

19 September 2008

Dear Shareholder

In May of this year, Altium launched the Summer 08 release of Altium Designer which was the first paid upgrade version of our software in two years. Altium Designer is a software platform that enables all engineers working on the creation of a product that incorporates electronics in its design, whether it is a NASA rocket, or a simple hand held device to count stock in a supermarket, to work together seamlessly and in real time.

This launch contributed to a strong sales close for the financial year, and it was one of a number of highlights in the financial year. Revenue was up by 25% to US\$53 million and sales increased in all markets, from 6% in the Americas to more than 75% in China. Maintenance contract revenue, which is highly desirable recurring revenue, increased by just over 50%. However, whilst EBITDA was profitable by a modest half a million dollars, the company incurred a net loss after tax of US\$2.8 million. This result is disappointing and management have in place a clear programme to restore Altium to a strong level of profitability in the current financial year. The Board of Altium, in light of our ongoing strong cash generation, has declared its intention for a return of capital equivalent to AU\$0.02 per share, subject to approval at our Annual General Meeting.

For the entire history of Altium, the business has been well known, and quite deservedly so, for its outstanding engineering and software design skills. Its go-to-market strategy has been, at its most elemental level, reliant on price and the ease of use of a packaged software solution in an industry where the main competitors are selling cumbersome enterprise systems. Our products have been sold, in the main, to engineers who design printed circuit boards which are the backbone of any product using electronic components. Electronics designers have been attracted to Altium for its ease of use and its ability to enable them to work faster, more creatively and more collaboratively.

Altium competes, successfully, in worldwide markets from an Australian base and our success has been built upon the ground-breaking capabilities of our software. Over this last year, we identified the need for a management team and operating structure that are as strong and sophisticated at delivering financial results as our software solutions are at providing superior performance and benefits to our customers.

Over the course of the last financial year and into the early part of this year, we have re-shaped and strengthened our management, so that each key function in our business – People, Product Development, Sales, Marketing, Information Systems and Finance – is led by a talented manager. Together, under the leadership of our CEO, Nick Martin, Altium has the dynamic leadership team that is the measure of its powerful software solutions.

We believe that this team can lead Altium to breakthrough results in our industry and I look forward to sharing with you our progress against the ambitious targets that we intend to set for ourselves. Before we do, however, we intend to deliver on our current year plan and achieve a very solid profit result.

In closing, I would like to thank all of the Altium team members in our offices around the world for their steadfast support and commitment. The creation and distribution of elegant, sophisticated software solutions does not come from pushing a button on a computer, but through innovation, continuous product development, old fashioned hard work and the ability to see things differently. Our people have the capacity for vision and effort that will deliver upon both our short- and long- term objectives.

This has been my first year as Chairman of Altium. I would have liked our financial results to have been substantially better than they were, but I am confident that we have in place today the disciplines necessary to achieve strong profits, whilst continuing to build the team and the product for the breakthrough growth that we believe lies ahead. During the year I have been able to count on the support of your Board, and would like to acknowledge in particular the service and counsel of Carl Rooke who was Chairman of Altium since its listing in 1999, and who now provides leadership to our Audit and Risk Management Committee.

I look forward to meeting you at our Annual General Meeting next month.

Sincerely yours

A handwritten signature in black ink, appearing to read 'S. Weiss'.

Sam Weiss
Chairman