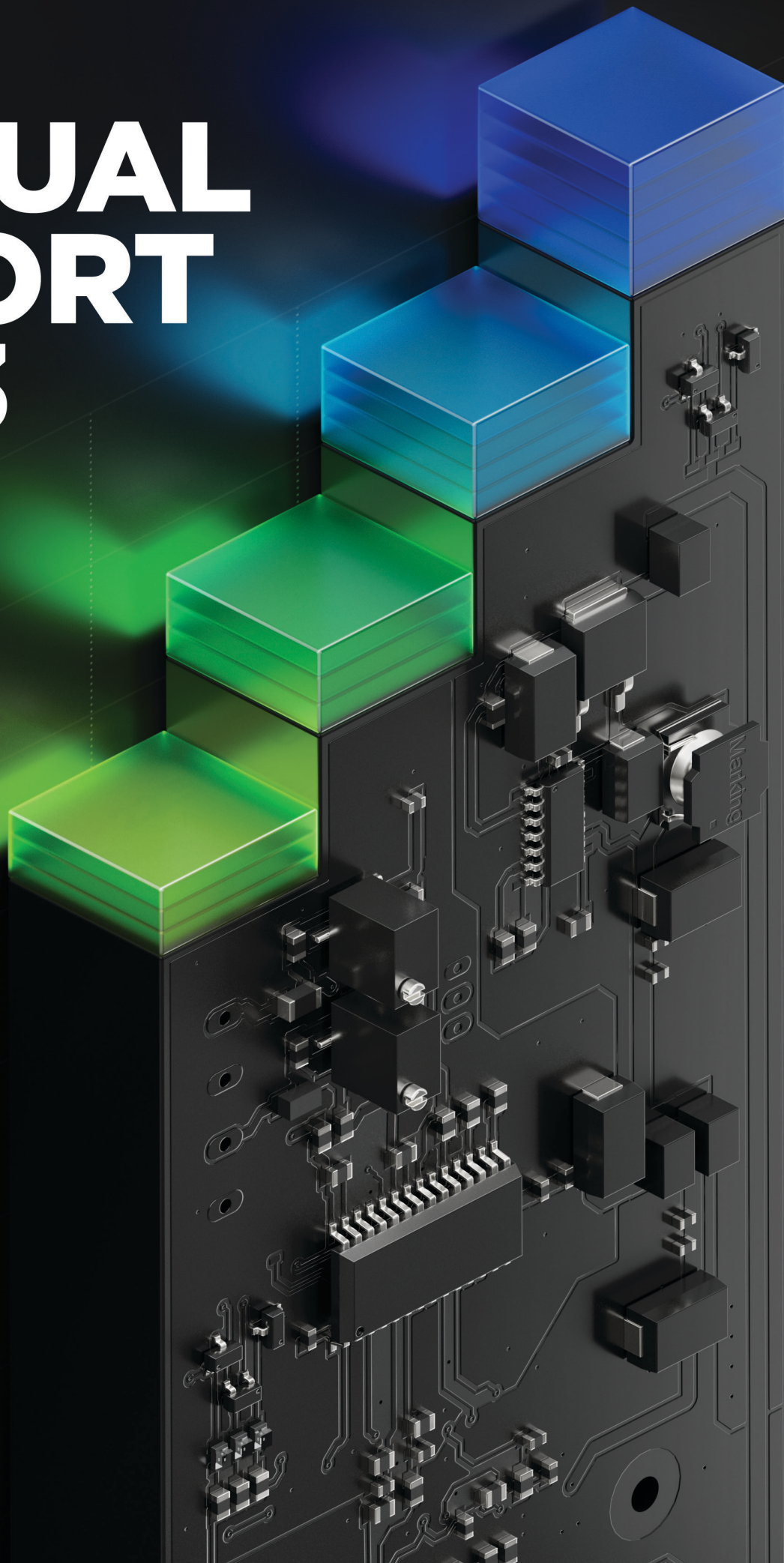


**Altium**<sup>®</sup>

# ANNUAL REPORT 2023

Altium Limited  
ACN 009 568 772



# 2023 Financial Report

## CONTENTS

---

1. Corporate Directory	2
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---

2. Directors' Report	3
Remuneration report	29

---

3. Auditor's Independence Declaration	47
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4. Financial Report	48
Consolidated statement of profit or loss and other comprehensive income	49
Consolidated statement of financial position	50
Consolidated statement of changes in equity	51
Consolidated statement of cash flows	52

---

5. Notes to the consolidated financial statements	53
---	----

---

6. Directors' declaration	103
---------------------------	-----

---

7. Independent auditors report to the members of Altium Limited	104
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8. Glossary	109
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9. Information for shareholders	110
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# Corporate Directory

NON-EXECUTIVE CHAIRMAN

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**Samuel  
Weiss**

CHIEF EXECUTIVE OFFICER

---

**Aram  
Mirkazemi**

EXECUTIVE DIRECTOR

---

**Sergiy  
Kostynsky**

NON-EXECUTIVE DIRECTOR

---

**Lynn  
Mickleburgh**

NON-EXECUTIVE DIRECTOR

---

**Simon  
Kelly**

NON-EXECUTIVE DIRECTOR

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**Raelene  
Murphy**

(resigned 17 November 2022)

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## Annual general meeting

Thursday, 16 November 2023

## Company secretary

Natasha Davidson (BA LLB (HONS) LLM FGIA GAICD)

## Registered office

Suite 3, Level 6  
Tower B, The Zenith  
821 Pacific Highway  
Chatswood NSW 2067  
Australia

## Share register

Computershare Investor Services Pty Limited  
Level 3, 60 Carrington Street, Sydney NSW 2000  
Australia 1 300 850 505, Overseas +61 3 9415 4000

## Auditor

KPMG  
Level 38, Tower Three  
International Towers Sydney  
300 Barangaroo Avenue  
Sydney NSW 2000 Australia  
+61 2 9335 7000

## Stock exchange listing

Altium Limited shares are listed on the  
Australian Securities Exchange  
(ASX code: ALU)

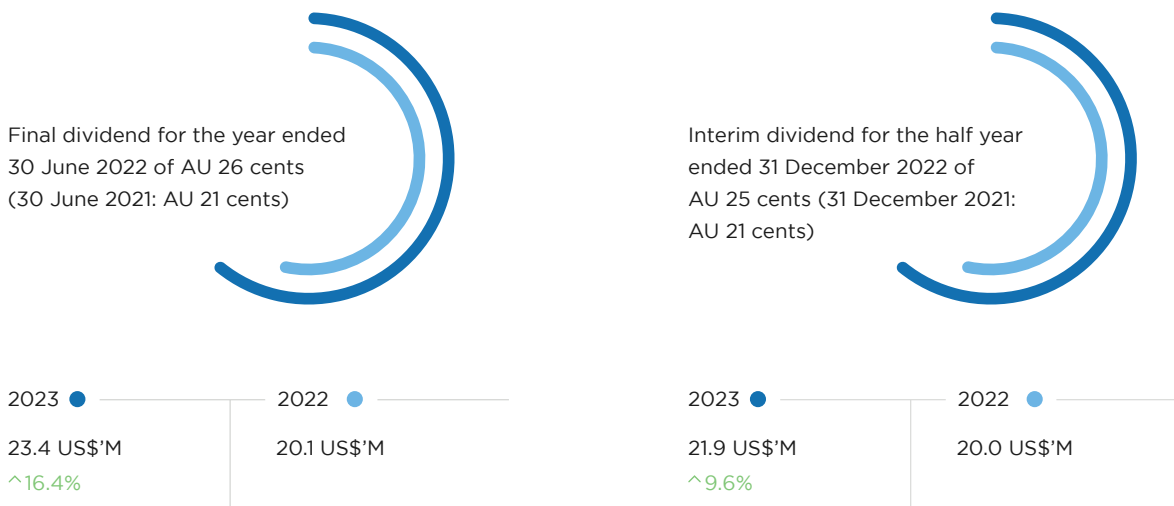
The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'Altium') consisting of Altium Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

PRINCIPAL ACTIVITIES

During the financial year, the principal activities of the Group consisted of the development and sales of software for the design of electronic products and an online collaboration platform to facilitate the manufacturing of them.

## Dividends

Dividends paid during the financial year were as follows:



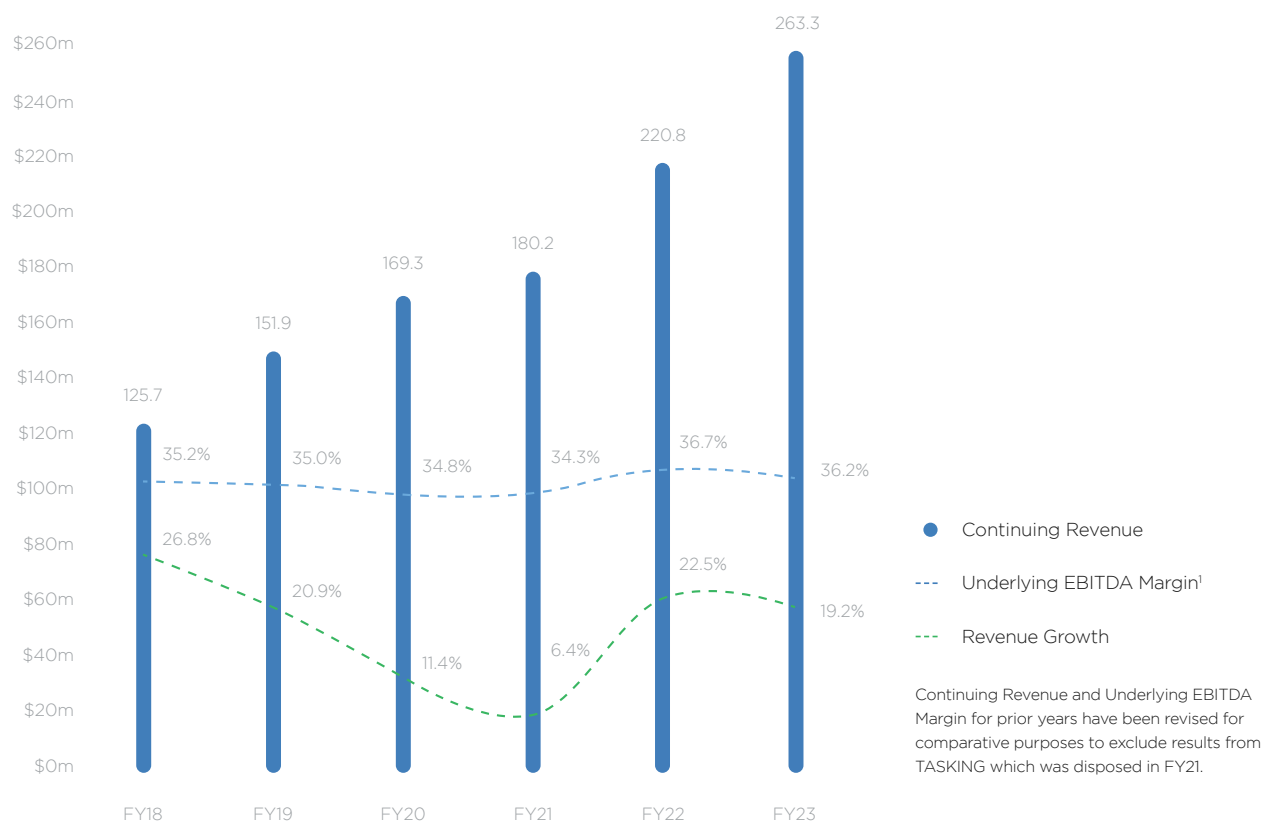
The Directors have declared an unfranked final dividend of AU29 cents per share for the year ended 30 June 2023. The dividend will be paid on 26 September 2023 with a record date of 5 September 2023. This amounts to a total dividend of US\$25.8 million based on the number of shares outstanding.

# Review of operations

This update of Altium's operational performance in financial year 2023 will cover the following sections:

<ul style="list-style-type: none"> <li>OVERVIEW</li> </ul>	<ul style="list-style-type: none"> <li>FINANCIAL PERFORMANCE</li> </ul>	<ul style="list-style-type: none"> <li>BUSINESS UNITS</li> </ul>	<ul style="list-style-type: none"> <li>PRODUCTS AND TECHNOLOGY</li> </ul>
<ul style="list-style-type: none"> <li>STRATEGY</li> </ul>	<ul style="list-style-type: none"> <li>OUTLOOK</li> </ul>	<ul style="list-style-type: none"> <li>KEY RISKS</li> </ul>	

## Overview



<sup>1</sup> See definition of Underlying EBITDA Margin in Glossary on page 109



Altium made important strides in 2023 toward its aspirational US\$500 million revenue target for FY26 and its ambitious vision to transform the electronics industry.

Altium revenue increased 19.2% to US\$263.3 million for the financial year 2023.

Reported earnings before interest, tax, depreciation and amortisation (EBITDA) were US\$96.0 million, and the reported EBITDA margin was 36.5%.

After excluding the foreign exchange gain from the shutdown of operations in Russia and foreign exchange loss on the revaluation of a receivable balance

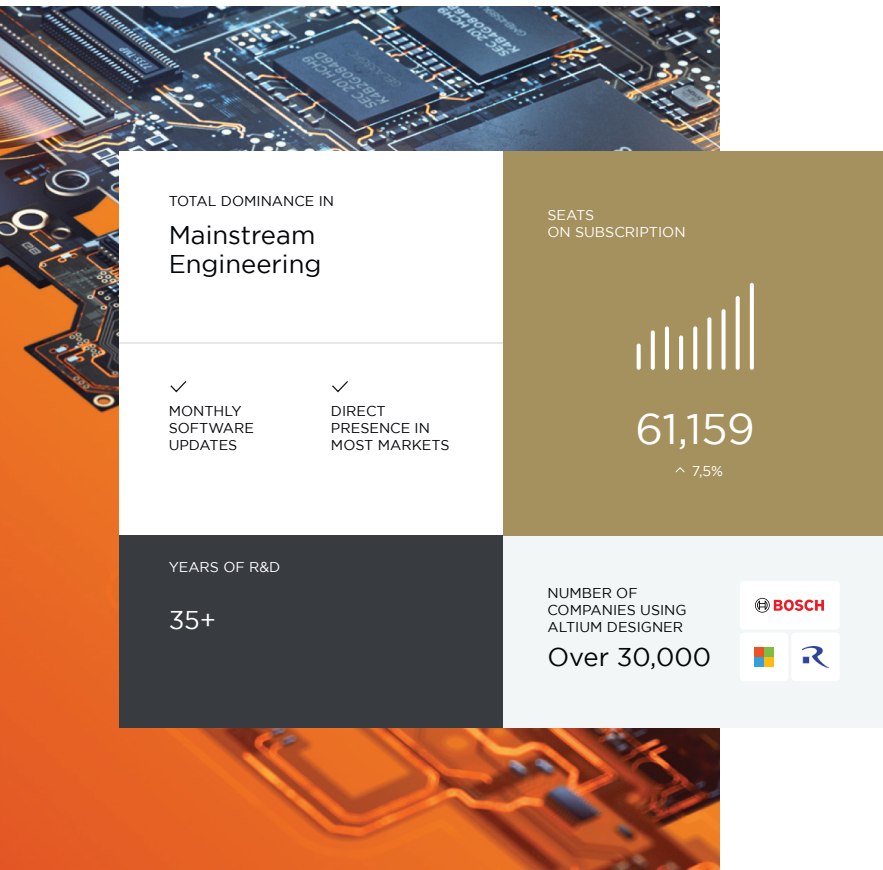
from the Australian Tax Office (refer to Note 30 of the financial statements for details), the underlying EBITDA margin was 36.2% compared to the underlying EBITDA margin of 36.7% in the prior year.

Recurring revenue<sup>1</sup> grew to 77.3%, up from 75.4% in the prior year. The increase in recurring revenue of 1.9 percentage points was supported by an increase in term- based licenses for Altium Designer, an increase in the number of seats on subscription with a higher percentage of Professional and Enterprise subscription levels, and continued growth of Octopart in search, marketing and API segments.

## Altium Designer Dominance

Altium Designer empowers engineers to create smart, connected products and is the software tool of choice for PCB designers and electronics engineers globally. More than 100,000 users employ Altium Designer to design electronics products in industries ranging from automotive to semiconductors. Altium seats on subscription were over 61,000 at the end of June 2023, up from 58,030 at 31 December 2022 and 56,912 at the end of June 2022.

During the year Altium improved the relative position of Altium Designer amongst its customer base and in the overall Electronic Design Automation [EDA] market in general. The average subscription seat value<sup>2</sup> increased to US\$2,408 from US\$2,170 in the prior year. Increases in average subscription seat value reflect upgrades by mainstream engineers to professional and enterprise capabilities for the data and process management tools that are included with Altium Designer Pro and Altium Designer Enterprise. Overall volume increases were tempered by the Group's exit from Russia and continued market softness in China.



<sup>1</sup> See definition of Recurring Revenue in Glossary on page 109

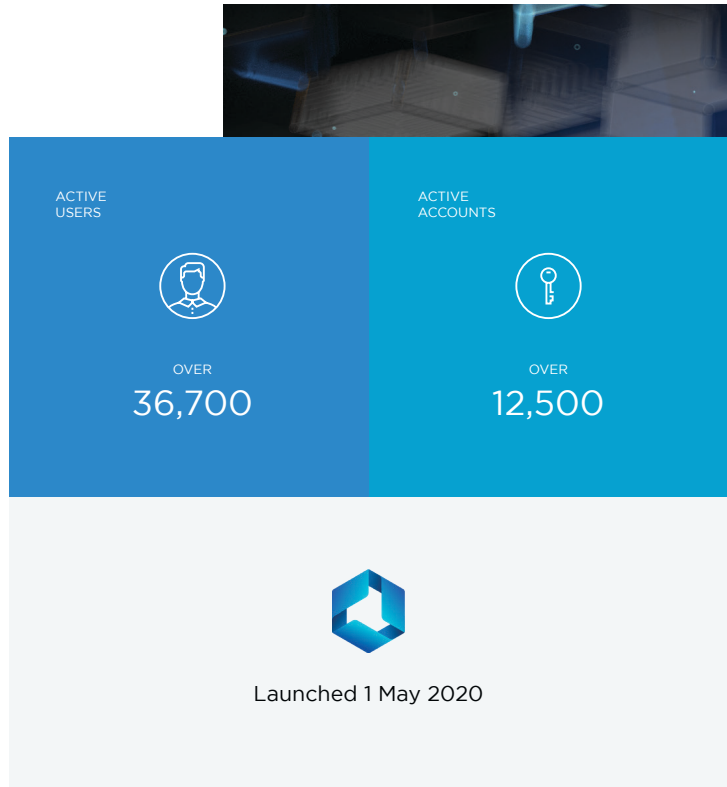
<sup>2</sup> See definition of Average Subscription Seat Value in Glossary on page 109

# Altium 365 Adoption

Altium 365 is a digital collaboration platform for engineers and other interested parties to design PCBs, to manage simulation, to source the components needed for those designs and to prepare the designs for manufacturing. It is central to the Altium vision to transform how PCBs are designed, manufactured and managed. Altium 365 is in active use in thousands of electronics companies.

Customers of Altium 365 benefit from increased productivity because the product design and manufacturing processes are connected in the cloud. Altium 365 enables integrated collaboration for both internal teams and external suppliers who can access singular instances of schematics and data.

Altium 365 had more than 36,700 monthly active users and over 12,500 monthly active accounts in August 2023 a continuation of its rapid acceptance since its launch three years ago.



# Financial Performance

Altium delivered strong financial results for the year ended 30 June 2023. The financial performance reflects the accelerating transition of license sales from perpetual to term-based and strong adoption of Professional and Enterprise versions which increase both recurring revenue and average subscription seat value:

- Revenue growth of 19.2% to US\$263.3 million
  - Double-digit revenue growth for Design Software business of 19.9% to US\$203.0 million.
  - Revenue increase of 17.1% for Cloud Platform to US\$60.3 million
- Reported and underlying EBITDA margin<sup>1</sup> of 36.5% (up from 36.2%) and 36.2% (down from 36.7%) respectively.
- Recurring revenue represents 77.3% of total revenue.
- Design Software Annual Recurring Revenue (ARR)<sup>2</sup> growth of 31.5%.
- Earnings per share grew by 19.4% to 50.41 cents.

Altium is the fastest growing EDA group in the world and is determined to achieve its twin objectives to become the dominant provider of PCB design tools whilst making its Altium 365 platform the central platform for all industry processes involved in the creation of electronics hardware – design, simulation, lifecycle management, and manufacture.



<sup>1</sup> See definition of EBITDA and Underlying EBITDA margin in Glossary on page 109

<sup>2</sup> See definition of ARR in Glossary on page 109



# Key Financial Results

	CONSOLIDATED		
	30 JUNE 2023 US\$'000 <sup>1</sup>	30 JUNE 2022 US\$'000 <sup>1</sup>	CHANGE %
Revenue	263,286	220,812	19.2%
Operating expenses (excluding depreciation, amortisation, impairment and interest)	167,268	140,972	18.7%
EBITDA <sup>4</sup>	96,018	79,840	20.3%
EBITDA margin	36.5%	36.2%	
Underlying EBITDA	95,367	81,132	17.5%
Underlying EBITDA margin	36.2%	36.7%	
Profit before income tax	87,765	67,859	29.3%
Income tax expense	21,417	12,371	73.1%
Profit after income tax	66,348	55,488	19.6%
EPS cents	50.41	42.23	19.4%

<sup>1</sup> Represent continuing business for both FY23 and FY22

<sup>2</sup> FY23 Underlying EBITDA excludes:

US\$1.2 million gain made when the accumulated foreign currency translation differences were moved from equity to profit or loss after the closure of operations in Russia during the year; and

US\$0.6 million of foreign currency translation loss from the revaluation of the Australian Dollar denominated balance expected to be refunded by the Australian Tax Office. The balance is related to the ongoing tax dispute (refer to Note 30 of the financial statements for details)

FY22 Underlying EBITDA excludes US\$1.3 million of costs related to Altium support for its employees in Ukraine

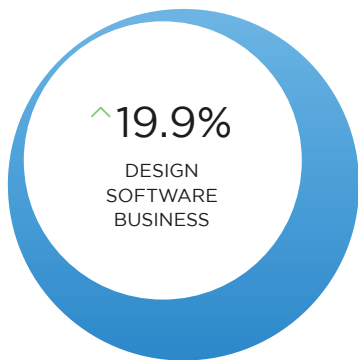
## Revenue

	CONSOLIDATED		
	30 JUNE 2023 US\$'000	30 JUNE 2022 US\$'000	CHANGE %
Design Software (Altium Designer, CircuitStudio)	203,006	169,282	19.9%
Americas	92,082	69,625	32.3%
EMEA <sup>3</sup>	74,477	62,156	19.8%
China	19,496	21,191	-8.0%
Rest of World	16,951	16,310	3.9%
Octopart	56,162	49,968	12.4%
Manufacturing	4,118	1,562	163.7%
Revenue	263,286	220,812	19.2%

<sup>3</sup> Revenue for EMEA in Euros for the year ended 30 June 2023 was €68.6 million: (30 June 2022: €55.5 million) representing a 23.6% increase on the prior year.

<sup>4</sup> See definition of EBITDA in Glossary on page 109

# The core Design Software business grew by 19.9% compared to the prior year to US\$203.0 million.



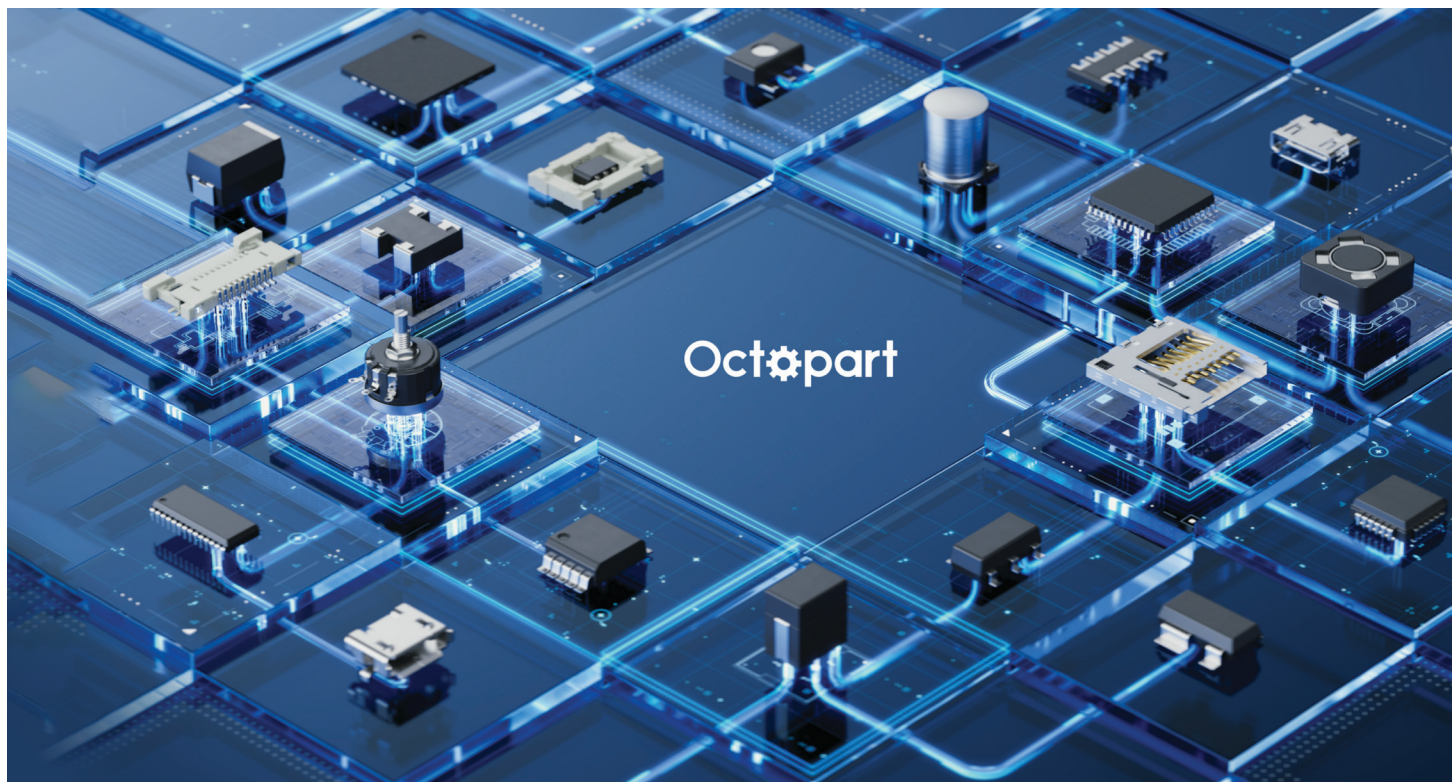
Revenue growth was achieved in all reporting regions, except China, which remained weak after the disruptive impact of China's zero COVID policy in the first half of Fiscal Year 2023.

Revenue from Altium Designer Professional subscriptions and Concord Pro increased \$19.8 million and revenue from Enterprise customers increased US\$19.6 million while revenue for Altium Designer Standard decreased by US\$5.4 million, reflecting active upgrade efforts across the sales organisation.

Term-based license (TBL) sales were 48.2% of the total new licenses, up from 34.3% one year earlier.

The total Altium subscription pool, comprising standard and higher value subscription seats, grew by 7.5% to 61,159. Higher-value Professional and Enterprise subscription seats, including TBLs, represent 23.6% of the total pool, up from 14.4% a year earlier.

Octopart delivered solid results, especially when the torrid growth of the prior two years is taken into account, growing revenue by 12.4% on the prior year to US\$56.2 million. Octopart growth was achieved through stronger pricing power and new capabilities that yielded a 32.0% increase in average revenue per click without the benefit of the semiconductor supply chain tailwind that was present in FY22.



EARNINGS

Altium achieved a reported EBITDA margin of 36.5%, up from 36.2% in the prior year



Altium reported EBITDA was US\$96.0 million and reported EBITDA margin was 36.5%. After excluding the foreign exchange gain from the closure of operations in Russia, and the foreign exchange loss on the revaluation of a receivable balance from the Australian Tax Office (refer to Note 30 of the financial statements for details), the underlying EBITDA margin<sup>1</sup> was 36.2% compared to the underlying EBITDA margin of 36.7% in the prior year.

Profit before tax and profit after tax increased by 29.3% and 19.6% respectively.

Operating expenses grew by 20.2% on an underlying basis to US\$167.9 million.

The main contributors to the increased operating expenses as compared to the prior year include:

- Increased headcount, predominantly in R&D, to support the development of the cloud platform, and inflation adjustments with total employee benefits expense increasing by US\$9.7 million or 10.4%;
- Increase in share-based payment expenses of US\$4.3 million after adding new talent to our leadership team and a compensation review;
- Additional US\$3.5 million expense for Web advertising to accelerate Octopart clicks and Altium 365 adoption;
- US\$3.5m of additional compliance costs associated with the ongoing income tax audit by the ATO for the 2015-2018 period;
- US\$2.2 million higher spend on Amazon Web Services hosting fees for Altium 365 infrastructure;
- US\$2.0 million increased travel cost following the reopening of the borders closed during the pandemic.

Excluding the payment made to the ATO during the year as part of the ongoing dispute (refer to Note 30 for details), operating cash flow was up by 14.5% to US\$83.0 million compared to the prior year with major movements including higher net cash receipts from customers partially offset by higher income taxes paid.

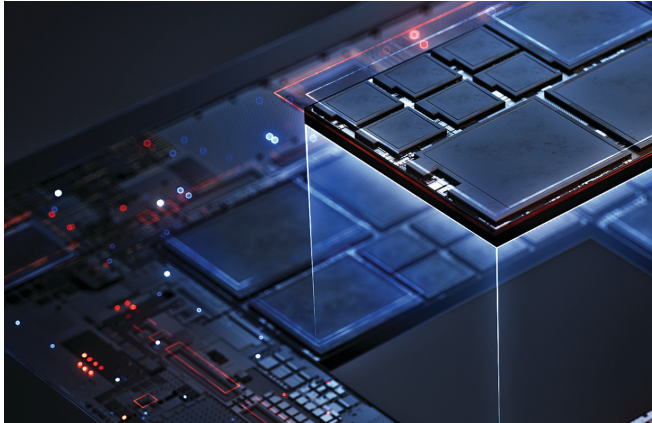
EPS from continuing operations increased by 19.4% to 50.41 cents reflecting strong revenue growth coupled with judicious management of operating expenses having regard to continued investment in the business.

# Business Units

Altium operates two unique business units, which are complementary and synergistic:

## ▸ Design Software (Altium Designer and Enterprise)

Altium Design Software provides PCB design solutions and indirectly enhances the value of Altium 365 through the subscriptions associated with the PCB design tools.



## ▸ Cloud Platform (Altium 365, Nexar and Octopart)

Altium Cloud Platform. Altium 365 provides professionals and industry partners access to a vast ecosystem of electronic design and manufacturing users and customers. Nexar includes Octopart and manufacturing.

Altium has two growth engines, Design Software and Cloud Platform for dominance and transformation and four flywheels to increase the rate of growth: design tools adoption, design platform adoption, cloud adoption and ecosystem adoption. Nexar, an ecosystem for the direct monetisation of Altium 365 which was set up to enable industry partners to benefit from Altium's growing community of electronic engineers, has begun to attract focused interest from a number of strategic partners. In both sectors, the Group is prosecuting a go-to market philosophy that delivers value for customers and volume growth for Altium.

# Products & Technology

DESIGN SOFTWARE

## Design Tool Flywheel



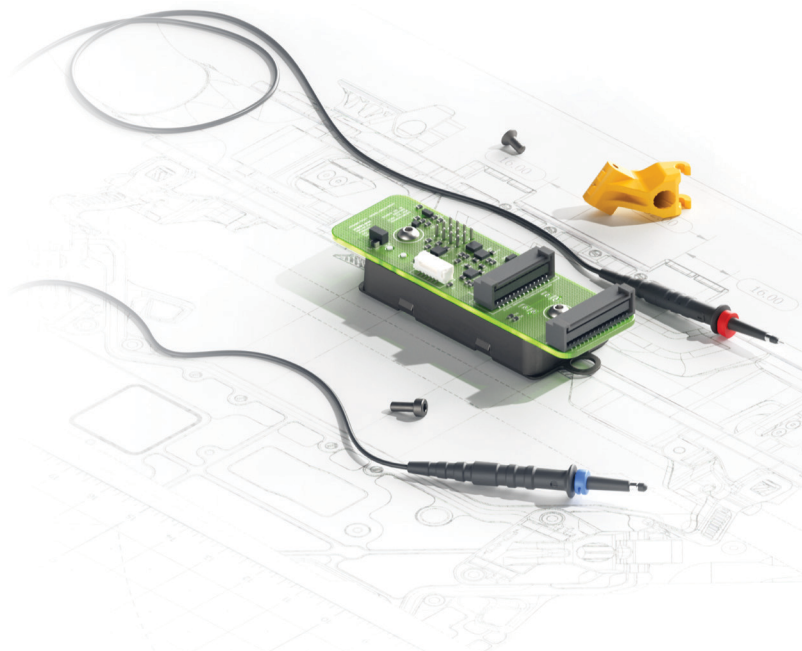
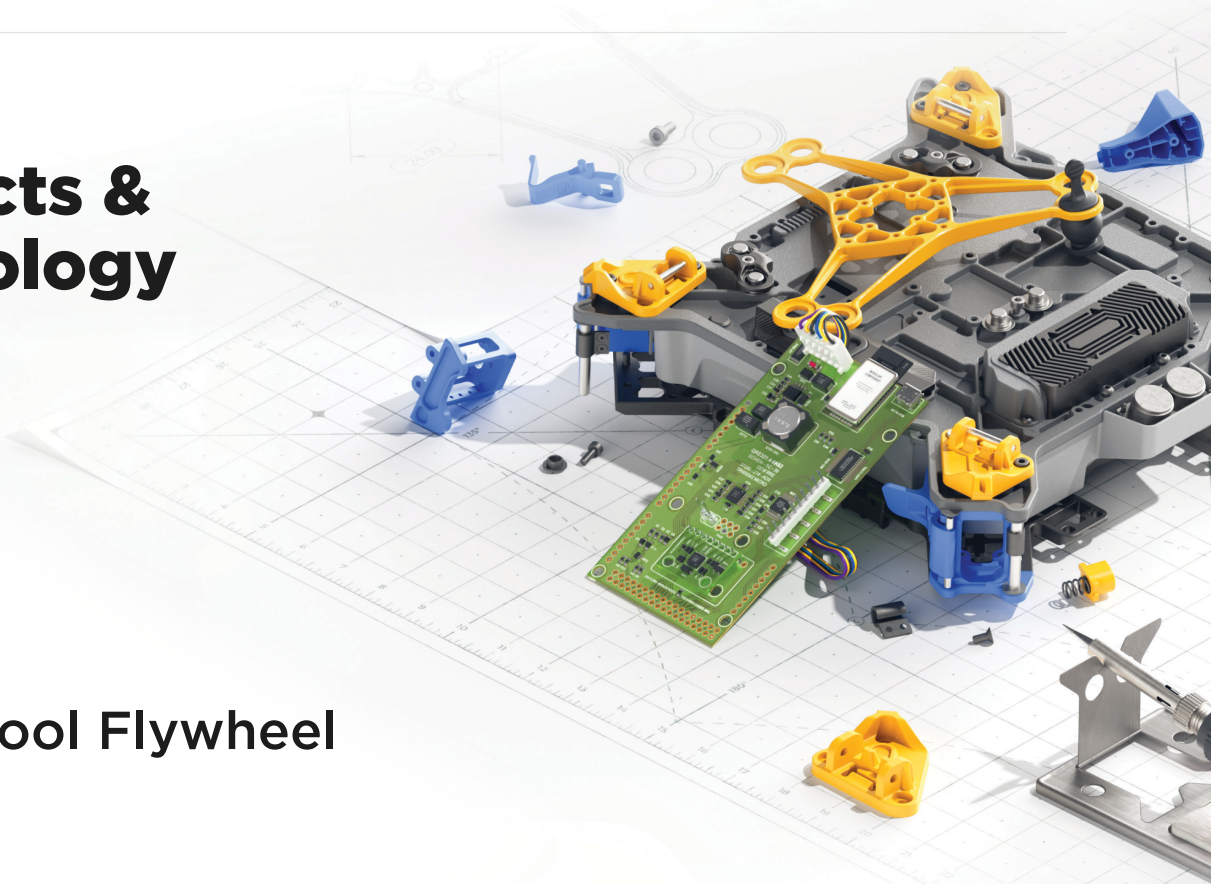
Altium Designer, recognised globally as the leading solution for PCB design, is a pioneer software tool at the cutting edge of electronics design innovation. In the face of ever-growing demands for increasingly sophisticated and intelligent smart products, Altium Designer consistently rises to the challenge, to ensure our customers stay ahead of the curve.

Altium Designer 23 delivers a wealth of innovations.

- A new Harness Design capability to create complete wiring harnesses, remove the reliance on third party tools and software and deliver a seamless integration with PCB design. For multiboard systems, it provides capability to capture the entire end-to-end hardware design flow.
- The release of custom pad shape support, as well as custom thermal reliefs, provides fine grained control of the copper features of the PCB, enabling our customers to tackle even more complex design challenges with high productivity solutions that are easy-to-use and maintain.
- A new Section View capability makes it easier than ever to reveal details that ordinarily would be difficult to access and inspect, providing better insight into the layout and structure of complex PCBs.
- Capturing custom information in component footprints is now possible with user defined parameter support.
- Silkscreen Preparation tooling now makes it even easier to resolve common Design for Manufacturability (DFM) challenges, simplifying the transition to manufacturing.

Significant progress in collaborative authoring, in conjunction with some of our large enterprise customer accounts, is enabling greater team productivity. With Altium 365 providing the collaboration backbone, Altium Designer's value proposition for larger teams, where multiple authors need to collaborate on the same PCB design, continues to strengthen.

Co-Simulation and Co-Design capabilities that connect the ECAD domain to the simulation and MCAD domains have been improved this year, and marked by the announcement of integrations programmes with Ansys and Siemens NX. The "file-less" data exchange between systems brings collaboration to a new level, improving rigour and simplifying usability.



## DESIGN SOFTWARE

# Design Platform Flywheel

Altium Designer Enterprise licenses include managed processes and workflows, and are available to all Altium customers. They support more complex, formal processes that large organisations require yet also maintain agility through a design system that is responsive to the needs of the customer. The Enterprise subscription extends a natural progression that supports organisations as they grow, without forcing them to change design tools or deploy new system components – a move up through the subscription tiers instantaneously unlocks capabilities. This is a significant point of differentiation for Altium when compared to competitors such as Siemens, which does not offer continuity from PADS to Expedition.

## CLOUD PLATFORM

# Cloud Adoption Flywheel



Altium 365 is the powerhouse platform for electronics design, with no competitor coming close to rivaling its position. Altium 365 is driving a revolution to digitise old, slow and error prone processes and drastically increasing the productivity of the entire value chain throughout electronics design.

The cloud-based design review process has PCB and BOM comparison, with a significant set of sophisticated enhancements for commenting and markup capabilities that further improve productivity through collaboration. New support for more complex smart products through multi-board schematic and native assembly in the browser enable Altium 365 to go beyond representing just the PCB and to visualise a complete smart product assembly.

Altium made a significant step forward in cyber security in May of this year with the achievement of SOC2 Type 2 certification for Altium 365. This certification involved Altium completing the examination of controls and procedures that have been put in place to ensure their effectiveness. Altium's commitment to security on the platform will be followed up by regular annual assessments.

The introduction of Altium 365 GovCloud in March demonstrates our commitment to support customers to meet the most demanding compliance obligations of U.S. government regulations for ITAR and EAR. A dedicated region located on U.S. soil managed exclusively by U.S. persons delivers this capability which is now in use by a number of customers.

Bill of Materials (BOM) Management, a fundamental component of an electronics lifecycle management system, was delivered to early adopter customers with a BOM scrubbing capability. This will appeal to the procurement professional, underpinning our strategy to support collaboration between value chain stakeholders by delivering expanded capabilities for a wider set of personas. BOM Management provides an entry point to the platform which does not require native Altium design files for access, and elevates the BOM to a first class position with respect to digital asset management. This is particularly exciting as it is the start of the Altium plan to offer Altium 365 capabilities to the broader electronics design community members who may not currently use Altium design authoring tools.

Other exciting developments on Altium 365 include the advancement of our multi-CAD strategy with the introduction of support for the ODB++ format, which is a widely-used data format supported by most solutions from eCAD vendors, and the new assembly app which targets the technician persona, streamlining the manual assembly and inspection of prototype boards. Support for additional ECAD vendors on the platform will be announced shortly, positioning Altium 365 as an inclusive, open platform for the broader electronics design community.

CLOUD PLATFORM

# Ecosystem Adoption Flywheel



Nexar supports the broader electronics ecosystem by making it easy to build on top of and programmatically engage with Altium technologies and services, including the Altium 365 platform and Octopart. The Nexar API, which is built from the same advanced technology that powers platforms like Facebook and GitHub, has evolved significantly over the last year, and now supports a wide range of integration use cases.

Nexar is the basis for the Ansys Co-Simulation integration, which makes it easy not only for board-level information to be exchanged between the authoring tools, but also makes commenting and markup straightforward, abstracting the complexities that would otherwise be encountered by providing a single, unified information model.

Similarly, the same approach works with Hexagon in the “Designer Assist” simulation model for the platform-to-platform integration between Altium 365 and Hexagon Nexus. Thermal simulation capabilities were democratized and delivered as a proof of concept for a “simulation as a service” experience in which the user does not have to be a simulation expert in a compressed timescale thanks to Nexar.

An exciting partnership with a leading computer vision expert focusing on an augmented reality-based microscopy solution has been brought to life with Nexar. This system demonstrates the power of the API to deliver from laboratory to manufacturing line deep CAD data relating to PCB components, primitives and geometry to augment a live video stream for testing, inspection and rework capabilities.

Spectra, our brand for Data-as-a-Product, has seen significant evolution this fiscal year with the release of Supply Chain Resilience (SCR) capability that includes Days of Supply and Historical Procurability. SCR offers deep insights about electronic components for customers, and is now available programmatically through the API.



## CLOUD PLATFORM

# Ecosystem Adoption Flywheel

## Octopart

Octopart saw some significant changes with respect to both users and customers. The entire site was refreshed, with a cleaner look and feel, from the home page through to the part detail pages, making it easier for users to find what they need. A new part alternatives capability was released, assisting users with identifying alternatives for parts that might not be available.

To help ensure that our customer's value proposition reaches the right people at the right time, the roll out of CPC Boosters is a first for Octopart customers to target users based on category, manufacturer and geography. In the last four months a number of high-profile customers have taken advantage of it. This is the first step in a new smart targeting capability for Octopart to better support our customer needs.

## Strategy

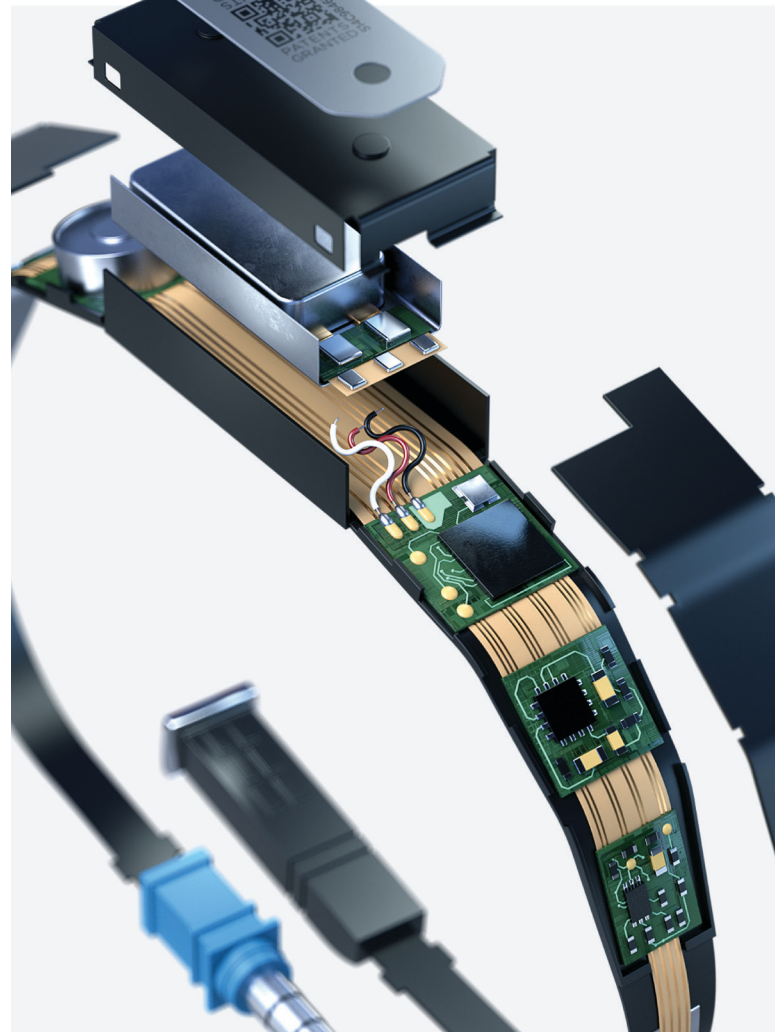
Electronics are at the heart of a smart and connected world. The Internet of Things (IOT) comprises billions of devices, each connected to and through the internet to other devices.

The design, manufacturing and assembly of a PCB is a complex and systematic process with cumbersome manufacturing processes to identify, locate and purchase custom-fabricated bare boards and individual components. The PCB design and the identity and location of components are given to a board assembly company that builds the final PCB. Today this process is managed manually with extensive use of spreadsheets, site visits and emails. (Steve Ranger ZDNet 3 Feb 2020)

Consequently, many companies have brought electronics design in-house to create a competitive edge and accelerate the speed to market of their electronics products.

Altium PCB Design Software and its cloud platform enable the proliferation of electronics products, as the design of printed circuit boards and the sourcing of electronic parts are the two fundamental processes in the creation of electronics hardware.

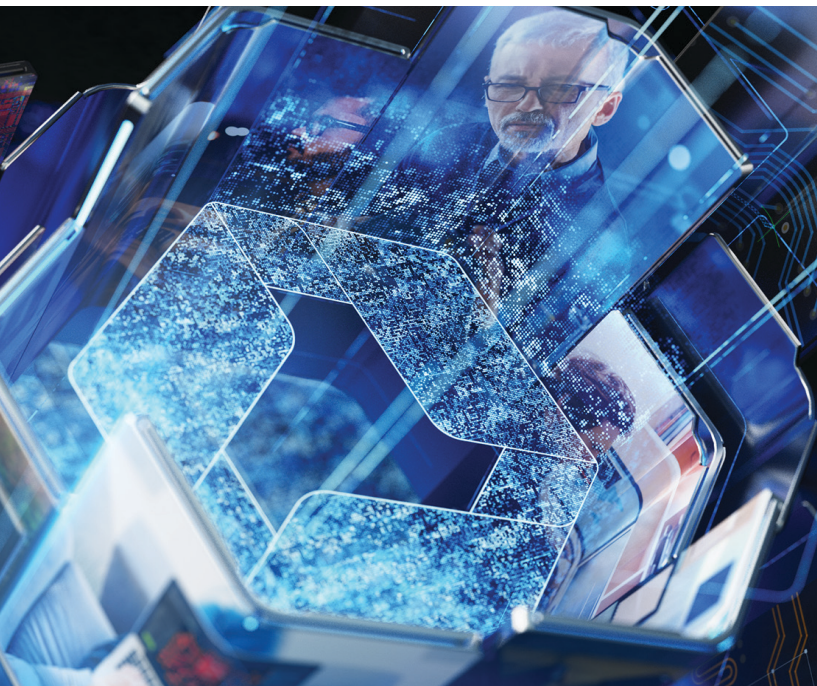
The vision for the Altium 365 cloud platform and its associated industry connector, Nexar, is to digitise the entire PCB design, component sourcing and board manufacturing process from end-to-end. The Altium strategy of market dominance through industry transformation will help our customers who use our PCB software design tools and Altium 365 platform to take advantage of the modern era of the IOT.





Each element of Altium's strategy supports the other.

Dominance in the Altium Design Software business will increase uptake of the Altium 365 Cloud Platform. Equally, as the user base grows for Altium 365, customers will increase their usage and reliance on Altium Design Software. Altium will bring the business of engineering onto its cloud platform Altium 365, to connect design to the component supply chain and the board manufacturing industry.



The benefits of the Altium 365 platform for Altium include:

- Reduction of churn
- Increased utilisation of PCB design tools
- A seamless digital platform, through Nexar to connect design with component sourcing and board manufacturing
- Additional direct monetisation opportunities through premium services and applications

Electronics are at the very heart of the software engineering ecosystem and are the bridge that connects the multiple disciplines of engineering from electronic CAD to mechanical CAD and product lifecycle management to computer aided engineering. The unique position of Altium in the engineering ecosystem as an independent and increasingly important provider should engender confidence in our strategy and in our ability to reach the aspirational goals we have set for financial year 2026.

## Outlook

Aspirational targets for financial year 2026 remain in place:

- Total Revenue of US\$500 million
- Underlying EBITDA margin<sup>1</sup> 38%-40%
- With a stronger uptake of higher-value subscription seats, the US\$500M target will be reached with only 75,000 to 90,000 seats on subscription.

100,000 seats on subscription is an independent aspirational goal to drive dominance.



<sup>1</sup>See definition of Underlying EBITDA margin in Glossary on page 109

# Key Risks

Altium recognises and deals with a variety of financial and non-financial risks and has a framework in place to enable the Group to assess and manage risk on an ongoing basis. Neither the risks listed below, nor their mitigating actions are a comprehensive list.

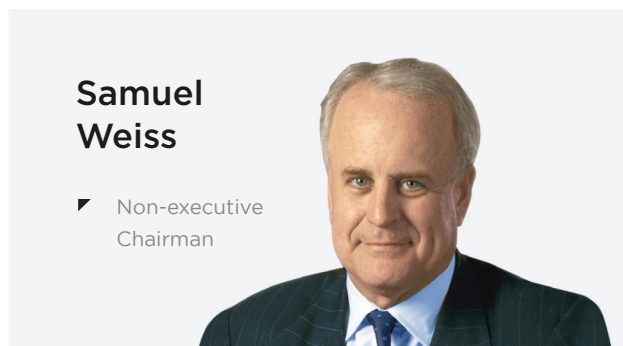
RISK	DESCRIPTION OF RISK	RISK MITIGATION STRATEGY
<p>▾ <b>New Product Adoption</b></p>	<p>As Altium continues to grow, new product adoption is central to achieving fiscal targets. Altium 365 is critical to the Group's success and is monitored closely for adoption rates, as that is a key indicator for revenue growth and market expansion. In addition to driving adoption, significant investment and development of Altium's Enterprise Sales group will be essential to achieve set targets.</p>	<p>To support the ease of purchase and adoption, Altium plans product mix changes. Holistic omnichannel sales and support programmes will allow for greater engagement with enterprise accounts. The addition of applications that are desirable to different types of engineers on Altium 365 will underpin growth targets.</p>
<p>▾ <b>Sensitive Information and Cyber Risk</b></p>	<p>Altium is at risk from cyber attacks or other digital intrusions on proprietary information, employee data and customer data. Altium could be impacted significantly by security breaches through theft, destruction or misappropriation or release of confidential digital (or other) data.</p>	<p>Altium segregates data and backups in addition to monitoring critical access to them and is committed to the highest standards of information security. In particular, hybrid work has exacerbated this access, which Altium mitigates with endpoint management.</p> <p>Altium has SOC2 Type 2 compliance certification for Altium 365 and in tandem with SOC2 compliance protocols, Altium has an internal review and continuous security improvement process. This process ensures that Altium maintains a high level of cybersecurity focus and compliance. In FY24, the newly formed Risk Management Committee will have primary oversight responsibility and will regularly brief the Board on cybersecurity risk management.</p>

RISK	DESCRIPTION OF RISK	RISK MITIGATION STRATEGY
<p>▸ <b>Economic and Geopolitical Instability Risk</b></p>	<p>As a global employer with teams in regions across the globe, Altium is susceptible to macroeconomic instability or other political challenges that may arise in those regions. These may include geopolitical conflicts such as the Ukraine-Russia conflict or US-China trade tensions. The risks to Altium include employee collaboration and availability, trade tensions, sanctions, fiscal liquidity, and our customers' solvency/business.</p>	<p>Though it is difficult to anticipate how global economic or political instability may arise or affect Altium, our ability to respond and adapt will determine the level of impact the risks may have on the business. Altium has faced several economic and political events in recent history, which highlighted their ability to react both quickly and carefully. Altium maintains monitoring of potential instability risks and makes regular reports on sanctions management to the Altium Audit and Risk Management Committee.</p>
<p>▸ <b>Ability to Attract and Retain Key Personnel</b></p>	<p>The success of Altium is dependent on attracting and retaining key personnel and executives in a global market. There is a risk Altium may not be able to attract and retain key personnel due to competitor recruitment pressure, which could affect the near-term ability to achieve key strategic and operational goals.</p>	<p>Altium's high-performance culture and consistent drive for results and improvements in incentive compensation and retention and diversity programs enhance Altium's desirability as an employer of choice.</p>
<p>▸ <b>Strategic and Operational risk</b></p>	<p>There is a business risk of too much focus on immediate outcomes at the expense of strategic goals. Altium has articulated a clear strategy with deliverables well into the future. Our ability to execute strategy and deliver on commitments over both the short and long term is critical to future success.</p>	<p>Altium balances the achievement of long-term strategic objectives with the accomplishment of short-term commitments. Altium devotes significant time and resources to the development, monitoring and review of its strategic direction, including the right balance between investment in the business and EBITDA margin. There are dedicated strategy sessions at the board level, teams assigned to programs critical to our strategy, and robust dashboards to monitor and highlight progress and risks. EY has been engaged to assist the Company with risk management.</p>
<p>▸ <b>Innovation Risk</b></p>	<p>Altium exists in a competitive marketplace, vying to both maintain market share and expand into new markets. Continuous innovation and response to an ever-changing market is essential to stay competitive.</p>	<p>Innovation is central to the Altium strategic vision. The Company Leadership Team devotes considerable time and intellect to create and maintain a long term view that is both ambitious and innovative. The strategy is assessed in the context of competition, technology developments and emerging threats.</p>

RISK	DESCRIPTION OF RISK	RISK MITIGATION STRATEGY
<p>▸ <b>Monetisation Model Risk</b></p>	<p>As Altium develops monetisation models for new products, services, and applications, a risk of not generating expected revenue is present with any new launch. The market may respond poorly to new models, which could negatively impact revenue and reputation.</p>	<p>Altium recognises the importance of introducing every new monetisation model with a careful and measured approach. Altium has engaged in several market analysis exercises across different customer tiers to test and evaluate monetisation models to select one that suits best.</p>
<p>▸ <b>Compliance and Regulatory Risk</b></p>	<p>Altium is a global organisation operating in multiple jurisdictions and is subject to varying regulatory and compliance regime globally. Altium's ability to manage relations with key regulatory agencies in all markets in which it operates is required for the proper functioning of its business model. Additionally, Altium must maintain protocols to monitor and effectively stay across any new or changing regulatory requirements applicable to its business.</p>	<p>Regular reviews and oversight of regulatory and compliance are managed by members of the Altium senior executive leadership team and the Altium Audit and Risk Management Committee. Altium works closely with specialist external advisers who identify, monitor and address risks within the Altium business globally.</p>
<p>▸ <b>Sustainability (including climate)</b></p>	<p>Climate-related risks may have adverse impacts on our Group, customers, suppliers and the communities in which we operate. There are uncertainties to accurately identify and model climate related risks, opportunities and assessment of their impact.</p>	<p>Altium uses Pathzero P/L to assess its carbon emissions baseline for Scope 1, Scope 2 and Scope 3 reporting and plan for a reduction in its carbon emissions. Altium is developing a roadmap to align with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. We have a published Diversity and inclusion policy, supported by our measurable objectives, to support inclusion and belonging and overseen by our Human Resources Committee and Board.</p>

# Board of Directors

Altium's team of experienced leaders combine deep knowledge and expertise within the Electronic Design Automation industry with responsible public company management.



## Qualifications

AB, Harvard College MS, Columbia Business School FAICD

## Experience

Sam joined the Altium Board as a Non-executive Director on 1 January 2007 and was elected Chairman of the Board on 4 October of that year. Sam is a highly experienced Company Chairman who has been instrumental in the growth and leadership of Altium Limited over sixteen years as the Group has generated shareholder value through superior technology and strategy, capital and financial controls, and strong corporate governance.

His experience in global markets helps to guide the Group to achieve its strategy to transform the electronics industry through the creation and adoption of an interactive digital platform for the design and manufacture of Printed Circuit Boards.

## Expertise

Sam brings to Altium strong corporate governance experience with specific skills and background in technology, online products and services, consumer marketing, and doing business in global markets. He has a leading edge understanding of multi-channel brand management and Go-to Market strategy development and of Internet enabled businesses. Sam is well versed in the human capital, legal and financial intricacies of mergers and acquisitions, corporate restructuring and business integration and consolidation. He has boardroom expertise in remuneration policy and planning, as well as director level oversight of ESG matters, strategic planning, and organisational design and development.

## Other current directorships

None

## Former directorships (last 3 years)

Citadel Limited, 3PLearning Limited

## Special responsibilities

Chairman of the Board, Member of the Audit and Risk Management Committee and the Human Resources Committee

## Aram Mirkazemi

Executive Director,  
Chief Executive  
Officer



## Sergiy Kostynsky

Executive Director,  
President



### Qualifications

BE - Computer Systems Engineering

### Experience

Aram has been a driving force at Altium since the early 1990s. Aram commenced his career with Altium as Director of Research and Development from 1991-1999. Following a successful IPO in 1999, Aram left Altium to explore his interest in web-based technology before returning to Altium in 2010 when he was appointed Head of Engineering, and later Chief Technology Officer. Aram was appointed as Chief Executive Officer in January 2014 and has been an Executive Director of the Board since 2012.

### Expertise

Aram is at the forefront of the development of Altium's strategic direction and is responsible for leading the company's global business strategy. Aram has a deep understanding of the EDA industry, accumulated through many years of being at the frontline of CAD software development. He also has a strong track record in financial management and stakeholder engagement.

At the heart of his visionary approach to bring about a transformation to the electronics industry is Altium's strong financial performance and Altium's ability to strategically partner within the industry.

Under Aram's leadership tenure, Altium has become the fastest growing EDA company.

### Other current directorships

None

### Former directorships (last 3 years)

None

### Special responsibilities

None

### Qualifications

Bachelor's degree in Applied Mathematics from the National Technical University of Ukraine

### Experience

Sergiy has 20 years of extensive experience at a senior management level in CAD software development and web-based technology. Prior to rejoining Altium as VP Engineering in 2010, as part of the Morfik Technology acquisition, Sergiy served as Director, Product Development. Sergiy was also one of the founding members of the Dream Company, a Ukraine component development company which was acquired by Altium in 2001. He is outstanding in creating, directing and managing complex software engineering projects and products, and has been the driving force behind Altium research and development. Sergiy was appointed as an Executive Director on 1 January 2018.

### Expertise

As President, Sergiy is responsible for driving optimal performance in all aspects of Altium's execution including all product and go-to-market domains. Sergiy has been the

leader and architect of Altium's technology development that underpins the company's bid to achieve market dominance and transform the electronics industry. Under Sergiy's leadership, Altium's PCB design tools have become world class and the company's cloud platform Altium 365 is set to revolutionise the way that electronic products are designed and manufactured.

### Other current directorships

None

### Former directorships (last 3 years)

None

### Special responsibilities

None

## Lynn Mickleburgh

Non-executive Director



### Qualifications

BSc (with Honours) in Mathematics, MBA in Business Management

### Experience

Lynn joined the Altium Board as a Non-executive Director on 1 March 2017. Lynn brings experience from both Fortune 500 companies and high growth SMB in the technology sector. From 2015 – 2018 Lynn was Head of Business Optimisation at Atlassian Inc, with her prior experience including VP Finance at Citrix Systems and various global and operational leadership roles at Adobe Systems and Apple Inc.

### Expertise

Lynn has many years' experience in transforming and scaling software companies and brings valuable skills to the Altium Board in B2B multi-channel commerce for SMB and Enterprise, and building agile, scalable business platforms for operational efficiency. Lynn's expertise includes emerging GTM business models, SAAS growth strategies, moving from perpetual to subscription, frictionless customer experiences; and leveraging people, process and technology to drive margin expansion. Lynn is also well versed in finance and accounting, corporate planning and reporting, data governance and M&A integrations.

### Other current directorships

Appen Limited

### Former directorships (last 3 years)

None

### Special responsibilities

Chair of the Human Resources Committee and Member of the Audit and Risk Management Committee

## Simon Kelly

Non-executive Director



### Qualifications

BA (First Class Honours) in Economics and Accounting, CA (ANZ), FCA (ICAEW), MAICD

### Experience

Simon was appointed to the Altium Board on 17 March 2022.

His diverse executive career includes 10 years with PwC in the UK and Australia and C level roles such as CEO, CFO, COO and CIO at a number of ASX listed companies including Ardent Leisure, Nine Entertainment Co., Aristocrat Leisure, Virgin Australia and Goodman Fielder. His career also includes leadership roles at a number of emerging high growth technology businesses.

### Expertise

Simon has extensive international experience in overseeing and managing global business strategy, strategic and operational finance, growth, business transformation and technology. Simon also has a depth of experience in corporate governance, M&A business integration, debt and capital markets, human resource management and sustainability.

### Other current directorships

MA Financial Group Limited

### Former directorships (last 3 years)

None

### Special responsibilities

Chair of the Audit and Risk Management Committee and Member of the Human Resources Committee.

## Natasha Davidson

- Group General Counsel and Company Secretary



### Qualifications

LLM, LLB (Hons), BA, GAICD, FGIA

### Experience

Natasha joined Altium in June 2022.

She has 25 years' experience as an attorney practicing in mergers and acquisitions and capital management.

During her career, Natasha has fulfilled a number of executive roles including the Chief Commercial Officer and Chief Legal Officer at Ansarada, Group General Counsel and Company Secretary at WiseTech Global, and Senior Director of Investment Banking at ABN AMRO/RBS. She was also elected the President of the Australian Financial Markets Association Capital Raising Committee for a maximum term.

### Expertise

Natasha is an M&A and capital markets expert and specialises in big data, growth and governance in the SaaS industry. She also has in-depth experience in human resource management and sustainability.

'Other current directorships' quoted above are current directorships for listed entities only and exclude directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years of listed entities only and excludes directorships in all other types of entities, unless otherwise stated.



## Company secretaries

Natasha Davidson

## Meetings of Directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	FULL BOARD		HUMAN RESOURCES COMMITTEE		AUDIT AND RISK MANAGEMENT COMMITTEE	
	ATTENDED <sup>1</sup>	HELD <sup>2</sup>	ATTENDED	HELD	ATTENDED	HELD
Samuel Weiss	9	9	6	6	7	7
Aram Mirkazemi	9	9	-	-	-	-
Sergiy Kostynsky	9	9	-	-	-	-
Simon Kelly	9	9	6	6	7	7
Lynn Mickleburgh	9	9	6	6	7	7
Raelene Murphy <sup>3</sup>	4	5	3	3	3	4

<sup>1</sup> Number of meetings attended.

<sup>2</sup> Number of meetings held during the time that the Director held office or was a member of the Committee during the year.

<sup>3</sup> Raelene Murphy retired as a director on 17 November 2022 at the close of the AGM.

Two Board sub-committee meetings were convened during the period. All eligible sub-committee members being Samuel Weiss, Aram Mirkazemi and Simon Kelly, attended these meetings.

## Indemnification and insurance of officers

Altium Limited's constitution provides for the Group to indemnify, to the extent permitted by law, any current Director, Secretary or executive Officer of the Group against:

- any liability incurred by the person in that capacity (except a liability for legal costs);
- legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the person becomes involved because of that capacity; and
- legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties as an Officer of the Company or a subsidiary, if that expenditure has been approved in accordance with the Group's policy.

During the year the Group paid a premium under a contract to insure the Directors and Officers of Altium Limited and its subsidiaries. The liabilities insured are legal costs and other expenses that may be incurred in defending any civil or criminal proceedings that may be brought against them in their capacity as Directors or Officers of the Group. Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

## Proceedings on behalf of the company

No proceedings have been brought or intervened in on behalf of the Group with leave of the court under Section 237 of the Corporations Act 2001.

## Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 24 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 24 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved in accordance with Altium's Non-Audit Services Policy to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

## Rounding

The Group 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.

## Officers of the company who are former partners of KPMG

There are no officers of the Group who are former partners of KPMG.

## Significant changes in the state of affairs

There have been no significant changes to the state of affairs of the Group during the year.

## Subsequent events

Since year-end, the Directors have declared a final dividend of AU29 cents per share. The dividend will be paid on 26 September 2023. The dividend will be recognised in subsequent period financial statements.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

## Likely developments and expected results

For further information about likely developments in the operations of the Group, refer to pages 4 to 16 of this report.

## Non-IFRS Financial Information

The Review of Operations attached to and forming part of this Directors' Report includes a number of non-International Financial Reporting Standards (IFRS) financial measures.

Non-IFRS financial measures are financial measures other than those defined or specified under all relevant accounting standards and may not be directly comparable with other companies' measures but are common practice in the industry in which the Group operates. Non-IFRS financial information should be considered in addition to, and is not intended to be a substitute for, or more important than, IFRS measures. Altium management and the Directors use these non-IFRS financial measures, including Recurring Revenue, Annual Recurring Revenue (ARR), EBITDA (and Margin), Underlying EBITDA (and Margin) and Average Subscription Seat Value (AASV) to assess the performance of the business and make decisions on the allocation of resources. See definitions in the Glossary at page 109.

Non-IFRS financial information is prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011.

## Environmental Regulation

The operations of the Group are not subject to any particular or significant environmental regulations under a Federal, State or Territory law.

## Remuneration

The Remuneration Report forms part of this Directors' Report.

# Remuneration report

## Letter from the Chair of the Human Resources Committee

Dear Fellow Shareholders,

On behalf of the Human Resources (HR) Committee, I am pleased to present the Altium Remuneration Report for the financial year ended 30 June 2023. The heartbeat of Altium is generated by our people, who are relentless in their intent to revolutionise the way smart connected electronics products are designed and manufactured. They and we play to win in a competitive global technology market and we have a track record of delivering superior shareholder returns over many years. Since October 2012, under the current leadership team, Altium's share price has grown substantially from less than AU\$1.00 to more than AU\$36.00.

Altium is on a unique journey to dominate the Printed Circuit Board (PCB) design software industry and to transform the global electronics industry. We believe in a remuneration philosophy that provides motivation for our executives to achieve results that are above and beyond not only their own individual expectations, but also the collective forecasts of the market and of investors in our Company. Our approach to compensation is designed to incentivise a mostly US based executive team and be consistent with the expectations of the ASX and the Australian investor community.

Today our best-known product, Altium Designer, is the software tool of choice for PCB designers and electronics engineers globally. Altium is fast evolving from its origin as a pure 'Software' company to also operate the only 'Cloud Platform' that can serve all software engineers, not just Altium Designer users, as well as executives, purchasing agents, fabricators and others who are involved in electronics manufacturing. Altium 365 is well on its way to become the de facto standard for cloud based PCB design, component sourcing and board fabrication.

At Altium, we resist the temptation to rest on our laurels. We believe that we are entering a period of accelerated growth which will require an extraordinary level of executive performance and leadership. This will be dependent on our ability to attract high-calibre executives with specific expertise, not to mention the need to retain our existing group of exceptionally talented executives.

During the year that ended in June, we accelerated the process of adding to our leadership pool and were successful in recruiting Ananth Avva, General Manager of Cloud, Gérard Métrailler, General Manager of Software, Sanjay Gupta, Head of M&A and Marc Boonen, Chief Commercial Officer.

The Remuneration Report describes how our philosophy underpins our transformation vision and incentivises performance that is beyond expectations.

### Altium 2023 Performance

The Company's results in 2023 were not only strong in isolation, but more importantly are an indicator of our ability to reach our aspirational goal of US\$500 million revenue in FY26 and subsequently to continue to grow at an accelerated rate as we progress in our mission to transform the global electronics industry.

Our key financial metrics of Revenue (up 19.2%) and Earnings (Underlying EBITDA 36.2%) demonstrate our financial strength and the robustness of our business. Combined, they comfortably exceed the industry indicator of high performance, 'the Rule of Fifty.' Seats on subscription grew by 7.5% to over 61,000 at the end of 2023 and the competitive position of Altium Designer improved as existing users upgraded from the Standard version to the Professional one. The steady increase in the adoption of Altium 365, with over 36,700 monthly active users in August 2023 and more than 12,500 monthly active accounts, are encouraging and signals our vision to build the singular platform for the business of software engineering will be successful over time.

Our strong financial performance reflects the efficacy of our two-part software and Cloud platform business strategy. Each supports and underpins the success of the other. Our ambition for market dominance of Altium Designer and the early success of Altium 365 power our goal to make our platform the place for "the business of engineering".

## Remuneration Outcomes in 2023

Our executive KMP are awarded a long-term incentive either in cash or performance rights under our rolling five-year LTI Level 1 Plan.

During the year ended 30 June 2023, the HR Committee and Board selected three Performance Measures: Revenue, Profitability and Volume to test achievement of the plan hurdles. These Measures are designed to be consistent under the LTI Level 1 Plan and uphold our commitment to deliver both strong top-line revenue growth and increasing levels of profitability over time.

To assess performance against the Measures, we set gateway and stretch targets for four key Metrics in respect of the period: Revenue, Underlying EBITDA Margin<sup>1</sup>, Active Subscriptions, and Altium 365 Adoption. As a testament to our high-impact performance culture, all targets were met or exceeded.

Ambitious targets for future financial years will be set annually to propel us beyond our FY26 aspirational goals of US\$500 million revenue and Underlying EBITDA Margin of 38%-40%. We believe the achievement of these milestones will set us on the path for long-term sustainable performance and transformation.

## Our Board

On 8 June our long time Chairman, Sam Weiss, informed the Board of his desire to step down as Chair, and to remain on the Board to continue to work with the Company to achieve its vision for industry transformation. His decision was a part of the Board's desire to strengthen its membership so that it can continue to deliver value to shareholders, customers, executives and employees of the Company.

Russell Reynolds has been appointed to lead a global search for a new Chair and we expect to report on their progress at our AGM.

Non-executive Director fees were increased for the first time in seven years in recognition of the increase in the Company's size, complexity and ambition since 2016 as well as to be able to attract and retain Directors on both sides of the Pacific who can contribute to the future success of Altium. The Board will review the fee pool as it makes progress in the appointment of new Directors.

## 2024 and Beyond

The HR Committee does not anticipate making material changes to the Altium Remuneration Framework in 2024 other than the work on the Altium Ownership Plan which continues.

Altium is led by a passionate group of Directors and executives who have created an Australian company that is a global leader in its field. We believe that the next wave of key leaders, both on the Board and amongst our Executive Team will magnify this success.

On behalf of the Board, I would like to thank our shareholders for your continued support. As we advance on our ambitious pursuit to revolutionise the global electronics industry, we are committed to deliver strong financial results every year and to create genuine value for all stakeholders in our Company - shareholders, customers, our people and for the communities in which we live. It is at the heart of what we do. We innovate, we pioneer, we deliver, and we play to win, together.

We invite you to read the Remuneration Report and welcome your questions and feedback.



A handwritten signature in black ink, appearing to be 'LM', written over a light blue background.

Lynn Mickleburgh  
HR Committee Chair

<sup>1</sup>See definition of Underlying EBITDA in the Glossary on page 109.


# Remuneration Report

## CONTENTS

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1. Introduction	30
2. Vision and Remuneration Principles	31
3. Executive remuneration framework and overview of incentive plans	32
4. Link between Group performance and remuneration outcomes	37
5. Remuneration governance	41
6. Executive service agreements	42
7. Non-executive Director remuneration	42
8. Statutory disclosures	44

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# Introduction

This remuneration report for the twelve months ended 30 June 2023 has been prepared in accordance with the requirements of section 300A of the *Corporations Act 2001 (Cth)* and has been audited as required by section 308 (3C) of the *Corporations Act 2001 (Cth)*.

The remuneration report sets out the remuneration of Key Management Personnel (KMP) for the year ended 30 June 2023. The remuneration report is presented in US dollars, unless otherwise stated.

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors (Executive and Non-executive).

## Key Management Personnel

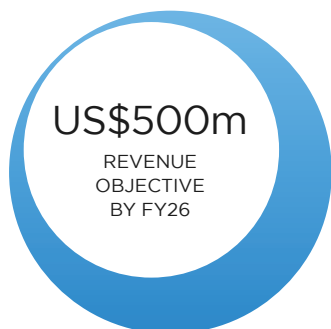
Altium KMP in the year ending 30 June 2023 are listed below.

NAME	POSITION	TERM AS KMP
<b>Chairman</b>	<b>KMP who is not an Executive</b>	
Samuel Weiss	Non-executive Chairman	Full term
<b>Non-Executive Directors</b>	<b>KMP who are not Executives</b>	
Raelene Murphy	Non-executive Director	Resigned 17 November 2022
Lynn Mickleburgh	Non-executive Director	Full term
Simon Kelly	Non-executive Director	Full term
<b>Executive Directors</b>	<b>Executive KMP</b>	
Aram Mirkazemi	Chief Executive Officer (CEO)	Full term
Sergiy Kostynsky	President and Chief Technology Officer	Full term
<b>Other KMP</b>	<b>Executive KMP</b>	
Richard Leon	Interim Chief Financial Officer (CFO)	Effective 19 October 2022

There have been no changes in KMP between the end of the reporting period and publication of the Financial Report.

# Vision and Remuneration Principles

ALTIUM'S VISION:



To increase the overall productivity of the entire electronic industry by connecting every engineering business process to the design and manufacturing of electronics hardware in the cloud

## OUR VALUES

<b>Big-thinking in pursuit of purpose</b>	<b>Diversity of thought</b>	<b>Courage of conviction</b>	<b>Transparency of intent</b>	<b>Ingenuity of "AND"</b>	<b>Agility in action</b>	<b>Adaptability of approach</b>	<b>Grit in pursuit of mission</b>
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## OUR REMUNERATION PRINCIPLES

<b>High-Calibre Talent</b>	<b>Long-Term Value Creation</b>	<b>Market Competitive</b>	<b>Tailored &amp; Unique</b>	<b>Flexible</b>	<b>Balanced</b>	<b>Engaged</b>	<b>Transformative</b>
Attract, motivate, retain high-calibre talent who want to transform the electronics industry	Align the creation of long-term shareholder value and employee mindset of ownership	Provide market-specific competitive rewards while balancing the expectations of Altium's shareholders	Tailor reward to the uniqueness of the role and the employee's contribution to Altium's long-term success	Ensure compliance with legislation in multiple jurisdictions by maintaining a flexible remuneration framework	Provide meaningful rewards beyond compensation with appropriate local benefits	Have a highly engaged employee base with a unique employee experience	Philosophy that underpins our vision and motivates performance that is beyond expectations



# Executive KMP remuneration framework and overview of long-term incentive plans

## Overview

All Executive KMP are Company Builders who exemplify an Altium First mindset of visionary ownership and entrepreneurial drive to transform the global electronics industry with a focus on long-term sustainable performance. Executive KMP are remunerated with a combination of Fixed and Long-Term Incentive Compensation (LTI). No Short-Term Incentive (STI) is in place for KMP.

Aram Mirkazemi, CEO and Sergiy Kostynsky, President, are each substantial shareholders in Altium Limited and their LTI is paid in cash. Richard Leon's LTI is delivered in performance rights under the existing rolling five-year LTI Level 1 Plan. He received an initial grant of five tranches that vest annually. In each subsequent year, an additional grant that vests in five years' time will be awarded.

## Changes to long-term incentive plans

During the year ended 30 June 2023, the HR Committee and Board selected three Performance Measures: Revenue, Profitability and Volume. These Measures have been designed to remain consistent under the LTI Plan and uphold Altium's commitment to deliver both strong top-line revenue growth and increasing levels of profitability over time. To assess performance against the Measures, entry gateway (80%) and stretch (125%) targets were set for four key Metrics in respect of the period: group revenue (weighted 40%), underlying EBITDA margin (weighted 30%), active subscription seats (weighted 15%), and Altium 365 Adoption (weighted 15%). Ambitious targets for future financial years will be set annually to propel Altium beyond its FY26 aspirational goals of US\$500 million revenue and underlying EBITDA margin of 38%-40%, with growing users and subscriber seats. The achievement of these milestones will set Altium on the path for long-term sustainable performance and transformation.

For fiscal year 2022, LTI performance was assessed against group revenue and margin (equally weighted at 33.3%) as well as subscriber seats and Altium 365 adoption (equally weighted at 16.65%). The entry gateway was 75% for revenue and 80% for margin and adoption with a maximum target opportunity of 100%.

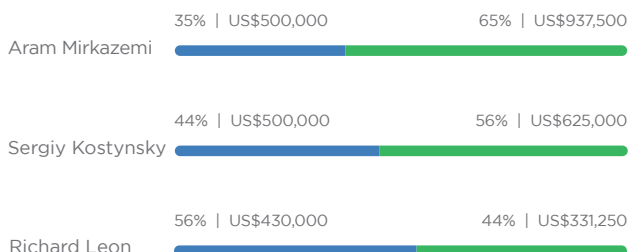
The following table provides a summary of the key elements of the remuneration framework for Executive KMP:

REMUNERATION TYPE	FEATURES	PURPOSE
<p>Fixed annual remuneration (FAR)</p>	<ul style="list-style-type: none"> <li>Base salary plus benefits and statutory entitlements</li> <li>Reviewed regularly</li> </ul>	<p>Attract and retain exceptional talent in a competitive environment, considering the capability and experience of individual Executives</p>
<p>Long-term incentive (LTI) plan</p>	<ul style="list-style-type: none"> <li>Long-term performance-based plan delivered as cash or performance rights, subject to Board discretion, which vest in future years subject to continued employment and achievement of performance targets</li> <li>Vesting in respect of the financial year ended 2023 is based on achievement of a combination of group revenue, underlying EBITDA margin, group active subscriber seats, Altium 365 adoption targets and continued employment</li> </ul>	<p>Encourage key employees to focus on the creation of enduring value and superior returns for investors, whilst retaining them for the long-term</p>

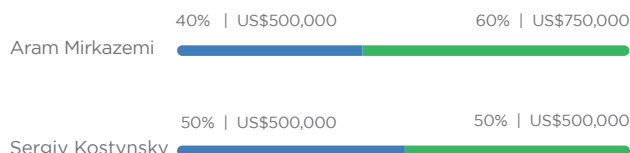
# Remuneration mix

Long-term incentive awards are set at 44%-65% of total remuneration in order to provide a meaningful incentive payment for the successful achievement of the Group goals. The target mix between variable and fixed remuneration for each Executive is as follows:

## Financial year 2023



## Financial year 2022



- Fixed remuneration
- Maximum Variable Opportunity @ 125% (FY22: 100%)

# Fixed Annual Remuneration (FAR)

FAR for KMP is a combination of cash and benefits, including statutory entitlements. Retirement benefits are paid in line with local legislation and practice.

## Approach to setting fixed annual remuneration

FAR is set with reference to:

- Perpetuating the Altium First mindset of visionary ownership and entrepreneurial drive
- The individual Executive’s leadership, talent and contribution (current and potential)
- The size and complexity of the role

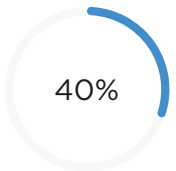

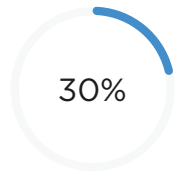

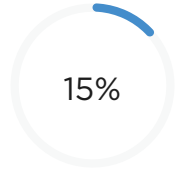

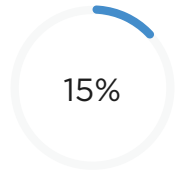

FAR is reviewed annually with reference to KMP’s relative performance within Altium. There are no guaranteed remuneration increases.

# Variable remuneration

A summary of the LTI plans is set out below.

DESIGN ELEMENT	DESCRIPTION
<p>▸ <b>Eligibility</b></p>	<p>Participants are invited to join the LTI plan every year based upon the recommendation of the CEO, the endorsement of the Human Resources Committee and with the approval of the Board. An invitation in one year does not commit the Group to invite participants in future years.</p>
<p>▸ <b>Target / Maximum</b></p>	<p>Target opportunity is calculated based on a percentage of the employee's FAR. The percentage is set based on an assessment of the employee's future potential impact and retention value.</p> <p>Target LTI opportunity is 80% achievement as an entry gateway and the maximum LTI opportunity is a 125% stretch target.</p>
<p>▸ <b>Performance Metrics (and weightings)</b></p>	<p>LTI awards vest subject to continued employment as well as achievement against performance hurdles set each year by the Board.</p> <p>Performance measures are selected with the intent to align with Altium's stated long-term corporate objectives. Hurdles are then selected to represent ambitious milestones towards achievement of those long-term objectives.</p> <p>Performance hurdles are commercial in confidence and are disclosed on a retrospective basis once each tranche has been tested.</p> <p>For the 2023 financial year tranche, the Board re-evaluated weighting of performance hurdles. It was decided group revenue and underlying EBITDA margin are the primary drivers of Altium's long term performance and should be weighted accordingly. Group active subscription seats and Altium 365 adoption remain key indicators of success.</p>

# Performance Metrics (and weightings) for FY23

WEIGHTING	METRIC	VESTING SCHEDULE	WHY METRIC CHOSEN
 <p>40%</p>	<p>Revenue</p> <div style="border: 1px solid #ccc; padding: 10px; background-color: #e6f2ff;"> <p>FY23 OUTCOME</p>  <p><b>US\$263.3m</b></p> <p>116%</p> </div>	<ul style="list-style-type: none"> <li>• 0% of tranche vests if performance is less than Entry Level</li> <li>• 80% of tranche vests if performance equals Entry Level of US\$255 million</li> <li>• 100% of tranche vests if performance is at least Target Level of US\$260 million</li> <li>• 125% of tranche vests if performance is at least Stretch Level of US\$265 million.</li> </ul>	<p>Supports achievement of Altium’s stated corporate objective of achieving US\$500 million in annual revenue which sets Altium on the path of transformation and long-term sustainable performance</p>
 <p>30%</p>	<p>Underlying EBITDA Margin</p> <div style="border: 1px solid #ccc; padding: 10px; background-color: #e6f2ff;"> <p>FY23 OUTCOME</p>  <p><b>36.2%</b></p> <p>105%</p> </div>	<ul style="list-style-type: none"> <li>• 0% of tranche vests if performance is less than Entry Level</li> <li>• 80% of tranche vests if performance equals Entry Level of 35%</li> <li>• 100% of tranche vests if performance is at least Target Level of 36%</li> <li>• 125% of tranche vests if performance is at least Stretch Level of 37%</li> </ul>	<p>Balances performance across the other two measures to ensure revenue growth and subscriber and Altium 365 adoption do not come at the expense of profitability</p>
 <p>15%</p>	<p>Group Active Subscription Seats</p> <div style="border: 1px solid #ccc; padding: 10px; background-color: #e6f2ff;"> <p>FY23 OUTCOME</p>  <p><b>61,159</b></p> <p>SUBSCRIBERS</p> <p>125%</p> </div>	<ul style="list-style-type: none"> <li>• 0% of tranche vests if performance is less than Entry Level</li> <li>• 80% of tranche vests if performance equals Entry Level of 59,000 subscribers</li> <li>• 100% of tranche vests if performance is at least Target Level of 59,500 subscribers</li> <li>• 125% of tranche vests if performance is at least Stretch Level of 60,000 subscribers</li> </ul>	<p>Supports achievement of Altium’s stated aspirational objective of achieving 100,000 subscribers, which will facilitate Altium’s vision of transformation through dominance of the global electronics industry</p>
 <p>15%</p>	<p>Altium 365 Account Adoption</p> <div style="border: 1px solid #ccc; padding: 10px; background-color: #e6f2ff;"> <p>FY23 OUTCOME</p>  <p><b>5,333</b></p> <p>ACCOUNTS</p> <p>125%</p> </div>	<ul style="list-style-type: none"> <li>• 0% of tranche vests if performance is less than Entry Level</li> <li>• 80% of tranche vests if performance equals Entry Level of 4,750 accounts</li> <li>• 100% of tranche vests if performance is at least Target Level of 5,000 accounts</li> <li>• 125% of tranche vests if performance is at least Stretch Level of 5,250 accounts</li> </ul>	<p>Supports achievement of Altium’s vision to bring the “business of engineering” onto the Cloud and in doing so attract enterprise customers to use all Altium’s tools</p>

The Board believes the selected metrics best reflect the drivers of successful execution of Altium’s strategy.

Refer to page 39 for a graphical representation of the link between Group performance and remuneration outcomes.

▸ **Calculation of the award**

Calculation is based on the achievement of the performance metrics as measured by the audited annual results, management documentation and Board approval.

▸ **Award vehicle and vesting**

Aram Mirkazemi and Sergiy Kostinsky are significant shareholders of Altium Limited shares and well above their minimum shareholding requirements. In light of this, the Non-executive Directors have resolved to pay all LTI entitlements to the Executive Directors in cash up to a maximum fixed cash value. Upon the performance conditions being satisfied the award will be paid in three equal tranches following the end of the financial year subject only to employment testing after the first year.

For Richard Leon, the award is delivered in performance rights which convert into fully paid ordinary shares in Altium at no cost to the recipient upon vesting. Any KMP who joins the LTI will receive an initial award of five tranches of performance rights that vest annually. After the first year of joining the plan, it is anticipated that each participant will receive an additional grant that will vest in five years' time subject to performance conditions outlined in a rolling five-year framework.

▸ **Termination and change of control provisions**

Retirement, redundancy, leave by mutual agreement:

- LTI awards may remain "on foot" subject to Board discretion

Termination, resignation:

- All unvested awards are forfeited
- No entitlement to termination payments in the event of termination for misconduct

▸ **Changes / modifications**

The Board has not modified the vesting outcome for awards tested in the financial year ended 2023

▸ **Discretion / malus**

The Board recognises that performance hurdles are unable to account for all circumstances and might result in a nominal remuneration outcome that does not reflect true performance. As a result, the Board retains the right to exercise discretion to adjust outcomes up or down as warranted.

The LTI award is also subject to Board consideration of Good Leaver Status as well as the employee's management of risk, involvement in any company reputational matters and malus consideration.

## Minimum shareholding requirements

All KMP who participate in the LTI plan and all Non-executive Directors are required to reach, and then maintain a minimum shareholding requirement over a period of time.

The minimum shareholding requirement must be met within five years from the date of inclusion in the LTI plan or date of appointment for Non-executive Directors.

Participants are not permitted to sell or transfer shares if the minimum shareholding requirement is not met, with the exception of the need to sell to offset tax requirements, and subject to Board approval.

The minimum shareholding level is determined as a percentage of base remuneration (FAR). Details of current shareholdings for Executive KMP is set out below:

	MINIMUM SHAREHOLDING REQUIREMENT (% OF BASE REMUNERATION)	CURRENT SHAREHOLDING (% OF BASE REMUNERATION) <sup>2</sup>	STATUS
Aram Mirkazemi	500%	>46,000%	Meets
Sergiy Kostynsky	500%	>11,000%	Meets
Richard Leon <sup>1</sup>	300%	>500%	Meets

<sup>1</sup>Richard Leon became a KMP on 19 October 2022.

<sup>2</sup>Based on the share price at 30 June 2023.

## Link between Group performance and remuneration outcomes

The Altium Remuneration Framework is designed to align KMP remuneration to shareholder returns (in the form of capital appreciation and dividends). The following table shows the Group financial performance over the last five years.

Altium’s remuneration strategy has evolved over time, and Altium believes that it is linked intrinsically to the success of the Group. Payout results for STI (which was discontinued effective 30 June 2020) and LTI reflect the strong financial performance of the Group.

# Altium Limited

## Remuneration Report

	2023 US\$'000	2022 <sup>1</sup> US\$'000	2021 <sup>2</sup> US\$'000	2020 US\$'000	2019 US\$'000
Revenue	263,286	220,812	191,103	189,124	171,819
EBITDA	96,018	79,840	67,186	75,634	62,721
Underlying EBITDA	95,367	81,132	68,975	72,829	62,910
Underlying EBITDA margin	36.2%	36.7%	36.1%	34.8%	36.6%
EPS	50.41	42.23	81.56	23.60	40.57
Profit for the year	66,348	55,488	106,985	30,881	52,893
Dividend declared - AU cents	54	47	40	39	34
Share price at 30 June - AU\$	36.92	26.91	36.69	32.48	34.20
STI Achievement <sup>3</sup>	N/A	N/A	N/A	0%	100% -150%
STI performance hurdles <sup>3</sup>	N/A	N/A	N/A	50% Revenue 50% EBITDA	70% Revenue 30% EBITDA
Long-term cash and share scheme achievement	116%	80.0%	43.2%	0%	100%
LTI performance hurdles	40% Revenue 30% Underlying EBITDA Margin 15% Subscriber Adoption 15% Altium 365 Adoption	33.4% Revenue 33.3% Underlying EBITDA Margin 16.65% Subscriber Adoption 16.65% Altium 365 Adoption	33.4% Revenue 33.3% Underlying EBITDA Margin 33.3% Subscriber Adoption	Revenue	50% Revenue 50% EPS

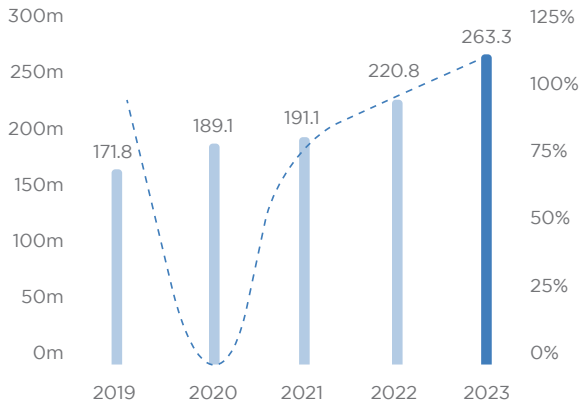
<sup>1</sup> Represents continuing business in fiscal year 2022.

<sup>2</sup> Results for 2021 include results from TASKING up to 5 February 2021 which is the date it was sold.

<sup>3</sup> STI was discontinued effective 30 June 2020.

## REVENUE (US\$ MILLION)

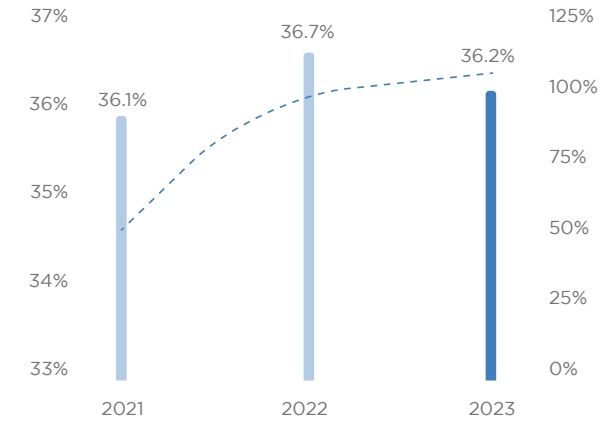
**263.3** ▲ 19.2% on prior year



● Revenue  
 --- Achievement %

## UNDERLYING EBITDA MARGIN (%)

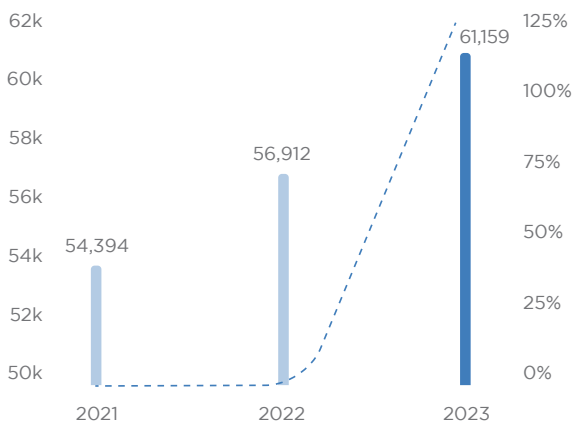
**36.2%** ▼ 0.5 points on prior year



● Underlying EBITDA Margin  
 --- Achievement %

## GROUP SUBSCRIPTIONS

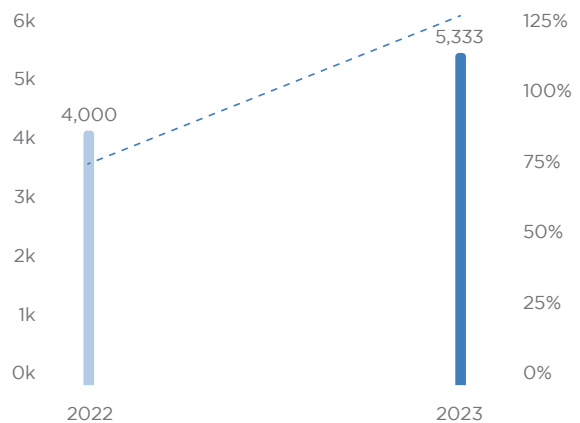
**61,159** ▲ 7.5% on prior year



● Group Active Subscriptions  
 --- Achievement %

## ALTIUM 365 ADOPTION

**5,333** ▲ 33% on prior year



● Altium 365 Adoption  
 --- Achievement %



## 2023 financial year long-term incentive outcomes

For the year ended 30 June 2023, LTI performance for Executive KMP was assessed on Revenue, Underlying EBITDA Margin, Group Active Subscriptions and Altium 365 Adoption goals.

PERFORMANCE METRIC	WEIGHTING	ENTRY (80%)	TARGET (100%)	STRETCH (125%)	YEAR ENDED 30 JUNE 2023 RESULTS	30 JUNE 2023 ACHIEVEMENT	30 JUNE 2023 WEIGHTED ACHIEVEMENT
Group Revenue (million)	40%	US\$255	US\$260	US\$265	US\$263.3	116%	46.5%
Underlying EBITDA Margin	30%	35.0%	36.0%	37.0%	36.2%	105%	31.5%
Active Subscriber Seats	15%	59,500	59,500	60,000	61,159	125%	19.0%
Altium 365 Adoption	15%	4,750	5,000	5,250	5,333	125%	19.0%
							116.0%

## Actual remuneration received in the year ended 30 June 2023 (Non-IFRS disclosure)

The following table sets out the actual value of the remuneration received by Executive KMP members during the year.

The figures in this table are different from those shown in the statutory table which includes an accounting value for all unvested LTI grants (some of which remain subject to the satisfaction of performance and service conditions and may not ultimately vest). Accounting standards require share based payments to be amortised over the relevant performance and service periods.

The table below shows the value of LTI performance rights that vested during the year as set out in Section 8.

EXECUTIVE KMP	FINANCIAL YEAR	FIXED REMUNERATION			VARIABLE REMUNERATION				TOTAL US\$
		CASH SALARY US\$	NON-MONETARY BENEFITS <sup>2</sup> US\$	ANNUAL LEAVE <sup>3</sup> US\$	POST EMPLOYMENT BENEFITS US\$	STI <sup>4</sup>	LONG-TERM CASH BONUS / LTI US\$	SHARE GRANT US\$	
Aram Mirkazemi	2023	500,000	53,623	-	-	-	308,000	-	861,623
	2022	500,000	52,775	-	-	-	441,333	-	994,108
Sergiy Kostynsky	2023	500,000	43,639	-	-	-	205,333	-	748,972
	2022	500,000	40,449	-	-	-	188,667	-	729,116
Richard Leon <sup>1</sup>	2023	312,873	27,283	31,796	24,438	47,626	-	-	444,052

<sup>1</sup> Richard Leon was appointed a KMP on 19 October 2022. Remuneration has been included from that date (contractual annual fixed remuneration is AU\$ 758,595.76).

<sup>2</sup> Non-monetary benefits include dental, medical and life insurance.

<sup>3</sup> Annual leave is calculated as the movement in the balance sheet provision from the prior year to the current year.

<sup>4</sup> Richard Leon's STI is related to remuneration prior to becoming a KMP however paid subsequent to becoming a KMP. He is no longer entitled to STI.

# Remuneration governance

Altium has a remuneration governance structure, with a separate HR Committee to support the Board to oversee the Group's remuneration strategy, policies and practices.

Non-executive Directors attend all Board meetings and are invited to committee meetings where they are not members. Members of the HR Committee are fully across any issues or discussions arising during the Audit and Risk Management Committee meetings, and vice versa, enabling a comprehensive assessment of any relevant risk considerations in remuneration decision making.

The HR Committee is responsible to:

- Review and recommend to the Board changes to variable remuneration plans, including consideration of performance thresholds
- Review and recommend to the Board performance and remuneration outcomes for the CEO and Executive team (including incentive payments and awards/vesting)
- Review and recommend to the Board changes to NED fees
- Review and recommend to the Board the mandatory shareholding policy and its application
- Review and recommend to the Board any other policies it deems fit for the Board to consider

The Committee has the appropriate resources to discharge its duties and responsibilities, including engaging counsel or other experts that it considers appropriate. This includes making requests to management or engaging external remuneration consultants to provide information and guidance.



# Executive service agreements

Remuneration and other terms of employment for KMP are formalised in service agreements.

## SERVICE AGREEMENT TERMS

Term of agreement	Open agreement with no fixed term
Notice	Aram Mirkazemi has 2 weeks notice, Richard Leon has 4 weeks notice and all other KMP are employed at will
Severance	Severance will be paid in accordance with local legislation <sup>1</sup>

<sup>1</sup> The contracts do not contain contractual termination benefits.

# Non-executive Director remuneration



Non-executive Directors (NEDs) receive fixed remuneration by way of cash fees. No NED participates in any incentive plan.

NED fees reflect the demands made of, and the responsibilities and skills of the NEDs.

NED fees are recommended by the HR Committee and determined by the Board, within the maximum amount of cash salary approved by the shareholders from time to time. The maximum NED fee pool is AU\$2,250,000 per annum, which was last approved in a general meeting on 18 November 2021.

All NEDs have open agreements with no fixed term.

The following table outlines the base NED fees and committee fee policy as at 30 June 2023 and 30 June 2022. Fees are inclusive of statutory superannuation. The Chairman does not receive separate committee fees.

The fees were increased in 2023 for the first time since 2016 in recognition of the increase in the Company's size, complexity and ambition as well as to be able to attract and retain Directors on both sides of the Pacific who can contribute to the future success of Altium. The Board will review the fee pool as it makes progress in the appointment of new Directors.

BOARD / COMMITTEE	CHAIRMAN US\$		MEMBER US\$	
	2023 <sup>1</sup>	2022	2023 <sup>1</sup>	2022
Board	400,000	285,000	135,000	120,000
Audit and Risk Management Committee	40,000	18,750	20,000	11,250
Human Resources Committee	40,000	18,750	20,000	11,250

<sup>1</sup> Director fee increases effective as of 17 November 2022.

Table outlining the statutory remuneration for NEDs in the year ended 30 June 2023 and 30 June 2022.

NON-EXECUTIVE DIRECTOR	FINANCIAL YEAR	BOARD AND COMMITTEE FEES US\$	OTHER FEES US\$	POST EMPLOYMENT BENEFITS US\$	BOARD AND COMMITTEE FEES US\$
Samuel Weiss	2023	329,235	-	34,706	363,941
	2022	259,091	-	25,909	285,000
Raelene Murphy <sup>1</sup>	2023	60,000	-	-	60,000
	2022	148,750	-	-	148,750
Lynn Mickleburgh	2023	178,000	-	-	178,000
	2022	150,000	-	-	150,000
Simon Kelly <sup>2</sup>	2023	178,000	-	-	178,000
	2022	42,621	-	-	42,621

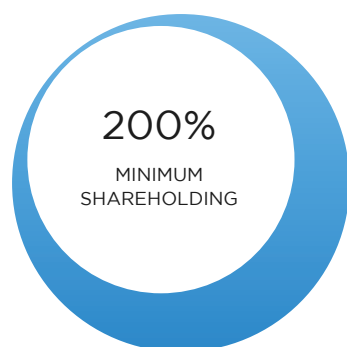
<sup>1</sup> Raelene Murphy resigned as a director on 17 November 2022, remuneration for the year ended 30 June 2023 has been included to that date.

<sup>2</sup> Simon Kelly became a KMP upon his appointment as a Director on 17 March 2022.

Samuel Weiss and Raelene Murphy were paid in Australian dollars after conversion from US dollars at the prevailing exchange rate on the date of payment.

## NED minimum shareholding requirements

Within five years of appointment, a NED is expected to hold a minimum shareholding of Altium shares equivalent to 200% of annual fees. The shares may be held personally, within a self-managed superfund or by a family trust.



	MINIMUM SHAREHOLDING REQUIREMENT (% OF BASE FEES)	CURRENT SHAREHOLDING (% OF BASE FEES) <sup>2</sup>	STATUS
Samuel Weiss	200%	>12,000%	Meets
Lynn Mickleburgh	200%	>300%	Meets
Simon Kelly <sup>1</sup>	200%	<100%	Does not meet

<sup>1</sup> Simon Kelly became a KMP upon his appointment as a Director on 17 March 2022 and has 5 years from the date of his appointment to meet the minimum requirement.

<sup>2</sup> Based on the share price at 30 June 2023.

# Statutory disclosures

# Statutory remuneration

The remuneration presented in the section below is in accordance with statutory requirements and accounting standards. This includes remuneration costs in relation to both the 2023 and 2022 financial years. The tables are different from the remuneration outcomes table in section 4, which shows the remuneration received in the year rather than the accounting values determined in accordance with the Australian Accounting Standards.

Table outlining the statutory remuneration for Executive KMP in the years ended 30 June 2023 and 30 June 2022:

EXECUTIVE KMP	FINANCIAL YEAR	FIXED REMUNERATION					VARIABLE REMUNERATION			TOTAL US\$	PERFORMANCE RELATED REMUNERATION AS A PROPORTION OF TOTAL REMUNERATION
		CASH SALARY US\$	NON-MONETARY BENEFITS <sup>2</sup> US\$	ANNUAL LEAVE <sup>3</sup> US\$	POST EMPLOYMENT BENEFITS US\$	STI <sup>4</sup>	EQUITY SETTLED LTI	CASH LTI US\$			
Aram Mirkazemi	2023	500,000	53,623	-	-	-	-	759,844	1,313,467	58%	
	2022	500,000	52,775	-	-	-	-	409,289	962,064	43%	
Sergiy Kostynsky	2023	500,000	43,639	-	-	-	-	506,563	1,050,202	48%	
	2022	500,000	40,449	-	-	-	-	268,964	809,413	33%	
Richard Leon <sup>1</sup>	2023	312,873	27,283	31,796	24,438	47,662	423,491	-	867,543	54%	

<sup>1</sup> Richard Leon was appointed a KMP on 19 October 2022 and amounts have been included from that date.

<sup>2</sup> Non-monetary benefits include dental, medical and life insurance.

<sup>3</sup> Annual leave is calculated as the movement in the balance sheet provision from the prior year to the current year.

<sup>4</sup> Richard Leon's STI is related to remuneration prior to becoming a KMP however paid subsequent to becoming a KMP. He is no longer entitled to STI.

## KMP Performance rights

The following table summarises performance rights granted and vested for the financial years 2023 and 2022 and provides a reconciliation of performance rights awarded under the LTI plan that are not yet vested. The maximum value of the unvested shares has been determined as the amount of the grant date fair value that is yet to be expensed.

NAME	FINANCIAL YEAR	BALANCE OF UNVESTED PERFORMANCE RIGHTS AT THE BEGINNING OF YEAR	AWARDED	VESTED	FORFEITED	OTHER	BALANCE OF UNVESTED PERFORMANCE RIGHTS AT THE END OF YEAR	PERCENT GRANTS VESTED %	PERCENT GRANTS FORFEITED %	MAXIMUM VALUE YET TO VEST US\$
Aram Mirkazemi	2023	-	-	-	-	-	-	N/A	0%	-
	2022	-	-	-	-	-	-	N/A	0%	-
Sergiy Kostynsky	2023	-	-	-	-	-	-	N/A	0%	-
	2022	-	-	-	-	-	-	N/A	0%	-
Richard Leon <sup>1</sup>	2023	-	69,966 <sup>2</sup>	-	-	-	69,966	0%	0%	1,711,347

<sup>1</sup> Richard Leon was considered a KMP as of 19 October 2022 and amounts are included as of that date.

<sup>2</sup> Fair value at grant date was US\$24.41. 10,336 performance rights vest on 31 August 2023 and five equal tranches of 11,926 vest annually on 31 August 2024 to 31 August 2028 inclusive. Vesting is subject to continued employment and the achievement of performance targets.

Aram Mirkazemi and Sergiy Kostynsky are significant shareholders of Altium Limited and well above their minimum shareholding requirements. The Non-executive Directors of the Board have approved all LTI awards to the CEO and President to be paid in cash.

## KMP shareholdings

The number of shares in the Group held during the financial year by KMP, including their personally related parties, is set out below:

	BALANCE AT THE BEGINNING OF THE YEAR	RECEIVED AS PART OF REMUNERATION	PURCHASE OF SHARES	OTHER	BALANCE AT THE END OF THE YEAR
Samuel Weiss	1,906,207	-	-	-	1,906,207
Lynn Mickleburgh	23,400	-	-	-	23,400
Simon Kelly	4,081	-	-	-	4,081
Aram Mirkazemi	9,518,403	-	-	-	9,518,403
Sergiy Kostynsky	2,402,468	-	-	-	2,402,468
Richard Leon <sup>1</sup>	110,000	-	-	-	110,000

<sup>1</sup> Richard Leon was considered a KMP as of 19 October 2022 and amounts are included as of that date.

### Other transactions with key management personnel

There were no other transactions with KMP during the years ended 30 June 2023 and 30 June 2022.

### Loans to directors and executives

There were no loans to KMP for the years ended 30 June 2023 and 30 June 2022.

### Voting of shareholders at last year's annual general meeting

Altium received 95.81% of "yes" votes on its remuneration report for the 2022 financial year. The Group did not receive any specific comments at the AGM or during the year on its remuneration practices.

Signed in accordance with a resolution of Directors.



Samuel Weiss  
Chairman

Sydney, 21 August 2023

END OF REMUNERATION REPORT



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Altium Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Altium Limited for the financial year ended 30 June 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Caoimhe Toouli

Caoimhe Toouli

Partner

Sydney

21 August 2023



# Financial Report

## CONTENTS

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1. Consolidated statement of profit or loss and other comprehensive income	49
2. Consolidated statement of financial position	50
3. Consolidated statement of changes in equity	51
4. Consolidated statement of cash flows	52
5. Notes to the consolidated financial statements	53
6. Directors' declaration	103
7. Independent auditor's report to the members of Altium Limited	104

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# Altium Limited

Consolidated statement of profit or loss and other comprehensive income

	NOTE	CONSOLIDATED	
		2023 US\$'000	2022 US\$'000
<b>Continuing operations</b>			
Revenue	3	263,286	220,812
Operating expenses			
Employee benefits expense		(103,448)	(93,711)
Share-based payments	29	(9,762)	(5,483)
Marketing expense		(12,780)	(9,003)
Communication expense		(10,092)	(8,271)
Depreciation, amortisation and impairment expense	4	(9,609)	(11,967)
Software and equipment expense		(8,878)	(7,939)
Professional advice expense		(8,504)	(6,150)
Hardware materials expense		(2,270)	(2,992)
Insurance expense		(2,241)	(2,138)
Rental and occupancy expense		(1,808)	(1,436)
Other expenses		(7,485)	(3,849)
<b>Total operating expenses</b>		<b>(176,877)</b>	<b>(152,939)</b>
<b>Operating profit</b>		<b>86,409</b>	<b>67,873</b>
Finance income	2	1,957	690
Finance costs	2,4	(601)	(704)
<b>Profit before income tax expense</b>		<b>87,765</b>	<b>67,859</b>
Income tax expense	5	(21,417)	(12,371)
<b>Profit after income tax expense from continuing operations</b>		<b>66,348</b>	<b>55,488</b>
<b>Discontinued operations</b>			
Loss after income tax expense from discontinued operations		-	(143)
<b>Profit after income tax expense for the year attributable to the owners of Altium Limited</b>		<b>66,348</b>	<b>55,345</b>
Other comprehensive loss for the year, net of tax			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences for disposed foreign operations	20	(1,211)	-
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations	20	(204)	(1,756)
<b>Other comprehensive loss for the year</b>		<b>(1,415)</b>	<b>(1,756)</b>
<b>Total comprehensive income for the year attributable to the owners of Altium Limited</b>		<b>64,933</b>	<b>53,589</b>
		CENTS	CENTS
<b>Continuing operations</b>			
Basic earnings per share	28	50.41	42.23
Diluted earnings per share	28	49.91	42.05
<b>Group total</b>			
Basic earnings per share	28	50.41	42.12
Diluted earnings per share	28	49.91	41.95

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

# Altium Limited

Consolidated statement of financial position

	CONSOLIDATED		
	NOTE	2023 US\$'000	2022 US\$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	200,975	199,287
Trade and other receivables	7	61,180	52,510
Contract assets	3	18,255	10,976
Inventories	8	1,161	1,161
Tax receivables		1,064	1,639
Prepayments		6,205	7,651
Other assets		-	657
<b>Total current assets</b>		<b>288,840</b>	<b>273,881</b>
<b>Non-current assets</b>			
Non-current contract assets	3	2,505	-
Other receivables	9	28,099	1,629
Investments and other assets	10	3,373	3,274
Property, plant and equipment	11	4,530	3,822
Right-of-use assets	12	10,104	8,190
Intangible assets	13	40,751	43,926
Deferred tax assets	14	49,045	46,728
<b>Total non-current assets</b>		<b>138,407</b>	<b>107,569</b>
<b>Total assets</b>		<b>427,247</b>	<b>381,450</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	22,949	20,058
Lease liabilities	12	3,603	5,364
Tax liabilities		5,498	3,672
Provisions	16	3,862	3,837
Customer contract liabilities	3	66,940	56,449
<b>Total current liabilities</b>		<b>102,852</b>	<b>89,380</b>
<b>Non-current liabilities</b>			
Non-current trade and other payables		404	-
Lease liabilities	12	7,413	4,088
Deferred tax liabilities	18	3,146	3,804
Provisions	17	505	476
Customer contract liabilities	3	8,690	8,835
Other liabilities		12	13
<b>Total non-current liabilities</b>		<b>20,170</b>	<b>17,216</b>
<b>Total liabilities</b>		<b>123,022</b>	<b>106,596</b>
<b>Net assets</b>		<b>304,225</b>	<b>274,854</b>
<b>Equity</b>			
Contributed equity	19	127,699	127,699
Reserves	20	34,216	25,869
Retained profits	20	142,310	121,286
<b>Total equity</b>		<b>304,225</b>	<b>274,854</b>

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

# Altium Limited

## Consolidated statement of changes in equity

CONSOLIDATED	NOTE	CONTRIBUTED EQUITY US\$'000	RESERVES US\$'000	RETAINED PROFITS US\$'000	TOTAL EQUITY US\$'000
Balance at 1 July 2021		127,699	22,142	106,059	255,900
Profit after income tax expense for the year		-	-	55,345	55,345
Other comprehensive loss for the year	20	-	(1,756)	-	(1,756)
<b>Total comprehensive income for the year</b>		-	(1,756)	55,345	53,589
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payment expense	20		5,483	-	5,483
Dividends paid	21	-	-	(40,118)	(40,118)
<b>Balance at 30 June 2022</b>		<b>127,699</b>	<b>25,869</b>	<b>121,286</b>	<b>274,854</b>

CONSOLIDATED	NOTE	CONTRIBUTED EQUITY US\$'000	RESERVES US\$'000	RETAINED PROFITS US\$'000	TOTAL EQUITY US\$'000
Balance at 1 July 2022		127,699	25,869	121,286	274,854
Profit after income tax expense for the year		-	-	66,348	66,348
Other comprehensive loss for the year	20	-	(1,415)	-	(1,415)
<b>Total comprehensive income for the year</b>		-	(1,415)	66,348	64,933
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payment expense	20	-	9,762	-	9,762
Dividends paid	21	-	-	(45,324)	(45,324)
<b>Balance at 30 June 2023</b>		<b>127,699</b>	<b>34,216</b>	<b>142,310</b>	<b>304,225</b>

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

# Altium Limited

## Consolidated statement of cash flows

	CONSOLIDATED		
	NOTE	2023 US\$'000	2022 US\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of tax)		267,083	229,502
Payments to suppliers and employees (inclusive of tax)		(163,479)	(147,698)
Interest received		2,231	369
Interest and other finance costs paid		(869)	(489)
Net income taxes paid <sup>1</sup>		(49,239)	(9,193)
<b>Net cash from operating activities</b>	<b>27</b>	<b>55,727</b>	<b>72,491</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	11	(3,677)	(1,040)
Payments for intangible assets	13	-	(425)
Proceeds from sale of TASKING, net of cash disposed, transaction costs and tax paid <sup>2</sup>		-	(15,841)
<b>Net cash (used in) / from investing activities</b>		<b>(3,677)</b>	<b>(17,306)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	21	(45,324)	(40,118)
Repayment of principal component of lease liabilities	27	(4,314)	(5,707)
<b>Net cash used in financing activities</b>		<b>(49,638)</b>	<b>(45,825)</b>
Net increase in cash and cash equivalents		2,412	9,360
Cash and cash equivalents at the beginning of the financial year		199,287	191,541
Effects of exchange rate changes on cash and cash equivalents held		(724)	(1,614)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>6</b>	<b>200,975</b>	<b>199,287</b>

<sup>1</sup> Includes AU\$40,000,000 (US\$27,248,000) paid to the Australian Tax Office on 3 January 2023. Refer to Note 30 for further details.

<sup>2</sup> Includes US\$10,000,000 of cash proceeds received, net of transaction and separation costs of US\$466,000 and US\$25,375,000 of taxes paid.

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

## NOTE 1

## Overview

### General information

The financial report covers Altium Limited ('company' or 'parent entity') as a consolidated entity consisting of Altium Limited and the entities it controlled, together referred to in these financial statements as the 'Group'. The financial report is presented in US dollars.

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

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 21 August 2023. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, the Group 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 the Group's reporting, please email [investor.relations@altium.com](mailto:investor.relations@altium.com).

### Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### New, revised or amended Accounting Standards and Interpretations

The Group has adopted all new accounting standards and interpretations issued by the Australian Accounting Standards Board ('AASB') and determined none of these standards and interpretations materially impact the Group during the year ended 30 June 2023. There are no new or amended standards and interpretations that are expected to have a significant impact on the Group's consolidated financial statements.

### Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Altium Limited is a for-profit entity for the purpose of preparing the financial statements.

### Compliance with IFRS

The consolidated financial statements of the Group also comply with the International Financial Reporting Standards (IFRS) and Interpretations (IFRICs) as issued by the International Accounting Standards Board (IASB).

### Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, share-based payments which are measured at fair value in accordance with AASB 2 Share-based Payment, and assets classified as held for sale which are measured at the lower of carrying amount and fair value less costs to sell.

### Comparative information

Comparative information is reclassified where appropriate to enhance comparability.

### Functional currency

The consolidated financial statements are presented in US dollars which is Altium Limited's functional and presentation currency.

### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 26.

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Altium Limited as at 30 June 2023 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

## Employee Share Trust

The Group has formed a trust to administer the Group's employee share scheme which is managed by CPU Share Plans Pty Limited. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

Shares held by the Altium Limited Employee Share and Option Plan Trust Deed are disclosed as treasury shares and included in contributed equity.

## Foreign currency translation

### Foreign currency transactions

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### Foreign operations

The assets and liabilities of foreign operations are translated into US dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into US dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold a proportionate share of such exchange difference is reclassified to profit and loss, as part of the gain or loss on sale where applicable.

### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in a normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled in a normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### Goods and Services Tax (GST or VAT) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated tax, unless the tax incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of tax receivable or payable. The net amount of tax recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The tax components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of associated tax recoverable from, or payable to, the tax authority.

### Rounding of amounts

The Group 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.

NOTE 2

# Operating segments

## Description of segments

Management has determined the operating segments based on the reports provided to the Chief Operating Decision Makers (the "CODM"), which are used to make strategic decisions and review operational performance. The CODM comprise the Board and the Chief Executive Officer.

The CODM considers the financial performance of the business based on product types and the overall economic characteristics of industries in which the Group operates and, as such, have identified two operating segments:

REPORTABLE SEGMENTS

PRINCIPAL ACTIVITIES

### ▸ Design Software

Includes results from PCB business for the Americas, EMEA, China and Asia-Pacific, as well as other products sold through partner channels.

### ▸ Cloud Platform

Includes the results from Nexar, Octopart and manufacturing units.

The CODM continues 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 year ended 30 June 2023 and the comparative period.

Segment performance is evaluated based on reported and underlying earnings before interest expense, tax expense, depreciation and amortisation (EBITDA). Segment sales represent sales bookings as per orders from customers. These are subsequently adjusted for the deferred component which is recognised over the service period to arrive at revenue. Reported and underlying EBITDA and revenue are management's key metrics in understanding the results by segment.

## Intersegment transactions

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

## Aggregation of operating segments

The Design Software regional operating segments for the Americas, EMEA, China and Asia Pacific have been aggregated into one reportable segment as they primarily sell the same products across the regions, and their customers and distribution methods are similar in nature.



## Operating segment information

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE 30 JUNE 2023	DESIGN SOFTWARE US\$'000	CLOUD PLATFORM US\$'000	CORPORATE / UNALLOCATED <sup>4</sup> US\$'000	TOTAL US\$'000
Segment sales <sup>1</sup>	229,248	60,045	-	289,293
Net adjustment for deferred revenue recognition <sup>2</sup>	(26,242)	235	-	(26,007)
<b>Total revenue</b>	<b>203,006</b>	<b>60,280</b>	<b>-</b>	<b>263,286</b>
<b>EBITDA</b>	<b>108,866</b>	<b>37,059</b>	<b>(49,907)</b>	<b>96,018</b>
<b>Underlying EBITDA<sup>3</sup></b>	<b>108,866</b>	<b>37,059</b>	<b>(50,558)</b>	<b>95,367</b>
Depreciation, amortisation and impairment			(9,609)	(9,609)
Net finance income			1,356	1,356
<b>Profit before income tax expense</b>				<b>87,765</b>
Income tax expense				(21,417)
<b>Profit after income tax from continuing operations</b>				<b>66,348</b>
Profit after income tax from discontinued operations				-
<b>Profit after income tax expense for the year attributable to the owners of Altium Limited</b>				<b>66,348</b>

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE 30 JUNE 2022	DESIGN SOFTWARE US\$'000	CLOUD PLATFORM US\$'000	CORPORATE / UNALLOCATED <sup>4</sup> US\$'000	TOTAL US\$'000
Segment sales <sup>1</sup>	187,208	51,419	-	238,627
Net adjustment for deferred revenue recognition <sup>2</sup>	(17,926)	111	-	(17,815)
<b>Total revenue</b>	<b>169,282</b>	<b>51,530</b>	<b>-</b>	<b>220,812</b>
<b>EBITDA</b>	<b>90,074</b>	<b>30,266</b>	<b>(40,500)</b>	<b>79,840</b>
<b>Underlying EBITDA</b>	<b>90,074</b>	<b>30,266</b>	<b>(39,208)</b>	<b>81,132</b>
Depreciation and amortisation			(11,967)	(11,967)
Net finance costs			(14)	(14)
<b>Profit before income tax expense</b>				<b>67,859</b>
Income tax expense				(12,371)
<b>Profit after income tax from continuing operations</b>				<b>55,488</b>
Loss after income tax from discontinued operations				(143)
<b>Profit after income tax expense for the year attributable to the owners of Altium Limited</b>				<b>55,345</b>

<sup>1</sup> Segment sales relate to confirmed sales orders from customers.

<sup>2</sup> Adjustment relates to the portion of deferred revenue which has been billed and portion of opening balances of deferred revenue and unbilled receivables recognised during the year.

<sup>3</sup> FY23 Underlying EBITDA excludes:

- US\$1,211,000 million gain made when the accumulated foreign currency translation differences were moved from equity to profit or loss after the closure of operations in Russia during the year; and
- US\$560,000 of foreign currency translation loss from the revaluation of the Australian Dollar denominated balance expected to be refunded by the Australian Tax Office. The balance is related to the ongoing tax dispute (refer to Note 30 of the financial statements for details)

<sup>4</sup> Costs included in Corporate / Unallocated relate to head office employee and other overhead costs.

## Geographical information

30 JUNE 2023 CONSOLIDATED STATEMENT OF FINANCIAL POSITION	AMERICAS US\$'000	EMEA US\$'000	CHINA US\$'000	ASIA - PACIFIC US\$'000	CORPORATE US\$'000	TOTAL US\$'000
Revenue <sup>1</sup>	152,362	74,477	19,496	16,951	-	263,286
<b>Assets<sup>2</sup></b>						
Segment assets	145,579	73,554	18,921	24,189	114,895	377,138
<i>Unallocated assets:</i>						
Deferred tax asset						49,045
Income tax receivables						1,064
<b>Total assets</b>						<b>427,247</b>
<b>Liabilities</b>						
Segment liabilities	40,423	37,367	2,623	11,877	11,072	103,362
<i>Unallocated liabilities:</i>						
Provision for income tax						5,498
Deferred tax liability						3,146
Lease liabilities						11,016
<b>Total liabilities</b>						<b>123,022</b>
<b>30 JUNE 2022 CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>						
Revenue <sup>1</sup>	121,159	67,538	21,188	10,927	-	220,812
<b>Assets<sup>2</sup></b>						
Segment assets	65,301	41,162	18,507	14,508	193,605	333,083
<i>Unallocated assets:</i>						
Deferred tax asset						46,728
Income tax receivables						1,639
<b>Total assets</b>						<b>381,450</b>
<b>Liabilities</b>						
Segment liabilities	35,648	32,738	5,182	7,646	8,454	89,668
<i>Unallocated liabilities:</i>						
Provision for income tax						3,672
Deferred tax liability						3,804
Lease liabilities						9,452
<b>Total liabilities</b>						<b>106,596</b>

<sup>1</sup> Revenue from external customers attributed to the Group's country of domicile, Australia, amounts to US\$7,875,000 for the year ended 30 June 2023 (30 June 2022: US\$7,944,000). Revenue from external customers in countries other than Australia amounts to US\$255,411,000 (30 June 2022: US\$212,868,000).

<sup>2</sup> Non-current assets excluding financial instruments and deferred tax assets held in the Group's country of domicile, Australia, amount to US\$208,000 (30 June 2022: US\$685,000). Non-current assets excluding financial instruments and deferred tax assets held in countries other than Australia amount to US\$55,177,000 (30 June 2022: US\$55,253,000).

## Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the CODM. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### NOTE 3

## Revenue

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
<b>From continuing operations</b>		
Software license revenue	103,559	85,237
Subscription and maintenance revenue	94,993	80,432
Search advertising revenue	56,162	49,821
Service revenue	4,188	3,475
Hardware revenue	4,118	1,560
Other revenue	266	287
<b>Revenue</b>	<b>263,286</b>	<b>220,812</b>

## Timing of revenue recognition

CONSOLIDATED - 2023	DESIGN SOFTWARE US\$'000	CLOUD PLATFORM US\$'000	TOTAL US\$'000
At a point in time	107,985	60,280	168,265
Over time	95,021	-	95,021
	<b>203,006</b>	<b>60,280</b>	<b>263,286</b>

CONSOLIDATED - 2022	DESIGN SOFTWARE US\$'000	CLOUD PLATFORM <sup>1</sup> US\$'000	TOTAL US\$'000
At a point in time	84,744	51,379	136,123
Over time	84,689	-	84,689
	<b>169,433</b>	<b>51,379</b>	<b>220,812</b>

<sup>1</sup> Cloud Platform revenue includes search advertising revenue and hardware revenue

## Customer contract assets

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Current contract assets	18,255	10,976
Non-current contract assets	2,505	-
<b>Total contract assets</b>	<b>20,760</b>	<b>10,976</b>

All contract assets are considered fully recoverable.

## Customer contract liabilities

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Deferred subscription and maintenance revenue	66,261	56,145
Other deferred revenue	679	304
<b>Current customer contract liabilities</b>	<b>66,940</b>	<b>56,449</b>
<b>Non-current customer contract liabilities</b>	<b>8,690</b>	<b>8,835</b>
<b>Total customer contract liabilities</b>	<b>75,630</b>	<b>65,284</b>

Revenue recognised in the reporting year that was included in the contract liability balance at the beginning of the year amounted to US\$56,449,000(2022: US\$52,431,000).

## Transaction price allocated to remaining performance obligations

Remaining performance obligations represents the total contractual commitments for which services will be performed. Remaining performance obligations include deferred revenue, which primarily consists of billings or payments received in advance of revenue recognition and unbilled receivables that have not yet been recognised in the financial statements.

The transaction price allocated to remaining performance obligations is approximately US\$107.6 million as of 30 June 2023. Approximately 72% of the remaining performance obligations are expected to be recognised over the next 12 months with the remainder recognised thereafter.

	FY2024	FY2025	FY2026	FY2027	FY2028 AND BEYOND	TOTAL
Value of remaining performance obligations	77,273	17,601	8,682	1,959	2,115	107,630
<b>Total</b>	<b>77,273</b>	<b>17,601</b>	<b>8,682</b>	<b>1,959</b>	<b>2,115</b>	<b>107,630</b>
	72%	16%	8%	2%	2%	100%

## Accounting policy for revenue recognition

Revenue is recognised when control of a good or service transfers to a customer – either over time or at a point in time – depending on when performance obligations are satisfied.

The Group has one performance obligation for each of the revenue streams listed below and has applied the following revenue recognition methods:

- Software licenses: Revenue is recognised at a point in time when access to the license has been granted to the user.
- Subscription and maintenance: Revenue is deferred and is subsequently recognised as revenue over the period in which the subscription service is provided. As the billing structure for customers is often bundled with software licenses and billed on activation, an allocation methodology is applied based on stand-alone selling prices to calculate the portion of revenue to be deferred.
- Search advertising: Revenue is recognised at a point in time on a price-per-click basis, this is when a user engages with the search result on the website by clicking on it.
- Services revenue: Revenue from providing services is recognised over the period in which the services are rendered. Services include training and/or implementation services.
- Hardware revenue: Revenue is recognised when control of the goods has been transferred to the customer.
- Other revenue: Includes royalties related to IP which are recognised at a point in time when the subsequent sales occur.

The timing of revenue recognition, customer billings and cash collections results in trade receivables, unbilled receivables (contract assets) and deferred revenue (contract liabilities) recognised on the Group's consolidated statement of financial position.

Generally, the Group invoices customers as service is provided in accordance with the agreed-upon contract terms. At times, billing occurs after the revenue recognition, resulting in contract assets (unbilled receivables). For certain customer contracts, the Group receives advance payments before revenue is recognised, resulting in contract liabilities (deferred revenue).

For incremental costs incurred in obtaining a contract, such as sales commissions, the Group has chosen to apply the practical expedient available under the standard to immediately expense incremental costs incurred in obtaining a contract, such as sales commissions, for sales of subscriptions under 12 months.

Incremental costs incurred in obtaining a contract are capitalised for sales of subscriptions over 12 months and amortised over the term of the contract.

## Critical accounting judgements, estimates and assumptions

The Group's contracts with customers often include promises to transfer software licenses, maintenance and services, including professional services, technical support services and rights to unspecified updates to a customer. These contracts require the Group to apply judgment in identifying and evaluating any terms and conditions in contracts which may impact revenue recognition. Determining whether licenses and services are distinct performance obligations that should be accounted for separately, or not distinct and thus accounted for together, requires significant judgment. The Group has concluded that the licenses and associated services including maintenance are distinct from each other.

Judgement is required to determine the stand-alone selling prices (SSP) for each distinct performance obligation. The Group rarely licenses or sells products on a standalone basis, so the Group is required to estimate the SSP for each performance obligation. SSP is determined by considering multiple factors including, but not limited to, prices the Group charges for similar offerings when sold separately, market conditions, competitive landscape and pricing practices. Priority is placed on market observable pricing where available.

NOTE 4

# Expenses

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Profit before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Property, plant and equipment	2,570	2,700
Right-of-use assets	3,849	5,419
<b>Total depreciation</b>	<b>6,419</b>	<b>8,119</b>
<i>Amortisation</i>		
Customer relationships	1,335	1,335
Software	854	1,193
Intellectual property	1,001	1,069
<b>Total amortisation</b>	<b>3,190</b>	<b>3,597</b>
<i>Impairment</i>		
Property, plant and equipment	-	237
Intellectual property	-	14
Total impairment	-	251
<b>Total depreciation, amortisation and impairment</b>	<b>9,609</b>	<b>11,967</b>

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
<i>Included in professional advice expense</i>		
Costs associated with acquisitions <sup>1</sup>	-	51
<i>Finance costs</i>		
Interest and finance charges paid/payable on lease liabilities	540	448
Loss on recognition of net investment in sublease	23	213
Unwinding of the discount on provisions	3	2
Other interest charges	35	41
<b>Finance costs expensed</b>	<b>601</b>	<b>704</b>
<i>Post-employment benefits</i>		
Post-employment benefits: defined contribution	3,766	3,413
<i>Research and development costs expensed</i>		
Research and development costs incurred	29,530	25,486

## Finance costs

All finance costs are expensed in the period in which they are incurred.

## Research and development costs

Expenditure on research activities, undertaken with the prospect of obtaining new technical knowledge and understanding, is recognised in the statement of profit or loss and other comprehensive income as an expense when it is incurred.

Direct expenditure on development activities are capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The costs incurred for the development of computer software are expensed until the point that technological feasibility has been established, which for the Group's products, is typically reached shortly before the release of such products and as a result, the Group has not capitalised any research and development costs.

## Defined contribution plans

The Group operates a number of defined contribution plans for qualifying employees. The assets of these plans are held in separately administered trusts or insurance policies. The Group is required to contribute specified percentages of payroll costs to the retirement benefit plans to fund benefits in accordance with local regulations and practices. Payments to defined contribution retirement plans are charged as an expense as they fall due.

## NOTE 5

# Income tax expense

	CONSOLIDATED		
	NOTE	2023 US\$'000	2022 US\$'000
<i>Income tax expense</i>			
Current tax		24,833	12,592
Deferred tax		(4,679)	1,923
Adjustment recognised for prior periods		1,263	(2,144)
<b>Aggregate income tax expense</b>		<b>21,417</b>	<b>12,371</b>
<i>Deferred tax included in income tax expense comprises:</i>			
Change in deferred tax assets	14	(4,874)	3,252
Change in deferred tax liabilities	18	195	(1,329)
<b>Deferred tax</b>		<b>(4,679)</b>	<b>1,923</b>

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
<i>Reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense from continuing operations	87,765	67,859
<b>Tax at the statutory tax rate of 30%</b>	<b>26,330</b>	<b>20,358</b>
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Share-based payments	2,929	1,645
Other items	778	(458)
	<b>30,037</b>	<b>21,545</b>
Adjustment recognised for prior periods	1,263	(2,144)
Difference in overseas tax rates	(9,436)	(7,965)
Previously unrecognised temporary differences	-	180
Re-measurement of deferred tax assets and liabilities	226	1,114
R&D credits	(1,415)	(942)
Franchise tax	637	425
Foreign exchange differences	105	158
<b>Income tax expense</b>	<b>21,417</b>	<b>12,371</b>

## Amounts recognised in other comprehensive income

2023	CONSOLIDATED		
	BEFORE TAX US\$'000	TAX EXPENSE US\$'000	AFTER TAX US\$'000
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences for disposed foreign operations	(1,211)	-	(1,211)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations	(204)	-	(204)

2022	CONSOLIDATED		
	BEFORE TAX US\$'000	TAX EXPENSE US\$'000	AFTER TAX US\$'000
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations	(1,756)	-	(1,756)

During the 2019 financial year, the Group was selected for a risk review followed by an audit by the Australian Tax Office (ATO), which is part of a program of work conducted by the ATO for the Top 1000 taxpayers in the large business and international segment. Further detail regarding the ATO matter has been outlined in Note 30.



## Critical accounting judgements, estimates and assumptions

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Accounting judgements, estimates and assumptions utilised in relation to deferred tax asset balances is detailed further in Note 14. Refer to Note 30 for further detail regarding the status of the ATO matter.

## Accounting policy for income tax

The income tax expense or credit for the period is tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax asset and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to tax authorities at the tax rates and tax laws enacted or substantially enacted by the balance sheet date.

There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for uncertain tax positions in accordance with IFRS interpretation IFRIC 23. Where the final tax outcome of these matters is different from the amounts provided, such differences will impact the current and deferred tax provisions in the period in which such an outcome is obtained (refer Note 14 and Note 30 for further detail).

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax liabilities are recognised for all taxable temporary differences. Deferred income tax assets are recognised for all deductible temporary differences, carried forward unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available to utilise them.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## Tax consolidation

Altium Limited and its wholly-owned Australian controlled entities formed a tax consolidated group in previous years. As a consequence, these entities are taxed as a single entity and any deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Under tax consolidation, the head entity, Altium Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts using the "separate taxpayer within a group" method. Individual entities adjust for transactions and events impacted by tax consolidation.

In addition to its own transactions, Altium Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have entered into a tax funding agreement under which there is full compensation for Altium Limited assuming these tax assets/obligations.

## NOTE 6

## Current assets - cash and cash equivalents

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Cash at bank	200,962	146,229
Deposits at call	13	53,058
	<b>200,975</b>	<b>199,287</b>

The value of bank guarantees at 30 June 2023 amounted to US\$427,806 (2022:US\$400,789).

### Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less or that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## NOTE 7

## Current assets - trade and other receivables

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Trade receivables	60,532	52,922
Less: Allowance for expected credit loss	(592)	(961)
	<b>59,940</b>	<b>51,961</b>
Other receivables	1,240	549
	<b>61,180</b>	<b>52,510</b>

## Allowance for expected credit losses

The ageing of the doubtful receivables provided for above are as follows:

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
0 to 6 months overdue	288	326
Over 6 months overdue	304	635
	<b>592</b>	<b>961</b>

Movements in the allowance for expected credit loss are as follows:

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Opening balance	961	648
Additional provisions recognised	106	546
Receivables written off during the year as uncollectable	(475)	(233)
<b>Closing balance</b>	<b>592</b>	<b>961</b>

On that basis, the loss allowance as at 30 June 2023 and 2022 was determined as follows for trade receivables:

30 JUNE 2023	CURRENT US\$'000	MORE THAN 30 DAYS PAST DUE US\$'000	MORE THAN 60 DAYS PAST DUE US\$'000	MORE THAN 90 DAYS PAST DUE US\$'000	TOTAL US\$'000
Expected loss rate	0.00%	0.10%	2.51%	5.57%	
Gross carrying amount - trade receivables	46,844	2,002	1,993	9,693	60,532
<b>Loss allowance</b>	<b>-</b>	<b>2</b>	<b>50</b>	<b>540</b>	<b>592</b>

30 JUNE 2022	CURRENT US\$'000	MORE THAN 30 DAYS PAST DUE US\$'000	MORE THAN 60 DAYS PAST DUE US\$'000	MORE THAN 90 DAYS PAST DUE US\$'000	TOTAL US\$'000
Expected loss rate	0.09%	0.23%	0.43%	11.69%	
Gross carrying amount - trade receivables	41,238	1,872	2,129	7,683	52,922
<b>Loss allowance</b>	<b>49</b>	<b>4</b>	<b>9</b>	<b>899</b>	<b>961</b>

## Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables generally have 30 to 90-day terms. A specific provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. An expected credit loss provision is recognised in respect of all other receivables.

Other receivables are recognised at amortised cost, less any provision for impairment.

## Critical accounting judgements, estimates and assumptions

### Expected credit loss

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group has identified based on risk profile of customer industry, product type, total outstanding balance and credit terms provided to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Collectability of trade receivables and contract assets is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables or contract assets is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable or contract asset may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables and contract assets are not discounted if the effect of discounting is immaterial.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, liquidation of a debtor, and a failure to make contractual payments for a period of greater than 150 days past due.

## NOTE 8

## Current assets - inventories

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Raw materials	1,161	2,638
Inventory provision for obsolescence <sup>1</sup>	-	(1,477)
	<b>1,161</b>	<b>1,161</b>

<sup>1</sup> Inventory provision for obsolescence represents a write-down of inventory to net realisable value.

### Accounting policy for inventories

Inventories on hand are valued using standard costing. The value of inventory is determined using the material and material overhead standard costs of each inventory item and is held at the lower of the standard cost estimate and net realisable value.

## NOTE 9

## Non-current assets - other receivables

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Other receivables <sup>1</sup>	28,099	1,629
	<b>28,099</b>	<b>1,629</b>

<sup>1</sup>Other non-current receivables include AU\$40,000,000 (US\$26,688,000) expected to be refunded by the Australian Tax Office related to the ongoing tax dispute. Refer to Note 30 for further details.

## NOTE 10

## Non-current assets – investment and other assets

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Investment in unlisted convertible preference shares	3,373	3,000
Accrued dividend on unlisted convertible preference shares	-	274
	<b>3,373</b>	<b>3,274</b>

In May 2021, the Group acquired 3,091,228 Series B convertible preference shares in MacroFab Inc at a cost of US\$3,000,000. MacroFab Inc provides a cloud platform service for electronics manufacturing.

During the year ended 30 June 2023, the Group acquired additional Series B-2 convertible preference shares in MacroFab in exchange for the sale of equipment, valued at US\$373,048.

Series B and Series B-2 convertible preference shares have identical rights. The shares are entitled to cumulative, non-compounding dividends at a rate of 8% per annum. The shares are convertible into ordinary shares at the option of the holder or automatically if the prescribed conditions are met. The shares are redeemable after the fifth anniversary of closing at the election of the Series B and Series B-2 majority. The shares acquired are less than ten per cent of the total share capital in MacroFab Inc, with voting entitlements equal to the number of ordinary shares into which the Series B and Series B-2 preference shares are convertible as of the record date prior to the voting.

The Group has elected to recognise the investment as a financial asset valued at fair value through other comprehensive income. The fair value of the shares is classified as a level 3 fair value in the fair value hierarchy due to the use of unobservable inputs. As at 30 June 2023, the fair value of the investment was determined based on the issue price of shares by MacroFab during the year adjusted for differences in rights to the shares held by the Group as well as observed market conditions.

Significant unobservable inputs include the price of unquoted shares of MacroFab and the adjustment ratio for the observed market conditions. The estimated fair value would increase/(decrease) if the adjustment ratio for the observed market conditions was higher/(lower). Reasonably possible changes at the reporting date to the significant unobservable inputs, holding other inputs constant, would not have a material effect on the fair value of the investment in MacroFab.

## NOTE 11

## Non-current assets - property, plant and equipment

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Leasehold improvements – at cost	3,975	6,468
Less: accumulated depreciation	(1,634)	(4,393)
<b>Leasehold improvements – carrying amount</b>	<b>2,341</b>	<b>2,075</b>
Plant and equipment – at cost	6,695	5,796
Less: accumulated depreciation	(4,506)	(4,049)
<b>Plant and equipment – carrying amount</b>	<b>2,189</b>	<b>1,747</b>
	<b>4,530</b>	<b>3,822</b>

## Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

CONSOLIDATED	LEASEHOLD IMPROVEMENTS US\$'000	PLANT & EQUIPMENT US\$'000	TOTAL US\$'000
<b>Balance at 1 July 2021</b>	<b>2,962</b>	<b>2,994</b>	<b>5,956</b>
Additions	235	805	1,040
Transfer to other assets	-	(372)	(372)
Depreciation expense	(1,294)	(1,406)	(2,700)
Impairment expense	-	(237)	(237)
Exchange differences	172	(37)	135
<b>Balance at 30 June 2022</b>	<b>2,075</b>	<b>1,747</b>	<b>3,822</b>
Additions	2,036	1,641	3,677
Disposals	(81)	(2)	(83)
Depreciation expense	(1,507)	(1,063)	(2,570)
Exchange differences	(182)	(134)	(316)
<b>Balance at 30 June 2023</b>	<b>2,341</b>	<b>2,189</b>	<b>4,530</b>

## Accounting policy for property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Plant and equipment are depreciated and leasehold improvements are amortised over their estimated useful lives using the straight-line method. Assets held under finance lease are depreciated over their expected useful lives as owned assets or, where shorter, the term of the relevant lease.

The expected useful lives of the assets are as follows:

- Leasehold improvements: 3-10 years
- Plant equipment: 7-10 years
- Office equipment: 3-5 years
- Computer hardware: 2-5 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date or when there is an indication that they have changed.

A carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

### NOTE 12

## Non-current assets - right-of-use assets and lease liabilities

The statement of financial position shows the following amounts relating to right-of-use assets and lease liabilities:

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
<b>Right-of-use asset</b>		
Buildings	10,104	8,190
<b>Lease liabilities</b>		
Current	3,603	5,364
Non-current	7,413	4,088
<b>Total lease liabilities</b>	<b>11,016</b>	<b>9,452</b>



Reconciliations of the written down values of the right-of-use assets at the beginning and end of the current and previous financial year are set out below:

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Opening balance	8,190	10,229
Additions	9,319	3,807
Disposals	(2,003)	-
Reclassification to other assets	(802)	(413)
Depreciation expense	(3,849)	(5,419)
Loss on recognition of net investment in sublease	(23)	(213)
Exchange differences	(728)	199
<b>Closing balance</b>	<b>10,104</b>	<b>8,190</b>

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to right-of-use assets and lease liabilities:

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Depreciation of right-of-use assets	3,849	5,419
Interest expense	269	448
Expense relating to short-term or low-value leases	-	51

The total cash outflow for leases in financial year ended 30 June 2023 was US\$4,582,000 (2022: US\$6,310,000).

## Accounting policy for right-of-use assets and lease liabilities

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Measurement of the right-of-use asset and lease liability:

The Group primarily leases various office and floor space. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost.

Assets and liabilities arising from a lease are initially measured at present value of remaining future lease payments. Lease liabilities include the net present value of fixed lease payments less any incentives receivable.

Lease payments are discounted using the incremental borrowing rate calculated by geographic region. The incremental borrowing rate is the rate the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The Group is required to remeasure the lease liability and make an adjustment to the right-of-use asset if the lease term is modified, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate. The remeasurement of the lease liability is also applied against the right-of-use asset.

The Group assesses the recoverability of the right-of-use assets on a biannual basis. If the carrying amount is greater than the estimated recoverable amount, the right-of-use asset is written down immediately to its recoverable amount.

## NOTE 13

# Non-current assets - intangible assets

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Goodwill - at cost	29,507	29,507
Intellectual property - at cost	10,051	9,987
Less: accumulated amortisation	(6,140)	(5,092)
<b>Intellectual property - carrying amount</b>	<b>3,911</b>	<b>4,895</b>
Customer relationships - at cost	16,333	16,333
Less: accumulated amortisation	(9,786)	(8,450)
<b>Customer relationships - carrying amount</b>	<b>6,547</b>	<b>7,883</b>
Software intangibles - at cost	2,781	3,635
Less: accumulated amortisation	(1,995)	(1,994)
<b>Software intangibles - carrying amount</b>	<b>786</b>	<b>1,641</b>
	<b>40,751</b>	<b>43,926</b>

CONSOLIDATED	GOODWILL US\$'000	INTELLECTUAL PROPERTY US\$'000	CUSTOMER RELATIONSHIPS US\$'000	SOFTWARE INTANGIBLES US\$'000	TOTAL US\$'000
Balance at 1 July 2021	29,507	6,045	9,218	2,409	47,179
Additions	-	-	-	425	425
Amortisation expense	-	(1,069)	(1,335)	(1,193)	(3,597)
Impairment	-	(14)	-	-	(14)
Transfer to other assets	-	(50)	-	-	(50)
Exchange differences	-	(17)	-	-	(17)
Balance at 30 June 2022	29,507	4,895	7,883	1,641	43,926
Amortisation expense	-	(1,001)	(1,335)	(854)	(3,190)
Exchange differences	-	17	(1)	(1)	15
Balance at 30 June 2023	29,507	3,911	6,547	786	40,751

The expected useful lives of the intangible assets are as follows:

- Software intangibles: 2 - 10 years
- Customer relationships: 10 - 15 years
- Intellectual property: 5 - 10 years

## Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified within each reportable segment for impairment assessment testing purposes. The Group performs an impairment assessment annually to ensure that goodwill balances are not carried at amounts that are in excess of their recoverable amounts. This assessment may be undertaken more frequently if events or changes indicate that goodwill may be impaired.

A CGU-level summary of the goodwill allocation is presented below.

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Goodwill		
Board & Systems – Americas	4,159	4,159
Board & Systems – EMEA	2,331	2,331
Nexar	23,017	23,017
<b>Total</b>	<b>29,507</b>	<b>29,507</b>

The recoverable amount of the Group's intangible assets has been assessed based on value-in-use calculations. The value in use is calculated using a discounted cash flow methodology covering a four-year period plus terminal value.

## Cash flow forecasts

Cash flow forecasts are post-tax and based on the most recent financial projections approved by the Board of Directors. Financial projections are based on assumptions that represent management's best estimates.

## Revenue growth rates

Revenue growth rates used are based on management's latest four-year plan which is aligned with the Group's aspirational target of US\$500,000,000 revenue in 2026. The following range of annual revenue growth rates have been used for years ending 30 June 2024 to 30 June 2027:

- Boards and systems CGU: 15%-31%
- Nexar CGU: 15%-23%

## Terminal value

The terminal value calculated after year four is determined using the perpetual growth model, having regard to the weighted average cost of capital (WACC) and terminal growth factor appropriate to each CGU. The terminal growth rate used in the financial projections was 2%.

## Discount rates

Discount rates used are WACC and include a premium for market risks appropriate to each country in which the CGU operates.

WACCs averaged Board & Systems – Americas 10.0% (pre-tax rate 10.0%), Board & Systems – EMEA 9.9% (pre-tax rate 10.0%) and Nexar 10.0% (pre-tax rate 10.0%). In 2022, the WACCs were in the range of 9.1% to 9.9%.

## Sensitivity

Any reasonable change to the above key assumptions would not cause the carrying value of any of the remaining CGU to exceed its recoverable amount.

## Accounting policy for intangible assets

### Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

### Intellectual property

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 to 10 years.

### Customer relationships

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 to 15 years.

### Software intangibles

Software intangibles arise from costs associated with the direct development and implementation on an internal project on new and existing software utilised by the Group which demonstrates the technical feasibility of providing future economic benefits and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 2 to 10 years.

## Critical accounting judgements, estimates and assumptions

### Useful life for intangibles

The useful life used to amortise intangible assets relates to the expected future performance of the assets acquired and management's estimate of the period over which economic benefit will be derived from the asset. The basis for determining the useful life for the most significant categories of intangible assets is as follows:

### Intellectual property

The useful life is determined by management at the time the intellectual property is acquired and brought into use and is regularly reviewed for appropriateness. For intellectual property, the useful life represents management's view of the expected term over which the Group will receive benefits from the intellectual property.

The life is based on historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology. Historically changes in useful lives have not resulted in material changes to the Group's amortisation charge.

On the acquisition of Gumstix, the identifiable intangible assets included intellectual property. The fair value of these assets is determined by the historical cost method on salary and expenses related to the input in developing the intellectual property.

## Customer relationships

The estimated useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge. Historically changes to the estimated useful lives have not had a significant impact on the Group's results and financial position.

## Software intangibles

The useful life is determined by management's view of the expected future performance of the assets and its relationship to the existing software license and subscription period purchased. Historically changes to the estimated useful lives have not had a significant impact on the Group's results and financial position.

### NOTE 14

## Non-current assets - deferred tax assets

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Intellectual property	34,718	39,935
Research and development <sup>1</sup>	8,748	-
Lease liabilities	2,403	1,846
Provisions	1,775	1,884
Customer contract liabilities	876	958
Employee benefits	855	787
Property, plant and equipment	92	114
Tax losses	966	2,655
Tax credits	229	319
Foreign currency translation	943	276
<b>Deferred tax asset</b>	<b>51,605</b>	<b>48,774</b>
Set-off of deferred tax liabilities pursuant to set-off provisions	(2,560)	(2,046)
<b>Net deferred tax asset</b>	<b>49,045</b>	<b>46,728</b>
Amount expected to be recovered within 12 months	13,334	10,246
Amount expected to be recovered after more than 12 months	38,271	38,528
	<b>51,605</b>	<b>48,774</b>

<sup>1</sup> There was a change in tax legislation in the US during the year whereby expenses incurred in R&D departments are no longer immediately deductible for tax purposes. R&D expenses incurred domestically in the US are deductible over 5 years and expenses incurred overseas are deductible over 15 years.

	CONSOLIDATED		
	NOTE	2023 US\$'000	2022 US\$'000
<i>Movements:</i>			
Opening balance		48,774	52,397
Charged to profit or loss	5	4,874	(3,252)
Adjustment recognised for prior periods		(1,656)	-
Translation differences		(387)	(371)
<b>Closing balance</b>		<b>51,605</b>	<b>48,774</b>

## Critical accounting judgements, estimates and assumptions

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Calculation of future taxable amounts involve the use of assumptions and management judgments.

A deferred tax asset can only be recorded for the portion of a potential benefit where utilisation is considered probable. The assessment of future taxable amounts involves the use of assumptions and management judgments. The Group has fully recognised a deferred tax asset of US\$34.7 million in relation to intangible assets previously transferred to USA. This deferred tax asset has been calculated based on future forecast profits and a blended tax rate which factors in the proportion of foreign and domestic income derived. It is considered probable that there will be future taxable income in the USA to fully realise these temporary differences.

In the event the enacted rates, the Foreign Derived Intangible Income ('FDII') legislation or current transfer pricing arrangement change in the forecast period, this may impact the timing and magnitude of the deferred tax balance realised.

## NOTE 15

## Current liabilities - trade and other payables

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Trade payables	2,582	3,282
Employee liabilities	10,781	8,739
Accrued expenses	4,951	4,190
Other payables	4,635	3,847
	<b>22,949</b>	<b>20,058</b>

### Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

## NOTE 16

## Current liabilities - provisions

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Employee benefits	3,862	3,837
	<b>3,862</b>	<b>3,837</b>

## Accounting policy for provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability.

The increase in the provision resulting from the passage of time is recognised as a finance cost.

## Accounting policy for employee benefits

### Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

## Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

### Bonus plans

The expected cost of bonus payments is recognised when there is a legal or constructive obligation to make such payments as a result of past performance and the obligation can be measured reliably.

### Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

## NOTE 17

## Non-current liabilities - provisions

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Lease make good	476	423
Employee benefits	29	53
	505	476



## Movements in provisions

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

CONSOLIDATED - 2023	LEASE MAKE GOOD US\$'000
Carrying amount at the start of the year	423
Additional provision recognised	191
Amounts used	(99)
Unused amounts reversed	(16)
Unwinding of discount	4
Exchange differences	(27)
<b>Carrying amount at the end of the year</b>	<b>476</b>

## Accounting policy for other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

## NOTE 18

## Non-current liabilities - deferred tax liabilities

	CONSOLIDATED		
	NOTE	2023 US\$'000	2022 US\$'000
<i>Deferred tax liability comprises temporary differences attributable to:</i>			
Intangible assets		3,094	3,763
Right-of-use assets		2,212	1,613
Property, plant and equipment		74	369
Other receivables		64	103
Foreign currency revaluations		262	2
<b>Deferred tax liability</b>		<b>5,706</b>	<b>5,850</b>
Set-off of deferred tax assets pursuant to set-off provisions		(2,560)	(2,046)
<b>Net deferred tax liability</b>		<b>3,146</b>	<b>3,804</b>
Amount expected to be settled within 12 months		3,484	4,654
Amount expected to be settled after more than 12 months		2,222	1,196
		<b>5,706</b>	<b>5,850</b>
<i>Movements:</i>			
Opening balance		5,850	7,487
Credited to profit or loss	5	195	(1,329)
Translation differences		(339)	(308)
<b>Closing balance</b>		<b>5,706</b>	<b>5,850</b>

## NOTE 19

## Equity - contributed equity

	CONSOLIDATED			
	2023 SHARES	2022 SHARES	2023 US\$'000	2022 US\$'000
Ordinary shares - fully paid	131,647,099	131,469,072	127,699	127,699

### Movements in ordinary share capital

DETAILS	DATE	SHARES	ISSUE PRICE AU\$	US\$'000
Balance	30 June 2021	131,228,194		127,699
Shares issued - Employee Performance Rights	28 September 2021	240,878	-	-
Balance	30 June 2022	131,469,072		127,699
Shares issued - Employee Performance Rights	31 August 2022	172,441	-	-
Shares issued - Employee Performance Rights	6 December 2022	5,586	-	-
Balance	30 June 2023	131,647,099		127,699

### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## NOTE 20

## Equity – reserves and retained profits

	NOTE	RESERVES			RETAINED PROFITS US\$'000
		FOREIGN CURRENCY TRANSLATION US\$'000	EQUITY COMPENSATION US\$'000	TOTAL US\$'000	
Balance at 30 June 2021		(2,240)	24,382	22,142	106,059
Foreign currency translation		(1,756)	-	(1,756)	-
Share-based payments		-	5,483	5,483	-
Profit after income tax expense for the year		-	-	-	55,345
Dividends paid	21	-	-	-	(40,118)
Balance at 30 June 2022		(3,996)	29,865	25,869	121,286
Foreign currency translation		(204)	-	(204)	-
Exchange differences from disposed foreign operations		(1,211)	-	(1,211)	-
Share-based payments		-	9,762	9,762	-
Profit after income tax expense for the year		-	-	-	66,348
Dividends paid	21	-	-	-	(45,324)
Balance at 30 June 2023		(5,411)	39,627	34,216	142,310

### Foreign currency reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to US dollars.

### Equity compensation reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

## NOTE 21

## Equity - dividends

Dividends paid during the financial year were as follows:

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Final dividend for the year ended 30 June 2022 of AU 26 cents (2021: AU 21 cents) paid on 27 September 2022	23,439	20,143
Interim dividend for the half year ended 31 December 2022 of AU 25 cents (2021: AU 21 cents) paid on 21 March 2023	21,885	19,975
	<b>45,324</b>	<b>40,118</b>

The directors have declared an unfranked final dividend of AU29 cents per share for the year ended 30 June 2023. The dividend will be paid on 26 September 2023 with a record date of 5 September 2023. This amounts to a total dividend of US\$25.8 million based on the number of shares outstanding. The franking credits available for future periods are US\$26.7 million (30 June 2022: US\$3.2 million).

### Accounting policy for dividends

Dividends are recognised when declared and are no longer at the discretion of the Group.

## NOTE 22

## Financial risk management

### Financial and capital risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies. The Board has delegated day-to-day responsibility for implementation of the financial risk management framework to senior finance executives ('finance'). Risk management includes identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits.

The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board, in conjunction with the Board's Audit & Risk Committee, oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by the Group. Detailed work of the internal audit and risk management function is executed by internal resources and also by external service providers.

## Market risk

### Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency, which is the US dollar. The risk is measured using sensitivity analysis and cash flow forecasting.

Foreign currency revenues are partially hedged by foreign currency denominated expenses. The Group does not have additional hedges against this risk.

The carrying amount of the Group's significant foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

CONSOLIDATED	ASSETS		LIABILITIES	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
Australian dollars	28,970 <sup>1</sup>	1,582	(367)	(625)
Euros	1,504	431	(4,439)	(4,279)
	30,474	2,013	(4,806)	(4,904)

<sup>1</sup> Includes AU\$40,000,000 (US\$26,688,000) expected to be refunded by the Australian Tax Office related to the ongoing tax dispute (refer to Note 30 for details).

The following tables summarise the sensitivity of financial instruments held at statement of financial position date by the Group to the movement in exchange rate of the US dollar to the Australian dollar and Euro, with all other variables held constant. The 10% sensitivity is based on reasonably possible changes, over a financial year.

Sensitivity to foreign currency risk on financial instruments is as follows:

CONSOLIDATED - 2023	% CHANGE	US\$ STRENGTHENED		US\$ WEAKENED		
		INCREASE / (DECREASE) TO PROFIT AFTER TAX	INCREASE / (DECREASE) TO EQUITY	% CHANGE	INCREASE / (DECREASE) TO PROFIT AFTER TAX	INCREASE / (DECREASE) TO EQUITY
Australian dollars	10%	(1,807)	-	(10%)	2,196	-
Euros	10%	187	-	(10%)	(228)	-
		(1,620)	-		1,968	-

CONSOLIDATED - 2022	% CHANGE	US\$ STRENGTHENED		US\$ WEAKENED		
		INCREASE / (DECREASE) TO PROFIT AFTER TAX	INCREASE / (DECREASE) TO EQUITY	% CHANGE	INCREASE / (DECREASE) TO PROFIT AFTER TAX	INCREASE / (DECREASE) TO EQUITY
Australian dollars	10%	(61)	-	(10%)	68	-
Euros	10%	245	-	(10%)	(299)	-
		184	-		(231)	-

## Price risk

The Group is not exposed to any significant price risk.

## Interest rate risk

Interest rate risk is the risk that the Group's financial position will be adversely affected by movements in interest rates. Exposures arise predominantly from assets and liabilities bearing variable interest rates.

As at the reporting date, the Group had the following financial instruments exposed to interest rate risk at reporting date:

CONSOLIDATED	2023		2022	
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE US\$'000	WEIGHTED AVERAGE INTEREST RATE %	BALANCE US\$'000
Cash	2.39%	61,643	0.25%	170,233
Lease liabilities	5.1%	(11,016)	4.9%	(9,452)
<b>Net exposure to cash flow interest rate risk</b>		<b>50,627</b>		<b>160,781</b>

The following tables summarise the sensitivity of the fair value of financial instruments held at statement of financial position date in the Group, following a movement of 50 to 100 basis points, with all other variables held constant, and based on reasonably possible changes over a financial year.

The sensitivity to movements in interest rates is as follows:

CONSOLIDATED - 2023	BASIS POINTS INCREASE			BASIS POINTS DECREASE		
	BASIS POINTS CHANGE	EFFECT ON PROFIT AFTER TAX	EFFECT ON EQUITY	BASIS POINTS CHANGE	EFFECT ON PROFIT AFTER TAX	EFFECT ON EQUITY
Net exposure	100	354	-	(50)	(177)	-

CONSOLIDATED - 2022	BASIS POINTS INCREASE			BASIS POINTS DECREASE		
	BASIS POINTS CHANGE	EFFECT ON PROFIT AFTER TAX	EFFECT ON EQUITY	BASIS POINTS CHANGE	EFFECT ON PROFIT AFTER TAX	EFFECT ON EQUITY
Net exposure	100	1,125	-	(50)	(563)	-

## Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

The Group manages its credit risk on trade debtors by ensuring that sales of products and services are made to customers with an appropriate credit history. Ongoing customer performance is monitored on a regular basis. The Group has no significant concentrations of credit risk.

Cash transactions are limited to high credit quality financial institutions.

## Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

## Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

CONSOLIDATED - 2023	WEIGHTED AVERAGE INTEREST RATE %	1 YEAR OR LESS US\$'000	BETWEEN 1 AND 2 YEARS US\$'000	BETWEEN 2 AND 5 YEARS US\$'000	OVER 5 YEARS	REMAINING CONTRACTUAL MATURITIES US\$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Payables	-	19,797	-	-	-	19,797
<i>Interest-bearing - fixed rate</i>						
Lease liability	5.1%	3,578	2,758	1,934	4,283	12,553
<b>Total non-derivatives</b>		<b>23,375</b>	<b>2,758</b>	<b>1,934</b>	<b>4,283</b>	<b>32,350</b>



CONSOLIDATED - 2022	WEIGHTED AVERAGE INTEREST RATE %	1 YEAR OR LESS US\$'000	BETWEEN 1 AND 2 YEARS US\$'000	BETWEEN 2 AND 5 YEARS US\$'000	OVER 5 YEARS US\$'000	REMAINING CONTRACTUAL MATURITIES US\$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Payables	-	16,211	-	-	-	16,211
<i>Interest-bearing - fixed rate</i>						
Lease liability	4.9%	5,308	2,886	1,813	-	10,007
<b>Total non-derivatives</b>		<b>21,519</b>	<b>2,886</b>	<b>1,813</b>	<b>-</b>	<b>26,218</b>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

## Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

### NOTE 23

## Key management personnel disclosures

### Directors

The following persons were directors of Altium Limited during the financial year:

Samuel Weiss	Non-executive Chairman
Aram Mirkazemi	Chief Executive Officer
Sergiy Kostynsky	President and Chief Technology Officer
Lynn Mickleburgh	Non-executive Director
Simon Kelly	Non-executive Director
Raelene Murphy (resigned 17 November 2022)	Non-executive Director

## Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

Richard Leon <sup>1</sup>	Interim Chief Financial Officer
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<sup>1</sup>Richard Leon was appointed as KMP on 19 October 2022. Refer to the Remuneration Report on pages 30 to 46 for further details.

## Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	CONSOLIDATED	
	2023 US\$	2022 US\$
Short-term employee benefits	2,137,566	1,990,277
Post-employment benefits	59,143	54,856
Cash LTI	1,266,407	678,253
Share-based payments	423,488	43,374
Other Benefits	124,545	95,717
	<b>4,011,149</b>	<b>2,862,477</b>

## Remuneration of Director-related entities

There were no transactions and balances with related entities of Directors employed by any company in the Group during the years ended 30 June 2023 and 2022.

## NOTE 24

## Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by KPMG Australia, the auditor of the company, and its network firms:

	CONSOLIDATED	
	2023 US\$	2022 US\$
<b>Audit and audit related services<sup>1</sup></b>		
Audit or review of the financial statements	471,307	400,000
	<b>471,307</b>	<b>400,000</b>
<b>Assurance services<sup>1</sup></b>		
SOC2 Report	125,000	97,900
	<b>125,000</b>	<b>97,900</b>
<b>Total audit, audit related and other assurance services</b>	<b>596,307</b>	<b>497,900</b>
<b>Other services<sup>1</sup></b>		
Accounting advisory services	25,511	41,312
Independent whistleblower service	-	6,783
	<b>25,511</b>	<b>48,095</b>
<b>Total auditor's remuneration</b>	<b>621,818</b>	<b>545,995</b>

<sup>1</sup>Audit and audit related services were provided by KPMG Australia during the year. Assurance services and other services were provided by KPMG Australia and KPMG network firms during the year.

NOTE 25

## Related party transactions

### Parent entity

Altium Limited is the parent entity.

### Key management personnel

Disclosures relating to Key Management Personnel are set out in Note 23 and the Remuneration Report included in the Directors' Report.

### Transactions with related parties

Transactions with related parties relate to compensation of Key Management Personnel disclosed in Note 23.

### Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

### Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

### Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

## Investment in Controlled Entities:

NAME	PRINCIPAL PLACE OF BUSINESS /COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2023 %	2022 %
Altium BV	Netherlands	100.00%	100.00%
Altium d.o.o Beograd Novi Beograd	Serbia	100.00%	100.00%
Altium Holdings Canada Limited Inc.	Canada	100.00%	100.00%
Altium Europe GmbH	Germany	100.00%	100.00%
Altium Inc.	USA	100.00%	100.00%
Altium Information Technology (Shanghai) Co. Ltd	China	100.00%	100.00%
Altium Insurance Inc.	USA	100.00%	100.00%
Altium IP Co Pty Ltd	Australia	100.00%	100.00%
Altium IP Hold Co Pty Ltd	Australia	100.00%	100.00%
Altium Japan KK	Japan	100.00%	100.00%
Altium Limited Korea Branch <sup>1</sup>	Korea	100.00%	0.00%
Altium LLC	USA	100.00%	100.00%
Altium Netherlands BV	Netherlands	100.00%	100.00%
Altium Poland Sp.z.o.o	Poland	100.00%	100.00%
Altium Software India Private Limited	India	100.00%	100.00%
Altium Sweden AB	Sweden	100.00%	100.00%
Altium UK Limited	United Kingdom	100.00%	100.00%
Altium Vietnam Company Limited	Vietnam	100.00%	100.00%
Ciiva GmbH	Switzerland	100.00%	100.00%
Gumstix Inc.	USA	100.00%	100.00%
Gumstix Research (Canada) Ltd	Canada	100.00%	100.00%
Morfik Technologies Pty Ltd	Australia	100.00%	100.00%
Octopart Inc.	USA	100.00%	100.00%
PCB:NG Inc.	USA	100.00%	100.00%
Perception Software Inc.	USA	100.00%	100.00%
Protel AG	Switzerland	100.00%	100.00%
Tasking US LLC	USA	100.00%	100.00%

<sup>1</sup>Altium Limited Korea Branch was incorporated on 23 December 2022

## NOTE 26

## Parent entity information

Set out below is the supplementary information about the parent entity.

### Statement of profit or loss and other comprehensive income

	PARENT	
	2023 US\$'000	2022 US\$'000
Profit after income tax	75,259	31,083
<b>Total comprehensive income</b>	<b>75,259</b>	<b>31,083</b>

### Statement of financial position

	PARENT	
	2023 US\$'000	2022 US\$'000
Total current assets	64,909	98,230
<b>Total assets</b>	<b>350,874</b>	<b>359,570</b>
Total current liabilities	25,843	73,982
<b>Total liabilities</b>	<b>25,891</b>	<b>74,360</b>
<i>Equity</i>		
Contributed equity	127,699	127,699
Equity reserves	2,817	2,741
Equity compensation reserve	39,626	29,864
Retained profits	154,841	124,906
<b>Total equity</b>	<b>324,983</b>	<b>285,210</b>

### Summarised financial data of Altium Limited

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements except for investments and receivables from subsidiaries. In the parent entity financial information, investments in subsidiaries are accounted for at cost and receivables from subsidiaries are held at amortised cost. Where appropriate, receivables from subsidiaries have been adjusted for expected credit losses. Dividends received from investments in subsidiaries are recognised as revenue.

### Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Altium Limited has provided financial guarantees in respect of credit card facilities and office leases amounting to US\$327,347 (2022: US\$291,344).

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in the relevant notes to the financial statements.

## NOTE 27

## Notes to the consolidated statement of cash flows

### Reconciliation of profit after income tax to net cash from operating activities

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Profit after income tax expense for the year	66,348	55,345
<i>Adjustments for:</i>		
Depreciation, amortisation and impairment	9,609	11,967
Loss on recognition of net investment in sublease	23	213
Share-based payment expense	9,762	5,483
Unrealised foreign exchange differences	(1,928)	(1,517)
<i>Change in operating assets and liabilities:</i>		
Increase in trade and other receivables and contract assets	(44,924)	(7,462)
Decrease in inventories	-	689
(Increase) / decrease in net deferred tax assets and liabilities	(2,975)	1,986
Increase in net income tax payable	2,401	1,158
Increase in customer contract liabilities	10,346	5,366
Decrease / (increase) in other operating assets	4,121	(2,556)
Increase in trade and other payables	2,891	931
Increase / (decrease) in other liabilities and provisions	53	888
<b>Net cash from operating activities</b>	<b>55,727</b>	<b>72,491</b>

**Reconciliation of liabilities arising from financing activities**

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
<i>Lease liabilities - current and non-current</i>		
Opening balance	9,452	11,052
Payment of lease liabilities (cash)	(4,314)	(5,707)
Interest expense (cash)	(269)	(489)
Additions to lease liabilities (non-cash)	9,319	3,630
Disposals of lease liabilities (non-cash)	(2,513)	-
Interest expense (non-cash)	269	489
Exchange differences	(928)	477
<b>Closing balance</b>	<b>11,016</b>	<b>9,452</b>

**NOTE 28**

**Earnings per share**

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
<i>Earnings per share - continuing operations</i>		
<b>Profit after income tax attributable to the owners of Altium Limited</b>	<b>66,348</b>	<b>55,488</b>
	CENTS	CENTS
Basic earnings per share	50.41	42.23
Diluted earnings per share	49.91	42.05

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
<i>Earnings per share - discontinued operations</i>		
<b>Loss profit after income tax attributable to the owners of Altium Limited</b>	<b>-</b>	<b>(143)</b>
	CENTS	CENTS
Basic loss per share	-	(0.11)
Diluted loss per share	-	(0.11)



	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
<i>Earnings per share - attributable to the owners of Altium Limited</i>		
Profit after income tax attributable to the owners of Altium Limited	66,348	55,345
	CENTS	CENTS
Basic earnings per share	50.41	42.12
Diluted earnings per share	49.91	41.95
	NUMBER	NUMBER
<i>Weighted average number of ordinary shares during the period</i>		
Used in the calculation of basic earnings per share	131,615,374	131,409,677
<i>Adjustments for calculation of diluted earnings per share:</i>		
Employee performance share rights	1,306,810	532,981
Weighted average number of ordinary shares used in calculating diluted earnings per share	132,922,184	131,942,658

## Accounting policy for earnings per share

### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Altium Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

### Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## NOTE 29

## Share-based payments

Benefits are provided to employees of the Group in the form of share-based payments, where employees render services in exchange for equity shares. The Remuneration report sets out details relating to the Group's share plans on pages 30 to 46.

### Performance rights plan

#### Equity long term incentive plan

During the year ended 30 June 2021, the Group introduced a "Power of Choice" remuneration ("LTI Plan") model for its senior management team to replace the incentive plan introduced in 2019 ("2019 LTI Plan"). The LTI Plan recognises two different types of employees "Company Builders" and "Professional Operators", and the transformational partnership required between the two to deliver long-term success and value for shareholders.

The LTI Plan is designed to encourage participating employees through both their individual and collective effort and contribution to have an impact on current success whilst creating value for the future.

The Group introduced the LTI Plan to better align performance hurdles to reflect the Group's focus on meeting the long-term corporate objectives, including achieving US\$500 million in revenue, 38%-40% underlying EBITDA and 100,000 subscribers. The plan was communicated to employees in March 2022 and final details of the plan were approved by the Board in August 2022.

The award is delivered in Performance Rights which convert into fully paid ordinary shares in Altium at no cost to the recipient upon vesting. Any participant who joins the LTI Plan for the first time will receive an award of five tranches of performance rights that vest annually. After the first year of joining the plan, it is anticipated each participant will receive an additional grant that will vest in five years' time subject to performance conditions outlined in a five-year framework.

Vesting for Professional Operators is subject to continued service only whereas vesting for Company Builders is subject to performance hurdles and continued service.

For the year ended 30 June 2023, the LTI Plan was tested against performance hurdles set by the Board (for the Company Builders only) and continued employment (for both Company Builders and Professional Operators).

The performance hurdles for 30 June 2023 were Revenue, Underlying EBITDA Margin, Active Subscription Seats for PCB users and Altium 365 Adoption. Outcomes for plan participants were measured based on 1-4 performance hurdles, with the number of hurdles dependent on the seniority and category of the participant.

During the year ended 30 June 2023, achievement of the 2021 Incentive Plan performance hurdles ranged from 105% to 125%.

At present, the Group does not anticipate that the performance conditions of the 2019 LTI Plan applicable for the financial year ending 2023 will be achieved.

## 2023

GRANT DATE	VESTING DATE	ESTIMATED FAIR VALUE	BALANCE AT THE START OF THE YEAR	AWARDED	VESTED	FORFEITED	BALANCE AT THE END OF THE YEAR
<i>Shares with performance hurdles</i>							
15/12/2018	31/08/2022	US\$27.56	94,618	-	-	(94,618)	-
15/02/2019	31/08/2023	US\$27.56	1,826	-	-	(1,826)	-
31/08/2019	31/08/2023	US\$27.56	3,195	-	-	(3,195)	-
27/04/2022	31/08/2022	US\$23.11	83,190	-	(66,054)	(17,136)	-
27/04/2022	31/08/2022	US\$23.11	15,568	-	(15,568)	-	-
13/03/2023	31/08/2023	US\$25.74	-	82,769	-	-	82,769
13/03/2023	31/08/2023	US\$25.74	-	12,424	-	-	12,424
13/03/2023	31/08/2024	US\$25.74	-	77,175	-	-	77,175
13/03/2023	31/08/2025	US\$25.74	-	77,169	-	-	77,169
13/03/2023	31/08/2026	US\$25.74	-	66,905	-	-	66,905
13/03/2023	31/08/2027	US\$25.74	-	67,658	-	-	67,658
30/06/2023	31/08/2023	US\$24.41	-	56,496	-	-	56,496
30/06/2023	31/08/2023	US\$24.41	-	2,369	-	-	2,369
30/06/2023	31/08/2024	US\$24.41	-	67,898	-	-	67,898
30/06/2023	31/08/2025	US\$24.41	-	67,896	-	-	67,896
30/06/2023	31/08/2026	US\$24.41	-	52,903	-	-	52,903
30/06/2023	31/08/2027	US\$24.41	-	53,378	-	-	53,378
30/06/2023	31/08/2028	US\$24.41	-	11,926	-	-	11,926

2023 (continued)

GRANT DATE	VESTING DATE	ESTIMATED FAIR VALUE	BALANCE AT THE START OF THE YEAR	AWARDED	VESTED	FORFEITED	BALANCE AT THE END OF THE YEAR
<i>Shares with no performance hurdles</i>							
1/03/2021	31/08/2022	US\$20.40	71,303	-	(71,303)	-	-
1/03/2021	31/08/2023	US\$20.40	67,208	-	(6,667)	(17,062)	43,479
1/09/2021	31/08/2022	US\$21.92	26,643	-	(26,643)	-	-
1/09/2021	31/08/2023	US\$21.92	20,808	-	-	(5,100)	15,708
1/09/2021	31/08/2024	US\$21.92	72,417	-	-	(27,214)	45,203
1/09/2021	31/08/2025	US\$21.92	72,417	-	-	(27,214)	45,203
27/04/2022	31/08/2022	US\$23.11	4,188	-	(2,094)	(2,094)	-
27/04/2022	31/08/2023	US\$23.11	4,188	-	-	(2,094)	2,094
27/04/2022	31/08/2024	US\$23.11	4,188	-	-	(2,094)	2,094
27/04/2022	31/08/2025	US\$23.11	4,188	-	-	(2,094)	2,094
27/04/2022	31/08/2026	US\$23.11	4,188	-	-	(2,094)	2,094
13/03/2023	31/08/2023	US\$25.74	-	5,804	-	-	5,804
13/03/2023	31/08/2024	US\$25.74	-	5,089	-	-	5,089
13/03/2023	31/08/2025	US\$25.74	-	5,088	-	-	5,088
13/03/2023	31/08/2026	US\$25.74	-	19,795	-	-	19,795
13/03/2023	31/08/2027	US\$25.74	-	22,159	-	-	22,159
13/03/2023	31/08/2028	US\$25.74	-	1,217	-	-	1,217
30/06/2023	31/08/2023	US\$24.41	-	36,984	-	-	36,984
30/06/2023	31/08/2024	US\$24.41	-	60,147	-	-	60,147
30/06/2023	31/08/2025	US\$24.41	-	60,147	-	-	60,147
30/06/2023	31/08/2026	US\$24.41	-	89,531	-	-	89,531
30/06/2023	31/08/2027	US\$24.41	-	89,872	-	-	89,872
30/06/2023	31/08/2028	US\$24.41	-	56,042	-	-	56,042
			550,133	1,148,841	(188,329)	(203,835)	1,306,810

# Altium Limited

Notes to the consolidated financial statements

## 2022

GRANT DATE	VESTING DATE	ESTIMATED FAIR VALUE	BALANCE AT THE START OF THE YEAR	AWARDED	VESTED	FORFEITED	REALLOCATED	BALANCE AT THE END OF THE YEAR
<i>Shares with performance hurdles</i>								
15/12/2018	31/08/2021	US\$27.56	37,471	-	(37,471)	-	-	-
15/12/2018	31/08/2022	US\$27.56	63,082	-	-	(63,082)	-	-
15/12/2018	31/08/2023	US\$27.56	94,618	-	-	-	-	94,618
15/02/2019	31/08/2021	US\$27.56	493	-	(493)	-	-	-
15/02/2019	31/08/2022	US\$27.56	1,218	-	-	(1,218)	-	-
15/02/2019	31/08/2023	US\$27.56	1,826	-	-	-	-	1,826
31/08/2019	31/08/2021	US\$27.56	1,279	-	(1,279)	-	-	-
31/08/2019	31/08/2022	US\$27.56	2,130	-	-	(2,130)	-	-
31/08/2019	31/08/2023	US\$27.56	3,195	-	-	-	-	3,195
1/03/2022	31/08/2021	US\$20.40	-	-	(51,581)	-	51,581	-
1/09/2022	30/09/2021	US\$21.92	-	24,786	(16,029)	(8,757)	-	-
1/09/2022	31/08/2022	US\$21.92	-	10,818	-	(10,818)	-	-
27/04/2023	31/08/2022	US\$23.11	-	84,028	-	(838)	-	83,190
27/04/2023	31/08/2022	US\$23.11	-	15,568	-	-	-	15,568
<i>Shares with no performance hurdles</i>								
1/03/2021	31/08/2021	US\$20.40	150,375	-	(98,794)	-	(51,581)	-
1/03/2021	31/08/2022	US\$20.40	77,061	-	-	(5,758)	-	71,303
1/03/2021	31/08/2023	US\$20.40	72,208	-	-	(5,000)	-	67,208
1/09/2021	30/09/2021	US\$21.92	-	24,494	(24,494)	-	-	-
1/09/2021	31/08/2022	US\$21.92	-	29,720	-	(3,077)	-	26,643
1/09/2021	31/08/2023	US\$21.92	-	23,885	-	(3,077)	-	20,808
1/09/2021	31/08/2024	US\$21.92	-	78,729	-	(6,312)	-	72,417
1/09/2021	31/08/2025	US\$21.92	-	78,729	-	(6,312)	-	72,417
27/04/2022	31/08/2022	US\$23.11	-	4,188	-	-	-	4,188
27/04/2022	31/08/2023	US\$23.11	-	4,188	-	-	-	4,188
27/04/2022	31/08/2024	US\$23.11	-	4,188	-	-	-	4,188
27/04/2022	31/08/2025	US\$23.11	-	4,188	-	-	-	4,188
27/04/2022	31/08/2026	US\$23.11	-	4,188	-	-	-	4,188
			504,956	391,697	(230,141)	(116,379)	-	550,133

## Long-term cash bonus scheme

Aram Mirkazemi and Sergiy Kostynsky participate in a long-term cash bonus scheme dependent on the achievement of certain performance conditions. If the performance conditions are satisfied in the first year, the fixed cash bonus value will vest in three equal tranches over three years following the end of the financial year with no retesting of the performance metrics but subject to being an employee of the Group at each vesting date.

The cash bonus granted for the year ended 30 June 2023, was achieved at 119%. The amounts have been included in trade and other payables as at 30 June 2023.

## Share Based Payment Expense

	CONSOLIDATED	
	2023 US\$'000	2022 US\$'000
Share based payment expense	9,762	5,483
Shares issued under the share and performance rights plan	9,762	5,483

The Altium Employee Share and Option Plan Trust is used to hold shares for share and performance rights plans. As at 30 June 2023 the trust held nil ordinary shares (2022: nil).

## Accounting policy for share-based payments

Under the employee share scheme, shares are issued under the Altium Employee Share and Option Plan Trust to employees for no cash consideration. Shares may be held by the trust and not yet issued to employees at the end of the reporting period are shown as treasury shares in the financial statements.

Altium estimates the fair value of the shares awarded to employees when the service period commences and again at each reporting period until the shares are granted. The grant date is established when all conditions relating to the award are provided to the employees. The fair value of the shares at grant date is determined using the actual market price of the company's shares at the grant date. The expense is recognised as an expense over the relevant service period.

Non-market vesting conditions are included in assumptions about the number of rights that are expected to become exercisable. At each reporting date, the Group revises its estimate of the number of rights that are exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity.

## Critical accounting judgements, estimates and assumptions

The share-based payment expense is based on expected targets and related forecasts. Judgment is required to determine the probability of achievement of performance hurdles in future periods.

The performance conditions of the 2019 LTI Plan applicable for the financial year ending 2023 were not achieved. Subsequent to the reporting date, there are no performance rights outstanding for the 2019 LTI Plan.

## NOTE 30

## Contingent liabilities

As disclosed in Altium's 2022 Annual Report and subsequent ASX release on 21 November 2022, during the 2019 financial year, the Australian Tax Office (ATO) performed a risk review as part of their program of work for the Top 1000 taxpayers in the large business and international segment. The ATO subsequently commenced an audit in respect of the years ended 30 June 2014 to 30 June 2018. The focus of the audit was a company restructure implemented by Altium in 2015 which resulted in the relocation of Altium's core business assets to a wholly owned group entity in the USA, including intellectual property, valued at US\$402.9 million.

The ATO examined the application of the transfer pricing and general anti-avoidance provisions of Australian tax law arising from this restructure. On 29 July 2022, the ATO issued its final position papers on the application of the general anti-avoidance provisions, and in the alternative the application of transfer pricing. In doing so, and on the advice of the ATO's General Anti-Avoidance Rules Panel, the ATO withdrew its principal anti-avoidance position and amended its secondary anti-avoidance position. In its position papers, the ATO asserted the tax liability in respect of the 2016 to 2018 tax years was within a range from AU\$21.1 million to AU\$80.0 million (excluding penalties and interest), and Altium disclosed a contingent tax liability (excluding interest and penalties) on that basis in the 2022 Annual Report.

Following the 2022 Annual Report, and further to Altium's ASX release of 21 November 2022:

- On 28 and 29 November 2022, the ATO issued amended assessments for the 2016 to 2018 tax years of approximately AU\$80.0 million in primary tax (US\$54.4 million), (which does not take into account deductions of global operating costs), AU\$19.8 million in shortfall interest charges (US\$13.5 million) and AU\$10.0 million in scheme shortfall penalties (US\$6.8 million). The contingent liability has been amended accordingly to reflect the ATO's amended assessments.
- On 9 December 2022, the ATO commenced a "roll-over audit" in relation to the post audit years (2019-2022).
- On 19 December 2022, Altium entered into a "50/50 payment arrangement" with the ATO under which Altium agreed to make a payment of 50% of the disputed primary tax amount (approximately AU\$40.0 million) (US\$27.2 million) to the ATO, with that amount being refundable to Altium (with interest) if Altium is ultimately successful in the dispute. This payment was made on 3 January 2023 and has been accounted for as a Non-Current Receivable. See Note 9.

Altium has engaged external legal advisers in relation to this matter and has filed objections with the ATO in relation to the 2016 to 2018 tax years. Confidential discussions are continuing with the ATO. Altium disagrees with the ATO's amended assessments and intends to vigorously defend its position and contest the matter through litigation proceedings.

Based on information available to the Directors, Altium does not consider it probable that the company will be required to pay additional tax in relation to this matter and no provision was recognised as at 30 June 2023.

## NOTE 31

## Events after the reporting period

Since period end, the Directors have declared an unfranked final dividend of AU29 cents per share. The dividend will be paid on 26 September 2023. The dividend will be recognised in subsequent period financial statements.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial 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.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Interim Chief Financial Officer for the financial year ended 30 June 2023.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Board of Directors



Aram Mirkazemi  
Director and Chief Executive Officer

21 August 2023  
Sydney



Sam Weiss  
Non-executive Chairman





# Independent Auditor's Report

To the shareholders of Altium Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report** of Altium Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2023
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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## Key Audit Matters

The **Key Audit Matters** we identified are:

- Revenue recognition
- Contingent liability relating to the potential tax liability on the transfer of assets to the USA

**Key Audit Matters** are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	
Refer to Note 3 to the financial report	
The key audit matter	How the matter was addressed in our audit
<p>The Group recognised revenue of \$263.3 million for the year ended 30 June 2023.</p> <p>Revenue is mainly derived from the licensing of software product and from related support and maintenance (subscription).</p> <p>The Group's contracts with customers typically include commitments to transfer perpetual or term-based software licenses bundled with subscription services. The Group determined that software licenses are distinct performance obligation from subscription services. It is their policy that the corresponding revenues are recognised as the related performance obligations are satisfied.</p> <p>Revenue recognition was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• Its financial significance; and,</li> <li>• the judgments and assumptions required by the Group in the determination of the relative stand-alone selling prices for each performance obligation in multiple element contracts.</li> </ul>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• We assessed the appropriateness of the Group's accounting policies related to revenue recognition against the requirements of the accounting standard and our understanding of the business and industry practice</li> <li>• We evaluated the Group's stand-alone selling price allocation methodology for each significant revenue stream against the requirements of Australian Accounting Standards</li> <li>• We tested the key underlying assumptions and data in the stand-alone selling price model using observable inputs, details of licensing arrangements and pricing practice</li> <li>• We assessed the mathematical accuracy of the underlying calculations in standalone selling price model used</li> <li>• For a sample of revenue recognised throughout the year: <ul style="list-style-type: none"> <li>• We inspected key source documentation such as contracts and sales orders to check the existence of underlying customer contracts</li> <li>• We checked the accuracy of the revenue recognised to invoices and the agreed terms and conditions of the underlying contracts and to the Group's revenue recognition policy</li> </ul> </li> <li>• We evaluated the adequacy of disclosures in the financial report using our understanding obtained from our testing and against the requirements of Australian Accounting Standards</li> </ul>

Contingent liability relating to the potential tax liability on the transfer of assets to the USA	
Refer to Note 30 to the financial report	
The key audit matter	How the matter was addressed in our audit
<p>Contingent liability relating to the potential tax liability on the transfer of assets to the USA is a key audit matter as applying IFRIC 23 <i>Uncertainty over Income Tax Treatments</i> and AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> (AASB 137) requires significant judgement.</p> <p>Given our assessment of the uncertainty and potential significance of the contingent liability to the financial report combined with the judgement involved in assessing whether the Group's analysis of the matter result in a possible or probable obligation, the contingent liability in respect of the tax audit by the Australian Taxation Office (ATO) was considered a key audit matter.</p> <p>We involved tax specialists to supplement our senior team members in assessing this key audit matter.</p>	<p>Working with our tax specialists our procedures included:</p> <ul style="list-style-type: none"> <li>● Examining the Group's evaluation of its position, and selected correspondence with the ATO including the Audit Finalisation Letter, the Amended Assessments for the 2016 to 2018 tax years, letter of commencement of roll-over audit for 2019 to 2022 tax years and advice provided by Group's tax and legal advisors</li> <li>● Reading minutes from relevant committees, attending audit and risk management committee meetings where this topic was tabled, analysing consistency of sources</li> <li>● Reconciling the amounts disclosed in respect of the tax years 2016 to 2018 to the ATO's amended assessments letter</li> <li>● Assessing the scope, competency, and objectivity of the Group's tax and legal advisors</li> <li>● Evaluating the Group's conclusion for a contingent liability position versus giving rise to a liability by challenging the basis for potential loss as either "probable" or "possible".</li> <li>● Enquiring with the Group's external lawyers regarding the matter, and considering the conclusions reached by the Group's external advisors.</li> <li>● Enquiring of senior management, inhouse legal counsel and the Directors for updates through to the date of signing regarding the matter, the range of possible outcomes and associated estimation of financial outflows, analysing consistency</li> <li>● Evaluating the adequacy of disclosures in the financial report using our understanding obtained from our testing and against the requirements of Australian Accounting Standards.</li> </ul>

## Other Information

Other Information is financial and non-financial information in Altium's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report and Remuneration Report. The Corporate Governance Statement, ESG Report and Information for Shareholders are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar2\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf)

This description forms part of our Auditor's Report.

## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Altium Limited for the year ended 30 June 2023, complies with *Section 300A* of the *Corporations Act 2001*.

### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

### Our responsibilities

We have audited the Remuneration Report included in pages 30 to 46 of the Directors' report for the year ended 30 June 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Caoimhe Toouli

*Partner*

Sydney

21 August 2023

# Glossary

METRIC	DEFINITION
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
EBITDA Margin	EBITDA divided by Revenue
Underlying EBITDA	EBITDA adjusted for one-off items not expected to reoccur in the normal operating cycle and/or items identified by management and reported to the CODM bodies as not representing the underlying performance of the business.
Underlying EBITDA Margin	Underlying EBITDA divided by Revenue
Recurring Revenue	<p>Recurring Revenue is used by Altium to assess the estimated amount of Altium's revenue which is recurring in nature to project future revenue. The calculation of Recurring Revenue at the end of the relevant financial period adjusts Total Statutory Revenue to remove amounts for:</p> <ul style="list-style-type: none"> <li>• Revenue recognised upfront from Perpetual Licenses</li> <li>• Training and deployment services</li> <li>• Hardware revenue; and</li> <li>• License upgrades.</li> </ul>
Annual Recurring Revenue (ARR)	The total annualised contracted value of all licenses that are term-based and subscription services (excluding perpetual licenses) that are recurring in nature. The total annualised contract value is calculated as total value of open active contracts at the relevant financial period end divided by the length of the contract in days and multiplied by 365. Calculation refined in FY23 to utilise more granular regional and customer level data rather than weighted averages. Historical data has been presented on a basis consistent with the FY23 methodology. See further detail in the Investor Presentation.
Average Subscription Seat Value (ASSV)	ARR divided by total number of active seats on subscription. Replaced ARRPU in FY23 to utilise more granular data at the individual contract level. Historical data has been presented on a basis consistent with the FY23 methodology. See further detail in the Investor Presentation.

# Information for shareholders as at 31 August 2023

The shareholder information set out below was current as at 31 August 2023.

## Corporate Governance Statement:

The Company's Corporate Governance Statement can be found on its website at <https://www.altium.com/corporate-governance>.

### a. Number of shareholders

As at 31 August 2023, there were:

- 24,787 holders of 131,647,099 ordinary shares; and
- 46 holders of 1,306,810 performance share rights

Only ordinary shares of the Company are quoted. Only holders of ordinary shares are entitled to attend and vote at a meeting of members.

### b. Distribution of equity securities

Analysis of equity security holders by size of holding

RANGE	ORDINARY SHARES		
	NUMBER OF HOLDERS OF ORDINARY SHARES	TOTAL UNITS	% OF ISSUED CAPITAL
1 - 1,000	20,582	5,535,816	4.21
1,001 - 5,000	3,562	7,648,205	5.81
5,001 - 10,000	410	2,986,460	2.27
10,001 - 100,000	192	5,156,866	3.92
100,001 - and over	41	110,319,752	83.80
<b>Totals</b>	<b>24,787</b>	<b>131,647,099</b>	<b>100.00</b>

RANGE	PERFORMANCE SHARE RIGHTS		
	NUMBER OF HOLDERS OF PERFORMANCE SHARE RIGHTS	TOTAL UNITS	% OF ISSUED CAPITAL
5,001 - 10,000	9	58,407	0.04
10,001 - 100,000	37	1,248,403	0.95
<b>Totals</b>	<b>46</b>	<b>1,306,810</b>	<b>0.99</b>

## Less than Marketable Parcel

There were 298 holders of a less than marketable parcel of \$500 of ordinary shares based on a closing price of \$48.41 on 31 August 2023.

### c. Top 20 holdings

RANK	NAME	UNITS ORDINARY SHARES	% OF SHARE CAPITAL
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	46,278,901	35.15
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	20,184,781	15.33
3	CITICORP NOMINEES PTY LIMITED	14,043,322	10.67
4	MR ARAM MIRKAZEMI + MRS LAILANI MIRKAZEMI <FAMILY A/C>	6,713,000	5.10
5	NATIONAL NOMINEES LIMITED	4,876,075	3.70
6	BNP PARIBAS NOMS PTY LTD <DRP>	3,357,150	2.55
7	MIRKAZEMI HOLDINGS PTY LTD <MIRKAZEMI SUPER FUND A/C>	2,050,000	1.56
8	SERGEY & SLAVA PTY LTD <KOSTYNSKY FAMILY A/C>	1,978,125	1.50
9	MUTUAL APPRECIATION SOCIETY PTY LTD <GARB-WEISS SUPER FUND A/C>	1,903,207	1.45
10	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,177,664	0.89
11	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	585,073	0.44
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	581,394	0.44
13	ARAM MIRKAZEMI	525,543	0.40
14	MRS NANCI CATHERINE MOORE	522,000	0.40
15	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	369,416	0.28
16	MR SERGIY KOSTYNSKY	358,343	0.27
17	MR CHARLES ROBERT DIRCK WITTENOOM	350,175	0.27
18	MR SHAHRAM MIRKAZEMI	300,000	0.23
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	297,993	0.23
20	KIM MAREE BESHARATI	267,545	0.22
	<b>Total</b>	<b>106,719,707</b>	<b>81.06</b>



## d. Substantial shareholders as at 31 July 2023

There are no unquoted equity securities.

	SHAREHOLDER	NUMBER OF SHARES	% OF ISSUED SHARES
1	BlackRock Group	10,567,393	8.02
2	Pinnacle Investment Management Group Limited	9,936,804	7.55
3	Mirkazemi Holdings Pty Ltd	9,663,000	7.34
4	First Sentier Investors Holdings Pty Limited*	6,617,067	5.03
5	Mitsubishi UFJ Financial Group Inc*	6,617,067	5.03

\*Mitsubishi UFJ Financial Group Inc. is the ultimate parent of First Sentier Investors Holdings Pty Limited, who have also lodged separate substantial shareholder notifications. These securities are comprised of 5,457,800 shares in which First Sentier Investors Holdings Pty Limited and its subsidiaries have voting power and 1,159,267 securities in which First Sentier Investors Holdings Pty Limited's ultimate parent, Mitsubishi UFJ Financial Group Inc. on and from 11 April 2023, has informed that it has voting power prior to the date of this notification.

## e. Issue approved under Item 7, s611 Corporations Act

Item 7 of s611 of the Corporations Act 2001 (Corporations Act) allows members to approve an acquisition of relevant interests in voting shares that would otherwise contravene the prohibitions in s606.

There have been no issues of securities approved for the purposes of Item 7 of section 611 of the Corporations Act which have not yet been completed.

## f. Securities Purchase On-Market for an Employee Incentive Scheme

There were no securities purchased on-market: under or for the purposes of an employee incentive scheme; or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

## g. Voting rights of members

At a meeting of members, each member who is entitled to attend and vote may attend and vote in person or by proxy, attorney or representative. On a show of hands, every person present who is a member, proxy, attorney or representative, shall have one vote; and on a poll, every member who is present in person or by proxy, attorney or representative shall have one vote for each fully paid ordinary share held. No other equity securities hold voting rights.

## h. Share buy-back

There is no current on-market buy back.

## i. Securities subject to voluntary escrow

There are no securities subject to voluntary escrow as at the date of this Report.

Note: Securities issued under an employee incentive scheme that have restrictions on their transfer under the terms of the scheme are not regarded as being subject to voluntary escrow.

## j. Annual General Meeting

Date: Thursday, 16 November 2023

Format: Physical

## k. Inquiries about your shareholding

Please contact our share registry, Computershare for all questions in relation to your shareholding, dividends, share transfers and monthly holding statements. Computershare has a website which provides shareholders with access to shareholder forms and answers to frequently asked questions. You are also able to update some of your shareholder information online.

Website: [www.investorcentre.com/au](http://www.investorcentre.com/au)

Mailing address: Computershare Investor Services Pty Limited,  
GPO Box 2975, Melbourne VIC 3001 Australia

Phone (Aus) 1300 850 505  
(Overseas) +61 (0)3 9415 4000

### Computershare Office Addresses

Sydney Level 3, 60 Carrington Street, Sydney, NSW, 2000

Melbourne Yarra Falls, 452 Johnston Street, Abbotsford, VIC, 3067

Adelaide Level 5, 115 Grenfell Street, Adelaide, SA, 5000

Brisbane Level 1, 200 Mary Street, Brisbane QLD 4000

## l. Inquiries about Altium Limited

Details of Altium Limited's Registered Office are as follows;

Address: The Zenith, Tower B  
Level 6, 821 Pacific Highway  
Chatswood NSW 2067  
Australia

PH: +61 2 9474 7890

Email: [investor.relations@altium.com](mailto:investor.relations@altium.com)

Website: [www.altium.com](http://www.altium.com)

Company Secretary: Natasha Davidson

Securities Exchange Listing: Altium Limited is listed on the Australian Securities Exchange (ASX) under the ticker of 'ALU.'

## m. Altium shareholder communications

Altium publishes information to its shareholders in the annual report and via releases to the ASX. Investor Information can be found on our website [www.altium.com/en/altium/investor-relations](http://www.altium.com/en/altium/investor-relations)

Key Altium Governance information can be found at:  
<https://www.altium.com/corporate-governance>

