2011 Chairman's Address
Altium Annual General Meeting

Sydney, Australia - 8 November 2011

2011 was an auspicious year for Altium. One year ago I talked to you about the creation of the ecosystem of devices, a platform for device 'social networking' if you will. I said that the pathway for today's manufacturers and marketers of electronic devices to be able to implement a device-ecosystem strategy would be difficult, challenging and disruptive, especially to those who have a mind set of standalone devices. The Apple iTunes ecosystem that links iPods, iMacs, iPhones and iPads is an outstanding example of such a device-ecosystem, but in less time than one might imagine, it will be far from the only one.

Over the intervening year since our last AGM Altium has been busy.

We completed the integration of the Morfik acquisition which provided us with critical engineering and technology capabilities in the web application domain. This allowed Altium to accelerate the development of the device ecosystem platform for our customers enabling them to create their own ecosystems of intelligent connected devices running their own cloud based applications.

We released Altium Designer 10, which provides the foundation for a design-data management system delivered through the cloud. The design data management system is critical for the device ecosystem to operate and stay connected with each device and to provide valuable services to the device owners or users.

As part of the release of Altium Designer 10 we launched AltiumLive a completely new web-based eco-system that facilitates collaboration between electronics designers and manufacturing and supply chain partners.

Finally, and most importantly for our customers and future clients, we began to use our electronics design position as the primary point of contact in our bid to help organisations move from a device design centric approach towards an approach based around the design of device based ecosystems.

And most importantly for Altium, and ultimately for our customers and their users, we decided to move the heart of our company to China to both contribute to, and benefit from the opportunity of the "Internet of Things".

China is the best place to execute our plan to develop the market for tools, methodologies and systems that will help our customers to transform their businesses from product based models to service based ones where cloud ecosystems enable direct relationships between device end users and device manufacturers. It is the best place for a number of obvious reasons, and for some less obvious ones. China is the centre for manufacturing for electronic devices across virtually all industries; it is the manufacturing engine for the world. It has scale, local access to components and it is the beginning of the supply chain to virtually all corners of the globe. What it is only beginning to have, and what as a nation, it is committed to achieving, is the design capability to create electronic devices and the marketing savvy to sell and distribute them to customers and consumers worldwide.
Our goal is to help manufacturers and marketers in China achieve this objective as well as to enable all of our customers to embark on the journey to the "Internet of Things".

Results

Our financial results for 2011 were released to the market two months ago and I won't go into detail repeating them here today but I should like to remind you of a few key points:

In a difficult year, especially for our manufacturing customers in the United States and Europe, Altium

- Increased sales by 9% to US$50.6 million
- Increased subscriptions to 40% of sales from 27% of sales in the prior year.

At end of financial year our paid subscriptions were at a level of 18,000, up 70% from the prior year. Increasing the number of subscribers to Altium Designer and our subscription revenue is a key part of our strategy for generating a predictable revenue stream going forward. Subscriptions enable us to be connected with our customers every day, all day. We can provide online content delivery so that our clients always have the latest version of Altium Designer and we can offer to those clients a range of online services that will make it easier for them to build their own device ecosystems. Finally, customers who subscribe are committed and more engaged with Altium than clients who buy upgrade licences and for Altium, a strong subscriber base not only gives us immediate feedback on what we are doing well but more importantly, what we are not doing so well or what we should be doing to help them do a better job for their customers. Subscribers keep us on our toes.

Our balance sheet was strengthened during the year as well with cash up 37% from the prior year and deferred revenue (from subscriptions) up from the previous year by 29%.

The positive sales momentum generated last year continued early in FY12 with Sales of US$10.7 million achieved for the 1st quarter ending 30 September 2011, an increase of 23% over 1st quarter FY11.

Focus on the Year Ahead

As momentous as 2011 was for Altium with the release of Altium Designer 10 and the move to China, 2012 should be even more dramatic. We expect to heighten the uptake of subscribers to Altium Designer and at the same time to accelerate the execution of our device-ecosystem strategy. We plan to increase our subscriber base through a two prong strategy of outstanding customer service as well as a regular flow of online content and online services. This way our customers will have not only access to state of the art tools but the support to be able to best use those tools across their organizations.

Simultaneously we will work hard to identify and help new customers to adopt a new electronics design approach using Altium's methodologies and tools. Over time, we will work with these new customers to make the change toward building device-based ecosystems.

In all cases we will emphasise the data management, supply chain integration and design reuse capabilities that are built into Altium Designer and the continuous stream of content that is delivered through AltiumLive.

The opportunity that this presents for our customers is significant, but the challenges are equally large. For many it is an opportunity for them to connect directly with end-customers or consumers in a way that may not have been previously possible. For others it will represent the opportunity to lift the relationship with their customers to a higher level.

For Altium, by the end of the FY12 we intend to be in a position to capitalise on the "Internet of Things" in a way that is meaningful both to our customers and to ourselves.

Thank you.

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About Altium
Altium Limited (ASX:ALU) creates electronics design software based on the belief that anyone who wants to create electronic products that make a difference should be able to do so. Altium's unified electronics design environment links all aspects of electronics product design in a single application that is priced to be as affordable as possible. This helps electronics designers break down barriers to innovation, 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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