Annual Report and Financial Statements
Atlassian Corporation Plc
Year Ended June 30, 2021

Registered No. 8776021

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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, 2021. 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 company 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. By landing with developers, our products organically spread to other technical and non-technical teams through cross-functional collaboration. And increasingly, organizations are turning to their software teams to drive digital transformation. As more technical and non-technical teams gain exposure to our products, and as we add to our portfolio through research and development and acquisitions, these teams are adopting and extending our products to novel use cases, bringing our products to more users and teams in their organizations. This powerful trend has created an expansive market opportunity for us.

Our products serve teams of all shapes and sizes, in virtually every industry. Our primary products include Jira Software and Jira Work Management for planning and project management, Confluence for content creation and sharing, Trello for capturing and adding structure to fluid, fast-forming work for teams, Jira Service Management for team service, management and support applications, Jira Align for enterprise agile planning, and Bitbucket for code sharing and management. 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.

We begin with a deep investment in product development to create and refine high-quality and versatile products that users love. By making our products affordable for organizations of all sizes and transparently sharing our pricing online for most of our products, we do not follow the practice of opaque pricing and ad hoc discounting that is typical in the enterprise software industry. We pursue customer volume, targeting every organization, regardless of size, industry, or geography. This allows us to operate at unusual scale for an enterprise software company, with more than 236,000 customers across virtually every industry sector in approximately 200 countries as of June 30, 2021. 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 July 2020, we acquired Mindville AB ("Mindville"), an asset and configuration management company based in Sweden. With the acquisition of Mindville, Atlassian brings critical configuration management database capabilities to Jira Service Management to better meet the needs of its IT customers. The consideration is comprised of approximately $36.4 million in cash.

In October 2020, we announced that beginning in February 2021, we are no longer selling new perpetual licenses for our products, or upgrades to these products starting in February 2022, and plan to end maintenance and support for these products in February 2024. We are proactively helping our customers transition to other versions of our products with our migration tools and programs, customer support teams, and pricing and packaging options.

In February 2021, we acquired Chart.io Inc.("Chartio"), a data analytics and visualization tool that allows users to create dashboards and charts using their various data sources. The acquisition of Chartio brings an analytics and data visualization solution to Atlassian's products, including Jira Software, Jira Align and Jira Service Management. The consideration is comprised of approximately $45.0 million in cash and $0.6 million in equity.

COVID-19

While COVID-19 did not have a material adverse impact on our financial condition or results of operations during the fiscal year ended June 30, 2021, the extent to which COVID-19 ultimately impacts our business, results of operations, and financial position will depend on future developments, which are uncertain and cannot be predicted at this time. For example, while our diverse customer base is a competitive advantage for us and helps fuel our low-friction flywheel sales model, we have revenue exposure to customers who are small- and medium-sized businesses and to industries that may be disproportionately impacted by COVID-19. Also, a majority of our cloud customers choose to be billed on a monthly basis and many of these customers are small and medium-sized businesses that may be adversely impacted by COVID-19. In addition, we may experience elongated sales cycles and extended payment terms and concessions as the economic and social impacts of COVID-19 become more fully realized.

We adapted quickly to operate as a fully-remote company in the face of the COVID-19 pandemic, and empowered many customers to do the same through our mission-critical work management products. Our automated, online sales model allows us to land thousands of new customers every quarter without relying on a traditional, traveling enterprise sales force. We delivered value to teams at over 236,000 customers, including over two thirds of the Fortune 500, with no single customer contributing more than 1% of our total revenues. One of our core values is "Don't #@!% the Customer," and we will be sensitive to customers facing challenges due to COVID-19, including by continuing to provide customers extended payment terms and concessions to the subset of our customers most in need.

Cash Exchangeable Senior Notes

In fiscal year 2018, we issued exchangeable senior notes in the aggregate principal amount of $1.0 billion (collectively, the "Notes"). In connection with the issuance of the Notes, we entered into privately negotiated capped call transactions with certain financial institutions. During fiscal year 2021, we repurchased $643.2 million principal amount of the Notes in privately-negotiated transactions for aggregate consideration of $1,790.4 million in cash. In addition, we settled $4.7 million principal amount of the Notes through early exchange requests for aggregate consideration of $12.8 million during fiscal year 2021. We also unwound the corresponding portion of our capped calls for net proceeds of $203.1 million. As of June 30, 2021, the closing price exchange condition of the Notes has been met and is classified as current. The fair value of the Notes and capped call assets as of June 30, 2021 was $1,151 million and $124.2 million, respectively.

As of August 2, 2021, we have received exchange requests for $81.7 million principal amount of the Notes that settle during our first quarter of fiscal year 2022. On August 2, 2021, the Company submitted an irrevocable redemption notice on the remaining outstanding Notes of $270.5 million principal amount. In connection with the issuance of the Notes redemption notice, the Company executed agreements with the capped call counterparties to terminate the outstanding portion of the capped call transactions corresponding to the Notes to be redeemed or exchanged in respect of the redemption of the Notes.

We entered into a $1 billion senior unsecured delayed-draw term loan facility (the "Term Loan Facility") and a $500 million senior unsecured revolving credit facility (the "Revolving Credit Facility," and together with the Term Loan Facility, the "Credit Facility") in October 2020. The Credit Facility matures in October 2025. The Group may draw from the Term Loan Facility up to five times within a 12-month period from the closing of the Term Loan Facility. The Revolving Credit Facility may be borrowed, repaid, and re-borrowed until its maturity, and the Group has the option to request an increase of $250 million in certain circumstances. In connection with the issuance of the Notes redemption notice, the Company made the first drawdown of $650 million from our Term Loan Facility in August 2021.

As of June 30, 2021, we had cash and cash equivalents totaling $919.2 million, short-term investments totaling $313.0 million and trade receivables totaling $173.5 million. Our cash and cash equivalents and short-term investments, together with cash inflow from capped call assets and Credit Facility will be sufficient to meet exchange of the Notes for payments in cash, while still covering cash operating cost and meeting working capital requirements.

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, 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 continually improving 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 try and 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 expansion within organizations, rather than having to solely rely on a traditional sales infrastructure, especially with enterprise-scale customers. Our patient 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 our products can 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, use, derive value from, and buy 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 work streams, and deadlines. For example, Jira Software, 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 Management 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 Microsoft, Zoom, Slack, salesforce.com, Workday, and Dropbox. In order to provide a platform for our partners and to promote useful products for our users, we developed 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 apps they can 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 products that are free to try and affordable to purchase 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 new product and feature development, 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.
- **Simple and Affordable** - We offer our products at affordable prices in a simple and transparent format. For example, a customer can use a full-feature free version of our products for up to a certain number of users. In addition, a customer coming to our website can evaluate and purchase a Jira Software subscription, 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 236,000 customers using our software today, we are able to reach a vast number of users, gather insights to continually improve our offerings, and generate revenue growth by expanding within our customer accounts. With 8,246 customers paying us in excess of $50,000, 412 customers paying us in excess of $500,000 and 178 customers paying us in excess of $1,000,000 during fiscal year 2021, many of whom started as significantly smaller customers, we have demonstrated our ability to grow within our existing customer base. Our products drive mission-critical workflows within customers of all sizes, including enterprise customers. We offer enhanced capabilities in the premium and enterprise editions of our products, as well as efficiently evolve our expansion sales motion within these larger customers. Ultimately, our model is designed to serve customers large and small 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 expansion, and promote additional products to existing users. Our scale enables us to experiment with various approaches to these motions 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 capabilities, 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 ShipIt (further described in the Other Matters section, below), through which Jira Service Management 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 2021 and 2020, our research and development expenses were 46% and 47% of our revenue respectively. In addition, since September 2006, we have acquired more than two dozen 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 strong reputations and presence among software teams globally.

- *Business teams*. Trello, Confluence, and Jira Work Management 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 16 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 free to try and easy to use, we are able to attract customers rapidly without relying primarily on a traditional sales force, thereby significantly lowering the cost of customer acquisition.

- **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. We have introduced premium and enterprise editions for certain cloud products that offer additional capabilities to serve customers of any size and further expand our customer relationship.

- **Predictability of Sales -** As we are not dependent on a traditional 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. While certain events related to our decision to transition server customers to other deployment options over time drive short-term variability, the transition to these other deployment options will only drive further predictability of revenue over the long-term.

- **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 each of the last 16 fiscal years.

Our Products

We offer a range of team collaboration products, including:

- Jira Software and Jira Work Management 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;
- Jira Service Management for team service and support applications;
- Opsgenie for incident management;
- Jira Align for enterprise agile planning;
- Bitbucket for team code sharing and management; and

- Atlassian Access for enterprise-grade security and centralized administration.

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

Jira Software and Jira Work Management. Jira Software and Jira Work Management provide 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.

Jira Service Management. Jira Service Management 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 Management features an elegant self-service portal, best-in-class team collaboration, ticket management, integrated knowledge, asset and configuration management, 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.

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.

Atlassian Access. Atlassian Access is an enterprise-wide product for enhanced security and centralized administration that works across every Atlassian cloud products used, including Jira, Jira Service Management, Confluence, Trello, and Bitbucket.

Other Products

We also offer additional products, including Atlassian cloud apps, Bamboo, Crowd, Crucible, Fisheye, Halp, Sourcetree, and Statuspage.

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 and other customized needs. Sales through indirect channels comprised approximately 40% of total revenue for fiscal year 2021. 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 licenses and other sources. 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. Subscription revenues also include the sale of on-premises term licenses, consisting of software licensed for a specified period and support and maintenance service that is bundled with the license for the term of the license period. From time to time, we make changes to our product offerings, prices and pricing plans for our products which may impact the growth rate of our revenue, our deferred revenue balances, and customer retention.

Maintenance provides our customers with access to unspecified future updates, upgrades and enhancements and technical product support for perpetual license products on an if-and-when available basis. Maintenance revenue combined with our 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 80% of our total revenues have been of a recurring nature from either maintenance fees or subscriptions.

Customers typically pay us maintenance fees annually, at the beginning of each year. We typically recognize revenue on the license portion of perpetual license arrangements and term license agreements once the customer obtains control of the license, which is generally upon delivery of the license, and for maintenance and subscriptions, revenue is recognized ratably over the term of the contract. Any invoice amounts or payments received in advance of revenue recognition from subscriptions or maintenance are included in our deferred revenue balance. The deferred revenue balance is influenced by several factors, including customer decisions around the timing of renewals, length of contracts and invoice timing within the period.

Key Business Metrics

We utilize 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, 2021, we had 236,118 customers. 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 5% of our total revenues during the fiscal year ended June 30, 2021.

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 236,118 customers.

The following table sets forth our number of customers:

	As of June 30,		
	2021	**2020**	**2019**
Customers	236,118**	174,097	152,727 *

* 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.

** Includes an increase of 16,456 Trello single-user accounts.

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, and net cash used in financing activities for payments of lease obligations.

	Fiscal Year Ended June 30,		
	2021	2020	2019
	(U.S. $ in thousands)		
IFRS net cash provided by operating activities	$ 841,330	$ 574,210	$ 466,342
Less: Capital expenditures	(31,520)	(35,709)	(44,192)
Less: Payments of lease obligations	(44,874)	(38,125)	—
Free cash flow *	$ 764,936	$ 500,376	$ 422,150

* As a result of our adoption of IFRS 16 on July 1, 2019, we have updated our definition of free cash flow to subtract payments of lease obligations under IFRS 16. These payments were previously, but no longer, reported in cash provided by operating activities. As a result, free cash flow is not affected by this change.

Free cash flow increased by $264.6 million during the fiscal year ended June 30, 2021 as compared to the fiscal year ended June 30, 2020 as a result of an increase of $267.1 million in net cash provided by operating activities and a decrease of $4.2 million in capital expenditures, offset by an increase of lease obligation payments of $6.7 million.

Net cash provided by operating activities was $841.3 million for the fiscal year ended June 30, 2021, as a result of $634.7 million in loss before income tax expense adjusted by charges including the net loss of marking to fair value of the Exchange and Capped Call Derivatives and the partial settlements of the Notes and capped call transactions of $616.4 million, debt discount and issuance cost amortization of $109.5 million, share-based payment expense of $385.7 million, depreciation and amortization of $55.3 million, and depreciation of our right-of-use assets of $37.6 million. The net increase of $44.9 million from our operating assets and liabilities was primarily attributable to a $294.4 million increase in our deferred revenue as a result of increased sales of subscriptions and renewals of maintenance contracts and a $64.9 million increase in our trade and other payables, provisions and other non-current liabilities, offset by a $61.3 million increase in trade receivables and a $13.1 million increase in prepaid expenses and other assets. Net cash provided by operating activities was also impacted by interest received of $12.5 million and income tax paid, net of tax refunds received, of $50.3 million.

Net cash provided by operating activities was $574.2 million for the fiscal year ended June 30, 2020, as a result of $346.2 million in loss before income tax expense adjusted by non-cash charges including the net loss of marking to fair value of the embedded exchange feature of the Notes and related capped call transactions of $336.0 million, debt discount and issuance cost amortization of $35.6 million, share-based payment expense of $313.4 million, depreciation and amortization of $62.3 million, and depreciation of our right-of-use assets of $35.1 million. The net increase of $38.1 million from our operating assets and liabilities was primarily attributable to a $131.5 million increase in our deferred revenue as a result of increased sales of subscriptions and renewals of maintenance contracts and a $51.5 million increase in our trade and other payables, provisions and other non-current liabilities, offset by a $29.4 million increase in trade receivables and a $10.6 million increase in prepaid expenses and other assets. Net cash provided by operating activities was also impacted by interest received of $29.2 million and income tax paid, net of tax refunds received, of $17.9 million.

Results of Operations

Components of Results of Operations

Sources of Revenues

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 data center products, 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 perpetual licenses of software to customers for use on the customer's premises. 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 typically recognize revenue on the license portion of perpetual license arrangements once the customer obtains control of the license, which is generally upon delivery of the license.

Other revenues

Other revenues primarily include fees received for sales of third-party apps in the Atlassian Marketplace. Technical account management, consulting and training services are also included in other revenues. 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 on a net basis 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 consulting and training is recognized over time as the services are performed.

Cost of Revenues

Cost of revenues primarily consists of expenses related to hosting our cloud infrastructure, which includes third-party hosting fees and depreciation associated with computer equipment and software; compensation expenses for our employees, including share-based payment expense, consulting and contractors costs, associated with our customer support and infrastructure service teams; payment processing fees; amortization of acquired intangible assets; certain IT program fees; 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 compensation 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.

Research and development

Research and development expenses consist primarily of compensation expense for our employees, including share-based payment expense, consulting and contractors costs, contract software development costs, certain IT program expenses, 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.

Marketing and sales

Marketing and sales expenses consist primarily of compensation expense for our employees, including share-based payment expense, consulting and contractors costs, marketing and sales programs, certain IT program expenses, 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 solution partners and resellers, tracking channel sales activity, supporting and servicing our customers by helping them optimize their experience and expand the 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 primarily of compensation expense for our employees, including share-based payment expense, for finance, legal, human resources and information technology personnel, consulting and contractors costs, certain IT program expenses, other corporate expenses and facilities and related overhead costs.

Share-based payment expense

We allocate share-based payment expense to personnel costs based on the functional category in which the employee works. We recognize our share-based payments as an expense in the consolidated statements of operations based on their grant date 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 RSUs in 2014. Prior to our initial public offering ("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 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 2021 and 2020 we recognized share-based payment expense of $385.7 million and $313.4 million, respectively. As of June 30, 2021, 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 $326.8 million. We expect this share-based payment expense balance to be amortized as follows: $221.7 million during fiscal year 2022; $78.6 million during fiscal year 2023; $23.8 million during fiscal year 2024 and $2.7 million thereafter. The expected amortization reflects only outstanding share awards as of June 30, 2021.

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 years 2021 and 2020, primarily due to the marking to fair value of the exchange feature of the Notes and related capped calls and partial settlements of the Notes and capped calls. Please refer to Note 16, "*Debt*," to the notes to our consolidated financial statements for details of our Notes and capped call.

Results of Operations

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

	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020
	(U.S. $ and shares in thousands, except per share data)	
Revenues:		
Subscription	$ 1,324,064	$ 931,455
Maintenance	522,971	469,350
Perpetual license	84,806	95,162
Other	157,291	118,206
Total revenues	2,089,132	1,614,173
Cost of revenues (1) (2)	336,021	268,807
Gross profit	1,753,111	1,345,366
Operating expenses:		
Research and development (1) (2)	963,326	763,188
Marketing and sales (1) (2)	372,909	299,683
General and administrative (1)	315,242	268,409
Total operating expenses	1,651,477	1,331,280
Operating income (loss)	101,634	14,086
Other non-operating expense, net	(620,759)	(338,486)
Finance income	7,174	27,801
Finance costs	(122,713)	(49,610)
Loss before income tax expense	(634,664)	(346,209)
Income tax expense	(61,651)	(4,445)
Net loss	$ (696,315)	$ (350,654)
Net loss per share attributable to ordinary shareholders:		
Basic	$ (2.79)	$ (1.43)
Diluted	$ (2.79)	$ (1.43)
Weighted-average shares outstanding used to compute net loss per share attributable to ordinary shareholders:		
Basic	249,679	244,844
Diluted	249,679	244,844

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

	2021	2020
Cost of revenues	$ 24,739	$ 19,787
Research and development	253,328	204,150
Marketing and sales	46,978	41,960
General and administrative	60,687	47,498

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

	2021	2020
Cost of revenues	$ 22,394	$ 29,509
Research and development	168	166
Marketing and sales	9,192	12,860

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,	
	2021	2020
Revenues:		
Subscription	63 %	58 %
Maintenance	25	29
Perpetual license	4	6
Other	8	7
Total revenues	100	100
Cost of revenues	16	17
Gross profit	84	83
Operating expenses:		
Research and development	46	47
Marketing and sales	18	18
General and administrative	15	17
Total operating expenses	79	82
Operating income (loss)	5	1
Other non-operating expense, net	(30)	(21)
Finance income	—	2
Finance costs	(6)	(4)
Loss before income tax expense	(31)	(22)
Income tax expense	(3)	—
Net loss	(34)	(22)
Amounts include share-based payment expense, as follows:		
Cost of revenues	1 %	1 %
Research and development	12	13
Marketing and sales	2	3
General and administrative	3	3
Amounts include amortization of acquired intangible assets, as follows:		
Cost of revenues	1 %	2 %
Research and development	—	—
Marketing and sales	—	1

Fiscal Year Ended 2021 and 2020

Revenues

	Fiscal Year Ended June 30,			
	2021	2020	$ Change	% Change
	(U.S. $ in thousands)			
Subscription	$ 1,324,064	$ 931,455	$ 392,609	42 %
Maintenance	522,971	469,350	53,621	11
Perpetual license	84,806	95,162	(10,356)	(11)
Other	157,291	118,206	39,085	33
Total revenues	$ 2,089,132	$ 1,614,173	$ 474,959	29

Total revenues increased $475.0 million, or 29%, in the fiscal year ended June 30, 2021 compared to the fiscal year ended June 30, 2020. Growth in total revenues was primarily attributable to increased demand for our products from both new and existing customers and accelerated short-term demand for on-premises products as a result of customers purchasing ahead of both the discontinuation of new perpetual license sales and price changes for on-premises products during the third quarter of fiscal year 2021. Of total revenues recognized in the fiscal year ended June 30, 2021, over 90% was attributable to sales to customer accounts existing on or before June 30, 2020. Our number of total customers increased to 236,118 at June 30, 2021 from 174,097 at June 30, 2020.

Subscription revenues increased $392.6 million, or 42%, in the fiscal year ended June 30, 2021 compared to the fiscal year ended June 30, 2020. The increase in subscription revenues was primarily attributable to additional subscriptions from our existing customer base and accelerated short-term demand for data center products as result of customers purchasing ahead of price changes during the third quarter of fiscal year 2021. As customers increasingly adopt cloud-based subscription services and term-based licenses for our data center products to meet their business needs, we expect our subscription revenues to continue to increase in future periods.

Maintenance revenues increased $53.6 million, or 11%, in the fiscal year ended June 30, 2021 compared to the fiscal year ended June 30, 2020. The increase in maintenance revenues was primarily attributable to accelerated short-term demand of software maintenance contracts from our customers related to our perpetual license software offerings.

Perpetual license revenues decreased $10.4 million, or (11)%, in the fiscal year ended June 30, 2021 compared to the fiscal year ended June 30, 2020. Beginning in February 2021, we are no longer selling new perpetual licenses for our products, or upgrades to these products starting in February 2022, and plan to end maintenance and support for these products in February 2024. As a result, we expect perpetual license revenues to decline in future periods.

Other revenues increased $39.1 million, or 33%, in the fiscal year ended June 30, 2021 compared to the fiscal year ended June 30, 2020. The increase in other revenues was primarily attributable to an increase in revenue from sales of third-party apps through our Atlassian Marketplace, mostly related to the increased sales of perpetual license and data center products during the third quarter of fiscal year 2021.

Total revenues by geography were as follows:

	Fiscal Year Ended June 30,			
	2021	2020	$ Change	% Change
	(U.S. $ in thousands)			
Americas	$ 1,028,481	$ 802,499	$ 225,985	28 %
EMEA	826,445	633,735	192,710	30
Asia Pacific	234,206	177,939	56,264	32
Total revenues	$ 2,089,132	$ 1,614,173	$ 474,959	29

Cost of Revenues

	Fiscal Year Ended June 30,			
	2021	2020	$ Change	% Change
	(U.S. $ in thousands)			
Cost of revenues	$ 336,021	$ 268,807	$ 67,214	25 %
Gross margin	84 %	83 %		

Cost of revenues increased $67 million, or 25%, in the fiscal year ended June 30, 2021 compared to the fiscal year ended June 30, 2020. The overall increase was primarily due to an increase of $31.3 million in hosting fees paid to third-party providers and an increase of $27.2 million in compensation expenses for employees.

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,			
	2021	2020	$ Change	% Change
	(U.S. $ in thousands)			
Research and development	$ 963,326	$ 763,188	$ 200,138	26 %

Research and development expenses increased $200.1 million, or 26%, in the fiscal year ended June 30, 2021 compared to the fiscal year ended June 30, 2020. The overall increase was primarily a result of an increase of $157.9 million in compensation expenses for employees (which includes an increase of $49.2 million in share-based payment expenses), an increase of $16.0 million in consulting and contractors costs and an increase of $16.5 million in hosting fees.

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 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 years 2021 and 2020.

Marketing and sales

	Fiscal Year Ended June 30,			
	2021	2020	$ Change	% Change
	(U.S. $ in thousands)			
Marketing and sales	$ 372,909	$ 299,683	$ 73,226	24 %

Marketing and sales expenses increased $73.2 million, or 24%, for the fiscal year ended June 30, 2021, compared to the fiscal year ended June 30, 2020. Marketing and sales expenses increased primarily due to an increase of $34.4 million in compensation expenses for employees, an increase of $28.2 million in online product advertisement expenses and an increase of $13.8 million in consulting and contractors costs, offset by lower travel expenses due to the impacts of COVID-19. Our marketing and sales headcount increased during the period as a result of hiring additional personnel to expand our relationships with our existing customers and to attract new customers.

General and administrative

	Fiscal Year Ended June 30,			
	2021	2020	$ Change	% Change
	(U.S. $ in thousands)			
General and administrative	$ 315,242	$ 268,409	$ 46,833	17 %

General and administrative expenses increased $46.8 million, or 17%, in the fiscal year ended June 30, 2021 compared to the fiscal year ended June 30, 2020. The increase was primarily due to an increase of $39.0 million in compensation expenses for employees (which includes an increase of $13.2 million in share-based payment expenses) and an increase of $13.7 million in consulting and contractors costs, offset by lower travel expenses and office-related expenses due to the impacts of COVID-19. Our general and administrative headcount increased during the period as we added personnel to support our growth.

Other non-operating expense, net

	Fiscal Year Ended June 30,			
	2021	2020	$ Change	% Change
	(U.S. $ in thousands)			
Other non-operating expense, net	$ (620,759)	$ (338,486)	$ (282,273)	83 %

Other non-operating expense, net increased $282.3 million in the fiscal year ended June 30, 2021, compared to the fiscal year ended June 30, 2020. The increase was primarily due to $322.3 million of charges related to the Notes and capped calls settled during the fiscal year ended June 30, 2021, partially offset by a decrease of $41.8 million in the net impact from the mark to fair value of the exchange feature of the Notes and related capped calls outstanding at period end.

Finance costs

	Fiscal Year Ended June 30,			
	2021	2020	$ Change	% Change
	(U.S. $ in thousands)			
Finance costs	$ (122,713)	$ (49,610)	$ (73,103)	147 %

Finance costs increased $73.1 million in the fiscal year ended June 30, 2021 compared to the fiscal year ended June 30, 2020. The increase was primarily due to an acceleration of amortization of debt discount and issuance cost related to the Notes.

Income tax expense

	Fiscal Year Ended June 30,			
	2021	2020	$ Change	% Change
	(U.S. $ in thousands)			
Income tax expense	$ (61,651)	$ (4,445)	$ (57,206)	**
Effective tax rate	**	**		

** Not meaningful

We reported an income tax expense of $61.7 million on pretax loss of $634.7 million for the fiscal year ended June 30, 2021, as compared to an income tax expense of $4.4 million on pretax loss of $346.2 million for the fiscal year ended June 30, 2020. Our effective tax rate substantially differed from the U.K. statutory income tax rate of 19.0% primarily due to different tax rates in foreign jurisdictions such as the U.S. and Australia, the recognition of significant permanent differences during the fiscal years ended 2021 and 2020, high taxable income in Australia and non-cash charges to adjust the carrying value of our U.S. and Australian deferred tax assets due to other comprehensive income movement in marketable securities. Our assessment of the recoverability of Australian and U.S. deferred tax assets will not change until there is sufficient evidence to support their realizability. 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.

In March 2021, the UK announced an increase in the main corporate tax rate from 19% to 25%, effective for financial years beginning after April 1, 2023. Due to the magnitude of UK operations, this change does not have a material impact to the Company.

See Note 8, "*Income Tax*," to the notes to our consolidated financial statements for our reconciliation of loss before income tax expense to income tax expense. Changes in our global operations or local tax laws 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.

Risk Factor Summary

Our business is subject to numerous risks and uncertainties, including those highlighted in this section titled "Risk Factors" and summarized below. We have various categories of risks, including, risks related to our business and industry, risks related to information technology, intellectual property, and data security and privacy, risks related to legal, regulatory, accounting, and tax matters, risks related to ownership of our Class A ordinary shares, risks related to our indebtedness and outstanding Notes, risks related to being a foreign private issuer or English company, and general risks, which are discussed more fully below. As a result, this risk factor summary does not contain all of the information that may be important to you, and you should read this risk factor summary together with the more detailed discussion of risks and uncertainties set forth following this summary, as well as elsewhere in this annual report. These risks include, but are not limited to, the following:

- *The COVID-19 pandemic, and any associated economic and social impacts, could harm our business and results of operations.*
- *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 may not be able to sustain our revenue growth rate or achieve profitability in the future.*
- *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.*
- *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.*
- *Our business depends on our customers renewing their subscriptions and maintenance plans and purchasing additional licenses or subscriptions from us, and any decline in our customer retention or expansion could harm our future results of operations.*
- *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 could be harmed.*
- *Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.*
- *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.*
- *If we fail to effectively manage our growth, our business and results of operations could be harmed.*
- *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.*
- *Interruptions or performance problems associated with our technology and infrastructure could harm our business and results of operations.*
- *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.*
- *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.*
- *Our global operations and structure subject us to potentially adverse tax consequences.*
- *The dual class structure of our ordinary shares has the effect of concentrating voting control with certain shareholders, in particular, our Co-Chief Executive Officers and their affiliates, which will limit our other shareholders' ability to influence the outcome of important transactions, including a change in control.*
- *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.*

Risks Related to Our Business and Industry

The COVID-19 pandemic, and any associated economic and social impacts, could harm our business and results of operations.

In January 2020 the World Health Organization declared COVID-19 a Public Health Emergency of International Concern, and a pandemic in March 2020. This outbreak has continued to rapidly spread across the world and has significantly impacted global economic activity, worldwide financial markets and social practices. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, customers, economies, and financial markets globally, leading to an economic downturn and increased market volatility. It has also disrupted the normal operations of many businesses, including ours. The COVID-19 pandemic may prevent us from conducting business operations at full capacity for an indefinite period of time. For example, we have taken precautionary measures intended to help minimize the risk of the virus to our employees which may disrupt our operations, including temporarily closing our offices worldwide, requiring all employees to work remotely (and subsequently announcing that most employees will have flexibility to work remotely indefinitely), and suspending all travel worldwide for our employees. An extended period of involuntary remote-work arrangements could strain our business continuity plans, introduce operational risk, including cybersecurity risks and increased costs, and impair our ability to effectively manage our business, which may negatively impact our business, results of operations, and financial condition. We are actively monitoring the impacts of the situation and may adjust our current policies and practices as more information and public health guidance become available.

This outbreak and the resulting economic and social impact, as well as intensified measures undertaken to contain the spread of COVID-19, could decrease technology spending, affect our ability to accurately forecast our future results, adversely affect demand for our products, cause some of our paid customers or suppliers to file for bankruptcy protection or go out of business, affect the ability of our customer support team to conduct in-person trainings or our solutions partners to conduct in-person sales, impact expected spending from new customers or renewals or expansions from existing customers, negatively impact collections of accounts receivable, result in elongated sales cycles, and harm our business, results of operations, and financial condition. In particular, we have revenue exposure to customers who are small- and medium-sized businesses and to industries that may be disproportionately impacted by COVID-19. If these customers' business operations and finances are negatively affected, they may not purchase or renew our products, may reduce or delay spending, or request extended payment terms or price concessions, which would negatively impact our business, results of operations, and financial condition.

The extent to which COVID-19 ultimately impacts our business, results of operations, and financial position will depend on future developments, which are uncertain and cannot be fully predicted at this time, including, but not limited to, the duration and spread of the outbreak, its severity, the actions taken by governments and authorities to contain the virus or treat its impact, the effectiveness of current vaccine treatments, and how quickly and to what extent normal economic and operating conditions can resume.

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, a slower than anticipated adoption of or migration to our cloud offerings, or our failure to capitalize on growth opportunities. For example, in October 2020, we announced that beginning in February 2021, we will no longer sell new perpetual licenses for our products, or upgrades to these on-premises versions of our products starting in February 2022, and plan to end maintenance and support for these on-premises versions of our products in February 2024. If a significant portion of our customers do not transition to our cloud or data center offerings, our revenue growth rates and profitability may be negatively impacted.

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 may not be able to achieve IFRS profitability in future periods. 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 (including GitHub), IBM, Google, ServiceNow, salesforce.com, PagerDuty, Gitlab, Zendesk, Asana, Monday.com and Smartsheet. 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 with sizeable venture capital investment, 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 we serve 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 currently 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 our 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. For example, in October 2020, we announced that beginning in February 2021, we will no longer sell new perpetual licenses for on-premises versions of our products, or upgrades to these on-premises versions of our products starting in February 2022, and plan to end maintenance and support for these on-premises versions of our products in February 2024. Additionally, we plan to offer loyalty discounts to certain of our enterprise-level on-premises customers to incentivize migration to the cloud, which may also impact our near-term revenue growth. As more of our customers transition to the cloud, we may be subject to additional competitive and pricing pressures, which could harm our business. Further, as more customers elect our cloud offering in place of our on-premises offering, revenues from such customers are 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, if we are unable to continue to scale our systems to meet the requirements of a successful large, cloud offering, or if we lose customers currently using our on-premises products due to our increased focus on our cloud offering or our inability to successfully migrate them to our cloud products, our business could be harmed. We are directing a significant portion of our financial and operating resources to implement a robust cloud offering for our products and to migrate our existing customers to our cloud offerings, but even if we continue to make these investments, we may be unsuccessful in growing or implementing our cloud offering that competes 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, and any decline in our customer retention or expansion could 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 duration 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, our increased focus on our cloud offerings, our decision to end the sale of new perpetual licenses for our products, or the effects of global economic conditions, including the impacts on us or our customers, partners and suppliers from the COVID-19 pandemic. 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 could 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 could be harmed.

Our ability to attract new customers, and retain 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 could 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 could 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 IT and business 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 could 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 2021 and 2020, our research and development expenses were 46% 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 could 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 could harm our business and results of operations.

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;
- Our increased focus on our cloud offerings, including customer migrations to our cloud 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 decisions, reduce the value of new license, subscription, or maintenance plans, or affect customer retention;
- The impact of political and social unrest, natural disasters, climate change, diseases and pandemics, such as the COVID-19 pandemic, and any associated economic downturn, on our results of operations and financial performance;
- Potential exchanges, redemptions and repurchases of our Notes for payment of cash;
- 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 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 200 countries, and have employees in Australia, the United States, the United Kingdom, the Netherlands, the Philippines, Poland, India, Turkey, Canada, Japan, Sweden, 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 could be harmed. We will require significant capital expenditures and the allocation of management resources to grow and change in these areas.

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, the impacts of the COVID-19 pandemic, or other unforeseen circumstances. We may not be able to timely secure debt or equity financing on favorable terms, or at all. Our current Credit Facility contains certain restrictive covenants and any future 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.

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.

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

We offer free trials, limited free versions or affordable starter licenses 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 could 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 or free 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. We have historically increased, and will continue to increase, prices from time to time. 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. 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, including the current environment caused by the COVID-19 pandemic. 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 a majority of our revenue from Jira Software and Confluence.

We derive a majority 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.

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. For example, the impact of COVID-19 may cause customers to request concessions, including better pricing, or to slow their rate of expansion or reduce their number of licenses, which may not be reflected immediately in our results of operations. 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.

Our Credit Facility and overall debt level may limit our flexibility in obtaining additional financing and in pursuing other business opportunities or operating activities.

Our Credit Facility requires compliance with various financial and non-financial covenants, including affirmative covenants relating to the provision of periodic financial statements, compliance certificates and other notices, maintenance of properties and insurance, payment of taxes and compliance with laws and negative covenants, including, among others, restrictions on the incurrence of certain indebtedness, granting of liens and mergers, dissolutions, consolidations and dispositions. The Credit Facility also provides for a number of events of default, including, among others, failure to make a payment under the Credit Facility, bankruptcy, breach of covenant, representation or warranty, default under material indebtedness (other than the Credit Facility), change of control and judgment defaults.

Under the terms of the Credit Facility, we may be restricted from engaging in business or operating activities that may otherwise improve our business or from financing future operations or capital needs. Failure to comply with the covenants, including the financial covenant, if not cured or waived, will result in an event of default that could trigger acceleration of our indebtedness, which would require us to repay all amounts owing under our Credit Facility and could have a material adverse impact on our business.

Overdue amounts under the Credit Facility accrue interest at a default rate. We cannot be certain that our future operating results will be sufficient to ensure compliance with the financial covenant in our Credit Facility or to remedy any defaults. In addition, in the event of default and related acceleration, we may not have or be able to obtain sufficient funds to make the accelerated payments required under the Credit Facility.

We continue to have the ability to incur additional debt, subject to the limitations in our Credit Facility. Our level of debt could have important consequences to us, including the following:

- Our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;
- We may need a substantial portion of our cash flow to make principal and interest payments on our debt, reducing the funds that would otherwise be available for investment in operations and future business opportunities;
- Our debt level will make us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our business or the economy generally; and
- Our debt level may limit our flexibility in responding to changing business and economic conditions.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service our current or future indebtedness, we will be forced to take actions such as reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt, or seeking additional equity capital or bankruptcy protection. We may not be able to effect any of these remedies on satisfactory terms to us or at all.

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

We operate the 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 we do not continue to add new vendors and developers, are unable to sufficiently grow the number of cloud apps our customers demand, or our existing vendors and developers stop developing or supporting the apps that they sell on Atlassian Marketplace, our business could be harmed.

Our sales model does not rely primarily on a direct enterprise sales force, which could 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, enterprise 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, training, and retaining 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 could be harmed.

Any failure to offer high-quality product support could 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 must provide efficient product support that meets our customers' needs globally at scale. The number of our customers has grown significantly, which has put additional pressure on our product 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 could 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.

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

We have established relationships with certain solution partners 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 that can drive substantial revenue and provide additional value-added services to our customers. Currently we derive approximately forty percent of our revenue from channel partners' sales efforts.

Successfully managing our indirect channel distribution efforts is a complex process across the broad range of geographies where we do business or plan to do business. Our solution partners are independent businesses we do not control. Notwithstanding this independence, we still face legal risk and reputational harm from the activities of our solution partners including, but not limited to, export control violations, workplace conditions, corruption and anti-competitive behavior.

Our agreements with our existing solution partners are non-exclusive, meaning they 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 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 in a timely and cost-effective manner, or at all, or are unable to assist our current and future solution partners in independently distributing and deploying our products, our business, results of operations, and financial condition could be harmed. If our solution partners 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 could also be harmed.

Many of our solution partners rely on in-person interactions to manage and build relationships with our customers. Currently, as a result of the work and travel restrictions due to COVID-19, our solution partners' activities are being conducted largely remotely. We do not yet know the extent of the negative impact this will have on our solution partners' ability to sell our products.

Acquisitions of, or investments in, 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 or strategic investments may not achieve our goals, and any future acquisitions or strategic investments we complete could be viewed negatively by users, customers, developers or investors.

Negotiating these transactions can be time consuming, difficult and expensive, especially in light of the COVID-19 pandemic, 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 could 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', 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 analyses 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 analyses. If these analyses 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. 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 could harm our business, results of operations, and financial condition.

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 could 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 could 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 could 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 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.

Risks Related to Information Technology, Intellectual Property, and Data Security and Privacy

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 products 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. Additionally, due to the COVID-19 pandemic, our employees are temporarily working mostly remotely, which may pose additional data security risks.

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.

Interruptions or performance problems associated with our technology and infrastructure could 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 could be harmed. Moreover, we provide service level commitments under certain of our paid customer cloud contracts, pursuant to which we commit to specified minimum availability. From time to time, we have granted, and in the future will continue to grant, credits to paid customers pursuant to the terms of these agreements in the event of certain levels of unavailability, or downtime. If we fail to meet these contractual commitments, we could be obligated to provide credits for future service, or face contract termination with refunds of prepaid amounts related to unused subscriptions, which could harm our business, results of operations, and financial condition.

Additionally, 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 these apps contain bugs, vulnerabilities, or defects, such apps 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.

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. Data protection regulation is an area of increased focus and changing requirements. On April 27, 2016, the European Union ("EU") adopted the General Data Protection Regulation 2016/679, or GDPR, that took effect on May 25, 2018, replacing the prior data protection laws of each EU member state. GDPR applies to any company established in the European Economic Area ("EEA") as well as to those outside the EEA if they collect and use personal data in connection with the offering of goods or services to individuals in the EEA 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. GDPR prohibits the transfer of personal data outside of the EEA to a third country or international organization outside the EEA, unless one of a number of adequate safeguards is satisfied. Interpretation and enforcement of GDPR remains uncertain. Non-compliance with GDPR can trigger steep fines of up to €20 million or four percent of total worldwide annual turnover, whichever is higher. Following the exit of the United Kingdom from the EU and the end of the transition period on December 31, 2020, UK GDPR (alongside other UK domestic data protection legislation) governs the processing of personal data from individuals located in the UK. Similar regulations have also come into effect and been proposed around the world.

We currently rely on the standard contractual clauses approved by the European Commission ("EC") pursuant to the EC's decision (C(2010)593) of February 5, 2010 ("Current SCCs") as our legal mechanism for onward transfers of personal data from: (i) the EEA; and (ii) the UK, to third countries outside the EEA (including the U.S.). On July 16, 2020, the EU-U.S. Privacy Shield program was invalidated by the European Court of Justice as a framework for transferring personal data from the EEA to the United States in *Data Protection Commissioner v. Facebook Ireland Limited and Maximillian Schrems* ("Schrems"). As a result of Schrems, we can no longer rely on the EU-U.S. Privacy Shield for these transfers, and our exclusive transfer mechanism is the Current SCCs. In Schrems, while the court upheld the Current SCCs as a valid mechanism to transfer personal data to third countries, the validity was conditional on there being effective mechanisms in place which ensure that personal data originating in the EEA always carries with it protections that are essentially equivalent to those in the EEA.

On June 4, 2021, the EC published a new set of standard contractual clauses for data transfers between the EEA and third countries outside the EEA (the "New EU SCCs") which principally included updates to take account of the GDPR and Schrems. These will replace the Current SCCs and it is mandatory for organizations to implement and comply with the New EU SCCs. Organizations have a grace period in which to do so - i.e. until (i) September 2021 to continue to put in place the Current SCCs; and (ii) December 2022 to implement the New EU SCCs. The New EU SCCs include provisions and a warranty around the "supplementary measures" required regarding international data transfers as result of the Schrems judgment.

On June 18, 2021, the European Data Protection Board ("EDPB") issued its finalized guidance on the "supplementary measures" to assist data exporters using standard contractual clauses with undertaking sufficient due diligence to ensure compliance with the level of protection required by the EEA. In particular, a transfer-by-transfer review should be conducted to understand the context of each arrangement, as well as mapping data flows to processors and all onward transfers, and an assessment of the adequacy of the destination country, taking into account the publicly available legislation of that country, as well as the practices in that country and the data importer's practical experience in that country. This is a resource heavy and time-consuming exercise for both data exporter and data importer.

The UK is no longer an EU member state. While the UK GDPR effectively mirrors the EU regime, any significant deviations, including in respect of international data transfers, could give rise to a more extensive compliance burden for organizations operating across both an EU and UK footprint, with the need to comply with two potentially different (or conflicting) regimes in parallel. On June 28, 2021 the EC adopted two adequacy decisions confirming the UK as an adequate jurisdiction for GDPR and Law Enforcement Directive purposes, on the basis that it ensures an essentially equivalent level of data protection to that guaranteed under EU legislation. While this means that organizations do not need to put in place additional transfer mechanisms to legitimize the transfer of data from the EEA to the UK, the adequacy decisions also included significant safeguards. Therefore, the UK would need to ensure that any divergence from EU legislation is sufficiently protective to continue to benefit from these adequacy decisions.

Standard contract clauses and other international data transfer mechanisms will continue to evolve and face additional scrutiny across the EU and the UK. In order to diversify our data transfer strategy and in particular in light of Schrems, the New EU SCCs and any divergence from the current UK data protection regime, we continue to update our data protection compliance strategy accordingly and will continue to explore other options for managing data from Europe, including without limitation, conducting (or assisting data exporters in conducting) assessments and due diligence of the related data flows and destination countries across our supply chain and customer base, re-evaluating and amending our contractual and organizational arrangements (including the Current SCCs), where required, incorporating additional technical security measures, and considering suppliers that house data in Europe, which may involve substantial expense and distraction from other aspects of our business.

To the extent we are unsuccessful in establishing an adequate mechanism for international data transfers or do not comply with the regulatory requirements in respect of international transfers of data, there is a risk that any of our data transfers could be halted or limited. In addition, we could be at risk of enforcement action taken by an EU or UK data protection authority including regulatory action, significant fines and penalties (or potential contractual liabilities) until such point in time that we ensure an adequate mechanism for EU and UK data transfers is in place. This could damage our reputation, inhibit sales and harm our business.

Additionally, in the United States, various laws and regulations apply to the collection, processing, disclosure and security of certain types of data, including the Federal Trade Commission Act, and state equivalents, the Electronic Communications Privacy Act, the Computer Fraud and Abuse Act and various state laws relating to privacy and data security, including the California Consumer Privacy Act ("CCPA"). As such, the U.S. Federal Trade Commission ("FTC"), many state attorneys general, and many courts interpret the various existing federal and state data privacy and consumer protection laws, and therefore enforce various standards for the collection, disclosure, process, use, storage and security of data, including personal information. The CCPA, which took effect on January 1, 2020, created new individual privacy rights for California residents, and places increased data privacy and security obligations on entities handling certain personal data of California consumers and households. The CCPA requires covered companies to provide new disclosures to consumers about such companies' data collection, use and sharing practices, provide such consumers with expanded rights to access and delete their personal data and to opt-out of certain sales or transfers of personal data. Aspects of the CCPA and its interpretation and enforcement remain unclear. We cannot fully predict the impact of the CCPA on our business or operations, but it may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. 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.

In the United States, both Congress and state legislatures, along with federal regulatory authorities, have continued to increase their attention on the collection and use of data about individuals. Although data privacy legislation has been introduced in the U.S. Congress, despite significant legislative activity, to date there has not been any significant successful effort at enacting any such legislation; nevertheless in the event of any such legislation, it would create additional regulatory and compliance obligations, legal risk exposure, and could significantly impact Atlassian's business activities. In California, the California Privacy Rights Act (the "CPRA") was voted into law by ballot measure in November 2020, which will take effect on January 1, 2023. The CPRA significantly modifies the CCPA, including by imposing additional data privacy and protection obligations on covered companies and expanding consumer rights with respect to certain sensitive personal data. It will also create a new California data protection agency specifically tasked to enforce the law, which will likely result in increased regulatory scrutiny covered business in the areas of data protection and security.

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 could 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.

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. We have received, and may receive in the future, communications and lawsuits from third parties, including practicing entities and non-practicing entities, claiming 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 could 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.

Risks Related to Legal, Regulatory, Accounting, and Tax Matters

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 ("OECD") continues to introduce various proposals changing the way tax is assessed, collected and governed. Of note are the efforts around the base erosion and profit shifting which seek to establish certain international standards for taxing the worldwide income of multinational companies. These measures have been endorsed by the leaders of the world's 20 largest economies.

The EU has established a mandate that focuses on the transparency of cross-border arrangements concerning at least one EU member state through mandatory disclosure and exchange of cross-border arrangements rules. These regulations (known as DAC 6) require taxpayers to disclose certain transactions to the tax authorities resulting in an additional layer of compliance and require careful consideration of the tax benefits obtained when entering into transactions that need to be disclosed. Following the United Kingdom's exit from the EU, the rules as applicable in the UK have been significantly narrowed in scope. The rules that remain are intended now to align with the OECD's mandatory disclosure rules. This should reduce the number of genuine commercial transactions that are classified as reportable in the UK.

Also, in March 2018, the EC proposed a series of measures aimed at ensuring a fair and efficient taxation of digital businesses operating within the EU. As collaborative efforts by the OECD and EC continue, some countries have unilaterally moved to introduce their own digital service tax or equalization levy to capture tax revenue on digital services more immediately. Notably France, Italy, Austria, Spain, the United Kingdom, Turkey and India have enacted this tax, generally 2% on taxable activities.

As a result of the above measures 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 (the "Tax Act") that significantly reforms the Internal Revenue Code of 1986, as amended. The Tax 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 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. In addition, future changes to U.S. tax laws may adversely impact our effective tax rate, cash flows and overall profitability.

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 could harm our results of operations.

We face exposure to foreign currency exchange rate and interest 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.

In addition, our Credit Facility has a floating interest rate that is based on variable and unpredictable U.S. and international economic risks and uncertainties and an increase in interest rates may negatively impact our financial results. We enter into interest rate hedging transactions that reduce, but do not eliminate, the impact of unfavorable changes in interest rates. We attempt to minimize credit exposure by limiting counterparties to internationally recognized financial institutions, but even these counterparties are subject to default and contract risk and this risk is beyond our control. There is no guarantee that our hedging efforts will be effective or, if effective in one period will continue to remain effective in future periods.

Our Credit Facility utilizes London Interbank Offered Rate ("LIBOR") to calculate the amount of accrued interest on any borrowings. Regulators in certain jurisdictions including the United Kingdom and the United States have announced the desire to phase out the use of LIBOR by the end of 2021. The transition from LIBOR to a new replacement benchmark is uncertain at this time and the consequences of such developments cannot be entirely predicted, but could result in an increase in the cost of our borrowings under our existing Credit Facility and any future borrowings.

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, 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 additional jurisdictions.

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.

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

Risks Related to Our Outstanding Notes

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 our outstanding Notes depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control, including the impacts of the COVID-19 pandemic. 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 results of operations.

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, 2021, and the Notes are currently exchangeable at the option of the holders, in whole or in part, between June 30, 2021 and September 30, 2021. 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 continue to classify the outstanding principal of the Notes as a current rather than long-term liability as of June 30, 2021.

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 is accounted for as a derivative pursuant to accounting standards relating to derivative instruments and hedging activities. In general, this results in an initial valuation of the exchange feature, which is bifurcated from the debt component of the Notes, resulting in an original issue discount. The original issue discount is amortized and recognized as a component of interest expense over the term of the Notes, which results 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 does not affect the amount of cash interest paid to holders of the Notes or our cash flows, it reduces 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 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.

General Risk Factors

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 "clickwrap" contracts that are entered into online, of 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, including as a result of COVID-19;
- 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;
- Imposition of travel restrictions, prohibitions of non-essential travel, modifications of employee work locations, or cancellation or reorganization of certain sales and marketing events as a result of COVID-19;

- Compliance with the laws of numerous foreign taxing jurisdictions, including withholding obligations, and overlapping of different tax regimes; and
- Geopolitical risks, such as political and economic instability, and changes in diplomatic and trade relations.

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.

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, including as a result of the COVID-19 pandemic, 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 could 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.

In addition, the recent COVID-19 pandemic has created significant additional uncertainty for the global economy. If the outbreak worsens or continues for an indefinite period of time, especially in regions in which we have material operations or sales, our business and results of operations could be adversely affected.

Catastrophic events may disrupt our business.

Natural disasters, pandemics, including COVID-19, other public health emergencies, geopolitical conflicts, social or political unrest, 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.

The long-term effects of climate change on the global economy and the technology industry in particular are unclear, however, we recognize that there are inherent climate related risks wherever business is conducted. Climate-related events, including the increasing frequency of extreme weather events and their impact on critical infrastructure in the United States, Australia and elsewhere, have the potential to disrupt our business, our third-party suppliers, and/or the business of our customers, and may cause us to experience higher attrition, losses and additional costs to maintain and resume operations.

Additionally, we rely on our network and suppliers of third-party infrastructure and applications, internal technology systems, and our websites for our development, marketing, internal controls, operational support, hosted services and sales activities. If these systems were to fail or be negatively impacted as a result of a natural disaster, disease or pandemic, including COVID-19, or catastrophic event, our ability to conduct normal business operations and deliver products to our customers could 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, disease or pandemic, including COVID-19, or catastrophic event, and successfully execute on those plans, our business and reputation could be harmed.

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, go-to-market, 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-Chief Executive Officers, 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 and retain 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 could 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.

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.

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's governance framework is centered around 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 and business partner: 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, "ShipIt," is a 24-hour event held every quarter where we encourage every employee to form teams and develop new products, practices, or other innovations. "ShipIts" have resulted in everything from new products like Jira Service Management 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, charitable matching donations, 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, 2021, 2020, 2019 and 2018 we had 6,433, 4,907, 3,616, and 2,638 employees, respectively.

The following table provides details of our full-time equivalent Directors, senior managers and employees by gender as of June 30, 2021:

	Women	%	Men	%
Directors	2	22.2	7	77.8
Senior Management	93	33.9	181	66.1
Total Employees*	2,055	32.0	4,365	68.0

*Total employees do not include 13 employees who declined gender identification.

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, Brookings Center for Universal Education, Co-Impact, Educate!, Education Commission, Education Outcomes Fund, 40K Foundation, Global Business Coalition for Education, Humanitix, Raspberry Pi Foundation, Room to Read, Ruangguru, and Teach for All.

We donated $7.8 million to the Atlassian Foundation in fiscal year 2021. 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.

In accordance with our values, we have set ambitious goals for sustainability, including our aim to be operating on 100% renewable energy by 2025. In addition, we announced plans for a new Sydney headquarters building, which will be a world-leading sustainable tower that would be the tallest hybrid-timber tower in the world, upon completion, and aims to achieve the following:

- 50% less embodied carbon in construction versus a conventionally constructed similar building;
- 50% less energy than a conventional building; and
- 100% renewable energy from day one of operation.

More details about our approach to sustainability and stakeholder engagement can be found in our Sustainability Report 2021 at https://www.atlassian.com/company/corporate-social-responsibility/report. This report sets forth benchmarks against peer companies and references platforms like the UN's Sustainable Development Goals, the Women's Empowerment Principles, and the UN Guiding Principles on Business and Human Rights as reference points. From there, we partnered with corporate sustainability experts BSR to assess which issues are most pressing for our business and our stakeholders, including issues related to climate change and socioeconomic inequality and details on our efforts to address sustainability issues regarding our four key focus areas: the planet, our customers, our people and our communities.

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 has been approved by the Board and sets out the steps we take to avoid human rights violations, and our Code of Business Conduct and Ethics, are available on our website at https://www.atlassian.com.

Section 172 Statement

There is a requirement under UK law for the Company to report on how the Board (and its committees) have considered the requirements of Section 172 of the Companies Act 2006 in their decision making.

Under UK law, a director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole, and in doing so, have regard (among other matters) to the following factors:

- The likely consequences of any decision in the long term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the company.

Consideration of these factors and other relevant issues is embedded in our company values and into all Board decision making, strategy development and risk assessment conducted throughout the year. In large complex businesses, such as ours, our Directors fulfill their duties partly through a governance framework that delegates day-to-day decision-making to the management of the Company.

The Directors recognize that such delegation needs to be much more than a simple financial authority and, throughout this document, we have summarized:

- In ***Our Culture*** (page 8), our core values that underpin our governance framework: openness and innovation, dedication to the customer, team-driven and long-term focused;
- In ***Directors, Senior Management and Employees*** (pages 45-46), our governance framework, the values and behaviors expected of our employees and business partners, including the standards to which they must adhere;
- In ***Corporate Social Responsibility and Environmental Matters*** (page 46-47), how we engage with stakeholders, including to understand and take into account their views and concerns; and

- In ***Climate Change*** (pages 64), how we manage our environmental footprint.

In these sections, we also provide examples of how the Directors take into account the likely consequences of decisions in the long term, build relationships with stakeholders, engage with employees, understand the impact of our operations on communities and the environment, and attribute importance to behaving as an ethical and responsible business. You are also encouraged to read the Sustainability Report 2021, which illustrates some examples of how the Directors, with the support of the wider business, consider these matters in the course of their duties.

A continued understanding of the key issues affecting stakeholders is an integral part of the Board's decision-making process and the insights which the Board gains through engaging with stakeholders forms an important part of the context for all of the Board's discussions and decision-making processes.

This Strategic Report was approved by the Board on 27 August 2021 and signed on its behalf by Scott Farquhar.

Scott Farquhar
Company Director

Directors' Remuneration Report for the fiscal year ended June 30, 2021

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 of the Company, I am pleased to present the Remuneration Report for the fiscal year ended June 30, 2021. As addressed below, the Remuneration Report for the fiscal year ended June 30, 2021 sets out our Annual Report on Remuneration.

In accordance with UK 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 "Remuneration Policy") was approved by the Company's shareholders at the Company's 2019 Annual General Meeting, and there have been no material changes to the directors' remuneration since the Remuneration Policy was approved. A copy of the Remuneration Policy is available on the Company's investor relations website at: https://investors.atlassian.com

The Company's Annual Report on Remuneration sets forth the remuneration paid to directors in respect of the fiscal year ended June 30, 2021. The format of this Annual Report on Remuneration is specified in accordance with UK law. The Annual Report on Remuneration, together with this Annual Statement, will be subject to an advisory vote at the Company's 2021 Annual General Meeting.

Sasan Goodarzi

Chair of the Compensation and Leadership Development Committee

August 27, 2021

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, 2021 and 2020 are set out in the table below (U.S.$, in thousands):

	Salary		Benefits (3)		Annual bonus		Long-term incentives		Retirement benefits		Total		Total fixed remuneration		Total variable remuneration	
	2021 (1)	2020 (2)	2021	2020	2021	2020	2021	2020	2021 (1)	2020 (2)	2021 (1)	2020 (2)	2021 (1)	2020 (2)	2021 (1)	2020 (2)
Michael Cannon-Brookes	$56	$46	—	—	—	—	—	—	$5	$5	$61	$51	$61	$51	—	—
Scott Farquhar	$56	$50	—	—	—	—	—	—	$5	$5	$61	$55	$61	$55	—	—

(1) For the fiscal year ended June 30, 2021, 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 2021 of AUD 1.3442 to USD 1.00.

(2) For the fiscal year ended June 30, 2020, 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 2020 of AUD 1.40 to USD 1.00.

(3) Benefits include only a de minimis mobile device allowance.

Details of amounts included in the single total figure for the fiscal year ended June 30, 2021 and 2020 *(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. The current employee directors elected to receive the statutory minimum wage in Australia as of July 1, 2019.

Benefits

Other than salary and retirement benefits and mobile device allowance, no other benefits were provided to either employee director during the fiscal years ended June 30, 2021 and 2020.

Annual bonus

While the 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, 2021 and 2020.

Long-term incentives

While the 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, 2021 and 2020.

Retirement benefits

During the fiscal years ended June 30, 2021 and 2020, 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, 2021 and 2020. 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 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, 2021 and 2020.

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, 2021 and 2020 are set out in the table below (U.S. $, in thousands):

	Base fees		Other fees		Equity awards (5)		Total		Total fixed remuneration		Total variable remuneration	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Shona Brown (1)	$105	$103	-	-	$250	$250	$355	$353	$355	$353	-	-
Heather Mirjahangir Fernandez	$55	$53	-	-	$250	$250	$305	$303	$305	$303	-	-
Sasan Goodarzi (2)	$70	$60	-	-	$250	$250	$320	$310	$320	$310	-	-
Jay Parikh	$55	$53	-	-	$250	$250	$305	$303	$305	$303	-	-
Enrique Salem	$55	$53	-	-	$250	$250	$305	$303	$305	$303	-	-
Steven Sordello (3)	$75	$73	-	-	$250	$250	$325	$323	$325	$323	-	-
Richard P. Wong (4)	$65	$63	-	-	$250	$250	$315	$313	$315	$313	-	-

(1) Dr. Brown is chair of the Board.

(2) Mr. Goodarzi is chair of the Compensation and Leadership Development Committee.

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

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

(5) Details of the equity awards granted to non-employee directors during the fiscal year ended June 30, 2021 are set out below. As the equity awards are not subject to performance measures, the face 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. There is no potential impact of share price appreciation on remuneration outcomes that are linked to performance targets or measures, however, the value of remuneration received upon vesting may increase as a result of share price growth. 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 equity awards included in the single total figure for the fiscal year ended June 30, 2021 and 2020 *(audited)*

The following equity awards were granted to non-employee directors during the fiscal year ended June 30, 2021. The equity awards were granted as Annual Grants with grant date values of $250,000 (rounded up to the nearest share), in line with the Remuneration Policy (U.S. $).

	Date of grant	Type of award	Form of award	Number of shares subject to award	Face value of award at award date (2)	Vesting schedule (3)
Shona L. Brown	12/3/20	Annual Grant	RSU	1,106	$250,166	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	12/3/20	Annual Grant	RSU	1,106	$250,166	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Sasan Goodarzi	12/3/20	Annual Grant	RSU	1,106	$250,166	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Jay Parikh	12/3/20	Annual Grant	RSU	1,106	$250,166	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Enrique Salem	12/3/20	Annual Grant	RSU	1,106	$250,166	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Steven Sordello	12/3/20	Annual Grant	RSU	1,106	$250,166	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Richard P. Wong	12/3/20	Annual Grant	RSU	1,106	$250,166	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, 2021.

(2) The value of the awards were calculated based on an assumed price per share of $226.19 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 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" (as defined in our 2015 Share Incentive Plan).

The following equity awards were granted to non-employee directors during the fiscal year ended June 30, 2020 (U.S. $).

	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	12/4/19	Annual Grant	RSU	2,025	$250,027	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM.
Heather Mirjahangir Fernandez	12/4/19	Annual Grant	RSU	2,025	$250,027	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Sasan Goodarzi	12/4/19	Annual Grant	RSU	2,025	$250,027	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Jay Parikh	12/4/19	Annual Grant	RSU	2,025	$250,027	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Enrique Salem	12/4/19	Annual Grant	RSU	2,025	$250,027	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Steven Sordello	12/4/19	Annual Grant	RSU	2,025	$250,027	Vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next AGM
Richard P. Wong	12/4/19	Annual Grant	RSU	2,025	$250,027	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, 2020.

(2) The value of the awards were calculated based on an assumed price per share of $123.47 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 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" (as defined in our 2015 Share Incentive Plan).

Other Payments to Employee and Non-Employee Directors During the Fiscal Year Ended June 30, 2021

Payments to past directors *(audited)*

No payments were made to any former director during the fiscal year ended June 30, 2021.

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, 2021. 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, 2021, and their connected persons (if any), in the shares, options, and listed securities of the Company as of June 30, 2021, are set out below (*audited*):

	Interests in shares held at June 30, 2021, excluding outstanding scheme interests	Total shares subject to outstanding scheme interests at June 30, 2021	Total of all share interests and outstanding scheme interests, at June 30, 2021
Michael Cannon-Brookes	56,954,822 (1)	—	56,954,822
Scott Farquhar	56,954,822 (2)	—	56,954,822
Shona L. Brown	30,870	1,106	31,976
Heather Mirjahangir Fernandez	13,500	1,106	14,606
Sasan Goodarzi	9,976	2,114	12,090
Jay Parikh	19,650	1,106	20,756
Enrique Salem	130,457	1,106	131,563
Steven Sordello	44,884	1,106	45,990
Richard P. Wong	145,860	1,106	146,966

(1) Consists of (i) 2,506,331 Class B ordinary shares held of record by Mr. Cannon-Brookes and (ii) 54,448,490 Class B ordinary shares held of record by CBC Co Pty Limited as trustee for the Cannon-Brookes Head Trust.

(2) Consists of (i) 2,506,331 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, 2021, based on a 90-day average closing stock price of $234.29 ending June 30, 2021, 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 22.61% 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, 2021 are shown in the following table (audited):

					Changes during the year			
	Description	**Type**	**Vesting schedule (1)**	**At June 30, 2020**	**Granted**	**Lapsed**	**Shares released on vesting**	**At June 30, 2021**
Shona L. Brown	Annual Grant	RSU	(2)	2,025	—	—	2,025	—
	Annual Grant	RSU	(3)	—	1,106	—	—	1,106
Heather Mirjahangir Fernandez	Annual Grant	RSU	(2)	2,025	—	—	2,025	—
	Annual Grant	RSU	(3)	—	1,106	—	—	1,106
Sasan Goodarzi	Initial Grant	RSU	(4)	2,015	—	—	1,007	1,008
	Annual Grant	RSU	(2)	2,025	—	—	2,025	—
	Annual Grant	RSU	(3)	—	1,106	—	—	1,106
Jay Parikh	Annual Grant	RSU	(2)	2,025	—	—	2,025	—
	Annual Grant	RSU	(3)	—	1,106	—	—	1,106
Enrique Salem	Annual Grant	RSU	(2)	2,025	—	—	2,025	—
	Annual Grant	RSU	(3)	—	1,106	—	—	1,106
Steven Sordello	Annual Grant	RSU	(2)	2,025	—	—	2,025	—
	Annual Grant	RSU	(3)	—	1,106	—	—	1,106
Richard P. Wong	Annual Grant	RSU	(2)	2,025	—	—	2,025	—
	Annual Grant	RSU	(3)	—	1,106	—	—	1,106

(1) The scheme interests are subject to a continued service condition but not to any personal or corporate performance conditions.

(2) The RSUs vest in full on the earlier of (i) the one-year anniversary of the grant date (grant date of 12/4/19) or (ii) the next AGM after grant.

(3) The RSUs vest in full on the earlier of (i) the one-year anniversary of the grant date (grant date of 12/3/20) or (ii) the next AGM after grant.

(4) 25% of the RSUs vested 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).

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:

		2021 (3)	**2020** (4)	**2019** (5)	**2018** (6)	**2017** (7)
CEO single figure of remuneration (U.S. $, in thousands)	Michael Cannon-Brookes	$61	$51	$299	$325	$316
	Scott Farquhar	$61	$55	$299	$325	$316
	Total	$122	$106	$598	$650	$632
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 periods.

(3) For the fiscal year ended June 30, 2021, 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 2021 of AUD 1.3442 to USD 1.00.

(4) For the fiscal year ended June 30, 2020, 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 2020 of AUD 1.49 to USD 1.00.

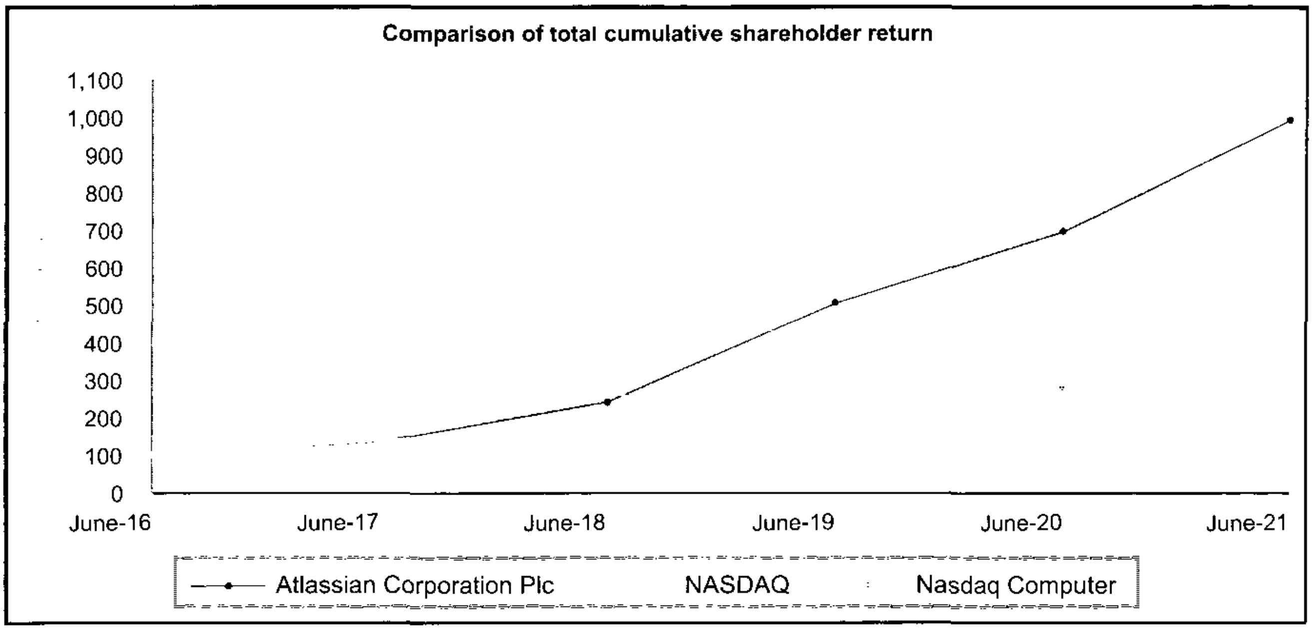
(5) For the fiscal year ended June 30, 2019, the cash compensation for our employee directors was set, and paid, in Australian dollars. Currency received by our employee directors in Australian dollars has been converted into U.S. dollars using a monthly average exchange rate for fiscal year 2019 of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

(6) 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 was converted into U.S. dollars using a monthly average exchange rate for fiscal year 2018 of AUD 1.29 to USD 1.00.

(7) 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.

Performance graph

The following graph charts the total cumulative shareholder return of the Company from June 30, 2017 to June 30, 2021 against the total shareholder return for the companies comprised in the Nasdaq Global Select Market, of which the Company is a constituent, and the Nasdaq Computer Index, assuming an initial investment of $100.00.



Percentage change in remuneration

The table below shows the year over year change in the salary, benefits and annual bonus earned for the fiscal year ended June 30, 2021 and June 30, 2020, for the Co-CEOs, directors, and the Group's employees generally.

	Salary		Benefits		Bonus	
	2021	2020	2021	2020	2021	2020
Co-CEOs and Employee Directors						
Michael Cannon-Brookes	8.90%	(83.09)%	10.69%	(81.96)%	N/A	N/A
Scott Farquhar	—	(81.68)%	4.43%	(80.83)%	N/A	N/A
Non-Employee Directors						
Shona L. Brown	2.44%	2.30%	N/A	N/A	N/A	N/A
Heather Mirjahangir Fernandez	4.76%	5.00%	N/A	N/A	N/A	N/A
Sasan Goodarzi	16.67%	19.34%	N/A	N/A	N/A	N/A
Jay Parikh	4.76%	5.00%	N/A	N/A	N/A	N/A
Enrique Salem	4.76%	5.00%	N/A	N/A	N/A	N/A
Steven Sordello	3.45%	3.57%	N/A	N/A	N/A	N/A
Richard P. Wong	4.00%	4.17%	N/A	N/A	N/A	N/A
Group employees						
Group employees	0.39%	5.32%	1.68%	0.56%	(7.37)%	1.08%

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 (U.S.$, in thousands).

	2021	2020	% Change
Employee remuneration (1)	$726,541	$538,691	34.9%
Distributions to shareholders	$—	$—	N/A

(1) As of June 30, 2021 and 2020, we had 6,433 and 4,907 employees, respectively.

Statement of Implementation of Remuneration Policy for the Fiscal Year Ending June 30, 2021

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, 2021 and neither will be granted any long-term incentive awards during the fiscal year ending June 30, 2021.

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

Non-Employee Directors

Non-employee director retainers and equity grants after the Company's 2021 Annual General Meeting will be paid and awarded in accordance with the Remuneration Policy, which was approved by the Company's shareholders at the Company's 2019 Annual General Meeting.

Consideration of Matters Relating to Directors' Remuneration

The members of the Compensation and Leadership Development Committee during the fiscal year ended June 30, 2021, and their attendance at meetings of the Compensation and Leadership Development Committee, is set out below:

Member	Attendance
Shona L. Brown	4/4
Sasan Goodarzi (chair)	4/4
Jay Parikh	4/4

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 Compensation and Leadership Development Committee is advised by Semler Brossy. Semler Brossy was appointed by the Board in May 2015. Semler Brossy provided advice to keep the Compensation and Leadership Development 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 Compensation and Leadership Development Committee during the fiscal year ended June 30, 2021 were $522,831. The Compensation and Leadership Development Committee considers the advice received from Semler Brossy to be independent, as Semler Brossy provides no other services to Atlassian.

Statement of Voting at the Company's 2020 Annual General Meeting

The votes cast by shareholders at the Company's 2020 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). The Remuneration Policy was approved by the shareholders at the Annual General Meeting held on December 4, 2019. As of October 6, 2020, the voting record date, there were 132,163,053 Class A ordinary shares and 117,038,921 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 3, 2020	1,262,410,885	99.88%	1,302,876	0.10%	171,840	0.01%
To approve the Remuneration Policy, as set forth in the Directors' Remuneration Report on December 4, 2019	1,253,667,807	95.4%	49,859,311	3.79%	10,613,626	0.81%

This Remuneration Report was approved by the Board on August 27, 2021 and signed on its behalf by Sasan Goodarzi.

Sasan Goodarzi

Chair of the Compensation and Leadership Development Committee

August 27, 2021

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, 2021.

Basis of Presentation

The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standards ("IAS") in conformity with the requirements of the UK Companies Act 2006. Parent financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard (FRS) 101, "Reduced Disclosure Framework"

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, 2021, the Company had a total of 251,917,414 shares outstanding, consisting of 137,307,769 Class A ordinary shares (11% of voting power) and 114,609,645 Class B ordinary shares (89% of voting power), representing approximately 55% and 45% of the total issued share capital of the Company, respectively.

As of June 30, 2021, 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 (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%
OpsGenie, Inc.	United States of America	100%
Opsgenie Yazılım Anonim Şirketi	Turkey	100%
iFountain, LLC	United States of America	100%
Halp, Inc.	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%
Code Barrel Pty Ltd	Australia	100%
Lead Green Pty Ltd	Australia	100%
Lead Green Trust	Australia	100%
Vertical First Pty Ltd	Australia	100%
Vertical First Trust	Australia	100%
Atlassian Capital Pty. Ltd.	Australia	100%
MITT Australia Pty Ltd	Australia	100%
MITT Trust	Australia	100%
Atlassian Holdings B.V.	Netherlands	100%
Atlassian K.K.	Japan	100%
Atlassian Germany GmbH	Germany	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%
Mindville AB	Sweden	100%
Riada Germany GmbH	Germany	100%
Mindville Technology Canada LTD	Canada	100%
Atlassian New Zealand	New Zealand	100%
Atlassian Poland sp z o.o.	Poland	100%
Chart.io, Inc.	United States of America	100%
ThinkTilt Pty Ltd	Australia	100%

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 Software and Jira Work Management for team planning and project management, Confluence for content creation and sharing, Trello for capturing and adding structure to fluid, fast-forming work for teams, Jira Service Management for team service and support applications, Opsgenie for incident management, Jira Align for enterprise agile planning, Bitbucket for code sharing and management and Atlassian Access for enterprise-grade security and centralized administration.

In July 2020, we acquired Mindville, an asset and configuration management company based in Sweden. With the acquisition of Mindville, Atlassian brings critical configuration management database capabilities to Jira Service Management to better meet the needs of its IT customers. The consideration is comprised of approximately $36.4 million in cash.

In October 2020, we announced that beginning in February 2021, we will no longer sell new perpetual licenses for our products, or upgrades to these products starting in February 2022, and plan to end maintenance and support for these products in February 2024. We will proactively help our customers transition to other versions of our products with our migration tools and programs, customer support teams, and pricing and packaging options.

In February 2021, we acquired Chartio, a data analytics and visualization tool that allows users to create dashboards and charts using their various data sources. The acquisition of Chartio brings an analytics and data visualization solution to Atlassian's products, including Jira Software, Jira Align and Jira Service Management. The consideration is comprised of approximately $45.0 million in cash and $0.6 million in equity.

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, 2021 and 2020 was $696.3 million and $350.7 million, respectively.

Dividends

For the fiscal years ended June 30, 2021 and 2020, 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 2021 and 2020, our research and development expenses were 46% 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 2021, 2020 and 2019 were as follows:

	Fiscal Year Ended June 30,		
	2021	2020	2019
	(U.S. $ in thousands)		
Net cash provided by operating activities	$ 841,330	$ 574,210	466,342
Net cash provided by (used in) investing activities	256,644	(318,931)	(604,198)
Net cash used in financing activities	(1,654,805)	(42,575)	(3,187)
Effect of exchange rate changes on cash and cash equivalents	5,406	(1,176)	(855)
Net increase (decrease) in cash and cash equivalents	$ (551,425)	$ 211,528	(141,898)

As of June 30, 2021, we had cash and cash equivalents totaling $0.9 billion, short-term investments totaling $313.0 million and trade receivables totaling $173.5 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, 2021, 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 have access to a $1 billion senior unsecured delayed-draw term loan facility (the "Term Loan Facility") and a $500 million senior unsecured revolving credit facility (the "Revolving Credit Facility," and together with the Term Loan Facility, the "Credit Facility"). We will use the net proceeds of the Credit Facility for general corporate purposes, including repayment of existing indebtedness. The Credit Facility matures in October 2025 and bears interest, at our option, at a base rate plus a margin up to 0.50% or LIBOR rate plus a spread of 0.875% to 1.50%, in each case with such margin being determined by our consolidated leverage ratio. We may draw from the Term Loan Facility up to five times within a 12-month period from the closing of the Term Loan Facility. The Revolving Credit Facility may be borrowed, repaid, and re-borrowed until its maturity, and we have the option to request an increase of $250 million in certain circumstances. The Credit Facility may be prepaid at our option without penalty. As of June 30, 2021, no amounts have been drawn under the Credit Facility, and we are in compliance with all related covenants. Please refer to Note 16, *"Debt,"* to the notes to our consolidated financial statements for details of the Credit Facility.

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, the continued market acceptance of our products, and the impacts of COVID-19 on our business and our customers.

Going Concern

Our business activities, performance, position, principal risks and uncertainties are set out in the Strategic Report. Our shareholder return and performance graph are set out in the Directors' Report. In addition, Note 5, *"Financial Assets and Liabilities'* to the notes to our consolidated financial statements includes disclosure in relation to the our objectives, policies and processes for managing, as well as details regarding our capital, our financial risk management objectives, our financial instruments and hedging activities and our exposures to credit risk and liquidity risk.

We adapted quickly to operate as a fully-remote company in the face of the COVID-19 pandemic, and empowered many customers to do the same through our mission-critical work management products. Our automated, online sales model allows us to land thousands of new customers every quarter without relying on a traditional, traveling enterprise sales force. We delivered value to teams at over 236,000 customers, including over two thirds of the Fortune 500, with no single customer contributing more than 1% of our total revenues. One of our core values is "Don't #@!% the Customer," and we will be sensitive to customers facing challenges due to COVID-19, including by continuing to provide customers extended payment terms and concessions to the subset of our customers most in need. We generated approximately $2.1 billion in revenue in fiscal year 2021, pairing 29% year over year growth with strong operating income and cash flow.

In fiscal year 2018, we issued the Notes in the aggregate principal amount of $1.0 billion. In connection with the issuance of the Notes, we entered into privately negotiated capped call transactions with certain financial institutions. During fiscal year 2021, we repurchased $643.2 million principal amount of the Notes in privately-negotiated transactions for aggregate consideration of $1,790.4 million in cash. In addition, we settled $4.7 million principal amount of the Notes through early exchange requests for aggregate consideration of $12.8 million during fiscal year 2021. We also unwound the corresponding portion of our capped calls for net proceeds of $203.1 million. As of June 30, 2021, the closing price exchange condition of the Notes has been met and is classified as current. The fair value of the Notes and capped call assets as of June 30, 2021 was $1,151 million and $124.2 million, respectively.

As of August 2, 2021, we have received exchange requests for $81.7 million principal amount of the Notes that settle during our first quarter of fiscal year 2022. On August 2, 2021, the Company submitted an irrevocable redemption notice on the remaining outstanding Notes of $270.5 million principal amount. In connection with the issuance of the Notes redemption notice, the Company executed agreements with the capped call counterparties to terminate the outstanding portion of the capped call transactions corresponding to the Notes to be redeemed or exchanged in respect of the redemption of the Notes.

We have access to a $1 billion senior unsecured delayed-draw term loan facility and a $500 million senior unsecured revolving credit facility. Please refer to Note 16, "*Debt*," to the notes to our consolidated financial statements for details of the Credit Facility. As of June 30, 2021, we are in compliance with all related covenants. In connection with the issuance of the Notes redemption notice, the Company made the first drawdown of $650 million from our Term Loan Facility in August 2021.

As of June 30, 2021, we had cash and cash equivalents totaling $919.2 million, short-term investments totaling $313.0 million and trade receivables totaling $173.5 million. Our cash and cash equivalents and short-term investments, together with cash inflow from capped call assets and Credit Facility will be sufficient to meet exchange of the Notes for payments in cash, while still covering cash operating cost and meeting working capital requirements.

The Directors have reviewed forecasts covering the period to August 31, 2022 prepared by management of the Group, that reflect, among other things, the impact of slower growth in revenue and decreasing operating income and cash flow, various plausible downside scenarios of COVID-19 relating to revenue and cash flow timing, its impact on the global economy, and full redemption of the Notes in the first quarter of fiscal year 2022. These forecasts indicate that our existing cash and cash equivalents, together with cash generated from operations and our Credit Facility, will be sufficient to meet our anticipated cash needs and to meet our obligations as they come due for at least the next 12 months from issuance of the financial statements, being the period to the August 31, 2022. Further, under all the plausible downside scenarios assessed, the Company would remain cash positive throughout the whole of the going concern assessment period. The Directors believe that the Company has demonstrated operating profitable growth and shown resilience, despite the pandemic. Based on the review of our financial performance and liquidity needs, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern assessment period. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and accounts.

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

We have granted an indemnity to all of our 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.

Climate Change

As part of our commitment to combat climate change, our goal is to run our operations on 100 percent renewable energy by 2025. We're also setting science-based targets to limit warming to 1.5°C and achieve net-zero emissions by no later than 2050. To achieve this, we need to reduce absolute carbon emissions from our operations by 100% from 2019 levels. Additional information on our climate strategy can be found on our website https:// www.atlassian.com/company/corporate-social-responsibility.

Greenhouse Gas (GHG) Emissions

Our Scope 1 and Scope 2 absolute emissions have decreased 38% in fiscal year 2021, to 2,101 tonnes CO2-e using location-based Scope 1 and Scope 2 emissions. This decrease is coupled with a 6% increase in occupied areas. Our normalized emissions using Scope 1 and Scope 2 (location based) were 26.58 kg CO2-e/m^2, down 41% from fiscal year 2020.

In fiscal year 2021 we have purchased Energy Attribute Certificates (EACs) to cover all Scope 2 purchased electricity use as part of our RE100 commitment. Our Scope 1 and Scope 2 absolute market based emissions have decreased 30% in fiscal year 2021, to 675 tonnes CO2-e using market-based Scope 2 emissions, largely due to occupied areas not in use due to COVID-19 pandemic related office closures. Our normalized emissions using Scope 1 and Scope 2 (market-based) were 8.54 kg CO2-e/m^2, down by 34% from fiscal year 2020.

Our energy use and emissions were all generated outside of the UK. Total energy used in the reporting year was 5,313 MWh, a decrease of 31% from fiscal year 2020.

Current Reporting Year	Fiscal Year 2020 (July 1, 2019 - June 30, 2020)			Fiscal Year 2021 (July 1, 2020 - June 30, 2021)		
Location(s) covered by scope	**UK**	**Global -** Location Based	**Global -** Market Based	**UK**	**Global -** Location Based	**Global -** Market Based
Scope 1: Emissions from activities for which the company owns or controls including combustion of fuel & operation of facilities (tCO2e)	—	275	275	—	41	41
Scope 2: Emissions from purchase of electricity, heat, steam and cooling purchased for own use (tCO2e)	—	3,099	693	—	2,060	634
Total gross Scope 1 and Scope 2 (tCO2e)	**—**	**3,374**	**968**	**—**	**2,101**	**675**
Normalized Scope 1 and 2 Emissions (kg CO2e/ m^2)	**—**	**45.23**	**12.98**	**—**	**26.58**	**8.54**
Scope 1: Energy consumption used to calculate emissions from activities which the company owns or controls including combustion of fuel & operation of facilities (kWh)	—	1,030,877.5		—	224,282.3	
Scope 2: Energy consumption used to calculate emissions from the purchase of electricity, heat, steam and cooling own use (kWh)	—	6,615,278.3		—	5,089,179.7	
Total energy consumption based on the above (kWh)	**—**	**7,646,155.8**		**—**	**5,313,462**	
Intensity ratio: tCO2e (gross Scope 1 and Scope 2) per £m sales revenue	—	2.91	0.84	—	1.39	0.45

Methodology

We have calculated the above greenhouse gas emissions estimates to cover all material sources of emissions for which we are responsible. The methodology used was the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition, 2015). Responsibility for emissions sources was determined using the operational control approach.

All available emissions sources required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 are included. These sources fall within the consolidated financial statements for the Group and under the Group's operational control. We do not have responsibility for any emission sources that fall outside of the consolidated financial statements for the Group.

This calculation covers all of Atlassian's operations that are consolidated in the financial statement, the offices leased to conduct these operations, and activities which Atlassian owns and controls. Data has been obtained from across the business from invoices and spreadsheets from facilities managers. Where there were data gaps, energy consumption was calculated using pro-rata extrapolation of available data. This was deemed as appropriate as sufficient seasonal data was available to allow for a reasonable estimate. Energy was converted to greenhouse gas estimates using the U.S. EPA "Emission Factors for Greenhouse Gas Inventories" 2020, IEA Emissions Factors 2020 and U.S. EPA Emissions Factors 2019 (published February 2021)

Energy Efficiency Action

The principal energy efficiency measures to reduce our carbon emissions this year include various operational practices to ensure lower energy use in occupied office space and purchase of Energy Attribute Certificates to cover all Scope 2 purchased electricity. More details about our approach to sustainability and stakeholder engagement can be found in our Sustainability Report 2021 at https://www.atlassian.com/company/corporate-social-responsibility/report

Energy Consumption

In the UK, our energy consumption is less than 40,000 kWh, which is below the threshold for energy consumption reporting requirements.

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, 2021 were authorized for issue by the Board on August 27, 2021. 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 UK law and regulations. The Directors have elected to prepare the consolidated financial statements for the Group in accordance with International Accounting Standards, in conformity with the requirements of the UK Companies Act 2006, and the financial statements for Atlassian Corporation Plc in accordance with the UK 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 27 August 2021 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 ATLASSIAN 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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard (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 (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2021 which comprise:

Group	Parent company
Consolidated statement of financial position as at 30 June 2021	Statement of financial position as at 30 June 2021
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 income (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 25 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 Accounting Standards in conformity with the requirements of the Companies Act 2006. 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, including FRS 101 "Reduced Disclosure Framework" United Kingdom Generally Accepted Accounting Practice.

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. We are independent of the group 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Performing a walkthrough of the Group's financial close process to confirm our understanding of management's going concern assessment process and engaging with management early to ensure all key factors were considered in their assessment.
- Obtaining management's going concern assessment, including the cashflow forecasts and covenant calculations for the going concern period which covers the period to 31 August 2022, and then performing procedures to confirm the clerical accuracy of the underlying model including validating the credit facility assumptions.
- Management has prepared a base case scenario covering a period until 31 August 2022. As part of our understanding of managements base case, we noted that the key assumptions present were forecasted revenue growth rates, prices changes and reduction in operating profit margins. We performed enquires with management to understand the basis of the key assumptions and performed substantive procedures to independently determine their appropriateness, such as reviewing the growth rate assumptions within the context of historic performance and critically assessing management's ability to accurately forecast through lookback analysis on the last 3 years of historic financial data. We considered the appropriateness of the methods used to calculate the forecasts and determined that they were sufficiently comprehensive and precise to be able to make an assessment on going concern. The forecast indicates that existing cash and cash equivalents, together with cash generated from operations and undrawn credit facilities, will be sufficient to meet the anticipated cash needs and to meet the obligations as they come due during the going concern assessment period.
- Assessing the impact of additional sensitivities and scenarios applied to future cashflow assumptions on the going concern assessment, including consideration of the impact of a decrease in revenue and cash generated from operations and the impact of the exchangeable notes being redeemed.
- Reviewing the terms and conditions of the undrawn credit facilities to corroborate the assumptions considered by management in their forecasts. We have reviewed the covenant compliance assessment related to credit facilities performed by management as at the year end. Further, we independently analysed the impact on covenant compliance by applying additional sensitivities and scenarios to future cashflow assumptions as described above.
- Considering the impact of COVID-19 on revenue recognition including any changes to product offerings or possible discounts, concessions, refunds and extended payment terms, as well as impairment, estimates and other areas which we determined may be more likely to be adversely impacted in light of the pandemic.
- Reviewing the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

We observed that the group has cash, cash equivalents and short-term investments aggregating to $1.2 billion as of FY21. Further, the Company has access to credit facilities amounting to $1.5 billion and that remains undrawn as at 30 June 2021. The Group expects the overall business to continue to grow in FY22 and expects to generate positive cash flows from operating activities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period until 31 August 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• 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
Key audit matters	• Revenue recognition
Materiality	• Overall group materiality was set at $15.6 million which represents 0.75% of revenue • Materiality for the parent company financial statements was calculated at $14.7 million, which represents 0.75% of total assets.

An overview of the scope of the parent and group audits

Tailoring the scope

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.

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. In assessing the risk of material misstatements to the group financial statements, and to ensure we have adequate quantitative coverage of the significant accounts within the financial statements, we have audited the group at a consolidated level as a single aggregated set of financial information, given the Group finance function operates primarily from San Francisco, California. Our work therefore covered 100% of the loss before tax, 100% of Revenue and 100% of Total assets. This enables us to form an opinion on the consolidated financial statements.

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 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 integrated Group audit team includes members from both the UK and US, supplemented with subject matter specialists as required. The integrated audit team designs, executes, reviews and concludes on all work performed in both jurisdictions concurrently, operating as a single audit team.

Impact of the COVID-19 pandemic

Due to the travel restrictions in place by UK and US governments, the senior statutory auditor has been unable to travel to the US during the current year to visit members of the Group audit team. However, the members of the Group audit team in both jurisdictions work together as an integrated team throughout the audit process, facilitated by the EY electronic audit file platform. During the current year's audit, the UK based audit team reviewed key working papers and held regular video conference calls with US based audit team members to discuss the audit approach and issues arising from the audit work, focussing his time on the significant risks and judgmental areas of the audit.

The performance of the year end audit remotely was supported through the use of software collaboration platforms for the secure and timely delivery of requested audit evidence from the company to EY. Also, the senior statutory auditor used video conference facilities to meet with group financial management and attend the interim results presentation to management and the year end results presentation to the Audit Committee remotely.

Based upon the above approach we are satisfied that we have been able to direct, supervise and review the audit.

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.

(See next page for the table)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition The Group has reported recognised revenue of $2,089 million (2020: $1,614 million) and deferred revenue of $898 million (2020: $601 million). Due to the complexity of correctly applying International Financial Reporting Standards (IFRS) 15, revenue could be improperly recognised. As described in Note 2 to the consolidated financial statements, the Company primarily derives revenues from, cloud-based services agreements and subscription-based and perpetual software license arrangements 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, including promises to transfer multiple software products and/or services to a customer. To account for promised goods and services in accordance with IFRS 15, Revenue from Contracts with Customers, 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 to the customer. 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. Auditing the Company's recognition of revenue was challenging and complex due to the effort required to analyse the accounting treatment of the Company's various product and service offerings in accordance with IFRS 15. 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.	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. 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. To test management's determination of relative standalone selling price for each performance obligation, we performed audit procedures to assess the appropriateness of the methodology applied, tested mathematical accuracy of the underlying data and calculations, and tested sample selections to corroborate the data underlying the Company's calculations. We also evaluated whether the Company appropriately applied its revenue recognition policy to a sample of sales transactions to determine whether revenue was recognized in the correct amounts and periods. Finally, we assessed the appropriateness of the related disclosures in the consolidated financial statements.	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 2021 in accordance with IFRS 15 and we have assessed the related disclosures to be appropriate.

Nothing has been added or removed in the key audit matters from prior year's audit report.

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 $15.6 million, which is 0.75% of group revenue, of $2,089 million (2020: $11.9 million which represents 0.74% of group revenue, $1,614 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 swiftly and is currently loss making.

We determined materiality for the parent company financial statements to be $14.7 million, which is determined with reference to the parent company's gross assets of $1,959 million of which it represents 0.75% (2020: $11.9 million which represents 0.75% of parent company assets, of $1,580 million)."

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 judgement was that performance materiality was 75% (2020: 50%) of our planning materiality, namely $11.7 million (2020: $5.9million). We have set performance materiality at a higher percentage as compared to the previous year in view of our auditing experience with the group and with no significant adjustments in previous year.

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 $0.78m (2020: $0.59 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 contained within the annual report.

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.

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 course of 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 themselves. 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 64 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's and parent 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (IFRS, FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in both the United Kingdom and other jurisdictions in which the group operates. In addition, the Company has to comply with laws and regulations relating to its domestic and overseas operations, including health and safety, employees, data protection and anti-bribery and corruption.

- We understood how the group is complying with those frameworks by making enquiries of management, the Audit Committee, internal audit and internal legal counsel. We corroborated our enquiries through our inspection of the group's board minutes, code of business conduct and ethics, papers provided to the Audit Committee, external legal counsel confirmation replies and correspondence received from regulatory bodies and noted that there was no contradictory evidence.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures included an inspection of board minutes, presentation to the Audit Committee and external legal counsel confirmation replies and did not identify any noncompliance with relevant laws and regulations.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for the management to the manipulate the financial statement. Based on our risk assessment procedures, we identified improper recognition of revenue to be our fraud risk. Further, while there is an assumed risk of management override of controls, we have not identified any specific fraud risk related to management override of controls.

- To address our fraud risk around the improper recognition of revenue, we tested the relevant internal controls that the group has established to address the risk identified, or that otherwise prevent and detect fraud; and how the senior management monitors those controls. Using the result of our control testing, we designed the nature, timing and extent of our substantive procedures over revenue recognition. We performed test of details by selecting sample of contracts and confirmed the associated terms and conditions that impact on revenue recognition through either direct confirmation or otherwise applying the alternative procedures. We reviewed the Company's sales certification process to ensure all relevant sales representatives confirmed that they were not aware of any side arrangements or fraudulent activities. Further, we reviewed credit memos to determine if there were any credits or returns that would be indicative of side arrangements or any other unusual activities.

- We have also incorporated data analytics into our journal entry testing to identify any unusual transactions, including segregation of duties, and into our testing of revenue recognition. For each journal entry selected, we tested specific transactions back to source documentation to confirm that the transactions were properly authorised and appropriately accounted for.

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.

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
Southampton
August 27, 2021

ATLASSIAN CORPORATION PLC

CONSOLIDATED STATEMENTS OF OPERATIONS

(U.S. $ and shares in thousands, except per share data)

	Notes	Fiscal Year Ended June 30, 2021	2020	2019
Revenues:				
Subscription		$ 1,324,064	$ 931,455	$ 633,950
Maintenance		522,971	469,350	394,526
Perpetual license		84,806	95,162	93,593
Other		157,291	118,206	88,058
Total revenues	15	2,089,132	1,614,173	1,210,127
Cost of revenues (1) (2)		336,021	268,807	210,285
Gross profit		1,753,111	1,345,366	999,842
Operating expenses:				
Research and development (1) (2)		963,326	763,188	579,134
Marketing and sales (1) (2)		372,909	299,683	268,356
General and administrative (1)		315,242	268,409	215,714
Total operating expenses		1,651,477	1,331,280	1,063,204
Operating income (loss)		101,634	14,086	(63,362)
Other non-operating expense, net	6	(620,759)	(338,486)	(535,453)
Finance income		7,174	27,801	33,500
Finance costs		(122,713)	(49,610)	(40,241)
Loss before income tax expense		(634,664)	(346,209)	(605,556)
Income tax expense	8	(61,651)	(4,445)	(32,065)
Net loss		$ (696,315)	$ (350,654)	$ (637,621)
Net loss per share attributable to ordinary shareholders:				
Basic	18	$ (2.79)	$ (1.43)	$ (2.67)
Diluted	18	$ (2.79)	$ (1.43)	$ (2.67)
Weighted-average shares outstanding used to compute net loss per share attributable to ordinary shareholders:				
Basic	18	249,679	244,844	238,611
Diluted	18	249,679	244,844	238,611

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)

	Notes	Fiscal Year Ended June 30, 2021	2020	2019
Net loss		$ (696,315)	$ (350,654)	$ (637,621)
Items that will not be reclassified to profit or loss in subsequent periods:				
Net gain on equity investments classified at fair value through other comprehensive income	5	48,080	41,255	38,662
Income tax effect		(11,283)	(9,380)	(8,813)
Other comprehensive income for items that will not be reclassified to profit or loss, net of tax		36,797	31,875	29,849
Items that will be reclassified to profit or loss in subsequent periods:				
Foreign currency translation adjustment		4,916	(613)	(35)
Net change in unrealized gain (loss) on debt investments classified at fair value through other comprehensive income	5	(4,844)	5,053	1,340
Net gain (loss) on cash flow hedging derivative instruments	5	(16,008)	16,711	1,539
Income tax effect		7,827	(8,961)	(553)
Other comprehensive income (loss) after tax that will be reclassified to profit or loss in subsequent periods		(8,109)	12,190	2,291
Other comprehensive income, net of tax		28,688	44,065	32,140
Total comprehensive loss, net of tax		$ (667,627)	$ (306,589)	$ (605,481)

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, 2021	June 30, 2020
Assets			
Current assets:			
Cash and cash equivalents	14	$ 919,227	$ 1,479,969
Short-term investments	5	313,001	676,072
Trade receivables	9	173,473	112,019
Tax receivables		2,332	1,509
Derivative assets	5,16	127,486	327,487
Prepaid expenses and other current assets	14	48,322	46,730
		1,583,841	2,643,786
Assets held for sale		43,665	—
Total current assets		1,627,506	2,643,786
Non-current assets:			
Property and equipment, net	10	66,221	97,648
Deferred tax assets	8	36,174	35,351
Goodwill	11	725,758	645,140
Intangible assets, net	11	124,590	129,690
Right-of-use assets, net	12	205,300	217,683
Other non-current assets	14	159,795	124,774
Total non-current assets		1,317,838	1,250,286
Total assets		$ 2,945,344	$ 3,894,072
Liabilities			
Current liabilities:			
Trade and other payables	14	$ 266,497	$ 202,570
Tax liabilities		42,051	19,583
Provisions	14	25,148	14,291
Deferred revenue	15	812,943	573,813
Lease obligations	12	42,446	34,743
Derivative liabilities	5,16	772,127	1,284,596
Exchangeable senior notes, net	16	348,799	889,183
Total current liabilities		2,310,011	3,018,779
Non-current liabilities:			
Deferred tax liabilities	8	26,625	31,304
Provisions	14	12,435	9,493
Deferred revenue	15	84,652	27,192
Lease obligations	12	214,103	229,825
Other non-current liabilities		2,604	2,173
Total non-current liabilities		340,419	299,987
Total liabilities		2,650,430	3,318,766
Equity			
Share capital	17	25,164	24,744
Share premium	17	461,016	459,892
Other capital reserves	17	1,516,609	1,130,918
Other components of equity	17	104,832	76,144
Accumulated deficit		(1,812,707)	(1,116,392)
Total equity		294,914	575,306
Total liabilities and equity		$ 2,945,344	$ 3,894,072

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 August 27, 2021 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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(U.S. $ in thousands)

					Other components of equity				
	Notes	Share capital	Share premium	Other capital reserves	Cash flow hedge reserve	Foreign currency translation reserve	Investments at fair value through other comprehensive income reserve	Accumulated deficit	Total equity
Balance as of June 30, 2018		$ 23,531	$ 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	17	150	3,392	—	—	—	—	—	3,542
Vesting of early exercised shares	17	51	8	—	—	—	—	—	59
Issuance of ordinary shares for settlement of restricted share units (RSUs)	17	467	—	(467)	—	—	—	—	—
Share-based payment	7	—	—	257,777	—	—	—	—	257,777
Replacement equity awards related to business combination	13	—	—	1,768	—	—	—	—	1,768
Tax benefit from share plans		—	—	482	—	—	—	—	482
		668	3,400	259,560	—	—	—	—	263,628
Balance as of June 30, 2019		$ 24,199	$ 458,166	$ 816,660	$ (2,547)	$ 4,372	$ 30,254	$ (765,637)	$ 565,467
Net loss		—	—	—	—	—	—	(350,654)	(350,654)
Other comprehensive income (loss), net of tax		—	—	—	8,714	(613)	35,964	—	44,065
Total comprehensive income (loss), net of tax		—	—	—	8,714	(613)	35,964	(350,654)	(306,589)
Issuance of ordinary shares upon exercise of share options	17	76	1,726	—	—	—	—	—	1,802
Vesting of early exercised shares	17	64	—	(32)	—	—	—	—	32
Issuance of ordinary shares for settlement of restricted share units	17	405	—	(405)	—	—	—	—	—
Share-based payment	7	—	—	313,706	—	—	—	—	313,706
Replacement equity awards related to business combination	13	—	—	552	—	—	—	—	552
Tax benefit from share plans		—	—	437	—	—	—	—	437
Cumulative effect of applying new accounting pronouncement		—	—	—	—	—	—	(101)	(101)
		545	1,726	314,258	—	—	—	(101)	316,428
Balance as of June 30, 2020		$ 24,744	$ 459,892	$ 1,130,918	$ 6,167	$ 3,759	$ 66,218	$ (1,116,392)	$ 575,306
Net loss		—	—	—	—	—	—	(696,315)	(696,315)
Other comprehensive income (loss), net of tax		—	—	—	(9,102)	4,916	32,874	—	28,688
Total comprehensive income (loss), net of tax		—	—	—	(9,102)	4,916	32,874	(696,315)	(667,627)
Issuance of ordinary shares upon exercise of share options		39	1,124	—	—	—	—	—	1,163
Vesting of early exercised shares		34	—	(34)	—	—	—	—	—
Issuance of ordinary shares for settlement of restricted share units		347	—	(347)	—	—	—	—	—
Share-based payment		—	—	385,918	—	—	—	—	385,918
Replacement equity awards related to business combination		—	—	523	—	—	—	—	523
Tax expense from share plans		—	—	(369)	—	—	—	—	(369)
		420	1,124	385,691	—	—	—	—	387,235
Balance as of June 30, 2021		$ 25,164	$ 461,016	$ 1,516,609	$ (2,935)	$ 8,675	$ 99,092	$ (1,812,707)	$ 294,914

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)

	Notes	Fiscal Year Ended June 30, 2021	2020	2019
Operating activities				
Loss before income tax expense		$ (634,664)	$ (346,209)	$ (605,556)
Adjustments to reconcile loss before income tax expense to net cash provided by operating activities:				
Depreciation and amortization	10, 11	55,296	62,271	70,248
Depreciation of right-of-use assets	12	37,552	35,127	—
Share-based payment expense	7	385,732	313,395	257,762
Net loss on exchange derivative and capped call transactions	6	616,446	335,953	533,908
Amortization of debt discount and issuance cost	16	109,548	35,608	33,939
Interest income		(7,174)	(27,801)	(33,500)
Interest expense		13,164	14,002	6,302
Net unrealized foreign currency loss (gain)		7,650	(1,503)	(770)
Impairment of lease-related assets	7	7,435	—	—
Net unrealized loss on investments	5	2,000	—	—
Loss (gain) on sale of investments, disposal of assets and other		1,144	(993)	(2,357)
Changes in assets and liabilities:				
Trade receivables		(61,256)	(29,440)	(30,211)
Prepaid expenses and other assets		(13,054)	(10,608)	1,085
Trade and other payables, provisions and other non-current liabilities		64,899	51,532	75,624
Deferred revenue	15	294,371	131,535	122,502
Interest received		12,513	29,217	30,328
Tax refunds received (income tax paid), net		(50,272)	(17,876)	7,038
Net cash provided by operating activities		841,330	574,210	466,342
Investing activities				
Business combinations, net of cash acquired	13	(91,584)	(53,212)	(418,595)
Purchases of intangible assets		(1,800)	—	(2,110)
Purchases of property and equipment		(31,520)	(35,709)	(44,192)
Proceeds from sales of property, equipment and intangible assets		—	—	3,721
Purchases of investments		(119,431)	(985,931)	(648,036)
Proceeds from maturities of investments		454,996	513,268	485,021
Proceeds from sales of investments		48,786	245,498	20,545
Increase in restricted cash		(2,618)	(2,085)	(552)
Payment of deferred consideration		(185)	(760)	—
Net cash provided by (used in) investing activities		256,644	(318,931)	(604,198)
Financing activities				
Proceeds from exercise of share options		1,163	1,802	3,542
Payment of issuance costs for debt	16	(4,445)	—	(410)
Payments of lease obligations	12	(44,874)	(38,125)	—
Interest paid		(6,498)	(6,250)	(6,319)
Repayment of exchangeable senior notes	16	(1,803,244)	(2)	—
Proceeds from settlement of capped call transactions	16	203,093	—	—
Net cash used in financing activities		(1,654,805)	(42,575)	(3,187)
Effect of exchange rate changes on cash and cash equivalents		5,406	(1,176)	(855)
Net increase (decrease) in cash and cash equivalents		(551,425)	211,528	(141,898)
Cash and cash equivalents at beginning of period		1,479,969	1,268,441	1,410,339
Cash and cash equivalents included in assets held for sale		(9,317)	—	—
Cash and cash equivalents at end of period		$ 919,227	$ 1,479,969	$ 1,268,441

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 Software, targeting software teams, and Jira Work Management, targeting other business teams (collectively, "Jira"), Confluence for team content creation and sharing, Trello for capturing and adding structure to fluid, fast-forming work for teams, Jira Service Management for team service, management and support applications, Jira Align for enterprise agile planning, Bitbucket for code sharing and management, and Atlassian Access for enterprise-grade security and centralized administration.

The accompanying consolidated financial statements of the Group for the year ended June 30, 2021 were authorized for issue in accordance with a resolution of the board of directors on August 27, 2021.

2. Summary of Significant Accounting Policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standards ("IAS") in conformity with the requirements of the UK Companies Act 2006. The consolidated financial statements are prepared on a going concern basis (see page 62-63).

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.

Use of estimates

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, revenue 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. Significant estimates, assumptions and judgments made by management include revenue recognition and impairment of non-financial assets (see Note 3, "*Critical Accounting Estimates and Judgments*"). Other estimates, assumptions and judgments made by management include business combinations, fair value measurement of financial instruments and accounting for income taxes.

In January 2020, the World Health Organization declared a novel coronavirus ("COVID-19") a Public Health Emergency of International Concern, and a pandemic in March 2020. The impact of COVID-19 continues to unfold and the extent of the impact will depend on a number of factors, including the duration and spread of the outbreak, its severity, the actions taken by governments and authorities to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. The Group considered the impact of COVID-19 on the assumptions and estimates used, including the allowance for credit losses for accounts receivable, the credit worthiness of customers entering into revenue arrangements, our impairment assessment of assets, the fair values of our financial instruments, and income taxes, which require increased judgement and carry a higher degree of estimate uncertainty. The Group determined that there were no material adverse impacts on the consolidated financial statements for the fiscal years ended June 30, 2021 and 2020. As events continue to evolve and additional information becomes available, the Group's assumptions and estimates may change in future periods.

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 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 results of operations are regularly reviewed by the chief operating decision maker. The Group's chief operating decision makers are the Group's Co-Chief Executive Officers, who review results of operations 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 loss.

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, net in the consolidated statements of operations for the period.

Revenue recognition

Policies, Estimates and Judgments

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 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 billing our customers. We receive payments from customers based on a billing schedule as established in our contracts. Contract assets are recognized when performance is completed in advance of scheduled billings. Deferred revenue is recognized when billings are in advance of performance under the contract. Our revenue arrangements include standard warranty provisions that our products and services will perform and operate in all material respects with the applicable published specifications, the financial impacts of 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 standalone selling price ("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 15, "*Revenue.*"

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 typically recognize revenue on the license portion of perpetual license arrangements once the customer obtains control of the license, which is generally upon delivery of the license.

Other revenues

Other revenues primarily include fees received for sales of third-party apps in the Atlassian Marketplace. Technical account management, consulting and training services are also included in other revenues. 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 on a net basis 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 consulting and training is recognized over time as the services are performed.

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 or intended to be sold or consumed in the normal operating cycle; 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, the 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 the Notes are measured at amortized cost using the effective interest rate ("EIR") method.

Debt investments

The Group's marketable debt securities were classified as instruments at fair value through other comprehensive income. These debt securities give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. After consideration of our objectives, as well as our liquidity requirements, we may sell these debt securities prior to their stated maturities. As we view these securities as available for use to support current operations, we classify highly liquid securities with maturities beyond 12 months as current assets under the caption short-term investments on the consolidated statements of financial position. Fair value changes of marketable debt securities that have been recognized in other comprehensive income are reclassified to profit or loss upon sale of the financial asset.

The Group's non-marketable debt securities are classified as instruments at fair value through profit or loss. The non-marketable debt securities are convertible notes issued by private companies without quoted market prices. To estimate the fair value of the non-marketable debt securities, we use the income approach utilizing our estimates of timing, probability, and amount of cash flows associated with liquidation of the securities. 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.

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 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. The Group also enters 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. The Group uses interest rate swaps to hedge the variability of cash flows in the interest payments associated with its variable-rate debt due to changes in the LIBOR-based floating interest rate. The interest rate swaps are designated as cash flow hedges and involve interest obligations for U.S. dollar-denominated amounts. Hedging derivative instruments are recognized as either assets or liabilities and are measured at fair value.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as the ratio resulting from the quantity of the hedged item and the quantity of the hedging instrument.

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. Amounts reclassified from cash flow hedge reserve to profit or loss are recorded to the same functional expense as the hedged item or items. Gains (losses) on derivatives representing 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 16, "*Debt*" 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 expense, net. The Group used Black-Scholes option pricing models to fair value the exchange feature of the Notes. Certain inputs used in the model such as stock price volatility requires judgment. The Capped Call Derivatives' fair value was obtained from counterparty banks.

Impairment of financial assets

The Group measures loss allowances on debt investments 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.

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.

Disposal group held for sale

The Group classifies the disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A disposal group is a group of assets and liabilities, which the Group intends to dispose of in a single transaction. The disposal group classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of the asset group, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset group and the sale expected to be completed within one year from the date of the classification.

Assets classified as held for sale are presented separately as current items in the consolidated statement of financial position.

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	1 - 3 years
Computer hardware and computer-related software	1 - 5 years
Furniture and fittings	4 - 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.

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. 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 based on additional information obtained affecting the fair value of those assets and liabilities, 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 provisional estimates and assumptions as deemed reasonable by management. The Group records any adjustments to these provisional 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. Please refer to Note 13, "*Business combinations,*" for details.

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. The Group performs its goodwill impairment test at the level of its operating segment as there are no lower levels within the Group at which goodwill is monitored. Impairment is determined for goodwill by assessing the recoverable amount of the operating segment. When the recoverable amount of the operating segment 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 acquire 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	5 - 12 years
Customer relationships	3 - 10 years
Acquired developed technology	4 - 6 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.

Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. An asset's recoverable amount is the higher of an asset's or cash generating unit ("CGU")'s fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its 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 of disposal, recent market transactions are taken into account. 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, restricted share units ("RSUs") and restricted shares 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 or restricted shares 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.

The Group also issues replacement awards in connection with business combinations in exchange for awards held by employees of the acquiree. We recognize the portion of the acquiree award that is attributable to pre-combination service as purchase consideration. The portion of the replacement award attributable to post-combination service is recognized as employee benefits and classified in our consolidated statements of operations according to the activities that the employees perform.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Leases

Group as lessee

We determine if an arrangement is a lease at inception. Our lease agreements generally contain lease and non-lease components. Lease payments under our lease arrangements are primarily fixed. Non-lease components primarily include payments for maintenance and utilities and are expensed as incurred.

Lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of the future lease payments is our incremental borrowing rate, because the interest rate implicit in our leases is not readily determinable. Our incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. Our lease terms include periods under options to extend or terminate the lease when it is reasonably certain that we will exercise that option. We generally use the base, non-cancelable, lease term when determining lease liabilities. We reassess the lease term if and when a significant event or change in circumstances occurs within the control of the Group.

Right-of-use assets are recognized at cost at the lease commencement date. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct cost incurred, any prepaid lease payments less lease incentives and an estimate of restoration cost. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

We apply the short-term lease recognition exemption for our short-term leases and leases of low-value assets. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are primarily comprised of office equipment. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis over the lease term.

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 results of operations. 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.

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. Assumptions about the generation of future taxable income depend on management's estimates of future cash flows, future business expectations, capital expenditures, dividends, and other capital management transactions. Management judgment is also required in relation to the application of income tax legislation, which involves complexity and an element of 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.

The Company assesses uncertainty over a tax treatment in accordance with the International Financial Reporting Interpretations Committee ("IFRIC") 23. When the Company concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the Company will reflect the effect of uncertainty by using either of the following methods, depending on which method the Company expects to better predict the resolution of the uncertainty:

- The most likely amount: the single most likely amount in a range of possible outcomes.
- The expected value: the sum of the probability-weighted amounts in a range of possible outcomes.

For details of taxation, please refer to Note 8, "*Income Tax.*"

New Standards, Interpretations and Amendments Not Yet Adopted in Fiscal Year 2021

The IASB has issued other amendments resulting from improvements to IFRS that management considers do not have any impact on the accounting policies, financial position or performance of the Group. The Group does not expect them to have a material impact on the accounting policies.

3. Critical Accounting Estimates and Judgments

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

Critical accounting estimates and assumptions

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revenue recognition

Determining the SSP for products and services requires estimates and assumptions. We typically determine a 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.

Critical accounting judgments

Impairment of non-financial assets

For assets excluding goodwill, and CGUs, impairment assessments are made at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. 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. These include product performance, technology, economic and political environments, and future product expectations. If an impairment trigger exists or when annual impairment testing for an asset is required, the recoverable amount of the asset is determined.

The Group operates as a single operating segment and the Group performs the goodwill impairment test at the level of its operating segment as there are no lower levels within the Group at which goodwill is monitored. 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 impairment. There was no impairment of goodwill during the fiscal years 2021, 2020 and 2019.

During fiscal year 2021, the Group made the decision to early terminate one of our office leases. The Group does not have any rights to sublease the facility. The recoverable amount of the related lease assets including right-of-use assets and leasehold improvement was determined to be zero. An impairment charge of $7.4 million was recorded to profit or loss in fiscal year 2021. For details of the office lease impairment, please refer to Note 7, "*Expenses.*" Other than the lease-related assets discussed above, no indicators of impairment existed that were significant enough to warrant non-financial assets to be tested for impairment in the fiscal years 2021, 2020 and 2019. For details of non-financial assets, please refer to Note 10, "*Property and Equipment*", Note 11, "*Goodwill and Intangible assets*" and Note 12, "*Leases.*"

4. Group Information

As of June 30, 2021, 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 (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

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 Ýhsan Doðramacý Bulvarý Bina No: 29 Gümüþ Blok Bk2 Çankaya Ankara, Turkey	Turkey
iFountain, LLC	1200 Coit Rd, Suite 107, Plano, TX 75075	United States of America
Halp, Inc.	Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808	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
Code Barrel Pty Ltd	Level 6, 341 George Street Sydney NSW 2000 Australia	Australia
Lead Green Pty Ltd	Level 6, 341 George Street Sydney NSW 2000 Australia	Australia
Lead Green Trust	Level 6, 341 George Street Sydney NSW 2000 Australia	Australia
Vertical First Pty Ltd	Level 6, 341 George Street Sydney NSW 2000 Australia	Australia
Vertical First Trust	Level 6, 341 George 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 Holdings B.V.	Singel 236, 1016 AB Amsterdam Netherlands	Netherlands
Atlassian K.K.	4-24-1-1 Kaigandôri 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 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
Mindville AB	Vasagatan 36, 111 20 Stockholm, Sweden	Sweden
Riada Germany GmbH	Rosenstraße 2, 10178 Berlin, Germany	Germany
Mindville Technology Canada LTD	5140 Rue Saint-Hubert, Montreal, QC H2J 2Y3, Canada	Canada
Atlassian New Zealand	Wynn Williams, Level 25, 48 Shortland Street, Auckland, 1010, NZ	New Zealand
Atlassian Poland sp z o.o.	ul. Cypriana Kamila Norwida 2, 80-280 Gdańsk, Poland	Poland
Chart.io, Inc.	251 Little Falls Drive, Wilmington, DE 19808	United States of America
ThinkTilt Pty Ltd	Level 6, 341 George St., Sydney, NSW, 2000 Australia	Australia

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, 2021:

Name	Registration number
Atlassian (UK) Limited	8777838
Atlassian (Australia) Limited	8779888
Atlassian (UK) Operations Limited	8855064
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 of directors 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 ("AUD"), Indian rupee, Euro ("EUR"), British pound, Japanese yen, Philippine peso 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 ("USD"). The Group's financial risk management 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 select financial institutions to reduce our credit risk, and we trade 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 forecast cost of revenues and operating expenses denominated in Australian dollars. These foreign exchange forward contracts are designated as cash flow hedges.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and forward contracts are identical to the hedged risk components. 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. Ineffectiveness mainly rises from the differences in the timing of the cash flows of the hedged items and the hedging instruments.

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. 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 hedges 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.

The following table sets forth foreign currency sensitivity analysis of a hypothetical 10% change in exchange rate of the U.S. dollar against the Australian dollar to our cash flow hedging portfolio:

Foreign Currency Sensitivity	Effect on other comprehensive income, before tax	
	2021	**2020**
	(U.S. $ in thousands)	
Foreign currency forward contracts - cash flow hedging		
U.S. dollar +10%, decrease in fair value of foreign currency forward contracts	$ (39,416)	$ (26,999)
U.S. dollar -10%, increase in fair value of foreign currency forward contracts	*39,416*	*26,999*

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. The Group is also exposed to equity price risk in connection with our equity investments. The Group's marketable equity investments are susceptible to market price risk from uncertainties about future values of the investment securities.

The following table sets forth equity price sensitivity analysis of a hypothetical 10% change in share prices:

Equity Price Sensitivity	**Effect on other non-operating expense, net**		**Effect on other comprehensive income, before tax**	
	2021	**2020**	**2021**	**2020**
	(U.S. $ in thousands)			
Fair Value change of the Exchange and Capped Call Derivatives:				
Increase in our share price of 10%	$ (107,880)	$ (192,641)	$ —	$ —
Decrease in our share price of 10%	106,241	184,784	—	—
Fair value change of marketable equity investments:				
Increase in respective share prices of 10%	—	—	11,041	10,019
Decrease in respective share prices of 10%	—	—	(11,041)	(10,019)

Interest rate risk

During the fiscal year ended June 30, 2021, the Group entered into a $1 billion senior unsecured delayed-draw term loan facility (the "Term Loan Facility") and a $500 million senior unsecured revolving credit facility (the "Revolving Credit Facility," and together with the Term Loan Facility, the "Credit Facility"). The Credit Facility matures in October 2025 and bears a variable interest rate. Please refer to Note 16, "*Debt*" for the details of the Credit Facility.

The Group is exposed to interest rate risk arising from our variable interest rate Credit Facility. The Group's financial risk management policy is reviewed annually by the Group's Audit Committee and requires the Group to monitor its interest rate exposure on a regular basis.

We have a hedging program in place and enter into derivative transactions to manage the variable interest rate risks that arise with the Group's Term Loan Facility. We enter into master netting agreements with financial institutions to execute our hedging program. Our master netting agreements are with select financial institutions to reduce our credit risk, and we trade 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 interest rate derivatives.

We enter into interest rate swaps with the objective to hedge the variability of cash flows in the interest payments associated with our variable-rate Term Loan Facility. The interest rate swaps involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. The interest rate swaps are designated as cash flow hedges and measured at fair value. As of June 30, 2021, we have entered into interest rate swaps with total notional amount of $650 million.

In addition, 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, 2021, the Group had cash and cash equivalents totaling $919.2 million and short-term investments totaling $313.0 million.

The following table sets forth an interest rate sensitivity analysis of a hypothetical 100 basis point change in interest rates. This estimate is based on a sensitivity model that measures market value changes when changes in interest rates occur:

Interest Rate Sensitivity	**Effect on other comprehensive income, before tax**	
	2021	**2020**
	(U.S. $ in thousands)	
Change in market value of debt investments:		
Interest Rate +100bps, decrease in market value of debt investments	$ (1,888)	$ (5,397)
Interest Rate -100bps, increase in market value of debt investments	259	1,617
Change in market value of interest rate swap:		
Interest Rate +100bps, increase in market value of interest rate	24,845	—
Interest Rate -100bps, decrease in market value of interest rate	(20,635)	—

Credit risk

The Group is exposed to credit risk arising from cash and cash equivalents, deposits with banks and financial institutions, investments, foreign exchange and interest rate 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 rating 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 and interest rate 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, *"Trade Receivables"* 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, short-term investments, expected cash flows from operations and access to the Credit Facility, 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:

	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
			(U.S. $ in thousands)		
As of June 30, 2021					
Financial liabilities:					
Trade and other payables	$ 266,497	$ —	$ —	$ —	$ 266,497
Lease obligations (1)	48,297	77,768	65,227	91,131	282,423
Derivative liabilities	11,438	669	—	—	12,107
Exchangeable senior notes (2)	1,109,593	—	—	—	1,109,593
	$ 1,435,825	$ 78,437	$ 65,227	$ 91,131	$ 1,670,620
As of June 30, 2020					
Financial liabilities:					
Trade and other payables	$ 202,570	$ —	$ —	$ —	$ 202,570
Lease liabilities (1)	41,584	109,015	54,325	92,158	297,082
Derivative liabilities	1,507	2	—	—	1,509
Exchangeable senior notes (2)	2,211,244	—	—	—	2,211,244
	$ 2,456,905	$ 109,017	$ 54,325	$ 92,158	$ 2,712,405

(1) Lease obligations represent undiscounted lease payments excluding certain low-value and short-term leases, refer to Note 12, "*Leases*" for details.

(2) The amount related to Notes represent the if-exchanged value using stock price as of June 30, 2021 and 2020, respectively. Refer to Note 16, "*Debt*" for details.

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.

During the fiscal year ended June 30, 2018, the Group issued $1.0 billion of the Notes for working capital and other corporate purposes, including acquiring complementary businesses, products, services or technologies. During the fiscal year ended June 30, 2021, the Group entered into a $1.5 billion Credit Facility. The Group will use the net proceeds of the Credit Facility for general corporate purposes, including repayment of existing indebtedness. Refer to Note 16, "*Debt*" for details.

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, 2021, by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	(U.S. $ in thousands)			
Description				
Assets measured at fair value				
Cash and cash equivalents:				
Money market funds	$ 20,966	$ —	$ —	$ 20,966
Agency securities	—	4,600	—	4,600
Commercial paper	—	149,347	—	149,347
Short-term investments:				
U.S. treasury securities	—	209,948	—	209,948
Agency securities	—	5,752	—	5,752
Certificates of deposit and time deposits	—	6,653	—	6,653
Corporate debt securities	—	87,948	—	87,948
Municipal securities	—	2,700	—	2,700
Current derivative assets:				
Derivative assets - foreign exchange hedging	—	3,333	—	3,333
Derivative assets - capped call transactions	—	—	124,153	124,153
Non-current derivative assets:				
Derivative assets - interest rate swaps	—	3,147	—	3,147
Other non-current assets:				
Certificates of deposit and time deposits	—	2,600	—	2,600
Marketable equity securities	110,409	—	—	110,409
Non-marketable equity securities	—	—	11,750	11,750
Total assets measured at fair value	$ 131,375	$ 476,028	$ 135,903	$ 743,306
Liabilities measured at fair value				
Current derivative liabilities:				
Derivative liabilities - foreign exchange hedging	$ —	$ 8,058	$ —	$ 8,058
Derivative liabilities - interest rate swaps	—	3,380	—	3,380
Derivative liabilities - exchangeable feature of the Notes	—	—	760,689	760,689
Non-current derivative liabilities:				
Derivative liabilities - foreign exchange hedging	—	669	—	669
Total liabilities measured at fair value	$ —	$ 12,107	$ 760,689	$ 772,796

The following table presents the Group's financial assets and liabilities as of June 30, 2020, by the level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	(U.S. $ in thousands)			
Description				
Assets measured at fair value				
Cash and cash equivalents:				
Money market funds	$ 439,947	$ —	$ —	$ 439,947
U.S. treasury securities	—	5,599	—	5,599
Agency securities	—	8,749	—	8,749
Commercial paper	—	167,248	—	167,248
Corporate debt securities	—	27,365	—	27,365
Short-term investments:				
U.S. treasury securities	—	296,118	—	296,118
Agency securities	—	24,586	—	24,586
Certificates of deposit and time deposits	—	12,052	—	12,052
Commercial paper	—	31,937	—	31,937
Corporate debt securities	—	308,651	—	308,651
Municipal securities	—	2,728	—	2,728
Current derivative assets:				
Derivative assets - foreign exchange hedging	—	16,879	—	16,879
Derivative assets - capped call transactions	—	—	310,608	310,608
Other non-current assets:				
Certificates of deposit and time deposits	—	3,347	—	3,347
Marketable equity securities	100,187	—	—	100,187
Non-marketable equity securities	—	—	3,750	3,750
Total assets measured at fair value	$ 540,134	$ 905,259	$ 314,358	$ 1,759,751
Liabilities measured at fair value				
Current derivative liabilities:				
Derivative liabilities - foreign exchange hedging	$ —	$ 1,507	$ —	$ 1,507
Derivative liabilities - exchangeable feature of exchangeable senior notes	—	—	1,283,089	1,283,089
Non-current derivative liabilities:				
Derivative liabilities - foreign exchange hedging	—	2	—	2
Total liabilities measured at fair value	$ —	$ 1,509	$ 1,283,089	$ 1,284,598

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.

Determination of fair value

The following table sets forth a description of the valuation techniques and the inputs used in fair value measurement:

Type	Level	Valuation Technique	Inputs
Money market fund	Level 1	Quoted price in active market	N/A
Marketable equity securities	Level 1	Quoted price in active market	N/A
Marketable debt securities	Level 2	Quoted market price to the extent possible or alternative pricing sources and models utilizing market observable inputs	N/A
Non-marketable equity securities	Level 3	Publicly available financing round valuation	N/A
Non-marketable debt securities	Level 3	Discounted cash flow	Timing, probability, and amount of forecasted cash flows associated with liquidation of the securities
Foreign currency forward contracts	Level 2	Discounted cash flow	Foreign currency spot and forward rate Interest rate Credit quality of counterparties
Interest rate swaps	Level 2	Discounted cash flow	Forward and contract interest rates Credit quality of counterparties
Exchange feature of the Notes	Level 3	Black-Scholes option pricing models	Stock price Time to expiration of the options Stock price volatility Interest rate
Capped Call Derivatives	Level 3	Prior to December 31, 2020: Black-Scholes option pricing models	Stock price Time to expiration of the options Stock price volatility Interest rate
		On December 31, 2020 and after: Non-binding quoted price obtained from counterparty banks*	N/A
Exchangeable senior notes	Level 2	Quoted market price	N/A

*On December 31, 2020, the Group changed the valuation technique of capped call derivatives from income approach to market approach, which is a more meaningful indicator of fair value given the Group's intention to settle the Notes and related capped call derivatives earlier than their contractual maturity.

Level 3 financial instruments disclosure

In April 2018, Atlassian Inc., a wholly-owned subsidiary of the Company, issued $1 billion in Notes and entered into related capped call transactions. Please refer to Note 16, "*Debt*" for details. Exchange and Capped Call Derivatives are classified as Level 3. The exchange feature of the Notes is valued using a Black-Scholes option pricing model. The Group used stock price volatility implied from its listed options with a shorter term for valuation of the exchange feature of the Notes, which makes this an unobservable input that is significant to the valuation.

The table below present stock price volatility sensitivity analysis of the fair value change assume a 10% higher volatility, holding other inputs constant:

Stock Price Volatility Sensitivity	**Effect on Other non-operating expense, net**			
	2021		**2020**	
	(U.S. $ in thousands)			
Stock price volatility range as of fiscal year end		39.3 %		39.2% - 42.8%
Fair value change of the exchange feature of the Notes	$	(1,347)	$	(21,973)
Fair value change of the Capped Call Derivatives		—		(15,393)

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, 2019	$ 214,597	$ (851,126)	$ 3,000
Purchases	—	1	750
Gains (losses)			
Recognized in other non-operating expense, net	96,011	(431,964)	—
Balance as of June 30, 2020	$ 310,608	$ (1,283,089)	$ 3,750
Change in unrealized gains (losses) relating to assets and liabilities held as of June 30, 2020			
Recognized in other non-operating expense, net	$ 96,011	$ (431,964)	$ —
Balance as of June 30, 2020	$ 310,608	$ (1,283,089)	$ 3,750
Settlements or purchases	(203,093)	1,155,484	10,250
Gains (losses)			
Recognized in other non-operating expense, net	16,638	(633,084)	(2,000)
Recognized in other comprehensive income (loss)	—	—	(250)
Balance as of June 30, 2021	$ 124,153	$ (760,689)	$ 11,750
Change in unrealized gains (losses) relating to assets and liabilities held as of June 30, 2021			
Recognized in other non-operating expense, net	$ 14,764	$ (308,820)	$ (2,000)
Recognized in other comprehensive income (loss)	—	—	(250)

There were no transfers between levels during fiscal years 2021 and 2020.

Investments

As of June 30, 2021, 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	$ 209,567	$ 407	$ (26)	$ 209,948
Agency securities	5,750	2	—	5,752
Certificates of deposit and time deposits	9,253	—	—	9,253
Corporate debt securities	87,626	322	—	87,948
Municipal securities	2,700	—	—	2,700
Non-marketable debt securities	2,000	—	(2,000)	—
Total debt investments	$ 316,896	$ 731	$ (2,026)	$ 315,601
Equity Investments				
Marketable equity securities	$ 10,270	$ 100,139	$ —	$ 110,409
Non-marketable equity securities	12,000	—	(250)	11,750
Total equity investments	$ 22,270	$ 100,139	$ (250)	$ 122,159
Total investments	$ 339,166	$ 100,870	$ (2,276)	$ 437,760

As of June 30, 2021, the Group had $313.0 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 $110.4 million, non-marketable equity securities totaling $11.8 million, and certificates of deposit and time deposits totaling $2.6 million which were classified as long-term and were included in other non-current assets on the Group's consolidated statements of financial position.

In December 2020, the Group sold a marketable equity security following an assessment of investments. The fair values on the dates of sale were $38.1 million and the accumulated gains recognized in other comprehensive income were $28.1 million.

As of June 30, 2020, 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	$ 294,103	$ 2,017	$ (2)	$ 296,118
Agency securities	24,280	306	—	24,586
Certificates of deposit and time deposits	15,399	—	—	15,399
Commercial paper	31,937	—	—	31,937
Corporate debt securities	305,448	3,205	(2)	308,651
Municipal securities	2,700	28	—	2,728
Total debt investments	$ 673,867	$ 5,556	$ (4)	$ 679,419
Equity Investments				
Marketable equity securities	$ 20,270	$ 79,917	$ —	$ 100,187
Non-marketable equity securities	3,750	—	—	3,750
Total equity investments	$ 24,020	$ 79,917	$ —	$ 103,937
Total investments	$ 697,887	$ 85,473	$ (4)	$ 783,356

As of June 30, 2020, the Group had $676.1 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 $100.2 million, non-marketable equity securities totaling $3.8 million, and certificates of deposit and time deposits totaling $3.3 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,		
	2021	2020	2019
	(U.S. $ in thousands)		
Unrealized fair value movements on marketable debt investments recognized in other comprehensive income	$ (4,779)	$ 5,750	$ 1,355
Gains recognized into profit or loss on sale of debt investments	65	697	15
Unrealized fair value movements on non-marketable debt securities recognized in other non-operating expense, net	(2,000)	—	—
Fair value movements on equity investments recognized in other comprehensive income	48,080	41,255	38,662

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

		As of June 30,		
		2021		2020
		(U.S. $ in thousands)		
Recorded as follows:				
Due in one year or less	$	265,679	$	443,324
Due after one year		49,922		236,095
Total investments	$	315,601	$	679,419

Derivative financial instruments

The Group has 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 16, "*Debt.*"

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

	Statement of Financial Position Location		As of June 30, 2021		2020
			(U.S. $ in thousands)		
Derivative assets - hedging					
Derivatives designated as hedging instruments:					
Foreign exchange forward contracts	Current derivative assets	$	3,325	$	14,195
Interest rate swaps	Other non-current assets		3,147		—
Derivatives not designated as hedging instruments:					
Foreign exchange forward contracts	Current derivative assets		8		2,684
Total derivative assets		$	6,480	$	16,879
Derivative liabilities - hedging					
Derivatives designated as hedging instruments:					
Foreign exchange forward contracts	Current derivative liabilities	$	5,336	$	1,164
Foreign exchange forward contracts	Other non-current liabilities		669		2
Interest rate swaps	Current derivative liabilities		3,380		—
Derivatives not designated as hedging instruments:					
Foreign exchange forward contracts	Current derivative liabilities		2,722		343
Total derivative liabilities		$	12,107	$	1,509

The following table sets forth the notional amounts of our hedging derivative instruments as of June 30, 2021 (U.S. $ 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
Forward contracts:						
AUD/USD forward contracts:						
Notional amount	$ 623,321	$ 24,627	$647,948	$397,184	$ 250,764	$647,948
Average forward rate	0.7563	0.7718	0.7569	0.7563	0.7579	0.7569
EUR/USD forward contracts:						
Notional amount	11,040	—	11,040	—	11,040	11,040
Average forward rate	1.2025	—	1.2025	—	1.2025	1.2025
Total	$ 634,361	$ 24,627	$658,988	$397,184	$ 261,804	$658,988
Interest rate swaps:						
Notional amount	$ —	$650,000	$650,000	$650,000	$ —	$650,000
Average fixed rate		0.81 %	0.81 %	0.81 %		0.81 %

The following table sets forth the notional amounts of our hedging derivative instruments as of June 30, 2020 (U.S. $ 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
AUD/USD forward contracts:						
Notional amount	$ 393,705	$ 8,441	$ 402,146	$ 256,890	$ 145,256	$ 402,146
Average forward rate	0.6610	0.6844	0.6757	0.6536	0.6754	0.6757
EUR/USD forward contracts:						
Notional amount	7,205	—	7,205	—	7,205	7,205
Average forward rate	1.1179	—	1.1179	—	1.1179	1.1179
Total	$ 400,910	$ 8,441	$ 409,351	$ 256,890	$ 152,461	$ 409,351

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,		
	2021	2020	2019
	(U.S. $ in thousands)		
Forward contracts:			
Gross unrealized gains (losses) recognized in other comprehensive income (loss)	$ 19,302	$ 3,048	$ (8,369)
Net gains (losses) reclassified from cash flow hedge reserve into profit or loss - effective portion	$ 35,077	$ (13,663)	$ (9,908)
Recognized in cost of revenues	1,326	(807)	(713)
Recognized in research and development	28,490	(9,647)	(6,935)
Recognized in marketing and sales	400	(273)	(194)
Recognized in general and administrative	4,861	(2,936)	(2,066)
Change in fair value used for measuring ineffectiveness:			
Cash flow hedging instruments	$ 19,312	$ 2,889	$ (8,345)
Hedged item - highly probable forecast purchases	19,302	3,048	(8,369)
Gains (losses) recognized into general and administrative - ineffective portion	10	(159)	24
Interest rate swaps:			
Gross unrealized loss recognized in other comprehensive income (loss)	$ (233)	$ —	$ —

6. Other Non-Operating Expense, Net

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

	Fiscal Year Ended June 30,		
	2021	2020	2019
	(U.S. $ in thousands)		
Net loss on exchange derivative and capped calls	$ (616,446)	$ (335,953)	$ (533,908)
Foreign currency exchange gain (loss), net	4,054	910	(702)
Contributions to Atlassian Foundation	(7,809)	(5,282)	(3,629)
Other income (expense)	(558)	1,839	2,786
Other non-operating expense, net	$ (620,759)	$ (338,486)	$ (535,453)

7. Expenses

Loss before income tax expense included the following expenses:

	Fiscal Year Ended June 30,		
	2021	2020	2019
	(U.S. $ in thousands)		
Depreciation:			
Equipment	$ 2,150	$ 2,077	$ 1,336
Computer hardware and software	1,897	1,096	1,476
Furniture and fittings	3,442	3,000	2,031
Leasehold improvements	16,053	13,563	8,604
Total depreciation	23,542	19,736	13,447
Amortization:			
Patents and trademarks	1,124	5,377	7,796
Customer relationships	8,939	8,086	21,015
Acquired developed technology	21,691	29,072	27,990
Total amortization	31,754	42,535	56,801
Total depreciation and amortization	$ 55,296	$ 62,271	$ 70,248
Employee benefits expense:			
Salaries and wages	637,143	$ 467,718	$ 350,450
Variable compensation	106,835	82,851	63,057
Payroll taxes	68,543	53,189	42,020
Share-based payment expense	385,732	313,395	257,762
Defined contribution plan expense	39,116	29,783	22,566
Contractor expense	26,589	35,343	27,263
Other	83,350	63,362	53,654
Total employee benefits expense	$ 1,347,308	$ 1,045,641	$ 816,772
Impairment:			
Right of use assets	3,759	—	—
Property and equipment	3,676	—	—
Total impairment	$ 7,435	$ —	$ —

The impairment charge is related to our leased office space. During fiscal year 2021, the Group made the decision to early terminate one of our office leases. The recoverable amount of the related lease assets including right-of-use assets and leasehold improvement was determined to be zero. The impairment charge has been classified within the statement of operations as follows:

	Fiscal Year Ended June 30, 2021
	(U.S. $ in thousands)
Cost of revenues	$ 1,710
Research and development	3,217
Marketing and sales	195
General and administrative	2,313

Share-based payment expense has been allocated as follows:

Cost of revenues	$ 24,739	$ 19,787	$ 17,450
Research and development	253,328	204,150	149,049
Marketing and sales	46,978	41,960	39,303
General and administrative	60,687	47,498	51,960
Total share-based payment expense	$ 385,732	$ 313,395	$ 257,762

Amortization of intangible assets has been allocated as follows:

Cost of revenues	$ 22,394	$ 29,509	$ 27,997
Research and development	168	166	60
Marketing and sales	9,192	12,860	28,744
Total amortization of intangible assets	$ 31,754	$ 42,535	$ 56,801

8. Income Tax

The major components of income tax expense for the fiscal years ended 2021, 2020 and 2019 are as follows:

	Fiscal Year Ended June 30,		
	2021	2020	2019
	(U.S. $ in thousands)		
Current income tax:			
Current income tax charge	$ (74,126)	$ (25,715)	$ (15,788)
Adjustments in respect of current income tax of previous years	702	1,276	(361)
Deferred tax:			
Benefit relating to origination and reversal of temporary differences	11,422	18,702	30,417
Adjustments in respect of temporary differences of previous years	351	1,292	(46,333)
Income tax expense	$ (61,651)	$ (4,445)	$ (32,065)

A reconciliation between income tax expense and the product of accounting loss multiplied by the U.K.'s domestic tax rate for the fiscal years ended 2021, 2020 and 2019, is as follows:

	Fiscal Year Ended June 30,		
	2021	2020	2019
	(U.S. $ in thousands)		
Loss before income tax expense	$ (634,664)	$ (346,209)	$ (605,556)
At the United Kingdom's statutory income tax rate of 19% in fiscal years 2021, 2020 and 2019	120,586	65,688	115,031
Tax effect of amounts that are not taxable (deductible) in calculating taxable income:			
Research and development incentive	7,693	6,816	660
Non-deductible charges relating to exchangeable senior notes	(149,265)	(80,262)	(104,445)
Share-based payment	(14,674)	(10,619)	(3,729)
Foreign tax credits not utilized	(166)	(93)	—
Foreign tax paid	15,797	4,765	—
Foreign tax rate differential	(9,008)	1,416	1,685
Adjustment to unrecognized deferred tax balance	(37,062)	8,835	6,337
Other items, net	3,395	(3,559)	(910)
	(62,704)	(7,013)	14,629
Adjustments in respect to current income tax of previous years	702	1,276	(361)
Adjustments in respect to deferred income tax of previous years	351	1,292	(46,333)
Income tax expense	$ (61,651)	$ (4,445)	$ (32,065)

In March 2021, the UK announced an increase in the main corporate tax rate from 19% to 25%, effective for financial years beginning after April 1, 2023. Due to the magnitude of UK operations, this change is not expected to have a material impact to the Company.

Details of deferred taxes, recognized and unrecognized:

	As of June 30,	
	2021	2020
	(U.S. $ in thousands)	
Depreciation for tax purposes	$ 275	$ 500
Provisions, accruals and prepayments	(1,427)	152
Deferred revenue	(948)	697
Unrealized foreign currency exchange losses (gains)	9	(1,414)
Unrealized investment gains	(23,150)	(26,133)
Carried forward tax losses	7,610	5,893
Carried forward tax credits—credited to profit and loss	9,129	3,571
Intangible assets	15,555	17,538
Tax benefit from share plans—income	1,143	1,012
Tax benefit from share plans—equity	733	1,230
Other, net	620	1,001
Deferred tax assets, net	$ 9,549	$ 4,047
Reflected in the consolidated statements of financial position as follows:		
Deferred tax assets	$ 36,174	$ 35,351
Deferred tax liabilities	(26,625)	(31,304)
Deferred tax assets, net	$ 9,549	$ 4,047
Items for which no deferred tax asset has been recognized:		
Depreciation and amortization for tax purposes	$ 9,747	$ 7,197
Provisions, accruals and prepayments	45,711	19,561
Deferred revenue	86,722	45,874
Unrealized foreign currency exchange gains	3,569	92
Unused tax losses	814,106	616,667
Intangible assets	1,682,610	1,818,086
Tax benefit from share plans- income	69,113	54,066
Tax benefit from share plans- equity	74,631	89,151
Capital loss	—	1,291
Carried forward tax credits- credited to profit and loss	100,251	70,259
Unrealized loss on investments	1,541	—
Other, net	28,063	10,787
	$ 2,916,064	$ 2,733,031

Details of deferred tax benefits and expenses:

	Fiscal Year Ended June 30, 2021	2020	2019
	(U.S. $ in thousands)		
Depreciation for tax purposes	$ (215)	$ 465	$ (2,564)
Provisions, accruals and prepayments	(1,843)	240	(7,164)
Deferred revenue	(1,198)	3,775	(23,932)
Unrealized foreign currency exchange losses (gains)	1,422	(986)	(101)
Unrealized investment losses (gains)	5,269	421	(405)
Carried forward tax losses (gains)	1,970	3,430	(409)
Carried forward tax credits—credited to profit and loss	5,555	1,055	(3,005)
Intangible assets	44	9,445	13,095
Tax benefit from share plans—income	162	459	331
Tax benefit (expense) from share plans—equity	(704)	(91)	300
Deferred foreign taxes	—	—	10,605
Other, net	1,311	1,781	(2,667)
Deferred tax benefit (expense)	$ 11,773	$ 19,994	$ (15,916)

Reconciliation of net deferred tax assets:

	2021	2020
	(U.S. $ in thousands)	
Balance at the beginning of	$ 4,047	$ 3,212
Deferred tax expense for the year	11,773	19,994
Debited to equity	(6,147)	(17,867)
Impact from business combinations	(97)	(1,401)
Currency revaluation impact	(27)	109
Balance at the end of	$ 9,549	$ 4,047

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 assessment of the recoverability of Australian and U.S. deferred tax assets will not change until there is sufficient evidence to support their realizability. The Group will continue to assess and record any necessary changes to align its deferred tax assets to their realizable value.

The Group does not have any material deferred tax liabilities associated with investments in its subsidiaries.

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.

	2021	2020
	(U.S. $ in thousands)	
Amounts recognized directly in equity:		
Net deferred tax—debited directly to equity	$ (6,147)	$ (17,867)

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, 2021
		(U.S. $ in thousands)	
U.S. net operating loss (Pre - 2017 Tax Reform)	June 30, 2031 - December 30, 2038	$ 137,123	$ 266
U.S. net operating loss (Post - 2017 Tax Reform)	None	3,433,815	6,659
State net operating loss- various states	June 30, 2024 - June 30, 2040	1,090,281	600
U.K. net operating loss	None	4,338	—
U.S. research and development credits	June 30, 2030 - June 30, 2040	70,589	651
State research and development credits-	None	37,299	257
State research and development credits- Texas	June 30, 2036 - June 30, 2040	4,720	4,720
Australia capital loss	None	4,637	—
State enterprise zone credits	June 30, 2020 - June 30, 2024	260	2
India alternative minimum tax credits	March 30, 2036	3,498	3,498
Poland research and development credits	June 30,2026	728	—

9. Trade Receivables

The Group's trade receivables consisted of the following:

	As of June 30,	
	2021	2020
	(U.S. $ in thousands)	
Gross trade receivables	$ 173,849	$ 113,175
Expected credit loss allowance	(376)	(1,156)
Total trade receivables	$ 173,473	$ 112,019

As of June 30, 2021, no customer represented more than 10% of the total trade receivables balance. As of June 30, 2020, one customer represented 11% of the total trade receivables balance.

Expected Credit Loss Allowance

The movements in the ECL allowance were as follows:

	(U.S. $ in thousands)
As of June 30, 2019	$ 519
Change in estimate	637
As of June 30, 2020	$ 1,156
Change in estimate	(780)
As of June 30, 2021	$ 376

The following table sets forth the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

		Past due days		
	Current	< 90 days	> 90 days	Total
	(U.S. $ in thousands except ECL rate)			
As of June 30, 2021				
ECL rate	0.0 %	0.3 %	20.9 %	
Trade receivables carrying amount	$ 157,804	$ 14,468	$ 1,577	$ 173,849
ECL allowance	6	41	329	376
As of June 30, 2020				
ECL rate	0.5 %	4.1 %	52.9 %	
Trade receivables carrying amount	$ 105,585	$ 6,858	$ 732	$ 113,175
ECL allowance	489	280	387	1,156

For the purpose of the provision matrix, customers are clustered into different risk classes, mainly based on past due days of trade receivables. We also consider market information such as the country risk assessment of their country of origin, type of industry and objective evidence of credit impairment for individual receivables. Loss rates used to reflect lifetime ECL are based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

10. Property and Equipment

Property and equipment, net consisted of the following:

	Equipment	Computer Hardware and Software	Furniture and Fittings	Leasehold Improvements and Other	Construction in progress*	Total
			(U.S. $ in thousands)			
As of June 30, 2020						
Opening cost balance	$ 7,857	$ 10,548	$ 14,606	$ 90,038	$ —	$ 123,049
Additions	1,967	1,825	5,190	17,608	10,985	37,575
Disposals	(118)	(289)	(105)	(1,116)	—	(1,628)
Adjustment due to IFRS 16 adoption	—	—	—	(2,767)	—	(2,767)
Effect of change in exchange rates	(54)	(19)	(4)	(663)	276	(464)
Closing cost balance	9,652	12,065	19,687	103,100	11,261	155,765
Opening accumulated depreciation	(3,658)	(7,808)	(5,428)	(24,696)	—	(41,590)
Depreciation expense	(2,077)	(1,096)	(3,000)	(13,563)	—	(19,736)
Effect of change in exchange rates	13	4	1	122	—	140
Disposals	104	289	39	1,116	—	1,548
Adjustment due to IFRS 16 adoption	—	—	—	1,521	—	1,521
Closing accumulated depreciation	(5,618)	(8,611)	(8,388)	(35,500)	—	(58,117)
Net book balance	$ 4,034	$ 3,454	$ 11,299	$ 67,600	$ 11,261	$ 97,648
As of June 30, 2021						
Opening cost balance	$ 9,652	$ 12,065	$ 19,687	$ 103,100	$ 11,261	$ 155,765
Additions	1,077	170	2,051	4,807	21,872	29,977
Transfer to assets held for sale	—	—	—	—	(35,123)	(35,123)
Disposals	(311)	(2,694)	(643)	(1,266)	—	(4,914)
Effect of change in exchange rates	12	(4)	93	355	1,990	2,446
Closing cost balance	10,430	9,537	21,188	106,996	$ —	148,151
Opening accumulated depreciation	(5,618)	(8,611)	(8,388)	(35,500)	—	(58,117)
Depreciation expense	(2,150)	(1,897)	(3,442)	(16,053)	—	(23,542)
Impairment	—	—	—	(3,676)	—	(3,676)
Effect of change in exchange rates	(7)	4	(31)	(99)	—	(133)
Disposals	230	1,442	602	1,264	—	3,538
Closing accumulated depreciation and impairment	(7,545)	(9,062)	(11,259)	(54,064)	—	(81,930)
Net book balance	$ 2,885	$ 475	$ 9,929	$ 52,932	$ —	$ 66,221

*Construction in progress is related to the construction project associated with our new headquarters building in Sydney, Australia. As of June 30, 2021, construction in progress has been transferred to assets held for sale. Please refer to Note 14, "*Other Balance Sheet Accounts*" for details.

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, or when indicators of impairment exist.

Goodwill consisted of the following:

	Note	Goodwill (U.S. $ in thousands)
Balance as of June 30, 2019		$ 608,907
Additions	13	36,261
Effect of change in exchange rates		(28)
Balance as of June 30, 2020		$ 645,140
Additions	13	80,649
Effect of change in exchange rates		(31)
Balance as of June 30, 2021		$ 725,758

Additions to goodwill during fiscal year 2021 were as a result of the acquisitions completed during the fiscal year including, primarily Mindville AB ("Mindville") and Chart.IO, Inc. ("Chartio"). Additions to goodwill during fiscal year 2020 were as a result of the acquisitions of Code Barrel Pty Ltd ("Code Barrel"), Halp, Inc. ("Halp") and net working capital adjustments related to the acquisition of AgileCraft LLC ("AgileCraft"). See Note 13, "Business combinations" for additional information regarding acquisitions.

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, 2020				
Opening cost balance	$ 27,295	$ 197,093	$ 125,852	$ 350,240
Additions	500	18,100	2,650	21,250
Disposals	—	(449)	—	(449)
Closing cost balance	27,795	214,744	128,502	371,041
Opening accumulated amortization	(17,828)	(118,523)	(62,914)	(199,265)
Amortization charge	(5,377)	(29,072)	(8,086)	(42,535)
Disposals	—	449	—	449
Closing accumulated amortization	(23,205)	(147,146)	(71,000)	(241,351)
Net book balance	$ 4,590	$ 67,598	$ 57,502	$ 129,690
As of June 30, 2021				
Opening cost balance	$ 27,795	$ 214,744	$ 128,502	$ 371,041
Additions	1,800	23,005	1,849	26,654
Disposals	(220)	(6,900)	(310)	(7,430)
Closing cost balance	29,375	230,849	130,041	390,265
Opening accumulated amortization	(23,205)	(147,146)	(71,000)	(241,351)
Amortization charge	(1,124)	(21,691)	(8,939)	(31,754)
Disposals	220	6,900	310	7,430
Closing accumulated amortization	(24,109)	(161,937)	(79,629)	(265,675)
Net book balance	$ 5,266	$ 68,912	$ 50,412	$ 124,590

As of June 30, 2021, no development costs have qualified for capitalization, and all development costs have been expensed as incurred.

As of June 30, 2021, the remaining amortization period for patents, trademarks and other rights ranged from one year to ten years. The remaining amortization period for acquired developed technology ranged from approximately one year to five years. The remaining amortization period for customer relationships ranged from one year to seven years.

12. Leases

The Group leases various offices in locations including, Sydney, Australia; the San Francisco Bay Area, California, New York, New York, Austin, Texas, and Boston, Massachusetts, in the United States; Amsterdam, the Netherlands; Manila, the Philippines; Bengaluru, India; Yokohama, Japan; Stockholm, Sweden; and Gdansk, Poland under leases expiring within one to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. We do not assume renewals in our determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement. Our lease agreements generally do not contain any material residual value guarantees or material restrictive covenants.

The following table sets forth the carrying amounts of our right-of-use assets and lease obligations and the movements during the fiscal years ended June 30, 2021 and 2020:

	Fiscal Year Ended June 30,	
	2021	2020
	(U.S. $ in thousands)	
Right-of-use assets		
Balance at the beginning of period	$ 217,683	$ 241,421
Additions	28,939	14,270
Disposals	(256)	(2,388)
Depreciation expense	(37,552)	(35,127)
Effect of change in exchange rates	245	(493)
Impairment of right-of-use asset	(3,759)	—
Balance at the end of period	$ 205,300	$ 217,683
Lease obligations		
Balance at the beginning of period	$ 264,568	$ 285,973
Additions	27,042	13,213
Disposals	(270)	(2,388)
Interest expense	7,019	7,702
Payments	(44,874)	(38,125)
Effect of change in exchange rates	3,064	(1,807)
Balance at the end of period	$ 256,549	$ 264,568
Lease obligations, current	$ 42,446	$ 34,743
Lease obligations, non-current	214,103	229,825
Total lease obligations, as the end of period	$ 256,549	$ 264,568

The following table presents supplemental information about our leases:

	Fiscal Year Ended June 30,	
	2021	2020
Short-term leases and low value leases expense:		
Short-term leases expense	$ 336	$ 2,021
Low value leases expense	$ 1,436	$ 336
Cash outflows:		
Principal portion of the lease obligations	$ 37,855	$ 30,423
Interest portion of the lease obligations	7,019	7,702
Short-term leases and low value leases	2,999	4,405
Total cash outflows	$ 47,873	$ 42,530

As of June 30, 2021, we have entered a lease with future lease payments of $88.9 million that has not yet commenced and is not yet recorded on our consolidated statements of financial position. This lease will commence in fiscal year 2022 with a non-cancelable lease term of 12 years.

13. Business combinations

Fiscal year 2021

Mindville

On July 24, 2020, we acquired 100% of the outstanding equity of Mindville, an asset and configuration management company based in Sweden. Total purchase price consideration for Mindville was approximately $36.4 million in cash. In addition, the Company granted $12.0 million worth of restricted shares of the Company to key employees of Mindville, which are subject to future vesting provisions based on service conditions and accounted for as share based compensation. For details of restricted shares, please refer to Note 22, "*Share-based Payments.*"

With the acquisition of Mindville, Atlassian brings critical configuration management database capabilities to Jira Service Management to better meet the needs of its IT customers. We have included the financial results of Mindville in our consolidated financial statements from the date of acquisition, which have not been material. Pro forma results of operations have not been presented for the twelve months ended June 30, 2021 because the effect of the acquisition was not material to the financial statements.

The following table summarizes the preliminary 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	$ 1,235
Tax receivables, current	166
Prepaid expenses and other current assets	668
Property and equipment, net	52
Right-of-use assets, net	403
Intangible assets	9,600
Goodwill	30,039
Trade and other payables	(492)
Tax liabilities	(23)
Provisions, current	(135)
Deferred revenue	(1,300)
Lease obligations, current	(268)
Deferred tax liabilities	(2,694)
Lease obligations, non-current	(136)
Other non-current liabilities	(669)
Net assets acquired	$ 36,446

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 in the U.S. and not deductible in Sweden 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. 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 $1.1 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	Useful Life
	(U.S. $ in thousands)	(years)
Developed technology	$ 8,200	5
Customer relationships	1,400	5
Total intangible assets subject to amortization	$ 9,600	

The amount recorded for developed technology represents the estimated fair value of Mindville's asset and configuration management solution. The amount recorded for customer relationships represents the fair value of the underlying relationships with Mindville's customers.

Chartio

On February 26, 2021, we acquired 100% of the outstanding equity of Chart.io, Inc. ("Chartio"), a data analytics and visualization tool that allows users to create dashboards and charts using their various data sources. Total purchase price consideration for Chartio was approximately $45.6 million, consisting of $45.0 million in cash and $0.6 million in equity. In addition, the Company granted $4.5 million worth of restricted shares of the Company to key employees of Chartio, which are subject to future vesting provisions based on service conditions and accounted for as share based compensation.

The acquisition of Chartio brings an analytics and data visualization solution to Atlassian's products, including Jira Software, Jira Align and Jira Service Management. We have included the financial results of Chartio in our consolidated financial statements from the date of acquisition. Pro forma results of operations have not been presented for the twelve months ended June 30, 2021 because the effect of the acquisition was not material to the financial statements.

The following table summarizes the preliminary 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	$ 1,035
Accounts receivable	266
Prepaid and other assets	40
Deferred tax assets	3,095
Developed technology	12,400
Goodwill	33,218
Deferred revenue	(682)
Trade and other payables	(676)
Deferred tax liabilities	(3,128)
Net assets acquired	$ 45,568

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 in the U.S. 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. The deferred tax liabilities were primarily a result of the difference in the book basis and tax basis related to the identifiable intangible assets. The amount recorded for developed technology represents the estimated fair value of Chartio's data visualization technology and is amortized over six years.

Other fiscal year 2021 business combinations

On October 27, 2020, we acquired 100% of the outstanding equity of a privately held company in Poland that primarily provided outsourced software development and support services to Atlassian for a cash consideration of approximately $10.6 million. The purchase price was allocated to net liabilities of $0.7 million and goodwill of $11.3 million. The goodwill balance is primarily attributed to the assembled workforce and is deductible in U.S. and not deductible in Poland for income tax purposes.

On April 12, 2021, we acquired 100% of the outstanding equity of a privately held company in Australia which sells a no-code/low-code form builder for Jira for a cash consideration of approximately $9.2 million. The purchase price was allocated to net assets of $0.3 million, developed technology of $2.4 million, customer relationship of $0.5 million and goodwill of $6.0 million. The goodwill balance is primarily attributed to the assembled workforce and expanded market opportunities. The goodwill balance is deductible in the U.S. and not deductible in Australia for income tax purposes.

Our 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 fair value of contingencies.

Fiscal Year 2020

Code Barrel

On October 15, 2019, we acquired 100% of the outstanding equity of Code Barrel, a workflow automation tool for Jira. Total purchase price consideration for Code Barrel was approximately $39.1 million in cash. In addition, the Company granted $27.0 million worth of restricted shares of the Company to key employees of Code Barrel, which are subject to future vesting provisions based on service conditions and accounted for as share based compensation.

Code Barrel is the creator of 'Automation for Jira,' a tool for easily automating several aspects of Jira. The acquisition of Code Barrel enhances Jira by helping customers automate more of the time-consuming and error-prone tasks in Jira. We have included the financial results of Code Barrel in our consolidated financial statements from the date of acquisition, which have not been material. Pro forma results of operations have not been presented for the twelve months ended June 30, 2021 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	$	1,970
Intangible assets		15,900
Goodwill		23,124
Trade and other payables		(617)
Deferred revenue		(600)
Deferred tax liabilities		(639)
Net assets acquired	$	39,138

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 in Australia and not deductible in the U.S. 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 liabilities were primarily a result of the difference in the book basis and tax basis related to the identifiable intangible assets.

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		Useful Life
	(U.S. $ in thousands)		(years)
Developed technology	$	13,700	4
Customer relationships		1,800	3
Trade name		400	1
Total intangible assets subject to amortization	$	15,900	

The amount recorded for developed technology represents the estimated fair value of Code Barrel's workflow automation technology. The amount recorded for customer relationships represents the fair value of the underlying relationships with Code Barrel's customers. The amount recorded for trade name represents the fair value of Code Barrel's brand recognition as of acquisition date. The purchase price allocation was finalized in fiscal year 2021 without further adjustment.

Halp

On May 11, 2020, we acquired 100% of the outstanding equity of Halp, a message-based conversational help desk ticketing solution. Total purchase price consideration for Halp was approximately $17.6 million, which consisted of approximately $17.0 million in cash and $0.6 million in fair value of replacement shares attributable to service provided prior to acquisition. The Company issued 9,929 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 $4.1 million worth of restricted shares of the Company to key employees of Halp, which are subject to future vesting provisions based on service conditions and accounted for as share based compensation.

We acquired Halp to provide customers a standalone solution that allows them to turn their internal messaging tool into a help desk. For customers using Jira Service Management or similar service management tools, Halp integrates their messaging tool seamlessly with their established workflows. We have included the financial results of Halp in our 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, 2020 because the effect of the acquisition was not material to the financial statements.

The following table summarizes the preliminary 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	$ 664
Trade receivables	36
Prepaid expenses and other current assets	22
Deferred tax assets	475
Intangible assets	5,350
Goodwill	12,322
Deferred revenue	(50)
Deferred tax liabilities	(1,237)
Net assets acquired	$ 17,582

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.

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	$ 4,400	6
Customer relationships	850	6
Trade name	100	1
Total intangible assets subject to amortization	$ 5,350	

The amount recorded for developed technology represents the estimated fair value of Halp's message-based help desk ticketing technology. The amount recorded for customer relationships represents the fair value of the underlying relationships with Halp's customers. The amount recorded for trade name represents the fair value of Halp's brand recognition as of the acquisition date. The purchase price allocation was finalized in fiscal year 2021 without further adjustment.

Fiscal Year 2019

AgileCraft

On April 3, 2019, we acquired 100% of the outstanding equity of AgileCraft, a leading provider of enterprise agile planning software. Total purchase price consideration for AgileCraft was approximately $156.6 million, which consisted of approximately $154.9 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 and accounted for as share based compensation.

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:

	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		101,999
Trade and other payables		(1,196)
Deferred revenue		(2,230)
Net assets acquired	$	156,550

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

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. Measurement period adjustments, which were not material, mostly related to working capital adjustments. The purchase price allocation was finalized in fiscal year 2020.

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 and accounted for as share based compensation. 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	Useful Life
	(U.S. $ in thousands)	(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. The purchase price allocation was finalized in fiscal year 2020 without further adjustment.

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 and accounted for as share based compensation. Good Software provides analytics tools for Confluence. The Company 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. The purchase price allocation was finalized without further adjustment.

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 and accounted for as share based compensation. The transaction was accounted for as a business combination in accordance with the relevant guidance. The Company 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 purchase price allocation was finalized without further adjustment.

14. Other Balance Sheet Accounts

Cash and cash equivalents

Cash and cash equivalents consisted of the following:

	As of June 30,	
	2021	2020
	(U.S. $ in thousands)	
Cash and bank deposits	$ 739,042	$ 823,985
Amounts due from third-party credit card processors	5,272	7,076
Commercial paper	149,347	167,248
Money market funds	20,966	439,947
Agency securities	4,600	8,749
U.S. treasury securities	—	5,599
Corporate debt securities	—	27,365
Total cash and cash equivalents	$ 919,227	$ 1,479,969

The majority of the Group's cash and cash equivalents are held in bank deposits, money market funds and short-term investments which have a maturity of three months or less to enable us to meet our short-term liquidity requirements. Money market funds are quoted in active markets and are subject to insignificant risk of changes in value. The Group only purchases investment grade securities rated A- and above, which are highly liquid and subject to insignificant risk of changes in value.

Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the following:

	As of June 30,	
	2021	2020
	(U.S. $ in thousands)	
Prepaid expenses	$ 36,866	$ 31,527
Accrued interest income on short-term investments	1,411	3,329
Other receivables	6,149	11,305
Other current assets	3,896	569
Total prepaid expenses and other current assets	$ 48,322	$ 46,730

Assets held for sale

During the fourth quarter of the fiscal year ended June 30, 2021, the Group committed to a plan to sell our subsidiary, Vertical First Trust, which was established for the construction project associated with our new headquarters building in Sydney, Australia. In July 2021, the Group entered into term sheet with a buyer to effect the sale. The term sheet provides a framework for the buyer to invest in and develop the Group's headquarters building. The Group will retain a long-term equity interest in the building. The sale is expected to be completed within the next 12 months. The assets were presented as held for sale in the consolidated statement of financial position and measured at the lower of carrying value or fair value less cost to sell.

The major assets classified as held for sale at June 30, 2021 were as follows:

	As of June 30, 2021
	(U.S. $ in thousands)
Cash and cash equivalents	$ 9,317
Property and equipment, net	34,092

Other non-current assets

Other non-current assets consisted of the following:

	As of June 30,	
	2021	2020
	(U.S. $ in thousands)	
Marketable equity securities	$ 110,409	$ 100,187
Non-marketable equity securities	11,750	3,750
Security deposits	4,267	4,873
Restricted cash	11,795	9,174
Other	21,574	6,790
Total other non-current assets	$ 159,795	$ 124,774

As of June 30, 2021 and 2020, the Group had certificates of deposit and time deposits totaling $2.6 million and $3.3 million, respectively, which were classified as long-term and were included in security deposits. The Group's restricted cash was primarily used for commitments of standby letters of credit related to facility leases and was 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,	
	2021	2020
	(U.S. $ in thousands)	
Trade payables	$ 40,366	$ 30,738
Accrued expenses	101,940	76,358
Accrued compensation and employee benefits	91,894	72,627
Sales and indirect taxes	10,152	9,009
Customer deposits	8,832	7,897
Other payables	13,313	5,941
Total trade and other payables	$ 266,497	$ 202,570

Current provisions

Current provisions consisted of the following:

	As of June 30,	
	2021	2020
	(U.S. $ in thousands)	
Employee benefits	$ 24,690	$ 14,291
Dilapidation provision	458	—
Total current provisions	$ 25,148	$ 14,291

Current provisions for employee benefits include accrued annual leave, long service leave and retention benefits. 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.

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 lease related assets at the expiration of these leases.

Non-current provisions

Non-current provisions consisted of the following:

	As of June 30,	
	2021	2020
	(U.S. $ in thousands)	
Employee benefits	$ 7,255	$ 6,036
Dilapidation provision	5,180	3,457
Total non-current provisions	$ 12,435	$ 9,493

The non-current provision for employee benefits includes long service leave and retention benefits as described above. The dilapidation provision relates to certain lease arrangements for office space entered into by the Group as described above.

15. 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 changes in the balances of deferred revenue are as follows:

	Fiscal Year Ended June 30,	
	2021	2020
Deferred revenue, beginning of period	$ 601,005	$ 468,820
Additions	2,385,722	1,746,358
Subscription revenue	(1,324,064)	(931,455)
Maintenance revenue	(522,971)	(469,350)
Perpetual license revenue	(84,806)	(95,162)
Other revenue	(157,291)	(118,206)
Deferred revenue, end of period	$ 897,595	$ 601,005

The additions in the deferred revenue balance are primarily cash payments received or due in advance of satisfying our performance obligations.

For the fiscal years ended June 30, 2021 and 2020, approximately 27% of revenue recognized was from the deferred revenue balances at the beginning of each fiscal year.

Transaction price allocated to remaining performance obligations

Transaction price allocated to the remaining performance obligations represents contracted revenue that has not yet been recognized, which includes unearned revenue and unbilled amounts that will be recognized as revenue in future periods. Transaction price allocated to the remaining performance obligations is influenced by several factors, including the timing of renewals, the timing of delivery of software licenses, average contract terms and foreign currency exchange rates. Unbilled portions of the remaining performance obligations are subject to future economic risks including bankruptcies, regulatory changes and other market factors.

As of June 30, 2021, approximately $928.0 million of revenue is expected to be recognized from transaction price allocated to remaining performance obligations. We expect to recognize revenue on approximately 89% of these remaining performance obligations over the next 12 months with the balance recognized thereafter.

Disaggregated revenue

Marketplace apps revenue totaled approximately $140.3 million, $103.5 million and $77.4 million for the fiscal years ended 2021, 2020, and 2019, respectively, which is included in other 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,		
	2021	2020	2019
	(U.S. $ in thousands)		
Americas:			
United States	$ 901,389	$ 700,893	$ 528,804
Other Americas	127,092	101,606	75,155
Total Americas	$ 1,028,481	$ 802,499	$ 603,959
EMEA:			
United Kingdom	$ 139,411	$ 110,887	$ 86,027
Other EMEA	687,034	522,848	388,685
Total EMEA	$ 826,445	$ 633,735	$ 474,712
Asia Pacific	$ 234,206	$ 177,939	$ 131,456
Total revenues	$ 2,089,132	$ 1,614,173	$ 1,210,127

No one customer has accounted for more than 10% of revenue for the fiscal years ended 2021, 2020, and 2019.

16. Debt

Exchangeable Senior Notes

2023 Exchangeable Senior Notes

In 2018, Atlassian, Inc. a wholly owned subsidiary of the Company, issued $1 billion in aggregate principal amount of Notes due on May 1, 2023. 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 $760.7 million and $1,283.1 million as of June 30, 2021 and 2020, 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 can be exercised on each exchange date that the related Notes are submitted for exchange. 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 $124.2 million and $310.6 million as of June 30, 2021 and 2020, 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, 2021, 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, "*Financial Assets and Liabilities*" for details on the valuation of exchange feature derivative liability and capped call assets.

During fiscal year 2021, we repurchased $643.2 million principal amount of the Notes in privately-negotiated transactions for aggregate consideration of $1,790.4 million in cash. In addition, we settled $4.7 million principal amount of the Notes through early exchange requests for aggregate consideration of $12.8 million during fiscal year 2021. We unwound the corresponding portion of our capped calls for net proceeds of $203.1 million. The settlement of the Notes during fiscal year 2020 was immaterial. As of June 30, 2021, we have received additional exchange requests for $13.7 million principal amount of the Notes that have not been settled yet.

The Notes are Level 2 instruments, and the estimated fair value of the Notes was $1,151 million and $2,234 million as of June 30, 2021 and 2020, respectively.

The principal amount, unamortized debt discount, unamortized issuance costs and net carrying amount of the liability component of the Notes as of June 30, 2021 and 2020 were as follows:

	As of June 30,	
	2021	2020
	(U.S. $ in thousands)	
Principal amount	$ 352,171	$ 999,999
Unamortized debt discount	(3,224)	(105,963)
Unamortized issuance cost	(148)	(4,853)
Net liability	$ 348,799	$ 889,183

The effective interest rate, contractual interest expense and amortization of debt discount for the Notes for the fiscal year ended June 30, 2021 and 2020 were as follows:

	Fiscal Year Ended June 30,	
	2021	2020
	(U.S. $ in thousands)	
Effective interest rate	4.83 %	4.83 %
Contractual interest expense	$ 4,859	$ 6,250
Amortization of debt discount	$ 102,673	$ 34,048
Amortization of issuance cost	$ 4,703	$ 1,560

Credit Facility

In October 2020, Atlassian, Inc. entered into a $1 billion senior unsecured delayed-draw term loan facility and a $500 million senior unsecured revolving credit facility. The Group will use the net proceeds of the Credit Facility for general corporate purposes, including repayment of existing indebtedness. The Credit Facility matures in October 2025 and bears interest, at the Group's option, at a base rate plus a margin up to 0.50% or LIBOR rate plus a spread of 0.875% to 1.50%, in each case with such margin being determined by the Group's consolidated leverage ratio. The Group may draw from the Term Loan Facility up to five times within a 12-month period from the closing of the Term Loan Facility. The Revolving Credit Facility may be borrowed, repaid, and re-borrowed until its maturity, and the Group has the option to request an increase of $250 million in certain circumstances. The Credit Facility may be repaid at the Group's option without penalty.

The Group incurred debt issuance costs of $4.4 million in connection with entering into the Credit Facility. The debt issuance costs were amortized over the terms of the term loan and revolving credit facility. As of June 30, 2021, no amounts have been drawn under the Credit Facility. The Company is also obligated to pay a ticking fee and a commitment fee on the undrawn amounts of the Term Loan Facility and Revolving Credit Facility, respectively, at an annual rate ranging from 0.075% to 0.20%, determined by the Group's consolidated leverage ratio.

The Credit Facility requires compliance with various financial and non-financial covenants, including affirmative and negative covenants. Financial covenant includes a maximum consolidated leverage ratio of 3.5x provided that such ratio increases to 4.5x during the period of four fiscal quarters immediately following a material acquisition. As of June 30, 2021, the Group was in compliance with all related covenants.

Reconciliation of assets and liabilities arising from financing activities:

	Capped call assets	Exchangeable Notes, net	Embedded exchange feature of Notes	Credit Facility	Accrued interest
			(U.S. $ in thousands)		
Balance as of June 30, 2019	$ (214,597)	$ 853,576	$ 851,126	$ —	$ 1,042
Cash flows	—	(1)	(1)	—	(6,250)
Amortization of debt discount and issuance cost	—	35,608	—	—	—
Fair value changes	(96,011)	—	431,964	—	—
Accrual of interest	—	—	—	—	6,250
Balance as of June 30, 2020	$ (310,608)	$ 889,183	$ 1,283,089	$ —	$ 1,042
Cash flows	203,093	(647,760)	(1,155,484)	(4,445)	(6,498)
Amortization of debt discount and issuance cost	—	107,376	—	2,172	—
Fair value changes	(16,638)	—	633,084	—	—
Accrual of interest	—	—	—	—	6,010
Balance as of June 30, 2021	$ (124,153)	$ 348,799	$ 760,689	$ (2,273)	$ 554

17. Shareholders' Equity

Share capital

	As of June 30,		As of June 30,	
	2021	2020	2021	2020
	(number of shares)		(U.S. $ in thousands)	
Details				
Class A ordinary shares	137,037,518	127,685,599	$ 13,703	$ 12,768
Class B ordinary shares	114,609,645	119,761,681	11,461	11,976
	251,647,163	247,447,280	$ 25,164	$ 24,744

Movements in Class A ordinary share capital

	Number of Shares	Amount
		(U.S. $ in thousands)
Details		
Balance as of June 30, 2019	117,273,566	$ 11,727
Conversion of Class B ordinary shares	4,960,878	496
Exercise of share options	761,945	76
Issuance for settlement of RSUs	4,048,319	405
Vesting of early exercised shares	640,891	64
Balance as of June 30, 2020	127,685,599	$ 12,768
Conversion of Class B ordinary shares	5,152,036	515
Exercise of share options	390,802	39
Issuance for settlement of RSUs	3,468,136	347
Vesting of early exercised shares	340,945	34
Balance as of June 30, 2021	137,037,518	$ 13,703

Class A shares as of June 30, 2021 and June 30, 2020 does not include 270,251 and 515,697 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, 2019	124,722,559	$	12,472
Conversion to Class A ordinary shares	(4,960,878)		(496)
Balance as of June 30, 2020	119,761,681	$	11,976
Conversion to Class A ordinary shares	(5,152,036)		(515)
Balance as of June 30, 2021	114,609,645	$	11,461

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

	As of June 30,	
	2021	2020
	(U.S. $ in thousands)	
Capital redemption reserve	$ 98	$ 98
Merger reserve	34,943	34,943
Share-based payments reserve	1,481,568	1,095,877
Other capital reserves	$ 1,516,609	$ 1,130,918

Capital redemption and merger reserves

The Company has capital redemption and merger reserves of $35.0 million in total at June 30, 2021, 2020 and 2019. They are comprised of a $98 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 and reduces the share-based payments reserve.

Other components of equity

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. In contrast, the cumulative amount related to the Group's equity investments will remain in other comprehensive income upon the sale of the investments.

18. 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,		
	2021	2020	2019
	(U.S. $ and shares in thousands, except per share data)		
Numerator:			
Net loss attributable to ordinary shareholders:	$ (696,315)	$ (350,654)	$ (637,621)
Denominator:			
Weighted-average ordinary shares outstanding—basic	249,679	244,844	238,611
Weighted-average ordinary shares outstanding—diluted	249,679	244,844	238,611
Net loss per share attributable to ordinary shareholders:			
Basic loss per share	$ (2.79)	$ (1.43)	$ (2.67)
Diluted net loss per share	$ (2.79)	$ (1.43)	$ (2.67)

For fiscal years ended June 30, 2021, 2020 and 2019, potential anti-dilutive weighted-average shares excluded from the computation of net loss per share were 5.0 million, 6.8 million and 9.6 million, respectively.

19. Commitments

The Group has contractual commitments for services with third-parties related to its cloud services platform and data centers. These commitments are non-cancellable and expire within one to two years. The Group also has capital purchase obligations for the construction or purchase of property and equipment. Additionally, there is lease commitment that the Group has entered but the lease has not yet commenced.

The following table sets forth contractual commitments as of June 30, 2021 and 2020:

	Fiscal Year Ended June 30,	
	2021	2020
	(U.S. $ in thousands)	
Capital purchase obligations	$ 11,076	$ 9,781
Other purchase obligations	114,060	235,002
Obligations for leases that have not yet commenced	88,855	94,345
Total purchase obligation	$ 213,991	$ 339,128

Maturities of purchase obligations as of June 30, 2021 were as follows:

	Capital purchase obligations	Other purchase obligations	Obligations for leases that have not yet commenced	Total
	(U.S. $ in thousands)			
Fiscal Period:				
Year ending 2022	$ 11,076	$ 57,393	$ 1,438	$ 69,907
Year ending 2023 - 2024	—	56,667	12,432	69,099
Year ending 2025 - 2026	—	—	14,224	14,224
Thereafter	—	—	60,761	60,761
Total commitments	$ 11,076	$ 114,060	$ 88,855	213,991

20. 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,		
	2021	2020	2019
	(U.S. $ in thousands)		
Executive management:			
Short-term compensation and benefits	$ 3,303	$ 3,334	$ 3,835
Post-employment benefits	71	68	109
Share-based payments	12,053	15,509	17,144
	$ 15,427	$ 18,911	$ 21,088
Board of directors:			
Cash remuneration	$ 480	$ 455	$ 430
Share-based payments	1,780	1,741	1,772
	$ 2,260	$ 2,196	$ 2,202

21. Geographic Information

The Group's non-current operating assets by geographic regions are as follows:

	Fiscal Year Ended June 30,	
	2021	2020
	(U.S. $ in thousands)	
Non-current operating assets:		
United States	$ 1,002,992	$ 975,446
Australia	107,015	102,950
India	125	10,233
Total non-current operating assets	$ 1,110,132	$ 1,088,629

Non-current operating assets for this purpose consist of property and equipment, right-of-use assets, goodwill, intangible assets and other non-current assets.

22. Share-based Payments

The Group maintains three share-based employee compensation plans: the 2015 Share Incentive Plan ("2015 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 Company's board of directors approved the 2015 Plan, and in November 2015, our shareholders adopted the 2015 Plan, effective on the date of our IPO, which serves as the successor to the Options Plans, and provides for the issuance of incentive and non-statutory share options, share appreciation rights, restricted share awards, RSUs, unrestricted share awards, cash-based 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 over four years with 25% vesting on the one year anniversary of the date of grant and 1/12th of the remaining RSUs vest over the remaining three years, on a quarterly basis thereafter. Effective from April 2021, on-going RSU grants to existing employees vest evenly over four years on a quarterly basis. Performance-based RSUs have non-market performance vesting conditions. Individuals must continue to provide services to a Group entity in order to vest.

The Option Plans allowed for the issuance of options to purchase restricted shares. Effective upon our IPO, 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 four 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:

		Share Options		
	Shares Available for Grant	**Outstanding**	**Weighted Average Exercise Price**	**RSUs Outstanding**
Balance as of June 30, 2019	38,128,994	1,220,826	2.47	9,211,611
RSUs granted	(3,083,015)	—	—	3,083,015
RSUs canceled	874,564	—	—	(874,564)
RSUs settled	—	—	—	(4,048,319)
Share options exercised	—	(761,945)	2.37	—
Share options canceled	707	(707)	1.03	—
Balance as of June 30, 2020	35,921,250	458,174	$ 2.65	7,371,743
RSUs granted	(2,415,324)	—	—	2,415,324
RSUs canceled	777,183	—	—	(777,183)
RSUs settled	—	—	—	(3,468,136)
Share options exercised	—	(390,802)	2.98	—
Balance as of June 30, 2021	34,283,109	67,372	$ 0.75	5,541,748
Share options vested and exercisable as of June 30, 2021		67,372	$ 0.75	
Share options vested and exercisable as of June 30, 2020		457,663	$ 2.65	

The weighted-average remaining contractual life for options outstanding as of June 30, 2021 and 2020 was 3.9 years and 3.6 years, respectively. Options exercisable as of June 30, 2021 and 2020, had a weighted-average remaining contractual life of approximately 3.9 years and 3.6 years, respectively.

The following table summarizes information about share options outstanding as of June 30, 2021:

	Options Outstanding and Exercisable		
Range of Exercise Prices	**Number Outstanding**	**Weighted Average Exercise Price**	**Weighted Average Remaining Years**
\$0.59 - 0.66	53,037	$ 0.61	3.64
\$1.14	13,606	1.14	5.07
\$3.18	729	3.18	2.33
	67,372	$ 0.75	3.92

The following table summarizes information about share options outstanding as of June 30, 2020:

	Options Outstanding			Options Exercisable			
Range of Exercise Prices	Number Outstanding		Weighted-Average Exercise Price	Number Exercisable		Weighted Average Exercise Price	Weighted Average Remaining Years
$0.59 - 0.66	78,563	$	0.62	78,563	$	0.62	4.86
$1.14	21,024		1.14	20,513		1.14	6.07
$3.18	358,587		3.18	358,587		3.18	3.23
	458,174	$	2.65	457,663	$	2.65	3.64

The weighted-average grant date fair value of the RSUs issued during the fiscal years ended June 30, 2021 and 2020 was $192.6 and $139.2 per share, respectively. There were no share options granted during the fiscal year ended June 30, 2021 and 2020.

Restricted stock

During the fiscal years 2021 and 2020, the Company granted 95,499 and 245,221 shares of restricted stock that were subject to forfeiture, respectively. The weighted average grant fair values of these restricted shares was $200.5 and $135.6, with a weighted average vesting period of 1.7 years and 3 years, respectively. As of June 30, 2021 and 2020, there were 270,251 and 515,697 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.

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, with the exception of Restricted Stock, as shown above). As of June 30, 2021, the Group had an aggregate of $326.8 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.

23. Remuneration of Auditors

The following fees were received or due and receivable by Ernst & Young for services provided by the auditor for the Group:

		2021		2020
	(U.S. $ in thousands)			
Audit of the consolidated financial statements	$	3,223	$	2,745
Audit-related assurance service		879		876
Tax compliance and advisory services		292		243
Other non-audit services		11		11
Total	$	4,405	$	3,875

24. Employee Numbers

The average number of staff employed under contracts of service, excluding contractors and interns, as of June 30, 2021, 2020 and 2019, was 5,897, 4,347 and 3,188, 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,		
	2021	2020	2019
Cost of revenues	760	568	436
Research and development	3,255	2,344	1,707
Marketing and sales	918	715	549
General and administration	964	720	496
Total	5,897	4,347	3,188

25. Events After the Reporting Period

As of August 2, 2021, we have received exchange requests for $81.7 million principal amount of the Notes that settle during our first quarter of fiscal year 2022.

All conditions for the Notes redemption under the Company right to redeem the Notes on or after November 6, 2020 have been met. Please refer to Note 16, *"Debt"* for additional information regarding the Notes. On August 2, 2021, the Company submitted an irrevocable redemption notice on the remaining outstanding Notes of $270.5 million principal amount. The redemption price per Note will be equal to 100% of the principal amount of such Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date of October 7, 2021. The holders of these Notes subject to the redemption notice may exchange all or any portion of their Notes at any time prior to the close of business on the second scheduled trading day immediately preceding the related redemption date for cash. The exchange rate to be utilized for the Notes settlement is an adjusted rate of 12.2686 of the Company's Class A ordinary shares per $1,000 principal amount of Notes.

In connection with the issuance of the Notes redemption notice, the Company executed agreements with the capped call counterparties to terminate the outstanding portion of the capped call transactions corresponding to the Notes to be redeemed or exchanged in respect of the redemption of the Notes. In addition, the Company made the first drawdown of $650 million from our Term Loan Facility.

Atlassian Corporation Plc

Company Statements of Financial Position

(U.S. $ in thousands)

	Notes	As at June 30, 2021	As at June 30, 2020
Assets			
Current assets:			
Cash and cash equivalents	4	236,627	$ 261,790
Short-term investments	4,5	310,001	664,574
Prepaid expenses and other current assets	6	33,270	37,068
Total current assets		579,898	963,432
Non-current assets			
Investment in subsidiary	7	1,379,201	617,436
Deferred tax assets	8	134	—
Other non-current assets		—	7
Total non-current assets		1,379,335	617,443
Total assets		$ 1,959,233	$ 1,580,875
Liabilities			
Current liabilities:			
Trade and other payables		2,731	2,705
Total current liabilities		2,731	2,705
Non-current liabilities:			
Deferred tax liabilities	8	134	1,055
Total non-current liabilities		134	1,055
Total liabilities		2,865	3,760
Equity			
Share capital		25,164	24,744
Share premium		461,016	459,892
Other capital reserves		1,397,572	1,011,512
Other components of equity		571	4,497
Retained earnings		72,045	76,470
Total equity		1,956,368	1,577,115
Total liabilities and equity		$ 1,959,233	$ 1,580,875

The loss attributable to members of the Company is $4.4 million for the fiscal years ended June 30, 2021 and the profit is $3.3 million for the fiscal years ended June 30, 2020. As permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

The financial statements of the Company was approved by the Directors on August 27, 2021 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 (Loss)

(U.S. $ in thousands)

	Fiscal Year Ended June 30, 2021	2020
Net income (loss)	$ (4,425)	$ 3,297
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	(4,847)	5,057
Income tax effect	921	(963)
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods, net of tax	(3,926)	4,094
Total comprehensive income (loss), net of tax	$ (8,351)	$ 7,391

Atlassian Corporation Plc

Company Statements of Changes in Equity

(U.S. $ in thousands)

			Other capital reserve			Other components of equity		
	Share capital	Share premium	Share based payments reserve	Capital redemption reserve	Merger Reserve	Fair value through other comprehersive income reserve	Retained Earnings (Accumulated deficit)	Total Equity
Balance as at June 30, 2019	$ 24,199	$ 458,166	$ 697,168	$ 98	$ 425	$ 403	$ 73,173	$ 1,253,632
Net Income	—	—	—	—	—	—	3,297	3,297
Other comprehensive income, net of tax	—	—	—	—	—	4,094	—	4,094
Total comprehensive income for the year	—	—	—	—	—	4,094	3,297	7,391
Exercise of share options, net of early exercise	76	1,726	—	—	—	—	—	1,802
Vesting of early exercised shares	64	—	(32)	—	—	—	—	32
Issuance of ordinary shares for settlement of RSUs	405	—	(405)	—	—	—	—	—
Share-based payment	—	—	313,706	—	—	—	—	313,706
Replacement equity awards related to the acquisitions of subsidiaries	—	—	552	—	—	—	—	552
	545	1,726	313,821	—	—	—	—	316,092
Balance as at June 30, 2020	$ 24,744	$ 459,892	$ 1,010,989	$ 98	$ 425	$ 4 497	$ 76,470	$ 1,577,115
Net Loss	—	—	—	—	—	—	(4,425)	(4,425)
Other comprehensive income, net of tax	—	—	—	—	—	(3.926)	—	(3,926)
Total comprehensive income for the year	—	—	—	—	—	(3.926)	(4,425)	(8,351)
Exercise of share options, net of early exercise	39	1,124	—	—	—	—	—	1,163
Vesting of early exercised shares	34	—	(34)	—	—	—	—	—
Issuance of ordinary shares for settlement of RSUs	347	—	(347)	—	—	—	—	—
Share-based payment	—	—	385,918	—	—	—	—	385,918
Replacement equity awards related to the acquisitions of subsidiaries	—	—	523	—	—	—	—	523
	420	1,124	386,060	—	—	—	—	387,604
Balance as at June 30, 2021	$ 25,164	$ 461,016	$ 1,397,049	$ 98	$ 425	$ 571	$ 72,045	$ 1,956,368

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). The financial statements are prepared on a going concern basis (see page 62-63).

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 UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended June 30, 2021:

Name	Registration number
Atlassian (UK) Limited	8777838
Atlassian (Australia) Limited	8779888
Atlassian (UK) Operations Limited	8855064
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, 2021. 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 subsidiaries

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 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 UK 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 loss attributable to members of the Company is $4.4 million for the fiscal years ended June 30, 2021 and the profit is $3.3 million for the fiscal years ended June 30, 2020.

3. Employee and Director Information

There are no company employees. Please refer to Note 24, "*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 50-58 as well as within Note 20, "*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, 2021, by level within the fair value hierarchy:

	Level 1	Level 2	Total
	(U.S. $ in thousands)		
Description			
Cash and cash equivalents:			
Money market funds	$ 20,966	$ —	$ 20,966
Agency securities	—	4,600	4,600
Commercial paper	—	149,347	149,347
Total cash and cash equivalents	$ 20,966	$ 153,947	$ 174,913
Short-term investments:			
U.S. treasury securities	$ —	$ 209,948	$ 209,948
Agency securities	—	5,752	5,752
Certificates of deposit and time deposits	—	3,653	3,653
Corporate debt securities	—	87,948	87,948
Municipal securities	—	2,700	2,700
Total short-term investments	$ —	$ 310,001	$ 310,001
Total assets	$ 20,966	$ 463,948	$ 484,914

The following table presents the Company's financial assets and liabilities measured and recognized at fair value as of June 30, 2020, by level within the fair value hierarchy:

	Level 1	*Level 2*	*Total*
	(U.S. $ in thousands)		
Description			
Cash and cash equivalents:			
Money market funds	$ 82,982	$ —	$ 82,982
U.S. treasury securities	—	5,599	5,599
Agency securities	—	8,749	8,749
Commercial paper	—	152,252	152,252
Corporate debt securities	—	6,835	6,835
Total cash and cash equivalents	$ 82,982	$ 173,435	$ 256,417
Short-term investments:			
U.S. treasury securities	$ —	$ 296,118	$ 296,118
Agency securities	—	24,586	24,586
Certificates of deposit and time deposits	—	12,053	12,053
Commercial paper	—	21,939	21,939
Corporate debt securities	—	307,150	307,150
Municipal securities	—	2,728	2,728
Total short-term investments	$ —	$ 664,574	$ 664,574
Total assets	$ 82,982	$ 838,009	$ 920,991

5. Short-term Investments

As of June 30, 2021 and 2020, the Group had investments which were classified as short-term investments on the Group's consolidated statements of financial position of $313.0 million and $676.1 million, respectively. 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. Prepaid Expense and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020
	(U.S. $ in thousands)	
Amounts due from group undertakings	$ 30,980	$ 33,819
Accrued interest income	1,394	3,033
Tax receivables	700	44
Other current assets	196	171
Total prepaid expense and other current assets	$ 33,270	$ 37,067

7. Investment in Subsidiary

Carrying value

	(U.S. $ in thousands)
At June 30, 2019	$ 568,204
Additions - share based payment	1,082
Additions - investment in subsidiary	48,150
At June 30, 2020	$ 617,436
Additions - share based payment	11,765
Additions - investment in subsidiary	750,000
At June 30, 2021	$ 1,379,201

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 benefit for fiscal year 2021 was $0.1 million, while fiscal year 2020 had a current tax expense of $0.8 million, which related to UK corporation tax for the current year. Corporation tax is calculated at 19% of the estimated taxable profit for the year. In addition to the amount charged to the income statement, a deferred tax expense of $1.0 million was recognized in other comprehensive income for the fiscal year ended 2020, while a deferred tax benefit of $0.9 million was recognized for the fiscal year ended 2021.

A reconciliation between income tax expense and the product of accounting income multiplied by the UK's domestic tax rate for the fiscal years ended 2021 and 2020 is as follows:

	Fiscal Year Ended June 30,	
	2021	2020
	(U.S. $ in thousands)	
Income (loss) before tax	$ (4,563)	$ 4,128
At the UK's statutory income tax rate of 19% in fiscal years 2021 and 2020	(867)	784
Tax effect of non deductible expense in determining taxable profit	385	472
Tax effect of utilization of tax losses in current year	348	(347)
Other	(5)	(72)
Income tax expense (benefit)	$ (139)	$ 837

Details of deferred taxes, recognized:

	As of June 30,	
	2021	2020
	(U.S. $ in thousands)	
Net group operating loss	$ 134	$ —
Unrealized investment gains	(134)	(1,055)
Reflected in the Company statements of financial position as follows:		
Deferred tax assets	134	—
Deferred tax liabilities	(134)	(1,055)
Deferred tax assets, net	$ —	$ (1,055)

9. Shareholders' Equity

For details of shareholders' equity, see Note 17, "*Shareholders' Equity*" of the Group consolidated financial statements.

10. Share-based Payments

Share-based payment expense for the year ended June 30, 2021 and 2020 was $1.7 million and $2.3 million, respectively. A full description of Group share-based payments is included in the Group consolidated financial statements, Note 22, "*Share-based 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:

	2021	2020
	(U.S. $ in thousands)	
Audit of the parent financial statements	$ 15	$ 15

A full description of Group auditor remuneration is included in the Group consolidated financial statements, Note 23, "*Remuneration of Auditors.*"