

Annual Report and Financial Statements
Atlassian Corporation Plc
Year Ended June 30, 2019

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Strategic Report

The board of directors (the “Board,” “directors” or “Directors”) presents the Strategic Report of Atlassian Corporation Plc (the “Company”) and its subsidiaries (together, the “Group”) for the fiscal year ended June 30, 2019. All references in this annual report to “Atlassian” or the “Company,” “we,” “our,” “us” or similar terms refer to the Group. All amounts in this annual report are in U.S. dollars unless noted otherwise.

Business Overview

Our mission is to unleash the potential of every team.

Our products help teams organize, discuss and complete their work - delivering superior outcomes for their organizations. We believe human advancement has always been driven by teamwork - from the great explorations of earth and space to innovations in industry, medicine, music and technology. And while it's common to celebrate the individual genius behind a breakthrough idea, in nearly every case there is a team of unsung heroes that actually gets the work done.

We also believe that the greatest lever teams have to advance humanity lies in the power of software innovation. Software's transformational impact is forcing organizations to use software to innovate, or face disruption from competitors that do. Today, organizations in every industry are becoming software-driven. As a result, the teams that imagine, create and deliver that software are more essential than ever.

Atlassian was founded in 2002 to help software teams work better together. But from the beginning, our products were also designed to help developers collaborate with non-developer teams involved in software innovation. As more non-developer teams have gained exposure to our products, and as we add to our portfolio through research and development and acquisitions, teams are adopting and extending our products to novel use cases, bringing our products to more users and business teams in their organizations. This trend has created an expansive market opportunity for us.

Today, our primary products include Jira Software, targeting software teams, and Jira Core, targeting other business teams (collectively, “Jira”) for planning and project management, Confluence for team content creation and sharing, Trello for capturing and adding structure to fluid, fast-forming work for teams, Bitbucket for team code sharing and management, Jira Service Desk for team service and support applications, Opsgenie for incident management, and Jira Align for enterprise agile planning. Together, our products form an integrated system for organizing, discussing and completing shared work, becoming deeply entrenched in how people collaborate and how organizations run. This allows us to operate at unusual scale for an enterprise software company, with more than 150,000 customers across virtually every industry sector in more than 190 countries as of June 30, 2019. Our customers range from small organizations that have adopted one of our products for a small group of users, to over two-thirds of the Fortune 500, many of which use a combination of our products across thousands of users.

We take a long-term view of our customer relationships and our opportunity. We recognize that users drive the adoption and proliferation of our products and, as a result, we focus on enabling a self-service, low-friction distribution model that makes it easy for users to try, adopt, and use our products. We are relentlessly focused on measuring and improving user satisfaction as we know that one happy user will beget another, thereby expanding the large and organic word-of-mouth community that helps drive our growth.

In October 2018, we acquired OpsGenie, Inc. (“OpsGenie”), a leader in incident alerting and on-call schedule management. The total purchase price was approximately \$259.5 million in cash consideration. The acquisition of OpsGenie complements our current product offerings and enables customers to plan for and respond to IT service disruptions.

Additionally, in April 2019 we acquired AgileCraft LLC (“AgileCraft”), a leading provider of enterprise agile planning software. The total purchase price was approximately \$154.0 million in cash and \$1.7 million in fair value of replacement shares attributable to service provided prior to acquisition. The acquisition of AgileCraft complements our current product offerings and helps enterprise organizations build and manage a ‘master plan’ of their most strategic projects and workstreams. AgileCraft was rebranded as “Jira Align” after the acquisition.

Market Trends

Software is Changing Everything

Software is transforming both our society and the way we do business, impacting almost every aspect of our lives and redefining the limits of what people and organizations can achieve. Software is everywhere and increasingly in everything, from our doorbells to the tiny computers we carry in our pockets. Software is eliminating the mundane and simplifying the complex. It modernizes transportation, delivers medical breakthroughs, reduces energy consumption and advances education. Software is also substantially impacting business, helping organizations redefine their most traditional processes while creating entirely new and more efficient ways to get work done.

Companies need to digitally transform their business processes and business models to be able to succeed in today's technology driven marketplace. We believe organizations of all kinds, across all industries are either software driven or are threatened by competitors that are. Technology companies such as Amazon in retail, Netflix in entertainment, and Uber in transportation are disrupting global industries with innovations that seemed unimaginable only a few years ago. Software-enabled companies such as Spotify in music, StitchFix in clothing, Zillow in real estate, and Tesla Motors in automobiles leverage software to transform traditional products and services into richer customer experiences.

In addition, non-commercial institutions such as governments, schools and non-profits are also using software to re-engineer their processes and enhance services. Today, organizations of all types and sizes face an existential imperative to drive software innovation.

Software Teams are Essential and Multi-Dimensional

The digital transformation that organizations must undergo in order to survive and prosper can be imagined by many, but constructed by few. Teams that can deliver software innovation require a myriad of talents and functional expertise and are critical to each organization's efforts to thrive and compete.

Software developers have become more essential and influential and the demand for software development talent has grown among organizations across all industries. As software innovation sweeps through organizations, people across all functional areas are increasingly part of software teams. Developers, product managers, IT managers, designers, marketers and many other team members must now collaborate to drive software innovation for their organizations. Successful software development requires diverse, distributed teams to connect and perform seamlessly together. To tackle this challenge, software teams have been at the forefront of the effort to create and utilize collaboration tools to drive efficiency and productivity.

Software Team Collaboration is Complex and Challenging

Modern software development is highly creative, iterative and asynchronous, and very complex. In many ways, the process is analogous to asking ten writers to independently pen one chapter of a novel at the same time, and re-assemble these pieces into a cohesive and elegant narrative, on a tight deadline. And because software is so essential for how modern organizations compete, the expectations and urgency to innovate have increased. Software teams today must iterate and move faster than ever before.

Software teams are distributed across geographies, time zones and business functions. And the amount of information they are creating and sharing - from business plans and requirements documents, to code and documentation - is growing and constantly changing. This increases the complexity and the need for greater cooperation and communication, as multiple participants, relevant information and iterative workflows must ultimately be integrated effectively. As a result, software development is regarded as a pinnacle of organizational teamwork and has increasingly become the model for modern workforce collaboration across all teams.

Increasing Complexity Makes Collaboration Critical for All Teams

Across the global economy, work is becoming more complex, faster-paced, and more collaborative. While software teams were among the first to truly embrace a globally distributed workforce - through outsourcing or simply racing to where they could find scarce talent - more and more teams are now spread across geographies. A marketing team might have a remote group of internal designers, or work closely with a third-party design firm they contracted to support a project. An HR team might have a shared services center in a lower cost location, or work frequently with third-party recruiters. Organizations are increasingly utilizing a global talent pool and leveraging technology to help make work more efficient and productive.

In addition to the complexity that comes with being globally distributed, teams are creating and managing more and more information, face higher expectations of work quality from their organizations and must produce under tighter and more frequent deadlines. In addition, development teams are increasingly collaborating across multiple types of devices - both while at work and while working remotely.

All Teams are Seeking Better Ways to Connect and Get Work Done

In today's dynamic and intensely collaborative business environment, all employees are seeking new and more powerful ways to connect and access the information and systems they need to be successful. As software projects become more cross-functional, knowledge workers throughout organizations have been exposed to the collaboration and workflow practices of software teams. This exposure across organizations has coincided with growing dissatisfaction with traditional productivity tools such as email, phone calls, web conferencing, word processing and spreadsheets.

While traditional tools can help to connect people, they lack the functionality, integration and compatibility needed to complete work efficiently in today's dynamic environment. Such tools make it difficult for teams to stay coordinated, transparently track the status of complex processes, manage dependencies, communicate intelligently and operate with sufficient context. For example, a global team using traditional tools to collaborate on a financial analysis would struggle to integrate and complete their work: to track and comprehend communications between disparate parties and from multiple phone calls, video conferences and email threads; to manage version control and audit of multiple spreadsheets; and to keep the broader team consistently apprised of progress, milestones and deadlines.

Teams Are Now Making Their Own Technology Choices

Following the "bring your own device" trend, employees are increasingly empowered to "bring your own software," leading to the user-driven viral adoption of new types of consumer-style software products within an organization.

In addition, people are increasingly adopting business collaboration technology that is as personal, user-friendly, versatile, and powerful as the consumer technology applications they use in their everyday lives. They seek products with modern design and social and search functionality, with the ability to seamlessly work across desktop and mobile devices.

Modern teams of all kinds are seeking a new system of engagement - software built for teams that integrates multiple streams of complex tasks and dynamic information, and improves efficiency through real-time sharing, openness, and transparency.

Companies Are Moving Increasingly Towards Cloud Computing

Moving work to the cloud has become a reality for companies across industries, with cloud products increasingly taking precedence over traditional on-premise solutions. Migrating to cloud allows companies of all sizes to benefit from better flexibility, agility, collaboration, scalability, and disaster recovery.

The Atlassian Way

Our product strategy, distribution model, and Company culture work in concert to create unique value for our customers and competitive advantages for our Company.

We invest significantly in developing and refining versatile products that can be used in myriad ways, helping teams achieve their full potential. Our products are easy to adopt and use, which allows them to be distributed organically and efficiently.

Because our products are easy to purchase and are offered at affordable price points, they can be sold through a high-velocity, low-friction online distribution model. This model allows us to generate demand from word-of-mouth and viral expansion within organizations, rather than having to rely on a traditional sales infrastructure. Our model is designed to operate at scale and serve millions of customers.

Our culture of innovation, transparency, and dedication to our customers drives our success in implementing and refining this unique approach. We believe this approach creates a self-reinforcing effect that fosters innovation, quality, customer satisfaction, scale, and profitability. As a result of this strategy, we invest significantly more in research and development activities than in traditional sales activities relative to other enterprise software companies.

Our Product Strategy

We have developed and acquired a broad portfolio of products that help teams large and small to organize, discuss, and complete their work in a new way that is coordinated, efficient and innovative. Our products serve the needs of teams of software developers, IT professionals, and knowledge workers. While these products provide a range of distinct functionality to users, they share certain core attributes:

- **Built for Teams** - Our products are singularly designed to help teams work better together and achieve more. We design products that help our customers collaborate more effectively, be more transparent and operate in a coordinated manner.
- **Easy to Adopt and Use** - We invest significantly in research and development to enable our products to be both powerful and extremely easy to use. Our software is designed to be accessed from the Internet and immediately put to work. By reducing the friction that usually accompanies the purchasing process of business software and eliminating the need for complicated and costly implementation and training, we believe we attract more people to try, buy, and derive value from our software.
- **Versatile and Adaptable** - We design simple products that are useful in a broad range of workflows and projects. We believe that our products can improve any process involving teams, multiple workstreams, and deadlines. For example, Jira, which enables software teams to plan, build, and ship code, is also used by thousands of our customers to manage workflows related to product design, supply chain management, expense management, and legal document review.
- **Integrated** - Our products are integrated and designed to work well together. For example, the status of an IT service ticket generated in Jira Service Desk can be viewed in Confluence, providing visibility to business stakeholders.
- **Open** - We are dedicated to making our products open and interoperable with a range of other platforms and applications, such as Slack, salesforce.com, Workday, and Dropbox. In order to provide a platform for our partners and to promote useful products for our users, in 2012 we introduced the Atlassian Marketplace, an online marketplace that features thousands of apps created by a growing global network of independent developers and vendors. The Atlassian Marketplace provides customers a wide range of additional capabilities they use to extend or enhance our products, further increasing the value of our platform.

Our Distribution Model

Our high-velocity, low-friction distribution model is designed to drive exceptional customer scale by making affordable products available online. We focus on product quality, automated distribution, transparent pricing, and customer service in lieu of a costly traditional sales infrastructure. We primarily rely on word-of-mouth and low-touch demand generation to drive trial, adoption, and expansion of our products.

The following are key attributes of our unique model:

- **Innovation-driven** - Relative to other enterprise software companies, we invest significantly in research and development rather than marketing and sales. Our goal is to focus our spending on measures that improve quality, ease of adoption, and expansion, and create organic customer demand for our products. We also invest in ways to automate and streamline distribution and customer support functions to enhance our customer experience and improve our efficiency.

In addition, a portion of our research and development spending is directed towards demand generation and customer conversion. For example, we have invested in the development of an internal platform that analyzes customer behavior and promotes additional products directly to users in the context of their activity.

- **Simple and Affordable** - We offer our products at affordable prices in a simple and transparent format. For example, a customer coming to our website can evaluate, purchase and set up a Jira license, for 10 users or 50,000+ users, based on a transparent list price, without any interaction with a sales person. This approach,

which stands in contrast to the opaque and complex pricing plans offered by most traditional enterprise software vendors, is designed to complement the easy-to-use, easy-to-adopt nature of our products and accelerate adoption by large volumes of new customers.

- **Organic and Expansive** - Our model benefits significantly from customer word-of-mouth driving traffic to our website. The vast majority of our transactions are conducted on our website, which drastically reduces our customer acquisition costs. We also benefit from distribution leverage via our network of solution partners, who resell and customize our products. Once we have landed within a customer team, the networked nature and flexibility of our products tend to lead to adoption by other teams and departments, resulting in user growth, new use cases, and the adoption of our other products.
- **Scale-oriented** - Our model is designed to generate and benefit from significant customer scale and our goal is to maximize the number of individual users of our software. With more than 150,000 customers using our software today, we are able to reach a vast number of users, gather insights to refine our offerings and generate revenue growth by expanding within our customer accounts. With 4,091 and 2,678 customers paying us in excess of \$50,000 during fiscal years 2019 and 2018, respectively, many of whom started as significantly smaller customers, we have demonstrated our ability to grow within our existing customer base. Ultimately, our model is designed to serve millions of customers and to benefit from the data, network effects, and customer insights that emerge from such scale.
- **Data-driven** - Our scale and the design of our model allows us to gather insights into and improve the customer experience. We track, test, nurture and refine every step of the customer journey and our users' experience. This allows us to intelligently manage our funnel of potential users, drive conversion and promote additional products to existing users. Our scale has enabled us to experiment with various approaches to these tasks and constantly tune our strategies for user satisfaction and growth.

Our Culture

Our Company culture is exemplified by our core values:



**Open company,
no bullshit**



**Play,
as a team**



**Build with heart
& balance**



**Be the change
you seek**



**Don't #@!%
the customer**

The following are the key elements of our corporate culture that contribute to our ability to drive customer value and achieve competitive differentiation:

- **Openness and Innovation** - We value transparency and openness as an organization. We believe that putting product pricing and documentation online promotes trust and makes customers more comfortable engaging with our low-touch model. In addition, we are dedicated to innovation and encourage our employees to invent new applications, uses, and improvements for our software. We run our Company using our own products, which promotes open communication and transparency throughout the organization.
- **Dedication to the Customer** - Customer service and support is at the core of our business. Our customer support teams strive to provide unparalleled service to our customers. We also encourage our service teams to build scalable, self-service solutions that customers will love, as we believe superior service drives greater customer happiness, which in turn breeds positive word-of-mouth.

- **Team-driven** - As our mission is to unleash the potential of every team, we value teamwork highly. We encourage our employees to be both team oriented and entrepreneurial in identifying problems and inventing solutions. Dedication to teamwork starts at the top of our organization with our unique co-CEO structure, and is celebrated throughout our Company.
- **Long-term Focused** - We believe that we are building a company that can grow and prosper for decades to come. Our model, in which we expand across our customers' organizations over time, requires a patient, long-term approach, and a dedication to continuous improvement. This is exemplified by our investment in research and development, which is significant relative to traditional software models and is designed to drive the long-term sustainability of our product leadership. Given the choice between short-term results and building long-term scale, we choose the latter.

Our Growth Strategy

Our growth strategy is to make our software accessible to every organization, team and user to help them get work done. We intend to continue this approach by adding customers, developing new products, expanding in existing customers and pursuing selective acquisitions.

Key drivers of our growth strategy include:

- **Protecting and Promoting Our Values** - Our values are foundational to everything we do and fuel our business strategy and success. We intend to continue our product-driven focus and spur innovation through events such as Shiplt (further described in the Other Matters section, below), through which Jira Service Desk was conceived. We also intend to continue to contribute a portion of our profits, employee time and technology towards non-profit initiatives in our commitment to give back to the community. We are steadfast in our commitment to formal and informal programs that affirm our culture and values and positively influence our people and our products.
- **Continuing to Refine Our Unique Business Model** - We strive to improve every aspect of our unique, low-friction business model. We will continue to focus on developing technology and products that are easy for our customers to adopt and use. We are continuously undertaking initiatives in our marketing and sales strategy to find ways to identify and sell to customers more efficiently and effectively. We are focused on providing superior support for all our customers, from self-service updates and upgrades to on-call or on-site support when needed. As we gather more insights from our user and customer interactions, we will integrate this visibility across our business to improve and accelerate our product roadmaps and sales, marketing and support efforts.
- **Increasing Product Value** - We intend to continue to increase the value of our software to customers by providing them with a broader, integrated set of products. By integrating our products with each other, they become more valuable to our customers by allowing customers to avoid switching between disparate systems and programs. By developing and acquiring new technologies, we are able to address more and more of our users' day-to-day needs. In fiscal years 2019 and 2018, our research and development expenses were 48% and 47% of our revenue respectively. In addition, since September 2006, we have acquired more than twenty companies with complementary technologies and have successfully integrated most into our platform. We believe both organic development and inorganic acquisitions are core competencies for us, and intend to use both to continue to drive ever-increasing product value for our customers. We also intend to provide more integration with third-party software so our users can benefit from more of their other technology investments.
- **Investing in the Cloud** - Our commitment to our customers guides our strategic decisions and investments that unleash the potential of more teams. Today, our customers are leading us toward the cloud. Demand for our cloud products is increasing, both from new customers and from existing customers using our on-premises products. The cloud is our primary focus and the key driver of our growth. We will continue to invest deeply in improving and expanding our cloud offerings and platform. We will also be investing to serve larger customers in the cloud, as well as to assist the migration of our on-premises customers to the cloud.

- **Growing the Atlassian Marketplace and Partner Ecosystem** - We believe that in today's technology landscape, it is a strategic imperative to leverage open platforms and work with partners to extend our platform's functionality to use cases and customers which we could not reach on our own. The Atlassian Marketplace allows independent vendors and developers to develop apps that extend our platform and generate millions of dollars in revenue for both the vendors and for us. The Atlassian Marketplace provides customers with add-on applications that help tailor their deployments for their team, department, industry or use case.
- **Pursuing Large Markets** - Our products serve three markets that offer attractive long term growth potential and returns, and we will continue to invest in their development:
 - Software teams. Jira Software, Confluence, Jira Align, and Bitbucket have a strong reputation and presence among software teams globally.
 - Business teams. Trello, Confluence, and Jira Core are increasingly adopted by knowledge workers in non-technical functions like HR, legal, finance and marketing.
 - IT teams. Opsgenie, Jira Software, Jira Service Desk, Confluence, and Statuspage have made inroads with IT teams.

We will continue to focus on supporting the needs of IT teams across companies of all sizes - what we call the Fortune 500,000. IT departments are undergoing a significant transformation as they enable and support technology-driven innovation and manage the increasing number of applications entering their organizations through the 'bring your own software' movement. Modern IT is becoming more service-driven and agile-oriented, and our products are well suited to help them discover new and better ways to manage workflows across their organizations.

Our Financial Model

By developing a product strategy, distribution model, and culture that are designed around the needs of our customers and users, we believe that we have established a financial model that is favorable for our shareholders. Our model has allowed us to grow customers and revenue steadily while generating positive free cash flow for each of the last 14 fiscal years. Our model relies on rapidly and efficiently landing new customers and expanding our relationship with them over time. The following are the key elements of our model:

- **Significant Investment in Ongoing Product Development and Sales Automation** - Our research and development investments enable us to rapidly build new products, continuously enhance our existing products, acquire and integrate technologies, obtain data-driven insights, and further automate and streamline our approach to customer acquisition.
- **Rapid and Efficient Acquisition of New Customers** - By building products that are affordable and easy to adopt and use, we are able to attract customers rapidly without relying primarily on a traditional sales force, thereby lowering the cost of customer acquisition significantly.
- **Continued Expansion** - Our success is dependent on our ability to expand the relationship with our existing base of customers through the addition of more users, teams and products.
- **Predictability of Sales** - As we are not dependent on a large, traditional enterprise sales force and primarily rely on a high-velocity, low-friction online distribution model, we have historically experienced a linear quarterly sales cycle. Once teams begin working together with our software, we become embedded in their workflows, becoming a system for engagement within organizations. This degree of integration makes our products difficult to displace and provides us with steady and predictable revenue.
- **Positive Free Cash Flow** - By reducing customer acquisition costs and establishing a revenue model that has scaled linearly, our model has allowed us to have positive free cash flow for more than the last 14 fiscal years.

Our Products

We offer a range of team collaboration products, including:

- Jira for team planning and project management;

- Confluence for team content creation and sharing;
- Trello for capturing and adding structure to fluid, fast-forming work for teams;
- Bitbucket for team code sharing and management;
- Jira Service Desk for team service and support applications;
- Opsgenie for incident management; and
- Jira Align for enterprise agile planning.

These products can be deployed by users through the cloud and many of our products can be deployed behind the firewall on the customers' own infrastructure.

Jira. Jira provides a sophisticated and flexible workflow management system that helps teams plan, organize, track and manage their work and projects. Jira's customizable dashboards and powerful reporting features keep teams aligned and on track.

Confluence. Confluence is a social and flexible content collaboration platform used to create, share, organize and discuss projects. Through Confluence's rich and dynamic editor, our customers create and share their work - meeting notes, blogs, product requirements, file lists, company information, or project plans - with their team or external customers. Confluence's collaborative capabilities enable teams to stay up to date and on the same page.

Trello. Trello is a collaboration and organization product that captures and adds structure to fluid, fast forming work for teams. A project management application that can organize your tasks into lists and boards, Trello can tell users and their teams what is being worked on, by whom, and how far along the task or project is. At the same time, Trello is extremely simple and flexible, which allows it to serve a vast number of other collaboration and organizational needs.

Bitbucket. Bitbucket is a code management and collaboration product for teams using distributed version control systems. Bitbucket empowers teams to build, store, test, collaborate and deploy shared code.

Jira Service Desk. Jira Service Desk is an intuitive and flexible service desk product for creating and managing service experiences for a variety of service team providers, including IT, legal and HR teams. Jira Service Desk features an elegant self-service portal, best-in-class team collaboration, ticket management, integrated knowledge, service level agreement support and real-time reporting.

Opsgenie. Opsgenie is an incident management tool that enables IT teams to plan for and respond to service disruptions. Opsgenie quickly routes alerts to the appropriate IT teams, speeding diagnosis and resolution, and reducing downtime.

Jira Align. Jira Align helps enterprise organizations build and manage a 'master plan' that maps strategic projects to the various work streams required to deliver them. Jira Align provides business leaders with better visibility into bottlenecks, risks, and dependencies, as well as more accuracy around capacity planning and measuring return on investment.

Other Products

We also offer additional tools, including Atlassian Access, Bamboo, Crowd, Crucible, Fisheye, Jira Portfolio, Sourcetree and Statuspage.

In July 2018, we announced a strategic partnership with Slack. With this partnership, we exited the real-time communications space. Slack acquired the intellectual property for Stride and Hipchat Cloud, both of which were discontinued.

Financial Review

A substantial majority of our sales are automated through our website, including sales of our products through our solution partners and resellers. Our solution partners and resellers primarily focus on customers in regions that require local language support. Sales through indirect channels comprised over one-third of total revenues for fiscal 2019 and 2018, respectively. We plan to continue to invest in our partner programs to help us enter and grow in new markets, complementing our automated, low-touch approach.

We generate revenues primarily in the form of subscriptions, maintenance, perpetual license and other sources. Customers typically pay us 100% of the initial perpetual license fee as maintenance revenue annually, beginning in the first year. Maintenance provides our customers with access to new product features and customer support. Maintenance revenue combined with a subscription revenue business, through our cloud and Data Center products, results in a large recurring revenue base. In each of the past three fiscal years, more than 75% of our total revenues have been of a recurring nature from either maintenance fees or subscriptions.

Key Business Metrics

In addition to revenue discussed in "Operating Results" below, we review the following key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions.

Customers

We have successfully demonstrated a history of growing both our customer base and spend per customer through growth in users, purchase of new licenses and adoption of new products. We believe that our ability to attract new customers and grow our customer base drives our success as a business.

As of June 30, 2019 and 2018, we had 152,727 and 125,796 customers, respectively. With these customers using our software today, we are able to reach a vast number of users, gather insights to refine our offerings and generate growing revenue by expanding within our customer base. No single customer contributed more than 1% of our total revenues during the fiscal years ended June 30, 2019 and 2018.

We define the number of customers at the end of any particular period as the number of organizations with unique domains that have at least one active and paid license or subscription of our products for which they paid approximately \$10 or more per month. While a single customer may have distinct departments, operating segments or subsidiaries with multiple active licenses or subscriptions of our products, if the product deployments share a unique domain name, we only include the customer once for purposes of calculating this metric. We define active licenses as those licenses that are under an active maintenance or subscription contract as of period end.

Our customers, as defined in this metric, have generated substantially all of our revenue in each of the periods presented; including organizations who have only adopted our free or starter products, the active use of our products extends well beyond our 152,727 customers.

The following table sets forth our number of customers:

	As of June 30,		
	2019	2018	2017
Customers	152,727 ***	125,796 **	89,237*

* Includes an increase in customers of 12,789 in February 2017 as a result of our acquisition of Trello.

** Includes an increase in customers of 14,263 due primarily to Bitbucket Cloud pricing changes as we moved from a tiered pricing model to a per-user pricing model. As a result, certain organizations using Bitbucket Cloud who had not previously met our definition of a "customer" now qualify as customers.

*** Includes an increase of 1,396 customers as a result of our acquisition of OpsGenie and an increase of approximately 2,500 Trello customers as a result of the open board limits we introduced for Trello.

Free cash flow

Free cash flow is a non-IFRS financial measure that we calculate as net cash provided by operating activities less net cash used in investing activities for capital expenditures.

	Fiscal Year Ended June 30,		
	2019	2018	2017
	(U.S. \$ in thousands)		
Net cash provided by operating activities	\$ 466,342	\$ 311,456	\$ 199,381
Less: Capital expenditures	(44,192)	(30,209)	(15,129)
Free cash flow	<u>\$ 422,150</u>	<u>\$ 281,247</u>	<u>\$ 184,252</u>

Free cash flow increased by \$140.9 million during the fiscal year ended June 30, 2019 due to a \$154.9 million increase of net cash provided by operating activities, offset by a \$14.0 million increase of capital expenditures as we continue to invest in our facilities.

Net cash provided by operating activities was \$466.3 million for the fiscal year ended June 30, 2019, as a result of \$605.6 million in loss before income tax expense adjusted by non-cash charges including the loss of marking to fair value of the embedded exchange feature of our exchangeable senior notes (the "Notes") and related capped call transactions of \$533.9 million, depreciation and amortization of \$70.2 million, share-based payment expense of \$257.8 million and debt discount and issuance cost amortization of \$33.9 million. The net increase of \$169.0 million from our operating assets and liabilities was primarily attributable to a \$122.5 million increase in our deferred revenue as a result of increased sales of subscriptions and renewals of maintenance contracts and a \$75.6 million increase in trade and other payables, provisions and other non-current liabilities, offset by a \$30.2 million increase in trade receivables. Net cash provided by operating activities was also impacted by tax refunds received, net of income tax paid of \$7.0 million.

Net cash provided by operating activities was \$311.5 million for the fiscal year ended June 30, 2018, as a result of \$58.1 million in loss before income tax expense adjusted by non-cash charges including the loss of marking to fair value of the embedded exchange feature of the Notes and related capped call transactions of \$12.4 million, depreciation and amortization of \$79.4 million and share-based payment expense of \$162.9 million and debt discount and issuance cost amortization of \$7.5 million. The net increase of \$113.1 million from our operating assets and liabilities was primarily attributable to a \$97.7 million increase in our deferred revenue as a result of increased sales of subscriptions and renewals of maintenance contracts, a \$43.5 million increase in trade and other payables, provisions and other non-current liabilities, offset by a \$19.6 million increase in trade receivables and a \$8.4 million increase in prepaid expenses and other current and non-current assets. Net cash provided by operating activities was also impacted by income taxes paid, net of refunds, of \$4.2 million.

Operating Results

Components of Results of Operations

Sources of Revenues

The Group adopted IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") as of July 1, 2018, using the full retrospective method. Accordingly, the results for the prior comparable periods were adjusted to conform to the current period measurement and recognition of results. For details of IFRS 15 adoption, please refer to Note 2, "Summary of Significant Accounting Policies," of the notes to our consolidated financial statements.

Subscription revenues

Subscription revenues consist primarily of fees earned from subscription-based arrangements for providing customers the right to use our software in a cloud-based-infrastructure that we provide. We also sell on-premises term license agreements for our Data Center products, which consist of software licensed for a specified period, and includes support and maintenance service that is bundled with the license for the term of the license period. Subscription revenues are driven primarily by the number and size of active licenses, the type of product and the price of the licenses. Our subscription-based arrangements generally have a contractual term of one to twelve months, with a majority being one month. For cloud-based services, subscription revenue is recognized ratably as services are performed, commencing with the date the service is made available to customers. For on-premises term-based licenses, we recognize revenue upfront for the portion that relates to the delivery of the term license and the support and related revenue is recognized ratably as the services are delivered over the term of the arrangement.

Maintenance revenues

Maintenance revenues represent fees earned from providing customers unspecified future updates, upgrades and enhancements, and technical product support for perpetual license products on an if-and-when- available basis. Maintenance revenue is recognized ratably over the term of the support period.

Perpetual license revenues

Perpetual license revenues represent fees earned from the license of software to customers for use on the customer's premises other than Data Center products. Software is licensed on a perpetual basis. Perpetual license revenues consist of the revenues recognized from sales of licenses to new customers and additional licenses to existing customers. We recognize revenue on the license portion of perpetual license arrangements on the date of license delivery in substantially all situations.

Other revenues

Other revenues include fees received for sales of third-party apps in the Atlassian Marketplace, technical account management, and training services. Revenue from the sale of third-party vendor products via the Atlassian Marketplace is recognized at the date of product delivery given that all of our obligations have been met at that time and net of the vendor liability portion, as we function as the agent in the relationship. Revenue from technical account management is recognized over the time period that the customer has access to the service. Revenue from training is recognized as delivered or as the rights to receive training expire.

Cost of Revenues

Cost of revenues primarily consists of employee-related costs, including share-based payment expense, associated with our customer support and infrastructure service teams; expenses related to hosting our cloud infrastructure, which includes third-party hosting fees and depreciation associated with computer equipment and software; payment processing fees; amortization of product technologies; and facilities and related overhead costs. To support our cloud-based infrastructure, we utilize third-party managed hosting facilities and self-managed data centers. We allocate share-based payment expense to personnel costs based on the expense category in which the employee works. We allocate overhead such as information technology infrastructure, rent and occupancy charges in each expense category based on headcount in that category. As such, general overhead expenses are reflected in cost of revenues and operating expense categories.

Our cost of revenues also includes amortization of acquired intangible assets, such as the amortization of the cost associated with an acquired company's developed technology.

Gross Profit and Gross Margin

Gross profit is total revenues less total cost of revenues. Gross margin is gross profit expressed as a percentage of total revenues. Gross margin can fluctuate from period to period as a result of changes in product and services mix.

Operating Expenses

Our operating expenses are classified as research and development, marketing and sales, and general and administrative. For each functional category, the largest component is employee- and labor-related expenses, which include salaries and bonuses, share-based payment expense, employee benefit costs, and contractor costs. We allocate overhead such as information technology infrastructure, rent, and occupancy charges in each expense category based on headcount in that category.

We allocate share-based payment expense to personnel costs based on the expense category in which the employee works. We recognize our share-based payments as an expense in the consolidated statements of operations based on their fair values and vesting periods.

We adhere to the accelerated method of expense recognition for share-based awards subject to graded vesting (i.e., when portions of the award vest at different dates throughout the vesting period). For example, for a grant vesting over four years, we treat the grant as multiple awards (sometimes referred to as "tranches") and recognize the cost on a straight-line basis separately for each tranche. This results in the majority of the grant's share-based payment expense being recognized in the first year of the grant rather than equally per year under a straight-line expense methodology.

We began granting restricted share units ("RSUs") in 2014. Prior to our IPO, we granted RSUs with both a time-based service condition and a liquidity condition. The time-based service condition for substantially all of these awards is satisfied over four years. The liquidity condition was satisfied upon the effectiveness of the registration statement

related to our IPO. Pursuant to International Financial Reporting Standards ("IFRS"), we estimate the fair value of each award at the date of grant and recognize expense over the service period rather than starting expense recognition upon a liquidity event, as is the case under U.S. Generally Accepted Accounting Principles.

During the fiscal years ended 2019 and 2018, we recognized share-based payment expense of \$257.8 million and \$162.9 million, respectively. As of June 30, 2019, the aggregate share-based payment expense remaining to be amortized to cost of revenues and operating expenses, over a weighted-average period of 1.4 years, was \$285.3 million. We expect this share-based payment expense balance to be amortized as follows: \$190.1 million during fiscal 2020; \$69.5 million during fiscal 2021; \$22.4 million during fiscal 2022 and \$3.3 million thereafter. The expected amortization reflects only outstanding share awards as of June 30, 2019.

Research and development

Research and development expenses consist primarily of salaries and related expenses, including share-based payment expense, contract software development costs and facilities and related overhead costs. We continue to focus our research and development efforts on building new products, adding new features and services, integrating acquired technologies, increasing functionality, enhancing our cloud infrastructure and developing our mobile capabilities. We have not capitalized any research and development costs.

Marketing and sales

Marketing and sales expenses consist primarily of salaries and related expenses, including share-based payment expense, for our marketing and sales employees, marketing and sales programs and facilities and related overhead costs. Marketing programs consist of advertising, promotional events, corporate communications, brand building and product marketing activities such as online lead generation. Sales programs consist of activities and teams focused on supporting our partners, tracking channel sales activity, supporting and servicing our largest customers by helping optimize their experience across our product portfolio, helping customers expand their use of our products across their organizations, and helping product evaluators learn how they can use our tools most effectively.

General and administrative

General and administrative expenses consist of salaries and related expenses, including share-based payment expense, for finance, legal, human resources and information technology personnel, as well as external legal, accounting and other, professional fees, other corporate expenses and facilities and related overhead costs.

Income taxes

Income taxes primarily consist of income taxes in the United Kingdom, Australia and the United States, as well as income taxes in certain other foreign jurisdictions.

We generally conduct our international operations through wholly-owned subsidiaries and report our taxable income in various jurisdictions.

Net loss

We incurred a net loss on an IFRS basis in fiscal year 2019 and 2018 as we continued to make significant investments in research and development and technology infrastructure for our cloud-based offerings, expand our operations globally and develop new products and features for, and enhancements of, our existing products. The net loss was also attributable to the mark to fair value of the Notes and capped call. Please refer to Note 15, 'Exchangeable Senior Notes,' of the notes to our consolidated financial statements for details of our Notes and capped call.

Results of Operations

Our results of operations discussion includes comparisons of fiscal year ended June 30, 2019 as compared to fiscal year ended June 30, 2018 and the results for both fiscal 2019 and 2018 have been accounted for and presented to reflect our adoption of IFRS 15. Our consolidated financial statements for the fiscal years ended and as of June 30, 2018 and 2017 included elsewhere in this report have been retrospectively restated to reflect the adoption of IFRS 15.

The following table sets forth our results of operations for the periods indicated:

	Fiscal Year Ended June 30,	
	2019	2018
	*As Adjusted	
Revenues:		
Subscription	\$ 633,950	\$ 410,694
Maintenance	394,526	326,511
Perpetual license	93,593	83,171
Other	88,058	60,602
Total revenues	1,210,127	880,978
Cost of revenues (1) (2)	210,285	172,690
Gross profit	999,842	708,288
Operating expenses:		
Research and development (1) (2)	579,134	415,776
Marketing and sales (1) (2)	268,356	187,315
General and administrative (1)	215,714	151,242
Total operating expenses	1,063,204	754,333
Operating loss	(63,362)	(46,045)
Other non-operating expense, net	(535,453)	(15,157)
Finance income	33,500	9,877
Finance costs	(40,241)	(6,806)
Loss before income tax expense	(605,556)	(58,131)
Income tax expense	(32,065)	(55,301)
Net loss	\$ (637,621)	\$ (113,432)
Net loss attributable to:		
Owners of Atlassian Corporation Plc	\$ (637,621)	\$ (113,432)
Net loss per share attributable to ordinary shareholders:		
Basic	\$ (2.67)	\$ (0.49)
Diluted	\$ (2.67)	\$ (0.49)
Weighted-average shares outstanding used to compute net loss per share attributable to ordinary shareholders:		
Basic	238,611	231,184
Diluted	238,611	231,184

* Adjusted IFRS balances to reflect the impact of the full retrospective adoption of IFRS 15. See Note 2 of the notes to our consolidated financial statements for further details.

(1) Amounts include share-based payment expense, as follows:

Cost of revenues	\$ 17,450	\$ 11,955
Research and development	149,049	98,609
Marketing and sales	39,303	23,605
General and administrative	51,960	28,704

(2) Amounts include amortization of acquired intangible assets, as follows:

Cost of revenues	\$ 27,997	\$ 21,188
Research and development	60	—
Marketing and sales	28,744	36,090

The following table sets forth our results of operations data for each of the periods indicated as a percentage of total revenues:

	Fiscal Year Ended June 30,	
	2019	2018
	*As Adjusted	
Revenues:		
Subscription	52%	47%
Maintenance	33	37
Perpetual license	8	9
Other	7	7
Total revenues	100	100
Cost of revenues	17	20
Gross profit	83	80
Operating expenses:		
Research and development	48	47
Marketing and sales	22	21
General and administrative	18	17
Total operating expenses	88	85
Operating loss	(5)	(5)
Other non-operating expense, net	(44)	(2)
Finance income	3	1
Finance costs	(4)	(1)
Loss before income tax expense	(50)	(7)
Income tax expense	(3)	(6)
Net loss	(53)	(13)

Amounts include share-based payment expense, as follows:

Cost of revenues	1%	1%
Research and development	12	11
Marketing and sales	3	3
General and administrative	4	3

Amounts include amortization of acquired intangible assets, as follows:

Cost of revenues	2%	2%
Research and development	—%	—%
Marketing and sales	2	4

* Adjusted IFRS balances to reflect the impact of the full retrospective adoption of IFRS 15. See Note 2 of the notes to our consolidated financial statements for further details.

Fiscal Year Ended 2019 and 2018

Revenues

	Fiscal Year Ended June 30,			
	2019	2018	\$ Change	% Change
	(U.S. \$ in thousands)			
	*As Adjusted			
Subscription	\$ 633,950	\$ 410,694	\$ 223,256	54%
Maintenance	394,526	326,511	68,015	21
Perpetual license	93,593	83,171	10,422	13
Other	88,058	60,602	27,456	45
Total revenues	<u>\$1,210,127</u>	<u>\$ 880,978</u>	<u>\$ 329,149</u>	<u>37</u>

* Adjusted IFRS balances to reflect the impact of the full retrospective adoption of IFRS 15. See Note 2 of the notes to our consolidated financial statements for further details.

Total revenues increased \$329.1 million, or 37%, in the fiscal year ended June 30, 2019 compared to the fiscal year ended June 30, 2018. Growth in total revenues was attributable to increased demand for our products from both new and existing customers. Of total revenues recognized in the fiscal year ended June 30, 2019, over 90% was attributable to sales to customer accounts existing on or before June 30, 2018. Our number of total customers increased to 152,727 at June 30, 2019 from 125,796 at June 30, 2018.

Subscription revenues increased \$223.3 million, or 54%, in the fiscal year ended June 30, 2019 compared to the fiscal year ended June 30, 2018. The increase in subscription revenues was primarily attributable to additional subscriptions from our existing customer base. As customers increasingly adopt cloud-based, subscription services and term-based licenses of our Data Center products for their business needs, we expect our subscription revenues to continue to increase at a rate higher than the rate of increase of our perpetual license revenues in future periods.

Maintenance revenues increased \$68.0 million, or 21%, in the fiscal year ended June 30, 2019 compared to the fiscal year ended June 30, 2018. The increase in maintenance revenues was primarily attributable to growing renewal of software maintenance contracts from our customers related to our perpetual license software offerings.

Perpetual license revenues increased \$10.4 million, or 13%, in the fiscal year ended June 30, 2019 compared to the fiscal year ended June 30, 2018. A substantial majority of the increase in perpetual license revenues was attributable to additional licenses to existing customers.

Other revenues increased \$27.5 million, or 45%, in the fiscal year ended June 30, 2019 compared to the fiscal year ended June 30, 2018. The increase in other revenues was primarily attributable to an increase in revenue from sales of third-party apps through our Atlassian Marketplace.

Total revenues by geography were as follows:

	Fiscal Year Ended June 30,			
	2019	2018	\$ Change	% Change
	(U.S. \$ in thousands)			
	*As Adjusted			
Americas	\$ 603,959	\$ 439,363	\$ 164,596	37%
EMEA	474,712	347,509	127,203	37
Asia Pacific	131,456	94,106	37,350	40
	<u>\$ 1,210,127</u>	<u>\$ 880,978</u>	<u>\$ 329,149</u>	<u>37</u>

* Adjusted IFRS balances to reflect the impact of the full retrospective adoption of IFRS 15. See Note 2 of the notes to our consolidated financial statements for further details.

Cost of Revenues

	Fiscal Year Ended June 30,		\$ Change	% Change
	2019	2018		
	(U.S. \$ in thousands)			
	*As Adjusted			
Cost of revenues	\$ 210,285	\$ 172,690	\$ 37,595	22%
Gross margin	83%	80%		

* Adjusted IFRS balances to reflect the impact of the full retrospective adoption of IFRS 15. See Note 2 of the notes to our consolidated financial statements for further details.

Cost of revenues increased \$37.6 million, or 22%, in the fiscal year ended June 30, 2019 compared to the fiscal year ended June 30, 2018.

The overall increase was primarily due to an increase in compensation expense for employees and contractors of \$23.8 million (which includes an increase of \$5.5 million in share-based payment expenses), an increase of \$6.8 million in amortization of intangible assets mainly due to the acquisition of OpsGenie and AgileCraft and an increase of \$5.8 million in merchant fees.

We increased our headcount during the period to meet the higher demand for services from our customers. We expect to continue to invest in additional personnel as we scale. Over time, we expect the revenue from our cloud subscription business to grow as a percentage of total revenues. As a result, we intend to continue to invest in our cloud infrastructure, which we expect to lead to an increase in cost of revenues in absolute dollars.

Operating Expenses

Research and development

	Fiscal Year Ended June 30,		\$ Change	% Change
	2019	2018		
	(U.S. \$ in thousands)			
Research and development	\$ 579,134	\$ 415,776	\$ 163,358	39%

Research and development expenses increased \$163.4 million, or 39%, in the fiscal year ended June 30, 2019 compared to the fiscal year ended June 30, 2018. The overall increase was primarily a result of an increase in compensation expense for employees and contractors of \$130.3 million (which includes an increase of \$50.4 million in share-based payment expenses) and an increase of \$15.5 million in facilities and related overhead to support our employees.

We increased our research and development headcount during the period in order to enhance and extend our service offerings and develop new technologies. We expect that research and development expenses will increase in absolute dollars and may increase as a percentage of revenues in future periods as we continue to invest in additional personnel and technology to support the development, improvement and integration of technologies. We have not capitalized any research and development costs during fiscal year 2019 and 2018.

Marketing and sales

	Fiscal Year Ended June 30,		\$ Change	% Change
	2019	2018		
	(U.S. \$ in thousands)			
	*As Adjusted			
Marketing and sales	\$ 268,356	\$ 187,315	\$ 81,041	43%

* Adjusted IFRS balances to reflect the impact of the full retrospective adoption of IFRS 15. See Note 2 of the notes to our consolidated financial statements for further details.

Marketing and sales expenses increased \$81.0 million, or 43%, for the fiscal year ended June 30, 2019, compared to the fiscal year ended June 30, 2018. Marketing and sales expense increased primarily due to an increase in compensation expense for employees and contractors of \$41.8 million (which includes an increase of \$15.7 million in share-based payment expenses) and an increase of \$22.6 million in advertising costs.

Our marketing and sales headcount increased during the period as a result of hiring additional personnel to expand our relationship with our existing customers and to attract new customers. We expect marketing and sales expenses to increase in absolute dollars as we continue to invest in marketing and sales personnel, expand our global promotional activities, build brand awareness, expand our relationship with existing customers, attract new customers and sponsor additional marketing events.

General and administrative

	Fiscal Year Ended June 30,			
	2019	2018	\$ Change	% Change
	(U.S. \$ in thousands)			
General and administrative	\$ 215,714	\$ 151,242	\$ 64,472	43%

General and administrative expenses increased \$64.5 million, or 43%, in the fiscal year ended June 30, 2019 compared to the fiscal year ended June 30, 2018. The increase was primarily due to an increase of \$49.2 million in compensation expense for employees and contractors (which includes an increase of \$23.3 million in share-based payment expenses) and an increase of \$6.2 million in professional service fees primarily due to recent acquisition activities.

Our general and administrative headcount increased during the period as we added personnel to support our growth. We expect that general and administrative expenses will increase in absolute dollars as we continue to invest in additional personnel and our infrastructure and incur additional professional fees to support the growth of our business.

Other non-operating expense, net

	Fiscal Year Ended June 30,			
	2019	2018	\$ Change	% Change
	(U.S. \$ in thousands)			
Other non-operating expense, net	(535,453)	(15,157)	\$ (520,296)	*

* Not meaningful

Other non-operating expense, net increased \$520.3 million in the fiscal year ended June 30, 2019, compared to the fiscal year ended June 30, 2018. The increase was primarily due to the net impact from the mark to fair value of the embedded exchange feature of the Notes and the related capped call transactions of \$521.5 million. Please refer to Note 15, of the notes to our consolidated financial statements for more details of our Notes and capped call.

Income tax expense

	Fiscal Year Ended June 30,			
	2019	2018	\$ Change	% Change
	(U.S. \$ in thousands)			
	*As Adjusted			
Income tax expense	\$ (32,065)	\$ (55,301)	\$ 23,236	(42)%
Effective tax rate	**	**		

* Adjusted IFRS balances to reflect the impact of the full retrospective adoption of IFRS 15. See Note 2 of the notes to our consolidated financial statements for further details.

** Not meaningful

We reported a tax expense of \$32.1 million on pretax loss of \$605.6 million for the fiscal year ended June 30, 2019, as compared to a tax expense of \$55.3 million on pretax loss of \$58.1 million for the fiscal year ended June 30, 2018. Our effective tax rate substantially differed from the U.K. income tax rate of 19.0% primarily due to different tax rates in foreign jurisdictions such as U.S. and Australia, the recognition of significant permanent differences during the fiscal years ended 2019 and 2018 and non-cash charges to reduce the carrying value of our U.S. deferred tax assets due to the reduced statutory rate in the U.S. Tax Cuts and Jobs Act as well as changes in our assessment of the

realizability of our U.S. and Australian deferred tax assets. In June 2019 and December 2017, as a result of our assessment of the realizability of its Australian and U.S. deferred tax assets, we recorded non-cash charges to tax expense of \$54.7 million and \$30.4 million, respectively to reduce the carrying value of these assets. Our assessment of the realizability of our Australian and U.S. deferred tax assets is based on all available positive and negative evidence. Such evidence includes, but is not limited to, recent cumulative earnings or losses, expectations of future taxable income by taxing jurisdiction, and the carry-forward periods available for the utilization of deferred tax assets.

Significant permanent differences included non-deductible charges related to the Notes, nondeductible share-based payment expense and research and development incentives.

See Note 8, "*Income Tax*," to the notes to our consolidated financial statements for our reconciliation of loss before income tax benefit (expense) to income tax benefit (expense). A change in our global operations could result in changes to our effective tax rates, future cash flows and overall profitability of our operations.

Principal Risks and Uncertainties

We operate in a fast-moving, competitive, and highly technologically-focused environment. Our management and Directors oversee our risk objectives. We believe our management team and Directors possess the requisite skills to manage such risks. The Directors are made aware of and review management's risk assessments prior to entering into significant transactions.

The following are the principal risks and uncertainties facing Atlassian. The risks shown are not necessarily all those associated with Atlassian and are not listed in priority order.

Our rapid growth makes it difficult to evaluate our future prospects and may increase the risk that we will not continue to grow at or near historical rates.

We have been growing rapidly over the last several years, and as a result, our ability to forecast our future results of operations is subject to a number of uncertainties, including our ability to effectively plan for and model future growth. Our recent and historical growth should not be considered indicative of our future performance. We have encountered in the past, and will encounter in the future, risks and uncertainties frequently experienced by growing companies in rapidly changing industries. If our assumptions regarding these risks and uncertainties, which we use to plan and operate our business, are incorrect or change, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations, our growth rates may slow, and our business would suffer.

We may not be able to sustain our revenue growth rate or achieve profitability in the future.

Our historical growth rate should not be considered indicative of our future performance and may decline in the future. In future periods, our revenue could grow more slowly than in recent periods or decline for a number of reasons, including any reduction in demand for our products, increase in competition, limited ability to, or our decision not to, increase pricing, contraction of our overall market, or our failure to capitalize on growth opportunities. In addition, we expect expenses to increase substantially in the near term, particularly as we continue to make significant investments in research and development and technology infrastructure for our cloud offerings, expand our operations globally and develop new products and features for, and enhancements of, our existing products. As a result of these significant investments, and in particular share-based compensation associated with our growth, we do not expect to achieve IFRS profitability in the near term and may not be able to achieve IFRS profitability in future periods. In addition, the additional expenses we will incur may not lead to sufficient additional revenue to maintain historical revenue growth rates and profitability.

The markets in which we participate are intensely competitive, and if we do not compete effectively, our business, results of operations, and financial condition could be harmed.

The markets for our solutions are fragmented, rapidly evolving, highly competitive, and have relatively low barriers to entry. We face competition from both traditional, larger software vendors offering full collaboration and productivity suites and smaller companies offering point products for features and use cases. Our principal competitors vary depending on the product category and include Microsoft, IBM, Google, ServiceNow, salesforce.com, Zendesk, PagerDuty and Github (acquired by Microsoft). In addition, some of our competitors have made acquisitions to offer a more comprehensive product or service offering, which may allow them to compete more effectively with our products. We expect this trend to continue as companies attempt to strengthen or maintain their market positions in an evolving industry. Following such potential consolidations, companies may create more compelling product offerings and be able to offer more attractive pricing options, making it more difficult for us to compete effectively.

Our competitors, particularly our competitors with greater financial and operating resources, may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, or customer requirements. With the introduction of new technologies, the evolution of our products, and new market entrants, we expect competition to intensify in the future. For example, as we expand our focus into new use cases or other product offerings beyond software development teams, we expect competition to increase. Pricing pressures and increased competition generally could result in reduced sales, reduced margins, losses, or the failure of our products to achieve or maintain more widespread market acceptance, any of which could harm our business, results of operations and financial condition.

Many of our current and potential competitors have greater resources than we do, with established marketing relationships, large enterprise sales forces, access to larger customer bases, pre-existing customer relationships, and major distribution agreements with consultants, system integrators and resellers. Additionally, some current and potential customers, particularly large organizations, have elected, and may in the future elect, to develop or acquire

their own internal collaboration and productivity software tools that would reduce or eliminate the demand for our solutions.

Our products seek to serve multiple markets, and we are subject to competition from a wide and varied field of competitors. Some competitors, particularly new and emerging companies, could focus all their energy and resources on one product line or use case and, as a result, any one competitor could develop a more successful product or service in a particular market which could decrease our market share and harm our brand recognition and results of operations. For all of these reasons and others we cannot anticipate today, we may not be able to compete successfully against our current and future competitors, which could harm our business, results of operations, and financial condition.

Our distribution model of offering and selling on-premises offerings of certain of our products, in addition to offering and selling cloud offerings of these products, increases our expenses, may impact revenue recognition timing, and may pose other challenges to our business.

We offer and sell both on-premises and cloud offerings of certain of our products. For these products, our cloud offering enables quick setup and subscription pricing, while our on-premises offering permits more customization, a perpetual or term license fee structure, and complete application control. Historically, these products were developed in the context of the on-premises offering, and we have less operating experience offering and selling these products via our cloud offering. Although a substantial majority of our revenue has historically been generated from customers using our on-premises products, we believe that over time more customers will move to our cloud offering, and our cloud offering will become more central to our distribution model. As more of our customers transition to the cloud, we may be subject to additional competitive pressures, which may harm our business. Further, as more customers elect our cloud offerings as opposed to our on-premises offerings, revenues from such customers is typically lower in the initial year, which may impact our near-term revenue growth rates. If our cloud offering does not develop as quickly as we expect, or if we are unable to continue to scale our systems to meet the requirements of a successful large, cloud offering, our business may be harmed. We are directing a significant portion of our financial and operating resources to implement a robust cloud offering for our products, but even if we continue to make these investments, we may be unsuccessful in growing or implementing our cloud offerings that compete successfully against our current and future competitors and our business, results of operations, and financial condition could be harmed.

Our business depends on our customers renewing their subscriptions and maintenance plans and purchasing additional licenses or subscriptions from us. Any decline in our customer retention or expansion would harm our future results of operations.

In order for us to maintain or improve our results of operations, it is important that our customers renew their subscriptions and maintenance plans when existing contract terms expire and that we expand our commercial relationships with our existing customers. Our customers have no obligation to renew their subscriptions or maintenance plans, and our customers may not renew subscriptions or maintenance plans with a similar contract period or with the same or greater number of users. Our customers generally do not enter into long-term contracts, rather they primarily have monthly or annual terms. Some of our customers have elected not to renew their agreements with us and it is difficult to accurately predict long-term customer retention.

Our customer retention and expansion may decline or fluctuate as a result of a number of factors, including our customers' satisfaction with our products, new market entrants, our product support, our prices and pricing plans, the prices of competing software products, reductions in our customers' spending levels, new product releases and changes to packaging of our product offerings, mergers and acquisitions affecting our customer base, or the effects of global economic conditions. We may be unable to timely address any retention issues with specific customers, which could harm our results of operations. If our customers do not purchase additional licenses or subscriptions or renew their subscriptions or maintenance plans, renew on less favorable terms, or fail to add more users, our revenue may decline or grow less quickly, which would harm our future results of operations and prospects.

If we are not able to develop new products and enhancements to our existing products that achieve market acceptance and that keep pace with technological developments, our business and results of operations would be harmed.

Our ability to attract new customers and increase revenue from existing customers depends in large part on our ability to enhance and improve our existing products and to introduce compelling new products that reflect the changing nature of our markets. The success of any enhancement to our products depends on several factors, including timely completion and delivery, competitive pricing, adequate quality testing, integration with existing technologies and our platform, and overall market acceptance. Any new product that we develop may not be introduced in a timely or cost-effective manner, may contain bugs, or may not achieve the market acceptance necessary to generate significant

revenue. If we are unable to successfully develop new products, enhance our existing products to meet customer requirements, or otherwise gain market acceptance, our business, results of operations, and financial condition would be harmed.

If we cannot continue to expand the use of our products beyond our initial focus on software developers, our ability to grow our business may be harmed.

Our ability to grow our business depends in part on our ability to persuade current and future customers to expand their use of our products to additional use cases beyond software developers, including business teams and IT teams. If we fail to predict customer demands or achieve further market acceptance of our products within these additional areas and teams, or if a competitor establishes a more widely adopted product for these applications, our ability to grow our business may be harmed.

We invest significantly in research and development, and to the extent our research and development investments do not translate into new products or material enhancements to our current products, or if we do not use those investments efficiently, our business and results of operations would be harmed.

A key element of our strategy is to invest significantly in our research and development efforts to develop new products and enhance our existing products to address additional applications and markets. In fiscal years 2019 and 2018, our research and development expenses were 48% and 47% of our revenue, respectively. If we do not spend our research and development budget efficiently or effectively on compelling innovation and technologies, our business may be harmed and we may not realize the expected benefits of our strategy. Moreover, research and development projects can be technically challenging and expensive. The nature of these research and development cycles may cause us to experience delays between the time we incur expenses associated with research and development and the time we are able to offer compelling products and generate revenue, if any, from such investment. Additionally, anticipated customer demand for a product we are developing could decrease after the development cycle has commenced, and we would nonetheless be unable to avoid substantial costs associated with the development of any such product. If we expend a significant amount of resources on research and development and our efforts do not lead to the successful introduction or improvement of products that are competitive in our current or future markets, it would harm our business and results of operations.

If we fail to effectively manage our growth, our business and results of operations could be harmed.

We have experienced and expect to continue to experience rapid growth, which has placed, and may continue to place, significant demands on our management, operational, and financial resources. In addition, we operate globally, sell our products to customers in approximately 190 countries, and have employees in Australia, the United States, the United Kingdom, the Netherlands, the Philippines, India, Turkey, Canada, Japan, Germany and France. We plan to continue to expand our operations into other countries in the future, which will place additional demands on our resources and operations. We have also experienced significant growth in the number of customers, users, transactions and data that our products and our associated infrastructure support. If we fail to successfully manage our anticipated growth and change, the quality of our products may suffer, which could negatively affect our brand and reputation and harm our ability to retain and attract customers. Finally, our organizational structure is becoming more complex and if we fail to scale and adapt our operational, financial, and management controls and systems, as well as our reporting systems and procedures, to manage this complexity, our business, results of operations, and financial condition would be harmed. We will require significant capital expenditures and the allocation of management resources to grow and change in these areas.

If our current marketing model is not effective in attracting new customers, we may need to incur additional expenses to attract new customers and our business and results of operations could be harmed.

Unlike traditional enterprise software vendors, who rely on direct sales methodologies and face long sales cycles, complex customer requirements and substantial upfront sales costs, we primarily utilize a viral marketing model to target new customers. Through this word-of-mouth marketing, we have been able to build our brand with relatively low marketing and sales costs. We also build our customer base through various online marketing activities as well as targeted web-based content and online communications. This strategy has allowed us to build a substantial customer base and community of users who use our products and act as advocates for our brand and solutions, often within their own corporate organizations. Attracting new customers and retaining existing customers requires that we continue to provide high-quality products at an affordable price and convince customers of our value proposition. If we do not attract new customers through word-of-mouth referrals, our revenue may grow more slowly than expected, or decline. In addition, high levels of customer satisfaction and market adoption are central to our marketing model. Any decrease in our customers' satisfaction with our products, including as a result of actions outside of our control, could harm word-

of-mouth referrals and our brand. If our customer base does not continue to grow through word-of-mouth marketing and viral adoption, we may be required to incur significantly higher marketing and sales expenses in order to acquire new subscribers, which could harm our business and results of operations.

If our security measures are breached or unauthorized access to customer data is otherwise obtained, our products may be perceived as insecure, we may lose existing customers or fail to attract new customers, and we may incur significant liabilities.

Use of our solutions involves the storage, transmission, and processing of our customers' proprietary data, including potentially personal or identifying information. Unauthorized access to, or security breaches of, our products could result in unauthorized access to data and information, and the loss, compromise or corruption of such data and information. In the event of a security breach, we could suffer loss of business, severe reputational damage adversely affecting customer or investor confidence, regulatory investigations and orders, litigation, indemnity obligations, damages for contract breach, penalties for violation of applicable laws or regulations, significant costs for remediation, and other liabilities. We have incurred and expect to incur significant expenses to prevent security breaches, including costs related to deploying additional personnel and protection technologies, training employees, and engaging third-party solution providers and consultants. Our errors and omissions insurance coverage covering certain security and privacy damages and claim expenses may not be sufficient to compensate for all liabilities we may incur.

Although we expend significant resources to create security protections that shield our customer data against potential theft and security breaches, such measures cannot provide absolute security. We have in the past experienced breaches of our security measures. Certain breaches have resulted in unauthorized access to certain data processed through our products. Our products are at risk for future breaches, including, without limitation, breaches that may occur as a result of third-party action, or employee, vendor or contractor error or malfeasance, and other causes.

As we further transition selling our products via our cloud offering, continue to collect more personal and sensitive information, and operate in more countries, the risk that real or perceived vulnerabilities of our systems could seriously harm our business and our financial performance, by tarnishing our reputation and brand and limiting the adoption of our products, is likely to increase.

Because the techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. We may also experience security breaches that may remain undetected for an extended period and, therefore, have a greater impact on the products we offer, the proprietary data processed through our services, and, ultimately, on our business.

One of our marketing strategies is to offer free trials or a limited free version or affordable starter license for certain products, and we may not be able to realize the benefits of this strategy.

We offer free trials, a limited free version or an affordable starter license for certain products in order to promote additional usage, brand and product awareness, and adoption. Historically, a majority of users never convert to a paid version of our products from these free trials or limited free versions or upgrade beyond the starter license. Our marketing strategy also depends in part on persuading users who use the free trials, free versions or starter licenses of our products to convince others within their organization to purchase and deploy our products. To the extent that these users do not become, or lead others to become, customers, we will not realize the intended benefits of this marketing strategy, and our ability to grow our business may be harmed.

Our business model relies on a high volume of transactions and affordable pricing. As lower cost or free products are introduced by our competitors, our ability to generate new customers could be harmed.

Our business model is based in part on selling our products at prices lower than competing products from other commercial vendors. For example, we offer entry-level pricing for certain products for small teams at a price that typically does not require capital budget approval and is orders-of-magnitude less than the price of traditional enterprise software. As a result, our software is frequently purchased by first-time customers to solve specific problems and not as part of a strategic technology purchasing decision. As competitors enter the market with low cost or free alternatives to our products, it may become increasingly difficult for us to compete effectively and our ability to garner new customers could be harmed. We have historically, and will continue to increase prices from time to time. Additionally, some customers may consider our products to be discretionary purchases, which may contribute to reduced demand for our offerings in times of economic uncertainty. If we are unable to sell our software in high volume, across new and existing customers, our business, results of operations and financial condition could be harmed.

We derive approximately two thirds of our revenue from a limited number of software products.

We derive approximately two thirds of our revenue from Jira Software and Confluence. As such, the market acceptance of these products is critical to our success. Demand for these products and our other products is affected by a number of factors, many of which are beyond our control, such as continued market acceptance of our products by customers for existing and new use cases; the timing of development and release of new products, features, functionality and lower cost alternatives introduced by our competitors; technological changes and developments within the markets we serve; and growth or contraction in our addressable markets. If we are unable to continue to meet customer demands or to achieve more widespread market acceptance of our products, our business, results of operations, and financial condition could be harmed.

If the Atlassian Marketplace does not continue to be successful, our business and results of operations could be harmed.

We operate Atlassian Marketplace, an online marketplace, for selling third-party, as well as Atlassian-built, apps. We rely on the Atlassian Marketplace to supplement our promotional efforts and build awareness of our products, and believe that third-party apps from the Atlassian Marketplace facilitate greater usage and customization of our products. If these vendors and developers stop developing or supporting the apps that they sell on Atlassian Marketplace, our business could be harmed.

Interruptions or performance problems associated with our technology and infrastructure may harm our business and results of operations.

Our continued growth depends in part on the ability of our existing and potential customers to access our solutions at any time and within an acceptable amount of time. In addition, we rely almost exclusively on our websites for the downloading of and payment for all our products. We have experienced, and may in the future experience, disruptions, data loss and corruption, outages and other performance problems with our infrastructure and websites due to a variety of factors, including infrastructure changes, introductions of new functionality, human or software errors, capacity constraints, denial of service attacks, or other security-related incidents. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. It may become increasingly difficult to maintain and improve our performance, especially during peak usage times and as our products and websites become more complex and our user traffic increases. If our products and websites are unavailable or if our users are unable to access our products within a reasonable amount of time, or at all, our business would be harmed. Moreover, we depend on services from various third parties, including Amazon Web Services, to maintain our infrastructure and distribute our products via the Internet. Any disruptions in these services, including as a result of actions outside of our control, would significantly impact the continued performance of our products. In the future, these services may not be available to us on commercially reasonable terms, or at all. Any loss of the right to use any of these services could result in decreased functionality of our products until equivalent technology is either developed by us or, if available from another provider, is identified, obtained and integrated into our infrastructure. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed, and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business, results of operations and financial condition could be harmed.

Real or perceived errors, failures, vulnerabilities or bugs in our products or in the products on Atlassian Marketplace could harm our business and results of operations.

Errors, failures, vulnerabilities, or bugs may occur in our products, especially when updates are deployed or new products are rolled out. Our solutions are often used in connection with large-scale computing environments with different operating systems, system management software, equipment, and networking configurations, which may cause errors, failures of products, or other negative consequences in the computing environment into which they are deployed. In addition, deployment of our products into complicated, large-scale computing environments may expose errors, failures, vulnerabilities, or bugs in our products. Any such errors, failures, vulnerabilities, or bugs may not be found until after they are deployed to our customers. Real or perceived errors, failures, vulnerabilities, or bugs in our products could result in negative publicity, loss or unauthorized access to customer data, loss of or delay in market acceptance of our products, loss of competitive position, or claims by customers for losses sustained by them, all of which could harm our business and results of operations.

In addition, third-party apps on Atlassian Marketplace may not meet the same quality standards that we apply to our own development efforts and, to the extent they contain bugs, vulnerabilities, or defects, they may create disruptions in our customers' use of our products lead to data loss or unauthorized access to customer data, damage

our brand and reputation, and affect the continued use of our products, any of which could harm our business, results of operations and financial condition.

Any failure to offer high-quality product support may harm our relationships with our customers and our business, results of operations, and financial condition.

In deploying and using our products, our customers depend on our product support teams to resolve complex technical and operational issues. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for product support. We also may be unable to modify the nature, scope and delivery of our product support to compete with changes in product support services provided by our competitors. Increased customer demand for product support, without corresponding revenue, could increase costs and harm our results of operations. In addition, as we continue to grow our operations and reach a global and vast customer base, we need to be able to provide efficient product support that meets our customers' needs globally at scale. The number of our customers has grown significantly and that has put additional pressure on our support organization. In order to meet these needs, we have relied in the past and will continue to rely on third-party vendors and self-service product support to resolve common or frequently asked questions, which supplement our customer support teams. If we are unable to provide efficient product support globally at scale, including through the use of third-party vendors and self-service support, our ability to grow our operations may be harmed and we may need to hire additional support personnel, which could harm our results of operations. Our sales are highly dependent on our business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality product support, or a market perception that we do not maintain high-quality product support, could harm our reputation, our ability to sell our products to existing and prospective customers, and our business, results of operations and financial condition.

Our sales model does not rely primarily on a direct enterprise sales force, which may impede the growth of our business.

Our sales model does not rely primarily on traditional, quota-carrying sales personnel. Although we believe our business model can continue to scale without a large, direct enterprise sales force, our viral marketing model may not continue to be as successful as we anticipate and the absence of a large, direct, traditional sales function may impede our future growth. As we continue to scale our business, a more traditional sales infrastructure could assist in reaching larger enterprise customers and growing our revenue. Identifying, recruiting, and training such a qualified sales force would require significant time, expense and attention and would significantly impact our business model. In addition, expanding our sales infrastructure would considerably change our cost structure and results of operations, and we may have to reduce other expenses, such as our research and development expenses, in order to accommodate a corresponding increase in marketing and sales expenses and maintain positive free cash flow. If our lack of a large, direct enterprise sales force limits us from reaching larger enterprise customers and growing our revenue and we are unable to hire, develop and retain talented sales personnel in the future, our revenue growth and results of operations may be harmed.

Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.

Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control. If our quarterly financial results fall below the expectations of investors or any securities analysts who follow us, the price of our Class A ordinary shares could decline substantially. Factors that may cause our revenue, results of operations and cash flows to fluctuate from quarter to quarter include, but are not limited to:

- Our ability to attract new customers, retain and increase sales to existing customers, and satisfy our customers' requirements;
- The timing of customer renewals;
- Changes in our or our competitors' pricing policies and offerings;
- New products, features, enhancements, or functionalities introduced by our competitors;
- The amount and timing of operating costs and capital expenditures related to the operations and expansion of our business;
- Significant security breaches, technical difficulties, or interruptions to our products;
- The number of new employees added;

- Changes in foreign currency exchange rates or adding additional currencies in which our sales are denominated;
- The amount and timing of acquisitions or other strategic transactions;
- Extraordinary expenses such as litigation or other dispute-related settlement payments;
- General economic conditions that may adversely affect either our customers' ability or willingness to purchase additional licenses, subscriptions, and maintenance plans, delay a prospective customer's purchasing decision, reduce the value of new license, subscription, or maintenance plans, or affect customer retention;
- Potential exchanges of our Notes for payment of cash due to the triggering of the conditional exchange feature of the Notes.
- Non-coupon impact related to the Notes and related capped call transactions;
- Seasonality in our operations;
- The impact of new accounting pronouncements and associated system implementations; and
- The timing of the grant or vesting of equity awards to employees, contractors, or directors.

Many of these factors are outside of our control, and the occurrence of one or more of them might cause our revenue, results of operations, and cash flows to vary widely. As such, we believe that quarter-to-quarter comparisons of our revenue, results of operations, and cash flows may not be meaningful and should not be relied upon as an indication of future performance.

If we are unable to develop and maintain successful relationships with our solution partners and resellers, our business, results of operations, and financial condition could be harmed.

We have established relationships with certain solution partners and resellers to distribute our products. We believe that continued growth in our business is dependent upon identifying, developing and maintaining strategic relationships with our existing and potential solution partners and resellers that can drive substantial revenue and provide additional value-added services to our customers. Our agreements with our existing solution partners and resellers are non-exclusive, meaning our solution partners and resellers may offer customers the products of several different companies, including products that compete with ours. They may also cease marketing our products with limited or no notice and with little or no penalty. We expect that any additional solution partners and resellers we identify and develop will be similarly non-exclusive and unbound by any requirement to continue to market our products. If we fail to identify additional solution partners and resellers in a timely and cost-effective manner, or at all, or are unable to assist our current and future solution partners and resellers in independently distributing and deploying our products, our business, results of operations, and financial condition could be harmed. If our solution partners and resellers do not effectively market and sell our products, or fail to meet the needs of our customers, our reputation and ability to grow our business may also be harmed.

Acquisitions of other businesses, products, or technologies could disrupt our business, and we may be unable to integrate acquired businesses and technologies successfully or achieve the expected benefits of such acquisitions.

We have completed a number of acquisitions and strategic investments and continue to evaluate and consider additional strategic transactions, including acquisitions of, or investments in, businesses, technologies, services, products, and other assets in the future. We also may enter into strategic relationships with other businesses to expand our products, which could involve preferred or exclusive licenses, additional channels of distribution, discount pricing or investments in other companies.

Any acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products, personnel, or operations of the acquired companies, particularly if the key personnel of the acquired companies choose not to work for us, their software and services are not easily adapted to work with our products, or we have difficulty retaining the customers of any acquired business due to changes in ownership, management or otherwise. Acquisitions may also disrupt our business, divert our resources, and require significant management attention that would otherwise be available for development of our existing business. We may not successfully evaluate

or utilize the acquired technology or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges. Moreover, the anticipated benefits of any acquisition, investment, or business relationship may not be realized or we may be exposed to unknown risks or liabilities.

In the future, we may not be able to find suitable acquisition candidates, and we may not be able to complete acquisitions on favorable terms, if at all. Our previous and future acquisitions may not achieve our goals, and any future acquisitions we complete could be viewed negatively by users, customers, developers or investors.

Negotiating these transactions can be time consuming, difficult and expensive, and our ability to complete these transactions may often be subject to approvals that are beyond our control. Consequently, these transactions, even if announced, may not be completed. For one or more of those transactions, we may:

- Issue additional equity securities that would dilute our existing shareholders;
- Use cash that we may need in the future to operate our business;
- Incur large charges, expenses, or substantial liabilities;
- Incur debt on terms unfavorable to us or that we are unable to repay;
- Encounter difficulties retaining key employees of the acquired company or integrating diverse software codes or business cultures; and
- Become subject to adverse tax consequences, substantial depreciation, impairment, or deferred compensation charges.

If we are not able to maintain and enhance our brand, our business, results of operations, and financial condition may be harmed.

We believe that maintaining and enhancing our reputation as a differentiated and category-defining company is critical to our relationships with our existing customers and to our ability to attract new customers. The successful promotion of our brand attributes will depend on a number of factors, including our, and our solution partners' and resellers', marketing efforts, our ability to continue to develop high-quality products, and our ability to successfully differentiate our products from competitive products. In addition, independent industry analysts often provide reviews of our products, as well as the products offered by our competitors, and perception of the relative value of our products in the marketplace may be significantly influenced by these reviews. If these reviews are negative, or less positive as compared to those of our competitors' products, our brand may be harmed.

The promotion of our brand requires us to make substantial expenditures, and we anticipate that the expenditures will increase as our market becomes more competitive, as we expand into new markets, and as more sales are generated through our solution partners and resellers. To the extent that these activities yield increased revenue, this revenue may not offset the increased expenses we incur. If we do not successfully maintain and enhance our brand, our business may not grow, we may have reduced pricing power relative to competitors, and we could lose customers or fail to attract new customers, any of which would harm our business, results of operations, and financial condition.

Because our products rely on the movement of data across national boundaries, global privacy and data security concerns could result in additional costs and liabilities to us or inhibit sales of our products globally.

Privacy and data security have become significant issues in the United States, Europe and in many other jurisdictions where we offer our products. The regulatory framework for the collection, use, safeguarding, sharing, and transfer of information worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future.

Globally, virtually every jurisdiction in which we operate has established its own data security and privacy frameworks with which we, or our customers, must comply, including, for example, in the European Union, Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data, along with applicable implementing data protection legislation of individual European Union member states.

In addition, data protection regulation is an area of increased focus and changing requirements. On April 27, 2016, the European Union adopted the General Data Protection Regulation 2016/679, or GDPR, that took effect on May 25, 2018, replacing the current data protection laws of each European Union member state. GDPR applies to any company established in the European Union as well as to those outside the European Union if they collect and use

personal data in connection with the offering of goods or services to individuals in the European Union or the monitoring of their behavior. GDPR enhances data protection obligations for processors and controllers of personal data, including, for example, expanded disclosures about how personal information is to be used, limitations on retention of information, mandatory data breach notification requirements, and extensive new obligations on services providers. Interpretation and enforcement of GDPR remains uncertain. Non-compliance with GDPR can trigger steep fines of up to €20 million or 4% of total worldwide annual turnover, whichever is higher. Similar regulations have also come into effect and been proposed around the world. For example, the California Consumer Privacy Act, or CCPA, goes into effect in 2020. Record-breaking enforcement actions globally have shown that regulators do wield their right to impose substantial fines for violations of privacy regulations, and these enforcement actions could result in guidance from regulators that would require changes to our current compliance strategy. Given the breadth and depth of changes in data protection obligations, complying with global data protection requirements requires time, resources, and a review of our technology and systems currently in use against regulatory requirements.

We currently rely on the EU-U.S. Privacy Shield and standard contractual clauses approved by the European Commission as our legal mechanism for onward transfers of data from Europe. The EU-U.S. Privacy Shield program underwent its second annual review by European Union regulatory authorities in October 2018, which re-affirmed the EU-U.S. Privacy Shield as a valid framework for transferring data from the European Union to the United States. Nonetheless, the review reported a number of recommendations for improvement in the program before the next annual review, and there continue to be concerns about whether the EU-U.S. Privacy Shield and other transfer mechanisms will face additional challenges. Similarly, the validity of standard contractual clauses is currently under review by the European Court of Justice. In order to diversify our data transfer strategy, we will continue to explore other options managing data from Europe, including without limitation, amending standard contractual clauses where required, and considering suppliers that house data in Europe, which may involve substantial expense and distraction from other aspects of our business. We may, however, be unsuccessful in establishing an adequate mechanism for data transfer, and will be at risk of enforcement actions taken by a European Union data protection authority until such point in time that we ensure an adequate mechanism for European data transfers, which could damage our reputation, inhibit sales and harm our business. Despite actions we have taken or will be taking to diversify our data transfer strategies, we may be unsuccessful in establishing a conforming means of transferring data due to ongoing legislative activity that could vary the current data transfer landscape. As we expand into new markets and grow our customer base, we will need to comply with any new requirements. If we cannot comply with, or if we incur a violation of one or more of these requirements, some customers may be limited in their ability to purchase our products, particularly our cloud products. Growth could be harmed, and we could incur significant liabilities.

In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards that either legally or contractually apply to us. Further, our customers may require us to comply with more stringent privacy and data security contractual requirements or obtain certifications that we do not currently have, and any failure to obtain these certifications could reduce the demand for our products and our business may be harmed. If we were required to obtain additional industry certifications, we may incur significant additional expenses and have to divert resources, which could slow the release of new products, all of which could harm our ability to effectively compete.

The interpretation and application of many privacy and data protection laws are, and will likely remain, uncertain, and it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our existing data management practices or product features. If so, in addition to the possibility of fines, lawsuits and other claims and penalties, we could be required to fundamentally change our business activities and practices or modify our products, which could harm our business. Any inability to adequately address privacy and data security concerns or comply with applicable privacy or data security laws, regulations and policies could result in additional cost and liability to us, damage our reputation, inhibit sales, and harm our business.

Our global operations subject us to risks that can harm our business, results of operations, and financial condition.

A key element of our strategy is to operate globally and sell our products to customers around the world. Operating globally requires significant resources and management attention and subjects us to regulatory, economic, geographic, and political risks. In particular, our global operations subject us to a variety of additional risks and challenges, including:

- Increased management, travel, infrastructure, and legal compliance costs associated with having operations in many countries;

- Difficulties in enforcing contracts, including so-called “clickwrap” contracts that are entered into online, on which we have historically relied as part of our product licensing strategy, but which may be subject to additional legal uncertainty in some foreign jurisdictions;
- Increased financial accounting and reporting burdens and complexities;
- Requirements or preferences within other regions for domestic products, and difficulties in replacing products offered by more established or known regional competitors;
- Differing technical standards, existing or future regulatory and certification requirements, and required features and functionality;
- Communication and integration problems related to entering and serving new markets with different languages, cultures, and political systems;
- Compliance with foreign privacy and security laws and regulations and the risks and costs of non-compliance;
- Compliance with laws and regulations for foreign operations, including anti-bribery laws (such as the U.S. Foreign Corrupt Practices Act, the U.S. Travel Act, and the U.K. Bribery Act), import and export control laws, tariffs, trade barriers, economic sanctions, and other regulatory or contractual limitations on our ability to sell our products in certain foreign markets, and the risks and costs of non-compliance;
- Heightened risks of unfair or corrupt business practices in certain geographies that may impact our financial results and result in restatements of our consolidated financial statements;
- Fluctuations in currency exchange rates and related effects on our results of operations;
- Difficulties in repatriating or transferring funds from, or converting currencies in certain countries;
- Weak economic conditions which could arise in each country or region in which we operate or sell our products, or general political and economic instability around the world;
- Differing labor standards, including restrictions related to, and the increased cost of, terminating employees in some countries;
- Difficulties in recruiting and hiring employees in certain countries;
- The preference for localized software and licensing programs and localized language support;
- Reduced protection for intellectual property rights in some countries and practical difficulties associated with enforcing our legal rights abroad; and
- Compliance with the laws of numerous foreign taxing jurisdictions, including withholding obligations, and overlapping of different tax regimes.

Compliance with laws and regulations applicable to our global operations substantially increases our cost of doing business in foreign jurisdictions. We may be unable to keep current with changes in government requirements as they change from time to time. Failure to comply with these laws and regulations could harm our business. In many countries, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or other regulations applicable to us. Although we have implemented policies and procedures designed to ensure compliance with these regulations and policies, there can be no assurance that all of our employees, contractors, business partners and agents will comply with these regulations and policies. Violations of laws, regulations or key control policies by our employees, contractors, business partners, or agents could result in delays in revenue recognition, financial reporting misstatements, enforcement actions, reputational harm, disgorgement of profits, fines, civil and criminal penalties, damages, injunctions, other collateral consequences, or the prohibition of the importation or exportation of our products and could harm our business, results of operations, and financial condition.

We depend on our executive officers and other key employees and the loss of one or more of these employees or the inability to attract and retain highly skilled employees could harm our business.

Our success depends largely upon the continued services of our executive officers and key employees. We rely on our leadership team and other key employees in the areas of research and development, products, strategy, operations, security, marketing, IT, support, and general and administrative functions. From time to time, there may be changes in our executive management team resulting from the hiring or departure of executives, which could disrupt our business. In addition, we do not have employment agreements with our executive officers or other key personnel that require them to continue to work for us for any specified period and, therefore, they could terminate their employment with us at any time. The loss of one or more of our executive officers, especially our Co-CEOs, or other key employees could harm our business.

In addition, in order to execute our growth plan, we must attract and retain highly qualified personnel. Competition for these personnel in Sydney, Australia, the San Francisco Bay Area, and in other locations where we maintain offices, is intense, especially for engineers experienced in designing and developing software and cloud-based services. We have from time to time experienced, and we expect to continue to experience, difficulty hiring and retaining employees with appropriate qualifications. In particular, recruiting and hiring senior product engineering personnel has been, and we expect to continue to be, challenging. If we are unable to hire talented product engineering personnel, we may be unable to scale our operations or release new products in a timely fashion and, as a result, customer satisfaction with our products may decline.

Many of the companies with which we compete for experienced personnel have greater resources than we have. If we hire employees from competitors or other companies, these employers may attempt to assert that the employees or we have breached certain legal obligations, resulting in a diversion of our time and resources. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. If the value or perceived value of our equity awards declines, it may harm our ability to recruit and retain highly skilled employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business, results of operations and financial condition could be harmed.

Our corporate values have contributed to our success, and if we cannot maintain these values as we grow, we could lose the innovative approach, creativity, and teamwork fostered by our values, and our business could be harmed.

We believe that a critical contributor to our success has been our corporate values, which we believe foster innovation, teamwork, and an emphasis on customer-focused results. In addition, we believe that our values create an environment that drives and perpetuates our product strategy and low-cost distribution approach. As we grow and continue to develop the infrastructure of a public company, we may find it difficult to maintain our corporate values. Any failure to preserve our values could harm our future success, including our ability to retain and recruit personnel, innovate and operate effectively, and execute on our business strategy.

We face exposure to foreign currency exchange rate fluctuations.

While we primarily sell our products in U.S. dollars, we incur expenses in currencies other than the U.S. dollar, which exposes us to foreign currency exchange rate fluctuations. A large percentage of our expenses are denominated in the Australian dollar, and fluctuations could have a material negative impact on our results of operations. Moreover, our subsidiaries, other than our U.S. subsidiaries, maintain net assets that are denominated in currencies other than the U.S. dollar. In addition, we recently began to transact in non-U.S. dollar currencies for our products, and, accordingly, changes in the value of non-U.S. dollar currencies relative to the U.S. dollar could affect our revenue and results of operations due to transactional and translational remeasurements that are reflected in our results of operations.

We have a foreign exchange hedging program to hedge a portion of certain exposures to fluctuations in non-U.S. dollar currency exchange rates. We use derivative instruments, such as foreign currency forward contracts, to hedge the exposures. The use of such hedging instruments may not fully offset the adverse financial effects of unfavorable movements in foreign currency exchange rates over the limited time the hedges are in place. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments or if we are unable to forecast hedged exposures accurately.

We are subject to government regulation, including import, export, economic sanctions, and anti-corruption laws and regulations, that may expose us to liability and increase our costs.

Various of our products are subject to U.S. export controls, including the U.S. Department of Commerce's Export Administration Regulations and economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls. These regulations may limit the export of our products and provision of our services outside of the United States, or may require export authorizations, including by license, a license exception, or other appropriate government authorizations, including annual or semi-annual reporting and the filing of an encryption registration. Export control and economic sanctions laws may also include prohibitions on the sale or supply of certain of our products to embargoed or sanctioned countries, regions, governments, persons and entities. In addition, various countries regulate the importation of certain products through import permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our products. The exportation, reexportation, and importation of our products, and the provision of services, including by our solution partners and resellers, must comply with these laws or else we may be adversely affected through reputational harm, government investigations, penalties, and a denial or curtailment of our ability to export our products or provide services. Complying with export control and sanctions laws can be time consuming and complex and may result in the delay or loss of sales opportunities. Although we take precautions to prevent our products from being provided in violation of such laws, we are aware of previous exports of certain of our products to a small number of persons and organizations that are the subject of U.S. sanctions or located in countries or regions subject to U.S. sanctions. If we are found to be in violation of U.S. sanctions or export control laws, it could result in substantial fines and penalties for us and for the individuals working for us. Changes in export or import laws or corresponding sanctions may delay the introduction and sale of our products in international markets, or, in some cases, prevent the export or import of our products to certain countries, regions, governments, persons or entities altogether, which could adversely affect our business, financial condition and results of operations.

We are also subject to various domestic and international anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, as well as other similar anti-bribery and anti-kickback laws and regulations. These laws and regulations generally prohibit companies and their employees and intermediaries from authorizing, offering, or providing improper payments or benefits to officials and other recipients for improper purposes. We rely on certain third parties to support our sales and regulatory compliance efforts and can be held liable for their corrupt or other illegal activities, even if we do not explicitly authorize or have actual knowledge of such activities. Although we take precautions to prevent violations of these laws, our exposure for violating these laws increases as our international presence expands and as we increase sales and operations in foreign jurisdictions.

We recognize certain revenue streams over the term of our subscription and maintenance contracts. Consequently, downturns in new sales may not be immediately reflected in our results of operations and may be difficult to discern.

We generally recognize subscription and maintenance revenue from customers ratably over the terms of their contracts. As a result, a significant portion of the revenue we report in each quarter is derived from the recognition of deferred revenue relating to subscription and maintenance plans entered into during previous quarters. Consequently, a decline in new or renewed licenses, subscriptions, and maintenance plans in any single quarter may only have a small impact on our revenue results for that quarter. However, such a decline will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our products, and potential changes in our pricing policies or rate of expansion or retention, may not be fully reflected in our results of operations until future periods. We may also be unable to reduce our cost structure in line with a significant deterioration in sales. In addition, a significant majority of our costs are expensed as incurred, while a significant portion of our revenue is recognized over the life of the agreement with our customer. As a result, increased growth in the number of our customers could continue to result in our recognition of more costs than revenue in the earlier periods of the terms of certain of our customer agreements. Our subscription and maintenance revenue also makes it more difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from certain new customers must be recognized over the applicable term.

If we fail to integrate our products with a variety of operating systems, software applications, platforms and hardware that are developed by others, our products may become less marketable, less competitive, or obsolete and our results of operations would be harmed.

Our products must integrate with a variety of network, hardware, and software platforms, and we need to continuously modify and enhance our products to adapt to changes in hardware, software, networking, browser and database technologies. In particular, we have developed our products to be able to easily integrate with third-party applications, including the applications of software providers that compete with us, through the interaction of application

programming interfaces, or APIs. In general, we rely on the fact that the providers of such software systems continue to allow us access to their APIs to enable these customer integrations. To date, we have not relied on long-term written contracts to govern our relationship with these providers. Instead, we are subject to the standard terms and conditions for application developers of such providers, which govern the distribution, operation and fees of such software systems, and which are subject to change by such providers from time to time. Our business may be harmed if any provider of such software systems:

- Discontinues or limits our access to its APIs;
- Modifies its terms of service or other policies, including fees charged to, or other restrictions on us or other application developers;
- Changes how customer information is accessed by us or our customers;
- Establishes more favorable relationships with one or more of our competitors; or
- Develops or otherwise favors its own competitive offerings over ours.

We believe a significant component of our value proposition to customers is the ability to optimize and configure our products with these third-party applications through our respective APIs. If we are not permitted or able to integrate with these and other third-party applications in the future, demand for our products could decline and our business and results of operations would be harmed.

In addition, an increasing number of organizations and individuals within organizations are utilizing mobile devices to access the Internet and corporate resources and to conduct business. We have designed and continue to design mobile applications to provide access to our products through these devices. If we cannot provide effective functionality through these mobile applications as required by organizations and individuals that widely use mobile devices, we may experience difficulty attracting and retaining customers. Failure of our products to operate effectively with future infrastructure platforms and technologies could also reduce the demand for our products, resulting in customer dissatisfaction and harm to our business. If we are unable to respond to changes in a cost-effective manner, our products may become less marketable, less competitive or obsolete and our results of operations may be harmed.

We may be sued by third parties for alleged infringement or misappropriation of their intellectual property rights.

There is considerable patent and other intellectual property development activity in our industry. Our future success depends in part on not infringing upon or misappropriating the intellectual property rights of others. From time to time, our competitors or other third parties have claimed or may claim that we are infringing upon or misappropriating their intellectual property rights, and we may be found to be infringing upon or misappropriating such rights. We may be unaware of the intellectual property rights of others that may cover some or all of our technology, or technology that we obtain from third parties. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty or license payments, prevent us from offering our products or using certain technologies, require us to implement expensive work-arounds, refund fees to customers or require that we comply with other unfavorable terms. In the case of infringement or misappropriation caused by technology that we obtain from third parties, any indemnification or other contractual protections we obtain from such third parties, if any, may be insufficient to cover the liabilities we incur as a result of such infringement or misappropriation. We may also be obligated to indemnify our customers or business partners in connection with any such claims or litigation and to obtain licenses, modify our products or refund fees, which could further exhaust our resources. Even if we were to prevail in the event of claims or litigation against us, any claim or litigation regarding our intellectual property could be costly and time-consuming and divert the attention of our management and other employees from our business operations and disrupt our business.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement and other losses.

Our agreements with customers and other third parties may include indemnification or other provisions under which we agree to indemnify or otherwise be liable to them for losses suffered or incurred as a result of claims of intellectual property infringement, damages caused by us to property or persons, or other liabilities relating to or arising from our products or other acts or omissions. The term of these contractual provisions often survives termination or expiration of the applicable agreement. Large indemnity payments or damage claims from contractual breach could harm our business, results of operations and financial condition. Although we generally contractually limit our liability with respect to such obligations, we may still incur substantial liability related to them. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other current and prospective customers, reduce demand for our products, damage our reputation and harm our business, results of operations and financial condition.

We use open source software in our products that may subject our products to general release or require us to re-engineer our products, which may harm our business.

We use open source software in our products and expect to continue to use open source software in the future. There are uncertainties regarding the proper interpretation of and compliance with open source software licenses. Consequently, there is a risk that the owners of the copyrights in such open source software may claim that the open source licenses governing their use impose certain conditions or restrictions on our ability to use the software that we did not anticipate. Such owners may seek to enforce the terms of the applicable open source license, including by demanding release of the source code for the open source software, derivative works of such software, or, in some cases, our proprietary source code that uses or was developed using such open source software. These claims could also result in litigation, require us to purchase a costly license or require us to devote additional research and development resources to change our products, any of which could result in additional cost and liability to us, reputational damage and harm to our business and results of operations. In addition, if the license terms for the open source software we utilize change, we may be forced to re-engineer our products or incur additional costs to comply with the changed license terms or to replace the affected open source software. Although we have implemented policies and tools to regulate the use and incorporation of open source software into our products, we cannot be certain that we have not incorporated open source software in our products in a manner that is inconsistent with such policies.

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

Our success and ability to compete depend in part upon our intellectual property. We primarily rely on a combination of patent, copyright, trade secret and trademark laws, trade secret protection and confidentiality or license agreements with our employees, customers, business partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate. We make business decisions about when to seek patent protection for a particular technology and when to rely upon trade secret protection, and the approach we select may ultimately prove to be inadequate. Even in cases where we seek patent protection, there is no assurance that the resulting patents will effectively protect every significant feature of our products. In addition, we believe that the protection of our trademark rights is an important factor in product recognition, protecting our brand and maintaining goodwill and if we do not adequately protect our rights in our trademarks from infringement, any goodwill that we have developed in those trademarks could be lost or impaired, which could harm our brand and our business. In any event, in order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights.

For example, in order to promote the transparency and adoption of our downloadable software, we provide our customers with the ability to request a copy of the source code of those products, which they may customize for their internal use under limited license terms, subject to confidentiality and use restrictions. If any of our customers misuses or distributes our source code in violation of our agreements with them, or anyone else obtains access to our source code, it could cost us significant time and resources to enforce our rights and remediate any resulting competitive harms.

Litigation brought to protect and enforce our intellectual property rights could be costly, time consuming and distracting to management. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights, which could result in the impairment or loss of portions of our intellectual property rights. Our failure to secure, protect and enforce our intellectual property rights could harm our brand and our business.

Our global operations and structure subject us to potentially adverse tax consequences.

We generally conduct our global operations through subsidiaries and report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. A change in our global operations or changes in tax laws or interpretations of such tax laws could result in higher effective tax rates, reduced cash flows and lower overall profitability. In particular, our intercompany relationships are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. The relevant revenue and taxing authorities may disagree with positions we have taken generally, or our determinations as to the value of assets sold or acquired or income and expenses attributable to specific jurisdictions. In addition, in the ordinary course of our business we are subject to tax audits from various taxing authorities. If such a disagreement were to occur, and our position was not sustained, or if a tax audit resulted in an adverse finding, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations.

Certain government agencies in jurisdictions where we do business have had an extended focus on issues related to the taxation of multinational companies. In addition, the Organization for Economic Cooperation and Development has completed the base erosion and profit shifting project which seeks to establish certain international standards for taxing the worldwide income of multinational companies. The measures have been endorsed by the leaders of the world's 20 largest economies. Also, in March 2018, the European Commission proposed a series of measures aimed at ensuring a fair and efficient taxation of digital businesses operating within the European Union. As a result of these developments and the increasing focus by government taxing authorities on multinational companies, the tax laws of certain countries in which we do business could change on a prospective or retroactive basis, and any such changes could increase our liabilities for taxes, interest and penalties, lead to higher effective tax rates, and therefore could harm our cash flows, results of operations and financial position.

U.S. federal income tax reform could adversely affect us.

On December 22, 2017, the United States passed legislation commonly known as the Tax Cuts and Jobs Act that significantly reforms the Internal Revenue Code of 1986, as amended (the "Code"). The Tax Cuts and Jobs Act, among other things, includes changes to U.S. federal tax rates, imposes significant additional limitations on the deductibility of interest and executive compensation, allows for the expensing of capital expenditures and puts into effect the migration from a worldwide system of taxation to a territorial system. We do not expect the Tax Cuts and Jobs Act to have a material impact to our projection of minimal cash taxes. However, the full impact of this tax reform on our business in future years is still uncertain and could adversely affect us.

Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, value-added or similar taxes, and we could be subject to liability with respect to past or future sales, which could harm our results of operations.

We do not collect sales and use, value-added and similar taxes in all jurisdictions in which we have sales, based on our understanding that such taxes are not applicable. Sales and use, value-added and similar tax laws and rates vary greatly by jurisdiction. Certain jurisdictions in which we do not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties, and interest, and we may be required to collect such taxes in the future. Such tax assessments, penalties and interest, or future requirements may harm our results of operations.

Changes in laws and regulations related to the Internet or changes in the Internet infrastructure itself may diminish the demand for our products, and could harm our business.

The future success of our business depends upon the continued use of the Internet as a primary medium for commerce, communication, and business applications. Federal, state, or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the Internet as a commercial medium. Changes in these laws or regulations could require us to modify our products in order to comply with these changes. In addition, government agencies or private organizations have imposed and may impose additional taxes, fees, or other charges for accessing the Internet or commerce conducted via the Internet. These laws or charges could limit the growth of Internet-related commerce or communications generally, or result in reductions in the demand for Internet-based products such as ours. In addition, the use of the Internet as a business tool could be harmed due to delays in the development or adoption of new standards and protocols to handle increased demands of Internet activity, security, reliability, cost, ease-of-use, accessibility, and quality of service. The performance of the Internet and its

acceptance as a business tool has been harmed by phishing attacks, cyber-attacks, viruses, worms, and similar malicious programs and the Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If the use of the Internet is adversely affected by these issues, demand for our products could decline and our business could be harmed.

We are exposed to credit risk and fluctuations in the market values of our investment portfolio.

Given the global nature of our business, we have diversified U.S. and non-U.S. investments. Credit ratings and pricing of our investments can be negatively affected by liquidity, credit deterioration, financial results, economic risk, political risk, sovereign risk or other factors. As a result, the value and liquidity of our investments may fluctuate substantially. Therefore, although we have not realized any significant losses on our investments, future fluctuations in their value could result in a significant realized loss.

Catastrophic events may disrupt our business.

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce and the global economy, and thus could harm our business. We have a large employee presence and operations in the San Francisco Bay Area, California. The west coast of the United States contains active earthquake zones. In the event of a major earthquake, hurricane or catastrophic event such as fire, power loss, telecommunications failure, cyber-attack, war or terrorist attack, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our application development, lengthy interruptions in our product availability, breaches of data security and loss of critical data, all of which could harm our business, results of operations and financial condition.

Additionally, we rely on our network and third-party infrastructure and applications, internal technology systems, and our websites for our development, marketing, operational support, hosted services and sales activities. If these systems were to fail or be negatively impacted as a result of a natural disaster or catastrophic event, our ability to conduct normal business operations and deliver products to our customers would be impaired.

As we grow our business, the need for business continuity planning and disaster recovery plans will grow in significance. If we are unable to develop adequate plans to ensure that our business functions continue to operate during and after a disaster or catastrophic event, and successfully execute on those plans, our business and reputation would be harmed.

If we are deemed to be an investment company under the Investment Company Act of 1940, as amended, our results of operations could be harmed.

We are not registered as an investment company under the Investment Company Act of 1940, as amended ("Investment Company Act") as we believe that we meet all the requirements for exemption provided under Rule 3a-8 under the Investment Company Act. If we were obligated to register as an investment company, we would have to comply with a variety of substantive requirements under the Investment Company Act that impose, among other things, limitations on capital structure, restrictions on specified investments, prohibitions on transactions with affiliates, and compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would increase our operating expenses and may harm our results of operations.

Adverse economic conditions could negatively impact our business.

Our results of operations may vary based on the impact of changes in our industry or the global economy on us or our customers. Our business depends on demand for business software applications generally and for collaboration software solutions in particular. In addition, the market adoption of our products and our revenue is dependent on the number of users of our products. To the extent that weak economic conditions reduce the number of personnel providing development or engineering services or that limit the available budgets within organizations for software products, demand for our products may be harmed. If economic conditions deteriorate, our customers and prospective customers may elect to decrease their information technology budgets, which would limit our ability to grow our business and harm our results of operations.

We may require additional capital to support our operations or the growth of our business and we cannot be certain that we will be able to secure this capital on favorable terms, or at all.

We may require additional capital to respond to business opportunities, challenges, acquisitions, the repayment of our Notes, a decline in the level of license, subscription or maintenance revenue for our products, or other unforeseen circumstances. We may not be able to timely secure debt or equity financing on favorable terms, or at all. Any debt financing obtained by us could involve restrictive covenants relating to financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we raise additional funds through further issuances of equity, convertible debt securities or other securities convertible into equity, our existing shareholders could suffer significant dilution in their percentage ownership of Atlassian, and any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our Class A ordinary shares. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited.

The dual class structure of our ordinary shares has the effect of concentrating voting control with certain shareholders, in particular, our Co-CEOs and their affiliates, which will limit our other shareholders ability to influence the outcome of important transactions, including a change in control.

Our Class B ordinary shares have ten votes per share and our Class A ordinary shares have one vote per share. As of June 30, 2019, shareholders who hold our Class B ordinary shares collectively hold approximately 91% of the voting power of our outstanding share capital and in particular, our Co-CEOs, Michael Cannon-Brookes and Scott Farquhar, collectively hold approximately 90% of the voting power of our outstanding share capital. The holders of our Class B ordinary shares will collectively continue to control a majority of the combined voting power of our share capital and therefore be able to control substantially all matters submitted to our shareholders for approval so long as our Class B ordinary shares represent at least 10% of all of our outstanding Class A ordinary shares and Class B ordinary shares in the aggregate. These holders of our Class B ordinary shares may also have interests that differ from holders of our Class A ordinary shares and may vote in a way which may be adverse to such interests. This concentrated control may have the effect of delaying, preventing or deterring a change in control of Atlassian, could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of Atlassian and might ultimately affect the market price of our Class A ordinary shares.

If Messrs. Cannon-Brookes and Farquhar retain a significant portion of their holdings of our Class B ordinary shares for an extended period of time, they will control a significant portion of the voting power of our share capital for the foreseeable future. As members of our Board, Messrs. Cannon-Brookes and Farquhar each owe statutory and fiduciary duties to Atlassian and must act in good faith and in a manner they consider would be most likely to promote the success of Atlassian for the benefit of shareholders as a whole. As shareholders, Messrs. Cannon-Brookes and Farquhar are entitled to vote their shares in their own interests, which may not always be in the interests of our shareholders generally.

Paying amounts due in cash in respect of our outstanding Notes on interest payment dates, at maturity and upon exchange thereof will require a significant amount of cash. We may not have sufficient cash flow from our business to pay when due, or raise the funds necessary to pay when due, amounts owed in respect of the Notes, which could adversely affect our business and results of operations.

The ability to make scheduled payments of interest on, and principal of, to satisfy exchanges for cash in respect of, and/or to refinance, our outstanding Notes depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. If we are unable to generate enough cash flow to make payments on the Notes when due, we may be required to adopt one or more alternatives, such as selling assets or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive. Our ability to refinance the Notes, which we may need to do in order to satisfy our obligations thereunder, will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on the Notes.

The holders of the Notes have the right to require us to repurchase their Notes upon the occurrence of a fundamental change (as defined in the indenture governing the Notes (the "Indenture")) at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any. Upon repurchase of the Notes, we will be required to make cash payments in respect of the Notes being repurchased. In addition, upon a holder's exchange of the Notes for cash in accordance with the terms of the Indenture, we would be required to make cash payments in respect of the Notes being exchanged in the manner set forth in the Indenture.

We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of, or exchange of, the Notes for cash. Our failure to repurchase the Notes or exchange the Notes for cash at a time when the repurchase or exchange is required by the Indenture governing the Notes would constitute a default under such Indenture.

In addition, our indebtedness on the Notes, combined with our other financial obligations and contractual commitments, could have other important consequences. For example, it could:

- Make us more vulnerable to adverse changes in government regulation and in the worldwide economic, industry and competitive environment;
- Limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- Place us at a disadvantage compared to our competitors who have less debt;
- Limit our ability to borrow additional amounts to fund acquisitions, for working capital and for other general corporate purposes; and
- Make an acquisition of the Company less attractive or more difficult.

Any of these factors could harm our business, results of operations and financial condition. In addition, if we incur additional indebtedness, the risks related to our business and our ability to repay our indebtedness on the Notes would increase.

The conditional exchange feature of the Notes, when triggered, may adversely affect our liquidity and operating results.

When the conditional exchange feature of the Notes is triggered, holders of Notes are entitled to exchange the Notes at any time during specified periods, at their option. The conditional exchange feature of the Notes was triggered as of June 30, 2019, and the Notes are currently exchangeable at the option of the holders, in whole or in part, between July 1, 2019 and September 30, 2019. If holders elect to exchange their Notes during such fiscal quarter, we would be required to settle our exchange obligation through the payment of cash, which could adversely affect our liquidity. In addition, even without holders electing to exchange their Notes during such fiscal quarter, we were required under applicable accounting rules to reclassify the outstanding principal of the Notes as a current rather than long-term liability as of June 30, 2019, resulting in a material reduction of our net working capital.

Whether the Notes will be exchangeable following such fiscal quarter will depend on the continued satisfaction of this condition or another exchange condition in the future. If holders elect to exchange their Notes during future periods following the satisfaction of an exchange condition, we would be required to settle our exchange obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to exchange their Notes during such future periods, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The accounting for the Notes may result in volatility to our reported financial results, which could adversely affect the price at which our Class A ordinary shares trade.

We will settle exchanges of the Notes entirely in cash. Accordingly, the exchange feature that is part of the Notes will be accounted for as a derivative pursuant to accounting standards relating to derivative instruments and hedging activities. In general, this will result in an initial valuation of the exchange feature, which will be bifurcated from the debt component of the Notes, resulting in an original issue discount. The original issue discount will be amortized and recognized as a component of interest expense over the term of the Notes, which will result in an effective interest rate reported in our consolidated statements of operations significantly in excess of the stated interest rate of the Notes. Although this accounting treatment will not affect the amount of cash interest paid to holders of the Notes or our cash flows, it will reduce our earnings and could adversely affect the price at which our Class A ordinary shares trade.

Additionally, for each financial statement period after issuance of the Notes, a derivative gain or loss will be reported in our consolidated statements of operations to the extent the valuation of the exchange feature changes from the previous period. The capped call transactions described below and elsewhere in this annual report and the consolidated financial statements will also be accounted for as derivative instruments. The valuation of the exchange feature of the Notes and capped call transactions utilizes significant observable and unobservable market inputs

including stock price, stock price volatility, and time to expiration of the Notes. The change of inputs at period end from the previous period may result in a material change of the valuation and the gain or loss resulting from the exchange feature of the Notes and capped call transactions may not completely offset each other. As such, there may be a material net impact to our consolidated statements of operations, which could adversely affect the price at which our Class A ordinary shares trade.

The arbitrage or hedging strategy by purchasers of the Notes and Option Counterparties in connection with our capped call transactions may affect the value of our Class A ordinary shares.

We expect that many investors in, and potential purchasers of the Notes will employ, or seek to employ, an arbitrage strategy with respect to the Notes. Investors would typically implement such a strategy by selling short our Class A ordinary shares underlying the Notes and dynamically adjusting their short position while continuing to hold the Notes. Investors may also implement this type of strategy by entering into swaps on our Class A ordinary shares in lieu of or in addition to selling short our Class A ordinary shares. This activity could decrease (or reduce the size of any increase in) the market price of our Class A ordinary shares at that time.

In connection with the pricing of the Notes, we entered into privately negotiated capped call transactions with certain financial institutions (the "Option Counterparties"). The capped call transactions are expected generally to offset cash payments due upon exchange of the Notes in excess of the principal amount thereof in the event that the market value per Class A ordinary share of the Company is at the time of exchange of the Notes greater than the strike price under the capped call transactions, with such offset subject to a cap based on the cap price. We believe the Option Counterparties, in connection with establishing their initial hedges of the capped call transactions, purchased our Class A ordinary shares and/or entered into various derivative transactions with respect to our Class A ordinary shares concurrently with or shortly after the pricing of the Notes. The Option Counterparties may modify these initial hedge positions by entering into or unwinding various derivatives with respect to our Class A ordinary shares and/or purchasing or selling our Class A ordinary shares or other securities of ours in secondary market transactions prior to the maturity of the Notes. This activity could decrease, or reduce the size of any increase in the market price of our Class A ordinary shares at that time.

We are subject to counterparty risk with respect to the capped call transactions.

The Option Counterparties are financial institutions, and we are subject to the risk that they might default under the capped call transactions. Our exposure to the credit risk of the Option Counterparties is not secured by any collateral. If an Option Counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings, with a claim equal to our exposure at that time under the capped call transactions with that Option Counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in the market price and in the volatility of our Class A ordinary shares. In addition, upon a default by an Option Counterparty, we may suffer adverse tax consequences and may, on a net basis, have to pay more cash to settle exchanges of the Notes. We can provide no assurances as to the financial stability or viability of the Option Counterparties.

Other Matters

Directors, Senior Management, and Employees

Our employees are our greatest asset and we strive to foster a collaborative, productive and fun work environment. The quality and integrity of our employees is fundamental to our reputation, financial success, and long-term viability. That is the bedrock of our team culture and we are therefore highly focused on ensuring that our workplace environment, our employees' well-being, and their work-life balance are as good as we can make it.

As we mentioned in the Business Overview above, Atlassian has five core values that guide our business, our product development, and our brand. As our Company continues to evolve and grow, these five values remain constant. Atlassian's values reflect the qualities sought in every employee: fearless honesty; ethical decision-making; passionate commitment to excellence and to constantly improve their own work, Atlassian's products, Atlassian as a workplace, and the world at large.

We also maintain a Code of Business Conduct and Ethics to aid our Directors, officers and employees in making ethical and legal decisions when conducting Atlassian business and performing their day-to-day duties.

Confluence, which Atlassian uses as its intranet system, serves as the key hub of all information at Atlassian. On Confluence, our employees' work and comments are viewable to all of Atlassian by default, as are managers' real

time responses. By communicating over Confluence, our management team interacts with the organization and has globe-spanning conversations every day. Atlassian employees also have established meeting cadences, from daily stand ups with internal teams, to weekly one-on-one meetings held between employees and their immediate managers, to weekly global all-staff meetings, which help keep all employees informed about our strategies and execution on those strategies.

We conduct a multitude of employee surveys and other employee-focused initiatives throughout the year, including performance reviews. Every year our company-wide employee survey results are shared on Confluence, allowing employees to see both the good and the areas that need improvement. Every year we also analyze these results and compare them to prior years to gain insight into trends affecting us and our employees.

All employees are encouraged to regularly undertake short-term courses and to attend conferences, seminars, workshops, and in-house learning opportunities. We pay tuition fees for any study program up to a set amount per person annually and provide exam leave.

One of our unique rituals, "Shiplt," is a 24-hour event held every quarter where we encourage every employee to form teams and develop new products, practices, or other innovations. "Shiplts" have resulted in everything from new products like Jira Service Desk to office features like an iPad room-booking system.

We provide generous global benefits to our employees, including paid maternity and paternity leave; profit sharing; new hire, retention and annual equity programs; three-, five- and 10-year long service awards; flexible work schedules; a global secondment program; and healthful meals and snacks, among other benefits. Additionally, employees can thank one another for great work through our Kudos program, which allows employees to arrange small gifts to colleagues who go above-and-beyond in implementing our values.

As of June 30, 2019, 2018, 2017 and 2016 we had 3,616, 2,638, 2,193, and 1,760 employees, respectively.

The following table provides details of our full-time equivalent directors, senior managers and employees by gender as of June 30, 2019:

	Women	%	Men	%
Directors	2	22.2	7	77.8
Senior Management	57	30.0	135	70.0
Total Employees	1,086	30.0	2,530	70.0

Corporate Social Responsibility and Environmental Matters

Atlassian Foundation

The Atlassian Foundation was established in 2008 with the vision of helping to make the world better. As a young company, we elected to contribute 1% of our annual profits, 1% of our employee time, 1% of Company equity, and all revenues associated with our starter licenses for on-premises products to the Atlassian Foundation. Together with the Atlassian Foundation International Limited, which was established in 2016, the Atlassian Foundation works on a range of different projects in conjunction with organizations including the Australian Government Department of Foreign Affairs and Trade, Massachusetts Institute of Technology, Room to Read, 40K Foundation, Raspberry Pi Foundation, and Ruangguru.

We donated \$3.6 million to the Atlassian Foundation in fiscal year 2019. Additionally, since the Atlassian Foundation's inception, we have provided, at no charge, certain resources to Atlassian Foundation employees such as office space and salaries.

Every full-time employee receives five days of paid leave per year to work with a nonprofit of their choice.

The Environment

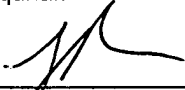
Atlassian recognizes the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. Our operations are office-based. As such, we believe we have a relatively low impact on the environment in comparison to many other global businesses. We utilize rented or serviced offices in all locations and consequently rely heavily on our landlords for environmentally-friendly facilities. For detailed information, please refer to the Greenhouse Gas (GHG) Emissions disclosure in the Directors' Report.

Human Rights

Atlassian is committed to acting ethically and with integrity in all of its business relationships and maintaining and improving systems and processes to avoid complicity in human rights violations related to our own operations, our supply chain, and our products. Copies of our Modern Slavery Act Transparency Statement, which sets out the steps we take to avoid human rights violations and our Code of Business Conduct and Ethics, are available on our website.

Approval

This Strategic Report was approved by the Board on 28 August, 2019 and signed on its behalf by Scott Farquhar.



Scott Farquhar

Company Director

Directors' Remuneration Report for the fiscal year ended June 30, 2019

This Directors' Remuneration Report (the "Remuneration Report") has been prepared in accordance with the provisions of the United Kingdom Companies Act 2006 and Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

Annual Statement by the Chair of the Compensation and Leadership Development Committee

Dear shareholder,

On behalf of the Compensation and Leadership Development Committee (the "Committee") of the Company, I am pleased to present the Remuneration Report for the fiscal year ended June 30, 2019. As addressed below, the Remuneration Report for the fiscal year ended June 30, 2019 sets out our Directors' Remuneration Policy for Employee and Non-Employee Directors (the "Remuneration Policy") as well as our Annual Report on Remuneration.

In accordance with U.K. law, the Company is required to seek shareholder approval for its Remuneration Policy at least every three years. The Remuneration Policy currently in effect (the "Current Remuneration Policy") was approved by the Company's shareholders at the Company's 2016 Annual General Meeting. The Board has approved a new Remuneration Policy (the "New Remuneration Policy"), which will become effective on December 4, 2019, the date on which the Company's shareholders are asked to approve it at the Company's 2019 Annual General Meeting. Under the Current Remuneration Policy, upon the first eligible grant date following initial election to the Board, each non-employee director was granted an initial, one-time grant of RSUs having an annualized Value (as defined below) of U.S. \$250,000 (the "Initial Grant"). Under the New Remuneration Policy, new non-employee directors will not receive an Initial Grant. Other than this change, the differences between the New Remuneration Policy and the Current Remuneration Policy are not significant. The New Remuneration Policy will be subject to a binding vote at the Company's 2019 Annual General Meeting.

The New Remuneration Policy needs to cover all the possible remuneration scenarios that the Company may face with its current and future directors until the next approval cycle, including what the Company's approach to remuneration would be in the event that any new directors, specifically any new employee directors, were to be appointed before the next approval cycle. Thus, the New Remuneration Policy addresses elements of remuneration that are not currently part of the current employee directors' remuneration packages. For example, our two employee directors, our Co-CEOs, do not have typical remuneration packages for the chief executive role given that they co-founded the Company and each hold a very significant equity ownership stake in the Company.

The Company's Annual Report on Remuneration sets forth the remuneration paid to directors in respect of the fiscal year ended June 30, 2019. The format of this Annual Report on Remuneration is specified in accordance with U.K. law. The Annual Report on Remuneration, together with this Annual Statement, will be subject to an advisory vote at the Company's 2019 Annual General Meeting.



Shona L. Brown

Chair of the Compensation and Leadership Development Committee

28 August, 2019

Directors' Remuneration Policy for Employee and Non-Employee Directors

The Current Remuneration Policy was approved by the Company's shareholders at the Company's 2016 Annual General Meeting. Under U.K. company law, the Company is required to put its Remuneration Policy to a vote of its shareholders at least every three years. The New Remuneration Policy will be subject to such a vote at the Company's 2019 Annual General Meeting. Should the New Remuneration Policy be approved by shareholders, the Committee may make minor changes to the New Remuneration Policy that do not have a material advantage to directors without seeking shareholder approval.

Measures taken by the Company to prevent conflicts of interest in determining the compensation arrangements for its directors include, but are not limited to: the composition of the Committee, which is comprised exclusively of independent non-employee directors; the Committee's consultation with independent compensation consultants and relevant Company personnel to develop recommendations for the Board regarding director compensation; the use of peer benchmarking to inform such recommendations; and other measures set forth in the Committee's charter, available at: https://s2.q4cdn.com/141359120/files/doc_downloads/Gov_Documents/2017/CLDC/Atlassian-CLDC-Charter.pdf.

Employee Directors

The Company's approach to the Remuneration Policy for employee directors

The Company currently has two employee directors serving as Co-CEOs, Michael Cannon-Brookes and Scott Farquhar. Each is a founder and significant shareholder in the Company (each owning over 25% of our outstanding shares) and this is reflected in their non-market remuneration structure. For example, as of July 1, 2019, each Co-CEO is being paid only the statutory minimum wage in Australia. Additionally, the Co-CEOs have waived their entitlement to participate in any annual bonus arrangement and neither currently participates in any of Atlassian's long-term incentive arrangements. Consequently, the remuneration packages of our Co-CEOs are not indicative of the remuneration package that the Company would be expected to provide in the event that any new employee director were to be appointed during the duration of the New Remuneration Policy. This section of the New Remuneration Policy therefore distinguishes between those elements of remuneration that our Co-CEOs currently receive, and what the Company's approach would be to offering the various elements of remuneration to newly appointed employee directors.

Employee directors' Remuneration Policy table

The following table sets out the New Remuneration Policy in respect of the components of remuneration that our Co-CEOs are eligible to receive. Any newly appointed employee director would also be eligible to receive these components of remuneration. Employee directors will only receive remuneration for their service as Atlassian employees and not for their service as members of the Board; hence, they do not receive the remuneration components set out in the Non-Employee Directors' Remuneration Policy Table below.

Element	Purpose and link to strategy	Operation
Salary	To provide the base level of remuneration for the role in order to attract, retain and reward high caliber employee directors.	<p>Salaries for employee directors are set by the Committee, taking into account such factors as it determines to be necessary to recruit the caliber of employee directors needed to operate a company of our size and complexity.</p> <p>While the New Remuneration Policy permits employee directors to receive a salary commensurate with the purpose of attracting and retaining high caliber employee directors, as of July 1, 2019, the Co-CEOs have elected to receive a non-market salary set at the statutory minimum wage in Australia. The complete terms of any new employee director's salary would be determined by the Committee at the applicable time taking into consideration the factors above.</p> <p>Salaries for employee directors are normally reviewed annually, but not necessarily increased annually. The levels of any salary increases would generally be expected to take into account remuneration levels at benchmarked companies, although the Committee may award bigger increases if it determines that the circumstances warrant such increases. This limit is not included as a target or an indication of the salary increases that the Committee may expect or be prepared to award.</p>
Retirement Benefits	To provide a market competitive level of retirement benefits.	<p>Any retirement provision required by law (or similar) in the jurisdiction in which the employee director is resident would be provided (this includes, without limitation, mandatory superannuation requirements in Australia, where our current Co-CEOs reside).</p> <p>In addition, while the New Remuneration Policy allows for retirement-related benefits in excess of mandatory benefits to employee directors, including provisions of additional benefit contributions or a cash payment in lieu of such contributions up to an annual maximum of 30% of base salary, as of July 1, 2019, the Company does not currently do so for our Co-CEOs.</p>

The following table summarizes the New Remuneration Policy with respect to other components of remuneration, which we would expect to offer to any newly appointed employee directors. Newly appointed employee directors will only receive such remuneration for their service as employees to the Company and not for their service as members of the Board; hence, they will not receive the remuneration components set out in the Non-Employee Directors' Remuneration Policy Table below. In addition, the current employee directors are eligible to receive the following components of remuneration, although they do not do so currently and there is no intention that they will do so in the fiscal year ending June 30, 2020.

Element	Purpose and link to strategy	Operation and assessment of performance
Benefits	To provide a market competitive level of benefits.	<p>Benefits to be provided to employee directors would be determined by the Committee taking into account such factors as it determines to be necessary, with the aim of creating a competitive overall remuneration package. The provision of benefits would not be expected to be performance-related.</p> <p>Benefits may include, but are not limited to, the provision of private medical, health and/or life insurance, tax gross-ups and/or other perquisites.</p> <p>Benefits may also be provided to reflect the jurisdiction in which an employee director is recruited or to which an employee director is relocated for business reasons, including relocation costs, tax equalization arrangements and/or arrangements to take into account exchange rates.</p>
Long-term incentive plans	<p>To enable a closer alignment of employee directors' interests with those of the Company and its shareholders, thereby stimulating their efforts on the Company's behalf.</p> <p>To incentivize key employee directors to achieve key long-term objectives.</p> <p>To retain employee directors.</p>	<p>Employee directors are eligible to participate in the Company's 2015 Share Incentive Plan (the "Equity Plan"), which was approved by shareholders in November 2015. Annual participation in the Equity Plan is subject to the individual limits on participation determined under the terms of the Equity Plan. Participation in the Equity Plan would be in such form permitted under its rules as is determined by the Committee.</p> <p>In the event that the Company adopts new equity incentive plans, employee directors would be eligible to participate in such plans, subject to the terms of, and the maximum levels of participation provided in, such plans.</p> <p>In respect of any performance-related equity awards granted to employee directors, performance measures, vesting provisions, weightings and targets would be set by the Committee. Following the grant of an award, the Committee would have the authority to amend performance measures and targets if events happen that cause such measures and targets to no longer qualify as fair tests of performance.</p> <p>As the Company does not have any employee directors who participate in equity incentive plans (as of the effective date of the New Remuneration Policy), the complete terms of an employee director's participation in such arrangements, including any deferral, vesting, and holding periods, would be determined by the Committee at the applicable time.</p>
Broad-based equity purchase plans	To enable participation in the same equity arrangements as may be offered to a broad employee population.	Employee directors may also participate in any stock purchase plan adopted by the Company from time to time, up to the relevant limits for participation as applies to such arrangements.

Element	Purpose and link to strategy	Operation and assessment of performance
Annual bonus	<p>To provide an incentive for superior performance and to motivate employee directors toward even higher achievement and business results, to tie their goals and interests to those of the Company and its shareholders, and to enable the Company to attract and retain highly qualified employee directors.</p> <p>The performance metrics would be set to align to the Company's objectives for the relevant year, and may include individual performance measures.</p>	<p>Annual bonuses would be determined by reference to performance, in the normal course measured over one fiscal year. The performance measures, weightings and targets for the annual bonus would be set by the Committee on an annual basis. Performance measures may include tests of both business and individual performance.</p> <p>The maximum annual bonus that may be awarded would be 200% of salary.</p> <p>As the Company currently does not have any employee directors who participate in annual bonus arrangements (as of the effective date of the New Remuneration Policy), the complete terms of an employee director's participation in such arrangements would be determined by the Committee at the applicable time.</p> <p>In respect of an employee director's participation in annual bonus arrangements in any year, the Committee would have the authority to amend performance measures and targets if events happen that cause such measures and targets to no longer qualify as fair tests of performance.</p> <p>The Company expects that annual bonuses would be delivered in cash (but the Company may also elect to deliver part of the value of any annual bonus in the form of an equity award).</p>

In addition to the components of remuneration above, the Company would continue to deliver on any contractual entitlement to remuneration or benefits, and any cash or equity incentive awards, which are held by: (i) any current employee director on the effective date of the New Remuneration Policy; or (ii) an employee or officer of the Group on the date they are promoted to the role of employee director. Appropriate disclosure would be made of any remuneration paid (or similar) to an employee director pursuant to any such arrangements.

The Company would reimburse all reasonable expenses incurred by employee directors in connection with their service on the Board. This would include expenses incurred for attending Board or committee meetings, or the Company may alternatively provide a travel allowance for such purpose. The Company may reimburse reasonable expenses for items which, for tax purposes, would be treated as a taxable benefit, and in which case the Company may also pay any such tax on behalf of the employee director or provide a tax gross-up. In addition, the Company would provide liability-related insurance and indemnification benefits to employee directors.

A statement of the consideration of Atlassian's approach to remuneration for employees other than directors is included in the "statement of consideration of employment conditions elsewhere in the Company" below.

External non-executive appointments

Employee directors are able to accept non-executive appointments outside of the Group (as long as this does not lead to a conflict of interest) with the consent of the Board, as such appointments can enhance their Board experience and add value to the Company. Any fees received from such appointments may be retained by the employee director.

Service contracts

Service contracts of the Co-CEOs

The Company has not entered into a director or employment agreement with either of the Co-CEOs.

External recruitments

Under the New Remuneration Policy, any new agreement with a newly appointed employee director would comply with the following principles:

Notice period	The Company may, but shall not be obliged to, include a notice period, to reflect local employment law or practices. To the extent that a service contract includes a notice period, an employee director may be placed on garden leave during the notice period and the Company may have the discretion to terminate the employee director's employment immediately by making a payment in lieu of notice.
Salary	The service contract would include a salary, subject to the provisions and limits set out in the New Remuneration Policy. The salary may continue during any notice period.
Annual bonus	The service contract may include eligibility for an annual bonus, subject to the provisions and limits set out in the New Remuneration Policy. Eligibility for bonus payouts may continue during any notice period.
Retirement benefits	The service contract may include entitlement to retirement benefits, subject to the provisions and limits set out in the New Remuneration Policy. The entitlement to retirement benefits may continue during any notice period.
Benefits	The service contract may include entitlement to other benefits, subject to the provisions and limits set out in the New Remuneration Policy. The entitlement to other benefits may continue during any notice period.
Long-term incentive plans	The employee director would be eligible to participate (in the Committee's discretion) in the Company's long-term incentive arrangements (whether cash or equity-based). Participation in such arrangements would be subject to the provisions and limits set out in the New Remuneration Policy. Eligibility to participate in long-term incentive arrangements may continue during any notice period.
Broad-based equity purchase plans	The employee director would be eligible to participate in the Company's broad-based equity purchase plans. Participation in such arrangements would be subject to the provisions and limits set out in such plans and applicable governing law. The eligibility to participate in broad-based equity purchase plans may continue during any notice period.

New service contracts would also take into account any local law requirements.

In recruiting an employee director, including the promotion of an employee or officer from within the Group to the role of employee director, the Committee would offer the candidate a remuneration package that it believes is appropriate, taking into account the skills and experience of the individual and the need to recruit, retain and motivate individuals of the appropriate caliber.

The remuneration package offered may include the components of remuneration described above in the Employee Directors' Remuneration Policy Table.

For external hires, the Committee may determine that it would be appropriate to provide equity grants or cash bonuses to make whole any individuals who would be required to forfeit equity or cash awards from their existing employer to become an employee director of the Company. The Committee may also determine that it would be appropriate to grant recruitment-related awards (cash or equity-related). In the case of any award granted, the award may be subject to vesting and/or performance conditions as the Committee determines to be appropriate, either under a one-time arrangement or under the terms of the Company's incentive arrangements. In determining the terms of such awards, the Committee may take into account the vesting schedule and conditions attached to the forfeited awards, if any, as well as other factors that it determines to be relevant, including the need to suitably incentivize and retain the individual during their initial years in office.

Loss of office payments

Contractual entitlements

A departing employee director's rights to remuneration upon a termination of employment would be determined in accordance with their service contract and, if applicable, the Executive Severance Plan as described in detail below.

Executive Severance Plan

The Company maintains an Executive Severance Plan, and any new employee director would be eligible to participate (at the Company's discretion) in such Executive Severance Plan. However, Messrs. Cannon-Brookes and Farquhar, our Co-CEOs, are not eligible to participate in the Executive Severance Plan. Employee directors who participate in the Executive Severance Plan would be entitled to receive such payments thereunder as are determined in accordance with the terms of such Executive Severance Plan. In summary, the Executive Severance Plan provides for a severance payment equal to six months of base salary upon a termination by Atlassian without "Cause" (as defined in the Executive Severance Plan) or a resignation by the participant for "Good Reason" (as defined in the Executive Severance Plan). In addition, upon such qualifying termination within 12 months following a "Change in Control" (as defined in the Executive Severance Plan) in which outstanding equity awards of the Company will be assumed, continued or substituted by the successor entity, a participant would generally receive accelerated vesting of 100% (or such lower percentage as may be determined by the Board or Committee) of all unvested and outstanding equity awards held by them at such time (provided, that any equity awards subject to performance conditions will be deemed satisfied at the target levels specified in the applicable equity award agreements). Notwithstanding the foregoing, if the outstanding equity awards of the Company will not be assumed, continued or substituted by the successor entity in connection with the Change in Control, then each participant would receive 100% accelerated vesting of all unvested and outstanding equity awards held by them at such time (provided that any equity awards subject to performance conditions will be deemed satisfied at the target levels specified in the applicable equity award agreements).

Annual bonus, long-term incentive plans, and broad-based equity purchase plans

The terms of a departing employee director's participation in any annual bonus or long-term incentive plans would be governed by the terms of such arrangements. As the Company does not (as of the effective date of the New Remuneration Policy) have any employee directors who participate in any such arrangements, the Committee would determine such terms at the applicable time. Without limiting the contractual entitlements which such terms may convey, it is expected that such terms would include discretion for the Committee to permit payment of an annual bonus for any full or partial year of service provided by the departing employee director and/or under notice and/or with respect of which a payment in lieu of notice payment is made. In addition, the Committee would have the authority to accelerate the vesting of any equity awards.

With respect to any awards made to an employee director under any broad-based equity purchase plans, the same termination provisions would apply as those for employees generally.

Other

The Company may enter into new contractual arrangements with a departing employee director in connection with their separation of service from the Company, including, but not limited to, a release of claims, as well as confidentiality, restrictive covenants and/or consultancy arrangements, where the Committee determines it necessary or appropriate to do so. The Company may pay reasonable legal fees on behalf of an employee director in connection with their separation of service from the Company. The Company may agree to provide other ancillary or non-material benefits, payments or similar, or ongoing benefits (or a cash-equivalent) for a specified period, to a departing employee director.

Change in Control

The Executive Severance Plan referred to above includes provisions that may apply following a Change in Control. Separately, the treatment of incentive awards in the event of a Change in Control, or other corporate event affecting the Company, would be determined in accordance with the terms of such awards, and the effect of a Change in Control or such other corporate event may include accelerated vesting separate and apart from the accelerated vesting provisions in the Executive Severance Plan. The Company may agree to pay reasonable legal fees on behalf of an employee director with respect to the effect of a Change in Control or other corporate event on such employee director's personal position.

Share ownership requirement for employee directors

Given the very significant equity ownership stake our Co-CEOs hold in the Company, the Company does not currently require a target level of share ownership for employee directors. The Committee would consider this in the event that any new employee director were to be appointed.

Non-Employee Directors

Non-employee directors' Remuneration Policy table

Element	Purpose and link to strategy	Operation (including maximum levels)
Fees	To attract and retain high-caliber non-employee directors.	<p>Non-employee directors each receive an annual retainer for their service on the Board paid in equal quarterly installments, with supplementary retainers payable for additional Board and committee responsibilities. Retainers are for general availability and participation in meetings and conference calls of the Board.</p> <p>Annual retainer for Board membership \$55,000</p> <p>Additional retainer for the chair of the Board \$50,000</p> <p>Additional retainers for the committee chairs</p> <p>Audit Committee \$20,000</p> <p>Compensation and Leadership Development Committee \$15,000</p> <p>Nominating and Corporate Governance Committee \$10,000</p> <p>The fee levels are reviewed on a periodic basis, and may be increased by the Company after taking into account factors such as the time commitment of the role and market levels in peer companies of comparable size and complexity.</p> <p>Additional payments may also be made above these retainer levels if time commitments significantly exceed expectations.</p>
Equity awards	To attract and retain high-caliber non-employee directors.	<p>On the date of each annual general meeting ("AGM"), each non-employee director who continues as a non-employee director following the AGM is granted RSUs on the date of such AGM having a Value of \$250,000 (the "Annual Grant"). "Value" means the product of (i) the fair market value of one Class A ordinary share of the Company on the grant date, and (ii) the aggregate number of shares pursuant to such award.</p> <p>A new non-employee director who joins other than at an AGM (on the first eligible grant date following their appointment to the Board) is granted a pro-rata proportion of an Annual Grant based on the time between their appointment and the next AGM. The Annual Grant vests in full on the earlier of: (i) the one-year anniversary of the grant date; and (ii) the next AGM, subject to continued service as a director through the applicable vesting date, unless the Committee determines that circumstances warrant continuation of vesting.</p> <p>All such equity awards become fully vested in the event of a "Sale Event" (as defined in the Equity Plan) affecting the Company, in accordance with the terms of the Equity Plan.</p> <p>The RSUs are currently granted under the terms of the Equity Plan. The Committee may change or otherwise revise the terms of such awards (including in granting the awards in a form other than as RSUs).</p>

Other matters

In addition to the components of remuneration above, the Company will continue to deliver on any contractual entitlement to remuneration or benefits, and any cash or equity incentive awards, which are held by any current or former non-employee director on the effective date of the New Remuneration Policy. Appropriate disclosure will be made of any remuneration paid (or similar) to a non-employee director pursuant to any such arrangements.

The Company would reimburse all reasonable expenses incurred by non-employee directors in connection with their service on the Board. This would include expenses incurred for attending Board or committee meetings, or the Company may alternatively provide a travel allowance for such purpose. The Company may reimburse reasonable expenses for items which, for tax purposes, would be treated as a taxable benefit, in which case the Company may also pay any such tax on behalf of the non-employee director or provide a tax gross-up. In addition, the Company would provide liability-related insurance and indemnification benefits to employee directors.

Share ownership requirement for non-employee directors

Each non-employee director is required, within four years of their initial election to the Board, to own Class A ordinary shares having an aggregate value of at least \$250,000. Compliance with this requirement will be assessed on each July 1 based on the 90-day average closing price of the Company's Class A ordinary shares ending on the trading day immediately preceding such date. Only Class A ordinary shares owned in the following forms shall be considered in determining compliance with this requirement: shares held directly by, or in a grantor trust for the benefit of, the non-employee director or their immediately family members; shares owned by a partnership, limited liability company or other entity to the extent of the non-employee directors' interest therein (or the interest therein of their immediate family members) but only if the non-employee director has or shares power to vote or dispose of such shares; and shares underlying vested RSUs that have not yet been settled.

Non-employee directors are subject to this share ownership requirement for as long as they continue to serve on the Board. Failure to meet this requirement may result in cash retainers being paid in the form of Class A ordinary shares and/or in a restriction being imposed on the non-employee director's right to sell Class A ordinary shares, as determined by the Committee. The Committee, in its sole discretion, may evaluate whether exceptions to this requirement shall be made in the event of severe financial hardship, a requirement to comply with a court order to transfer shares or as a result of significant share price fluctuations. The requirement has been met for all non-employee directors.

Terms of appointment and terms on termination of office

Current director agreements for the non-employee directors

Details of the director agreements currently in place for the non-employee directors are as follows:

	Date of director agreement
Jay Parikh	July 30, 2013
Enrique Salem	July 30, 2013
Shona L. Brown	November 3, 2015
Heather Mirjahangir Fernandez	November 3, 2015
Steven Sordello	November 26, 2015
Sasan Goodarzi	April 24, 2018

None of the director agreements above have a fixed term, contain a notice period or termination provisions, or contain any provision for benefits upon a termination of service. In line with the Non-Employee Directors' Remuneration Policy Table above, the director agreements do provide for full vesting of equity awards in the event of a Sale Event.

The Company has not entered into a director agreement with Richard P. Wong.

Current non-employee directors' equity awards

For the fiscal year ended June 30, 2019, current non-employee directors received equity grants in accordance with the Current Remuneration Policy. Non-employee director equity grants after December 4, 2019 will be awarded in accordance with the New Remuneration Policy if such policy is approved by the Company's shareholders at the Company's 2019 Annual General Meeting.

New non-employee directors and approach to recruitment remuneration

Director agreements for any newly elected non-employee director would include an entitlement to fees and equity awards in line and on the same terms with those set forth in the Non-Employee Directors' Remuneration Policy Table

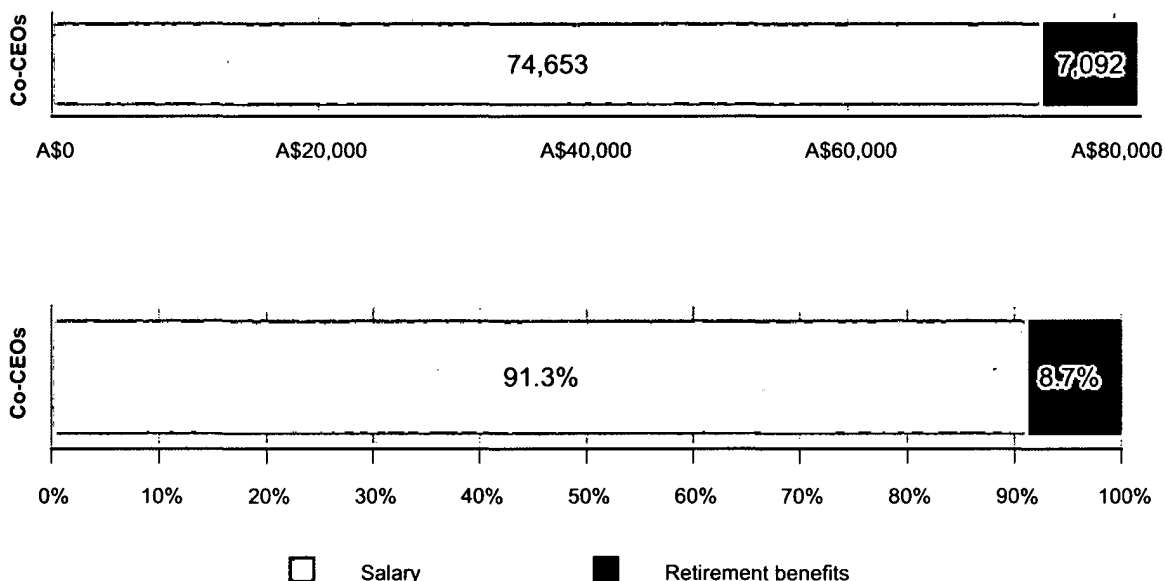
above. Any such agreement would not contain a notice period or termination provisions or any provision for benefits upon a termination of service. In line with the Non-Employee Directors' Remuneration Policy Table above, the director agreements would provide for full vesting of equity awards in the event of a Sale Event.

Development of the New Remuneration Policy

Illustration of the New Remuneration Policy for current employee directors

While the New Remuneration Policy permits employee directors to receive a salary commensurate with the purpose of attracting and retaining high caliber employee directors and to participate in annual bonus and long-term incentive arrangements, each employee director has elected to receive the statutory minimum wage in Australia and waived his entitlement to an annual bonus, each in respect of the fiscal year ending June 30, 2020. In addition, neither employee director will participate in any annual bonus arrangement, nor be granted any long-term incentive awards during the fiscal year ending June 30, 2020.

As illustrated below, the remuneration payable to the Co-CEOs in the first year in which the New Remuneration Policy applies, being the fiscal year ending June 30, 2020, will consist of a base salary of AUD \$74,653.28 and retirement benefits of a level required in accordance with Australian requirements (currently at 9.5% of base salary). In line with the Company's normal practices, salaries will be reviewed on an annual basis. As the Co-CEOs will not participate in any performance-related component of remuneration in the fiscal year ending June 30, 2020, this level of remuneration is not dependent on individual or Company performance.



Statement of consideration of employment conditions elsewhere in the Company

The Company consults with certain employees who have expertise in executive and director compensation as part of its usual process for determining director remuneration and in formulating the New Remuneration Policy. In addition, compensation across the senior management population was taken into account when setting pay levels for the employee directors. For the non-employee directors, the Committee was advised by Semler Brossy, independent compensation consultants, on developments and benchmarks in non-employee director remuneration which were used to set the remuneration for the non-employee directors. The New Remuneration Policy was designed to take into account the Company's need to recruit and retain high caliber non-employee directors and to reflect the position of the two current employee directors who are significant shareholders in the Company. While the provisions of the Remuneration Policy as they would apply to future employee directors would be generally in line with the remuneration arrangements for the Group's other senior management, the remuneration, including terms and levels of awards for any new employee director,

may differ from those of other senior management as the Company sets remuneration by reference to external benchmarking and local market practice in place at the relevant time of hire.

Statement of consideration of shareholder views

The Current Remuneration Policy was approved by the Company's shareholders on December 6, 2016 at the Company's 2016 Annual General Meeting. While the Committee is open to engagement with shareholders on remuneration issues, the Committee did not receive any views on director remuneration from non-director shareholders in preparing the New Remuneration Policy, which views would have been taken into account in formulating the New Remuneration Policy.

This New Remuneration Policy will be subject to a vote of the Company's shareholders at its 2019 Annual General Meeting.

Changes

Under the Current Remuneration Policy, upon the first eligible grant date following initial election to the Board, each non-employee director was granted an initial, one-time grant of RSUs having a Value of \$250,000. The Initial Grant would vest as to 25% on the one-year anniversary of the grant date and the remaining 75% would vest in equal quarterly installments over the next three years, subject to continued service as a director through the applicable vesting dates, unless the Committee were to determine that circumstances warrant continuation of vesting.

Under the New Remuneration Policy, new non-employee directors will not receive an Initial Grant. Other than this change, the differences between the New Remuneration Policy and the Current Remuneration Policy are not significant. Should the New Remuneration Policy be approved by shareholders, the Committee may make minor changes to the New Remuneration Policy that do not have a material advantage to directors without seeking shareholder approval.

Annual Report on Remuneration

Employee Directors

Single total figure of remuneration for each employee director (audited)

The amount earned by each of the employee directors for the fiscal years ended June 30, 2019 and 2018 are set out in the table below (in 000s):

	Salary		Benefits		Annual bonus		Long-term incentives		Retirement benefits		Total	
	2019 (1)	2018 (2)	2019	2018	2019	2018	2019	2018	2019 (1)	2018 (2)	2019 (1)	2018 (2)
Michael Cannon-Brookes	\$273	\$297	—	—	—	—	—	—	\$26	\$28	\$299	\$325
Scott Farquhar	\$273	\$297	—	—	—	—	—	—	\$26	\$28	\$299	\$325

(1) For the fiscal year ended June 30, 2019, the cash compensation for our employee directors was set, and paid, in Australian dollars. Currency received by our employee directors in Australian dollars has been converted into U.S. dollars using a monthly average exchange rate for fiscal year 2019 of AUD 1.40 to USD 1.00.

(2) For the fiscal year ended June 30, 2018, the cash compensation for our employee directors was set, and paid, in Australian dollars. Currency received by our employee directors in Australian dollars has been converted into U.S. dollars using a monthly average exchange rate for fiscal year 2018 of AUD 1.29 to USD 1.00.

Details of amounts included in the single total figure for the fiscal year ended June 30, 2019 and 2018 (audited)

Salaries

Salaries to employee directors support the short and long-term strategic objectives of the Company by providing a base level of remuneration for the role in order to attract, retain and reward high caliber employee directors.

Benefits

Other than salary and retirement benefits, no other benefits were provided to either employee director during the fiscal years ended June 30, 2019 and 2018.

Annual bonus

While the Current Remuneration Policy permits employee directors to participate in annual bonus arrangements, each employee director waived any annual bonus payment for the fiscal years ended June 30, 2019 and 2018.

Long-term incentives

While the Current Remuneration Policy permits employee directors to participate in long-term incentive arrangements, neither employee director held any such awards that vested during the fiscal years ended June 30, 2019 and 2018.

Retirement benefits

During the fiscal years ended June 30, 2019 and 2018, contributions were made to each employee director's retirement fund, as required by applicable jurisdictional law. No defined benefit or cash balance benefits were provided during the fiscal years ended June 30, 2019 and 2018. Retirement benefits to employee directors support the short and long-term strategic objectives of the Company by providing a market competitive level of benefits.

Scheme interests granted during the fiscal year (audited)

While the Current Remuneration Policy permits employee directors to participate in equity incentive arrangements, neither employee director was granted any such awards during the fiscal years ended June 30, 2019 and 2018.

Non-Employee Directors

Single total figure of remuneration for each non-employee director (audited)

The amount earned by each of the non-employee directors for the fiscal years ended June 30, 2019 and 2018 are set out in the table below (in 000s)

	Base fees		Other fees		Equity awards (4)		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Shona L. Brown (1)	\$100	\$72	-	-	\$225	\$225	\$325	\$297
Heather Mirjahangir Fernandez	\$50	\$50	-	-	\$225	\$225	\$275	\$275
Sasan Goodarzi	\$50	\$10	-	-	\$225	\$393	\$275	\$403
Jay Parikh	\$50	\$50	-	-	\$225	\$225	\$275	\$275
Enrique Salem	\$50	\$50	-	-	\$225	\$225	\$275	\$275
Steven Sordello (2)	\$70	\$70	-	-	\$225	\$225	\$295	\$295
Richard P. Wong (3)	\$60	\$60	-	-	\$225	\$225	\$285	\$285

(1) Dr. Brown is chair of the Board and chair of the Compensation and Leadership Development Committee.

(2) Mr. Sordello is chair of the Audit Committee.

(3) Mr. Wong is chair of the Nominating and Corporate Governance Committee.

(4) Details of the equity awards granted to non-employee directors during the fiscal year ended June 30, 2019 are set out below. As the equity awards are not subject to performance measures, the value of the equity awards is required to be included in full in the above table, notwithstanding that the equity awards are subject to outstanding service-based vesting conditions. If the equity awards lapse in future years by virtue of the service-based vesting conditions not being met, such lapse will be reflected in the single total figure table for the relevant fiscal year as a recovery of value from the relevant director.

Details of amounts included in the single total figure for the fiscal year ended June 30, 2019 (audited)

Equity awards

The following equity awards were granted to non-employee directors during the fiscal year ended June 30, 2019. The equity awards were granted as Annual Grants with grant date Values of \$225,000 (rounded up to the nearest share), in line with the Current Remuneration Policy.

	Date of grant	Type of award (1)	Form of award	Number of shares subject to award	Face value of award at award date (2)	Vesting schedule (3)
Shona L. Brown	12/4/18	Annual Grant	RSU	2,625	\$225,015	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Heather Mirjahangir Fernandez	12/4/18	Annual Grant	RSU	2,625	\$225,015	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Sasan Goodarzi	12/4/18	Annual Grant	RSU	2,625	\$225,015	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Jay Parikh	12/4/18	Annual Grant	RSU	2,625	\$225,015	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Enrique Salem	12/4/18	Annual Grant	RSU	2,625	\$225,015	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Steven Sordello	12/4/18	Annual Grant	RSU	2,625	\$225,015	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Richard P. Wong	12/4/18	Annual Grant	RSU	2,625	\$225,015	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM

(1) There were no Initial Grants awarded during the fiscal year ended June 30, 2019.

(2) The value of the awards were calculated based on an assumed price per share of \$85.72 as of the date of the grant, based on the closing sales price of our Class A ordinary shares as reported on NASDAQ.

(3) In accordance with the Current Remuneration Policy, the above equity grants are subject to a continued service condition but not to any individual or corporate performance conditions. In addition, all equity awards become fully vested in the event of a "Sale Event."

The following equity awards were granted to non-employee directors during the fiscal year ended June 30, 2018.

	Date of grant	Type of award	Form of award	Number of shares subject to award	Face value of award at award date (1)	Vesting schedule (2)
Shona L. Brown	12/5/17	Annual Grant	RSU	5,004	\$225,000	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next annual general meeting ("AGM")
Heather Mirjahangir Fernandez	12/5/17	Annual Grant	RSU	5,004	\$225,000	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Sasan Goodarzi	4/17/18	Initial Grant	RSU	4,029	\$250,000	25% vests on the one-year anniversary of the grant date and the remaining 75% vests in equal quarterly installments over the next three years
	4/17/18	Annual Grant	RSU	2,305	\$143,014	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Jay Parikh	12/5/17	Annual Grant	RSU	5,004	\$225,000	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Enrique Salem	12/5/17	Annual Grant	RSU	5,004	\$225,000	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Steven Sordello	12/5/17	Annual Grant	RSU	5,004	\$225,000	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Richard P. Wong	12/5/17	Annual Grant	RSU	5,004	\$225,000	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM

- (1) The value of the awards for each of Dr. Brown, Ms. Mirjahangir Fernandez and Messrs. Parikh, Salem, Sordello and Wong was calculated based on an assumed price per share of \$44.97 as of the date of the grant, and the value of the awards for Mr. Goodarzi was calculated based on an assumed price per share of \$62.06 as of the date of the grant, all based on the closing sales price of our Class A ordinary shares as reported on NASDAQ. The value of the Annual Grant for Mr. Goodarzi was \$225,000, pro-rated by a fraction, the numerator of which was equal to the number of days between the date of grant and our 2018 AGM and the denominator of which was equal to 365.
- (2) In accordance with the Remuneration Policy, the above equity grants are subject to a continued service condition but not to any personal or corporate performance conditions. In addition, all equity awards become fully vested in the event of a "Sale Event" (as defined in the 2015 Share Incentive Plan) affecting the Company.

Other Payments to Employee and Non-Employee Directors During the Fiscal Year Ended June 30, 2019

Payments to past directors (audited)

No payments were made to any former director during the fiscal year ended June 30, 2019.

Payments for loss of office (audited)

No payments were made in connection with a director's loss of office during the fiscal year ended June 30, 2019. No director agreements contain a notice period or termination provisions or contain any provisions for benefits upon termination of service.

Statement of Employee and Non-Employee Directors Shareholdings and Interests

The interests of the persons who served as a director during the year ended June 30, 2019, and their connected persons (if any), in the shares, options, and listed securities of the Company as of June 30, 2019, are set out below (audited).

	Interests in shares held at June 30, 2019, excluding outstanding scheme interests	Total shares subject to outstanding scheme interests at June 30, 2019	Total of all share interests and outstanding scheme interests, at June 30, 2019
Michael Cannon-Brookes	61,742,279 (1)	—	61,742,279
Scott Farquhar	61,742,279 (2)	—	61,742,279
Shona L. Brown	24,480	4,365	28,845
Heather Mirjahangir Fernandez	13,155	4,365	17,520
Sasan Goodarzi	3,312	5,647	8,959
Jay Parikh	15,000	2,625	17,625
Enrique Salem	125,807	2,625	128,432
Steven Sordello	38,494	4,365	42,859
Richard P. Wong	141,210	2,625	143,835

- (1) Consists of (i) 7,293,789 Class B ordinary shares held of record by Mr. Cannon-Brookes and (ii) 54,448,490 Class B ordinary shares held of record by Grokco Pty Ltd as trustee for the Grok Trust.
- (2) Consists of (i) 7,293,789 Class B ordinary shares held of record by Mr. Farquhar and (ii) 54,448,490 Class B ordinary shares held of record by Skip Enterprises Pty Limited as trustee for the Farquhar Family Trust.

As of July 1, 2019, based on a 90-day average closing stock price of \$105.25 ending June 30, 2019, each of the non-employee directors was in full compliance with the Company's share ownership requirements for non-employee directors of owning Class A ordinary shares with an aggregate value of at least \$250,000. Each of the co-CEOs holds shares representing in excess of 25% of the Company's outstanding shares; consequently, no formal share ownership requirements currently apply to employee directors.

Further details of the scheme interests held during the fiscal year ended June 30, 2019 are shown in the following table (audited):

	Description	Type	Vesting schedule (1)	At June 30, 2018	Changes during the year			At June 30, 2019
					Granted	Lapsed	Shares released on vesting	
Shona L. Brown	Initial Grant	RSU	(2)	5,218	-	-	3,478	1,740
	Annual Grant	RSU	(3)	5,004	-	-	5,004	-
	Annual Grant	RSU	(4)	-	2,625	-	-	2,625
Heather Mirjahangir Fernandez	Initial Grant	RSU	(2)	5,218	-	-	3,478	1,740
	Annual Grant	RSU	(3)	5,004	-	-	5,004	-
	Annual Grant	RSU	(4)	-	2,625	-	-	2,625
Sasan Goodarzi	Initial Grant	RSU	(5)	4,029	-	-	1,007	3,022
	Annual Grant	RSU	(6)	2,305	-	-	2,305	-
	Annual Grant	RSU	(4)	-	2,625	-	-	2,625
Jay Parikh	Annual Grant	RSU	(3)	5,004	-	-	5,004	-
	Annual Grant	RSU	(4)	-	2,625	-	-	2,625
Enrique Salem	Annual Grant	RSU	(3)	5,004	-	-	5,004	-
	Annual Grant	RSU	(4)	-	2,625	-	-	2,625
Steven Sordello	Initial Grant	RSU	(2)	5,218	-	-	3,478	1,740
	Annual Grant	RSU	(3)	5,004	-	-	5,004	-
	Annual Grant	RSU	(4)	-	2,625	-	-	2,625
Richard P. Wong	Annual Grant	RSU	(3)	5,004	-	-	5,004	-
	Annual Grant	RSU	(4)	-	2,625	-	-	2,625

- (1) The scheme interests are subject to a continued service condition but not to any personal or corporate performance conditions.
- (2) 25% of the RSUs vested on November 18, 2016. Thereafter, the remaining 75% of the RSUs vests in twelve (12) equal quarterly installments following November 18, 2016 (on February 18th, May 18th, August 18th and November 18th of each subsequent year).
- (3) The RSUs vest in full on the earlier of (i) the one-year anniversary of the grant date (grant date of 12/5/17) or (ii) the next AGM after grant.

- (4) The RSUs vest in full on the earlier of (i) the one-year anniversary of the grant date (grant date of 12/4/18) or (ii) the next AGM after grant.
- (5) 25% of the RSUs vest on April 17, 2019. Thereafter, the remaining 75% of the RSUs vests in twelve (12) equal quarterly installments following April 17, 2019 (on July 17th, October 17th, January 17th and April 17th of each subsequent year).
- (6) The RSUs vest in full on the earlier of (i) the one-year anniversary of the grant date (grant date of 4/7/18) or (ii) the next AGM after grant.

Comparison to Company Performance

Performance table and comparison to CEO pay

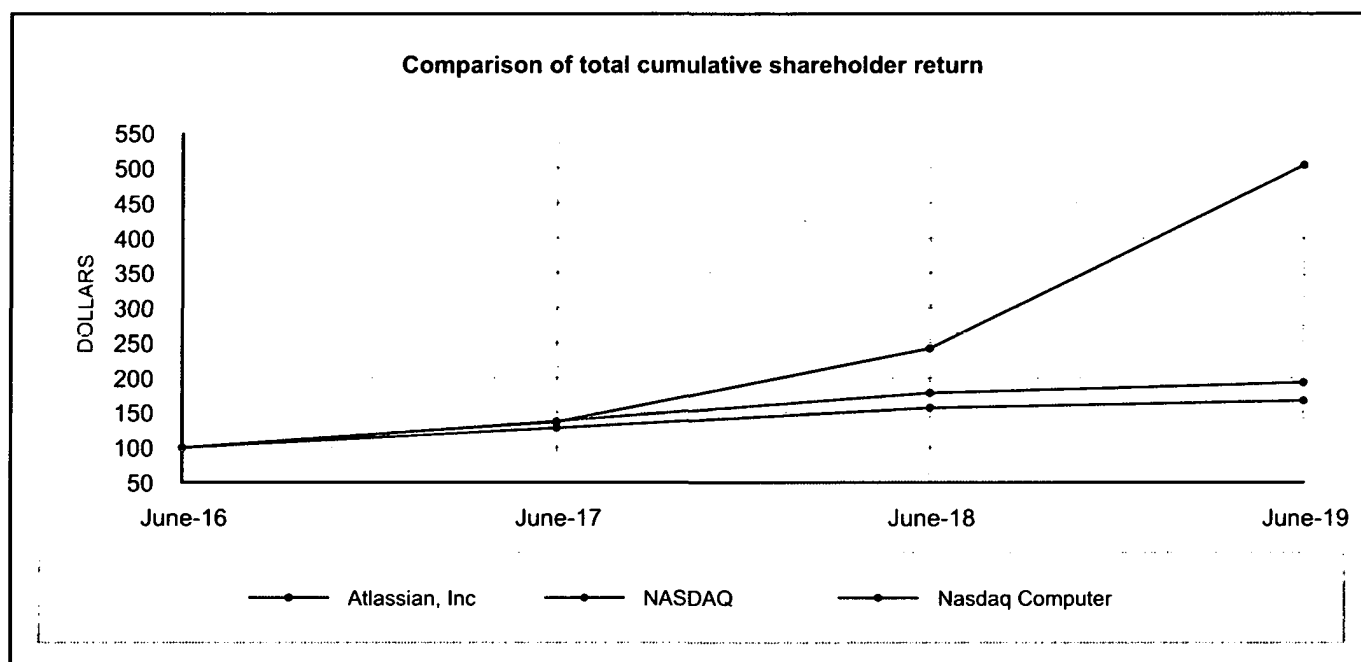
The following table shows details of the remuneration paid to the individuals in the role of CEO over the past five fiscal years of the Company:

		2019 (3)	2018 (4)	2017 (5)	2016 (6)	2015 (7)
CEO single figure of remuneration (U.S. \$, 000s)	Michael Cannon-Brookes	\$299	\$325	\$316	\$305	\$348
	Scott Farquhar	\$299	\$325	\$316	\$305	\$348
	Total	\$598	\$650	\$632	\$610	\$696
Annual bonus as a % of maximum opportunity (%) (1)	Michael Cannon-Brookes	N/A	N/A	N/A	N/A	N/A
	Scott Farquhar	N/A	N/A	N/A	N/A	N/A
Long-term incentive awards as a % of maximum opportunity (%) (2)	Michael Cannon-Brookes	N/A	N/A	N/A	N/A	N/A
	Scott Farquhar	N/A	N/A	N/A	N/A	N/A

- (1) Messrs. Cannon-Brookes and Farquhar did not receive any annual bonuses during these time periods.
- (2) Messrs. Cannon-Brookes and Farquhar did not receive any long-term incentive awards during these time period
- (3) For the fiscal year ended June 30, 2019, the cash compensation for our employee directors was set, and paid, in Australian dollars. Currency received by our employee directors in Australian dollars has been converted into U.S. dollars using a monthly average exchange rate for fiscal year 2019 of AUD 1.40 to USD 1.00.
- (4) For the fiscal year ended June 30, 2018, the cash compensation for our employee directors was set, and paid, in Australian dollars. Currency received by our employee directors in Australian dollars has been converted into U.S. dollars using a monthly average exchange rate for fiscal year 2018 of AUD 1.29 to USD 1.00.
- (5) For the fiscal year ended June 30, 2017, the cash compensation for our employee directors was set, and paid, in Australian dollars. Currency received by our employee directors in Australian dollars was converted into U.S. dollars using a monthly average exchange rate for fiscal year 2017 of AUD 1.33 to USD 1.00.
- (6) For the fiscal year ended June 30, 2016, the cash compensation for our employee directors was set, and paid, in Australian dollars. Currency received by our employee directors in Australian dollars was converted into U.S. dollars using a monthly average exchange rate for fiscal year 2016 of AUD 1.37 to USD 1.00.
- (7) For the fiscal year ended June 30, 2015, the cash compensation for our employee directors was set, and paid, in Australian dollars. Currency received by our employee directors in Australian dollars was converted into U.S. dollars using a monthly average exchange rate for fiscal 2015 of AUD 1.20 to USD 1.00.

Performance graph

The following graph charts the total cumulative shareholder return of the Company from June 30, 2016 to June 30, 2019 against the total shareholder return for the companies comprised in the NASDAQ, of which the Company is a constituent, and the NASDAQ Computer Index, assuming an initial investment of \$100.



Percentage change in remuneration

The table below shows the year over year change in the salary, benefits and annual bonus earned between the fiscal year ended June 30, 2019 and June 30, 2018 for the Co-CEOs as compared to the Group's employees generally.

	Salary	Benefits	Bonus
Co-CEOs	—%	N/A	N/A
Group employees	6.35%	11.21%	58.77%

Relative importance of spend on pay

The table below shows the total pay for all of the Group's employees compared to other key financial indicators.

	2019	2018	% change
Employee remuneration (000's) (1)	\$404,958	\$300,956	34.6%
Distributions to shareholders (000's)	\$—	\$—	N/A

(1) As of June 30, 2019 and 2018, we had 3,616 and 2,638 employees, respectively.

Statement of Implementation of Remuneration Policy for the Fiscal Year Ending June 30, 2020

Employee Directors

The current employee directors elected to receive the statutory minimum wage in Australia and retirement benefits of a level required in accordance with Australian requirements (currently at 9.5% of base salary). Additionally, the employee directors have waived their entitlement to an annual bonus in respect of the fiscal year ending June 30, 2020 and neither will be granted any long-term incentive awards during the fiscal year ending June 30, 2020.

If a new employee director were to be appointed following the effective date of the New Remuneration Policy, their remuneration would be determined in accordance with the New Remuneration Policy.

Non-Employee Directors

Non-employee director retainers and equity grants after the Company's 2019 Annual General Meeting will be paid and awarded in accordance with the New Remuneration Policy, if the New Remuneration Policy is approved by the Company's shareholders at such Annual General Meeting.

Consideration of Matters Relating to Directors' Remuneration

The members of the Committee during the fiscal year ended June 30, 2019, and their attendance at meetings of the Committee, is set out below:

Member	Attendance
Shona L. Brown (Chair)	6/6
Sasan Goodarzi	6/6
Jay Parikh	5/6

No non-employee directors decide their own remuneration. The remuneration of non-employee directors is determined in accordance with the Remuneration Policy in effect at the applicable time, which is approved by the Board and subject to shareholder approval.

The Committee is advised by Semler Brossy. Semler Brossy was appointed by the Board in May 2015. Semler Brossy provided advice to keep the Committee up to date on developments in employee, officer, and director remuneration. The total fees paid to Semler Brossy in respect of its service to the Committee during the fiscal year ended June 30, 2019 were \$275,862. The Committee considers the advice received from Semler Brossy to be independent, as Semler Brossy provides no other services to Atlassian.

Statement of Voting at Annual General Meeting

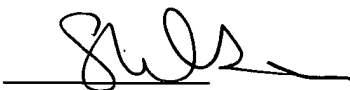
The votes cast by shareholders at the 2018 Annual General Meeting on the Annual Report on Remuneration are set forth below (shown to reflect ten votes for every Class B ordinary share and one vote for every Class A ordinary share). As of October 10, 2018, the voting record date, there were 110,862,872 Class A ordinary shares and 127,283,703 Class B ordinary shares outstanding, all of which were entitled to vote.

The Current Remuneration Policy was approved at the 2016 Annual General Meeting. As of October 17, 2016, the voting record date, there were 82,167,285 Class A ordinary shares and 138,011,962 Class B ordinary shares outstanding, all of which were entitled to vote.

The shareholder votes submitted at the meetings, either directly, by mail or by proxy, were as follows:

	Votes cast in favor		Votes cast against		Votes withheld	
	Number of shares	% of votes cast	Number of shares	% of votes cast	Number of shares	% of votes cast
To approve the Directors' Remuneration Report on December 4, 2018	1,340,674,236	99.26%	109,309	—%	9,880,962	0.74%
To approve the Remuneration Policy, as set forth in the Directors' Remuneration Report on October 17, 2016	1,388,610,759	96.91%	31,885,191	2.23%	12,388,143	0.86%

This Remuneration Report was approved by the Board on 28 August, 2019 and signed on its behalf by Shona L. Brown.



Shona L. Brown

Chair of the Compensation and Leadership Development Committee

28 August, 2019

Directors' Report

The Directors present the annual report on the affairs of the Group together with the financial statements for the fiscal year ended June 30, 2019.

Basis of Presentation

Group financial statements are prepared in accordance with IFRS, which includes all standards issued by the International Accounting Standards Board, as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS, and related interpretations issued by the IFRS Interpretations Committee. Parent financial statements are prepared in accordance with applicable law and U.K Accounting Standards.

Corporate Structure

The Company is a public company limited by shares, incorporated and registered in England & Wales.

The Group's principal offices are located at Level 6, 341 George St., Sydney, NSW, 2000 Australia for Atlassian Pty Ltd and at 350 Bush Street, Floor 13, San Francisco, California 94104, for Atlassian Inc.

The Company is a holding company and the Group conducts substantially all of its business through certain of its subsidiaries, including Atlassian Pty Ltd and Atlassian, Inc.

As of June 30, 2019, the Company had a total of 242,907,492 shares outstanding, consisting of 118,184,933 Class A ordinary shares (8.66% of voting power) and 124,722,559 Class B ordinary shares (91.34% of voting power), representing approximately 48.65% and 51.35% of the total issued share capital of the Company, respectively.

As of June 30, 2019, the Group's subsidiaries, all of which are wholly-owned, are as follows:

Name	Country of Incorporation	Percentage of Ownership
Atlassian (UK) Limited	United Kingdom, United States of America	100%
Atlassian (UK) Holdings Limited	United Kingdom, United States of America	100%
Atlassian (Australia) Limited	United Kingdom, United States of America	100%
Atlassian (Global) Limited (1)	United Kingdom	100%
Atlassian (UK) Operations Limited	United Kingdom	100%
Atlassian, Inc.	United States of America	100%
Atlassian Network Services, Inc.	United States of America	100%
Dogwood Labs, Inc.	United States of America	100%
Trello, Inc.	United States of America	100%
AgileCraft LLC	United States of America	100%
AgileCraft Australia Pty Ltd	Australia	100%
OpsGenie, Inc.	United States of America	100%
Opsgenie Yazılım Anonim Şirketi	Turkey	100%
iFountain, LLC	United States of America	100%
Atlassian Australia 1 Pty Ltd	Australia	100%
Atlassian Australia 2 Pty Ltd	Australia	100%
Atlassian Corporation Pty. Ltd.	Australia	100%
Atlassian Pty Ltd	Australia	100%
Good Software Co. Pty. Ltd.	Australia	100%
Atlassian Capital Pty. Ltd.	Australia	100%
MITT Australia Pty Ltd	Australia	100%
MITT Trust	Australia	100%
Atlassian K.K.	Japan	100%
Atlassian Germany GmbH	Germany	100%
Atlassian Holdings B.V.	Netherlands	100%
Atlassian Philippines, Inc.	Philippines	100%
Atlassian France SAS	France	100%
Atlassian B.V.	Netherlands	100%
Atlassian Canada Inc.	Canada	100%
Atlassian India LLP	India	100%

(1) Atlassian (Global) Limited is currently in liquidation.

Future Developments

The principal activities of the Group during the year were the designing, developing, licensing and maintaining of software and the provisioning of software hosting services to help teams organize, discuss and complete their work. The Group's products include Jira for team planning and project management, Confluence for team content creation and sharing, Trello for capturing and adding structure to fluid, fast-forming work for teams, Bitbucket for team code sharing and management, Jira Service Desk for team service and support applications, Opsgenie for incident management, and Jira Align for enterprise agile planning.

In October 2018, we acquired OpsGenie, a leader in incident alerting and on-call schedule management. The total purchase price was approximately \$259.5 million in cash consideration. The acquisition of OpsGenie complements our current product offerings and enables customers to plan for and respond to IT service disruptions.

Additionally, in April 2019 we acquired AgileCraft, a leading provider of enterprise agile planning software. The total purchase price was approximately \$154.0 million in cash and \$1.7 million in fair value of replacement shares attributable to service provided prior to acquisition. The acquisition of AgileCraft complements our current product

offerings and helps enterprise organizations build and manage a 'master plan' of their most strategic projects and workstreams. AgileCraft was rebranded as "Jira Align" after the acquisition.

The Group intends to continue operating in these areas for the foreseeable future.

Business Review

The Strategic Report includes the Directors' view on the development of the business, its position at the end of the fiscal year, and future developments, with reference to performance indicators used by the Directors to monitor the business. The key performance indicators discussed are:

- customers; and
- free cash flow.

Losses

Net loss for the fiscal years ended June 30, 2019 and 2018 was \$637.6 million and \$113.4 million, respectively.

Dividends

For the fiscal year ended June 30, 2019 and 2018, the Group did not declare any dividends.

The Directors currently anticipate that the Group will retain future earnings for the development, operation and expansion of its business, and do not anticipate declaring or paying any cash dividends for the foreseeable future.

Research and Development

We remain committed to research and development to maintain our position as a market leader in our industry. In fiscal years 2019 and 2018, our research and development expenses were 48% and 47% of our revenue, respectively.

Our investment in research and development is significant relative to other enterprise software companies. We invest significantly in research and development to enable our products to be both powerful and extremely easy to use. The goal is to focus our spending on measures that improve quality, ease adoption and expansion, and create organic customer demand for our products. We also invest in initiatives that automate and streamline distribution and customer support functions to enhance the customer experience and improve efficiency. In addition, a portion of our research and development spending is targeted at demand generation and customer conversion.

We expect that, in future periods, research and development expenses will increase in absolute dollars and may increase as a percentage of revenues as we continue to invest in building the necessary employee and system infrastructure required to enhance existing, and support development of new, technologies and the integration of acquired businesses and technologies.

Financial Risk Management

See Note 5, "*Financial Assets and Liabilities*" to the notes to our consolidated financial statements for a full description of the Group's other financial risk management activities, including price risk, credit risk, and liquidity risk.

Cash Flow Risk

Our cash flows from operating activities, investing activities and financing activities for the fiscal years ended 2019, 2018 and 2017 were as follows:

	Fiscal Year Ended June 30,		
	2019	2018	2017
Net cash provided by operating activities	\$ 466,342	\$ 311,456	199,381
Net cash used in by investing activities	(604,198)	(51,696)	(224,573)
Net cash (used in) provided by financing activities	(3,187)	906,789	9,438
Effect of exchange rate changes on cash and cash equivalents	(855)	(630)	465
Net (decrease) increase in cash and cash equivalents	<u>\$ (141,898)</u>	<u>\$ 1,165,919</u>	<u>\$ (15,289)</u>

As of June 30, 2019, we had cash and cash equivalents totaling \$1.3 billion, short-term investments totaling \$445.0 million and trade receivables totaling \$82.5 million. Since our inception, we have primarily financed our operations through cash flows generated by operations. In fiscal year 2018, we issued cash exchangeable senior notes in the aggregate principal amount of \$1.0 billion.

At June 30, 2019, our cash and cash equivalents were held for working capital purposes, a majority of which was held in money market funds and cash deposits. We believe that our existing cash and cash equivalents, together with cash generated from operations, will be sufficient to meet our anticipated cash needs for at least the next 12 months. Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spend on research and development efforts, employee headcount, marketing and sales activities, acquisitions of additional businesses and technologies, the timing and extent of exchange of the Notes for payments of cash, the introduction of new software and services offerings, enhancements to our existing software and services offerings and the continued market acceptance of our products.

Board of Directors

The Board is comprised of the following members:

Employee Directors	Non-employee Directors
Michael Cannon-Brookes	Shona L. Brown
Scott Farquhar	Heather Mirjahangir Fernandez
	Sasan Goodarzi
	Jay Parikh
	Enrique Salem
	Steven Sordello
	Richard P. Wong

Qualifying Third-Party Indemnities

The Company has granted an indemnity to all of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in Section 234 of the Companies Act 2006. Such qualifying third-party indemnity provisions were in force throughout the fiscal year and remain in force as at the date of approving the Directors' Report.

Greenhouse Gas (GHG) Emissions

Global GHG emissions data for the period July 1, 2018 to June 30, 2019

Emissions from:	2019 (Tonnes of CO2-e)	2018 (Tonnes of CO2-e)	% Change
Combustion of fuel and operation of facilities	121	176	(31)%
Electricity, heat, steam and cooling purchased for own use	2,006	1,867	7%
Total	2,127	2,043	4%
The Company's chosen intensity measurement:			
Emissions reported above normalized per sq. m. (kg CO2-e/m2)	36.3	44.7	(19)%

* 2018 Scope 2 emissions have been restated as actual electricity data have replaced accrued data in the Philippines, Australia and USA.

The Company has reported on all known Scope 1 and 2 emission sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. These sources fall within the consolidated financial statements for the Group and under the Group's operational control. The Company does not have responsibility for any emission sources that fall outside of the consolidated financial statements for the Group.

The Company has used the 2019 DEFRA Environmental Reporting Guidelines and the emission factors from U.K. Government's GHG Conversion Factors for Company Reporting 2019 (Scope 1 emissions) and IEA CO2 Emissions from Fuel Combustion 2018 (Scope 2 emissions).

Political Contributions

No political donations were made during the fiscal year.

Auditors

Ernst & Young LLP, UK. was appointed as auditor to the Company following the Company's incorporation and has expressed its willingness to continue in office for the next fiscal year.

Disclosure to Auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware, and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Authorization of Financial Statements

The consolidated financial statements for the Group and the financial statements for Atlassian Corporation Plc for the fiscal year ended June 30, 2019 were authorized for issue by the Board on August 28, 2019. The Statements of Financial Position were signed on behalf of the Board by Scott Farquhar.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the consolidated financial statements in accordance with applicable U.K. law and regulations. The Directors have elected to prepare the consolidated financial statements for the Group in accordance with IFRS as adopted by the International Accounting Standards Board and the financial statements for Atlassian Corporation Plc in accordance with the U.K. Generally Accepted Accounting Practices, including Financial Reporting Standard 101, Reduced Disclosure Framework.

The Directors are required to prepare consolidated financial statements for each financial year which present fairly the Group's financial position, financial performance and cash flows for that period. In preparing the consolidated financial statements of the Group, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are required to prepare financial statements for each financial year which present fairly Atlassian Corporation Plc's financial position and financial performance for that period. In preparing the financial statements of Atlassian Corporation Plc, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that Atlassian Corporation Plc will continue in business.

The Directors are responsible for keeping adequate accounting records which are sufficient to show and explain the Group's and Atlassian Corporation Plc's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Atlassian Corporation Plc and enable them to ensure that the consolidated financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Group and Atlassian Corporation Plc and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approval

This Directors' Report was approved by the Directors on 28 August, 2019 and signed on its behalf by Scott Farquhar.



Scott Farquhar

Director

Atlassian Corporation Plc. Registered in England & Wales with No. 8776021

Registered office: c/o Herbert Smith Freehills LLP, Exchange House, Primrose Street, London EC2A 2EG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATLISSIAN CORPORATION PLC

Opinion

In our opinion:

- Atlassian Corporation Plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Atlassian Corporation Plc which comprise:

Group	Parent company
Consolidated statement of financial position as at 30 June 2019	Statement of financial position as at 30 June 2019
Consolidated statement of operations for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive loss for the year then ended	Statement of comprehensive loss for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 11 to the financial statements including a summary of significant accounting policies
Consolidated cash flow statement for the year then ended	
Related notes 1 to 23 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> • Revenue recognition • Accounting for acquisitions • Realizability of deferred tax assets
Audit scope	<ul style="list-style-type: none"> • We work as an integrated primary team with Ernst & Young US and performed an audit of the complete financial information of the consolidated group • We also performed an audit of the complete financial information of the standalone parent company
Materiality	<ul style="list-style-type: none"> • Overall group materiality was set at \$9 million which represents 0.74% of revenue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Revenue recognition</p> <p>The Group has reported revenues of \$1,210 million (2018: \$881 million).</p> <p>As described in Note 2 to the consolidated financial statements, the Company adopted IFRS 15, Revenue from Contracts with Customers, during 2019. The Company primarily derives revenues from subscription-based arrangements for cloud-based services, as well as software license agreements that include bundled support and maintenance services for the term of the license period. The Company's contracts with customers often contain multiple performance obligations or promises to transfer multiple products and services to a customer, including both software products and services. To account for promised goods and services in accordance with IFRS 15, the Company allocates the transaction price to the distinct performance obligations on a relative standalone selling price basis and recognizes revenue when control of the distinct performance obligation is transferred. For example, the Company recognizes software license revenue at the time of delivery of the license and recognizes subscription and support revenue over time as the services are performed.</p> <p>Auditing the Company's recognition of revenue was challenging and complex due to the effort required to analyze the effect of IFRS 15 on the Company's various product offerings as part of the Company's implementation using the full retrospective method of adoption, as well as ongoing accounting. This involved assessing the terms and conditions of new or amended contracts with customers or new product or service offerings, and the determination of the relative standalone selling prices for each distinct performance obligation and the timing of recognition of revenue.</p>	<p>We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's internal controls over the relevant terms of its contracts, the appropriate accounting for those terms under IFRS 15, including the identification of performance obligations, determination of the relative standalone selling price for each performance obligation, and the determination of the timing of recognition of revenue. This included testing relevant controls over the information systems that are important to the initiation, recording and billing of revenue transactions.</p> <p>Among other procedures to evaluate management's identification and determination of the distinct performance obligations, we read executed contracts for a sample of sales transactions to understand the contract, identified the promised goods and services in the contract and identified the distinct performance obligations.</p> <p>To test management's determination of relative standalone selling price for each performance obligation, we performed audit procedures, among others, including assessing the appropriateness of the methodology applied, testing mathematical accuracy of the underlying data and calculations, and testing selections to corroborate the data underlying the Company's calculations.</p> <p>We also evaluated whether the Company appropriately applied its revenue recognition policy to the arrangement to determine whether the correct amount of revenue was recognized and in the correct period. Finally, we assessed the appropriateness of the related disclosures in the consolidated financial statements.</p>	<p>Based on the procedures performed, we did not identify any evidence of material misstatement in the revenue recognised in the year and deferred at 30 June 2019 in accordance with IFRS 15.</p>

<p>Accounting for acquisitions</p> <p>As described in Note 3 and Note 12 to the consolidated financial statements, the Company completed four acquisitions during 2019 for consideration of \$423.9 million. The most significant of these were (1) the acquisition of all outstanding equity of OpsGenie Inc. for consideration of \$259.5 million and (2) the acquisition of all outstanding equity of AgileCraft, LLC for consideration of \$155.7 million.</p> <p>Auditing the Company's accounting for its acquisitions of OpsGenie and AgileCraft was complex due to the significant estimation required by management in determining the fair value of the technology-related intangible assets and customer relationship intangible assets of \$70.2 million and \$65.5 million, respectively (collectively, "the intangible assets"). The significant estimation was primarily due to the judgmental nature of the inputs to the valuation models used to measure the fair value of these intangible assets, as well as the sensitivity of the respective fair values to the underlying significant assumptions. The Company used the discounted cash flow method of the income approach to measure the fair value of these intangible assets. The significant assumptions used to estimate the fair value of the intangible assets included revenue growth rates, technology migration curves, customer attrition rates and discount rates. These significant assumptions are forward-looking and could be affected by future economic and market conditions.</p>	<p>We obtained an understanding, evaluated the design and tested the operating effectiveness of the controls over the Company's accounting for acquisitions. For example, we tested controls over the valuation of intangible assets, including the valuation models and underlying assumptions used to develop such estimates.</p> <p>For each of the Company's acquisitions, we read the purchase agreements, evaluated the significant assumptions and methods used in developing the fair value estimates, and tested the recognition of:</p> <ol style="list-style-type: none"> 1. the tangible assets acquired, and liabilities assumed at fair value; 2. the identifiable intangible assets acquired at fair value; and 3. goodwill measured as a residual. <p>To test the estimated fair value of the intangible assets, we performed audit procedures that included, among others, evaluating the Company's use of the income approach (the multi-period excess earnings method and relief from royalty method) and testing the significant assumptions used in the model, as described above, including the completeness and accuracy of the underlying data. For example, we compared the significant assumptions to current industry, market and economic trends, to the assumptions used to value similar assets in other acquisitions, to the historical results of the acquired business and to other guideline companies within the same industry.</p> <p>We involved our valuation specialists to assist with our evaluation of the methodology used by the Company and significant assumptions included in the fair value estimates</p>	<p>Based on the results of our work, we agree with management's conclusion that the assumptions and methods used in the valuation of acquired intangible assets and goodwill are appropriate.</p> <p>We have not identified any contrary information which may indicate inappropriate values have been assigned to the assets or that indicators of impairment exist.</p>
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<p>Realizability of deferred tax assets</p> <p>As described in Note 3 and Note 8 to the consolidated financial statements, at June 30, 2019, the Company has recognized gross deferred tax assets on deductible temporary differences of \$17.1 million. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that all or part of the deferred tax asset will be utilized, based on positive and negative evidence, including that sufficient future taxable income will be available.</p> <p>Management's analysis of the realizability of its deferred tax assets (including the recognition, measurement, and disclosure of deferred tax assets) was significant to our audit because the amounts are material to the financial statements. Auditing management's assessment is complex and involves significant judgment as the Company's ability to generate taxable income sufficient to utilize the asset may be impacted by various economic and industry conditions.</p>	<p>We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over management's projections of future taxable income and the future reversal of existing taxable temporary differences.</p> <p>Among other audit procedures performed, we evaluated the positive and negative evidence in assessing whether the deferred tax assets are more likely than not to be utilized, including evaluating the trends of both the historical financial results and the projected sources of taxable income on both a world-wide basis and on a geographical jurisdiction basis, as well as other qualitative factors. We tested the completeness and accuracy of the underlying data. We further evaluated the application of local jurisdiction tax law in the Company's projections of future taxable income. We also tested the Company's scheduling of the reversal of existing taxable temporary differences.</p>	<p>Based on the results of our work, we agree with management's conclusion that the deferred tax asset is recoverable and correctly recognised as at 30 June 2019.</p>
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The Company adopted IFRS 15, Revenue from Contracts with Customers, during 2019. Auditing the Company's recognition of revenue was challenging and complex due to the effort required to analyze the effect of IFRS 15 on the Company's various product offerings as part of the Company's implementation using the full retrospective method of adoption, as well as ongoing accounting. This gave rise to a KAM in the current year.

The Company completed significant acquisitions during 2019, giving rise to the recognition of goodwill and intangibles on the balance sheet. Group management made a number of assumptions which are used in developing the forecasts that underpin the valuation of intangibles. Given the magnitude of financial impact and sensitivity of the assumptions within the fair value estimation, this gave rise to an increased audit focus in the current year and is thus considered a KAM.

Management's analysis of the realizability of its deferred tax assets (including the recognition, measurement, and disclosure of deferred tax assets) was significant to our audit because the amounts are material to the financial statements. Auditing management's assessment is complex and involves significant judgment as the Company's ability to generate taxable income sufficient to utilize the asset may be impacted by various economic and industry conditions, giving rise to a KAM in the current year.

In the prior year we included a KAM related to a revenue recognition risk due to the possible existence of unidentified side arrangements for significant manual paper revenue contracts resulting in overstatement of revenue. However, in the current year the Company's non-paper contract business is experiencing much more significant growth, meaning paper contracts attribute a smaller proportion of total revenue. In addition, under IAS18, the existence of a side arrangement could cause a full revenue deferral until a future performance obligation is provided, whereas under IFRS 15, an SSP would be attributed to the undelivered performance obligation and only that performance obligation would be deferred. We have therefore concluded the revenue recognition risk related to side arrangements does not constitute a KAM in the current year.

In the prior year we included a KAM related to the debt issuance within the year included two derivative financial instruments relating to a purchased capped call feature and an exchange feature which resulted in increased audit risk and focus. However, following the implementation of the instruments and monitoring of

the valuation and accounting for these instruments in the succeeding year, we have concluded the instrument does not constitute a KAM in the current year.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we have considered the scoping of components. Atlassian Corporation Plc operates through a single reporting unit and the vast majority of the trade and operations of the group are contained within a single trading entity incorporated in Australia which is managed and operated out of San Francisco, United States of America. As such the group comprises a single reporting unit and we audited the consolidated entity as a single operation.

Atlassian has centralised processes and controls over the key areas of our audit focus with responsibility lying with group management for all estimation processes and significant risk areas. We have tailored our audit response accordingly and thus for the majority of our focus areas, audit procedures were undertaken directly by the Group audit team.

Integrated team structure

The overall audit strategy is determined by the senior statutory auditor, James Harris. The senior statutory auditor is based in the UK but, since Group management and operations reside in the US, the Group audit team includes members from both the UK and US, supplemented with subject matter specialists as required. The senior statutory auditor visited the US during the current year's audit and members of the Group audit team in both jurisdictions work together as an integrated team throughout the audit process. Whilst in the US, he focused his time on the significant risks and judgmental areas of the audit.

He met with group financial management and attended the interim results presentation to management. He also attended the year end results presentation to the Audit Committee remotely. During the current year's audit he reviewed key working papers and met, or held regular conference calls, with representatives of the US audit team to discuss the audit approach and issues arising from their work.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be \$9 million, which is 0.74% of group revenue, of \$1,210 million (2018: \$6 million, which represents 0.69% of group revenue, of \$881 million). We believe that revenue provides us with a basis that is closely aligned with the users of the financial statements, given the business is growing very swiftly and is currently loss making. A similar basis to the prior period has been used due to no new significant risks being identified as part of our revised risk assessment in the current year, hence there was no need to recalibrate our materiality.

The materiality for the parent company financial statements was calculated at \$13 million, determined with reference to a benchmark of parent company's assets, of \$1,262 million of which it represents 1% (2018: \$7 million which represents 0.70% of parent company assets, of \$993 million). As the materiality calculated is higher

than that of the group, judgment has been exercised to perform all audit work at the lower, group materiality amount.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that performance materiality was 50% (2018: 50%) of our planning materiality, namely \$4.5 million (2018: \$3 million). We have set current year performance materiality at this percentage due to the risk associated with the rapid growth of the business and the introduction of new key accounting personnel.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of \$0.45 million (2018: \$0.33 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 65, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

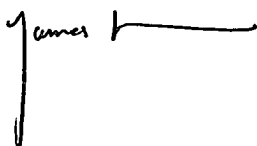
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

James Harris (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
September 4, 2019



ATLASSIAN CORPORATION PLC
CONSOLIDATED STATEMENTS OF OPERATIONS
(U.S. \$ and shares in thousands, except per share data)

	Notes	Fiscal Year Ended June 30,		
		2019	2018	2017
			*As Adjusted	*As Adjusted
Revenues:				
Subscription		\$ 633,950	\$ 410,694	\$ 249,823
Maintenance		394,526	326,511	264,453
Perpetual license		93,593	83,171	74,058
Other		88,058	60,602	38,350
Total revenues	14	1,210,127	880,978	626,684
Cost of revenues (1) (2)		210,285	172,690	119,161
Gross profit		999,842	708,288	507,523
Operating expenses:				
Research and development (1) (2)		579,134	415,776	310,169
Marketing and sales (1) (2)		268,356	187,315	134,404
General and administrative (1)		215,714	151,242	118,784
Total operating expenses		1,063,204	754,333	563,357
Operating loss		(63,362)	(46,045)	(55,834)
Other non-operating expense, net	6	(535,453)	(15,157)	(1,342)
Finance income		33,500	9,877	4,851
Finance costs		(40,241)	(6,806)	(75)
Loss before income tax (expense) benefit		(605,556)	(58,131)	(52,400)
Income tax (expense) benefit	8	(32,065)	(55,301)	14,951
Net loss		\$ (637,621)	\$ (113,432)	\$ (37,449)
Net loss attributable to:				
Owners of Atlassian Corporation Plc		\$ (637,621)	\$ (113,432)	\$ (37,449)
Net loss per share attributable to ordinary shareholders:				
Basic	17	\$ (2.67)	\$ (0.49)	\$ (0.17)
Diluted	17	\$ (2.67)	\$ (0.49)	\$ (0.17)
Weighted-average shares outstanding used to compute net loss per share attributable to ordinary shareholders:				
Basic	17	238,611	231,184	222,224
Diluted	17	238,611	231,184	222,224

* As adjusted to reflect the impact of the full retrospective adoption of IFRS 15. See Note 2 for further details.

The above consolidated statements of operations should be read in conjunction with the accompanying notes.

ATLASSIAN CORPORATION PLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(U.S. \$ in thousands)

	Note	Fiscal Year Ended June 30,		
		2019	2018	2017
			*As Adjusted	*As Adjusted
Net loss		\$ (637,621)	\$ (113,432)	\$ (37,449)
Items that will not be reclassified to profit or loss in subsequent periods:				
Net change in unrealized gain on investments classified at fair value through other comprehensive income	5	38,662	—	—
Income tax effect		(8,813)	—	—
Other comprehensive income for items that will not be reclassified to profit or loss, net of tax		29,849	—	—
Items that will be reclassified to profit or loss in subsequent periods:				
Foreign currency translation adjustment		(35)	118	140
Net change in unrealized gain (loss) on investments classified at fair value through other comprehensive income (loss)	5	1,340	(586)	(945)
Net gain (loss) on derivatives designated as hedging instruments	5	1,539	(8,341)	3,164
Income tax effect		(553)	2,502	(812)
Other comprehensive income (loss) after tax that will be reclassified to profit or loss in subsequent periods		2,291	(6,307)	1,547
Other comprehensive income (loss)		32,140	(6,307)	1,547
Total comprehensive loss, net of tax		\$ (605,481)	\$ (119,739)	\$ (35,902)
Total comprehensive loss attributable to:				
Owners of Atlassian Corporation Plc		\$ (605,481)	\$ (119,739)	\$ (35,902)

* As adjusted to reflect the impact of the full retrospective adoption of IFRS 15. See Note 2 for further details.

The above consolidated statements of comprehensive loss should be read in conjunction with the accompanying notes.

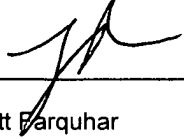
ATLASSIAN CORPORATION PLC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(U.S. \$ in thousands)

	Notes	June 30,	
		2019	2018
			*As Adjusted
Assets			
Current assets:			
Cash and cash equivalents	13	\$ 1,268,441	\$ 1,410,339
Short-term investments	5	445,046	323,134
Trade receivables	9	82,525	46,141
Tax receivables		707	12,622
Derivative assets	5,15	215,156	60
Prepaid expenses and other current assets	13	30,236	29,735
Total current assets		2,042,111	1,822,031
Non-current assets:			
Property and equipment, net	10	81,459	51,656
Deferred tax assets	8	17,084	59,220
Goodwill	11	608,907	311,943
Intangible assets, net	11	150,975	63,577
Derivative assets	5,15	77	99,935
Other non-current assets	13	76,645	13,466
Total non-current assets		935,147	599,797
Total assets		\$ 2,977,258	\$ 2,421,828
Liabilities			
Current liabilities:			
Trade and other payables	13	\$ 159,487	\$ 107,892
Current tax liabilities		11,703	172
Provisions	13	8,983	7,215
Deferred revenue	14	440,954	324,394
Derivative liabilities	5,15	855,005	5,213
Current portion of exchangeable senior notes, net	15	853,576	—
Total current liabilities		2,329,708	444,886
Non-current liabilities:			
Deferred tax liabilities	8	13,872	12,160
Provisions	13	6,082	4,363
Deferred revenue	14	27,866	18,477
Exchangeable senior notes, net	15	—	819,637
Derivative liabilities	5,15	74	202,757
Other non-current liabilities	13	34,189	12,228
Total non-current liabilities		82,083	1,069,622
Total liabilities		\$ 2,411,791	\$ 1,514,508
Equity			
Share capital	16	\$ 24,199	\$ 23,531
Share premium	16	458,166	454,766
Other capital reserves	16	816,660	557,100
Other components of equity	16	32,079	(61)
Accumulated deficit		(765,637)	(128,016)
Total equity		\$ 565,467	\$ 907,320
Total liabilities and equity		\$ 2,977,258	\$ 2,421,828

* As adjusted to reflect the impact of the full retrospective adoption of IFRS 15. See Note 2 for further details.

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

The consolidated financial statements of the Company was approved by the Directors on 28 August, 2019 and signed on its behalf by Scott Farquhar.



Scott Farquhar
Company Director

Atlassian Corporation Plc. Registered in England & Wales with No. 8776021

ATLISSIAN CORPORATION PLC
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(U.S. \$ in thousands)

	Notes	Other components of equity						Retained earnings (accumulated deficit)	Total equity
		Share capital	Share premium	Other capital reserves	Cash flow hedge reserve	Foreign currency translation reserve	Investments at fair value through other comprehensive income reserve		
								*As Adjusted	
Balance as of June 30, 2016		\$21,62	\$41,734	\$244,335	\$ —	\$ 4,149	\$ 550	\$ 22,865	\$ 735,253
Net loss		0	—	—	—	—	—	(37,449)	(37,449)
Other comprehensive income (loss), net of tax		—	—	—	2,215	140	(808)	—	1,547
Total comprehensive income (loss), net of tax		—	—	—	2,215	140	(808)	(37,449)	(35,902)
Issuance of ordinary shares upon exercise of share options	16	640	8,858	—	—	—	—	—	9,498
Vesting of early exercised shares	16	15	367	—	—	—	—	—	382
Issuance of ordinary shares for settlement of restricted share units (RSUs)	16	451	—	(451)	—	—	—	—	—
Share-based payment	7	—	—	137,458	—	—	—	—	137,458
Replacement equity awards related to business combination	12	—	—	20,193	—	—	—	—	20,193
Tax benefit from share plans	8	—	—	35,811	—	—	—	—	35,811
		1,106	9,225	193,011	—	—	—	—	203,342
Balance as of June 30, 2017		22,72	450,959	437,346	2,215	4,289	(258)	(14,584)	902,693
Net loss		6	—	—	—	—	—	(113,432)	(113,432)
Other comprehensive income (loss), net of tax		—	—	—	(5,839)	118	(586)	—	(6,307)
Total comprehensive income (loss), net of tax		—	—	—	(5,839)	118	(586)	(113,432)	(119,739)
Issuance of ordinary shares upon exercise of share options	16	243	3,761	—	—	—	—	—	4,004
Vesting of early exercised shares	16	37	46	—	—	—	—	—	83
Issuance of ordinary shares for settlement of restricted share units (RSUs)	16	525	—	(525)	—	—	—	—	—
Share-based payment	7	—	—	162,873	—	—	—	—	162,873
Tax benefit from share plans		—	—	140	—	—	—	—	140
Reduction in deferred tax assets	8	—	—	(42,734)	—	—	—	—	(42,734)
		805	3,807	119,754	—	—	—	—	124,366
Balance as of June 30, 2018		23,53	454,766	557,100	(3,624)	4,407	(844)	(128,016)	907,320
Net loss		—	—	—	—	—	—	(637,621)	(637,621)
Other comprehensive income (loss), net of tax		—	—	—	1,077	(35)	31,098	—	32,140
Total comprehensive income (loss), net of tax		—	—	—	1,077	(35)	31,098	(637,621)	(605,481)
Issuance of ordinary shares upon exercise of share options	16	150	3,392	—	—	—	—	—	3,542
Vesting of early exercised shares	16	51	8	—	—	—	—	—	59
Issuance of ordinary shares for settlement of restricted share units (RSUs)	16	467	—	(467)	—	—	—	—	—
Share-based payment	7	—	—	257,777	—	—	—	—	257,777
Replacement equity awards related to business combination	12	—	—	1,768	—	—	—	—	1,768
Tax benefit from share plans		—	—	482	—	—	—	—	482
		668	3,400	259,560	—	—	—	—	263,628
Balance as of June 30, 2019		\$24.19	\$58.166	\$816.660	\$(2.547)	\$ 4.372	\$ 30.254	\$(765.637)	\$655.467

* As adjusted to reflect the impact of the full retrospective adoption of IFRS 15. See Note 2 for further details.

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

ATLASSIAN CORPORATION PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. \$ in thousands)

		Fiscal Year Ended June 30,		
	Notes	2019	2018	2017
			*As Adjusted	*As Adjusted
Operating activities				
Loss before income tax (expense) benefit		\$ (605,556)	\$ (58,131)	\$ (52,400)
Adjustments to reconcile loss before income tax expense to net cash provided by operating activities:				
Depreciation and amortization	10, 11	70,248	79,435	61,546
Gain on sale of investments and other assets		(2,357)	(1,163)	(397)
Net unrealized foreign currency (gain) loss		(770)	(188)	93
Share-based payment expense	7	257,762	162,873	137,448
Net unrealized loss on exchange derivative and capped call transactions	6	533,908	12,414	—
Amortization of debt discount and issuance cost		33,939	7,478	—
Interest income		(33,500)	(9,877)	(4,851)
Interest expense		6,302	1,113	—
Changes in assets and liabilities:				
Trade receivables	9	(30,211)	(19,635)	(10,208)
Prepaid expenses and other assets		1,085	(8,449)	(6,438)
Trade and other payables, provisions and other non-current liabilities		75,624	43,477	10,947
Deferred revenue	14	122,502	97,676	66,143
Interest received		30,328	8,679	6,540
Income tax refunds received (income tax paid), net		7,038	(4,246)	(9,042)
Net cash provided by operating activities		466,342	311,456	199,381
Investing activities				
Business combinations, net of cash acquired	12	(418,595)	—	(381,090)
Purchases of intangible assets		(2,110)	—	(925)
Purchases of property and equipment		(44,192)	(30,209)	(15,129)
Proceeds from sales of property, equipment and intangible assets		3,721	2,775	342
Purchases of investments		(648,036)	(347,822)	(423,540)
Proceeds from maturities of investments		485,021	206,119	111,403
Proceeds from sales of investments		20,545	123,862	488,672
Increase in restricted cash		(552)	(3,131)	(3,371)
Payment of deferred consideration		—	(3,290)	(935)
Net cash used in investing activities		(604,198)	(51,696)	(224,573)
Financing activities				
Proceeds from exercise of share options		3,542	3,995	9,438
(Payment of issuance cost) proceeds from issuance of exchangeable senior notes, net of discount and issuance costs	15	(410)	990,494	—
Purchase of capped calls	15	—	(87,700)	—
Interest paid		(6,319)	—	—
Net cash (used in) provided by financing activities		(3,187)	906,789	9,438
Effect of exchange rate changes on cash and cash equivalents		(855)	(630)	465
Net (decrease) increase in cash and cash equivalents		(141,898)	1,165,919	(15,289)
Cash and cash equivalents at beginning of period		1,410,339	244,420	259,709
Cash and cash equivalents at end of period		\$1,268,441	\$1,410,339	\$ 244,420

* As adjusted to reflect the impact of the full retrospective adoption of IFRS 15. See Note 2 for further details.

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

ATLASSIAN CORPORATION PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Atlassian Corporation Plc (the "Company") is a public company limited by shares, incorporated and registered in the United Kingdom. The registered office of the Company and its subsidiaries (collectively, "Atlassian," the "Group," "our," or "we") is located at Exchange House, Primrose Street, London EC2A 2EG, c/o Herbert Smith Freehills LLP.

We design, develop, license and maintain software and provision software hosting services to help teams organize, discuss and complete their work. Our primary products include Jira for team planning and project management, Confluence for team content creation and sharing, Trello for capturing and adding structure to fluid, fast-forming work for teams, Bitbucket for team code sharing and management, Jira Service Desk for team service and support applications, Opsgenie for incident management and Jira Align for enterprise agile planning.

The accompanying consolidated financial statements of the Company and its subsidiaries for the year ended June 30, 2019 were authorized for issue in accordance with a resolution of the board of directors (the "Board") on August 28, 2019.

2. Summary of Significant Accounting Policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which includes all standards issued by the International Accounting Standards Board ("IASB") and related interpretations issued by the IFRS Interpretations Committee. The consolidated financial statements have been prepared on a historical cost basis, except for debt and equity financial assets and derivative financial instruments that have been measured at fair value.

All amounts included in the consolidated financial statements are reported in thousands of U.S. dollars (U.S. \$ in thousands) except where otherwise stated. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Effective July 1, 2018, we adopted the requirements of IFRS 15, *Revenue from Contracts with Customers*, ("IFRS 15") as discussed below. All amounts and disclosures set forth in this annual report and consolidated financial statements have been updated to comply with the new standard, including certain prior period amounts as indicated by "as adjusted" in the consolidated financial statements and related notes.

Principles of consolidation

The consolidated financial statements incorporate the financial positions and the results of operations of the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated.

Segment

The Group operates as a single cash-generating unit ("CGU") and as a single operating segment, which is also its reporting segment. An operating segment is defined as a component of an entity for which discrete financial information is available and whose operating results are regularly reviewed by the chief operating decision maker. The Group's chief operating decision makers are the Group's Co-CEOs, who review operating results to make decisions about allocating resources and assessing performance based on consolidated financial information. Accordingly, the Group has determined it operates in one operating segment.

Foreign currency

The Group's consolidated financial statements are presented using the U.S. dollar, which is the Company's functional currency. Some of the Group's foreign subsidiaries' functional currency is the local currency. We translate the financial statements of these subsidiaries to U.S. dollars using month-end exchange rates for assets and liabilities,

and average exchange rates for revenue, costs, and expenses. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are recorded as a separate component on the consolidated statements of comprehensive income.

Foreign currency transaction gains and losses from re-measurement of monetary assets and liabilities that are denominated in currencies other than the respective functional currencies are included in other non-operating (expense) income, net in the consolidated statements of operations for the period.

Revenue recognition

Adoption of IFRS 15

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers. The new revenue standard supersedes all current revenue recognition requirements under IFRS. The Group adopted IFRS 15 as of July 1, 2018, using the full retrospective method. Accordingly, the results for the prior comparable periods were adjusted to conform to the current period measurement and recognition of results.

The most significant impact of the new standard relates to our accounting for the on-premises term-based licenses. Under IFRS 15, if performance obligations are not sold on a stand-alone basis, then standalone selling price ("SSP") must be estimated. Our term-based licenses include the delivery of software and support services as well as unspecified future updates. Under the previous standard, revenue for these contracts was recognized ratably over the period of the contract. However, under the new standard, we estimate SSP for the software license separately from the support and update services. License revenue is then recognized upon delivery of the initial software at the outset of the arrangement, and support and updates is recognized ratably over the contract period.

We have an online distribution model that allows us to efficiently reach customers globally without the need to invest in a traditional commissioned sales force. As such, the asset resulting from the costs to obtain and fulfill a contract is not material to our consolidated financial statements.

We applied the new standard using the following implementation practical expedients:

- For completed contracts that have variable consideration, we have elected to use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in comparative reporting periods;
- For all reporting periods presented before the date of initial application, we have elected to not disclose the amount of the transaction price allocated to remaining performance obligations and an explanation of when we expect to recognize that amount as revenue;
- We have elected to reflect the aggregate effect of all modifications that occurred before fiscal 2017 with respect to identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations; and
- We have elected to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset otherwise would have been recognized is one year or less.

Select consolidated statements of operations line items which reflect the adoption of IFRS 15 are as follows:

Year ended June 30, 2018

	As Reported	IFRS 15 Adjustment	As Adjusted
	(U.S. \$ in thousands, except per share data)		
Revenues:			
Subscription	\$ 403,214	\$ 7,480	\$ 410,694
Maintenance	325,898	613	326,511
Perpetual license	85,481	(2,310)	83,171
Other	59,357	1,245	60,602
Total revenues	873,950	7,028	880,978
Total operating expenses	755,008	(675)	754,333
Income tax expense	(53,507)	(1,794)	(55,301)
Net loss	\$ (119,341)	\$ 5,909	\$ (113,432)
Basic loss per share	\$ (0.52)	\$ 0.03	\$ (0.49)
Diluted loss per share	\$ (0.52)	\$ 0.03	\$ (0.49)

Year ended June 30, 2017

	As Reported	IFRS 15 Adjustment	As Adjusted
	(U.S. \$ in thousands, except per share data)		
Revenues:			
Subscription	\$ 242,128	\$ 7,695	\$ 249,823
Maintenance	265,521	(1,068)	264,453
Perpetual license	74,565	(507)	74,058
Other	37,722	628	38,350
Total revenues	619,936	6,748	626,684
Total operating expenses	563,861	(504)	563,357
Income tax benefit	17,148	(2,197)	14,951
Net loss	\$ (42,504)	\$ 5,055	\$ (37,449)
Basic loss per share	\$ (0.19)	\$ 0.02	\$ (0.17)
Diluted loss per share	\$ (0.19)	\$ 0.02	\$ (0.17)

Select condensed consolidated statements of financial position line items reflecting the adoption of IFRS 15 are as follows:

As of June 30, 2018

	As Reported	IFRS 15 Adjustment	As Adjusted
	(U.S. \$ in thousands)		
Current assets:			
Prepaid expenses and other current assets	\$ 28,159	\$ 1,576	\$ 29,735
Non-current assets:			
Deferred tax assets	64,662	(5,442)	59,220
Other non-current assets	12,286	1,180	13,466
Current liabilities:			
Deferred revenue	340,834	(16,440)	324,394
Non-current liabilities:			
Deferred tax liabilities	12,051	109	12,160
Deferred revenue	19,386	(909)	18,477
Equity			
Accumulated deficit	(142,570)	14,554	(128,016)

As of June 30, 2017

	As Reported	IFRS 15 Adjustment (U.S. \$ in thousands)	As Adjusted
Current assets:			
Prepaid expenses and other current assets	\$ 23,317	\$ 822	\$ 24,139
Non-current assets:			
Deferred tax assets	188,239	(3,341)	184,898
Other non-current assets	9,269	778	10,047
Current liabilities:			
Deferred revenue	245,306	(10,541)	234,765
Non-current liabilities:			
Deferred tax liabilities	43,950	416	44,366
Deferred revenue	10,691	(261)	10,430
Equity			
Accumulated deficit	\$ (23,229)	\$ 8,645	\$ (14,584)

Adoption of IFRS 15 revenue standard had no impact to cash provided by or used in operating, financing, or investing activities on our consolidated statements of cash flows.

Policies, Estimates and Judgments

Under IFRS 15, revenues are generally recognized upon the transfer of control of promised products or services provided to our customers, reflecting the amount of consideration we expect to receive for those products or services. We enter into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities. The revenue recognition policy is consistent for sales generated directly with customers and sales generated indirectly through solution partners and resellers.

Revenues are recognized upon the application of the following steps:

1. Identification of the contract or contracts with a customer;
2. Identification of the performance obligations in the contract;
3. Determination of the transaction price;
4. Allocation of the transaction price to the performance obligations in the contract; and
5. Recognition of revenue when, or as, the performance obligation is satisfied.

The timing of revenue recognition may differ from the timing of invoicing our customers. We record a contract asset when revenue is recognized prior to invoicing. Contract assets are netted against any related contract liabilities in the consolidated statements of financial position. Our revenue arrangements include standard warranty provisions that our arrangements will perform and operate in all material respects, the financial impacts which have historically been and are expected to continue to be insignificant. Our contracts do not include a significant financing component.

Our contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require judgment.

We allocate the transaction price for each contract to each performance obligation based on the relative SSP for each performance obligation. We use judgment in determining the SSP for products and services. We typically determine an SSP range for our products and services which is reassessed on a periodic basis or when facts and circumstances change. For all performance obligations other than perpetual and term licenses, we are able to determine SSP based on the observable prices of products or services sold separately in comparable circumstances to similar customers. In instances where performance obligations do not have observable standalone sales, we utilize available information that may include market conditions, pricing strategies, the economic life of the software, and other observable inputs to estimate the price we would charge if the products and services were sold separately.

Our products are generally sold with a right of return, we may provide other credits or incentives, and in certain instances we estimate customer usage of our services, which are accounted for as variable consideration when determining the amount of revenue to recognize. Returns and credits are estimated at contract inception and updated at the end of each reporting period if additional information becomes available. Variable consideration was not material for the periods presented.

Recognition of revenue

Revenue recognized from contracts with customers is disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. We report our revenues in four categories: (i) subscription, (ii) maintenance, (iii) perpetual license, and (iv) other. In addition, we present revenue by geographic region in Note 14.

Subscription revenues

Subscription revenues consist primarily of fees earned from subscription-based arrangements for providing customers the right to use our software in a cloud-based-infrastructure that we provide. We also sell on-premises term license agreements for our Data Center products, which are software licensed for a specified period, and includes support and maintenance service that is bundled with the license for the term of the license period. Subscription revenues are driven primarily by the number and size of active licenses, the type of product and the price of the licenses. Our subscription-based arrangements generally have a contractual term of one to twelve months, with a majority being one month. For cloud-based services, subscription revenue is recognized ratably as services are performed, commencing with the date the service is made available to customers. For on-premises term-based licenses, we recognize revenue upfront for the portion that relates to the delivery of the term license and the support and related revenue is recognized ratably as the services are delivered over the term of the arrangement.

Maintenance revenues

Maintenance revenues represent fees earned from providing customers unspecified future updates, upgrades and enhancements and technical product support for perpetual license products on an if and when available basis. Maintenance revenue is recognized ratably over the term of the support period.

Perpetual license revenues

Perpetual license revenues represent fees earned from the license of software to customers for use on the customer's premises other than Data Center products. Software is licensed on a perpetual basis. Perpetual license revenues consist of the revenues recognized from sales of licenses to new customers and additional licenses to existing customers. We recognize revenue on the license portion of perpetual license arrangements on the date of license delivery in substantially all situations.

Other revenues

Other revenues include fees received for sales of third-party apps in the Atlassian Marketplace, technical account management, and training services. Revenue from the sale of third-party apps via Atlassian Marketplace is recognized at the date of product delivery given that all of our obligations have been met at that time and net of the vendor liability portion, as we function as the agent in the relationship. Revenue from technical account management is recognized over the time period that the customer has access to the service. Revenue from training is recognized as delivered or as the rights to receive training expire.

Cash and cash equivalents

The Group considers all highly liquid investments purchased with an original maturity of three months or less and subject to an insignificant risk of changes in value to be cash equivalents. Cash equivalents also include amounts due from third-party credit card processors as they are both short-term and highly liquid in nature and are typically converted to cash within three days of the sales transaction.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current or non-current classification. An asset is current when it is: expected to be realized within twelve months after the reporting period; or cash or cash equivalent unless restricted from being exchanged or used to settle a

liability for at least twelve months after the reporting period. All other assets are classified as non-current. A liability is current when it is due to be settled within twelve months after the reporting period. The Group classifies all other liabilities as non-current.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Our financial assets include trade receivables and contract assets, debt and equity investments and derivative financial instruments. We generally classify financial assets into the following categories: subsequently measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss depending on the contractual cash flows of and our business model for holding the respective asset. Financial assets that are measured at fair value on a recurring basis include debt and equity investments and derivative financial instruments. Trade receivables and contract assets are measured at amortized cost. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date.

Our financial liabilities include trade and other payables, exchangeable senior notes and derivative financial instruments. We generally classify financial liabilities as subsequently measured at amortized cost and at fair value through profit or loss. Financial liabilities that are measured at fair value are the derivative financial instruments. Trade and other payables are measured at amortized cost and exchangeable senior notes are measured at amortized cost using the effective interest rate ("EIR") method.

Debt investments

The Group's marketable debt investments were classified as instruments at fair value through other comprehensive income. Fair value changes of marketable debt investments that have been recognized in other comprehensive income are recycled to profit or loss upon sale of the financial asset.

Equity investments

We invest in equity securities of public and private companies, in which the Company does not have a controlling interest or significant influence, to promote business and strategic objectives. The Group has irrevocably designated the equity investments as instruments at fair value through other comprehensive income. Changes in fair value of these equity investments are recognized in other comprehensive income and never reclassified to profit or loss, even if the asset is impaired, sold or otherwise derecognized.

Marketable equity securities are measured at fair value using readily determinable market value. Non-marketable equity securities are measured at fair value using market data, such as publicly available financing round valuations. Judgment is required particularly in estimating the fair values of non-marketable equity securities.

Exchangeable senior notes ("the Notes")

The Notes are classified as financial liabilities at amortized cost and measured using the EIR method. Amortized cost is calculated by taking into account any discount and issuance cost that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statements of operations.

Derivative financial instruments

The Group enters into foreign exchange forward contracts with the objective to mitigate certain currency risks associated with cost of revenues and operating expenses denominated in foreign currencies. These foreign exchange forward contracts are designated as cash flow hedges. We also enter into foreign exchange forward contracts to hedge a portion of certain foreign currency denominated as monetary assets and liabilities to reduce the risk that such foreign currency will be adversely affected by changes in exchange rates. Hedging derivative instruments are recognized as either assets or liabilities and are measured at fair value.

For derivative instruments designated as cash flow hedges, the effective portion of the gains (losses) on the derivatives is initially reported as a component of other comprehensive income and is subsequently recognized in earnings when the hedged exposure is recognized in earnings. For options designated as cash flow hedges, changes in the time value are excluded from the assessment of hedge effectiveness and are recognized in earnings. Gains (losses) on derivatives representing either hedge components excluded from the assessment of effectiveness or hedge

ineffectiveness are recognized in earnings. For derivative instruments that are not designated as hedges, gains (losses) from changes in fair values are primarily recognized in other income (expense), net.

The Group has other derivatives such as embedded exchange feature of the Notes and capped call transactions ("Exchange and Capped Call Derivatives"). Please see Note 15 for details. The Exchange and Capped Call Derivatives are measured at fair value at each reporting date and gains (losses) from changes in fair values are recognized in other non-operating income (expense), net. The Group used Black-Scholes option pricing models to fair value the Exchange and Capped Call Derivatives. Certain inputs used in the model such as stock price volatility requires judgment.

Impairment of financial assets

The Group measures loss allowances on financial assets at fair value through other comprehensive income at an amount equal to lifetime expected credit losses ("ECLs"), except for securities that are determined to have low credit risk at the reporting date and other securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured as 12-month ECLs. ECLs are a probability-weighted estimate of the difference in the present value of contractual cash flows and the present value of cash flows that the Group expects to receive. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months following the reporting date.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. The Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Fair value changes on debt investment and derivatives designated as hedging instruments, which have been recognized in other comprehensive income, are recycled to profit or loss upon sale of the financial asset.

Financial liabilities are derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of operations.

Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, we consider the principal or most advantageous market in which we would transact, as well as assumptions that market participants would use when pricing the asset or liability.

The three levels of inputs that may be used to measure fair value are:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The fair value of financial instruments traded in active markets is included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to measure the fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Group's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and considers factors specific to the asset or liability.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method to allocate the cost over the estimated useful lives or, in the case of leasehold improvements and certain leased equipment, the remaining lease term if shorter. The estimated useful lives for each asset class are as follows:

Equipment	3 - 5 years
Computer hardware and computer-related software	3 - 5 years
Furniture and fittings	5 - 10 years
Leasehold improvements	Shorter of the remaining lease term or 7 years

Business combinations

We include the results of operations of the businesses that we acquire as of the acquisition date. We record the assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase price over the fair values of these identifiable assets and liabilities is recorded as goodwill. Acquisition-related expenses are recognized separately from the business combination and are expensed as incurred.

Goodwill

Goodwill is the excess of the aggregate of the consideration transferred over the identifiable assets acquired and liabilities assumed. Goodwill is tested for impairment annually during the fourth quarter of the Group's fiscal year and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

We acquired intangible assets separately or in connection with business combinations. Intangible assets are measured at cost initially. All of our intangible assets are with finite lives and are amortized over their estimated useful life using the straight-line method. The amortization expense on intangible assets is recognized in the consolidated statements of operations in the expense category, consistent with the function of the intangible asset.

The estimated useful lives for each intangible asset class are as follows:

Patents, trademarks and other rights	2 - 12 years
Customer relationships	2 - 10 years
Acquired developed technology	2 - 10 years

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. When the recoverable amount of an intangible asset is less than its carrying amount, an impairment loss is recognized.

Long-lived assets

The carrying value and useful lives of long-lived assets are reviewed at the end of each reporting period and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Share-based payments

Share-based payments cover equity-settled awards including stock options and restricted stock units ("RSUs") issued to our employees in exchange of their service. The cost of the equity-settled awards is determined by the fair value at the grant date. The fair value of RSUs is equal to the market value of our common stock on the grant date. The Group estimates the fair value of stock options using the Black-Scholes option pricing model. This option-pricing model requires the input of assumptions, including the awards' expected life and the price volatility of the underlying stock.

We recognize equity-settled awards cost, net of estimated forfeitures, over the awards' requisite service period on a graded-vesting basis. No compensation cost is recognized for awards that do not ultimately vest because service conditions have not been met and we estimate forfeiture based on historical experience. The respective expenses are recognized as employee benefits and classified in our consolidated statements of operations according to the activities that the employees perform.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. The Group categorizes leases at their inception as either operating or finance leases. Expenses incurred in operating leases (net of any incentives received from the lessor) are recognized on a straight-line basis over the term of the lease.

Research and development

Research and development expense includes the employee and hardware costs incurred for the development of new products, enhancements and updates of existing products and quality assurance activities. These costs incurred for the development of computer software are expensed until the point that technological feasibility has been established, which for our products, is typically reached shortly before the release of such products and as a result, the Group has not capitalized any research and development costs.

Taxation

Current tax

Current income tax assets and/or liabilities comprise amounts expected to be recovered or paid to Her Majesty's Revenue & Customs, the Australian Taxation Office, the United States Internal Revenue Service and other fiscal authorities relating to the current or prior reporting periods, which are unpaid at each reporting date. Current tax is payable on taxable income that differs from the consolidated statements of operations in the financial statements due to permanent and temporary timing differences. The calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

The Group uses the liability method of accounting for income taxes. Deferred income tax assets and liabilities represent temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their corresponding tax basis used in the computation of taxable income. Deferred tax however is not recognized on the initial recognition of goodwill, or the initial recognition of an asset or liability (other than in a business combination) in a transaction that affects neither tax nor accounting income.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and

it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities are generally provided for in full.

Deferred tax assets are recognized to the extent that they are expected to reverse in the foreseeable future and it is probable that they will be able to be utilized against future taxable income, based on the Group's forecast of future operating results. Deferred tax assets are adjusted for significant non-taxable income, expenses and specific limits on the use of any unused tax loss or credit. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates and in accordance with laws that are expected to apply to their respective period of realization, provided the tax rates and laws are enacted or substantively enacted by the end of the reporting period. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Changes in deferred tax assets or liabilities are recognized as a component of tax expense (benefit) in the consolidated statements of operations, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively. Where deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

New accounting standards not yet adopted

In January 2016, the IASB issued IFRS 16, *Leases* ("*IFRS 16*"), which supersedes the existing leases standard, IAS 17, *Leases*, and related interpretations. The standard introduces a single lessee accounting model and requires a lessee to recognize leases on its statement of financial position represented by right-of-use assets and lease liabilities. The standard also contains enhanced disclosure requirements for lessees and is effective for the Group beginning on July 1, 2019. We will adopt the IFRS 16 standard using the modified retrospective approach and will not restate comparative periods. We will elect the package of practical expedients permitted under the transition guidance, which allows us to exclude initial direct costs from the measurement of the right-of-use asset for any leases that exist prior to adoption of the new standard and adjust the right-of-use asset for any recognized onerous lease provisions. We will also elect to keep leases with an initial term of 12 months or less off the balance sheet and recognize the associated lease payments in the consolidated statements of operations on a straight-line basis over the lease term. Based on our portfolio of leases as of June 30, 2019, approximately \$286 million of right-of-use assets and lease liabilities will be recognized on our balance sheet upon adoption, primarily relating to real estate.

3. Critical Accounting Estimates and Judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenues and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which forms the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial results or the financial position reported in future periods.

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made.

Significant accounting estimates and assumptions

Business combinations

We use our best estimates and assumptions to accurately assign fair value to the intangible assets acquired at the acquisition date. The estimation is primarily due to the judgmental nature of the inputs to the valuation models used to measure the fair value of these intangible assets, as well as the sensitivity of the respective fair values to the underlying significant assumptions. Our estimates are inherently uncertain and subject to refinement. We use a discounted cash flow method of the income approach to measure the fair value of these intangible assets. The significant assumptions used to estimate the fair value of the intangible assets include revenue growth rates, technology migration

curves, customer attrition rates and discount rates. These assumptions are forward-looking and could be affected by future economic and market conditions.

During the measurement period, which may be up to one year from the date of acquisition, the Group may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. In addition, uncertain tax positions are initially established in connection with a business combination as of the acquisition date. The Group continues to collect information and reevaluates these estimates and assumptions as deemed reasonable by management. The Group records any adjustments to these estimates and assumptions against goodwill provided they arise within the measurement period. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations. For details of business combinations, please refer to Note 12.

Significant accounting judgments

Taxation

Deferred tax assets are recognized for deductible temporary differences for which management considers it is probable that future taxable income will be available to utilize those temporary differences. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income, together with future tax-planning strategies.

Management judgment is required to determine the extent to which deferred tax assets should be recognized based upon the likely timing and the level of future taxable income available to utilize the Group's deferred tax benefits. Assumptions about the generation of future taxable income depend on management's estimates of future cash flows, future business expectations, capital expenditure, dividends, and other capital management transactions.

Management judgment is also required in relation to the application of income tax legislation, which involves an element of inherent risk and uncertainty. Where management judgment is found to be misplaced, some or all of recognized deferred tax asset and liability carrying amounts may require adjustment, resulting in a corresponding credit or charge to the consolidated statements of operations.

For details of taxation, please refer to Note 8.

Impairment of non-financial assets

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment.

These include product performance, technology, economic and political environments, and future product expectations. If an impairment trigger exists, the recoverable amount of the asset is determined. No indicators of impairment existed that were significant enough to warrant such assets to be tested for impairment in the fiscal years ended 2019, 2018 and 2017. For details of non-financial assets, please refer to Note 10 and 11.

Impairment of financial instruments

The Group assesses the credit risk for financial instruments and establishes a loss allowance for impairment that represents its estimate of incurred losses in respect of financial instruments. For details of financial instruments, please refer to Note 5.

4. Group Information

As of June 30, 2019, the Group's subsidiaries, all of which are wholly owned, were as follows:

Name	Address	Country of Incorporation
Atlassian (UK) Limited	c/o Herbert Smith Freehills LLP Exchange House, Primrose Street London EC2A 2EG, UK	United Kingdom, United States of America
Atlassian (UK) Holdings Limited	c/o Herbert Smith Freehills LLP Exchange House, Primrose Street London EC2A 2EG, UK	United Kingdom, United States of America

Atlassian (Australia) Limited	c/o Herbert Smith Freehills LLP Exchange House, Primrose Street London EC2A 2EG, UK	United Kingdom, United States of America
Atlassian (Global) Limited (1)	c/o Herbert Smith Freehills LLP Exchange House, Primrose Street London EC2A 2EG, UK	United Kingdom
Atlassian (UK) Operations Limited	c/o Herbert Smith Freehills LLP Exchange House, Primrose Street London EC2A 2EG, UK	United Kingdom
Atlassian, Inc.	Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808	United States of America
Atlassian Network Services, Inc.	Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808	United States of America
Dogwood Labs, Inc.	Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808	United States of America
Trello, Inc.	Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808	United States of America
AgileCraft LLC	Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808	United States of America
AgileCraft Australia Pty Ltd	Exchange Tower, Suite 410 530 Little Collins Street Melbourne, VIC 3000 Australia	Australia
OpsGenie, Inc.	1209 Orange Street City of Wilmington County of New Castle DE 19801 C/O Tim Daniels 239 Causeway St Suite 300 Boston, MA 02114 CT Corporation System 4701 Cox Rd, Ste 285 Glen Allen, VA 23060	United States of America
Opsgenie Yazılım Anonim Şirketi	Odtü Teknokent Üniversiteler Mahallesi Yhsan Dođramacı Bulvarı Bina No: 29 Gümüş Blok Bk2 Çankaya Ankara, Turkey	Turkey
iFountain, LLC	1200 Coit Rd, Suite 107, Plano, TX 75075	United States of America
Atlassian Australia 1 Pty Ltd	Level 6, 341 George St., Sydney, NSW, 2000 Australia	Australia
Atlassian Australia 2 Pty Ltd	Level 6, 341 George St., Sydney, NSW, 2000 Australia	Australia

Atlassian Corporation Pty. Ltd.	Level 6, 341 George St., Sydney, NSW, 2000 Australia	Australia
Atlassian Pty Ltd	Level 6, 341 George St., Sydney, NSW, 2000 Australia	Australia
Good Software Co. Pty. Ltd.	Level 5, 153 Clarence Street Sydney, NSW, 2000 Australia	Australia
Atlassian Capital Pty. Ltd.	Level 6, 341 George St., Sydney, NSW, 2000 Australia	Australia
MITT Australia Pty Ltd	Level 6, 341 George St., Sydney, NSW, 2000 Australia	Australia
MITT Trust	Level 6, 341 George St., Sydney, NSW, 2000 Australia	Australia
Atlassian K.K.	4-24-1-1 Kaigandōri Naka-ku Yokohama, Kanagawa 231-0002 Japan	Japan
Atlassian Germany GmbH	c/o Hamburg Business Center im Hanse Viertel GmbH Poststraße 33 20354 Hamburg Germany	Germany
Atlassian Holdings B.V.	Singel 236 1016 AB Amsterdam Netherlands	Netherlands
Atlassian Philippines, Inc.	2nd Floor Building 3 Bonifacio High Street Central East Fort Bonifacio Global City Taguig, Metro Manila 1634 Philippines	Philippines
Atlassian France SAS	3 boulevard Sébastopol 75001 Paris France	France
Atlassian B.V.	Singel 236 1016 AB Amsterdam Netherlands	Netherlands
Atlassian Canada Inc.	2900-550 Burrard Street Vancouver BC V6C 0A3 Canada	Canada
Atlassian India LLP	RMZ Ecoworld 10th Floor, Campus 4C Sarjapur Marathalli Outer Ring Road Bengaluru 560 103 Karnataka - India	India

(1) Atlassian (Global) Limited is currently in liquidation.

Subsidiaries exempt from audit

The following United Kingdom subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended June 30, 2019:

Name	Registration number
Atlassian (UK) Limited	8777838
Atlassian (Australia) Limited	8779888
Atlassian (UK) Operations Limited	8855064
Atlassian (Global) Limited	8781674
Atlassian (UK) Holdings Limited	11101883

5. Financial Assets and Liabilities

Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, equity price risk, and interest rate risk), credit risk and liquidity risk. The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Management regularly reviews the Group's risk management objectives to ensure that risks are identified and managed appropriately. The Board is made aware of and reviews management's risk assessments prior to entering into significant transactions.

Market risk

Currency risk

The Group operates globally and is exposed to foreign exchange risk arising from exposure to various currencies in the ordinary course of business. Our exposures primarily consist of the Australian dollar, British pound, Euro, Japanese yen, Philippine peso, Indian rupee and Canadian dollar. Foreign exchange risk arises from commercial transactions and recognized financial assets and liabilities denominated in a currency other than the U.S. dollar. The Group's foreign exchange policy is reviewed annually by the Group's audit committee and requires the Group to monitor its foreign exchange exposure on a regular basis.

The substantial majority of our sales contracts are denominated in U.S. dollars, and our operating expenses are generally denominated in the local currencies of the countries where our operations are located. We therefore benefit from a strengthening of the U.S. dollar and are adversely affected by the weakening of the U.S. dollar.

We have a hedging program in place and enter into derivative transactions to manage certain foreign currency exchange risks that arise in the Group's ordinary business operations. We enter into master netting agreements with financial institutions to execute our hedging program. We recognize all hedging derivative instruments as either assets or liabilities on our consolidated statements of financial position and measure them at fair value. We have the rights to net certain hedging derivative assets and liabilities, but we currently present them on the gross basis. Gains and losses resulting from changes in fair value are accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting.

Our master netting agreements are with selected financial institutions to reduce our credit risk and contract with several counterparties to reduce our concentration risk with any single counterparty. We do not have significant exposure to counterparty credit risk at this time. We do not require nor are we required to post collateral of any kind related to our foreign currency derivatives.

Cash flow hedging

We enter into foreign exchange forward contracts with the objective to mitigate certain currency risks associated with cost of revenues and operating expenses denominated in Australian dollars. These foreign exchange forward contracts are designated as cash flow hedges.

To receive hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedge, and the hedges must be highly effective in offsetting changes to future cash flows on hedged transactions. We include the forward element of these hedging instruments in the hedge relationship and on a quarterly basis qualitatively assess whether the hedges are expected to provide offsetting changes against the hedged items. The effect of the cash flow hedges determined to be effective is recognized in other comprehensive income and impact profit or loss in the same period or periods as the hedged items are recognized in profit or loss. Amounts reclassified from cash flow hedge reserve to profit or loss are recorded to the same functional expense as hedged item or items. Gains or losses related to the ineffective portion of cash flow hedges, if any, are recognized immediately in the same

functional expense as the hedged item or items. We measure ineffectiveness in a cash flow hedge relationship using the hypothetical derivative method. Ineffectiveness occurs only if the present value of the cumulative gain or loss on the derivative instrument exceeds the present value of the cumulative gain or loss on the hypothetical derivative, which is used to measure changes of expected future cash flow.

It is our policy to enter into cash flow hedges to hedge cost of revenues and operating expenses up to 24 months.

Balance sheet hedging

We also enter into foreign exchange forward contracts to hedge a portion of certain foreign currency denominated monetary assets and liabilities to reduce the risk that such foreign currency assets or liabilities will be adversely affected by changes in exchange rates. These contracts hedge monetary assets and liabilities that are denominated in non-functional currencies and are carried at fair value with changes in the fair value recorded to other non-operating income (expense), net on our consolidated statements of operations. These contracts do not subject us to material balance sheet risk due to exchange rate movements because gains and losses on these derivatives are intended to offset gains and losses on the monetary assets and liabilities being hedged.

Foreign currency exchange rate exposure

The Group hedged material foreign currency denominated monetary assets and liabilities using balance sheet hedges. The fluctuations in the fair market value of balance sheet hedges due to foreign currency rates generally offset those of the hedged items, resulting in no material effect on profit. Consequently, we are primarily exposed to significant foreign currency exchange rate fluctuations with regard to the spot component of derivatives held within a designated cash flow hedge relationship affecting other comprehensive income.

Foreign currency sensitivity

A sensitivity analysis performed on our hedging portfolio as of June 30, 2019 indicated that a hypothetical 10% strengthening of the U.S. dollar against other currencies applicable to our business would decrease the fair value of our foreign currency contracts by \$22.5 million. A hypothetical 10% weakening of the U.S. dollar against other currencies would increase the fair value of our foreign currency contracts by \$22.5 million.

A sensitivity analysis performed on our hedging portfolio as of June 30, 2018 indicated that a hypothetical 10% strengthening of the U.S. dollar against other currencies applicable to our business would decrease the fair value of our foreign currency contracts by \$18.8 million. A hypothetical 10% weakening of the U.S. dollar against other currencies would increase the fair value of our foreign currency contracts by \$18.8 million.

Equity Price Risk

The Group is exposed to equity price risk in connection with our Notes, including exchange and settlement provisions based on the price of our Class A ordinary shares at exchange or maturity of the Notes. In addition, the capped call transactions associated with the Notes also include settlement provisions that are based on the price of our Class A ordinary shares. The amount of cash we may receive from capped call counterparties in connection with the capped calls is determined by the price of our Class A ordinary shares.

A sensitivity analysis performed on the Notes embedded exchange derivative and capped call transactions indicates that a hypothetical 10% increase in our share price would increase the fair value of the Notes embedded exchange derivative by \$138.6 million and increase the fair value of the capped call transactions by \$16.2 million. A hypothetical 10% decrease in our share price would decrease the fair value of the Notes embedded exchange derivative by \$134.6 million and decrease the fair value of the capped call transactions by \$18.2 million.

The Group is also exposed to equity price risk in connection with our equity investments. The Group's marketable and non-marketable equity investments are susceptible to market price risk from uncertainties about future values of the investment securities. As of June 30, 2019, the Group's marketable equity investments are fair valued at \$58.9 million. A hypothetical 10% increase in the respective share prices of our equity investments would increase the fair value of our marketable equity investments by \$5.9 million.

Interest rate risk

Our cash equivalents and investment portfolio are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely impacted due to a rise in interest rates. As of June 30, 2019, the Group had cash and cash equivalents totaling \$1.3 billion and short-term investments totaling \$445.0 million.

A sensitivity analysis performed on our portfolio indicated that a hypothetical 100 basis point increase in interest rates at June 30, 2019 and 2018 would result in a \$2.3 million and \$1.7 million decrease in the market value of our investments, respectively. This estimate is based on a sensitivity model that measures market value changes when changes in interest rates occur.

Credit risk

The Group is exposed to credit risk arising from cash and cash equivalents, deposits with banks and financial institutions, investments, foreign exchange derivative contracts, and capped call transactions related to our issuance of the Notes, as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is managed on a Group basis.

The Group has a minimum credit rating requirement for banks and financial institutions with which it transacts. The Group's investments are governed by a corporate investment policy with a minimum credit ratings and concentration limits for all securities.

The Group is exposed to credit risk in the event of non-performance by the counterparties to our foreign exchange derivative contracts and our capped call transactions at maturity. To reduce the credit risk, we continuously monitor credit quality of our counterparties to such derivatives. We believe the risk of non-performance under these contracts is remote.

The Group's customer base is highly diversified, thereby limiting credit risk. Our credit policy typically requires payment within 30-45 days; and we establish credit limits for each customer based on our internal guidelines. The Group does not hold collateral as security or call on other credit enhancements. The Group manages its credit risk with customers by closely monitoring its receivables and contract assets. We continuously monitor outstanding receivables locally to assess whether there is objective evidence that our trade receivables and contract assets are credit-impaired. An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due. Please refer to Note 9 for the details of receivables, credit concentration, and ECL allowance.

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting its obligations associated with its financial liabilities as they fall due. The Group's primary source of cash is cash generated from business operations.

The table below presents the contractual undiscounted cash flows relating to the Group's financial liabilities at the balance sheet date. The cash flows are grouped based on the remaining period to the contractual maturity date. The Group has sufficient funds, including its cash, cash equivalents, and short-term investments and expected cash flows from operations, to meet these commitments as they become due. The Group may enter into financial transactions to secure additional funding to supplement existing cash flows or to maintain financial flexibility.

Contractual maturities of financial liabilities are as follows:

	Up to 12 Months	Greater than 12 Months	Total
	(U.S. \$ in thousands)		
As of June 30, 2019			
Financial liabilities:			
Trade and other payables	\$ 159,487	\$ —	\$ 159,487
Derivative liabilities	3,879	74	3,953
Exchangeable senior notes (1)	1,604,923	—	1,604,923
	<u>\$ 1,768,289</u>	<u>\$ 74</u>	<u>\$ 1,768,363</u>
As of June 30, 2018			
Financial liabilities:			
Trade and other payables	\$ 107,892	\$ —	\$ 107,892
Derivative liabilities	5,213	204	5,417
Exchangeable senior notes	—	1,000,000	1,000,000
	<u>\$ 113,105</u>	<u>\$ 1,000,204</u>	<u>\$ 1,113,309</u>

(1) The amount related to Notes represent the if-exchanged value using stock price as of June 30, 2019. Refer to Note 15 for further detail on the Notes.

Capital risk management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other capital reserves attributable to the equity holders of the parent. The primary objective of the Group's capital structure management is to ensure that it maintains an appropriate capital structure to support its business and maximize shareholder value. The Group manages its capital structure and adjusts it based on business needs and economic conditions. No material changes were made to the process of managing capital during the fiscal years ended June 30, 2019. During the fiscal year ended June 30, 2018, the Group issued \$1.0 billion of exchangeable debt for working capital and other corporate purposes, including acquiring complementary businesses, products, services or technologies.

To maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares, or consider external financing alternatives. The Group does not have any present or future plan to pay dividends on its shares.

Fair Value Measurements

The following table presents the Group's financial assets and liabilities as of June 30, 2019, by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	(U.S. \$ in thousands)			
Assets measured at fair value				
<i>Cash and cash equivalents:</i>				
Money market funds	\$ 593,696	\$ —	\$ —	\$ 593,696
U.S. treasury securities	—	6,996	—	6,996
Agency securities	—	8,084	—	8,084
Certificates of deposit and time deposits	—	9,844	—	9,844
Commercial paper	—	67,327	—	67,327
Corporate debt securities	—	7,560	—	7,560
<i>Short-term Investments:</i>				
U.S. treasury securities	—	101,759	—	101,759
Agency securities	—	26,966	—	26,966
Certificates of deposit and time deposits	—	20,466	—	20,466
Commercial paper	—	94,035	—	94,035
Corporate debt securities	—	201,820	—	201,820
<i>Current derivative assets:</i>				
Derivative assets - hedging	—	559	—	559
Derivative assets - capped call transactions	—	—	214,597	214,597
<i>Non-current derivative assets:</i>				
Derivative assets - hedging	—	77	—	77
<i>Other non-current assets:</i>				
Certificates of deposit and time deposits	—	3,660	—	3,660
Marketable equity securities	58,932	—	—	58,932
Non-marketable equity securities	—	—	3,000	3,000
Total assets measured at fair value	\$ 652,628	\$ 549,153	\$ 217,597	\$ 1,419,378
Liabilities measured at fair value				
<i>Current derivative liabilities:</i>				
Derivative liabilities - hedging	\$ —	\$ 3,879	\$ —	\$ 3,879
Derivative liabilities - exchangeable feature of Notes	—	—	851,126	851,126
<i>Non-current derivative liabilities:</i>				
Derivative liabilities - hedging	—	74	—	74
Total liabilities measured at fair value	\$ —	\$ 3,953	\$ 851,126	\$ 855,079
Liabilities for which fair value is disclosed				
Exchangeable senior notes	\$ —	\$ 1,697,200	\$ —	\$ 1,697,200

The following table presents the Group's financial assets and liabilities as of June 30, 2018, by the level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	(U.S. \$ in thousands)			
Assets measured at fair value				
Cash and cash equivalents:				
Money market funds	\$ 693,596	\$ —	\$ —	\$ 693,596
Commercial paper	—	29,118	—	29,118
Agency securities	—	7,989	—	7,989
Corporate debt securities	—	1,000	—	1,000
U.S. treasury securities	—	18,968	—	18,968
Short-term Investments				
U.S. treasury securities	—	52,700	—	52,700
Agency securities	—	22,015	—	22,015
Certificates of deposit and time deposits	—	55,164	—	55,164
Commercial paper	—	35,372	—	35,372
Corporate debt securities	—	157,883	—	157,883
Current derivative assets:				
Derivative assets- hedging	—	60	—	60
Non-current derivative assets:				
Derivative assets- hedging	—	3	—	3
Derivative assets- capped call transactions	—	—	99,932	99,932
Other non-current assets:				
Certificates of deposit and time deposits	—	3,660	—	3,660
Total assets measured at fair value	\$ 693,596	\$ 383,932	\$ 99,932	\$ 1,177,460
Liabilities measured at fair value				
Current derivative liabilities:				
Derivative liabilities- hedging	\$ —	\$ 5,213	\$ —	\$ 5,213
Non-current derivative liabilities:				
Derivative liabilities- hedging	—	204	—	204
Derivative liabilities- embedded exchange feature of the exchangeable senior notes	—	—	202,553	202,553
Total liabilities measured at fair value	\$ —	\$ 5,417	\$ 202,553	\$ 207,970
Liabilities for which fair value is disclosed				
Exchangeable senior notes	\$ —	\$ 1,033,030	\$ —	\$ 1,033,030

Due to the short-term nature of trade receivables, contract assets and trade and other payables, their carrying amount is assumed to approximate their fair value.

Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

Embedded exchange feature of the exchangeable senior notes and capped call transactions

In April 2018, the Group issued \$1 billion in Notes and entered into related capped call transactions. Please refer to Note 12 for details. The Exchange and Capped Call Derivatives are measured at fair value using Black-Scholes option pricing models that utilize both observable and unobservable market inputs.

Exchange and Capped Call Derivatives are classified as level 3 as the Group uses stock price volatility implied from options traded with a substantially shorter term, which makes this an unobservable input that is significant to the valuation. In general, an increase in our stock price volatility would increase the fair value of the derivatives and would result in a net loss. Other significant inputs to the valuation includes our stock price and time to expiration of the options, which are observable. An increase in our stock price would increase the fair value of the derivatives and would result in a net loss. As time to expiration of the options decreases with passage of time, the fair value of the derivatives would decrease. The future impact on other non-operating income (expense), net depends on how significant inputs such as stock price, stock price volatility and time to expiration of the options change in relation to other inputs.

The stock price volatility as of June 30, 2019, ranged from 43.8% to 47.3%. As of June 30, 2019, a 10% higher volatility, holding other inputs constant would result in approximately \$46.9 million of additional loss for the fiscal year ended June 30, 2019. The stock price volatility as of June 30, 2018, ranged from 32.7% to 36.3%. As of June 30, 2018, a 10% higher volatility, holding other inputs constant would result in approximately \$23.5 million of additional loss for the fiscal year ended June 30, 2018.

Non-marketable investments

Non-marketable equity securities are measured at fair value using market data, such as publicly available financing round valuations. Financial information of private companies may not be available and consequently we will estimate the fair value based on the best available information at the measurement date.

The following table presents the reconciliations of Level 3 financial instrument fair values:

	Capped Call	Embedded exchange feature of Notes	Non-marketable investments
	(U.S. \$ in thousands)		
Balance as of June 30, 2017	\$ —	\$ —	\$ —
Purchases	87,700	(177,907)	—
Gains (losses)			
Recognized in other non-operating (expense) income, net	12,232	(24,646)	—
Balance as of June 30, 2018	99,932	(202,553)	—
Change in unrealized gains (losses) relating to assets and liabilities held as of June 30, 2018			
Recognized in other non-operating income (expense), net	12,232	(24,646)	—
Balance as of June 30, 2018	\$ 99,932	\$ (202,553)	\$ —
Purchases	—	—	23,000
Transfer out	—	—	(20,942)
Gains (losses)			
Recognized in finance income	—	—	270
Recognized in other non-operating (expense) income, net	114,665	(648,573)	—
Recognized in other comprehensive income	—	—	672
Balance as of June 30, 2019	\$ 214,597	\$ (851,126)	\$ 3,000
Change in unrealized gains (losses) relating to assets and liabilities held as of June 30, 2019			
Recognized in other non-operating income (expense), net	114,665	(648,573)	—

There were transfers out from Level 3 due to initial public offerings of the respective investees during fiscal year 2019. There were no transfers between levels during fiscal year 2018.

Investments

As of June 30, 2019, the Group's investments consisted of the following:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
(U.S. \$ in thousands)				
Debt Investments				
Marketable debt securities				
U.S. treasury securities	\$ 101,563	\$ 203	\$ (7)	101,759
Agency securities	26,936	33	(3)	26,966
Certificates of deposit and time deposits	24,126	—	—	24,126
Commercial paper	94,035	—	—	94,035
Corporate debt securities	201,552	292	(24)	201,820
Total debt investments	448,212	528	(34)	448,706
Equity Investments				
Marketable equity securities	20,270	38,662	—	58,932
Non-marketable equity securities	3,000	—	—	3,000
Total equity investments	23,270	38,662	—	61,932
Total investments	\$ 471,482	\$ 39,190	\$ (34)	\$ 510,638

As of June 30, 2019, the Group had \$445.0 million of investments which were classified as short-term investments on the Group's consolidated statements of financial position. Additionally, the Group had marketable equity securities totaling \$58.9 million, non-marketable equity securities totaling \$3.0 million, and certificates of deposit and time deposits totaling \$3.7 million which were classified as long-term and were included in other non-current assets on the Group's consolidated statements of financial position.

As of June 30, 2018, the Group's investments consisted of the following:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
(U.S. \$ in thousands)				
Debt Investments				
U.S. treasury securities	\$ 52,809	\$ —	\$ (109)	\$ 52,700
Agency securities	22,097	—	(82)	22,015
Certificates of deposit and time deposits	58,824	—	—	58,824
Commercial paper	35,372	—	—	35,372
Corporate debt securities	158,538	14	(669)	157,883
Total investments	\$ 327,640	\$ 14	\$ (860)	\$ 326,794

As of June 30, 2018, the Group had \$323.1 million of investments which were classified as short-term investments on the Group's consolidated statements of financial position. Additionally, the Group had certificates of deposit and time deposits totaling \$3.6 million which were classified as long-term and were included in other non-current assets on the Group's consolidated statements of financial position.

The effects of the Group's investments on the consolidated financial statements were as follows (amounts presented are prior to any income tax effects):

	Fiscal Year Ended June 30,		
	2019	2018	2017
(U.S. \$ in thousands)			
Unrealized gain (loss) recognized in other comprehensive income	\$40,017	\$ (601)	\$ (849)
Gain (loss) recognized into profit or loss	\$ 15	\$ (15)	\$ 96

The table below summarizes the Group's debt investments by remaining contractual maturity based on the effective maturity date:

	As of June 30,	
	2019	2018
	(U.S. \$ in thousands)	
Recorded as follows:		
Due in one year or less	\$ 442,964	\$ 277,087
Due after one year	5,742	49,707
Total investments	\$ 448,706	\$ 326,794

Derivative financial instruments

The group have derivative instruments that are used for hedging activities as discussed below and derivative instruments relating to the Notes and the capped calls as discussed in Note 15: Exchangeable Senior Notes.

The fair value of the hedging derivative instruments were as follows:

	Statement of Financial Position Location	Fair Value As of June 30, 2019	Fair Value As of June 30, 2018
(U.S. \$ in thousands)			
Derivative assets - hedging			
Derivatives designated as hedging instruments:			
Foreign exchange forward contracts	Current derivative assets	\$ 247	\$ 39
Foreign exchange forward contracts	Non-current derivative assets	77	3
Derivatives not designated as hedging instruments:			
Foreign exchange forward contracts	Current derivative assets	312	21
Total derivative assets		\$ 636	\$ 63
Derivative liabilities - hedging			
Derivatives designated as hedging instruments:			
Foreign exchange forward contracts	Current derivative liabilities	\$ 3,854	\$ 5,006
Foreign exchange forward contracts	Non-current derivative liabilities	74	204
Derivatives not designated as hedging instruments:			
Foreign exchange forward contracts	Current derivative liabilities	25	207
Total derivative liabilities		\$ 3,953	\$ 5,417

The following table sets forth the notional amounts of our derivative instruments as of June 30, 2019 (in thousands):

	Notional Amounts of Derivative Instruments					
	Notional Amount by Term to Maturity			Classification by Notional Amount		
	Under 12 months	Over 12 months	Total	Cash Flow Hedge	Non Hedge	Total
Foreign exchange forward contracts	\$259,674	\$14,477	\$274,151	\$230,264	\$43,887	\$274,151

The following table sets forth the notional amounts of our derivative instruments as of June 30, 2018 (in thousands):

	Notional Amounts of Derivative Instruments					
	Notional Amount by Term to Maturity			Classification by Notional Amount		
	Under 12 months	Over 12 months	Total	Cash Flow Hedge	Non Hedge	Total
Foreign exchange forward contracts	\$188,633	\$12,492	\$201,125	\$180,898	\$20,227	\$201,125

The effects of derivatives designated as hedging instruments on our consolidated financial statements were as follows (amounts presented are prior to any income tax effects):

	Fiscal Year Ended June 30,		
	2019	2018	2017
	(U.S. \$ in thousands)		
Gain recognized into general and administrative expense - ineffective portion	\$ 24	\$ 12	\$ (3)
Gross unrealized loss recognized in other comprehensive income	\$ (8,369)	\$ (4,387)	\$ 4,520
Net (loss) gain reclassified from cash flow hedge reserve into profit or loss - effective portion	\$ (9,908)	\$ 3,954	\$ 1,356
Recognized in cost of revenues	\$ (713)	\$ 134	\$ 49
Recognized in research and development	\$ (6,935)	\$ 2,532	\$ 1,010
Recognized in marketing and sales	\$ (194)	\$ 112	\$ 21
Recognized in general and administrative	\$ (2,066)	\$ 1,176	\$ 276

6. Other Non-operating Expense, Net

Other non-operating expense, net consisted of the following:

	Fiscal Year Ended June 30,		
	2019	2018	2017
Exchange derivative allocated issuance costs	\$ —	\$ (1,785)	\$ —
Net unrealized loss on exchange derivative and capped calls	(533,908)	(12,414)	—
Foreign currency exchange loss, net	(702)	(413)	(93)
Contributions to Atlassian Foundation	(3,629)	(1,856)	(1,620)
Other income	2,786	1,311	371
Other non-operating expense, net	\$ (535,453)	\$ (15,157)	\$ (1,342)

7. Expenses

Loss before income tax benefit (expense) included the following expenses:

	Fiscal Year Ended June 30,		
	2019	2018	2017
	(U.S. \$ in thousands)		
Depreciation:			
Equipment	\$ 1,336	\$ 1,214	\$ 1,022
Computer hardware and software	1,476	11,543	23,729
Furniture and fittings	2,031	1,485	1,016
Leasehold improvements	8,604	7,915	5,923
Total depreciation	13,447	22,157	31,690
Amortization:			
Patents and trademarks	7,796	6,990	2,907
Customer relationships	21,015	29,100	12,361
Acquired developed technology	27,990	21,188	14,588
Total amortization	56,801	57,278	29,856
Total depreciation and amortization	\$ 70,248	\$ 79,435	\$ 61,546
Employee benefits expense:			
Salaries and wages	\$ 351,401	\$ 273,326	\$ 201,953
Variable compensation	62,106	33,067	19,260
Payroll taxes	42,020	30,478	20,792
Share-based payment expense	257,762	162,873	137,448
Defined contribution plan expense	22,566	16,839	13,041
Contractor expense	27,263	23,666	16,333
Other	53,654	44,877	34,605
Total employee benefits expense	\$ 816,772	\$ 585,126	\$ 443,432

Share-based payment expense has been allocated as follows:

	Fiscal Year Ended June 30,		
	2019	2018	2017
	(U.S. \$ in thousands)		
Cost of revenues	\$ 17,450	\$ 11,955	\$ 6,856
Research and development	149,049	98,609	79,384
Marketing and sales	39,303	23,605	17,395
General and administrative	51,960	28,704	33,813
	\$ 257,762	\$ 162,873	\$ 137,448

Amortization of intangible assets has been allocated as follows:

Fiscal Year Ended June 30,

	2019	2018	2017
	(U.S. \$ in thousands)		
Cost of revenues	\$ 27,997	\$ 21,188	\$ 14,587
Research and development	60	—	—
Marketing and sales	28,744	36,090	15,269
	<u>\$ 56,801</u>	<u>\$ 57,278</u>	<u>\$ 29,856</u>

8. Income Tax

The major components of income tax (expense) benefit for the fiscal years ended 2019, 2018 and 2017 are as follows:

	Fiscal Year Ended June 30,		
	2019	2018	2017
	(U.S. \$ in thousands)		
	*As Adjusted	*As Adjusted	
Current income tax:			
Current income tax charge	\$ (15,788)	\$ (1,956)	\$ (11,518)
Adjustments in respect of current income tax of previous years	(361)	(48)	(25)
Deferred tax:			
Benefit (expense) relating to origination and reversal of temporary differences	30,417	(19,934)	25,864
Adjustments in respect of temporary differences of previous years	(46,333)	(33,363)	630
Income tax (expense) benefit	<u>\$ (32,065)</u>	<u>\$ (55,301)</u>	<u>\$ 14,951</u>

* As adjusted to reflect the impact of the full retrospective adoption of IFRS 15. See Note 2 for further details.

A reconciliation between income tax (expense) benefit and the product of accounting loss multiplied by the U.K.'s domestic tax rate for the fiscal years ended 2019, 2018 and 2017, is as follows:

	Fiscal Year Ended June 30,		
	2019	2018	2017
	(U.S. \$ in thousands)		
		*As Adjusted	*As Adjusted
Loss before income tax (expense) benefit	\$ (605,556)	\$ (58,131)	\$ (52,400)
At the U.K.'s statutory income tax rate of 19% in fiscal 2019 and 2018, and 19.75% in fiscal 2017	115,031	12,508	11,781
Tax effect of amounts that are not taxable (deductible) in calculating taxable income:			
Research and development incentive	660	2,620	18,404
Non-deductible charges relating to exchangeable senior notes	(104,445)	(3,195)	—
Share-based payment	(3,729)	(11,199)	(9,946)
Amortization of intangible assets that do not give rise to deferred taxes	(4)	(31)	(673)
Foreign tax rate adjustment	1,685	(4,968)	(1,990)
Adjustment to deferred tax balance	6,337	(14,602)	(332)
Other items, net	(906)	(3,023)	(2,898)
	14,629	(21,890)	14,346
Adjustments in respect to current income tax of previous years	(361)	(48)	(25)
Adjustments in respect to deferred income tax of previous years	(46,333)	(33,363)	630
Income tax (expense) benefit	<u>\$ (32,065)</u>	<u>\$ (55,301)</u>	<u>\$ 14,951</u>

* As adjusted to reflect the impact of the full retrospective adoption of IFRS 15. See Note 2 for further details.

Details of deferred taxes, recognized and unrecognized:

	Consolidated Statements of Financial Position		Consolidated Statements of Operations	
	As of June 30,		Fiscal Year Ended June 30,	
	2019	2018	2019	2018
(U.S. \$ in thousands)				
	*As Adjusted		*As Adjusted	
Depreciation for tax purposes	\$ 35	\$ 2,537	\$ (2,564)	\$ 1,415
Provisions, accruals and prepayments	(454)	7,241	(7,164)	95
Deferred revenue	(3,073)	22,650	(23,932)	10,714
Unrealized foreign currency exchange (gains) losses	(428)	(410)	(101)	(226)
Unrealized investment (gains) losses	(8,213)	1,644	(405)	—
Carried forward tax losses (gains)	2,034	850	(409)	(34,221)
Carried forward tax credits—credited to profit and loss	2,452	5,456	(3,005)	(41,546)
Intangible assets	9,943	16,620	13,095	50,680
Tax benefit (expense) from share plans—income	551	216	331	(30,379)
Tax benefit (expense) from share plans—equity	889	127	300	(123)
Deferred foreign taxes	—	(9,460)	10,605	(10,605)
Other, net	(524)	(411)	(2,668)	899
Deferred tax benefit	—	—	\$ (15,917)	\$ (53,297)
Deferred tax assets, net	\$ 3,212	\$ 47,060		
Reflected in the consolidated statements of financial position as follows:				
Deferred tax assets	\$ 17,084	\$ 59,220		
Deferred tax liabilities	(13,872)	(12,160)		
Deferred tax assets, net	\$ 3,212	\$ 47,060		
Items for which no deferred tax asset has been recognized:				
Depreciation and amortization for tax purposes	4,804	2,221		
Provisions, accruals and prepayments	13,421	314		
Deferred revenue	37,342	15,723		
Unrealized foreign currency exchange gains	—	215		
Unused tax losses	401,108	161,513		
Intangible assets	1,963,534	2,054,530		
Tax benefit from share plans- income	45,849	30,114		
Tax benefit from share plans- equity	109,061	62,719		
Capital loss	1,391	1,391		
Carried forward tax credits- credited to profit and loss	47,537	30,418		
Unrealized loss on investments	1,076	160		
Other, net	10,610	5,800		
	<u>\$ 2,635,733</u>	<u>\$ 2,365,118</u>		

* As adjusted to reflect the impact of the full retrospective adoption of IFRS 15. See Note 2 for further details.

	2019	2018
	(U.S. \$ in thousands)	
	*As Adjusted	
Reconciliation of deferred tax assets, net		
Balance as of July 1,	\$ 47,060	\$ 140,532
Deferred tax expense for the year	(15,916)	(53,297)
Debited to equity	(8,884)	(40,092)
Adjustment in respect of income tax payable	—	(83)
Impact from business combinations	(19,092)	—
Currency revaluation impact	44	—
Balance as of June 30,	\$ 3,212	\$ 47,060

* As adjusted to reflect the impact of the full retrospective adoption of IFRS 15. See Note 2 for further details.

The U.S. Tax Cuts and Jobs Act (the "Tax Act") enacted on December 22, 2017 introduces a number of changes to U.S. income tax law. Among other changes, the Tax Act (i) reduces the U.S. federal corporate tax rate from 35% to 21%, (ii) enacts limitations regarding the deductibility of interest expense, (iii) modifies the provisions relating to the limitations on deductions for executive compensation of publicly traded corporations, (iv) imposes new limitations on the utilization of net operating loss arising in taxable years beginning after December 31, 2017, (v) repeals the corporate alternative minimum tax and provides for a refund of existing alternative minimum tax credits, and (vi) creates new taxes on certain foreign-sourced earnings and certain related-party payments, which are referred to as the global intangible low-taxed income tax and the base erosion tax, respectively.

As a result of the new U.S. federal statutory corporate tax rate of 21% contained within the Tax Act, the Group recorded non-cash charges of \$16.9 million to tax expense and \$16.9 million to equity to revalue the Group's U.S. net deferred tax assets during fiscal year 2018.

In June 2019 and December 2017, as a result of the Group's assessment of the realizability of its Australian and U.S. deferred tax assets, the Group recorded non-cash charges to tax expense of \$54.7 million and \$30.4 million, respectively, and \$25.8 million to equity in December 2017 to reduce the carrying value of these assets. The assessment of the realizability of the Australian and U.S. deferred tax assets is based on all available positive and negative evidence. Such evidence includes, but is not limited to, recent cumulative earnings or losses, expectations of future taxable income by taxing jurisdiction, and the carry-forward periods available for the utilization of deferred tax assets. The Group will continue to assess and record any necessary changes to align its deferred tax assets to their realizable value.

In December 2017, the Group made changes to its corporate structure to include certain foreign subsidiaries in its U.S. consolidated tax group that resulted in the creation of certain deferred tax assets and liabilities, including a non-recognized deferred tax asset of \$2.1 billion related to the fair market value of its intellectual property. The assets are included in the Group's quarterly assessment and are only recognized to the extent they are determined to be realizable.

The impact on the net deferred tax asset from business combinations of \$19.1 million in fiscal year 2019 represents the net deferred tax assets and liabilities recognized as a result of the acquisition of OpsGenie. The Group acquired net operating loss carryforward deferred tax assets of approximately \$1.8 million from OpsGenie. The Group also recognized deferred tax liabilities of approximately \$19.6 million primarily related to acquired intangibles from OpsGenie, the amortization of which will not be deductible from future taxable profits.

The Group recognizes certain amounts directly in equity including current tax benefits related to tax deductions in excess of cumulative book expense for share based payment awards, deferred tax benefits related to revaluing its deferred tax assets for share based payment awards to fair market value at each reporting date, and deferred tax

expense or benefit related to unrealized gains and losses that are recorded in other comprehensive income.

	2019	2018
	(U.S. \$ in thousands)	
Amounts recognized directly in equity:		
Net deferred tax—debited directly to equity	\$ (8,884)	\$ (40,092)
	\$ (8,884)	\$ (40,092)

The Group has the following losses and credits available for offsetting future profit and taxes:

	Expiration	Amount carried forward	Amount recognized as of June 30, 2019
U.S. net operating loss (Pre - 2017 Tax Reform)	June 30, 2032-December 30, 2037	\$ 128,705	\$ 137
U.S. net operating loss (Post - 2017 Tax Reform)	None	\$ 1,631,941	\$ 1,740
State net operating loss- various states	June 30, 2024-June 30, 2039	\$ 670,960	\$ 156
U.K. net operating loss	None	\$ 1	\$ —
U.S. research and development credits	June 30, 2031-June 30, 2030	\$ 33,490	\$ 170
State research and development credits-California	None	\$ 13,599	\$ 65
State research and development credits-Texas	June 30, 2036-June 30, 2039	\$ 2,277	\$ 2,218
Australia capital loss	None	\$ 4,637	\$ —
State enterprise zone credits	June 30, 2020-June 30, 2024	\$ 685	\$ 3

9. Trade Receivables

The Group's trade receivables consisted of the following:

	As of June 30,	
	2019	2018
	(U.S. \$ in thousands)	
Trade receivables	\$ 83,044	\$ 46,770
ECL allowances	(519)	(629)
	\$ 82,525	\$ 46,141

As of June 30, 2019, two customers, both solution partners, represented 13% and 13% of the total trade receivables balance. As of June 30, 2018, two customers, both solution partners, represented 15% and 10% of the total trade receivables balance.

Expected Credit Loss ("ECL") Allowance

As of June 30, 2019 and 2018, the Group had ECL allowance of \$519,000 and \$629,000, respectively. The movements in the ECL allowance were as follows:

	(U.S. \$ in thousands)
As of June 30, 2017	\$ 116
Change in estimate	513
As of June 30, 2018	629
Change in estimate	(110)
As of June 30, 2019	\$ 519

Trade Receivables Aging

(U.S. \$ in thousands)			
<i>As of June 30, 2019</i>			
	Current	Past due days < 90 days	> 90 days
ECL rate	—	—	43.3%
Trade receivables carrying amount	71,883	9,961	1,200
ECL	—	—	519
<i>As of June 30, 2018</i>			
	Current	< 90 days	> 90 days
ECL rate	—	—	89.5%
Trade receivables carrying amount	41,134	4,933	703
ECL	—	—	629

10. Property and Equipment

Property and equipment, net consisted of the following:

	Equipment	Computer Hardware and Software	Furniture and Fittings	Leasehold Improvements and Other	Total
(U.S. \$ in thousands)					
As of June 30, 2018					
Opening cost balance	\$ 3,895	\$ 53,448	\$ 7,083	\$ 33,840	\$ 98,266
Additions	1,651	247	4,023	28,279	34,200
Disposals	(320)	(44,545)	(83)	(668)	(45,616)
Effect of change in exchange rates	(2)	(3)	8	5	8
Closing cost balance	5,224	9,147	11,031	61,456	86,858
Opening accumulated depreciation	(2,121)	(38,336)	(2,449)	(14,187)	(57,093)
Depreciation expense	(1,214)	(11,543)	(1,485)	(7,915)	(22,157)
Effect of change in exchange rates	(1)	1	(4)	21	17
Disposals	272	43,048	43	668	44,031
Closing accumulated depreciation	(3,064)	(6,830)	(3,895)	(21,413)	(35,202)
Net book amount	\$ 2,160	\$ 2,317	\$ 7,136	\$ 40,043	\$ 51,656
As of June 30, 2019					
Opening cost balance	\$ 5,224	\$ 9,147	\$ 11,031	\$ 61,456	\$ 86,858
Additions	3,460	1,911	4,268	33,838	43,477
Disposals	(829)	(514)	(689)	(5,339)	(7,371)
Effect of change in exchange rates	2	4	(4)	83	85
Closing cost balance	7,857	10,548	14,606	90,038	123,049
Opening accumulated depreciation	(3,064)	(6,830)	(3,895)	(21,413)	(35,202)
Depreciation expense	(1,336)	(1,476)	(2,031)	(8,604)	(13,447)
Disposals	741	498	493	5,339	7,071
Effect of change in exchange rates	1	—	5	(18)	(12)
Closing accumulated depreciation	(3,658)	(7,808)	(5,428)	(24,696)	(41,590)
Net book amount	\$ 4,199	\$ 2,740	\$ 9,178	\$ 65,342	\$ 81,459

The Company had disposals of property, plant and equipment in 2019 and 2018, with a net carrying amount of \$0.3 million and \$1.6 million, respectively.

11. Goodwill and Intangible Assets

Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill amounts are not amortized, but rather tested for impairment at least annually during the fourth quarter.

Goodwill consisted of the following:

	Note	Goodwill (U.S. \$ in thousands)
Balance as of June 30, 2017		\$ 311,900
Effect of change in exchange rates		43
Balance as of June 30, 2018		311,943
Additions	12	297,010
Effect of change in exchange rates		(46)
Balance as of June 30, 2019		\$ 608,907

Impairment test for goodwill

The Group operates as a single CGU and all goodwill is allocated to this unit. The recoverable amount of goodwill was assessed by comparing the market capitalization of the Group to its book value, among other qualitative factors, when reviewing for indicators of impairment. There was no impairment of goodwill during the fiscal years ended 2019, 2018, and 2017.

Intangible assets

Intangible assets consisted of the following:

	Patents, Trademarks and Other Rights	Acquired Developed Technology	Customer Relationships	Total
	(U.S. \$ in thousands)			
As of June 30, 2018				
Opening cost balance	\$ 21,745	\$ 136,960	\$ 58,684	\$ 217,389
Effect of change in exchange rates	—	90	—	90
Closing cost balance	21,745	137,050	58,684	217,479
Opening accumulated amortization	(3,042)	(80,759)	(12,799)	(96,600)
Amortization charge	(6,990)	(21,188)	(29,100)	(57,278)
Effect of change in exchange rates	—	(24)	—	(24)
Closing accumulated amortization	(10,032)	(101,971)	(41,899)	(153,902)
Net book amount	\$ 11,713	\$ 35,079	\$ 16,785	\$ 63,577
As of June 30, 2019				
Opening cost balance	\$ 21,745	\$ 137,050	\$ 58,684	\$ 217,479
Additions	5,550	72,589	67,168	145,307
Disposals	—	(12,443)	—	(12,443)
Effect of change in exchange rates	—	(103)	—	(103)
Closing cost amount	27,295	197,093	125,852	350,240
Opening accumulated amortization	(10,032)	(101,971)	(41,899)	(153,902)
Amortization charge	(7,796)	(27,990)	(21,015)	(56,801)
Disposals	—	11,365	—	11,365
Effect of change in exchange rates	—	73	—	73
Closing accumulated amortization	(17,828)	(118,523)	(62,914)	(199,265)
Net book amount	\$ 9,467	\$ 78,570	\$ 62,938	\$ 150,975

As of June 30, 2019, no development costs have qualified for capitalization, and all development costs have been expensed as incurred. As of June 30, 2019, the remaining amortization period for acquired developed technology ranged from approximately 1 year to 5 years. The remaining amortization period for customer relationships ranged from 3 years to 9 years.

12. Business combinations

Fiscal 2019

AgileCraft

On April 3, 2019, we acquired 100% of the outstanding equity of AgileCraft LLC, a leading provider of enterprise agile planning software. Total purchase price consideration for AgileCraft was approximately \$155.7 million, which consisted of approximately \$154.0 million in cash and \$1.7 million in fair value of replacement shares attributable to

service provided prior to acquisition. The Company issued 24,173 replacement shares and the fair value of the replacement shares was based on grant date stock price of the Company. In addition, the Company granted \$12.5 million worth of restricted shares of the Company to key employees of AgileCraft, which are subject to future vesting provisions based on service conditions.

The Group acquired AgileCraft to complement its current product offerings and to help enterprise organizations build and manage a 'master plan' of their most strategic projects and workstreams. The Group has included the financial results of AgileCraft in its consolidated financial statements from the date of acquisition, which have not been material to date. Pro forma results of operations have not been presented for the twelve months ended June 30, 2019 because the effect of the acquisition was not material to the financial statements.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed as of the date of acquisition:

	Fair Value (U.S. \$ in thousands)
Cash and cash equivalents	\$ 1,193
Trade receivables	3,614
Prepaid expenses and other current assets	270
Intangible assets	52,900
Goodwill	101,184
Trade and other payables	(1,196)
Deferred revenue	(2,230)
Net assets acquired	<u>\$ 155,735</u>

The excess of purchase consideration over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill. The goodwill balance is primarily attributed to the assembled workforce and expanded market opportunities. The goodwill balance is deductible for income tax purposes. The fair values assigned to tangible assets acquired, liabilities assumed and identifiable intangible assets were based on management's estimates and assumptions. The fair value of acquired receivables approximates the gross contractual amounts receivable. Critical estimates in valuing certain intangible assets and goodwill include, but are not limited to, future expected cash flows from revenues, technology migration curve, and discount rates. The deferred tax liabilities were primarily a result of the difference in the book basis and tax basis related to the identifiable intangible assets. Transaction costs of \$1.2 million were expensed as incurred, which was included in general and administrative expenses.

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition.

	Fair Value (U.S. \$ in thousands)	Useful Life (years)
Developed technology	\$ 34,600	5
Customer relationships	16,900	7
Backlog	1,400	3
Total intangible assets subject to amortization	<u>\$ 52,900</u>	

The amount recorded for developed technology represents the estimated fair value of AgileCraft's enterprise agile planning technology. The amount recorded for customer relationships represents the fair value of the underlying relationships with AgileCraft's customers. The amount recorded for backlog represents the fair value of AgileCraft's backlog as of acquisition date.

OpsGenie

On October 1, 2018, we acquired 100% of the outstanding equity of OpsGenie Inc., a leader in incident alerting and on-call schedule management, for cash consideration of \$259.5 million. In addition, the Company granted \$36.3

million worth of restricted shares of the Company to key employees of OpsGenie, which are subject to future vesting provisions based on service conditions. The Group acquired OpsGenie to complement our current product offerings and enable customers to plan for and respond to IT service disruptions. The Group has included the financial results of OpsGenie in its consolidated financial statements from the date of acquisition, which have not been material to date. Pro forma results of operations have not been presented for the twelve months ended June 30, 2019 because the effect of the acquisition was not material to the financial statements.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed as of the date of acquisition:

	Fair Value (U.S. \$ in thousands)
Cash and cash equivalents	\$ 1,232
Trade receivables	1,933
Prepaid expenses and other current assets	513
Intangible assets	87,900
Goodwill	189,727
Trade and other payables	(1,533)
Deferred revenue	(1,217)
Deferred tax liabilities, net	(19,010)
Net assets acquired	\$ 259,545

The excess of purchase consideration over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill. The goodwill balance is primarily attributed to the assembled workforce and expanded market opportunities. The goodwill balance is not deductible for income tax purposes. The fair values assigned to tangible assets acquired, liabilities assumed and identifiable intangible assets were based on management's estimates and assumptions. The fair value of acquired receivables approximates the gross contractual amounts receivable. Critical estimates in valuing certain intangible assets and goodwill include, but are not limited to, future expected cash flows from revenues, technology migration curve, customer attrition rate and discount rates. The deferred tax liabilities were primarily a result of the difference in the book basis and tax basis related to the identifiable intangible assets. Transaction costs of \$1.8 million were expensed as incurred, which was included in general and administrative expenses.

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition.

	Fair Value (U.S. \$ in thousands)	Useful Life (years)
Developed technology	\$ 35,600	5
Customer relationships	48,600	10
Trade name	3,700	5
Total intangible assets subject to amortization	\$ 87,900	

The amount recorded for developed technology represents the estimated fair value of OpsGenie's incident management and alerting technology. The amount recorded for customer relationships represents the fair value of the underlying relationships with OpsGenie customers. The amount recorded for trade name represents the fair value of OpsGenie trade name.

Other fiscal year 2019 business combinations

On April 8, 2019, the Group acquired 100% of the outstanding equity of Good Software Co. Pty Ltd ("Good Software") for cash consideration of approximately \$2.7 million. In addition, the Company granted \$1.3 million worth of restricted shares of the Company to a key employee of Good Software, which are subject to future vesting provisions based on service conditions. Good Software provides analytics tools for Confluence. The Group acquired Good Software to integrate the analytics tool into Confluence and to complement our current Confluence product. The purchase price

was allocated to net tangible assets of \$0.2 million, developed technology of \$0.6 million, customer relationship of \$0.3 million and goodwill of \$1.6 million. The goodwill balance is primarily attributed to the assembled workforce and expanded market opportunities when integrating with Confluence. The goodwill balance is partially deductible for income tax purposes.

On December 10, 2018, the Group acquired the intangible assets of Ludable LLC related to Butler for Trello, a workflow automation tool, for cash consideration of approximately \$6.0 million. In addition, the Company granted \$3.5 million worth of restricted shares of the Company to the key employee of Ludable LLC, which are subject to future vesting provisions based on service conditions. The transaction was accounted for as a business combination in accordance with the relevant guidance. The Group acquired the Butler for Trello assets to complement our existing Trello offerings and to help automate manual and repetitive tasks. The purchase price was allocated to developed technology of \$1.5 million and goodwill of \$4.5 million. The goodwill balance is primarily attributed to the assembled workforce and expanded market opportunities when integrating with Trello. The goodwill balance is deductible for income tax purposes.

The Group's purchase price allocations are preliminary and subject to revision as additional information existing as of the respective acquisition dates but unknown to us may become available within the respective measurement periods (up to one year from the respective acquisition dates). The primary areas of the purchase price allocation that are not yet finalized are identification of contingencies and goodwill.

Fiscal 2018

The Group did not have any business combinations during the fiscal year ended June 30, 2018.

Fiscal 2017

Trello

On February 3, 2017, the Group acquired all of the outstanding stock of Trello, a leading provider of project management and organization software, for consideration consisting of cash and the fair value of equity awards assumed. The Group acquired Trello to expand Atlassian's teamwork platform by adding a complementary collaboration service to Atlassian's existing project management, content creation and communication products. The Group has included the financial results of Trello in its consolidated financial statements from the date of acquisition, which have not been material to date.

Total purchase price consideration for Trello was approximately \$384.0 million, which consisted of approximately \$363.8 million in cash and \$20.2 million for the fair value of exchanged unvested equity awards held by Trello employees for unvested equity awards of the Company. The fair value of replacement share options issued by the Company was determined using the Black-Scholes option pricing model.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed as of the date of acquisition:

	Fair Value (U.S. \$ in thousands)
Cash and cash equivalents	\$ 1,019
Trade receivables	1,035
Prepaid expenses and other current assets	765
Deferred tax assets	17,074
Intangible assets	127,400
Goodwill	289,171
Trade and other payables	(3,532)
Deferred revenue	(2,165)
Deferred tax liabilities	(46,760)
Net assets acquired	<u>\$ 384,007</u>

The excess of purchase consideration over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill. The goodwill balance is primarily attributed to the assembled workforce and

expanded market opportunities when integrating Trello's technology with the Group's other offerings. The goodwill balance was not deductible for income tax purposes. The fair values assigned to tangible assets acquired, liabilities assumed and identifiable intangible assets were based on management's estimates and assumptions. The deferred tax liability established was primarily a result of the difference in the book basis and tax basis related to the identifiable intangible assets. The Group's purchase price allocation is preliminary and subject to revision as additional information about fair value of assets and liabilities becomes available. If additional information is obtained up to one year from the acquisition date regarding facts and circumstances that existed as of the acquisition date, the estimated fair values of assets acquired and liabilities assumed will be updated accordingly.

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition.

	Fair Value (U.S. \$ in thousands)	Useful Life (years)
Developed technology	\$ 50,600	3
Customer relationships	56,900	2
Trade names	19,900	3
Total intangible assets subject to amortization	<u>\$ 127,400</u>	

The amount recorded for developed technology represents the estimated fair value of Trello's project management and organization technology. The amount recorded for customer relationships represents the fair values of the underlying relationship with Trello customers.

Other fiscal 2017 business combinations

On July 12, 2016, the Group acquired StatusPage for \$18.3 million in cash, net of cash acquired, and \$3.3 million of deferred consideration. The Group has included the financial results of StatusPage in its consolidated financial statements from the date of acquisition, which have not been material to date. In allocating the purchase consideration based on estimated fair values, the Group recorded \$8.7 million of acquired intangible assets with useful lives of two to five years and \$15.5 million of goodwill. The goodwill balance was not deductible for income tax purposes.

13. Other Balance Sheet Accounts

Cash and cash equivalents

Cash and cash equivalents consisted of the following:

	As of June 30,	
	2019	2018
	(U.S. \$ in thousands)	
Cash and bank deposits	\$ 565,030	\$ 652,619
Amounts due from third-party credit card processors	9,904	7,049
U.S. treasury securities	6,996	18,968
Corporate debt securities	7,560	1,000
Agency securities	8,084	7,989
Commercial paper	67,327	29,118
Money market funds	593,696	693,596
Certificates of deposit and time deposits	9,844	—
Total cash and cash equivalents	<u>\$ 1,268,441</u>	<u>\$ 1,410,339</u>

Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the following:

	As of June 30,	
	2019	2018
	(U.S. \$ in thousands)	
		*As Adjusted
Prepaid expenses	\$ 23,588	\$ 21,278
Accrued interest income on short-term investments	3,072	2,582
Other receivables	1,977	3,059
Other current assets	1,599	2,816
Total prepaid expenses and other current assets	\$ 30,236	\$ 29,735

Other receivables generally arise from transactions outside the normal operating activities of the Group. Collateral is not normally required.

Other non-current assets

Other non-current assets consisted of the following:

	As of June 30,	
	2019	2018
	(U.S. \$ in thousands)	
		*As Adjusted
Marketable equity securities	\$ 58,932	\$ —
Non-marketable equity securities	3,000	—
Security deposits	5,010	5,248
Other	9,703	8,218
	\$ 76,645	\$ 13,466

* As adjusted to reflect the impact of the full retrospective adoption of IFRS 15. See Note 2 for further details.

As of June 30, 2019 and 2018, the Group had certificates of deposit and time deposits totaling \$3.7 million and \$3.7 million which were classified as long-term and were included in security deposits. Included in the Group's other non-current assets balance as of June 30, 2019 and 2018 were \$7.1 million and \$6.6 million respectively, of restricted cash used for commitments of standby letters of credit related to facility leases and were not available for the Group's use in its operations.

Trade and other payables

Trade and other payables consisted of the following:

	As of June 30,	
	2019	2018
	(U.S. \$ in thousands)	
Trade payables	\$ 24,993	\$ 17,119
Accrued expenses	53,802	42,905
Accrued compensation and employee benefits	54,507	28,302
Sales and indirect taxes	9,158	8,076
Operating lease payable	1,613	1,420
Customer deposit	7,943	6,319
Other payables	7,471	3,751
	\$ 159,487	\$ 107,892

Current provisions

Current provisions consisted of the following:

	As of June 30,	
	2019	2018
	(U.S. \$ in thousands)	
Employee benefits	\$ 8,983	\$ 7,215

Current provisions for employee benefits include accrued annual leave and long service leave. Long service leave covers all unconditional entitlements where employees have completed the required period of service and those where employees are entitled to pro rata payments.

Non-current provisions

Non-current provisions consisted of the following:

	As of June 30,	
	2019	2018
	(U.S. \$ in thousands)	
Employee benefits	\$ 3,323	\$ 2,094
Dilapidation provision	2,759	2,269
	\$ 6,082	\$ 4,363

The non-current provision for employee benefits includes long service leave as described above.

The dilapidation provision relates to certain lease arrangements for office space entered into by the Group. These lease arrangements require the Group to restore each premises to its original condition upon lease termination. Accordingly, the Group records a provision for the present value of the estimated future costs to retire long-lived assets at the expiration of these leases.

Other non-current liabilities

Other non-current liabilities consisted of the following:

	As of June 30,	
	2019	2018
	(U.S. \$ in thousands)	
Deferred rent	\$ 33,845	\$ 11,777
Other non-current liabilities	344	451
	\$ 34,189	\$ 12,228

14. Revenue

Deferred revenues

We record deferred revenues when cash payments are received or due in advance of our performance, including amounts which are refundable. The increase in the deferred revenue balance for twelve months ended June 30, 2019 is primarily driven by cash payments received or due in advance of satisfying our performance obligations, offset by \$324.4 million of revenues recognized that were included in the deferred revenue balance as of June 30, 2018. The acquisitions contributed \$3.4 million to the increase in deferred revenue balance (for more information, see Note 12).

Transaction price allocated to remaining performance obligations

IFRS 15 introduced the concept of “remaining transaction price allocated to remaining performance obligations”, which is different from unbilled deferred revenue under previous accounting guidance. Transaction price allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes billed but unearned revenue and unbilled amounts that will be invoiced and recognized as revenues in future periods.

As of June 30, 2019, approximately \$512.6 million of revenue is expected to be recognized from transaction price allocated to remaining performance obligations. We expect to recognize revenue on approximately 91% of these remaining performance obligations over the next 12 months with the balance recognized thereafter.

Disaggregated revenue

The Group's revenues by geographic region based on end-users who purchased our products or services are as follows:

	Fiscal Year Ended June 30,		
	2019	2018	2017
	(U.S. \$ in thousands)		
		*As Adjusted	*As Adjusted
Americas	\$ 603,959	\$ 439,363	\$ 317,432
EMEA	474,712	347,509	193,790
Asia Pacific	131,456	94,106	115,462
	<u>\$ 1,210,127</u>	<u>\$ 880,978</u>	<u>\$ 626,684</u>

Revenues from the United States totaled approximately \$529 million, \$386 million, and \$281 million for the fiscal years ended 2019, 2018, and 2017, respectively. Revenues from our country of domicile, the United Kingdom, totaled approximately \$86 million, \$63 million, and \$46 million for the fiscal years ended 2019, 2018, and 2017, respectively. No one customer has accounted for more than 10% of revenue for the fiscal years ended 2019, 2018, and 2017.

15. Exchangeable Senior Notes

2023 Exchangeable Senior Notes

In April 2018, Atlassian, Inc. a wholly owned subsidiary of the Company, issued \$850 million in aggregate principal amount of Notes due on May 1, 2023. In May, 2018, the initial purchasers of the Notes exercised their option to purchase an additional \$150 million in aggregate principal amount of the Notes, bringing the total aggregate principal amount of the Notes to \$1 billion. The Notes are senior, unsecured obligations of the Company, and are scheduled to mature on May 1, 2023, unless earlier exchanged, redeemed or repurchased. The Notes bear interest at a rate of 0.625% per year payable semiannually in arrears on May 1 and November 1 of each year, beginning on November 1, 2018. The net proceeds from the offering of the Notes were approximately \$990.0 million, after deducting issuance cost.

The Notes are not exchangeable into the Company's Class A ordinary shares or any other securities under any circumstances. Holders of the Notes may exchange their Notes solely into cash. The initial exchange rate for the Notes is 12.2663 of the Company's Class A ordinary shares per \$1,000 principal amount of Notes (equivalent to an initial exchange price of approximately \$81.52 per share), subject to customary anti-dilution adjustments. Holders of the Notes may exchange, at their option, on or after February 1, 2023. Further, holders of the Notes may exchange, at their option, prior to February 1, 2023 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on June 30, 2018 (and only during such calendar quarter), if the last reported sale price of the Class A ordinary shares for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the exchange price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the “measurement period”) in which the trading price per \$1,000 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Class A ordinary shares and the exchange rate for the Notes on each

such trading day; (3) if the Company calls any or all of the Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events. If a fundamental change occurs holders may require the Company to repurchase for cash all or any portion of their Notes at a fundamental change repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. In addition, if specific corporate events occur prior to the maturity date or following the Company's delivery of a notice of redemption, we will increase the exchange rate for a holder that elects to exchange its Notes in connection with such a corporate event or during the related redemption period.

The Company may redeem the Notes at its option, prior to May 1, 2023, in whole but not in part, in connection with certain tax-related events. The Company may also redeem the Notes at its option, on or after November 6, 2020, in whole or in part, if the last reported sale price per Class A ordinary share has been at least 130% of the exchange price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

The exchange feature of the Notes requires bifurcation from the Notes and is accounted for as a derivative liability. The fair value of the Notes' embedded exchange derivative at the time of issuance was \$177.9 million and was recorded as original debt discount for purposes of accounting for the debt component of the Notes. This discount is amortized as interest expense using the effective interest method over the term of the Notes. The Notes embedded exchange derivative is carried on the consolidated statements of financial position at its estimated fair value and is adjusted at the end of each reporting period, with unrealized gain or loss reflected in the consolidated statements of operations. The fair value of the exchange feature derivative liability was \$851.1 million and \$202.6 million as of June 30, 2019 and 2018, respectively.

In connection with the issuance of the Notes, the Company entered into privately negotiated capped call transactions with certain financial institutions. The aggregate cost of the capped calls was \$87.7 million. The capped call transactions expire in May 2023 and must be settled in cash. The capped call transactions are expected to generally offset cash payments due, limited by a capped price per share. The initial cap price of the capped call transactions is \$114.42 per share and is subject to certain adjustments under the terms of the capped call transactions. The capped call transactions are accounted for as derivative assets and are carried on the consolidated statements of financial position at their estimated fair value. The capped calls are adjusted to fair value each reporting period, with unrealized gain or loss reflected in the consolidated statements of operations. The fair value of capped call assets was \$214.6 million and \$99.9 million as of June 30, 2019 and 2018, respectively.

The current or non-current classification of the embedded exchange derivative liability and the capped calls asset corresponds with the classification of the Notes on the consolidated statements of financial position. The classification is evaluated at each balance sheet date, and may change from time to time depending on whether the exchange conditions are met. As of June 30, 2019, the closing price exchange condition has been met and the Notes, exchange derivative liability and the capped call assets are classified as current. Please refer to Note 5 for details on the valuation of exchange feature derivative liability and capped call assets.

The principal amount, unamortized debt discount, unamortized issuance costs and net carrying amount of the liability component of the Notes as of June 30, 2019 and 2018 were as follow:

	As of June 30,	
	2019	2018
	(U.S. \$ in thousands)	
Principal amount	\$ 1,000,000	\$ 1,000,000
Unamortized debt discount	(140,011)	(172,464)
Unamortized issuance costs	(6,413)	(7,899)
Net liability	\$ 853,576	\$ 819,637

The effective interest rate, contractual interest expense and amortization of debt discount for the Notes for the fiscal year ended June 30, 2019 and 2018 were as follow:

	Fiscal Year Ended June 30,	
	2019	2018
	(U.S. \$ in thousands)	
Effective interest rate	4.83%	4.83%
Contractual interest expense	\$ 6,267	\$ 1,075
Amortization of debt discount	\$ 32,453	\$ 5,433

Reconciliation of assets and liabilities arising from financing activities:

	Capped call assets	Exchangeable Notes, net	Embedded exchange feature of Notes	Accrued interest
	(U.S. \$ in thousands)			
Balance as of June 30, 2017	\$ —	\$ —	\$ —	\$ —
Cash flows	(87,700)	812,587	177,907	—
Amortization of debt discount and issuance cost	—	5,693	—	—
Fair value changes	(12,232)	—	24,646	—
Accrual of interest	—	—	—	1,094
Other	—	1,357	—	—
Balance as of June 30, 2018	(99,932)	819,637	202,553	1,094
Cash flows	—	—	—	(6,319)
Amortization of debt discount and issuance cost	—	33,939	—	—
Fair value changes	(114,665)	—	648,573	—
Accrual of interest	—	—	—	6,267
Balance as of June 30, 2019	\$ (214,597)	\$ 853,576	\$ 851,126	\$ 1,042

16. Shareholders' Equity

Share capital

Details	As of June 30,		As of June 30,	
	2019	2018	2019	2018
	(number of shares)		(in thousands)	
Class A ordinary shares	117,273,566	105,371,800	\$ 11,727	\$ 10,537
Class B ordinary shares	124,722,559	129,942,506	12,472	12,994
	241,996,125	235,314,306	\$ 24,199	\$ 23,531

Movements in Class A ordinary share capital

	Number of Shares	Amount (U.S. \$ in thousands)
Details		
Balance as of June 30, 2017	91,979,704	\$ 9,198
Conversion of Class B ordinary shares	5,861,707	587
Exercise of share options	1,902,084	190
Issuance for settlement of RSUs	5,253,809	525
Vesting of share options that were early exercised	374,496	37
Balance as of June 30, 2018	105,371,800	10,537
Conversion of Class B ordinary shares	5,219,947	522
Exercise of share options	1,496,875	150
Issuance for settlement of RSUs	4,674,873	467
Vesting of share options that were early exercised	510,071	51
Balance as of June 30, 2019	117,273,566	\$ 11,727

Class A shares as of June 30, 2019 and June 30, 2018 does not include 911,367 and 827,871 shares of restricted stock outstanding, respectively, that are subject to forfeiture or repurchase.

Movements in Class B ordinary share capital

	Number of Shares	Amount (U.S. \$ in thousands)
Details		
Balance as of June 30, 2017	135,283,942	\$ 13,528
Exercise of share options	520,271	53
Conversion to Class A ordinary shares	(5,861,707)	(587)
Balance as of June 30, 2018	129,942,506	12,994
Conversion to Class A ordinary shares	(5,219,947)	(522)
Balance as of June 30, 2019	124,722,559	\$ 12,472

Ordinary shares

Nominal value

Ordinary shares have a nominal value of \$0.10.

Conversion

If the aggregate number of Class B ordinary shares comprises less than 10% of the total shares of the Company then in issue, each Class B ordinary share will automatically convert into one Class A ordinary share.

Upon consent of at least 66.66% of the Class B ordinary shares, each Class B ordinary share will convert into one Class A ordinary share. A Class B ordinary shareholder may elect at any time to convert any of its Class B ordinary shares into Class A ordinary shares on a one-for-one basis. Upon a transfer of Class B ordinary shares to a person or entity that is not a permitted Class B ordinary share transferee as defined in the Company's articles of association, each Class B ordinary share transferred converts into one Class A ordinary share.

Dividend rights

Any dividend declared by the Company shall be paid on the Class A ordinary shares and the Class B ordinary shares *pari passu* as if they were all shares of the same class.

Voting rights

Each Class A ordinary share is entitled to one vote. Each Class B ordinary share is entitled to 10 votes.

Share premium

Share premium consists of additional consideration for shares above the nominal value of shares in issue.

Other capital reserves

Capital redemption and merger reserves

The Company has capital redemption and merger reserves of \$35.0 million at June 30, 2019, 2018 and 2017. They are comprised of a \$98.0 thousand capital redemption reserve that is a non-distributable reserve arising on the redemption of redeemable shares and a \$34.9 million merger reserve representing the difference between the nominal value of the shares issued by the Company in a prior reorganization and the share capital and share premium account prior to reorganization.

Share-based payments reserve

Share-based payments represent the current period's expense related to the fair value of RSUs and share options issued to employees. Tax benefits from share plans represent the deferred tax benefit of share-based payments in excess of the expense already recognized over the life of the share-based award. The total deferred tax benefit is determined using the intrinsic value of the share-based award as at the reporting date. Issuance of ordinary shares for settlement of RSUs represents the release of ordinary shares to our employees as RSUs vest.

Cash flow hedge reserve

The change in fair value for the Group's derivatives designated as hedging instruments are recognized in other comprehensive income and accumulated in a separate reserve within equity. The effect of the cash flow hedges determined to be effective is reclassified to the consolidated statements of operations in the same period as the hedged transactions. Gains or losses related to ineffective portion of cash flow hedges, if any, are recognized immediately to the consolidated statements of operations.

Foreign currency translation reserve

Exchange differences arising on translation of foreign subsidiaries are recognized in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the consolidated statements of operations when the net investment is disposed.

Investments at fair value through other comprehensive income reserve

The change in fair value for the Group's financial instruments classified at fair value through other comprehensive income are recognized in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount related to the Group's debt investments is reclassified to the consolidated statements of operations upon the sale of the investment or at maturity date.

17. Earnings Per Share

Basic earnings per share is computed by dividing the net income attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the period. Diluted earnings per share is computed by giving effect to all potential weighted-average dilutive shares. The dilutive effect of outstanding awards is reflected in diluted earnings per share by application of the treasury stock method.

A reconciliation of the calculation of basic and diluted loss per share is as follows:

	Fiscal Year Ended June 30,		
	2019	2018	2017
	(U.S. \$ in thousands, except per share data)		
		*As Adjusted	*As Adjusted
Numerator:			
Net loss attributable to ordinary shareholders	\$ (637,621)	\$ (113,432)	\$ (37,449)
Denominator:			
Weighted-average ordinary shares outstanding—basic	238,611	231,184	222,224
Weighted-average ordinary shares outstanding—diluted	238,611	231,184	222,224
Net loss per share attributable to ordinary shareholders:			
Basic net loss per share	\$ (2.67)	\$ (0.49)	\$ (0.17)
Diluted net loss per share	\$ (2.67)	\$ (0.49)	\$ (0.17)

* As adjusted to reflect the impact of the full retrospective adoption of IFRS 15. See Note 2 for further details.

For fiscal years ended June 30, 2019, 2018 and 2017, 9.6 million, 12.8 million and 13.8 million, respectively of potentially anti-dilutive shares were excluded from the computation of net loss per share.

18. Commitments

The Group leases various offices in locations such as Amsterdam, the Netherlands; the San Francisco Bay Area, California, New York, New York, Austin, Texas, and Boston, Massachusetts, United States; Sydney, Australia; Manila, the Philippines; Bengaluru, India; Yokohama, Japan; and Ankara, Turkey under non-cancellable operating leases expiring within one to nine years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The Group incurred rent expense on its operating leases of \$38.6 million, \$23.6 million, and \$12.2 million during the fiscal years ended 2019, 2018 and 2017, respectively.

Additionally, the Group has a contractual commitment for services with third-parties related to its cloud services platform and data centers. These commitments are non-cancellable and expire within two to four years.

Commitments for minimum lease payments in relation to non-cancellable operating leases and purchase obligations as of June 30, 2019 were as follows:

	Operating Leases	Other Contractual Commitments	Total
	(U.S. \$ in thousands)		
Fiscal Period:			
Year ending 2020	\$ 38,790	\$ 108,978	\$ 147,768
Years ending 2021 - 2024	148,021	219,342	367,363
Thereafter	144,037	—	144,037
Total commitments	<u>\$ 330,848</u>	<u>\$ 328,320</u>	<u>659,168</u>

19. Related Party Transactions

Key management personnel compensation

All directors and executive management have authority and responsibility for planning, directing and controlling the activities of the Group, and are considered to be key management personnel.

Compensation for the Group's key management personnel is as follows:

	Fiscal Year Ended June 30,		
	2019	2018	2017
	(U.S. \$ in thousands)		
Executive management			
Short-term compensation and benefits	\$ 3,835	\$ 2,991	\$ 2,860
Post-employment benefits	109	99	100
Share-based payments	17,144	9,335	26,030
	<u>\$ 21,088</u>	<u>\$ 12,425</u>	<u>\$ 28,990</u>
Board of directors			
Cash remuneration	\$ 430	\$ 362	\$ 388
Share-based payments	1,772	1,577	1,825
	<u>\$ 2,202</u>	<u>\$ 1,939</u>	<u>\$ 2,213</u>

During the fiscal years ended June 30, 2019 and 2018, the Directors were awarded RSUs totaling 18,375 with a grant date weighted average fair value of \$85.72 per share and RSUs totaling 36,358 with a grant date weighted average fair value of \$47.95 per share, respectively.

20. Geographic Information

The Group's non-current operating assets by geographic regions are as follows:

	Fiscal Year Ended June 30,	
	2019	2018
	(U.S. \$ in thousands)	
Non-current operating assets		
United States	\$ 819,227	\$ 412,112
Australia	18,842	16,730
India	9,286	—
	\$ 847,355	\$ 428,842

Non-current operating assets for this purpose consist of property and equipment, goodwill, intangible assets and other non-current assets.

21. Share-based Payments

The Group maintains four share-based employee compensation plans: the 2015 Share Incentive Plan ("2015 Plan"); the 2014 Restricted Share Unit Plan ("2014 Plan"); the Atlassian Corporation Plc 2013 U.S. Share Option Plan ("2013 U.S. Option Plan"); and the Atlassian UK Employee Share Option Plan (together with the 2013 U.S. Option Plan, the "Option Plans"). In October 2015, the Board approved the 2015 Plan, and in November 2015, our shareholders adopted the 2015 Plan, effective on our IPO, which serves as the successor to the 2014 Plan and the Option Plans and provides for the issuance of incentive and nonstatutory share options, share appreciation rights, restricted share awards, RSUs, unrestricted share awards, performance share awards, performance-based awards to covered employees, and dividend equivalent rights to qualified employees, directors and consultants. Under the 2015 Plan, a total of 20.7 million Class A ordinary shares were initially reserved for the issuance of awards, subject to automatic annual increases.

RSU grants generally vest 25% on the one year anniversary and 1/12th of the remaining RSUs vest over the remaining three years, on a quarterly basis thereafter. Individuals must continue to provide services to a Group entity in order to vest.

Prior to our IPO, RSUs issued under the 2014 Plan required the satisfaction of a time-based service condition as well as a liquidity condition, defined as a sale or listing of the Company. The liquidity condition was satisfied upon the effectiveness of the registration statement related to our IPO. Following our IPO, participants of the 2015 Plan and 2014 Plan must only continue to provide services to a Group entity over the time-based service period to be entitled to the Class A ordinary shares underlying the RSUs. Although no future awards will be granted under the 2014 Plan, it will continue to govern outstanding awards granted thereunder.

The Option Plans allowed for the issuance of options to purchase restricted shares. Effective upon our IPO, all restricted shares automatically converted to Class A ordinary shares and under the Option Plans, the shares underlying the options converted to Class A ordinary shares. Although no future awards will be granted under the Option Plans, they will continue to govern outstanding awards granted thereunder.

Under the Option Plans, share options have a contractual life of seven to ten years and typically follow a standard vesting schedule over a 4 year period: 25% vest on the one year anniversary and 1/48th monthly vesting for the 36 months thereafter. Individuals must continue to provide services to a Group entity in order to vest. Upon termination, all unvested options are forfeited and vested options must generally be exercised within three months.

RSU and Class A ordinary share option activity was as follows:

	Shares Available for Grant	Share Options		RSUs Outstanding
		Outstanding	Weighted Average Exercise Price	
Balance as of June 30, 2017	21,597,913	4,642,661	\$ 2.21	12,417,473
Increase in shares authorized:				
2015 Plan	11,423,916	—	—	—
RSUs granted	(4,390,298)	—	—	4,390,298
RSUs canceled	1,951,289	—	—	(1,951,289)
RSUs settled	—	—	—	(5,253,809)
Share options exercised	—	(1,902,084)	1.93	—
Share options canceled	17,395	(17,395)	1.45	—
Balance as of June 30, 2018	30,600,215	2,723,182	2.41	9,602,673
Increase in shares authorized:				
2015 Plan	11,807,109	—	—	—
RSUs granted	(5,397,681)	—	—	5,397,681
RSUs canceled	1,113,870	—	—	(1,113,870)
RSUs settled	—	—	—	(4,674,873)
Share options exercised	—	(1,496,875)	2.37	—
Share options canceled	5,481	(5,481)	0.65	—
Balance as of June 30, 2019	38,128,994	1,220,826	\$ 2.47	9,211,611
Share options vested and exercisable as of June 30, 2019		1,027,372	\$ 2.55	
Share options vested and exercisable as of June 30, 2018		1,983,464	\$ 2.50	

During fiscal years ended 2019 and 2018, the Company added 11,807,109 and 11,423,916 Class A ordinary shares to the pool of shares available for issuance, respectively, pursuant to an evergreen provision contained in the 2015 Plan.

The weighted-average remaining contractual life for options outstanding as of June 30, 2019 and 2018 was 3.7 years and 4.1 years, respectively. Options exercisable as of June 30, 2019 and 2018, had a weighted-average remaining contractual life of approximately 3.2 years and 3.3 years, respectively.

The following table summarizes information about share options outstanding as of June 30, 2019:

Range of Exercise Prices	Options Outstanding		Options Exercisable		
	Number Outstanding	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Years
\$0.59 - 0.66	196,206	\$ 0.63	143,346	\$ 0.62	5.83
\$1.14	65,107	1.14	20,868	1.14	7.07
\$1.92 - 2.16	17,828	2.09	17,828	2.09	0.45
\$2.40 - 2.92	299,613	2.47	299,613	2.47	0.86
\$3.18	642,072	3.18	545,717	3.18	3.81
	<u>1,220,826</u>	<u>\$ 2.47</u>	<u>1,027,372</u>	<u>\$ 2.55</u>	<u>3.24</u>

The following table summarizes information about share options outstanding as of June 30, 2018

Range of Exercise Prices	Options Outstanding		Options Exercisable		
	Number Outstanding	Weighted-Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Years
\$0.59 - 0.66	385,963	\$ 0.63	162,945	\$ 0.61	6.01
\$1.14 - 1.59	212,391	1.35	123,296	1.50	2.07
\$1.92 - 2.16	166,967	2.06	166,967	2.06	1.39
\$2.40 - 2.92	740,363	2.46	740,363	2.46	1.86
\$3.18	1,217,498	3.18	789,893	3.18	4.75
	<u>2,723,182</u>	<u>\$ 2.41</u>	<u>1,983,464</u>	<u>\$ 2.50</u>	<u>3.32</u>

All share-based payments are measured based on the grant date fair value of the awards and recognized in the consolidated statements of operations over the period during which the employee is required to perform services in exchange for the award (generally the four-year vesting period of the award).

The weighted-average grant date fair value of the RSUs issued during the fiscal years ended June 30, 2019 and 2018 was \$83.90 and \$41.70 per share, respectively. There were no share options granted during the fiscal year ended June 30, 2019 and 2018.

As of June 30, 2019, the Group had an aggregate of \$285.3 million of future period share-based payment expense related to all equity awards outstanding, net of estimated forfeitures, to be amortized over a weighted-average remaining period of 1.4 years.

Restricted stock

During fiscal year 2019, the Company granted 593,567 shares of restricted stock that were subject to forfeiture. The weighted average grant fair value date of these restricted shares was \$98.72. There was no grant of restricted stock during fiscal year 2018. As of June 30, 2019 and 2018, there were 911,367 and 827,871 shares of restricted stock outstanding, respectively. These outstanding shares of restricted stock are subject to forfeiture or repurchase at the original exercise price during the repurchase period following employee termination, as applicable.

22. Remuneration of auditors

The following fees were received or due and receivable by Ernst & Young for services provided by the auditor for the Group:

	2019	2018
	(U.S. \$ in thousands)	
Audit of the consolidated financial statements	\$ 2,980	\$ 3,469
Audit-related assurance service	648	447
Tax compliance and advisory services	220	238
Other non-audit services	8	3
	<u>\$ 3,856</u>	<u>\$ 4,157</u>

23. Employee numbers

The average number of staff employed under contracts of service, excluding contractors and interns, as of June 30, 2019, 2018 and 2017, was 3,188, 2,461 and 1,966, respectively.

The average number of staff employed under contracts of service, excluding contractors and interns, by principal expense function are as follows:

Fiscal Year Ended June 30,

	2019	2018	2017
Cost of revenues	436	330	228
Research and development	1,707	1,326	1,050
Marketing and sales	549	409	341
General and administration	496	396	347
	3,188	2,461	1,966

Atlassian Corporation Plc
Company Statements of Financial Position
(U.S. \$ in thousands)

		As at June 30,	
	Notes	2019	2018
Assets			
Current assets:			
Cash and cash equivalents	4	\$ 219,185	\$ 99,851
Short-term investments	4,5	424,745	323,134
Amounts due from group undertakings	6	47,630	406
Tax receivables		41	54
Prepaid expenses and other current assets		2,234	1,678
Total current assets		693,835	425,123
Non-current assets			
Investment in subsidiary	7	568,204	567,854
Other non-current assets		—	4
Total non-current assets		568,204	567,858
Total assets		\$ 1,262,039	\$ 992,981
Liabilities			
Current liabilities:			
Amount owed to group undertakings		\$ 6,961	\$ 5,015
Accrued expenses and other current liabilities		870	825
Tax liabilities		484	—
Total current liabilities		8,315	5,840
Non-current liabilities:			
Deferred tax liabilities	8	92	—
Total non-current liabilities		92	—
Total liabilities		\$ 8,407	\$ 5,840
Equity			
Share capital		\$ 24,199	\$ 23,531
Share premium		458,166	454,766
Other capital reserves		697,691	438,606
Other components of equity		403	(844)
Retained earnings		73,173	71,082
Total equity		\$ 1,253,632	\$ 987,141
Total liabilities and equity		\$ 1,262,039	\$ 992,981

The profit or loss attributable to members of the Company is \$2.1 million and \$74.8 million for the fiscal years ended June 30, 2019 and 2018, respectively. As permitted by section 408 of the Companies Act 2006, and in compliance with The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015, the Company has not presented its own profit and loss account.

The financial statements of the Company was approved by the Directors on 28 August, 2019 and signed on its behalf by Scott Farquhar.


Scott Farquhar
Company Director

Atlassian Corporation Plc. Registered in England & Wales with No. 8776021

Atlassian Corporation Plc
Company Statements of Comprehensive Income
(U.S. \$ in thousands)

	Notes	Fiscal Year Ended June 30,	
		2019	2018
Net income		\$ 2,091	\$ 74,816
Items that may be reclassified to profit or loss in subsequent periods:			
Net change in unrealized gain (loss) on investments classified at fair value through other comprehensive income		1,330	(586)
Income tax effect		(92)	—
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods		1,330	(586)
Total comprehensive income		<u>\$ 3,421</u>	<u>\$ 74,230</u>

Company Statements of Changes in Equity

(U.S. \$ in thousands)

	Share capital	Share premium	Other capital reserve			Other components of equity		Retained Earnings (Accumulated deficit)	Total Equity
			Share based payments reserve	Capital redemption reserve	Merger Reserve	Fair value through other comprehensive income reserve			
Balance as at June 30, 2017	\$ 22,726	\$ 450,959	\$ 275,771	\$ 98	\$ 425	\$ (258)		\$ (3,734)	\$ 745,987
Net Income	—	—	—	—	—	—		74,816	74,816
Other comprehensive loss	—	—	—	—	—	(586)		—	(586)
Total comprehensive (loss) income for the year	—	—	—	—	—	(586)		74,816	74,230
Exercise of share options, net of early exercise	243	3,761	—	—	—	—		—	4,004
Vesting of early exercised shares	37	46	—	—	—	—		—	83
Issuance of ordinary shares for settlement of RSUs	525	—	(525)	—	—	—		—	—
Share-based payment	—	—	162,837	—	—	—		—	162,837
	805	3,807	162,312	—	—	—		—	166,924
Balance as at June 30, 2018	23,531	454,766	438,083	98	425	(844)		71,082	987,141
Net Income	—	—	—	—	—	—		2,091	2,091
Other comprehensive income	—	—	—	—	—	1,247		—	1,247
Total comprehensive income for the year	—	—	—	—	—	1,247		2,091	3,338
Exercise of share options, net of early exercise	150	3,392	—	—	—	—		—	3,542
Vesting of early exercised shares	51	8	—	—	—	—		—	59
Issuance of ordinary shares for settlement of RSUs	467	—	(467)	—	—	—		—	—
Share-based payment	—	—	259,552	—	—	—		—	259,552
	668	3,400	259,085	—	—	—		—	263,153
Balance as at June 30, 2019	\$ 24,199	\$ 458,166	\$ 697,168	\$ 98	\$ 425	\$ 403		\$ 73,173	\$ 1,253,633

Atlassian Corporation Plc
Notes to Company Financial Statements

1. Basis of preparation

The accompanying financial statements of Atlassian Corporation Plc (the "Company") has been prepared in accordance with and presented as required by the Companies Act 2006. The registered office of the Company is located at Exchange House, Primrose Street, London EC2A 2EG, c/o Herbert Smith Freehills LLP. The Company is a public company limited by shares.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council (FRC). Accordingly, the Company presents the accompanying financial statements under Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework.' FRS 101 incorporates, with limited amendments, International Financial Reporting Standards (IFRS).

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share based payments, financial instruments, capital management, presentation of comparative financial information in respect of certain assets, presentation of cash flow statement, standards not yet effective, impairment of assets, and related party transactions.

Where required, equivalent disclosures have been given in the consolidated financial statements of Atlassian Corporation Plc.

As stated in Note 4, "*Group Information*" within the Group consolidated financial statements, the following U.K. subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended June 30, 2019:

Name	Registration number
Atlassian (UK) Limited	8777838
Atlassian (Australia) Limited	8779888
Atlassian (UK) Operations Limited	8855064
Atlassian (Global) Limited	8781674
Atlassian (UK) Holdings Limited	11101883

Form AA06, Statement of Guarantee for a Subsidiary Company has been filed for each exempt subsidiary listed above with Companies House for the year ended June 30, 2019. The directors of the Company acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Cash and cash equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less and subject to an insignificant risk of changes in value to be cash equivalents.

Investment in subsidiary

Investment in subsidiaries are held at cost and assessed at the end of each reporting period whether there is any indication that it may be impaired. When the recoverable amount of the investment is less than its carrying amount, an impairment loss is recognized.

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, we consider the principal or most advantageous market in which we would transact, as well as assumptions that market participants would use when pricing the asset or liability.

The three levels of inputs that may be used to measure fair value are:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The fair value of financial instruments traded in active markets is included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and considers factors specific to the asset or liability.

Foreign currency

The Company presents the financial statements in U.S. dollars, which is the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are measured in terms of historical costs using the exchange rate at the date of the initial transactions.

Share-based payments

The expense for share-based payments is recognized in accordance with the accounting policy for the consolidated financial statements of the Group and is recognized in the subsidiary companies employing the relevant employees. The Company recognizes the expense relating to the non-employee directors. The financial effect of equity awards by the Company to employees of subsidiary undertakings is recognized by the Company in its individual financial statements as an increase in its investment in subsidiaries with a credit to equity equivalent to IFRS 2, Share-based payment, cost.

Taxation

Current tax including U.K. corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Temporary differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognized in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognized only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2. Profit or loss attributable to members of the Company

The profit or loss attributable to members of the Company is \$2.1 million and \$74.8 million for the fiscal years ended June 30, 2019 and 2018, respectively.

3. Employee and Director information

There are no employees under the parent company. Please refer to Note 23 "Employee numbers and costs" in the Group consolidated financial statements for details of the Group's employees.

The schedule 5 requirements of SI 2008/410 for Directors remuneration are included within the Directors' Remuneration Report on pages 53-57 as well as within Note 19 "Related Party Transactions" in the Group consolidated financial statements.

4. Fair value measurement

The following table presents the Company's financial assets and liabilities measured and recognized at fair value as of June 30, 2019, by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	(U.S. \$ in thousands)			
Description				
Cash and cash equivalents:				
Money market funds	\$ 137,380	\$ —	\$ —	\$ 137,380
Commercial paper	—	52,360	—	52,360
Corporate debt securities	—	570	—	570
Certificate of deposit and time deposits	—	9,844	—	9,844
U.S. treasury securities	—	6,996	—	6,996
Total cash and cash equivalents	\$ 137,380	\$ 69,770	\$ —	\$ 207,150
Short-term investments:				
U.S. treasury securities	\$ —	\$ 96,772	\$ —	\$ 96,772
Agency securities	—	26,966	—	26,966
Certificates of deposit and time deposits	—	20,467	—	20,467
Commercial paper	—	82,217	—	82,217
Corporate debt securities	—	198,323	—	198,323
Total short-term investments	\$ —	\$ 424,745	\$ —	\$ 424,745
Total assets	\$ 137,380	\$ 494,515	\$ —	\$ 631,895

The following table presents the Company's financial assets and liabilities measured and recognized at fair value as of June 30, 2018, by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	(U.S. \$ in thousands)			
Description				
Cash and cash equivalents:				
Money market funds	\$ 20,494	\$ —	\$ —	\$ 20,494
Agency securities	—	7,989	—	7,989
Commercial paper	—	29,118	—	29,118
Corporate debt securities	—	1,000	—	1,000
U.S. treasury securities	—	18,968	—	18,968
Total cash and cash equivalents	\$ 20,494	\$ 57,075	\$ —	\$ 77,569
Short-term investments:				
U.S. treasury securities	\$ —	\$ 52,700	\$ —	\$ 52,700
Agency securities	—	22,015	—	22,015
Certificates of deposit and time deposits	—	55,164	—	55,164
Commercial paper	—	35,372	—	35,372
Corporate debt securities	—	157,883	—	157,883
Total short-term investments	—	323,134	—	323,134
Total assets	\$ 20,494	\$ 380,209	\$ —	\$ 400,703

5. Short-term investments

As of June 30, 2019 and 2018, the Group had investments which were classified as short-term investments on the Group's consolidated statements of financial position of \$445.0 million and \$323.1 million, respectively. All short-term investments are in listed investments. The Group's short-term investments were classified as debt instruments at fair value through other comprehensive income. A full description of Group financial risk management activities is included in the Group consolidated financial statements, Note 5, "Financial Assets and Liabilities."

6. Amounts owed in Group undertakings

The movements in amounts owed to the Group from subsidiary undertakings were as follows:

	(U.S. \$ in thousands)
At June 30, 2018	\$ 406
Amounts due from subsidiaries for recharge fees	47,224
At June 30, 2019	\$ 47,630

7. Investment in subsidiary

Carrying value

	(U.S. \$ in thousands)	
At June 30, 2017	\$	406,517
Additions - share based payment		161,337
At June 30, 2018	\$	567,854
Additions - share based payment		350
At June 30, 2019	\$	568,204

A full list of Group companies is included in the Group consolidated financial statements, Note 4, "Group Information". Investment in subsidiary is valued at cost basis.

8. Income Tax

Current tax expense for fiscal year 2019 was \$743 thousand, which is U.K. corporation tax for current year. There is no tax expense for fiscal year 2018. Corporation tax is calculated at 19% of the estimated taxable profit for the year. In addition to the amount charged to the income statement, deferred tax of \$92 thousand has been recognized in other comprehensive income.

A reconciliation between income tax expense and the product of accounting income multiplied by the U.K.'s domestic tax rate for the fiscal years ended 2019 is as follows:

	Fiscal Year Ended June 30,	
	2019	
	(U.S. \$ in thousands)	
Income before tax	\$	2,834
At the U.K.'s statutory income tax rate of 19% in fiscal 2019		538
Tax effect of non deductible expense in determining taxable profit		529
Tax effect of utilization of tax losses not previously recognized		(236)
Other		(88)
Income tax expense	\$	743

Details of deferred taxes, recognized:

	As of June 30, 2019	
	(U.S. \$ in thousands)	
Unrealized investment gains	\$	92
Deferred tax liabilities	\$	92

9. Shareholders' equity

For details of shareholders' equity, see Note 16, "Shareholders' Equity" of the Group consolidated financial statements.

10. Share-based payments

Share-based payment expense for the year ended June 30, 2019 and 2018 was \$2.2 million and \$1.5 million, respectively. A full description of Group share-based payments is included in the Group consolidated financial statements, Note 21, "Share-base payments."

11. Remuneration of auditors

The following fees were received or due and receivable by Ernst & Young for services provided by the auditor for the Company:

	2019	2018
	(U.S. \$ in thousands)	
Audit of the parent financial statements	\$ 13	\$ 13

The Group's consolidated financial statements disclose the fees for non-audit services on a consolidated basis.