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2014 Chairman's Address Altium Annual General Meeting

Sydney, Australia – 6 November 2014

Good afternoon ladies and gentlemen and welcome to Altium Limited's 2014 Annual General Meeting. It is a pleasure to reflect with you today about the financial performance of Altium Limited over the past twelve months and to share with you some perspective on the journey ahead. It has certainly been a busy and prosperous period.

Before getting into the highlights of fiscal 2014, I would like to take a few minutes to review our transformative journey over the past couple of years.

Following a change in leadership in 2012, Altium committed to a strategic path of focus on our core business of the development of software design tools for engineers to create printed circuit boards (PCBs) and the emerging world of the Internet of Things (IOT), in which design tools will play a critical part. During this time, Altium has built upon the deep engineering strength of its R&D capabilities and has taken advantage of strong operating leverage that has enabled the company to grow revenue faster than costs. This has gone a long way to the restoration of shareholder value, by virtue of a reliable base of profitability and the payment of dividends.

During the year, Altium went through an orderly change of Chief Executive. Kayvan Oboudiyat, who joined the Company as Managing Director in 1997 and went on to serve as CEO during the Initial Public Offering of Altium and then Executive Vice Chairman, became CEO in 2012 at a point when calm, clear eyed leadership was essential for us. Kayvan led a period highlighted by a return to growth in revenue and earnings and a renewed focus on our core PCB design business. In January Kayvan informed the Board of his intention to retire; fortunately, the Company had worked hard to ensure that there was a well prepared succession plan in place and we were pleased to appoint Mr. Aram Mirkazemi as his successor.

Kayvan has served Altium with distinction; he has been steadfast and loyal and has always put the Company's interests ahead of his own. It has been a privilege to serve alongside him on the Board.

Aram Mirkazemi has been involved with Altium since its very early days, as an engineer and code writer, as a leader of all facets of our technology development, as a deep and forward thinking strategist and as an outstanding leader. He is a worthy CEO of the Company and the right man to lead us now.

Today, Altium is operationally and financially strong. We are on the way in our journey to achieve our ambition to become the #1 PCB design tool company in the world. Of course, we are mindful that there are many challenges to overcome on this journey, however, the Board and management of Altium are confident that we are making the right decisions, with the right team with the capability and the determination to achieve our vision.

"My personal journey with Altium started in 2007 when I was appointed to the Board of Directors. I soon became aware of the immense potential in Altium. It took me a while, however, to recognise the enormity of the challenge that faced the company to build the requisite organisational capacity to translate potential into commercial reality. In the ensuing years my colleagues and I have worked hard to prepare Altium for this journey. Today we have genuine visibility of the potential for Altium to become the market leader in PCB tool design and development. I am excited by what lies ahead and look forward to sharing future progress with you."

FY14 Financial Highlights

For fiscal 2014, Altium achieved a record year end result building on the performance from the 2013 fiscal year. Specific highlights for fiscal 2014 include:

- Worldwide revenue increased 15% to US\$71.1 million.
- Sales increased by 10% to US\$76.1 million.
- Net profit after tax increased from US\$1.4 million to US\$11.2 million.
- Net cash was US\$22.0 million as at 30 June 2014, up 49% on the previous corresponding period.
- Altium achieved a three year CAGR for revenue of 13%.
- Earnings per share (EPS) were 10.3 cents compared with 1.3 cents in fiscal 2013.

All regions experienced revenue growth in fiscal 2014. This was a significant achievement in the America's region as Altium continues to transform its sales model to leverage reach and benefit from specialist sales teams. Our European sector continued to deliver strong results.

As a global company, with 85+ partners and resellers, Altium benefits from substantial reach and an increasingly diversified revenue base. Subscriptions are a key element of Altium's strategy to secure a predictable revenue stream. We believe that the subscription model enables us to heighten our 'customer-centric' focus as it means that we need to deliver a regular flow of product and service improvements to our subscribers. During fiscal 2014, 47% of Altium's total sales were subscription-based.

Encouraging sales and revenue growth and our concentration on fiscal discipline has enabled Altium to pay shareholders dividends of AU 12 cents per share in fiscal 2014.

FY14 Milestones

During fiscal 2014, Altium further progressed its leveraged sales strategy in the US. This sales model is based on specialisation and channel focus.

To that end, Altium has:

- laid the foundation for building a world class sales channel through partnership with mechanical CAD partners;
- built a framework to support an aggressive team of "rainmakers" who specialise in new account acquisition to grow our customer base; and
- a dedicated account management team that works to increase Altium's subscription sales.

Additionally, in the US, Altium has committed to development of a new electromechanical product. This will be a specialised version of Altium Designer to be sold through our US channel partners and aimed specifically at users of MCAD products. In this way, Altium is responding to the challenges faced by engineers arising from the market convergence between electronic CAD and mechanical CAD.

During fiscal 2014, Altium released a new version of its flagship product Altium Designer 14, which introduced support for 3D design of rigid-flex PCB. Altium also released Vault 2.0, its design data management platform which assists engineers to connect all facets of the electronic design process together. These product releases were well received by Altium's customers and reflective of the company's commitment to concentrate its product development on real customer needs.

As many of you will be aware, during the fourth quarter of fiscal 2014, Altium started the process of relocating its core R&D and PCB CAD Division from Shanghai, China to San Diego, USA. This relocation supports Altium's "Closing the Capability Gap" with high-end design tools and will enable Altium to better serve the needs of our customers and partners in key growth markets. Many of Altium's executive and senior management have also relocated to San Diego. Being in the US provides an opportunity for Altium to work more closely with its sales channel and strategic partners, while also delivering increased organisational capacity. Altium is working with Chinese manufacturers to enable them to bring to market intelligent and connected devices.

From an organisational perspective, Altium is expanding its leadership team to support and drive future growth. We are committed to having a world class global leadership team that has deep industry expertise, strong commercial acumen and a passion to build Altium into a truly great company.

Expanding Market Reach

Last year I shared with you details of Altium's product development strategy focused on "Closing the Capability Gaps" with high-end design tools, while also focusing on the entry level market.

On 21 September 2014, Altium launched a demo of its new product, Altium Circuit Maker, at the New York Maker's Faire. Circuit Maker is a PCB design tool with a modern and simplified design flow for the Makers' Community. This represents Altium's play into the lower-end of the PCB market, with a special functionality so that engineers who use it can collaborate and share electronic designs.

Altium is on track to release its new product aimed at the high-end of the PCB market. This will support Altium's drive to expand its addressable market and will represent the first major deliverable of Altium's strategy to "Close the Capability Gaps" with high-end design tools.

Additionally, Altium continues to support its leadership position through Altium's flagship product for mainstream design engineers. A new version of Altium Designer will be available in a few weeks. This will support our customers to increase productivity in the electronic design process and will include powerful new enhancements for designing more complex high-speed PCBs.

As one of the only pure-play PCB companies in the world, Altium is in the sweet spot of the market, as product lifecycle management (PLM) and mechanical CAD (MCAD) companies require electronic CAD (ECAD) solutions to meet the multidisciplinary challenges of today's engineers. This is because of the proliferation of smart-connected devices. Altium will expand its addressable market through strategic partnerships with PLM partners, MCAD partners and large electronic part suppliers.

Capital Raising

On 8 September 2014, Altium successfully completed an AU\$44.8 million capital raising from institutional investors. It was particularly pleasing to note the high level of support from existing and new institutional investors, which provides heartening validation of Altium's corporate strategy and its ability to deliver on that strategy.

Altium intends using the capital raised to fund growth and expansion into the high-end of the market. Acquisition targets will be identified that enable us to close engineering gaps with high-end design tools or where certain technologies will be complementary to that effort. Acquisition will allow us to do so more quickly than would otherwise be possible.

Looking Ahead

Altium is continuing to raise the level of sophistication of its sales and marketing organisation to allow the company to be as strong in its go-to-market expertise to augment its engineering and R&D, in which we have outstanding skills.

Focus areas for Altium for the coming twelve months include:

- new account acquisition and increasing our subscription rates;
- advancing the process of the transformation of the US sales organisation;
- leveraging our channel partners worldwide;
- delivering an expanded product range from the low-end to the high-end;
- developing strategic partnerships to meet converging market demands and the needs of our customers;
- strategic acquisitions that can bolster our efforts to close the capability gaps with high-end design tools.

We expect to see continuing growth in revenue (through licence and subscription sales), with the PCB market remaining robust. Altium will maintain or marginally improve its operating leverage as the company focuses on supporting continued momentum in EMEA, while driving the US business forward from our HQ in San Diego. The impact of Altium's higher-end product release in FY15 is anticipated to be felt during FY16 and beyond.

In conclusion, I would like to take this opportunity to sincerely thank my Board of Director colleagues, Carl Rooke, David Warren and Altium's CEO Aram Mirkazemi for their wisdom, insight and unwavering dedication to building Altium into a great company. Altium is fortunate to have an extremely loyal, passionate and hard working group of valued employees around the world. It is their tireless efforts that continue to drive the company closer to its goal of becoming world leader in PCB design.

Lastly, I would like to acknowledge and thank our faithful Altium customers around the globe, as well as our valued shareholders who support and encourage us in our journey. I look forward to continuing to engage with you in the time ahead.

Thank you.

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About Altium

Altium Limited (ASX:ALU) creates electronic design software. Altium's unified electronics design environment links all aspects of electronics product design in a single application that is priced as affordable as possible. This enables electronic designers to innovate, harness the latest devices and technologies, manage their projects across broad design "ecosystems", and create connected, intelligent designs.

Founded in 1985, Altium operates worldwide. For more information visit www.altium.com.

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