content US\$'000	Other segments US\$'000	Total US\$'000
Revenue					
Segment sales	38,304	4,626	3,576	497	47,003
Net adjustment for deferred revenue recognition	833	532	(91)	122	1,396
Other revenue	251	-	-	-	251
Interest income	-	-	-	44	44
Total revenue	39,388	5,158	3,485	663	48,694
EBITDA	25,856	1,702	1,462	(16,475)	12,545
Depreciation and amortisation	-	-	-	(1,739)	(1,739)
Net interest	-	-	-	(21)	(21)
Profit/(loss) before income tax expense	25,856	1,702	1,462	(18,235)	10,785
Income tax expense					(923)
Profit after income tax expense					9,862

Consolidated statement of financial performance to 31 December 2015	Board and systems US\$'000	Micro-controller and Embedded systems US\$'000	Makers and Content US\$'000	Other segments US\$'000	Total US\$'000
Revenue					
Sales to external customers	33,554	6,051	1,487	-	41,092
Net adjustment for deferred revenue recognition	2,128	(626)	-	-	1,502
Interest income	-	-	-	64	64
Total revenue	35,682	5,425	1,487	64	42,658
EBITDA	22,310	2,683	322	(14,661)	10,654
Depreciation and amortisation	-	-	-	(925)	(925)
Net interest	-	-	-	11	11
Profit/(loss) before income tax expense	22,310	2,683	322	(15,575)	9,740
Income tax expense					(593)
Profit after income tax expense					9,147

Altium Limited
Notes to the financial statements
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Note 3. Operating segments (continued)

Consolidated statement of financial position as at 31 December 2016	Americas US\$'000	EMEA US\$'000	Emerging Markets US\$'000	APAC US\$'000	Other segments US\$'000	Total US\$'000
Assets						
Segment assets	16,828	14,690	3,565	1,263	72,063	108,409
<i>Unallocated assets:</i>						
Deferred tax asset						81,871
Income tax receivables						754
Total assets						191,034
Liabilities						
Segment liabilities	21,497	18,001	2,226	2,403	9,165	53,292
<i>Unallocated liabilities:</i>						
Provision for income tax						1,461
Deferred tax liability						4,687
Borrowings						42
Total liabilities						59,482
Consolidated statement of financial position as at 30 June 2016	Americas US\$'000	EMEA US\$'000	Emerging Markets US\$'000	APAC US\$'000	Other segments US\$'000	Total US\$'000
Assets						
Segment assets	20,503	18,135	5,763	1,719	67,385	113,505
<i>Unallocated assets:</i>						
Deferred tax asset						82,301
Income tax receivables						566
Total assets						196,372
Liabilities						
Segment liabilities	28,513	18,046	2,231	1,569	7,641	58,000
<i>Unallocated liabilities:</i>						
Provision for income tax						2,713
Deferred tax liability						4,793
Borrowings						71
Total liabilities						65,577

Altium Limited
Notes to the financial statements
31 December 2016

Note 4. Revenue

	Consolidated	
	31 Dec 2016	31 Dec 2015
	US\$'000	US\$'000
<i>Product revenue</i>		
Software license revenue	21,237	19,132
Subscription and maintenance revenue	21,985	19,717
Search advertising	3,485	1,487
Service revenue	1,692	2,237
Hardware revenue	-	21
	48,399	42,594
<i>Other revenue</i>		
Interest Income	44	64
Other revenue	251	-
	295	64
Revenue	48,694	42,658

Note 5. Expenses

	Consolidated	
	31 Dec 2016	31 Dec 2015
	US\$'000	US\$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Property, plant and equipment	1,024	774
<i>Amortisation</i>		
Customer relationships	522	87
Intellectual property	193	64
Total amortisation	715	151
Total depreciation and amortisation	1,739	925
<i>Restructuring costs</i>		
Costs associated with moving to a direct sales model in EMEA	800	-
Costs associated with the reorganisation of Tasking product development	719	-
Legal fees	292	-
Total restructuring costs	1,811	-
<i>Included in professional advice expense</i>		
Costs associated with the acquisition of Transfer B.V.	72	-
Costs associated with relocation of Altium's core business assets	-	372
Costs associated with the acquisition of Octopart	-	487
Costs associated with the acquisition of CIIVA	-	352
	72	1,211

Altium Limited
Notes to the financial statements
31 December 2016

Note 6. Non-current assets - intangible assets

	Consolidated	
	31 Dec 2016	30 Jun 2016
	US\$'000	US\$'000
Goodwill - at cost	18,427	17,280
Intellectual property - at cost	4,174	4,212
Less: Accumulated amortisation	(479)	(286)
	<u>3,695</u>	<u>3,926</u>
Customer contracts - at cost	13,695	12,898
Less: Accumulated amortisation	(1,118)	(596)
	<u>12,577</u>	<u>12,302</u>
	<u><u>34,699</u></u>	<u><u>33,508</u></u>

The Goodwill and intangible assets have arisen as a result of business combinations. For further details of business combinations completed in this half year refer to note 11 of this interim financial report.

Note 7. Current liabilities - provisions

	Consolidated	
	31 Dec 2016	30 Jun 2016
	US\$'000	US\$'000
Employee benefits	1,201	1,254
Contingent consideration	4,870	2,314
	<u>6,071</u>	<u>3,568</u>

Contingent consideration

The provision represents the obligation to pay contingent consideration following the acquisition of a business or assets. It is measured at the present value of the estimated liability.

Note 8. Non-current liabilities - provisions

	Consolidated	
	31 Dec 2016	30 Jun 2016
	US\$'000	US\$'000
Employee benefits	80	84
Contingent consideration	1,325	4,077
Lease make good	69	69
	<u>1,474</u>	<u>4,230</u>

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Altium Limited
Notes to the financial statements
31 December 2016

Note 9. Equity - Contributed equity

	Consolidated			
	31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016
	Shares	Shares	US\$'000	US\$'000
Ordinary shares - fully paid	<u>130,215,813</u>	<u>130,215,813</u>	<u>125,177</u>	<u>125,177</u>

Note 10. Equity - dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2016	31 Dec 2015
	US\$'000	US\$'000
Final dividend for the year ended 30 June 2016 of AU 10 cents (30 June 2015 AU 8 cents)	<u>9,830</u>	<u>7,644</u>

Note 11. Business combinations

On 30 August 2016, the company acquired 100% of the issued shares in Transfer B.V., a reseller of Altium products for fair value consideration of EUR1,572,000 (US\$1,756,000).

Transfer B.V.

Details of the acquisition of Transfer B.V. are as follows:

	Fair value
	US\$'000
Cash and cash equivalents	122
Trade and other receivables	778
Plant and equipment	6
Customer relationships	797
Trade and other payables	(221)
Provision for income tax	86
Deferred tax liability	(205)
Deferred revenue	<u>(753)</u>
Net assets acquired	610
Goodwill	<u>1,146</u>
Acquisition-date fair value of the total consideration transferred	<u><u>1,756</u></u>
Representing:	
Cash paid or payable to vendor	472
Contingent consideration	<u>1,284</u>
	<u><u>1,756</u></u>
Acquisition costs expensed to profit or loss	<u><u>72</u></u>

The goodwill is attributable to Transfer B.V.'s direct relationship with Altium Designer end-users in Benelux region as well as synergies expected to arise after the company's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes.

Note 11. Business combinations (continued)

i) Contingent Consideration

The contingent consideration arrangement requires the company to pay the former owners of Transfer B.V. consideration up to a maximum total undiscounted amount of EUR1,150,000 (US\$1,284,000) over three years following acquisition. The quantum of amounts payable under the agreement are based on achieving specific sales targets.

The fair value of the contingent consideration arrangement of EUR1,150,000 (US\$1,284,000) was estimated calculating the undiscounted future expected cash flows. The estimates are based on assumed probability-adjusted total sales of Transfer B.V. for the three years ending 30 June 2018.

ii) Acquisition related costs

Acquisition related costs of EUR64,000 (US\$72,000) are included in professional advice expense in profit or loss.

iii) Revenue and profit contribution

Transfer B.V. contributed gross revenues of EUR676,000 (US\$730,300) and net profit of EUR181,200 (US\$189,800) to the group for the period from 31 August 2016 to 31 December 2016.

Note 12. Events after the reporting period

In January 2017, Altium acquired its long-time reseller in the United Kingdom Premier EDA Solutions Ltd. Altium intends to assimilate these businesses into the Altium EMEA operations and to implement in them the transactional sales methodologies of the Board and Systems division.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 13. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	31 Dec 2016	31 Dec 2015
	US\$'000	US\$'000
Profit after income tax expense for the half-year	9,862	9,147
Adjustments for:		
Depreciation and amortisation	1,735	925
Net loss on disposal of non-current assets	8	-
Share-based payments	1,233	455
Unrealised foreign exchange differences	639	276
Change in operating assets and liabilities:		
Decrease in trade and other receivables	5,882	2,016
Decrease in inventories	-	152
(Increase) in deferred tax assets	(7)	(714)
(Increase) in prepayments	(645)	(1,263)
(Decrease) in trade and other payables	(2,337)	(2,535)
(Decrease)/increase in provision for income tax	(390)	444
(Decrease) in other provisions	(773)	(2,340)
(Decrease) in deferred revenue	(1,491)	(1,673)
Net cash from operating activities	<u>13,716</u>	<u>4,890</u>

Altium Limited
Directors' declaration
31 December 2016

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Samuel Weiss
Chairman



Aram Mirkazemi
Chief Executive Officer

20 February 2017
Sydney



Independent auditor's review report to the members of Altium Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Altium Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Altium Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Altium Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Altium Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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A handwritten signature in black ink, appearing to read 'EPenny', written over a faint, larger version of the PricewaterhouseCoopers logo.

Eliza Penny
Partner

Sydney
20 February 2017