

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 2015
Previous period:	For the half-year ended 31 December 2014

2. Results for announcement to the market

			US\$'000
Revenues from ordinary activities	up	12.8% to	42,658
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	up	5.9% to	10,654
Earnings Before Interest and Tax (EBIT)	up	1.0% to	9,729
Profit from ordinary activities after tax attributable to the owners of Altium Limited	up	35.0% to	9,147
Profit for the half-year attributable to the owners of Altium Limited	up	35.0% to	9,147

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2015	8.000	-

On 25 August 2015, the directors declared an unfranked final dividend of 8 AU cents per ordinary share. The dividend was paid on 16 October 2015 and amounted to US \$7.6 million.

The directors have declared an interim unfranked dividend of AU 10 cents per share (2014: AU 8 cents) for the half-year ended 31 December 2015. The dividend will be paid on 6 April 2016 based on a record date of 16 March 2016. This amounts to a total dividend of US \$9.2 million based on the total number of shares outstanding.

Comments

The profit for the consolidated entity after providing for income tax amounted to US\$9,147,000 (31 December 2014: US\$6,777,000).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>23.53</u>	<u>33.60</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 2015 is attached.

6. Signed

Signed



Date: 16 February 2016

Aram Mirkazemi
Chief Executive Officer
Sydney

Altium Limited

ACN 009 568 772

Interim Report - 31 December 2015

Altium Limited
Directors' report
31 December 2015

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 2015.

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:

Samuel Weiss (Chairman)
Carl Rooke
Dr David Warren
Aram Mirkazemi

Principal activities

During the financial half-year the principal activities of the consolidated entity consisted of the development and sales of computer software for the design of electronic products.

Review of operations

Overview

Altium achieved strong growth and increased its net profit (after tax) by 35% during the first half of fiscal year 2016. Worldwide revenue increased 13% and sales increased by 22% over the half compared with the previous corresponding period.

Altium increased earnings before interest, tax, depreciation and amortisation (EBITDA) by 6% compared with the previous corresponding period and maintained a strong balance sheet with cash of US\$46.4 million, after paying an AUD 8 cents dividend in October 2015 (US\$7.6 million).

During the first half of fiscal 2016, Altium completed the acquisitions of Octopart Inc, a leading provider of electronics parts data and specialised online inventory search, and Ciiva GmbH a provider of cloud-based electronic component management systems.

Key Financial Results

- Revenue increased by 13% to US\$42.6m, which included an 18% increase in Altium Designer licence revenue offset by a 2% decrease in Altium Designer subscription revenue. Growth in revenue was negatively impacted by depreciation of the EUR against the USD during the first half of fiscal 2016. On a constant currency basis overall growth in revenue would have been 19% compared to the prior comparative period with a 20% increase in Altium Designer licence revenue and a 4% increase in Altium Designer subscription revenue. For more details on revenue, refer to Note 4 of these financial statements.
- First half operating expenses, excluding depreciation, amortisation and interest increased by 16% over the prior comparative period, resulting in 6% increase in EBITDA. Non-recurring items in relation to professional fees for merger and acquisition activity and costs associated with the relocation of Altium's core business assets to the USA contributed 4% of the increase in operating expenses, compared to first half of fiscal 2015.
- Profit after income tax increased by 35% compared to the prior period. This includes the impact of the tax effect of the utilisation of the deferred tax asset that was recognised on relocation of Altium's core business assets to the USA during the previous financial year.
- The onerous lease for office premises in Sydney was terminated during the period. The surrender payment had an adverse impact of US\$1.5m on the operating cash flow for the first half, however, there was minimal impact on the operating expenses as the lease expenses had previously been provided for.

Key Financial Results

	31 Dec 2015 US\$'000	31 Dec 2014 US\$'000	Change %
Revenue (excluding interest)	42,594	37,599	13%
Reported expenses (excluding depreciation, amortisation and interest)	(31,940)	(27,543)	16%
- Organic expenses*	(29,805)	(27,543)	8%
- Acquisition expenses	(2,135)	-	100%
EBITDA	10,654	10,056	6%
EBITDA margin	25.0%	26.7%	
- EBITDA margin organic business*	27.5%	26.7%	
Depreciation	(774)	(426)	
Amortisation	(151)	-	
EBIT	9,729	9,630	1%
Net Interest	11	158	
Profit before income tax	9,740	9,788	0%
Income tax expense	(593)	(3,011)	
Profit after income tax	9,147	6,777	35%

* The Key financial results from the Organic business exclude the results and acquisition related costs of the acquisitions completed in the period.

	31 Dec 2015 US\$'000	31 Dec 2014 US\$'000	Change %
Product Revenue			
Altium Designer licence	14,803	12,534	18%
Altium Designer subscriptions	18,743	19,039	(2%)
TASKING licences	3,353	1,571	113%
TASKING maintenance	1,716	1,692	1%
Service revenue	2,212	2,284	(3%)
Other	1,767	347	409%
Total Product Revenue	42,594	37,467	14%

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

	31 Dec 2015 US\$'000	31 Dec 2014 US\$'000	Change %
Product Sales			
Altium Designer licence	15,354	13,348	15%
Altium Designer subscriptions	15,296	14,803	3%
TASKING licences	4,409	1,538	187%
TASKING maintenance	1,249	1,336	(7%)
Service sales	1,906	2,173	(12%)
Other	2,878	548	425%
Total Sales	41,092	33,746	22%

Net Profit after tax

Net profit after tax increased by 35% to US\$9.1 million from US\$6.8 million in the previous corresponding period.

The effective tax rate for the first half reduced to 6% from 31% for the previous corresponding period. The current period tax rate of 6% 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 the previous financial year and the effect of permanent differences associated with the transaction. Altium will continue to utilise these tax benefits in future periods, which will reduce the effective tax rate of the Group.

Operational Highlights

During the first half of fiscal 2016, Altium achieved strong revenue and sales growth and increased its net profit after tax. This result was supported by an outstanding performance in the Americas to deliver record revenue and sales growth over the first half. Since moving to a direct sales model twelve months ago, the Americas has demonstrated strength and continues to build a strong opportunity pipeline.

Altium is focused on disciplined execution of its strategy to achieve market leadership in PCB design by 2020. To that end, and in addition to an upgrade of the company's flagship product, Altium Designer during the first half of fiscal 2016, the company recently announced a technology partnership with Dassault Systemes SOLIDWORKS for the delivery of a new electronic CAD/mechanical CAD product that will deliver a unique platform for the design of intelligent products.

During the first half of fiscal 2016, Altium completed the acquisitions of Octopart Inc, a leading provider of electronics parts data and specialised online inventory search and Ciiva GmbH a provider of cloud-based electronic component management systems. These acquisitions are significant elements for Altium's content strategy.

Altium's Research and Development (R&D) team anticipates and responds to market needs with a structured product development process that produces features to solve engineering challenges for customers. This work is combined with dedicated Product Management and Product Marketing processes for seamless and predictable recurring product releases.

Strategy

The key focus of the Board and Executive Team is to anticipate and respond to long term strategic trends and to build financial strength through revenue growth and expanding margins. Revenue growth will be generated from a combination of increased license sales as well as an improvement in subscription renewal rates.

For the past three years the Company has followed a clear and simple strategy:

- Focus on Customers
- Grow Revenue faster than Costs
- Focus on PCB design tools

By following this strategy Altium will create long-term shareholder wealth by creating products and services that deliver value to our customers. Altium also has a program to develop strategic partnerships in the electronic design automation (EDA) industry with chip vendors, part suppliers and other software companies to grow market share in the areas in which it already leads and to expand its reach into the upper and lower ends of the PCB market.

Outlook

In future, Altium will drive growth by:

- Expansion of channel capacity through its reseller network, with a larger product and service offer that will increase customer reach and market share in the EDA market.
- Creation of a range of PCB tools that provide more targeted solutions for Altium Designer customers.
- "Closing the Capability Gaps" with our competitors' high-end design tools with a PCB design tool that enhances collaboration and has high performance features for large Enterprise customers
- Working with Global key accounts on the co-ordinated provision of embedded software solutions from our TASKING division and PCB design tool solutions. TASKING development tools provide compiler solutions for software developers, especially for the automotive industry to program micro-controller based powertrains and for driver assistance and safety related applications worldwide.
- Pursuit of partnerships and acquisitions.
- Rigorous adherence to a high performance culture in the Executive Leadership Team and 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 organisations and 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 lengthy lead times and sophisticated engagement with customers. Failure to recruit, hire and train both the Altium direct sales force 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 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

Significant changes in the state of affairs of the consolidated entity during the first half of the financial year were as follows:

Acquisitions

On 3 July 2015 the Company acquired CIIVA GmbH, an electronic component management solutions company.

On 2 September 2015 the Company acquired Octopart Inc, a leading provider of electronic parts data and specialised online inventory search. The acquisition represents a significant step in the evolution of Altium's content strategy.

Please refer to note 11 for business combinations disclosure.

Segmental reporting

The company has changed the reporting of its financial results from a geographical based model to a product and function focus. This reflects the company's strategy and ambition to expand its reach into the upper and lower ends of the PCB market and the diversification of the company's product offerings in line with its multi-product, multi-channel strategy.

Beginning in this financial year the company will report its financial results based on three reportable operating segments:

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

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

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

The Makers and Content segment includes the results from Octopart.

Significant changes in the state of affairs (continued)

Global and corporate expenses that do not relate directly to one of the three core functions of the business detailed above are disclosed as unallocated.

The operating segments are aligned with the reports used by the Board and Executive Team to make strategic decisions and review operational performance. This represents a change from previous periods where the Board and Executive Team considered the business from a geographical perspective. As such comparative information has been restated to reflect the updated reportable segments.

The Board and Executive Team continue to consider the financial position of the business from a geographical perspective and the assets and liabilities of the group are presented by geographical region for both the half year ended 31 December 2015 and the comparative period.

Please refer to note 3 for operating segments disclosure and comparatives.

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



Samuel Weiss
Chairman



Aram Mirkazemi
Chief Executive Officer

16 February 2016
Sydney



Auditor's Independence Declaration

As lead auditor for the review of Altium Limited for the half-year ended 31 December 2015, 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 blue ink, appearing to read 'Eliza Penny', is written over a faint, light blue grid background.

Eliza Penny
Partner
PricewaterhouseCoopers

Sydney
16 February 2016

Altium Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

	Note	Consolidated 31 Dec 2015 US\$'000	31 Dec 2014 US\$'000
Revenue	4	42,658	37,833
Expenses			
Employee benefits expense		(21,230)	(18,666)
Marketing expense		(1,297)	(1,611)
Rental and occupancy expense	5	(1,631)	(1,463)
Travel expense		(1,964)	(1,269)
Professional advice expense	5	(2,036)	(871)
Cost of services		(621)	(413)
Depreciation and amortisation expense	5	(925)	(426)
Communication expense		(756)	(679)
Shared based payments		(455)	(611)
Relocation expenses		(285)	(599)
Changes in inventories		(152)	(308)
Raw materials and consumables used		(40)	(26)
Net foreign exchange gain		289	668
Finance costs		(53)	(76)
Other expenses		(1,762)	(1,695)
Profit before income tax expense		9,740	9,788
Income tax expense		(593)	(3,011)
Profit after income tax expense for the half-year attributable to the owners of Altium Limited		9,147	6,777
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(448)	(3,565)
Other comprehensive income for the half-year, net of tax		(448)	(3,565)
Total comprehensive income for the half-year attributable to the owners of Altium Limited		8,699	3,212
		Cents	Cents
Basic earnings per share		7.12	5.63
Diluted earnings per share		7.12	5.54

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 2015

		Consolidated	
	Note	31 Dec 2015	30 Jun 2015
		US\$'000	US\$'000
Assets			
Current assets			
Cash and cash equivalents		46,353	61,906
Trade and other receivables		20,407	20,459
Inventories		-	152
Tax receivables		87	93
Other assets		2,159	1,955
Total current assets		<u>69,006</u>	<u>84,565</u>
Non-current assets			
Trade and other receivables		2,252	1,499
Property, plant and equipment		5,169	3,886
Intangible assets	6	22,339	-
Deferred tax assets		82,466	81,622
Total non-current assets		<u>112,226</u>	<u>87,007</u>
Total assets		<u>181,232</u>	<u>171,572</u>
Liabilities			
Current liabilities			
Trade and other payables		5,277	5,988
Lease liabilities		58	60
Tax liabilities		4,894	4,989
Provisions	7	2,802	1,908
Deferred revenue		27,184	28,773
Total current liabilities		<u>40,215</u>	<u>41,718</u>
Non-current liabilities			
Lease liabilities		26	53
Deferred tax		1,678	-
Provisions	8	6,535	1,202
Deferred revenue		5,951	6,091
Other liabilities		998	906
Total non-current liabilities		<u>15,188</u>	<u>8,252</u>
Total liabilities		<u>55,403</u>	<u>49,970</u>
Net assets		<u>125,829</u>	<u>121,602</u>
Equity			
Contributed equity	9	125,177	122,460
Reserves		9,314	9,307
Accumulated losses		(8,662)	(10,165)
Total equity		<u>125,829</u>	<u>121,602</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 2015

Consolidated	Contributed equity US\$'000	Reserves US\$'000	Accumulated losses US\$'000	Total equity US\$'000
Balance at 1 July 2014	82,494	11,774	(86,677)	7,591
Profit after income tax expense for the half-year	-	-	6,777	6,777
Other comprehensive income for the half-year, net of tax	-	(3,565)	-	(3,565)
Total comprehensive income for the half-year	-	(3,565)	6,777	3,212
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	611	-	611
Contributions of equity, net of transactions costs	39,966	-	-	39,966
Dividends paid (note 10)	-	-	(7,941)	(7,941)
Balance at 31 December 2014	<u>122,460</u>	<u>8,820</u>	<u>(87,841)</u>	<u>43,439</u>
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
Shares issued on acquisition of Octopart, 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>

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 2015

		Consolidated	
	Note	31 Dec 2015	31 Dec 2014
		US\$'000	US\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		43,919	37,032
Payments to suppliers and employees (inclusive of GST)		<u>(37,366)</u>	<u>(29,499)</u>
		6,553	7,533
Interest received		64	234
Interest and other finance costs paid		(26)	(6)
Net income taxes paid		<u>(862)</u>	<u>(408)</u>
Net cash from operating activities	13	<u>5,729</u>	<u>7,353</u>
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	11	(10,767)	-
Payment for expenses relating to acquisitions		(839)	-
Payments for property, plant and equipment		<u>(1,779)</u>	<u>(1,195)</u>
Net cash used in investing activities		<u>(13,385)</u>	<u>(1,195)</u>
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs	9	-	39,966
Dividends paid	10	(7,644)	(7,941)
Repayment of borrowings		<u>(30)</u>	<u>(38)</u>
Net cash from/(used in) financing activities		<u>(7,674)</u>	<u>31,987</u>
Net increase/(decrease) in cash and cash equivalents		(15,330)	38,145
Cash and cash equivalents at the beginning of the financial half-year		61,906	22,049
Effects of exchange rate changes on cash and cash equivalents		<u>(223)</u>	<u>(1,140)</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>46,353</u></u>	<u><u>59,054</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 2015

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 15 February 2016. 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 2015 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 2015 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, except for the policies stated below.

Comparatives

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

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.

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 reportable segments:

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

This represents a change from previous periods where the Board and Executive Team considered the financial performance of the business from a geographical perspective. As such comparative information has been restated to reflect the updated reportable segments.

The Board and Executive Team continue to consider the financial position of the business from a geographical perspective and as such the assets and liabilities of the group are presented by geographical region for both the half year ended 31 December 2015 and the comparative period.

Segment sales represent invoiced sales. These are subsequently adjusted for the deferred component which is recognised over the service period. Revenue is management's key metric in understanding the results by segment. Revenue from segments comprise software and hardware sales, subscriptions services, training services, project services and search advertising revenue as well as interest income received.

Types of products and services

Revenue from segments comprise:

- Software and hardware
- Subscriptions services
- Training services
- Project services
- Search advertising revenue

The chief operating decision maker 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 are eliminated on consolidation.

Altium Limited
Notes to the financial statements
31 December 2015

Note 3. Operating segments (continued)

Operating segment information

	Boards and Systems	Micro- controllers and Embedded Systems	Makers and Content	Unallocated	Total
Consolidated statement of financial performance - 31 Dec 2015	US\$'000	US\$'000	US\$'000	US\$'000	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
Total revenue	35,682	5,425	1,487	-	42,594
EBITDA	22,310	2,683	322	(14,661)	10,654
Amortisation	-	-	-	(151)	(151)
Depreciation	-	-	-	(774)	(774)
Interest income	-	-	-	64	64
Finance costs	-	-	-	(53)	(53)
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

	Boards and systems	Micro- controllers and Embedded systems	Makers and Content	Unallocated	Total
Consolidated statement of financial performance - 31 Dec 2014	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue					
Sales to external customers	30,211	3,535	-	-	33,746
Net adjustment for deferred revenue recognition	3,335	386	-	-	3,721
Other revenue	-	-	-	132	132
Total revenue	33,546	3,921	-	132	37,599
EBITDA	21,424	1,766	-	(13,134)	10,056
Depreciation	-	-	-	(426)	(426)
Interest income	-	-	-	234	234
Finance costs	-	-	-	(76)	(76)
Profit/(loss) before income tax expense	21,424	1,766	-	(13,402)	9,788
Income tax expense					(3,011)
Profit after income tax expense					6,777

Altium Limited
Notes to the financial statements
31 December 2015

Note 4. Revenue

	Consolidated	
	31 Dec 2015	31 Dec 2014
	US\$'000	US\$'000
<i>Product revenue</i>		
Software license revenue	19,132	14,964
Hardware revenue	21	89
Subscription and maintenance revenue	19,717	20,097
Service revenue	2,237	2,317
Search advertising revenue	1,487	-
	<u>42,594</u>	<u>37,467</u>
<i>Other revenue</i>		
Interest Income	64	234
Other revenue	-	132
	<u>64</u>	<u>366</u>
Revenue	<u>42,658</u>	<u>37,833</u>

Note 5. Expenses

	Consolidated	
	31 Dec	31 Dec
	2015	2014
	US\$'000	US\$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Property, plant and equipment	<u>774</u>	<u>424</u>
<i>Amortisation</i>		
Customer relationships	87	-
Intellectual property	<u>64</u>	<u>2</u>
Total amortisation	<u>151</u>	<u>2</u>
Total depreciation and amortisation	<u>925</u>	<u>426</u>
<i>Included in rental and occupancy expense</i>		
Costs associated with the surrender of the onerous lease	1,509	-
Release of the onerous lease provision upon surrender	<u>(1,672)</u>	<u>-</u>
Total gain as a result of the surrender of the onerous lease	<u>(163)</u>	<u>-</u>
<i>Included in professional advice expense</i>		
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	<u>352</u>	<u>-</u>
	<u>1,211</u>	<u>-</u>

Altium Limited
Notes to the financial statements
31 December 2015

Note 6. Non-current assets - intangible assets

	Consolidated	
	31 Dec 2015	30 Jun 2015
	US\$'000	US\$'000
Goodwill - at cost	16,934	-
Intellectual property	1,649	-
Less: Accumulated amortisation	(64)	-
	<u>1,585</u>	<u>-</u>
Customer contracts	3,907	-
Less: Accumulated amortisation	(87)	-
	<u>3,820</u>	<u>-</u>
	<u><u>22,339</u></u>	<u><u>-</u></u>

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

Note 7. Current liabilities - provisions

	Consolidated	
	31 Dec 2015	30 Jun 2015
	US\$'000	US\$'000
Employee benefits	1,129	989
Onerous lease	-	919
Other provisions	1,673	-
	<u>2,802</u>	<u>1,908</u>

Other provisions includes deferred consideration of \$986,000 in respect of the acquisition of CIIVA GmbH and contingent consideration of \$687,000 in respect of the acquisition of Octopart Inc. These amounts are due to be settled within one year of the current period end. For further details refer to note 11 of this interim financial report.

Note 8. Non-current liabilities - provisions

	Consolidated	
	31 Dec 2015	30 Jun 2015
	US\$'000	US\$'000
Employee benefits	70	65
Onerous lease	-	1,137
Other provisions	6,465	-
	<u>6,535</u>	<u>1,202</u>

Other provisions includes deferred consideration of \$946,000 in respect of the acquisition of CIIVA GmbH and contingent consideration of \$5,519,000 in respect of the acquisition of Octopart Inc. These amounts are due to be settled more than one year after the current period end. For further details refer to note 11 of this interim financial report.

Altium Limited
Notes to the financial statements
31 December 2015

Note 9. Equity - Contributed equity

	Consolidated			
	31 Dec 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015
	Shares	Shares	US\$'000	US\$'000
Ordinary shares - fully paid	130,215,813	129,272,762	125,177	122,460

Note 10. Equity - dividends

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

	Consolidated	
	31 Dec 2015	31 Dec 2014
	US\$'000	US\$'000
Final dividend for the year ended 30 June 2015 of 8 AU cents (30 June 2014 8 AU cents)	7,644	7,941

Note 11. Business combinations

On 3 July 2015 the company acquired 100% of the issued shares in CIIVA GmbH, an electronic component management solutions company for fair value consideration of US\$4.0 million.

On 2 September 2015 the company acquired 100% of the issued shares in Octopart Inc. a leading provider of electronic parts data and specialized online inventory search, for fair value consideration of US\$17.7 million.

The preliminary acquisition accounting for each business combination is detailed below.

CIIVA GmbH

Details of the acquisition of CIIVA GmbH are as follows:

	Fair value
	US\$'000
Total assets excluding intangibles	
Intangible assets	63
Total liabilities	1,043
	<u>(173)</u>
Net assets acquired	933
Goodwill	3,038
	<u>3,971</u>
Acquisition-date fair value of the total consideration transferred	<u>3,971</u>
Representing:	
Cash paid or payable to vendor	2,052
Deferred consideration	1,919
	<u>3,971</u>
	<u>352</u>
Acquisition costs expensed to profit or loss	<u>352</u>

The goodwill is attributable to CIIVA's position in the electronic component management solutions space and 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.

Altium Limited
Notes to the financial statements
31 December 2015

Note 11. Business combinations (continued)

i) Fair value of the total consideration transferred

The total consideration transferred comprises cash paid of US\$2 million and deferred consideration.

ii) Acquisition related costs

Acquisition related costs of \$352,000 are included in professional advice expense in profit or loss.

Octopart Inc.

Details of the acquisition of Octopart Inc. are as follows:

	Fair value US\$'000
Cash and cash equivalents	232
Trade receivables	454
Other current assets	983
Plant and equipment	29
Intellectual property	649
Customer contracts	3,907
Trade payables	(181)
Other payables	(677)
Deferred tax liability	(1,367)
Net assets acquired	4,029
Goodwill	13,894
Acquisition-date fair value of the total consideration transferred	17,923
Representing:	
Cash paid or payable to vendor	8,999
Altium Limited shares issued to vendor	2,725
Contingent consideration	6,199
	17,923
Acquisition costs expensed to profit or loss	487

The goodwill is attributable to Octopart's leading position in the electronic parts data and online inventory search industry 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.

i) Contingent consideration

The contingent consideration arrangement requires the company to pay the former owners of Octopart consideration up to a maximum total undiscounted amount of \$12,000,000 over the 3 years following acquisition. The quantum of amounts payable under the agreement are dependent upon Octopart achieving specific revenue and margin targets.

The fair value of the contingent consideration arrangement of \$6,199,000 was estimated by calculating the present value of the future expected cash flows. The estimates are based on assumed probability-adjusted total revenue of Octopart for the three years ending 30 June 2018.

ii) Acquisition related costs

Acquisition related costs of \$487,000 are included in professional advice expense in profit or loss.

iii) Revenue and profit contribution

Octopart contributed revenues of \$1,487,000 and net profit after tax of \$346,000 to the group for the period from 2 September 2015 to 31 December 2015.

Altium Limited
Notes to the financial statements
31 December 2015

Note 12. Events after the reporting period

No matter or circumstance has arisen since 31 December 2015 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 2015	31 Dec
	US\$'000	2014
	US\$'000	US\$'000
Profit after income tax expense for the half-year	9,147	6,777
Adjustments for:		
Depreciation and amortisation	925	426
Share-based payments	455	611
Unrealised foreign exchange differences	276	595
Change in operating assets and liabilities:		
Decrease in trade and other receivables	2,016	5,086
Decrease in inventories	152	352
Decrease/(increase) in deferred tax assets	(714)	773
Increase in prepayments	(1,263)	(158)
Decrease in trade and other payables	(1,696)	(1,466)
Increase in provision for income tax	444	1,773
Decrease in other provisions	(2,340)	(666)
(Decrease) in deferred revenue	(1,673)	(6,750)
Net cash from operating activities	<u>5,729</u>	<u>7,353</u>

Altium Limited
Directors' declaration
31 December 2015

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 2015 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

16 February 2016
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 2015, 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 (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 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 2015 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*.

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 2015 and of its performance for the half-year ended on that date;

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- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the company for the half-year ended 31 December 2015 included on Altium Limited's web site. The company's directors are responsible for the integrity of the Altium Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'EP' followed by a stylized flourish.

Eliza Penny
Partner

Sydney
16 February 2016