Altium Limited ASX Announcement

August 22, 2005

Corporate Media Contact

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For immediate release

Altium announces full-year results for 2005

SYDNEY, Australia – August 22, 2005 – Altium Limited (ASX: ALU), a leading developer of Windows-based electronics design software, today confirmed its preliminary results, and released its preliminary final report and 4E statement for the financial year ended June 30, 2005.

2005 results

As previously announced in July, Altium Limited reported total revenue of $40m for the 2005 financial year, which was approximately in line with 2004 result of $40.1m, however the underlying sales growth (in local currencies) increased by 4%.

Altium reported a loss of $1.1m for the 2005 financial year. The company's EBITDA was $2.2m, and its cash position at balance date was $3.6m. The company's cash position has since improved following the collection of receipts from customers after strong June sales.

Altium will provide its quarter 1, 2006 update to the market in early October.

Dividend

The board of directors decided not to declare a final dividend for the 2005 financial year.

About Altium Limited

Altium Limited (ASX: ALU) is a global developer and supplier of electronics design software for the Microsoft Windows environment. Founded in 1985, Altium released the world's first Microsoft Windows–based printed circuit board design tool in 1991 and continues to provide advanced, easy-to-use and affordable software design tools to electronics engineers, designers, and developers worldwide. Altium's products offer tailored solutions covering a range of hardware and software design processes including the Nexar, Protel, P-CAD and TASKING brands. Altium is headquartered in Sydney, Australia and has sales and support offices in Australia, the United States, Japan, Europe and China. More information is available at www.altium.com.

Altium Limited and Controlled Entities
ASX Preliminary final report – 30 June 2005

Lodged with the ASX under Listing Rule 4.3A

Contents

Altium Limited and Controlled Entities

Year ended 30 June 2005
(Previous corresponding period: Year ended 30 June 2004)

Results for Announcement to the Market

				$'000
Revenue from ordinary activities	down	1.3%	to	40,066
Loss from ordinary activities after tax attributable to members	down	99.0%	to	(1,091)
Net loss for the period attributable to members	down	99.0%	to	(1,091)

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	-	-
Interim dividend	-	-

Record date for determining entitlements to the dividend — Not applicable

The directors have not declared a final dividend for the financial year ended 30 June 2005.

Profit before Interest, Tax, Depreciation, Amortisation	down	57%	to	2,183

Altium Limited and Controlled Entities
ACN 009 568 772

Preliminary consolidated statements of financial performance
For the year ended 30 June 2005

	Consolidated	
	2005 $'000	**2004 $'000**
Revenue from ordinary activities	**40,066**	**40,578**
Changes in inventories of finished goods	(80)	634
Raw materials and consumables used	(1,408)	(1,942)
Employee benefits expense	(23,732)	(21,288)
Depreciation and amortisation expense	(5,691)	(10,330)
Borrowing costs expense	(42)	(21)
Rental expense	(2,092)	(1,964)
Advertising and direct mail expense	(4,178)	(5,613)
Professional advice expense	(812)	(860)
Communication expense	(510)	(573)
Contract research and development expense	(4)	(306)
Write down in carrying value of intangible assets	-	(83,323)
Net loss on foreign currency transactions	(952)	(120)
Other expenses from ordinary activities	(4,020)	(3,387)
Loss from ordinary activities before income tax expense	**(3,455)**	**(88,515)**
Income tax attributable to operating loss	2,364	495
Loss from ordinary activities after income tax expense	**(1,091)**	**(88,020)**
Net loss attributable to members of Altium Limited	**(1,091)**	**(88,020)**

Material factors affecting the revenues and expenses of the economic entity for the current period

Revenue

	Consolidated	
	2005 $'000	**2004 $'000**
Revenue		
Revenue from operating activities:		
Sale of goods	36,515	36,235
Services	3,440	4,181
	39,955	**40,416**
Revenue from outside the operating activities:		
Interest	96	88
Sale of non-current assets	11	54
Other income	4	20
	111	**162**
Total Revenue	**40,066**	**40,578**

The company reported revenues from operating activities for the 2005 financial year of $40 million; slightly lower than the $40.5 million for the previous year, however underlying product sales (excluding the effects of exchange rates) continued to improve. The table below demonstrates an increase in each of the major markets other than a minor drop in the US. Strong growth in the South East Asian region was achieved as a direct result of the momentum gained by the company's representative office in Shanghai, China.

:

Sales in local currencies:

Region	**2005 $'000**	**2004 $'000**	**Percentage Change**
Product Sales			
USA (US dollars)	11,514	11,757	(2.1%)
Europe (Euro)	8,554	7,807	9.6%
Japan (Japanese yen)	236,999	220,609	7.4%
South East Asia (USD)	2,636	1,711	54.1%
Australia (Australian dollars)	1,518	1,401	8.4%
Consulting Services			
Consulting (Euro)	1,582	2,166	(27%)

US sales in the June quarter were adversely affected by a restructure of the company's US sales operations. These changes are expected to facilitate an improvement in performance in both the short and medium term.

When looking at underlying sales on a product by product basis, growth was strong for the Altium Designer product range, which includes the Protel, Nexar, CircuitStudio and Unified licensing options. Within the Tasking and P-CAD product ranges, underlying sales were in line with the previous year.

Management of costs

The company acted to preserve operating cash flows and performance and continued to decrease costs in the 2005 financial year. Cash running costs (operating costs and research and development costs) were reduced by 2% to $37.7 million in addition to the 9% reduction in the previous year.

The company maintained its overall spending on research and development as it believes continued investment is vital to preserve the company's competitive edge. However, the amount of research and development costs capitalised in relation to the integration of acquired technology decreased resulting in an additional $1.8 million expense in the financial year.

The company has now completed the integration of all acquired technology and does not intend to undertake any additional integration work in the immediate future, consequently all research and development costs will be expensed as incurred.

Amortisation of intangible assets

The directors believe that as a result of significant investment and development activity over recent years, leading to the release of the Nexar and other 2004 product versions and more recently with the launch of Altium Designer, the company is in a strong position to harness the opportunities that the evolving electronics design industry presents.

In addition, the directors believe that the value of the company's intangible assets is higher than their current carrying value and that this value will be demonstrated, over the next few years, by improved financial performance.

Given the one off, non-cash write down of the intangible assets of the company in the prior year, there is no longer a charge relating to amortisation of goodwill in the year ended 30 June 2005. This has resulted in a decrease in amortisation of $5.2 million. Due to the completion and subsequent commercialisation of all remaining integration projects, an amortisation expense of $0.6 million was incurred for technology not previously amortised.

The overall change in amortisation and depreciation for the year was a decrease by $4.6 million or 45%.

The carrying value attributed to each of the intangible assets is as follows;

	2005 $'000	**2004 $'000**
Altium Trademark	866	866
AltiumOne technology	259	633
Acquired technology	15,493	18,175
Capitalised integration costs	10,147	11,158

The total carrying value of intangibles is $26.8 million (2004:$30.8 million)

Other factors that affected results in the period or which are likely to affect results in the future

International Financial Reporting Standards

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS (AIFRS), and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of AIFRS will be first reflected in the company's financial statements for the year ending 30 June 2006, and for the half year ending 31 December 2005.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The consolidated entity has appointed the Chief Financial Officer (CFO) to manage the transition to AIFRS. The CFO has analysed all of the AIFRS and has identified the accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for the consolidated entity.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. No material impacts are expected in relation to the statement of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

(a) Income tax

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

If the policy required by AASB 112 had been applied during the year ended 30 June 2005 no significant difference would have resulted to the accounts.

International Financial Reporting Standards (continued)

(b) Intangible assets – trademarks

Under AASB138 *Intangible Assets*, capitalisation of internally generated intangibles is broadly only allowed for the purposes of development subject to meeting certain criteria.

This will result in a change to the current accounting policy, where other internally generated intangible assets are capitalised.

If the policy required by AASB 138 had been applied during the year ended 30 June 2005, consolidated and parent entity accumulated losses at 30 June 2005 would have been $865,000 higher with a corresponding decrease in intangible assets at 30 June 2005.

(c) Impairment of Assets

Under AASB 136 *Impairment of Assets*, certain items of plant and equipment and intangibles may require determination of their recoverable amounts (as either part of a cash generating unit or individually dependent on the circumstances) by discounting cash flows using a risk-adjusted and asset-specific discount rate.

If the policy required by AASB 136 had been applied during the year ended 30 June 2005, no significant difference would have resulted to the accounts

(d) Equity-based compensation benefit

Under AASB 2 *Share-based Payment*, from 1 July 2004 the group is required to recognise an expense for those options that were issued to employees under the Altium Option Plan, the Altium Employee Share Option Plan, and the Altium Director Share Option Plan after 7 November 2002 but that had not vested by 1 January 2005.

This will result in a change to the current accounting policy under which no expense is recognised for equity-based compensation.

If the policy required by AASB 2 had been applied during the year ended 30 June 2005, consolidated and parent entity accumulated losses at 30 June 2005 would have been $313,000 higher, with a corresponding increase in the share-based payment reserve. For the year ended 30 June 2005, the consolidated entity employee benefits expense would have been $556,000 higher, with a corresponding increase in the net movement in the share-based payment reserve.

(e) Financial instruments

The group will be taking advantage of the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* only from 1 July 2005. This allows the group to apply previous Australian generally accepted accounting principles (Australian GAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 30 June 2006 financial report.

Under AASB 132, the current classification of financial instruments issued by entities in the consolidated entity would not change.

Under AASB 139, investments in loans and receivables and financial liabilities classifications will remain unchanged. Measurement of these instruments will initially be at fair value with subsequent measurement at amortised cost, using the effective interest rate method.

This will result in a change to the current accounting policy, under which financial assets are carried at the lower of cost and recoverable amount, with changes recognised in profit or loss.

As a result of the application of the exemption referred to above, there would have been no adjustment to classification or measurement of financial assets or liabilities from the application of AIFRS during the year ended 30 June 2005. Changes in classification and measurement will be recognised from 1 July 2005.

(f) Revenue disclosures in relation to the sale of non-current assets

Under AIFRS, the revenue recognised in relation to the sale of non-current assets is the net gain on the sale. This is in contrast to the current Australian GAAP treatment under which the gross proceeds from the sale are recognised as revenue and the carrying amount of the assets sold is recognised as an expense. The net impact on the profit and loss of this difference is nil.

International Financial Reporting Standards (continued)

(g) Adjustment in relation to prior period

Additional revenue of $3,798,000 has been recognised in the parent entity for the year ended 30 June 2005 in relation to the sale of goods to a subsidiary for the years ended 30 June 2002, 30 June 2003 and 30 June 2004. Due to the parent entity not recognising this revenue for the years ended 30 June 2002, 30 June 2003 and 30 June 2004 was understated by $3,798,000. Under AIFRS, the 2004 comparatives would have been required to be adjusted. Under Australia GAAP, this adjustment was made in the period in which it was discovered (the year ended 30 June 2005).

If the policy required under AIFRS had been applied during the year ended 30 June 2005 the parent entity revenue would have been $3,798,000 lower with a corresponding increase in the loss from ordinary activities before taxation. There would have been no impact on the consolidated entity.

Altium Limited and Controlled Entities
ACN 009 568 772

Preliminary statements of financial position
As at 30 June 2005

	Consolidated	
	2005 **$'000**	**2004** **$'000**
Current assets		
Cash assets	3,590	3,571
Receivables	9,358	9,649
Current tax receivables	151	-
Inventories	921	1,001
Other	660	761
Total current assets	**14,680**	**14,982**
Non-current assets		
Receivables	932	921
Property, plant and equipment	1,639	1,324
Intangible assets	26,765	30,832
Deferred tax assets	4,717	3,049
Other	356	401
Total non-current assets	**34,409**	**36,527**
Total assets	**49,089**	**51,509**
Current liabilities		
Payables	2,871	3,349
Interest bearing liabilities	202	46
Current tax liabilities	675	859
Provisions	1,457	1,622
Other	4,794	4,887
Total current liabilities	**9,999**	**10,763**
Non-current liabilities		
Interest bearing liabilities	376	-
Provisions	557	395
Deferred tax liabilities	1,730	2,833
Total non-current liabilities	**2,663**	**3,228**
Total liabilities	**12,662**	**13,991**
Net assets	**36,427**	**37,518**
Equity		
Contributed equity	119,370	119,370
Retained profits/(loss)	(82,943)	(81,852)
Total equity	**36,427**	**37,518**

Accumulated Losses

	Consolidated	
	2005 $'000	**2004 $'000**
(Accumulated losses)/retained profits at the beginning of the financial year	(81,852)	7,929
Net loss attributable to members of Altium Limited	(1,091)	(88,020)
Dividends paid or declared	-	(1,761)
(Accumulated losses) at the end of the financial year	**(82,943)**	**(81,852)**

NTA Backing

	2005	**2004**
Net tangible asset backing per ordinary share	11.0 cents	7.6 cents

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Statements of cash flows
For the year ended 30 June 2005

	Consolidated	
	2005 $'000	**2004 $'000**
Cash flows from operating activities		
Receipts from customers	39,967	38,739
Payments to trade creditors, other suppliers and employees	(38,018)	(36,650)
Interest received	96	88
Interest paid	(42)	(21)
Income taxes refunded/ (paid) (net)	(591)	(265)
Net cash inflows from operating activities	**1,412**	**1,891**
Cash flows from investing activities		
Payments for property, plant and equipment	(393)	(745)
Proceeds from sale of property, plant and equipment	11	54
Repayment of loans by related parties	1	
Payments for technology acquisitions and licenses	(430)	-
Payments for research and development	(493)	(2,383)
Payments for AltiumOne	-	(133)
Net cash (outflows) from investing activities	**(1,304)**	**(3,207)**
Cash flows from financing activities		
Payments for share buy-back	-	(519)
Repayment of borrowings	(89)	(100)
Dividends paid	-	(1,761)
Net cash (outflows) from financing activities	**(89)**	**(2,380)**
Net increase/ (decrease) in cash held	**19**	**(3,696)**
Cash at beginning of the financial year	3,571	7,267
Cash at end of the financial year	3,590	3,571

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Supplementary Appendix 4E information

Additional dividend/distribution information

It is not proposed to pay dividends for the year ended 30 June 2005.

Earnings per Share

	Consolidated	
	2005	**2004**
	cents	**cents**
Basic earnings per share	(1.2)	(99.9)
Diluted earnings per share	(1.2)	(99.9)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	88,049,459	88,131,451
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	88,049,459	88,131,451

Returns to shareholders
During the year to 30 June 2005 no shares were bought back (2004: 961,158 at a cost of $519,725)

Segment note

Primary reporting - geographic segments

Although the consolidated entity's divisions are managed on a global basis they operate in four main geographical areas:

Australia
The home country of the parent entity which is also the main operating entity. The areas of operation are design, development and sale of computer software for the design of electronic products.

North America
Comprises the sale of computer software for the design of electronic products throughout USA and Canada.

Europe
Comprises the sale of computer software for the design of electronic products throughout Europe.

Asia
Comprises the sale of computer software for the design of electronic products throughout Asia.

12 months to 30 June 2005	Australia $'000	North America $'000	Europe $'000	Asia $'000	Other $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
Sales to customers outside the economic entity	1,708	15,337	15,868	6,227	815	-	39,955
Inter-segment sales	24,549	2,057	7,220	-	-	(33,826)	-
Other revenue	3	1	278	-	-	(268)	14
Total segment revenue	26,260	17,395	23,366	6,227	815	(34,094)	39,969
Segment result	3,861	(956)	(1,352)	2,020	815	(827)	3,561
Unallocated expenses							(7,016)
Profit from ordinary activities before income tax expense							(3,455)
Income tax expense							2,364
Net Profit							(1,091)
Segment assets	23,123	11,429	10,480	1,109	-	2,948	49,089
Segment liabilities	3,450	2,844	3,592	367	-	2,409	12,662
Acquisitions of property, plant and equipment	628	149	177	61	-	-	1,015
Acquisitions of non-current assets	430	-	-	-	-	-	430
Depreciation and amortisation expense	3,045	1,560	653	60	-	373	5,691
Other non-cash expenses	1,400	(530)	(652)	30	-	-	248

12 months to 30 June 2004	Australia $'000	North America $'000	Europe $'000	Asia $'000	Other $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
Sales to customers outside the economic entity	1,453	17,009	15,945	5,148	861	-	40,416
Inter-segment sales	21,232	2,178	7,574	-	-	(30,984)	-
Other revenue	2	36	277	-	-	(271)	44
Total segment revenue	22,687	19,223	23,796	5,148	861	(31,255)	40,460
Segment result	2,639	(2,390)	2,174	1,074	861	(82,975)	(78,617)
Unallocated expenses							(9,898)
Profit from ordinary activities before income tax expense							(88,515)
Income tax expense							495
Net Profit							(88,020)
Segment assets	23,790	13,926	61,059	1,198	-	(48,464)	51,509
Segment liabilities	3,099	3,435	3,303	415	-	3,739	13,991
Acquisitions of property, plant and equipment	342	94	313	18	-	(22)	745
Acquisitions of non-current assets	2,518	-	-	-	-	-	2,518
Depreciation and amortisation expense	2,541	2,935	747	80	-	336	6,639
Other non-cash expenses	(868)	(261)	853	(5)	-	83,320	83,039

Audit

This preliminary final report is based on accounts for which the audit is in progress. At this time, the directors anticipate that the auditors will issue an unqualified audit report.

Audit Committee

There is a formally constituted audit committee.

K. Oboudiyat

Kayvan Oboudiyat
Company Secretary

19 August 2005

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Independent audit report to the members of Altium Limited

Audit opinion

In our opinion, the financial report of Altium Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Altium Limited and the Altium Group (defined below) as at 30 June 2005, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Altium Limited (the company) and the Altium Group (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Andrew Sneddon

Andrew Sneddon
Partner

Sydney
19 August 2005