

**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 2013
Previous period:	For the half-year ended 31 December 2012

**2. Results for announcement to the market**

			US\$'000
Revenues from ordinary activities	up	11.2% to	32,295
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	up	337.0% to	5,946
Earnings Before Interest and Tax (EBIT)	up	238.3% to	5,231
Profit from ordinary activities after tax attributable to the owners of Altium Limited	up	176.9% to	3,360
Profit for the half-year attributable to the owners of Altium Limited	up	176.9% to	3,360

*Dividends*

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2013	8.00	-

On 28 August 2013, the directors declared an unfranked final dividend of 8 AU cents per ordinary share. The dividend was paid on 28 October 2013 and amounted to US\$8,593,000. There was no conduit foreign income component.

*Comments*

The profit for the consolidated entity after providing for income tax amounted to US\$3,360,000 (31 December 2012: loss of US\$4,367,000).

The Directors have declared an interim unfranked dividend of 4 AU cents per share paid out of current year profits for the half year ended 31 December 2013. This amounts to a total dividend of US\$4,063,000 based on the total number of shares outstanding. The dividend will be paid on 15 April 2014 based on a record date of 25 March 2014. There was no conduit foreign income component.

**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	3.03	4.37

#### 4. Dividends

##### *Current period*

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2013	8.00	-

On 28 August 2013, the directors declared an unfranked final dividend of 8 AU cents per ordinary share. The dividend was paid on 28 October 2013 and amounted to US\$8,593,000. There was no conduit foreign income component.

##### *Previous period*

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2012	5.00	-

On the 31 August 2012, the directors declared an unfranked dividend of 5 AU cents per ordinary share. The dividend was paid on 30 October 2012 and amounted to US\$5,663,000. There was no conduit foreign income component.

The Directors have declared an interim unfranked dividend of 4 AU cents per share paid out of current year profits for the half year ended 31 December 2013. This amounts to a total dividend of US\$4,063,000 based on the total number of shares outstanding. The dividend will be paid on 15 April 2014 based on a record date of 25 March 2014. There was no conduit foreign income component.

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#### 5. 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.

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#### 6. Attachments

##### *Details of attachments (if any):*

The Interim Report of Altium Limited for the half-year ended 31 December 2013 is attached.

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#### 7. Signed

Signed  \_\_\_\_\_

Date: 27 February 2014

Aram Mirkazemi  
Chief Executive Officer  
Sydney

**Altium Limited**

**ACN 009 568 772**

**Interim Report - 31 December 2013**

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**Altium Limited**  
**Directors' report**  
**31 December 2013**

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 for the half-year ended 31 December 2013.

**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 (appointed as Chief Executive Officer on 16 January 2014)

Kayvan Oboudiyat (retired as Director and Chief Executive Officer on 16 January 2014)

**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 strong first half result building on the performance from the 2013 financial year. Key drivers were strong sales and effective operating cost management leading to a solid growth in revenue (up 11%) and net profit after tax (up 177%).

The balance sheet remains strong with cash of US\$14.5 million after paying dividends of US\$8.6 million. Altium carries no debt with the exception of operating finance leases. Net current assets excluding deferred revenue remained steady at US\$24.2 million. Approximately 2.8 million employee share options totalling US\$2.5 million were exercised during the half year. The remaining US\$0.4 million options have an expiry date of 8 May 2014.

Cash flows were strong with operating cash flow increasing to US\$6.3 million, up from US\$2.1 million on the previous corresponding period, reflecting the increase in sales and effective management of costs.

**Key Financial Results**

The Altium Board assesses the performance of the business using two key financial metrics, invoiced sales to customers and underlying profit. Underlying profit contains adjustments from statutory profit before tax for deferred revenue, one-off and non-cash items such as restructuring costs and share based payments to give a clearer picture of the underlying earnings of the business. Sales increased 10% compared to the prior year, and underlying profit was also up 45% to US\$5.4 million.

A summary of consolidated results is set out below.

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>	<b>Change</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>%</b>
Sales to customers	31,098	28,350	10%
Operating cash expenses and depreciation*	(25,718)	(24,635)	4%
<b>Underlying profit</b>	<b>5,380</b>	<b>3,715</b>	<b>45%</b>
Restructuring costs	7	(2,410)	
Movement in provision for leasehold facility	512	764	
Share based payments	(247)	(4,320)	
Net adjustment for deferred revenue	848	435	
Other items <sup>1</sup>	(1,252)	(2,104)	
<b>Profit/(Loss) before income tax</b>	<b>5,248</b>	<b>(3,920)</b>	<b>234%</b>
Income tax expense	(1,888)	(447)	
<b>Profit/(Loss) after income tax</b>	<b>3,360</b>	<b>(4,367)</b>	<b>177%</b>

\* Depreciation charge is considered part of normal operating expenses and accordingly factored into underlying profit.

<sup>1</sup> Other items are described in further detail in the Net Profit section below

### **Underlying Profit**

Underlying profit increased 45% to US\$5.4 million. Key contributions to the underlying profit growth were:

- Sales increased by 10%. Analysis by product is as follows:

<b>Product</b>	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>	<b>Change</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>%</b>
Altium Designer Licence	10,880	10,671	2%
Altium Designer Subscriptions	15,083	12,972	16%
TASKING Licences	1,771	1,669	6%
TASKING Maintenance	1,162	1,038	10%
Other	2,202	2,000	10%
<b>Total Sales</b>	<b>31,098</b>	<b>28,350</b>	<b>10%</b>

- Contributing to the significant increase in underlying profit was holding operating expenses to an increase of 4% in total.
- Marketing expenses have significantly increased over the prior period and reflect new marketing initiatives that have been implemented globally and commenced in the second half of the prior financial year.

## **Net Profit**

Net profit after tax increased by 177% to US\$3.4 million from a loss of US\$4.4 million in the prior year.

Reconciliation of underlying profit to net profit after tax:

- Significant restructuring was undertaken in the prior period. There was no restructuring in the current half year.
- The share based payment expense at December reflects the charge for the period for the remaining shares issued under the Key Employee Share Plan (KESP) that are due to vest in tranches up until 31 December 2015. Further expense of a similar amount is expected to be incurred each half year until all of the remaining shares have vested. The prior period expense of US\$4.3 million arose due to a large number of the shares issued vesting in that period.
- Deferred revenue: an adjustment is made for deferred revenue in relation to the revenue recognition timing difference between the invoiced sales value and revenue. The revenue is deferred and subsequently recognised as revenue over the period in which the service is provided. For 2013 the net adjustment was US\$0.8 million (2012: US\$0.4 million) reflecting the increase in subscription sales in the current period.

## *Other items*

Included in other items are:

- FX Losses of US\$0.9 million (2012: US\$0.1 million) have been incurred due to the weakening of the Australian dollar of which US\$0.7 million were unrealised losses.
- Legal expenses of US\$0.4 million (2012: US\$0.8m) were incurred during the year in relation to addressing legal disputes.
- Amortisation costs fell from US\$0.8 million to US\$0.3 million as intangible assets became fully amortised. No research and development costs were capitalised.

## *Income tax expense*

- The current period effective tax rate of 36% reflects the tax effect of non-deductible items including share based payments. Altium is utilising tax-effected losses in Australia of US\$1.4 million for the period ended 31 December 2013. The use of existing tax losses is expected to reduce the actual cash payment that will be required. Altium will have further US\$2.9 million of tax-effected losses in Australia available to utilise in future periods.

## **Operational Highlights**

Altium's R&D team is focused on core product development, dedicated Product Management, and Product Marketing. Additionally, the R&D team has settled into a rhythm of delivering fixed annually recurring product releases. This is delivering predictability for our customers.

Altium has been building the foundation to support its drive into strategic sales, which will underpin the company's strategy to expand its market reach into the upper mainstream segment. Additionally, in the America's Altium has moved from a direct to an indirect sales model through partnership with professional re-sellers, leveraging their expertise and expanding market reach.

## *Appointment of CEO*

Mr Aram Mirkazemi was appointed as Chief Executive Officer by the Board of Altium Limited on 16 January 2014 following the retirement of former CEO Mr Kayvan Oboudiyat. Mr Mirkazemi had served as Altium's Chief Technology Officer and is an Executive Director of the Board.

Mr Mirkazemi has been at the forefront of Altium's strategy to create long-term shareholder wealth through delivering on-going value for our customers. He has been the driving force leading Altium's focus on building financial strength while pursuing customer-centric product development.

Mr Mirkazemi is the architect and champion of Altium's product development strategy of "Closing the Capability Gaps" with high-end design tools. He has also been leading the initiation of strategic partnerships within the EDA industry, and with chip vendors and part suppliers to assist Altium to grow its market share in the areas in which it already leads and as it expands its reach into upper and lower market segments.

## **Strategy**

The Board and executive team agreed to a three year Strategic Plan to build financial strength through sales growth and expanding margins. Sales growth is expected to be delivered through a combination of growing license sales as well as continuing our focus to build our subscriber base through content driven subscription.

Altium seeks to create long-term shareholder wealth through delivering on-going value for our customers.

Altium will continue to pursue its strategy that has delivered strong financial results. At the heart of this strategy is Altium's focus on building financial strength while pursuing customer-centric product development. Altium will also develop strategic partnerships within the electronic design automation (EDA) industry, chip vendors and part suppliers as it grows market share in the areas in which it already leads and as it expands its reach into upper and lower market segments.

## **Outlook**

Looking ahead, Altium will be seeking to drive growth in the following areas:

- Expand Altium's channel capacity through its reseller network and product offering. Our reseller network is expanding our ability to reach customers.
- Expand Altium's strategic sales through a global key accounts sales team and deliver product customization services through research and development. Our product development strategy aimed at "Closing the Capability Gap" with high-end design tools supports our expansion of strategic sales.
- Introduce a more sophisticated product delivery capability by restructuring Altium Designer into a suite of software products. We recognise that a one-size-fits-all approach is not in the best interests of our customers and that a suite approach will better serve our customers' needs.

Leverage Altium's leadership position in embedded software, through its TASKING brand, to drive strategic sales. TASKING is a leading provider of compiler solutions to software developers within the micro-controller market. TASKING's development tools are predominately used within the automotive industry and the broader industrial market to program micro-controller based powertrain, driver assistance and safety related applications worldwide.

## **Risk**

Factors that may impact the maintenance of sales growth include foreign currency fluctuations, ramp up times for new resellers, product development delivery and the global economy.

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

As the global reseller network is expanded there is a risk that lengthy ramp up times for new resellers will have a negative impact on sales because of the time to train and educate resellers about Altium's products. This risk has and will continue to be mitigated through the due diligence process prior to appointing a new reseller and then training once the reseller is appointed.

The ongoing delivery of new product releases is a key factor in driving new license and subscription growth. New technology development required for inclusion in releases carries inherent risks in terms of timing and quality. These risks are mitigated through forward planning of the technology requirements for each release and a disciplined project management and quality assurance process.

The future condition of the global economy will have an impact on Altium and the growth of the markets in which Altium operates. Given that the contribution of the European and the United States regions is approximately 80% of Altium's sales, these are the two regions in which a downturn would have the greatest impact.



### **Significant changes in the state of affairs**

There were no 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 Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order 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 on the following page.

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



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Samuel Weiss  
Chairman



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Aram Mirkazemi  
Chief Executive Officer

27 February 2014  
Sydney



## Auditor's Independence Declaration

As lead auditor for the review of Altium Limited for the half-year ended 31 December 2013, 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 'S. Horlin'.

Susan Horlin  
Partner  
PricewaterhouseCoopers

Sydney  
27 February 2014

**Altium Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2013**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
		<b>US\$'000</b>	<b>US\$'000</b>
<b>Revenue</b>	4	32,295	29,036
<b>Expenses</b>			
Changes in inventories		(83)	112
Raw materials and consumables used		(62)	(591)
Rental and occupancy expense		(1,483)	(1,639)
Travel expense		(1,396)	(1,044)
Employee benefits expense		(16,574)	(16,112)
Shared based payments	5	(247)	(4,320)
Depreciation and amortisation expense		(715)	(1,273)
Professional advice expense		(1,080)	(1,448)
Restructuring costs	5	7	(2,410)
Communication expense		(675)	(930)
Net foreign exchange loss		(900)	(123)
Marketing expense		(1,781)	(291)
Finance costs		(44)	(238)
Other expenses		(2,014)	(2,649)
<b>Profit/(loss) before income tax expense</b>		5,248	(3,920)
Income tax expense		(1,888)	(447)
<b>Profit/(loss) after income tax expense for the half-year attributable to the owners of Altium Limited</b>		3,360	(4,367)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		779	(13)
Other comprehensive income for the half-year, net of tax		779	(13)
<b>Total comprehensive income for the half-year attributable to the owners of Altium Limited</b>		<b>4,139</b>	<b>(4,380)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		3.11	(4.11)
Diluted earnings per share		3.09	(4.11)

*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 2013**

	<b>Consolidated</b>	
<b>Note</b>	<b>31 Dec 2013</b>	<b>30 Jun 2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	14,545	14,756
Trade and other receivables	14,675	16,193
Inventories	595	611
Tax receivables	395	262
Other assets	926	717
<b>Total current assets</b>	<b>31,136</b>	<b>32,539</b>
<b>Non-current assets</b>		
Trade and other receivables	2,139	2,241
Property, plant and equipment	1,524	1,565
Intangible assets	-	263
Deferred tax assets	8,178	9,819
<b>Total non-current assets</b>	<b>11,841</b>	<b>13,888</b>
<b>Total assets</b>	<b>42,977</b>	<b>46,427</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	3,678	4,595
Borrowings	71	156
Tax liabilities	145	264
Provisions	3,086	2,846
Deferred revenue	24,126	24,279
<b>Total current liabilities</b>	<b>31,106</b>	<b>32,140</b>
<b>Non-current liabilities</b>		
Borrowings	16	35
Provisions	3,093	3,700
Deferred revenue	5,203	5,345
Other liabilities	134	137
<b>Total non-current liabilities</b>	<b>8,446</b>	<b>9,217</b>
<b>Total liabilities</b>	<b>39,552</b>	<b>41,357</b>
<b>Net assets</b>	<b>3,425</b>	<b>5,070</b>
<b>Equity</b>		
Contributed equity	82,113	79,551
Reserves	11,580	10,554
Accumulated losses	(90,268)	(85,035)
<b>Total equity</b>	<b>3,425</b>	<b>5,070</b>

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

**Altium Limited**  
**Statement of changes in equity**  
**As at 31 December 2013**

<b>Consolidated</b>	<b>Contributed equity US\$'000</b>	<b>Reserves US\$'000</b>	<b>Accumulated losses US\$'000</b>	<b>Total equity US\$'000</b>
Balance at 1 July 2012	79,534	6,778	(77,310)	9,002
Loss after income tax expense for the half-year	-	-	(4,367)	(4,367)
Other comprehensive income for the half-year, net of tax	-	(13)	-	(13)
Total comprehensive income for the half-year	-	(13)	(4,367)	(4,380)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	3,892	-	3,892
Dividends paid (note 8)	-	-	(5,663)	(5,663)
Balance at 31 December 2012	<u>79,534</u>	<u>10,657</u>	<u>(87,340)</u>	<u>2,851</u>
<b>Consolidated</b>	<b>Contributed equity US\$'000</b>	<b>Reserves US\$'000</b>	<b>Accumulated losses US\$'000</b>	<b>Total equity US\$'000</b>
Balance at 1 July 2013	79,551	10,554	(85,035)	5,070
Profit after income tax expense for the half-year	-	-	3,360	3,360
Other comprehensive income for the half-year, net of tax	-	779	-	779
Total comprehensive income for the half-year	-	779	3,360	4,139
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	247	-	247
Contributions on conversion of employee options	2,562	-	-	2,562
Dividends paid (note 8)	-	-	(8,593)	(8,593)
Balance at 31 December 2013	<u>82,113</u>	<u>11,580</u>	<u>(90,268)</u>	<u>3,425</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 2013**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
		<b>US\$'000</b>	<b>US\$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		35,867	32,444
Payments to suppliers and employees (inclusive of GST)		(29,052)	(29,736)
		6,815	2,708
Interest received		61	100
Interest and other finance costs paid		(7)	(49)
Net income taxes paid		(553)	(623)
Net cash inflow from operating activities		6,316	2,136
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(407)	(390)
Net cash outflow from investing activities		(407)	(390)
<b>Cash flows from financing activities</b>			
Contributions on conversion of employee options		2,562	-
Dividends paid	8	(8,593)	(5,663)
Repayment of borrowings		(105)	(154)
Net cash outflow from financing activities		(6,136)	(5,817)
Net decrease in cash and cash equivalents		(227)	(4,071)
Cash and cash equivalents at the beginning of the financial half-year		14,756	13,246
Effects of exchange rate changes on cash and cash equivalents		16	331
Cash and cash equivalents at the end of the financial half-year		14,545	9,506

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

**Altium Limited**  
**Notes to the financial statements**  
**31 December 2013**

**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 currency. Altium Limited's functional currency is Australian dollars.

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:

3 Minna Close  
Belrose, NSW 2085  
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 27 February 2014. The directors have the power to amend and reissue the financial report.

Through the use of the internet, Altium has ensured that its corporate reporting is timely, complete and available globally at minimum cost to the company. All press releases, financial reports and other information are available at the investors section on the Altium website: [www.altium.com](http://www.altium.com). For queries in relation to Altium's reporting, please email [investor.relations@altium.com](mailto:investor.relations@altium.com).

**Note 2. Significant accounting policies**

This condensed consolidated interim financial report for the interim half-year reporting period ended 31 December 2013 has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

This report does not include all the notes of the type normally included in an annual financial report. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the consolidated entity during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period.

**Going Concern**

During the period the consolidated entity generated a profit after tax of US\$3,360,000 (December 2012 loss: US\$4,367,000), and it generated positive cash from operations of US\$6,316,000 (December 2012 US\$2,136,000).

At 31 December 2013 the consolidated entity had a net current asset position of US\$30,000 (June 2013: US\$399,000). The net current asset balance includes US\$24,126,000 of deferred revenue (June 2013: US\$24,279,000), which is not expected to result in a cash outflow to the consolidated entity. The net current asset position excluding deferred revenue would be US\$24,156,000 (June 2013: US\$24,678,000).

Having regard to the group's profitability, cash flow generation and net current asset position, the Directors have prepared the financial report for the group on a going concern basis.

**Comparatives**

Certain balances in the prior period for segment information have been reclassified in order to conform with the current year presentation.

**New, revised or amending Accounting Standards and Interpretations adopted**

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

**Note 2. Significant accounting policies (continued)**

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**Note 3. Operating segments**

*Description of segments*

Management has determined the operating segments based on the reports used by the Board and executive team to make strategic decisions and review operational performance.

The Board and executive team consider the business from a geographical perspective and have identified four reportable segments:

- Americas – comprises the sales of products throughout the USA, Canada and South America;
- EMEA – comprises the sales of products throughout Europe, Middle East and Africa;
- Greater China – comprises the sales of products throughout People's Republic of China, Taiwan and Hong Kong; and
- Asia Pacific – comprises the sales of products throughout the rest of Asia, Australia and New Zealand.

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

*Types of products and services*

Sales from segments comprise;

Software and hardware  
Subscriptions services  
Training services  
Project services

Global functions, including research and development, are included in the "Other" column. Sales and revenue in this segment relate to consulting services, which are included as a recovery of research and development costs in the reports provided to the Board and executive team.

The chief operating decision maker assesses the performance of individual segments on the basis of an underlying profit measure. The underlying profit comprises expenses which are incurred in the normal trading activity of the segments, and excludes the impact of restructuring costs, finance costs, share based payments and other expenses which are determined to be outside of the control of the respective segments.

*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 2013**

**Note 3. Operating segments (continued)**

*Operating segment information*

<b>Consolidated - 31 Dec 2013</b>	Americas US\$'000	EMEA US\$'000	Greater China US\$'000	Asia Pacific US\$'000	Intersegment eliminations/ unallocated US\$'000	Total US\$'000
<b>Revenue</b>						
Sales to external customers	10,237	13,203	4,484	2,629	545	31,098
Net adjustment for deferred revenue recognition	1,271	(134)	(488)	326	(127)	848
Other revenue	-	-	-	-	288	288
Interest income	-	-	-	-	61	61
<b>Total revenue</b>	<u>11,508</u>	<u>13,069</u>	<u>3,996</u>	<u>2,955</u>	<u>802</u>	<u>32,295</u>
<b>Underlying profit</b>	<u>6,147</u>	<u>9,834</u>	<u>1,470</u>	<u>2,291</u>	<u>(14,362)</u>	<u>5,380</u>
Amortisation						(263)
Movement in provision for leasehold facility						512
Restructuring costs						7
Foreign exchange loss						(900)
Share based payments						(247)
Net adjustment for deferred revenue recognition						848
Other income						349
Finance costs						(44)
Provision for legal settlement and associated fees						(381)
Other non-cash expenses						(13)
<b>Profit before income tax expense</b>						<u>5,248</u>
Income tax expense						(1,888)
<b>Profit after income tax expense</b>						<u>3,360</u>
<b>Assets</b>						
Segment assets	<u>7,566</u>	<u>9,987</u>	<u>5,490</u>	<u>910</u>	<u>10,451</u>	<u>34,404</u>
<i>Unallocated assets:</i>						
Deferred tax asset						8,178
Income tax receivables						395
<b>Total assets</b>						<u>42,977</u>
<b>Liabilities</b>						
Segment liabilities	<u>13,909</u>	<u>13,291</u>	<u>1,862</u>	<u>3,711</u>	<u>6,547</u>	<u>39,320</u>
<i>Unallocated liabilities:</i>						
Provision for income tax						145
Current borrowings						71
Non-current borrowings						16
<b>Total liabilities</b>						<u>39,552</u>

**Altium Limited**  
**Notes to the financial statements**  
**31 December 2013**

**Note 3. Operating segments (continued)**

<b>Consolidated - 31 Dec 2012</b>	Americas US\$'000	EMEA US\$'000	Greater China US\$'000	Asia Pacific US\$'000	Intersegment eliminations/ unallocated US\$'000	Total US\$'000
<b>Revenue</b>						
Sales to external customers	10,798	11,158	3,567	2,626	201	28,350
Net adjustment for deferred revenue recognition	170	(1,050)	729	531	56	436
Other revenue	-	-	-	-	150	150
Interest income	-	-	-	-	100	100
<b>Total revenue</b>	<u>10,968</u>	<u>10,108</u>	<u>4,296</u>	<u>3,157</u>	<u>507</u>	<u>29,036</u>
<b>Underlying profit</b>	<u>6,834</u>	<u>8,568</u>	<u>1,718</u>	<u>2,320</u>	<u>(15,725)</u>	<u>3,715</u>
Amortisation						(795)
Movement in provision for leasehold facility						764
Restructuring costs						(2,410)
Foreign exchange loss						(123)
Share based payments						(4,320)
Net adjustment for deferred revenue recognition						435
Other income						250
Finance costs						(238)
Provision for legal settlement and associated fees						(850)
Forgiveness of loans						(305)
Other non-cash expenses						(43)
<b>Loss before income tax expense</b>						<u>(3,920)</u>
Income tax expense						<u>(447)</u>
<b>Loss after income tax expense</b>						<u>(4,367)</u>
<b>Consolidated - 30 Jun 2013</b>						
<b>Assets</b>						
Segment assets	<u>10,004</u>	<u>10,130</u>	<u>4,485</u>	<u>1,189</u>	<u>10,538</u>	<u>36,346</u>
<i>Unallocated assets:</i>						
Deferred tax asset						9,819
Current tax						262
<b>Total assets</b>						<u>46,427</u>
<b>Liabilities</b>						
Segment liabilities	<u>15,273</u>	<u>12,771</u>	<u>1,960</u>	<u>3,615</u>	<u>7,283</u>	<u>40,902</u>
<i>Unallocated liabilities:</i>						
Provision for income tax						264
Current borrowings						156
Non-current borrowings						35
<b>Total liabilities</b>						<u>41,357</u>

**Note 4. Revenue**

	<b>Consolidated</b>	
	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<i>Sales revenue</i>		
Software license revenue	12,309	12,341
Hardware revenue	128	235
Subscription and maintenance revenue	17,384	14,185
Service revenue	2,125	2,025
	<u>31,946</u>	<u>28,786</u>
<i>Other revenue</i>		
Interest Income	61	100
Other revenue	288	150
	<u>349</u>	<u>250</u>
Total revenue	<u><u>32,295</u></u>	<u><u>29,036</u></u>

**Note 5. Expenses**

	<b>Consolidated</b>	
	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Profit/(loss) before income tax includes the following specific expenses:		
<i>Restructuring costs</i>		
Redundancy costs	-	1,218
Costs associated with terminating lease contracts previously committed to	(7)	1,192
Total restructuring costs	<u>(7)</u>	<u>2,410</u>
<i>Share based payments</i>		
Shares issued under Key Employee Share Plan	247	3,875
Taxation payable in relation to shares issued under Key Employee Share Plan	-	445
Total share based payments	<u>247</u>	<u>4,320</u>

**Note 6. Current liabilities - provisions**

	<b>Consolidated</b>	
	<b>31 Dec 2013</b>	<b>30 Jun 2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Employee benefits	918	773
Onerous lease	1,012	1,052
Other	1,156	1,021
Total current provisions	<u><u>3,086</u></u>	<u><u>2,846</u></u>

*Onerous lease*

The provision represents the present value of the estimated costs, net of any sub-lease revenue, that will be incurred until the end of the lease terms where the obligation is expected to exceed the economic benefit to be received.

**Note 6. Current liabilities - provisions (continued)**

*Other*

The provision represents the estimated amount of non-recoverable Value Added Tax that is subject to an export of services exemption application in China.

*Movements in provisions*

Movements in each class of provision during the current financial half-year, other than employee benefits, are set out below:

	Other Provision US\$'000	Onerous Lease US\$'000
<b>Consolidated - 31 Dec 2013</b>		
Carrying amount at the start of the half-year	1,021	1,052
Additional provisions recognised	135	-
Amounts transferred from non-current	-	575
Amounts used	-	(512)
Unwinding of discount	-	4
Translation differences	-	(107)
	<u>1,156</u>	<u>1,012</u>
Carrying amount at the end of the half-year		

**Note 7. Non-current liabilities - provisions**

	<b>Consolidated</b>	
	<b>31 Dec 2013</b>	<b>30 Jun 2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Onerous lease	<u>3,093</u>	<u>3,700</u>
Total non-current provisions	<u>3,093</u>	<u>3,700</u>

*Movements in provisions*

Movements in each class of provision during the current financial half-year, other than employee benefits, are set out below:

	Onerous lease US\$'000
<b>Consolidated - 31 Dec 2013</b>	
Carrying amount at the start of the half-year	3,700
Amounts transferred to current	(575)
Unwinding of discount <sup>1</sup>	14
Translation differences	(46)
	<u>3,093</u>
Carrying amount at the end of the half-year	

<sup>1</sup> The unwinding of discount includes a favourable adjustment of US\$57,000 relating to the change in discount rate during the period.

**Note 8. Equity - dividends**

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

	<b>Consolidated</b>	
	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Final dividend for the year ended 30 June 2013 of 8 AU cents	8,593	-
Interim dividend for the half year ended 31 December 2012 of 3 AU cents	-	3,428
Final dividend for the year ended 30 June 2012 of 5 AU cents	-	5,663
	<u>8,593</u>	<u>9,091</u>

**Note 9. Contingent liabilities**

A claim has been lodged against Altium by a former employee in relation to termination. The amount of liability that may arise from this claim cannot be reliably measured at this time.

**Note 10. Events after the reporting period**

The Directors have declared an interim unfranked dividend of 4 AU cents per share paid out of current year profits for the half year ended 31 December 2013. This amounts to a total dividend of US\$4,063,000 based on the total number of shares outstanding. The dividend will be paid on 15 April 2014 based on a record date of 25 March 2014. There was no conduit foreign income component.

No other matter or circumstance has arisen since 31 December 2013 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.

**Altium Limited**  
**Directors' declaration**  
**31 December 2013**

In the directors' opinion:

- the attached financial statements and notes thereto 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 thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2013 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



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Samuel Weiss  
Chairman



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Aram Mirkazemi  
Chief Executive Officer

27 February 2014  
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 statement of financial position as at 31 December 2013, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Altium Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that 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 (including the Australian Accounting Interpretations) 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 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 2013 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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**PricewaterhouseCoopers, ABN 52 780 433 757**

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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:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

Sydney

*S. Horlin*

Susan Horlin  
Partner

27 February 2014