

Appendix 4D Half-Year Report

Altium Limited and Controlled Entities

ACN 009 568 772

Period ended 31 December 2010

Results for announcement to the market

	6 months ended 31 December 2010 US\$'000	6 months ended 31 December 2009 US\$'000	Percentage Change
Revenue from ordinary activities	21,954	21,665	1%
Earnings before interest, tax, depreciation and amortisation	(315)	(1,742)	82%
Loss from ordinary activities before income tax	(3,068)	(4,567)	33%
Loss attributable to members of Altium Limited	(2,502)	(2,421)	(3%)

Dividends	Amount per security	Franked amount per security
Dividends declared	-	-

NTA Backing	31 December 2010 US\$ cents	30 June 2010 US\$ cents
Net tangible asset backing per ordinary share	0.9 cents	2.7 cents

Audit

This preliminary interim report is based on accounts which have been reviewed. The review report which was unqualified will be made available with group's financial report.

Audit Committee

There is a formally constituted audit committee.

Altium Limited and Controlled Entities
ACN 009 568 772

Half-Year Report
31 December 2010

Altium[™]

Table of Contents

Directors' report	3
Auditor's independence declaration	5
Consolidated statement of comprehensive income	6
Consolidated statement of financial position	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes to the consolidated interim financial statements	10
Directors' declaration	14
Independent auditor's review report	15

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Altium Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Through the use of the internet, Altium has ensured that its corporate reporting is timely, complete and available globally at minimum cost to the company. All press releases, financial reports and other information are available at the Investors section on the Altium website: www.altium.com. For queries in relation to Altium's reporting, please email investor.relations@altium.com. A copy of the 30 June 2010 annual financial report can also be provided to shareholders on request.

Directors' report

The directors of Altium Limited present their report on the group consisting of Altium Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2010.

Directors

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

Samuel Weiss
 Nicholas Martin
 Kayvan Oboudiyat
 Carl Rooke
 Dr David Warren
 William Bartee

Principal activities

The group's principal activities during the half-year were that of the design, development and sale of computer software for the design of electronic products. There were no significant changes in the nature of these activities during the half-year.

Interim results

	6 months ended 31 December 2010 US\$'000	6 months ended 31 December 2009 US\$'000
Loss before income tax	(3,068)	(4,567)
Income tax (expense) benefit	(396)	317
Loss for the half-year	<u>(3,464)</u>	<u>(4,250)</u>

Significant changes in the state of affairs

Altium acquired Morfik Technology Pty Ltd on 2 November 2010 in a scrip transaction with Altium issuing 13.3 million fully paid ordinary Shares for 100% of Morfik's outstanding shares. The purchase consideration amounted to AU\$2,394,000 (US\$2,364,000).

Review of operations

Overview of financial performance and position:

	6 months ended 31 December 2010 US\$'000	6 months ended 31 December 2009 US\$'000	Change
Sales	22,080	20,337	9%
Revenue	21,954	21,665	1%
Earnings before interest, tax, depreciation and amortisation	(315)	(1,742)	82%
Loss before income tax	(3,068)	(4,567)	33%
Loss for the half-year	(3,464)	(4,250)	18%
Adjusted loss before tax ¹	(826)	(3,464)	76%
Operating cash flows	(433)	1,695	(126%)
Earnings per share (cents)	(3.7)	(4.8)	20%
Average number of employees during the half-year	272	276	(2%)
Number of employees at end of half-year	284	267	6%

Directors' report (continued)

	31 December 2010 US\$'000	30 June 2010 US\$'000	Change
Cash position	4,143	4,845	(14%)
Deferred revenue	13,035	12,201	7%

¹ Adjusted operating profit before tax represents sales less operating costs adjusted for share based payments, amortisation, non-recurring expenditure, foreign exchange difference and research and development salaries capitalised. Sales represent the value of orders invoiced and dispatched in the period with no adjustment for deferred revenue recognition.

The following table illustrates sales by region for the six months ended 31 December 2010 compared to the same period in the previous corresponding period.

Sales by region in local currencies:

	6 months ended 31 December 2010 \$'000	6 months ended 31 December 2009 \$'000	Change
Product Sales			
Americas (US\$)	7,962	7,257	10%
EMEA ¹ (€)	6,769	5,447	24%
Greater China ² (US\$)	2,792	2,620	7%
Asia-Pacific excluding Greater China ² (US\$)	2,103	2,339	(10%)
Consulting Services			
Consulting (€)	162	130	25%

¹ EMEA includes Europe, Middle East and Africa.

² Greater China includes People's Republic of China, Taiwan and Hong Kong.

Dividends

No dividends have been declared during the half-year ended 31 December 2010.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the directors.

For and on behalf of the board



Nicholas Martin
Director and Chief Executive Officer



Kayvan Oboudiyat
Director and Executive Vice Chairman

Sydney
23 February 2011

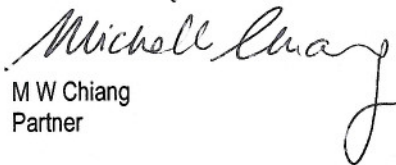


Auditor's independence declaration

As lead auditor for the review of Altium Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink that reads 'Mitchell Chiang'.

M W Chiang
Partner

Sydney
23 February 2011

Altium Limited and Controlled Entities

ACN 009 568 772

Consolidated statement of comprehensive income

For the half-year ended 31 December 2010

	31 December 2010 US\$'000	31 December 2009 US\$'000
Revenue	21,954	21,665
Raw materials and consumables used	(342)	(618)
Changes in inventories of finished goods and work in progress	(128)	(104)
Employee benefits expense	(15,662)	(15,102)
Depreciation and amortisation expense	(2,746)	(2,804)
Rental expense	(1,991)	(1,890)
Marketing expense	(594)	(1,039)
Travel and Entertainment	(756)	(1,028)
Professional advice expense	(665)	(610)
Communication expense	(594)	(572)
Net foreign exchange profit (loss)	85	(792)
Finance costs	(52)	(43)
Other expenses	(1,577)	(1,630)
Loss before income tax	(3,068)	(4,567)
Income tax (expense) benefit	(396)	317
Loss for the half-year	(3,464)	(4,250)
Other comprehensive income		
Exchange differences on translation of foreign operations	962	1,829
Loss attributable to members of Altium Limited	(2,502)	(2,421)
	US Cents	US Cents
Basic earnings per share	(3.7)	(4.8)
Diluted earnings per share	(3.7)	(4.8)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Altium Limited and Controlled Entities

ACN 009 568 772

Consolidated statement of financial position

As at 31 December 2010

	31 December 2010 US\$'000	30 June 2010 US\$'000
Current assets		
Cash and cash equivalents	4,143	4,845
Trade and other receivables	9,387	10,804
Inventories	1,376	1,285
Tax receivables	984	445
Total current assets	15,890	17,379
Non-current assets		
Other receivables	346	279
Property, plant and equipment	4,472	3,641
Intangible assets	6,376	5,334
Deferred tax assets	869	809
Total non-current assets	12,063	10,063
Total assets	27,953	27,442
Current liabilities		
Trade and other payables	4,367	5,035
Deferred revenue	12,619	11,891
Borrowings	517	232
Tax liabilities	271	29
Provisions	1,880	1,516
Total current liabilities	19,654	18,703
Non-current liabilities		
Deferred revenue	416	310
Borrowings	253	154
Provisions	300	518
Total non-current liabilities	969	982
Total liabilities	20,623	19,685
Net assets	7,330	7,757
Equity		
Contributed equity	79,534	77,170
Reserves	7,518	6,845
Accumulated losses	(79,722)	(76,258)
Total equity	7,330	7,757

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

Altium Limited and Controlled Entities

ACN 009 568 772

Consolidated statement of changes in equity

For the half-year ended 31 December 2010

	Note	31 December 2010 US\$'000	31 December 2009 US\$'000
Total equity at the beginning of the half-year		7,757	17,118
Total recognised income and expense		(2,502)	(2,421)
Transactions with equity holders in their capacity as equity holders:			
Employee share options		88	184
Purchase of treasury shares		(377)	-
Issue of shares	5	2,364	-
Total equity at the end of the half-year		7,330	14,881

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

Altium Limited and Controlled Entities

ACN 009 568 772

Consolidated statement of cash flows

For the half-year ended 31 December 2010

	31 December 2010 US\$'000	31 December 2009 US\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	24,299	26,975
Payments to trade creditors, other suppliers and employees (inclusive of goods and services tax)	(23,880)	(25,486)
Payments for treasury shares acquired by Altium Limited Employee Share and Option Plan Trust	(377)	-
Interest received	45	22
Interest paid	(52)	(43)
Net income taxes received (paid)	(468)	227
Net cash (outflow) inflow from operating activities	(433)	1,695
Cash flows from investing activities		
Payments for research and development	-	(705)
Payments for property, plant and equipment	(617)	(334)
Payments for purchase business	74	-
Proceeds from sale of property, plant and equipment	-	5
Net cash outflows from investing activities	(543)	(1,034)
Cash flows from financing activities		
Proceeds from borrowings	-	134
Repayment of borrowings	(140)	(307)
Net cash outflows from financing activities	(140)	(173)
Net (decrease) increase in cash held	(1,116)	488
Cash at beginning of the half-year	4,845	3,526
Effects of exchange rate changes on cash	414	110
Cash at end of the half-year	4,143	4,124

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

Notes to the consolidated interim financial statements

1. Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Altium Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. Comparative information is reclassified where appropriate to enhance comparability.

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

Going concern

At 31 December 2010, the group had a current net asset deficiency of US\$3,764,000 (June 2010: US\$1,324,000). This arises primarily due to the deferred revenue liability of US\$12,619,000 (June 2010: US\$11,891,000), which is not expected to result in a significant cash outflow for the group. The current net asset position excluding deferred revenue would be US\$8,855,000 (June 2010: US\$10,567,000).

Having reviewed and considered the expected cash flow, working capital, deferred revenue, capital expenditure and loan facilities available to the group, the directors and management have formed the view that the group will continue as a going concern for a period of at least 12 months from the date of this report and consequently will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report for the group has therefore been prepared on a going concern basis.

2. Segment information

Description of segments

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

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

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

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

Segment information (continued)

Segment information provided to the Board and executive team

The segment information provided to the Board and executive team for the reportable segments is as follows:

31 December 2010	Americas US\$'000	EMEA US\$'000	Greater China US\$'000	Asia Pacific US\$'000	Others US\$'000	Total US\$'000
Revenue from external customers	8,258	7,537	2,653	3,049	412	21,909
Segment sales	7,962	9,006	2,792	2,103	217	22,080
Adjusted operating profit	4,118	6,322	1,424	882	(13,572)	(826)

31 December 2009

Revenue from external customers	8,283	8,094	2,676	2,545	26	21,624
Segment sales	7,257	7,932	2,620	2,339	189	20,337
Adjusted operating profit	3,551	4,704	1,508	768	(13,995)	(3,464)

31 December 2010

Segment assets	3,428	4,210	2,086	1,738	14,638	26,100
Segment liabilities	7,254	5,673	283	427	5,945	19,582

30 June 2010

Segment assets	6,589	3,961	1,130	2,015	12,493	26,188
Segment liabilities	7,904	4,736	216	529	5,885	19,270

Other segment information

Segment sales and segment revenue

Sales between segments are excluded from the segment information and do not form part of the reports used by the Board and executive team. Segment sales is the measure used by the Board and executive team and consists of the following amounts invoiced for:

- software despatched to a customer;
- subscription contracts invoiced pursuant to a sales order; and
- training services invoiced pursuant to a sales order.

Segment revenue is the revenue recognised as per AASB 118 Revenue and consists of the following:

- software despatched to a customer where the associated risks have passed to the customer;
- subscription services performed during the period; and
- training services performed during the period.

Segment information (continued)

Segment sales reconciles to total revenue as follows:

	31 December 2010 US\$'000	31 December 2009 US\$'000
Total segment sales	22,080	20,337
Net adjustment for deferred revenue recognition	(171)	1,287
Total segment revenue	21,909	21,624
Interest revenue	45	22
Other revenue	-	19
Total revenue	<u>21,954</u>	<u>21,665</u>

Adjusted operating profit

The Board and executive team assess the performance of the operating segments using an adjusted operating profit measure. This measure represents segment sales (as described above) less operating costs adjusted for share based payments, amortisation, non-recurring expenditure, foreign exchange difference and research and development salaries capitalised.

Adjusted operating profit reconciles to loss before income tax as follows:

	31 December 2010 US\$'000	31 December 2009 US\$'000
Adjusted operating loss	(826)	(3,464)
Net adjustment for deferred revenue recognition	(171)	1,287
Amortisation	(2,063)	(2,079)
Share based payments expense	(88)	(184)
Capitalisation of research and development employee costs	-	677
Net foreign exchange profit (loss)	85	(792)
Other	(5)	(12)
Loss before income tax	<u>(3,068)</u>	<u>(4,567)</u>

3. Contingent liabilities

No significant contingent liabilities existed within the group as at 31 December 2010.

4. Events occurring after balance date

No matter or circumstance has arisen since 31 December 2010 that has significantly affected, or may significantly affect:

- the group's operations in future financial years, or
- the results of those operations in future financial years, or
- the group's state of affairs in future financial years.

Notes to the consolidated interim financial statements (Continued)

5. Business combination

On 2 November 2010, Altium limited acquired 100% of the issued shares in Morfik Technology Pty Ltd, an Australian software company, for consideration of AU\$2,394,000 (US\$2,364,000). The acquisition is expected to boost Altium's engineering team and technologies as part of the long term plan of helping our industry make the transition from designing stand-alone discrete devices to designing and engineering connected device ecosystems.

Details of the purchase consideration:

	US\$'000
Equity swap	<u>2,364</u>

There is no contingent consideration.

The provisionally determined fair values of the assets and liabilities, as prescribed under AASB 3: Business Combinations, recognised as a result of the acquisition are as follows:

	US\$'000
Cash and cash equivalents	75
Receivables	3
Tax receivables	245
Payables	(28)
Borrowings	(246)
Intellectual property	2,315
Net identifiable assets acquired	<u>2,364</u>

Acquisition-related costs of \$89,784 are included in profit or loss.

Revenue and profit contribution:

The acquired business contributed revenues of \$5,477 and net loss of \$21,745 to the group for the period from 2 November 2010 to 31 December 2010. If the acquisition had occurred on 1 July 2010, consolidated revenue and consolidated loss for the half-year ended 31 December 2010 would have been \$22,002,000 and \$2,189,000 respectively. A loan restructuring benefit of \$1,464,000 is included in the profit of Morfik Technology Pty Ltd in the period prior to acquisition.

Information not disclosed as it's not yet available:

At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of Morfik Technology Pty Ltd. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

Altium Limited

ACN 009 568 772


Directors' declaration

In the directors opinion:

- a) the financial statements and notes set out on pages 6 to 13 are in accordance with the Corporations Act 2001, including:
- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the group's financial position as at 31 December 2010 and of its performance, as represented by the results of its operations, the changes in equity and its cash flows, for the half-year ended on that date.
- (b) there are reasonable grounds to believe that Altium Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

For and on behalf of the board



Nicholas Martin
Director and Chief Executive Officer



Kayvan Oboudiyat
Director and Executive Vice Chairman

Sydney
23 February 2011



INDEPENDENT AUDITOR'S REVIEW REPORT

to the members of Altium Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Altium Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Altium Limited Group (the group). The group comprises Altium limited and the entities it controlled during that half-year.

Directors' Responsibility for the half-year financial report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the group's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Altium Limited group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

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Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Altium Limited group for the half-year ended 31 December 2010 included on Altium Limited's web site. The company's directors are responsible for the integrity of the Altium Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

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

Conclusion

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

- (a) giving a true and fair view of the group's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.


PricewaterhouseCoopers


M W Chiang
Partner

Sydney
23 February 2011